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# Tower Real Estate Investment Trust

## ABOUT TOWER REIT

TOWER REIT was constituted under the Deed dated 17 February 2006 (as restated by a Deed dated 29 May 2014) entered into between the Manager and AmTrustee Berhad, acting as the Trustee of Tower REIT, and listed on the Main Market of Bursa Malaysia Securities Berhad on 12 April 2006.

## INVESTMENT OBJECTIVE

The investment objective of Tower REIT is to invest primarily in a portfolio of quality office buildings and commercial properties in order to:

- (a) provide unitholders with stable distribution per unit as well as sustainable long term growth of such distribution; and
- (b) achieve medium to long term growth in the net asset value per unit.

## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

#### MR TANG HONG CHEONG

*Chairman*

*(Non-Independent Non-Executive)*

#### YBHG DATUK KONG WOON JUN

*Director*

*(Non-Independent Executive)*

#### YBHG DATO' KOH HONG SUN

*Director*

*(Independent Non-Executive)*

#### YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

*Director*

*(Independent Non-Executive)*

#### YBHG DATO' POH YANG HONG

*Director*

*(Non-Independent Non-Executive)*

#### MS LIM CHEW YAN

*Director*

*(Non-Independent Non-Executive)*

### MANAGER

#### GLM REIT MANAGEMENT SDN BHD

(659312-H)

### MANAGER'S PRINCIPAL ADDRESS

Level 19, Block B, HP Towers  
12 Jalan Gelenggang  
Bukit Damansara  
50490 Kuala Lumpur  
Tel No. : 03-2726 1181  
Fax No. : 03-2726 1182

### MANAGER'S REGISTERED ADDRESS

Level 10, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel No. : 03-2164 1818  
Fax No. : 03-2164 2476

### COMPANY SECRETARIES OF THE MANAGER

**Lim Yew Yoke** (LS 000431)  
**Chin Min Yann** (MAICSA 7034011)

### TRUSTEE

#### AMTRUSTEE BERHAD

22nd Floor, Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel No. : 03-2036 2633  
Fax No. : 03-2078 2800

### PROPERTY MANAGER

#### LAURELCAP SDN BHD

CT-5.02, 5th Floor, Corporate Tower  
Jalan SS15/4G  
Subang Square  
47500 Subang Jaya  
Selangor Darul Ehsan  
Tel No. : 03-5637 0233  
Fax No. : 03-5638 0233

### REGISTRAR

#### HONG LEONG SHARE REGISTRATION SERVICES SDN BHD

Level 5, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel No. : 03-2164 1818  
Fax No. : 03-2164 3703

### AUDITORS

#### KPMG (AF 0758)

Chartered Accountants  
Level 10, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Tel No. : 03-7721 3388  
Fax No. : 03-7721 3399

### PRINCIPAL BANKERS OF THE TRUST

#### HONG LEONG BANK BERHAD

Level 1, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur

#### PUBLIC BANK BERHAD

27th Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur

#### HSBC BANK MALAYSIA BERHAD

12th Floor, North Tower  
2 Leboh Ampang  
50100 Kuala Lumpur

#### AMBANK (MALAYSIA) BERHAD

Level 12A, Menara Dion  
Jalan Sultan Ismail  
50250 Kuala Lumpur

### WEBSITE

<http://www.tower-reit.com.my>



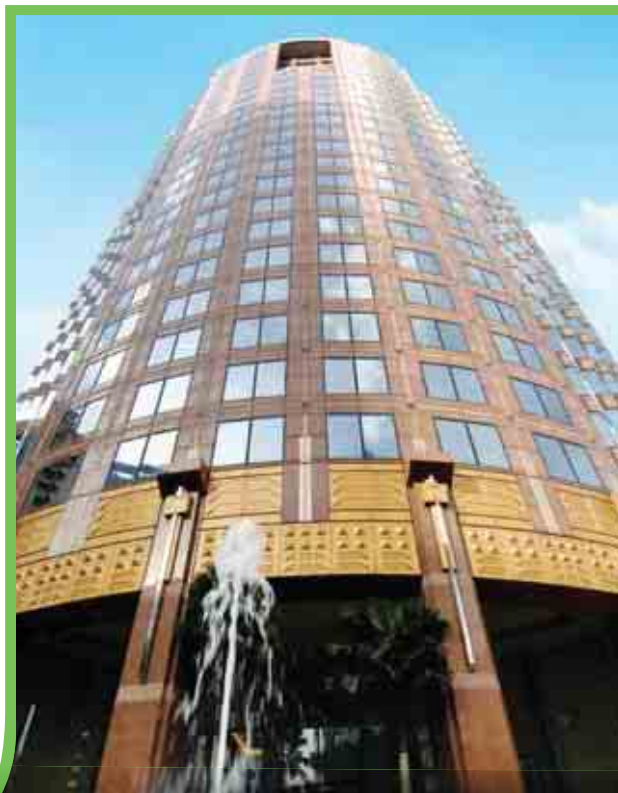


## FUND INFORMATION

<b>NAME OF TRUST</b>	Tower Real Estate Investment Trust
<b>TRUST TYPE</b>	Income and growth
<b>TRUST CATEGORY</b>	Real Estate Investment Trust (“REIT”)
<b>INVESTMENT OBJECTIVE</b>	<p>To invest in a portfolio of quality office buildings and commercial properties in order to:</p> <ul style="list-style-type: none"> <li>• provide unitholders with stable distribution per unit as well as sustainable long term growth of such distribution; and</li> <li>• achieve medium to long term growth in the net asset value per unit.</li> </ul>
<b>FUND PERFORMANCE BENCHMARK</b>	<p>The benchmark of a fund should ideally be representative of the investment universe of the fund. Where it is not possible, returns from a directly competing investment product may be used. A REIT’s performance may be domestically benchmarked against any existing REIT listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).</p> <p>Other common domestic benchmarks that can be used as a guide when assessing the performance of a REIT are the FBM Bursa Malaysia KLCI and Kuala Lumpur Properties Index.</p>
<b>DISTRIBUTION POLICY</b>	<p>The Manager intends to distribute at least 90% of the Distributable Income for the relevant financial years.</p> <p>The Manager intends to make semi-annual distributions to unitholders with the amount calculated as at 30 June and 31 December each year or such other percentages and at such other intervals as determined by the Manager at its discretion.</p>
<b>AUTHORISED INVESTMENTS</b>	<p>i) At least 50% of Total Asset Value (“TAV”) are invested in real estate and/or single purpose companies at all times; and</p> <p>ii) not more than 25% of TAV is invested in non-real estate-related assets and/or cash, deposits and money market instruments</p> <p>or such other limits as may be prescribed or permitted by the Securities Commission (“SC”) or the SC Guidelines on REITs.</p>
<b>FINANCIAL YEAR END</b>	31 December
<b>BORROWING LIMITATIONS</b>	Total borrowings of the Trust shall not exceed 50% of the TAV at the time the borrowings are incurred or such other levels as may be permitted by the SC Guidelines on REITs.
<b>APPROVED FUND SIZE</b>	280,500,000 units
<b>NO REDEMPTION BY UNITHOLDERS</b>	Unitholders have no right to request the Manager to repurchase or redeem the units while the units are listed on Bursa Securities. It is intended that unitholders may only deal with their listed units through trading on Bursa Securities.

## OVERVIEW OF PORTFOLIO

Tower REIT's portfolio consists of two quality commercial offices with a combined appraised value of approximately RM559 million as at 31 December 2015. The combined total net lettable areas of the portfolio is 735,017 sq. ft. These assets provide strong and sustainable income stream to the Trust.



**MENARA HLA**  
3 Jalan Kia Peng  
50450 Kuala Lumpur



**HP TOWERS**  
12 Jalan Gelenggang  
Bukit Damansara  
50490 Kuala Lumpur

As at 31 December 2015, Tower REIT's investment portfolio comprised two prime commercial office buildings situated in the Klang Valley.

Real Estate	Net Lettable Area Sq. Ft.	Market Value RM	% of Total Real Estate Portfolio
Menara HLA	385,215	340,000,000	61
HP Towers	349,802	219,000,000	39
<b>Total</b>	<b>735,017</b>	<b>559,000,000</b>	<b>100</b>

## ASSETS PROFILE



### MENARA HLA

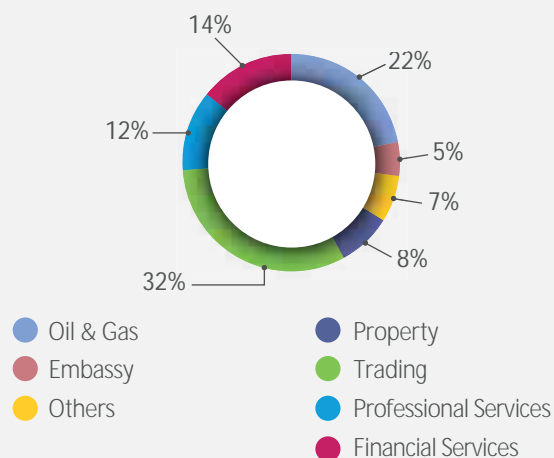
Menara HLA is strategically located in the heart of the prestigious Golden Triangle of Kuala Lumpur. At the epicentre of modern Kuala Lumpur, the Golden Triangle is a sprawling area bounded to its north by Jalan Ampang and to the west by Chinatown and Sungai Klang. It is also the city's main central business district accommodating prime office buildings, major retail centres, prestigious international class hotels and various world-renowned tourist attractions like KL Tower, Craft Complex, Aquaria KLCC and Dewan Filharmonik Petronas.

Menara HLA is situated between Kuala Lumpur city centre development and retail/hotel belt of Jalan Bukit Bintang and Jalan Sultan Ismail which provide ample supplementary amenities such as a wide variety of restaurants, boutique cafes, convenient shops, entertainment outlets, banking facilities, etc. In general, the building has good ingress and egress and it is accessible from Jalan Ampang, Jalan Sultan Ismail and

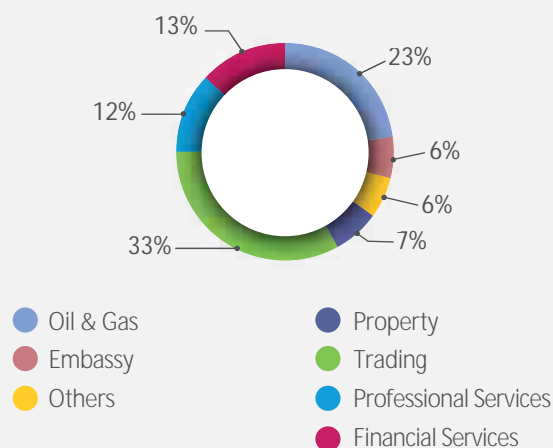
Jalan Tun Razak, as well as via various nearby rail systems like Kuala Lumpur Monorail, Light Rail Transit (LRT) and the upcoming Mass Rapid Transit (MRT).

The finishes and specifications of Menara HLA provide occupiers with functional, quality office accommodation demanded by the corporate sector which requires more sophisticated technical expectations. The building is well-maintained and uses good quality granite for its facade and polished granite slabs for the entrance lobby on the ground floor and all the office lifts. Besides that, it also features triple ceiling high main entrance lobby with glass panels to create an aura of grandeur. In addition, the positioning of the columns at the sides creates column free space, thereby increasing efficiency of usage. Menara HLA offers nice and undisrupted view of KLCC Park and the iconic KLCC Twin Towers. Besides that, one will also enjoy a scenic view of skyscrapers in the city centre at the north view, and a bustling crowds wandering around Bukit Bintang shopping belt at the south view.

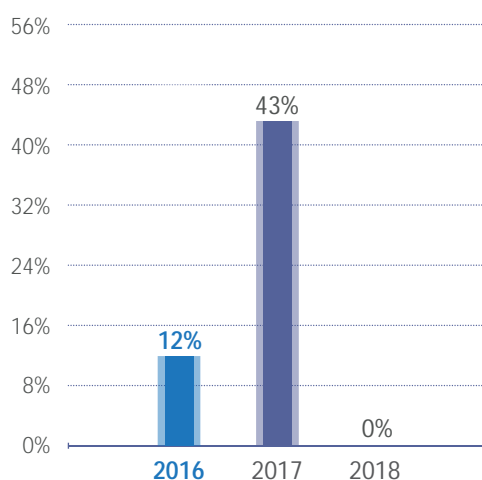
Tenants Mix by Net Lettable Area as at 31 December 2015



Tenants Mix by Gross Rental Income for the Month of December 2015



Expiry Profile as at 31 December 2015



Major Tenants as at 31 December 2015

Name	Trade Sector	% of Total Net Lettable Area
TWM Corporate Services Sdn Bhd	Trading	13%
Hong Leong Investment Bank Berhad	Financial Services	7%
Lundin Malaysia B.V.	Oil & Gas	9%
Malaysia Blue Ocean Strategy Institute	Others	5%
Total E&P	Oil & Gas	4%
		<b>38%</b>

#### ADDRESS

Menara HLA, 3 Jalan Kia Peng  
50450 Kuala Lumpur

#### DESCRIPTION

A 32 storey high-rise office building with a 4-level basement car park

#### PROPERTY TYPE/USE

Commercial Office Building

#### AGE

16 years

#### TITLE DETAILS

Lot No. 1286, Seksyen 57  
Title No. Geran 43969/M1/B4/1  
Town and District of Kuala Lumpur

#### ENCUMBRANCES

Nil

#### LIMITATION ON TITLE/INTEREST

Nil

#### TENURE

Freehold

#### NET LETTABLE AREA

385,215 sq. ft.

#### OCCUPANCY RATE \*

69%

#### PARKING SPACE

723 car park bays

#### DATE OF ACQUISITION

17 April 2006

#### ACQUISITION PRICE

RM221,000,000

#### MARKET VALUE

RM340,000,000

#### DATE OF LATEST EXTERNAL VALUATION

10 November 2015

#### NAME OF VALUER

Raine & Horne International  
Zaki + Partners Sdn Bhd

#### NET BOOK VALUE \*

RM340,000,000

#### PROPERTY MANAGER

Laurelcap Sdn Bhd

\* As at 31 December 2015



## ASSETS PROFILE

Cont'd



### HP TOWERS

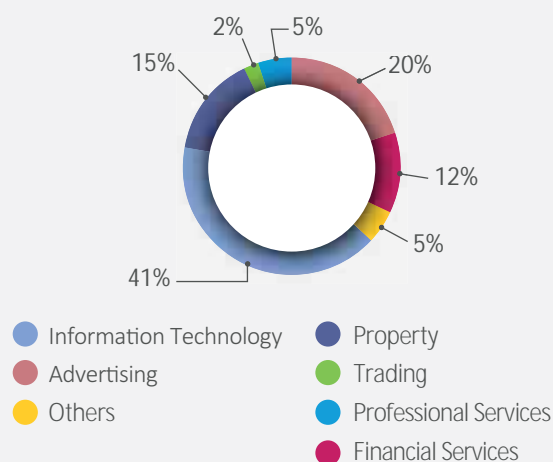
HP Towers is located within the bustling commercial area of Bukit Damansara and is sited on the northern (right) side of Jalan Semantan (which forms part of the SPRINT Highway) when one travels from the Kuala Lumpur city centre towards Petaling Jaya. The building comprises 2 tower blocks which are Block A (9 storeys) and Block B (21 storeys), and situated about 8 km west of the Kuala Lumpur city centre.

HP Towers is easily accessible to the SPRINT Highway which is linked to other major roads, such as the North Klang Valley Expressway (NKVE), Federal Highway, Damansara-Puchong Highway (LDP) and North South Expressway (NSE). The extensive road networks developed in the vicinity have reduced the travelling time to the Kuala Lumpur city centre and Petaling Jaya. Besides, it only takes about several minutes to drive from HP Towers

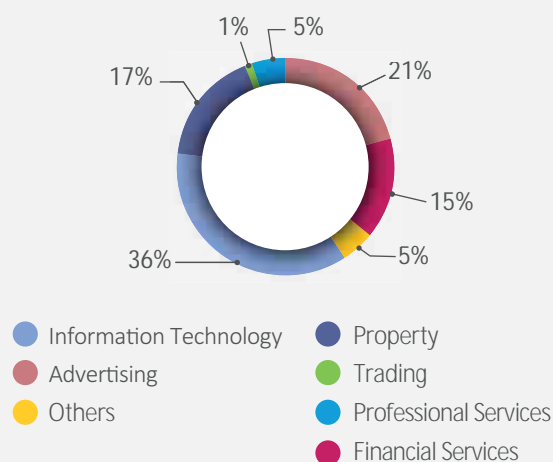
to several nearby major shopping malls, Bangsar and the KL Sentral transportation hub. A feeder bus service to KL Sentral is also available at certain times of the day. The upcoming and nearby Damansara City integrated development by GuocoLand (Malaysia) Berhad that is expected to bring in huge traffic when fully completed, as well as the Semantan MRT station that is just a stone throw away will place HP Towers well within this area.

The finishes and specifications of HP Towers provide occupiers with functional, quality office demanded by the corporate sector. The external wall of the building is clad with alucobond curtain walling whilst the entrance lobby on the ground floor and all the office lift lobbies are of polished granite slabs. It also has a 3-level high main entrance lobby which further creates an aura of grandeur.

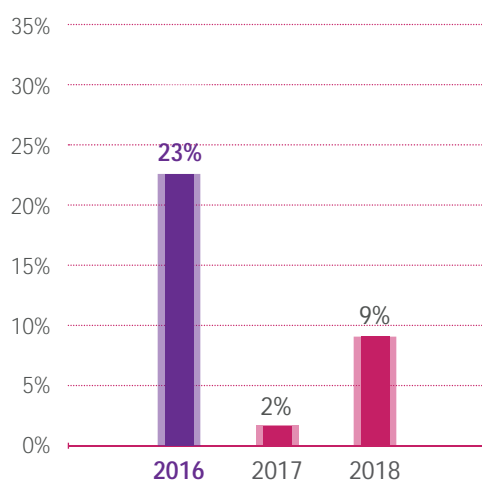
Tenants Mix by Net Lettable Area as at 31 December 2015



Tenants Mix by Gross Rental Income for the Month of December 2015



Expiry Profile as at 31 December 2015



Major Tenants as at 31 December 2015

Name	Trade Sector	% of Total Net Lettable Area
Hewlett-Packard Sales (M) Sdn Bhd	Information Technology	28%
GuocoLand (Malaysia) Berhad	Property	11%
Valuecap Sdn Bhd	Financial Services	9%
Carat Media (M) Sdn Bhd	Advertising	6%
TBWA Kuala Lumpur Sdn Bhd	Advertising	3%
		<b>57%</b>

#### ADDRESS

HP Towers, 12 Jalan Gelenggang,  
Bukit Damansara  
50490 Kuala Lumpur

#### DESCRIPTION

2 blocks of 9 and 21 storey office buildings with 3 levels connecting podium and 4 levels of basement car park

#### PROPERTY TYPE/USE

Commercial Office Building

#### AGE

23 years

#### TITLE DETAILS

Lot No. 54308,  
Title No. Geran 61506  
Mukim and District of Kuala Lumpur

#### ENCUMBRANCES

Lienholder's caveat entered by Public Bank Berhad

#### LIMITATION ON TITLE/INTEREST

Nil

#### TENURE

Freehold

#### NET LETTABLE AREA

349,802 sq. ft.

#### OCCUPANCY RATE \*

73%

#### PARKING SPACE

545 car park bays

#### DATE OF ACQUISITION

17 April 2006

#### ACQUISITION PRICE

RM130,000,000

#### MARKET VALUE

RM219,000,000

#### DATE OF LATEST EXTERNAL VALUATION

10 November 2015

#### NAME OF VALUER

Raine & Horne International  
Zaki + Partners Sdn Bhd

#### NET BOOK VALUE \*

RM219,000,000

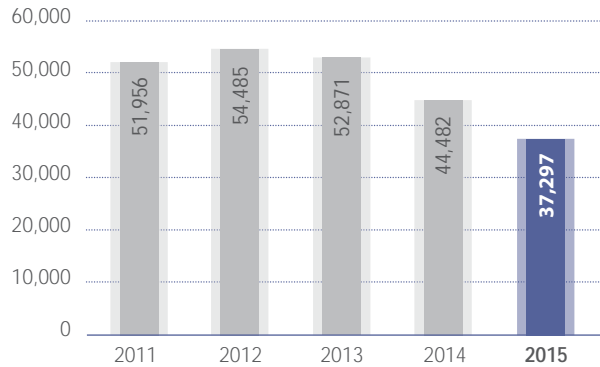
#### PROPERTY MANAGER

Laurelcap Sdn Bhd

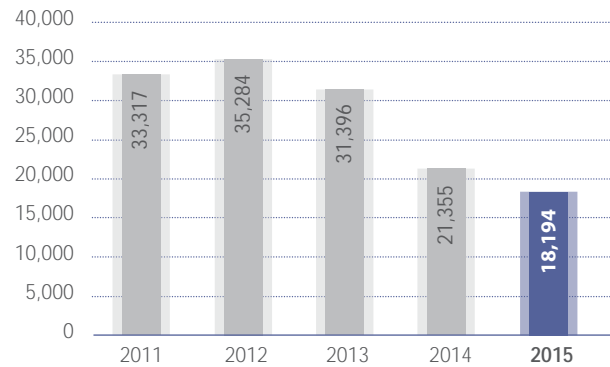
\* As at 31 December 2015

## FUND PERFORMANCE

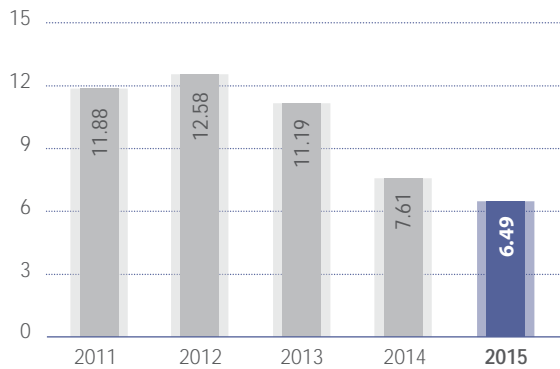
### GROSS REVENUE RM'000



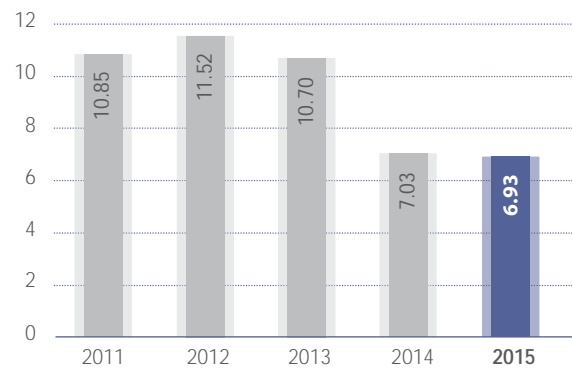
### INCOME AFTER TAXATION (REALISED) RM'000



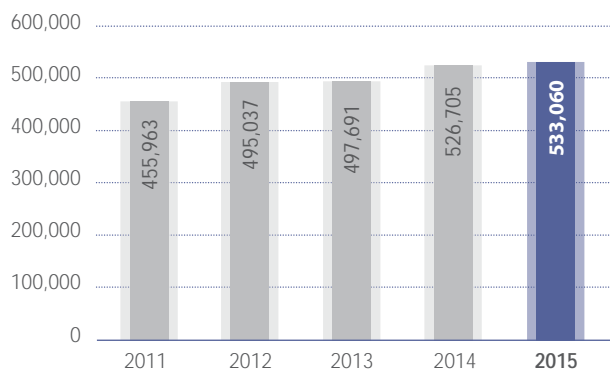
### EARNING PER UNIT (REALISED) SEN



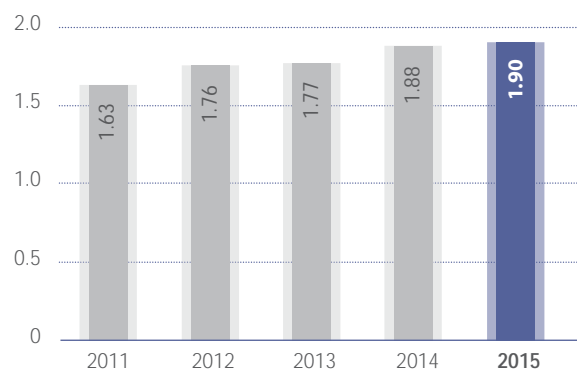
### DISTRIBUTION PER UNIT SEN



### NET ASSET VALUE ("NAV") (AFTER INCOME DISTRIBUTION) RM'000



### NAV PER UNIT (AFTER INCOME DISTRIBUTION) RM



# FUND PERFORMANCE

Cont'd

	2011	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total Asset Value	608,452	645,204	644,661	682,544	568,316
Total Borrowings	116,500	114,070	114,400	116,400	100
NAV before income distribution	471,952	511,979	513,427	535,681	543,523
NAV after income distribution	455,963	495,037	497,691	526,705	533,060
Units in Circulation / Listed	280,500,000	280,500,000	280,500,000	280,500,000	280,500,000
NAV Per Unit (RM)					
- Before income distribution	1.6825	1.8252	1.8304	1.9097	1.9377
- After income distribution	1.6255	1.7648	1.7743	1.8777	1.9004
- Highest NAV per unit (ex-distribution)	1.6825	1.8252	1.8361	1.8178	1.9377
- Lowest NAV per unit (ex-distribution)	1.6240	1.6609	1.7865	1.7948	1.8922
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Total Revenue	51,956	54,485	52,871	44,482	37,297
Income After Taxation					
- Realised and distributable	33,317	35,284	31,396	21,355	18,194
- Unrealised from fair value adjustment	(2,442)	36,103	1,271	27,378	7,600
	30,875	71,387	32,667	48,733	25,794
Earnings Per Unit (sen) <sup>(1)</sup>					
- Realised	11.88	12.58	11.19	7.61	6.49
- Unrealised	(0.87)	12.87	0.45	9.76	2.71
	11.01	25.45	11.64	17.37	9.20
Income Distribution					
- Interim	14,445	15,371	14,277	10,743	8,976
- Final	15,989	16,942	15,736	8,976	10,463
	30,434	32,313	30,013	19,719	19,439
Distribution Per Unit (sen)					
- Interim	5.15	5.48	5.09	3.83	3.20
- Final	5.70	6.04	5.61	3.20	3.73
	10.85	11.52	10.70	7.03	6.93
Date of Distribution					
- Interim	25/08/2011	25/08/2012	27/08/2013	27/08/2014	28/08/2015
- Final	28/02/2012	28/02/2013	28/02/2014	27/02/2015	29/02/2016
<b>RATIOS</b>					
Management Expenses Ratio ("MER") <sup>(2)</sup> (%)	0.62	0.63	0.60	0.58	0.65
Interest Cover Ratio <sup>(3)</sup> (times)	7.0	7.6	6.9	4.9	10.8
Gearing Ratio <sup>(4)</sup> (%)	19	18	18	17	0

**Notes:**

<sup>(1)</sup> Based on weighted average number of units in issue during the respective financial years.

<sup>(2)</sup> Based on total fees, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administration expenses, to the average NAV during the respective financial years.

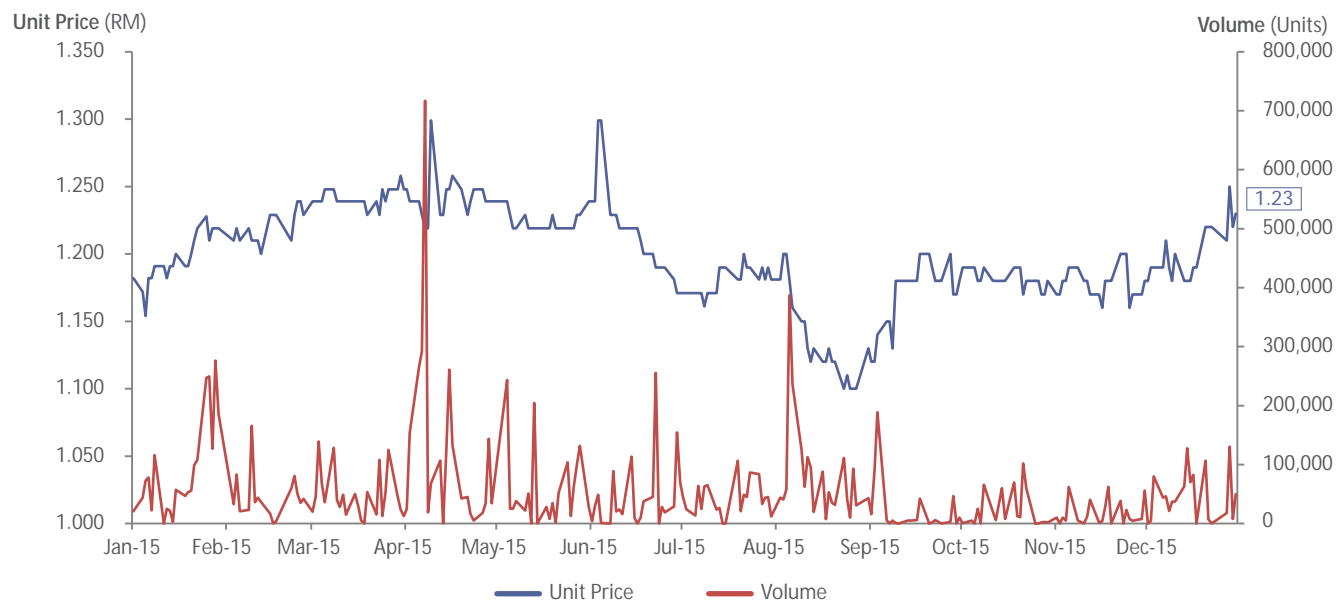
<sup>(3)</sup> Based on realised net income before interest and tax (realised) over interest expenses.

<sup>(4)</sup> Based on total borrowings over total assets.

# FUND PERFORMANCE

Cont'd

## MARKET UNIT PRICE AND TRADING PERFORMANCE



UNIT PRICE PERFORMANCE	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM
Unit price per unit at close of respective years	1.29	1.46	1.50	1.27	1.23
Highest traded price during the years	1.31	1.51	1.66	1.55	1.30
Lowest traded price during the years	1.17	1.28	1.42	1.16	1.10
Average unit price for the years <sup>(1)</sup>	1.22	1.41	1.53	1.38	1.20

ANNUAL TOTAL RETURN	2011	2012	2013	2014	2015
Total Return for the years	11%	22%	15%	-6%	-9%

Total Return of the Trust for the year is derived by: 
$$\frac{\text{Gross Distribution per unit} + \text{Net Change in Average Unit Price}}{\text{Average Unit Price}}$$

AVERAGE TOTAL RETURN	2013	2014	2015
1 year	15%	-6%	-9%
3 years	16%	10%	0%
Since inception	13%	10%	8%

Average Total Return of the Trust is derived by: 
$$\frac{\text{Total Return over the year}}{\text{Number of Years under review}}$$

## FUND PERFORMANCE

Cont'd

DISTRIBUTION YIELD	2011	2012	2013	2014	2015
Annualised Distribution Yield	8.9%	8.2%	7.0%	5.1%	5.8%

Annualised Distribution Yield of the Trust is derived by:

Gross Distribution per unit of the year

Average unit price of the year

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

*Note:*

<sup>(1)</sup> Average unit price is derived from the average of the daily market closing price for the respective years.



# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors and management of GLM REIT Management Sdn Bhd ("GLM REIT" or the "Manager"), the Manager of Tower Real Estate Investment Trust ("Tower REIT" or the "Trust"), I am pleased to present the annual report and the audited financial statements of Tower REIT for the financial year ended 31 December 2015.

## MARKET REVIEW

Malaysia's GDP grew by 5.3% during the first half of 2015, supported by service and manufacturing sectors, as well as steady domestic demand, particularly private sector expenditure. However, growth in the third quarter of 2015 slowed to 4.7%.

Malaysia's GDP growth for 2016 is expected to be slightly slower at between 4.0% - 4.5% as highlighted in the 2016 budget recalibration. The operating environment will continue to be challenging in the first half of 2016 and the impact of rising costs of living, weakening ringgit, rising job losses and tighter lending rules will all lead to consumer spending staying weak. Nevertheless, Bank Negara Malaysia opined that stable economic growth, current account surplus and strong financial system have not been disrupted and Malaysia is able to weather external and domestic headwinds that the country is currently facing.

Despite the challenging operating environment, in general, Malaysia's real estate investment trusts ("REIT") were able to record positive revenue and earnings growth in 2015.

## FINANCIAL REVIEW

For the financial year ended 31 December 2015, Tower REIT registered a gross revenue of RM37.3 million and realised income after taxation of RM18.2 million, a decrease of 16.2% and 14.9% respectively compared to the preceding financial year's performance of RM44.5 million and RM21.4 million respectively. The decrease was mainly attributed to disposal of Menara ING. Following the disposal of Menara ING, Tower REIT is now in a position of strength with capability to acquire and add to its property portfolio.

Tower REIT is pleased to declare a final income distribution of 3.73 sen per unit, totalling RM10,462,650 which will be paid on 29 February 2016 for the financial year ended 31 December 2015. The final income distribution, together with the interim income distribution of 3.20 sen per unit paid on 28 August 2015, represent a total income distribution of 6.93 sen per unit for the financial year ended 31 December 2015. This translates to a distribution yield of 5.6% (2014: 5.5%), based on the Trust's closing price of RM1.23 per unit on 31 December 2015 (2014: RM1.27).

## BUSINESS REVIEW

Securing new tenants as well as renewing existing tenants to boost occupancy rates for our portfolio have been challenging as many private businesses are cautious over the cost of their business operations. Foreign direct investments have also lacked growth and therefore new space requirements from foreign firms have been muted, especially in the oil and gas sector. New supply of office space continues to come into the market, putting office rental rates under pressure.

## CHAIRMAN'S STATEMENT

Cont'd

On a more positive note, the challenging leasing conditions may present more opportunities to acquire better yielding assets. The REIT market has witnessed several announcements in 2015 of asset acquisitions to grow their portfolio.

We believe the outlook for Tower REIT remains stable in view of its prudent gearing level and capital management, as well as proactive asset management strategies. Progressing into the next year, Tower REIT will continue to maximise the return of its properties by focusing on tenant retention, capital management and cost efficiency measures, while pursuing growth by actively exploring acquisition opportunities. These measures will enhance the quality of Tower REIT's portfolio and deliver sustainable income distribution for unitholders.

### PROSPECTS

Global economy grew 2.4% in 2015 and the World Bank is expecting the world economy to expand marginally at 2.9% in 2016, given weakness in some developing economies and overall global slowdown.

The Malaysian economy remains resilient despite a more challenging external environment, including moderate global growth, declining commodity prices, depreciating currencies of emerging economies and volatility in financial markets. Against the backdrop of increased uncertainty in the global economy, growth in the Malaysian economy will be driven by domestic demand, with private expenditure as the main anchor, while public expenditure will increase moderately. Strong economic fundamentals such as benign inflation and stable employment, supported by an accommodative monetary policy, are expected to support growth.

For 2016, office space supply-demand imbalance shall continue to pose a strong challenge for most REIT players. Newly completed office buildings may continue to exert some downward pressure on the rental rates of existing and older buildings.

Moving forward, we will continue to focus on preserving the financial performance of the Trust's underlying assets through proactive asset management while pursuing acquisition opportunities.

### ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I welcome YBhg Datuk Kong Woon Jun as new Board Member. YBhg Datuk Kong Woon Jun assumed the position of the Group Managing Director of GuocoLand (Malaysia) Berhad, the holding company of GLM REIT, with effect from 4 January 2016. I would like to extend our thanks and appreciation to Mr Tan Lee Koon who resigned from the Board on 31 December 2015, for his past services and invaluable contribution to GLM REIT.

On behalf of the Board of Directors, I would also like to thank the Board members, the management and staff for their dedication and commitment. My sincere appreciation also goes to our valued tenants, business associates, government authorities and unitholders of Tower REIT for their continuous support and confidence throughout the year.

**TANG HONG CHEONG**

Chairman

19 February 2016





## MANAGER'S REPORT

**GLM REIT Management Sdn Bhd ("GLM REIT" or the "Manager"), the Manager of Tower Real Estate Investment Trust ("Tower REIT" or the "Trust"), is pleased to submit the Manager's Report and the audited financial statements of Tower REIT for the financial year ended 31 December 2015.**

### THE TRUST

Tower REIT was constituted under the Deed dated 17 February 2006 (as restated by a Deed dated 29 May 2014) (the "Deed") entered into between the Manager and AmTrustee Berhad, acting as the Trustee of Tower REIT. Tower REIT was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 12 April 2006.

The principal activity of the Trust is to own and invest primarily in prime commercial properties in Malaysia's major growth areas. There has been no significant change in the nature of this activity of the Trust during the year and up to the date of this Manager's Report.

### THE MANAGER

The Manager is responsible for the overall management and administration of the Trust, including its investments, asset enhancement and capital management initiatives. The Manager, incorporated in Malaysia, is a wholly-owned subsidiary of GuocoLand (Malaysia) Berhad. The principal activity of the Manager is the provision of management services to real estate investment trusts. There has been no change in the nature of this activity during the year under review.

### INVESTMENT OBJECTIVE

The investment objective of the Trust is to invest in a portfolio of quality office buildings and commercial properties to:

- provide unitholders with stable distribution per unit as well as sustainable long term growth of such distributions; and
- achieve medium to long term growth in the net asset value ("NAV") per unit.

As a result of our proactive strategies and the strong underlying assets under the portfolio, we have achieved our investment objective by delivering stable distribution and growth in NAV to our valued unitholders.

### INVESTMENT STRATEGIES

Since the Trust's listing in 2006, the Manager has always been prudent and cautious in its acquisition strategies as well as risk management and asset management initiatives. In times of potential economic uncertainty, the Manager will carry out more fact-based analysis based on existing and new environment intelligence in order to mitigate any impending risk to the Trust's portfolios and, when necessary, impose fresh restrictive countermeasures. The enhancement of capital value of the Trust's property portfolio shall continue as this is deemed essential to maintain competitiveness of its assets, improve revenue and ensure fair return to unitholders.

# MANAGER'S REPORT

Cont'd

## FINANCIAL REVIEW

	2015	2014	Variance
	RM'000	RM'000	%
<b>Gross Revenue</b>	37,297	44,482	-16.15
Property operating expenses	(12,666)	(14,883)	14.89
Net property income	24,631	29,599	-16.78
Change in fair value of investment properties	18,000	-	100.00
Change in fair value of asset held for sales	-	26,527	-100.00
Change in fair value of derivatives	-	851	-100.00
Gain on disposal of investment property	659	-	100.00
Net non-property expenses	(4,623)	(8,244)	43.92
<b>Income before taxation</b>	38,667	48,733	-20.66
Taxation	(12,873)	-	-100.00
<b>Income after taxation</b>	25,794	48,733	-47.07
<b>Income after taxation</b>			
- Realised and distributable	18,194	21,355	-14.80
- Unrealised and non-distributable	7,600	27,378	-72.24
	<b>25,794</b>	<b>48,733</b>	<b>-47.07</b>

The Trust registered gross revenue and realised and distributable income of RM37.3 million and RM18.2 million respectively for the financial year ended 31 December 2015.

The income after taxation for the financial year ended 31 December 2015 was RM25.8 million, comprising realised and distributable net income of RM18.2 million and unrealised gain of RM7.6 million, resulting from fair value adjustment of investment properties classified as held for sale.

## INCOME DISTRIBUTION

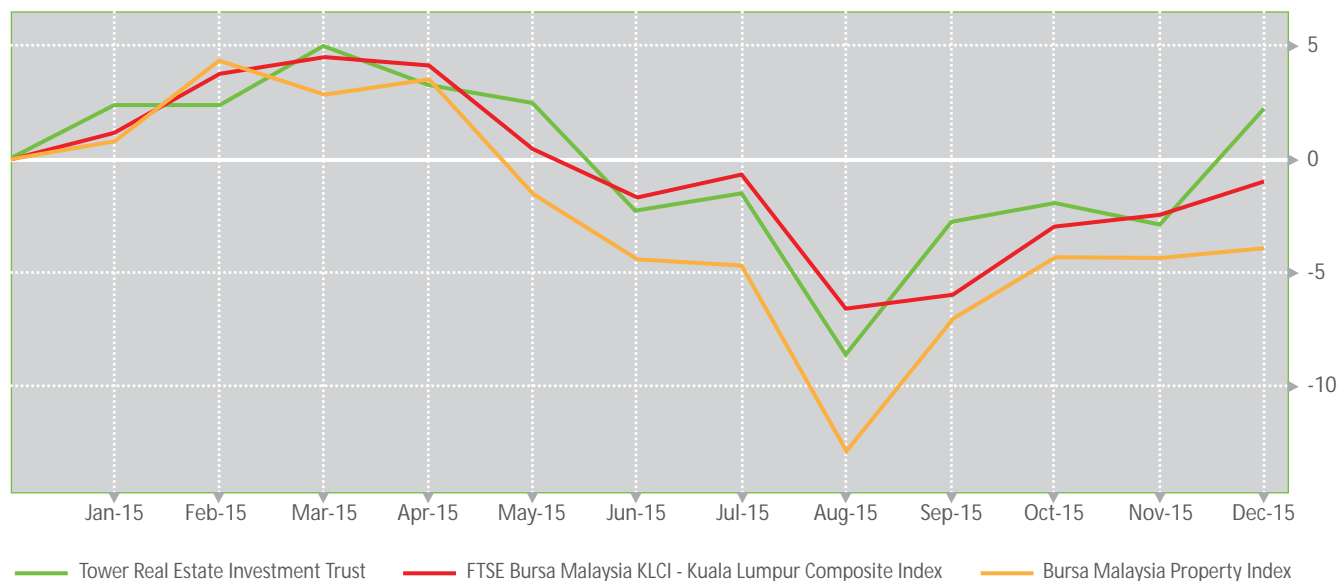
The Trust had distributed 3.20 sen per unit, amounting to RM8,976,000 as interim income distribution from the first half year results. For the remaining half of the financial year ended 31 December 2015, we are pleased to declare a final income distribution of 3.73 sen per unit, amounting to RM10,462,650, payable on 29 February 2016. The total income distribution of 6.93 sen per unit for 2015, representing a distribution of about 107% of the realised and distributable income after taxation for the financial year ended 31 December 2015, is in line with our policy to distribute at least 90% of the distributable income.



# MANAGER'S REPORT

Cont'd

## UNIT PRICE PERFORMANCE



Against the backdrop of increased uncertainty in the global economy, growth in the Malaysian economy will be driven by domestic demand, with private expenditure as the main anchor. The economy is expected to remain on a steady growth path, expanding between 4.0% – 4.5% in 2016. The structural reforms undertaken by the government over the years to diversify the economy and strengthen the financial system have placed the economy on a stronger footing as well as enhanced its resilience to weather the external challenges.

The international reserves of Bank Negara Malaysia amounted to RM409.1 billion as at 31 December 2015 compared to RM405.4 billion as at end 2014. The reserves are sufficient to finance 8.5 months of retained imports and expected to be supported by trade and investment inflows in 2016. Bursa Malaysia Securities Berhad is likely to see cautious trading in 2016, a spillover of domestic and global headwinds last year.

Tower REIT was not spared from the market scenario and closed at RM1.23 per unit on 31 December 2015 with a 3% decrease from the 31 December 2014 closing price of RM1.27 per unit. Tower REIT's market capitalisation stood at RM345.0 million as at 31 December 2015.

## CHANGES IN NET ASSET VALUE

	As at 31 December 2015 RM	As at 31 December 2014 RM
Net Asset Value ("NAV")	543,522,327	535,681,420
NAV per unit		
- before income distribution	1.9377	1.9097
- after income distribution	1.9004	1.8777

## MANAGER'S REPORT

Cont'd

### PORTFOLIO REVIEW

As at 31 December 2015, the Trust's investment portfolio covered the following prime commercial buildings in Kuala Lumpur:

Property	Net Lettable Area sq.ft.	Acquisition Date	Acquisition Cost RM	Incidental Cost/ Addition/ Enhancement RM	Fair Value Adjustment RM	At Market Value 31 Dec 2015 RM	% of Portfolio %
Menara HLA	385,215	17 April 2006	221,000,000	1,144,201	117,855,799	340,000,000	61
HP Towers	349,802	17 April 2006	130,000,000	3,190,085	85,809,915	219,000,000	39
<b>Total</b>	<b>735,017</b>		<b>351,000,000</b>	<b>4,334,286</b>	<b>203,665,714</b>	<b>559,000,000</b>	<b>100</b>

### OCCUPANCY AND RENTAL RATES

As at 31 December 2015, Menara HLA, situated within the Golden Triangle of Kuala Lumpur, had an occupancy rate of 69%. HP Towers which is located in Damansara Heights, Kuala Lumpur, was 73% occupied.

### OCCUPANCY RATES



In tandem with strong marketing strategies and efforts to secure more tenants and to retain high occupancy and rental rates, the Manager will also continue to proactively monitor for any potential reduction in tenancy so that appropriate countermeasures can be taken.



## MANAGER'S REPORT

Cont'd

### LEASE EXPIRY PROFILE

A typical tenure of the tenancy is three years while lease renewals are staggered over the upcoming years. The following is the expiry profile of the properties within the portfolio of the Trust:

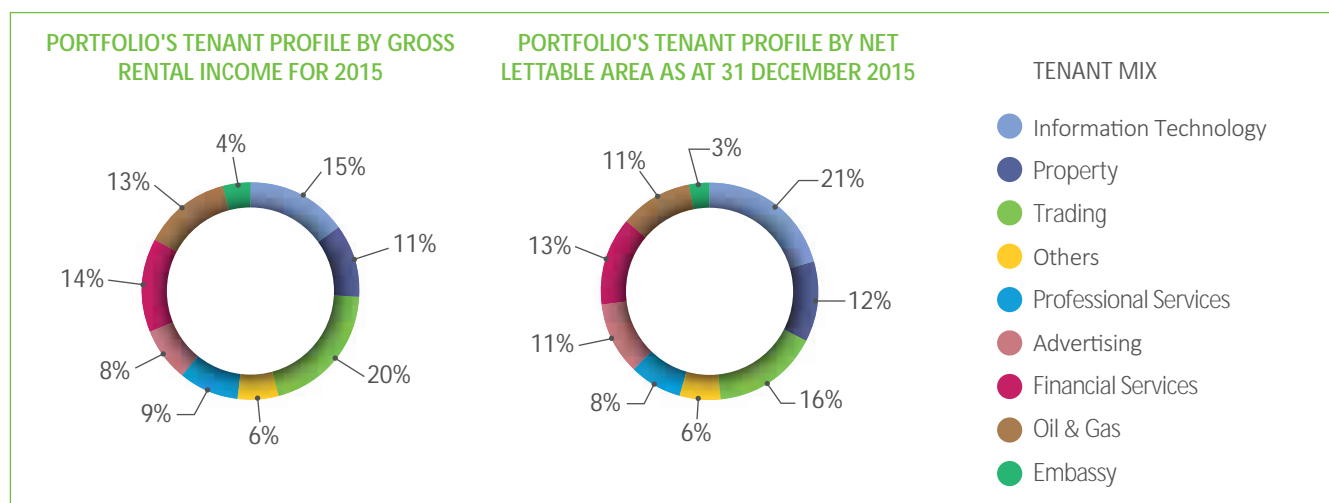
	No. of Tenants	2016		2017		2018	
		No. of Tenants	% of Net Lettable Area	No. of Tenants	% of Net Lettable Area	No. of Tenants	% of Net Lettable Area
Menara HLA	24	8	12%	15	43%	1	0%
HP Towers	19	16	23%	1	2%	2	9%
<b>Total</b>	<b>43</b>	<b>24</b>	<b>17%</b>	<b>16</b>	<b>24%</b>	<b>3</b>	<b>5%</b>

Approximately 31% of the tenancies from the previous year were due for renewal during the financial year ended 31 December 2015. Through our proactive negotiations and active tenant engagement, we renewed 82% of the tenancies which had expired during the year.

On the overall portfolio's tenancies lease tenure, 17%, 24% and 5% are due for renewal in 2016, 2017 and 2018 respectively.

### DIVERSIFIED TENANT BASE

The Trust's portfolio has a balanced and well diversified tenant base. The diversified tenant mix had enabled the Trust to diversify its business risks and tap into the growth of the respective sectors. As at 31 December 2015, there were 48 tenants and collectively, the five largest tenants accounted for approximately 33% of the portfolio's gross rental income.



# MANAGER'S REPORT

Cont'd

## DIVERSIFIED TENANT BASE cont'd

Major Tenants as at 31 December 2015	Trade Sector	% of Portfolio's Net Lettable Area
Hewlett-Packard Sales (M) Sdn Bhd	Information Technology	13%
TWM Corporate Services Sdn Bhd	Trading	7%
Hong Leong Investment Bank Berhad	Financial Services	3%
GuocoLand (Malaysia) Berhad	Property	5%
Lundin Malaysia B.V.	Oil & Gas	5%
		33%

## Asset Enhancement Initiative

Tower REIT will continue to embark on asset enhancement programmes to enhance the buildings' appeal and value.

## CAPITAL STRUCTURE AND INTEREST RATE

As at 31 December 2015, the Trust's borrowing was RM100,000 of term loan, maturing in April 2017.

For the financial year ended 31 December 2015, the Trust's average all-in costs of debt remained at a competitive rate of approximately 4.09% per annum with interest cover ratio of 10.8 times.

## OFFICE MARKET REVIEW

<sup>1</sup>Office space supply in the Klang Valley in Malaysia is due for an addition of 2.48 million sq. ft. of net lettable area (NLA), or seven new office buildings ready in the market, this year amid the softer overall property market. With that addition, the Klang Valley, an area that encompassing the nation's capital and major towns and cities surrounding it, will have a 3.5% increase in supply to 101 million sq. ft. of office space. Competition from newer buildings which are in more favourable locations and with better specifications, facilities and green building features will continue to exert downward pressure on occupancy and rent rates of existing and older buildings.

## PROSPECTS

Overall, the occupancy and rental rates are expected to be subdued in 2016. We hope for some positive corrections in the second half if the external economic headwinds are reduced. Notwithstanding the difficult operating environment, the Manager will continue to take active steps to manage the portfolio assets to maximise return to unitholders.

<sup>1</sup> According to property consultant CH William Talhar & Wong as reported in dealstreetasia.com on 13 January 2016.



# MANAGER'S REPORT

Cont'd

## MANAGER'S FEES AND COMMISSION

Pursuant to the Deed constituting the Trust, the Manager's fees consist of a base fee (excluding any goods and services tax payable) of up to 0.75% per annum of the gross asset value ("GAV") and 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. During the financial year under review, the Manager charged 0.24% and 3.50% for the base fee and performance fee respectively.

In addition, the Manager will also be entitled to the following fees for any acquisition or disposal of real estate by Tower REIT:

- i) an acquisition fee of 1.00% of the acquisition price of any real estate or single-purpose company which principal assets comprise real estate, purchased for Tower REIT (pro-rate if applicable to the proportion of the interest of Tower REIT in the asset acquired); and
- ii) a divestment fee of 0.50% of the sale price of any real estate or a single-purpose company which principal assets comprise real estate, sold or divested by Tower REIT (pro-rate if applicable to the proportion of the interest of Tower REIT in the asset sold).

## SOFT COMMISSION

During the financial year ended 31 December 2015, the Manager did not receive any soft commission from its broker by virtue of transactions conducted by Tower REIT.

## DIRECTORS

The Directors who served on the Board of GLM REIT during the year under review are:

- Mr Tang Hong Cheong – Chairman (*Non-Independent Non-Executive Director*)
- YBhg Datuk Kong Woon Jun (*Non-Independent Executive Director*) - Appointed on 4 January 2016
- Mr Tan Lee Koon (*Non-Independent Executive Director*) - Resigned on 31 December 2015
- YBhg Dato' Koh Hong Sun (*Independent Non-Executive Director*)
- YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (*Independent Non-Executive Director*)
- YBhg Dato' Poh Yang Hong (*Non-Independent Non-Executive Director*)
- Ms Lim Chew Yan (*Non-Independent Non-Executive Director*)

# MANAGER'S REPORT

Cont'd

## DIRECTORS' BENEFITS

During the financial year under review, there were no arrangements for the Directors of GLM REIT to acquire benefits by means of the acquisition of units in or debentures of Tower REIT.

Since the establishment of Tower REIT, no Director has received or become entitled to receive any benefit by reason of a contract made by GLM REIT for Tower REIT or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

## DIRECTORS' INTERESTS

The Directors of GLM REIT, holding office as at 31 December 2015, had no interests in the units of Tower REIT as at 31 December 2015.

## OTHER INFORMATION

- a) Before the statement of comprehensive income and statement of financial position of Tower REIT were made out, the Manager took reasonable steps:
  - i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and adequate provision had been made for doubtful debts; and
  - ii. to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- b) At the date of this report, the Manager is not aware of any circumstances which would render:
  - i. it necessary to write off any bad debts or to amount of provision for doubtful debts in respect of the financial statements of Tower REIT; and
  - ii. the values attributed to the current assets in the financial statements of Tower REIT misleading.
- c) At the date of this report, the Directors of the Manager are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of Tower REIT misleading or inappropriate.
- d) At the date of this report, the Directors of the Manager are not aware of any circumstances not otherwise dealt with in this report or financial statements of Tower REIT, which would render any amount stated in financial statements misleading.
- e) As at the date of this report, there does not exist:
  - i. any charge on the assets of Tower REIT which has arisen since the end of the financial year which secures the liabilities of any other person; and
  - ii. any contingent liability of Tower REIT which has arisen since the end of the financial year.





## MANAGER'S REPORT

Cont'd

### OTHER INFORMATION cont'd

- f) In the opinion of the Directors of the Manager:
- i. no contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which will or may affect the ability of Tower REIT to meet its obligations as and when they fall due; and
  - ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of Tower REIT for the financial year in which this report is made.

### STATEMENT BY MANAGER

We, GLM REIT Management Sdn Bhd, being the Manager of Tower REIT, are responsible for the preparation of the annual financial statements of Tower REIT.

We are satisfied that in preparing the financial statements of the Trust for the financial year ended 31 December 2015, the Trust has used appropriate accounting policies and applied them consistently. We are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

Signed in accordance with a resolution of the Directors of GLM REIT Management Sdn Bhd.

**TANG HONG CHEONG**  
Director

**DATUK KONG WOON JUN**  
Director

19 February 2016

## DIRECTORS' PROFILE

### MR TANG HONG CHEONG

*Chairman*

*Non-Executive Director / Non-Independent*

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Mr Tang Hong Cheong, aged 60, a Malaysian, is a Member of The Malaysian Institute of Accountants. He has over 30 years of working experience in finance, treasury and risk management, operation and strategic planning in which he has held various positions including senior management positions in various companies within the Hong Leong Group. He is currently holding the position of President/ Finance Director of HL Management Co Sdn Bhd.

Mr Tang was appointed to the Board of GLM REIT Management Sdn Bhd ("GLM REIT"), the Manager of Tower Real Estate Investment Trust ("Tower REIT"), on 1 August 2008.

He is a Director of Southern Steel Berhad which is listed on the Main Market of Bursa Malaysia Securities Berhad.

### YBHG DATUK KONG WOON JUN

*Executive Director / Non-Independent*

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YBhg Datuk Kong Woon Jun, aged 52, a Malaysian, graduated with a Bachelor of Architecture (Honours) from University of Wales Institute of Science and Technology (UWIST), Wales, United Kingdom in 1989. He is a Member of the Architects Registration Board (ARB) in United Kingdom and a corporate member of Pertubuhan Akitek Malaysia (PAM).

YBhg Datuk Kong has more than 26 years of experience in property development and construction industry. He started his career as a Senior Architect in BEP Arkitek Sdn Bhd, in charge of high-end property developments in year 1994. He served as the Director of Project and Product Planning of Perdana Parkcity Sdn Bhd from year 2003 to 2008, where he played a major role in the planning and designing of the township called Desa ParkCity, Kuala Lumpur. Prior to joining Tropicana Corporation Berhad ("Tropicana"), he joined TA Global Berhad in April 2008 as the Director of Planning & Design and was then promoted to Chief Operating Officer in August 2008. With his experience in township master planning, he was actively involved in concept master plan and product design for the projects under his supervision. He was appointed as an Executive Director of Tropicana on 1 March 2011 and was promoted to Deputy Group Managing Director on 1 March 2013. On 14 March 2014, he was promoted to the position of Group Managing Director. He was also a Director of Tropicana Golf & Country Resort Berhad, a wholly-owned subsidiary of Tropicana.

YBhg Datuk Kong was appointed to the Board of GLM REIT on 4 January 2016.

He is a Director of GuocoLand (Malaysia) Berhad which is listed on the Main Market of Bursa Malaysia Securities Berhad.

## DIRECTORS' PROFILE

Cont'd

### YBHG DATO' KOH HONG SUN

*Non-Executive Director / Independent*

YBhg Dato' Koh Hong Sun, aged 63, a Malaysian, graduated with a Masters Degree in Strategic and Security Studies from Universiti Kebangsaan Malaysia.

YBhg Dato' Koh had a distinguished career with the Royal Malaysian Police (RMP) for almost 40 years, having joined RMP as a Probationary Inspector in 1971 and retired in October 2010 as the Director of Commercial Crime Investigation Department.

During the period as an officer of the RMP, YBhg Dato' Koh had held various important command posts, including as Commandant of The Police Training Centre in Kuala Lumpur, Assistant Director NCB-Interpol, Officer-in-Charge of Brickfields Police District, Federal Traffic Chief, Deputy Chief Police Officer of Johor, Chief Police Officer of Penang and Commissioner of Police as Director of Commercial Crime Investigation Department.

YBhg Dato' Koh was appointed to the Board of GLM REIT on 22 December 2010.

YBhg Dato' Koh has recently been appointed as the Chairman of QBE Insurance (Malaysia) Berhad which is a non-listed public company. He also sits on the Boards of Mega First Corporation Berhad and Genting Malaysia Berhad which are listed on the Main Market of Bursa Malaysia Securities Berhad.

### YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

*Non-Executive Director / Independent*

YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah, aged 63, a British citizen holding Malaysian permanent residency, is a Fellow of Gemology Association, Great Britain and a member of National Association of Goldsmith London, Great Britain. He has extensive experience in the corporate sector, serving in various senior capacities, including as the Group Executive Director of Melewar Corporation Berhad which he joined in 1985 until 1993. He currently sits on the Boards of several private limited companies.

YBhg Dato' Nicholas John Lough was appointed to the Board of GLM REIT on 17 February 2014.

He is a Director of Scicom (MSC) Berhad and Hong Leong Bank Berhad which are listed on the Main Market of Bursa Malaysia Securities Berhad, and Royce Pharma Berhad which is a non-listed public company.

### YBHG DATO' POH YANG HONG

*Non-Executive Director / Non-Independent*

YBhg Dato' Poh Yang Hong, aged 42, a Malaysian, graduated from Monash University, Melbourne, Australia with a Bachelor of Economics degree. He had held various positions in the Hong Leong Group, including as the Managing Director of Corporate & Private Equity Department, Group Investment Office of HL Management Co Sdn Bhd. He is currently the Chief Executive Officer of Caprice Capital International Ltd, a private investment vehicle.

YBhg Dato' Poh was appointed to the Board of GLM REIT on 1 August 2008.

He is a Director of GuocoLand (Malaysia) Berhad which is listed on the Main Market of Bursa Malaysia Securities Berhad.

### MS LIM CHEW YAN

*Non-Executive Director / Non-Independent*

Ms Lim Chew Yan, aged 59, a Malaysian, holds Bachelor of Law, Masters in Law and Masters in Business Administration degrees. She joined Hong Leong Group in year 1986, holding various positions within the Hong Leong Group before assuming her current position as Corporate Finance Director and Group General Counsel of HL Management Co Sdn Bhd.

Ms Lim was appointed to the Board of GLM REIT on 1 August 2008.

## CHIEF EXECUTIVE OFFICER'S PROFILE

### MR TEO JUHN HOW

#### *Chief Executive Officer*

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Mr Teo Juhn How, aged 37, a Malaysian, holds a Master in Business Administration from Vlerick Business School and a Bachelor of Commerce from University of Western Australia. He served in several positions in real estate development, investment management and business development for various companies in Australia, United Kingdom and Malaysia since 1999. Mr Teo's previous posting was Chief Investment Officer with Assetwise Capital Management.

Mr Teo was appointed as the Chief Executive Officer of GLM REIT on 16 November 2015.

#### *Notes:*

**1. Family Relationship with Directors and/or Major Unitholders**

*None of the Directors and Chief Executive Officer has any family relationship with any Director and/or major unitholder of Tower REIT.*

**2. Conflict of Interests**

*None of the Directors and Chief Executive Officer has any conflict of interest with Tower REIT.*

**3. Convictions of Offences**

*None of the Directors and Chief Executive Officer has been convicted of any offences in the past 10 years.*

**4. Attendance of Directors**

*Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance in the Annual Report.*



## CORPORATE GOVERNANCE

GLM REIT Management Sdn Bhd (“GLM REIT” or the “Manager”), the Manager of Tower Real Estate Investment Trust (“Tower REIT” or the “Trust”), has adopted an overall corporate governance framework that is designed to meet best practice principles and which recognises that an effective corporate governance culture is critical to the performance of the Manager and consequently, the success of Tower REIT which it manages.

In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of unitholders. This obligation ties in with the Manager’s prime responsibility in managing the assets and liabilities of Tower REIT for the benefit of unitholders, and the Manager will endeavour to continue enhancing returns to unitholders.

### THE MANAGER OF TOWER REIT

The Manager’s primary responsibility is to manage and administer Tower REIT in accordance with the investment policy of the Trust for the benefit of the unitholders. Amongst others, the Manager will be responsible for the following:

- determining the investment policies of Tower REIT;
- formulating the strategies direction of Tower REIT;
- developing business plans for investments in the short, medium and long-term, and the budgets of Tower REIT;
- formulating Tower REIT’s risk management policies;
- recommending acquisition, divestment or asset enhancement of the Tower REIT’s assets to the Trustee;
- devising the leasing strategies and managing tenants;
- ensuring compliance with the applicable provisions of the Deed constituting Tower REIT (as restated by a Deed dated 29 May 2014) (the “Deed”), the Securities Commission (the “SC”) Guidelines on Real Estate Investment Trusts (the “REITs”), the SC Guidelines on Unit Trust Funds, the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”) and other relevant legislations;
- supervising the Property Manager; and
- performing any other duties and obligations as provided under the Deed, the SC Guidelines on REITs and the SC Guidelines on Unit Trust Funds.

Tower REIT, constituted as a trust, is externally managed by the Manager and accordingly, it has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations of the Manager. All directors and employees of the Manager are remunerated by the Manager, and not Tower REIT.

# CORPORATE GOVERNANCE

Cont'd

## A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board of Directors of the Manager (the “Board”) assumes responsibility for effective stewardship and control of the Manager and has established terms of reference to assist in the discharge of this responsibility.

The role and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Manager’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure.

The Chairman leads the Board and ensures its smooth and effective functioning.

The Chief Executive Officer (“CEO”) is responsible for the vision and strategic direction of the Manager, implementing the policies and decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing unitholder wealth, setting the benchmark and targets for the Manager, overseeing the day to day operations and tracking compliance and business progress.

Independent Non-Executive Directors (“INEDs”) are responsible for providing insights, unbiased and independent views, advice and judgement to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. INEDs do not participate in the day-to-day management of the Manager and there are no relationships or circumstances that could interfere with or are likely to affect the exercise of their independent judgement or the ability to act in the best interest of the Manager and the unitholders of the Trust.

The Board observes the Company Directors’ Code of Ethics established by the Companies Commission of Malaysia (“CCM”) which is available at CCM’s website at [www.ssm.com.my](http://www.ssm.com.my). In addition, the Manager also has a Code of Ethics that sets out sound principles and standards of good practice which are observed by the employees.

## B. BOARD COMPOSITION

The Board comprises six (6) directors, five (5) of whom are non-executive directors. Of the non-executive directors, two (2) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Manager’s business.

## C. COMMITMENT

The directors are aware of their responsibilities and will devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs on the Manager to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 50% of Board meetings pursuant to the MMLR.

The Board meets quarterly with timely notices to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors’ Circular Resolutions.



## CORPORATE GOVERNANCE

Cont'd

### C. COMMITMENT cont'd

All Board members are supplied with information in a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Trust and of the Manager and management's proposals which require the approval of the Board.

All directors have access to the advice and services of qualified and competent Company Secretaries. All directors also have access to independent professional advice at the Manager's expense, in consultation with the Chairman or the CEO of the Manager.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

The Board met 4 times during the financial year ended 31 December 2015.

Details of attendance of each director are as follows:

Directors	Attendance
Mr Tang Hong Cheong	4/4
Mr Tan Lee Koon ( <i>Resigned on 31 December 2015</i> )	4/4
YBhg Dato' Koh Hong Sun	4/4
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	4/4
YBhg Dato' Poh Yang Hong	3/4
Ms Lim Chew Yan	4/4

YBhg Datuk Kong Woon Jun was appointed to the Board after the close of the financial year ended 31 December 2015 and as such, he did not attend any of the Board meetings held during the financial year.

The Board recognises the importance of continuous professional development and training for its directors.

All directors of the Manager have completed the Mandatory Accreditation Programme.

The Manager regularly organises in-house programmes, briefings and updates by its in-house professionals. The directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

An induction programme which includes visits to the Manager's business operations and meetings with senior management is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Manager's business.

## CORPORATE GOVERNANCE

Cont'd

### C. COMMITMENT cont'd

The Manager has prepared for the use of its directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of directors, the Board has determined that appropriate training programmes covering issues on corporate governance, finance, legal, risk management and/or statutory/regulatory compliance, and property industry related matters, be recommended and arranged for the directors to enhance their contributions to the Board.

During the financial year ended 31 December 2015, the directors received regular briefings and updates on the Manager's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations from in-house professionals. The Manager also organised an in-house programme for its directors and senior management.

The directors of the Manager have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as directors.

During the financial year ended 31 December 2015, the directors of the Manager, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops, including:

- Shaking Things Up: Technology That Transforms And How To Keep Pace
- Bank Negara Malaysia ("BNM") – Financial Institutions Directors' Education ("FIDE") Core Programme
- BNM – FIDE Forum: "Financial Services in Turbulent Times"
- BNM – FIDE Forum: Dialogue with the Governor "Economic and Financial Services Sector: Trends and Challenges Moving Forward"
- BNM – FIDE Forum: "Impact of the New Accounting Standard on Banks – What Directors should be aware of"
- BNM – FIDE Forum: "Board's Strategic Leadership: Innovation & Growth in Uncertain Times"
- BNM – FIDE Forum: "Beyond Compliance to Growth – Board's Strategy in Cultivating Real Growth within a Conducive Governance Environment"
- BNM – FIDE Elective Programme: "Advanced Corporate Governance"
- BNM – Director Focus Group Sessions
- PEMANDU – "Lead the Change: Getting Women on Boards"
- Bursatra – Corporate Financial Reporting: "Are You Making The Right Decisions?"
- Bursatra – Sustainability Symposium
- Corporate Governance Breakfast Series with Directors
  - Bringing The Best Out In Boardrooms
  - The Board's Response in Light of Rising Shareholder Engagements
  - Future of Auditor Reporting – The Game Changer for Boardroom
- Global Institute of Enterprise Risk Practitioners Conference 2015 – Enterprise Risk Management: The Next Generation
- Governance, Director Duties and Listing Requirements Updates for Directors of Public Listed Companies Seminar 2015





# CORPORATE GOVERNANCE

Cont'd

## C. COMMITMENT cont'd

- Update on amendments to Bursa Securities Main Market Listing Requirements
- Briefing on Goods and Services Tax
- Managing the Risks of Cyber Attack
- The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) Annual Conference 2015 – Integrity and Professionalism: Key to Business Success
- 2015 National Conference on Governance, Risk and Control – Gearing for Innovation by The Institute of Internal Auditors Malaysia
- Malaysian Institute of Accountants (MIA) International Accountants Conference 2015

## D. APPOINTMENTS TO THE BOARD

Given the current size of the Board, the Board is of the view that it is not necessary for GLM REIT to establish a Nominating Committee for the time being and the Board as a whole will serve as the Nominating Committee. All new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The process of assessing the directors is an on-going responsibility of the entire Board.

## E. RE-ELECTION

Both the independent directors and non-independent directors are required to submit themselves for re-election at the Annual General Meeting (“AGM”) of GLM REIT every 3 years under the MMLR. In addition, the re-appointment of directors who have attained 70 years of age and above is subject to shareholders’ approval at the AGM of GLM REIT under Section 129 of the Companies Act, 1965.

## F. ACCOUNTABILITY AND AUDIT

### I. Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of Tower REIT. The directors are satisfied that in preparing the financial statements of Tower REIT for the financial year ended 31 December 2015, Tower REIT has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

### II. Relationship with Auditors

The external auditors are appointed by the Trustee which may be nominated by the Manager. The auditors appointed must be independent of the Manager and Trustee. The remuneration of the auditors is approved by the Trustee.

# CORPORATE GOVERNANCE

Cont'd

## G. INTERNAL CONTROL

The Board has overall responsibility for maintaining a system of internal control which covers financial and operation controls and risk management. This system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

## H. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

The Manager has established procedures that will ensure that related party transactions and conflict of interests are undertaken in full compliance with the SC Guidelines on REITs, the Deed and the MMLR; and on an arm's length basis and on terms which are not more favourable than those extended to related parties.

The Board is under a fiduciary duty to Tower REIT to act in the best interest in relation to decision affecting Tower REIT when they are voting as a member of the Board. In addition, the directors and the executive officers of the Manager are expected to act with honesty and integrity at all times.

## I. RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

The Manager operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved. Responsibility for managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The Board reviews the risk to the assets of Tower REIT and acts upon any comment of the auditors of Tower REIT. In assessing business risk, the Board considers the economic environment and the property industry risk.

## J. DISCLOSURE

All timely disclosure and material information documents will be posted on the website after release to Bursa Securities.

## K. COMMUNICATION WITH UNITHOLDERS

### I. Dialogue with Unitholders and Investors

The Board acknowledges the importance of regular communication with unitholders and investors via the annual reports, circulars to unitholders and quarterly financial reports and the various announcements made during the year, through which unitholders and investors can have an overview of the Tower REIT's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on Tower REIT's website, Bursa Securities website, in the media and by post to unitholders. This allows unitholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

Unitholders have the right to demand to vote by way of a poll at the general meetings for resolutions and the voting results will be announced at the meetings and through Bursa Securities.



## CORPORATE GOVERNANCE

Cont'd

### K. COMMUNICATION WITH UNITHOLDERS cont'd

#### I. Dialogue with Unitholders and Investors cont'd

Tower REIT has a website at 'www.tower-reit.com.my' which the unitholders can access for information which includes corporate information, announcements and financial information.

In addition, unitholders and investors can have a channel of communication with the Chief Executive Officer of the Manager to direct queries and provide feedback to the Manager.

Queries may be conveyed to the following person:

Name	:	Mr Teo Juhn How
Tel No.	:	03-2726 1180
Fax No.	:	03-2726 1182
E-mail address	:	juhnteo@guocoland.com.my

#### II. AGM

The AGM provides an opportunity for the unitholders to seek and clarify any issues and to have a better understanding of the Tower REIT's performance. Unitholders are encouraged to meet and communicate with the Board of Directors of GLM REIT at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to unitholders' queries during the AGM.

*This statement on Corporate Governance is made in accordance with the resolution of the Board of Directors of GLM REIT.*

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## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 RM'000	2014 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	3	559,000	541,000
Trade and other receivables	4	1,472	4,378
Deposits placed with a licensed bank		6,705	1,000
Cash and bank balances		1,139	8,139
		9,316	13,517
Non-current asset classified as held for sale	5	-	128,027
<b>Total current assets</b>		<b>9,316</b>	<b>141,544</b>
<b>Total assets</b>		<b>568,316</b>	<b>682,544</b>
<b>Represented by:</b>			
<b>Unitholders' funds</b>			
Unitholders' capital	6	285,345	285,345
Undistributed income – realised		64,675	23,159
Undistributed income – unrealised	7	193,503	227,177
		543,523	535,681
<b>Liabilities</b>			
Trade and other payables, including derivatives	8	5,297	7,037
Borrowings (secured)	9	100	105,500
Deferred tax liability	14,25	10,400	-
<b>Total non-current liabilities</b>		<b>15,797</b>	<b>112,537</b>
Trade and other payables, including derivatives	8	8,996	23,426
Borrowings (secured)	9	-	10,900
<b>Total current liabilities</b>		<b>8,996</b>	<b>34,326</b>
<b>Total liabilities</b>		<b>24,793</b>	<b>146,863</b>
<b>Total unitholders' funds and liabilities</b>		<b>568,316</b>	<b>682,544</b>
<b>Net asset value ("NAV")</b>		<b>543,523</b>	<b>535,681</b>
<b>Number of units in circulation ('000)</b>	6	<b>280,500</b>	<b>280,500</b>
		<b>2015</b>	<b>2014</b>
		<b>RM</b>	<b>RM</b>
<b>NAV per unit</b>			
- Before income distribution		1.9377	1.9097
- After income distribution		1.9004	1.8777

The NAV as at the reporting date has taken into account distributions paid during the financial year. The final distribution declared after each respective year end is recognised in the subsequent financial year. The NAV per unit after income distribution is calculated based on the NAV as at reporting dates after adjusting for final distributions declared subsequent to financial year end.

The notes on pages 41 to 70 form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
Gross revenue	10	37,297	44,482
<b>Property operating expenses</b>	11	<b>(12,666)</b>	<b>(14,883)</b>
<b>Net rental income</b>		<b>24,631</b>	<b>29,599</b>
Interest income		559	83
Change in fair value of derivatives		-	851
Change in fair value of non-current asset classified as held for sale		-	26,527
Change in fair value of investment properties		18,000	-
Gain on disposal of investment property		659	-
Other income		140	85
<b>Total income</b>		<b>43,989</b>	<b>57,145</b>
Manager's fees	12	2,859	2,450
Trustee's fee	13	162	152
Auditors' fees		58	51
Administrative expenses		335	349
Valuation fee		60	-
Interest expense		1,848	5,410
<b>Total expenses</b>		<b>5,322</b>	<b>8,412</b>
<b>Income before tax</b>		<b>38,667</b>	<b>48,733</b>
Income tax expense	14	(12,873)	-
<b>Net income for the year/Total comprehensive income for the year</b>		<b>25,794</b>	<b>48,733</b>
<b>Total comprehensive income for the year is made up as follows:</b>			
Realised		18,194	21,355
Unrealised		7,600	27,378
		<b>25,794</b>	<b>48,733</b>
<b>Earnings per unit (sen)</b>			
Realised		6.49	7.61
Unrealised		2.71	9.76
	15	<b>9.20</b>	<b>17.37</b>

The notes on pages 41 to 70 form an integral part of these financial statements.



## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2015

Cont'd

	Note	2015 RM'000	2014 RM'000
<b>Net income distribution</b>			
- Interim income distribution of 3.20 sen per unit paid on 28 August 2015 (2014: 3.83 sen per unit paid on 27 August 2014)	16	8,976	10,743
- Final income distribution to be declared after the reporting period of 3.73 sen per unit payable on 29 February 2016 (2014: 3.20 sen per unit paid on 27 February 2015)	16	10,463	8,976
		<b>19,439</b>	<b>19,719</b>
<b>Income distribution per unit</b>			
- Interim - Gross/Net* (sen)		3.20 <sup>#</sup>	3.83 <sup>@</sup>
- Final - Gross/Net* (sen)		3.73 <sup>§</sup>	3.20 <sup>#</sup>
		<b>6.93</b>	<b>7.03</b>

\* Withholding tax will be deducted for distributions made to the following categories of unitholders:

	Withholding tax rate		
	2016 <sup>§</sup>	2015 <sup>#</sup>	2014 <sup>@</sup>
Resident corporate	Nil <sup>^</sup>	Nil <sup>^</sup>	Nil <sup>^</sup>
Resident non-corporate	10%	10%	10%
Non-resident individual	10%	10%	10%
Non-resident corporate	25%	25%	25%
Non-resident institutional	10%	10%	10%

<sup>^</sup> To tax at prevailing rate.

## STATEMENT OF CHANGES IN NET ASSET VALUE

For the Year Ended 31 December 2015

	Note	Unitholders' capital RM'000	Undistributed income		Total RM'000
			Non-Distributable -unrealised RM'000	Distributable -realised RM'000	
At 1 January 2014		285,345	199,799	28,283	513,427
<b>Operations for the year ended 31 December 2014</b>					
Total comprehensive income for the year		-	27,378	21,355	48,733
<b>Unitholders' transactions</b>					
Distribution to unitholders					
- 2013 final	16	-	-	(15,736)	(15,736)
- 2014 interim	16	-	-	(10,743)	(10,743)
Decrease in net assets resulting from unitholders' transactions		-	-	(26,479)	(26,479)
At 31 December 2014/1 January 2015		285,345	227,177	23,159	535,681
<b>Operations for the year ended 31 December 2015</b>					
Net income for the year		-	7,600	18,194	25,794
Realisation of unrealised income		-	(41,274)	41,274	-
Total comprehensive income for the year		-	(33,674)	59,468	25,794
<b>Unitholders' transactions</b>					
Distribution to unitholders					
- 2014 final	16	-	-	(8,976)	(8,976)
- 2015 interim	16	-	-	(8,976)	(8,976)
Decrease in net assets resulting from unitholders' transactions		-	-	(17,952)	(17,952)
At 31 December 2015		285,345	193,503	64,675	543,523
		Note 6	Note 7		

The notes on pages 41 to 70 form an integral part of these financial statements.





## STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2015

	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities</b>		
Income before tax	38,667	48,733
Adjustments for:		
Interest expense	1,848	5,410
Interest income	(559)	(83)
Change in fair value of non-current asset classified as held for sale	-	(26,527)
Change in fair value of derivatives	-	(851)
Change in fair value of investment properties	(18,000)	-
Gain on disposal of investment property	(659)	-
Operating profit before working capital changes	21,297	26,682
Changes in working capital:		
Trade and other receivables	2,906	(3,124)
Trade and other payables	(16,169)	14,480
<b>Net cash generated from operating activities</b>	<b>8,034</b>	<b>38,038</b>
<b>Cash flows from investing activities</b>		
Interest received	559	83
Net proceed from divestment of investment property	126,212	-
<b>Net cash generated from investing activities</b>	<b>126,771</b>	<b>83</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1,848)	(5,410)
(Repayment)/Drawdown of borrowings	(116,300)	2,000
Distribution paid to unitholders	(17,952)	(26,479)
<b>Net cash used in financing activities</b>	<b>(136,100)</b>	<b>(29,889)</b>
Net (decrease)/increase in cash and cash equivalents	(1,295)	8,232
Cash and cash equivalents at beginning of year	8,839	607
Cash and cash equivalents at end of year	<b>7,544</b>	<b>8,839</b>

### Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2015 RM'000	2014 RM'000
Cash and bank balances	1,139	8,139
Deposits placed with a licensed bank	6,705	1,000
	<b>7,844</b>	<b>9,139</b>
Deposits pledged as security	(300)	(300)
	<b>7,544</b>	<b>8,839</b>

The notes on pages 41 to 70 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

Tower Real Estate Investment Trust ("Tower REIT" or "the Trust") is a Malaysian-domiciled real estate investment trust constituted pursuant to the Deed dated 17 February 2006 as restated by a Deed dated 29 May 2014 ("the Deed") between GLM REIT Management Sdn. Bhd. ("the Manager") and AmTrustee Berhad ("the Trustee"). The Deed is regulated by the Securities Commission ("SC") Guidelines on Real Estate Investment Trusts ("REITs"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Rules of the Depository and taxation laws and rulings. Tower REIT was listed on the Main Market of Bursa Malaysia Securities on 12 April 2006.

The address of the principal place of business of the Manager is at Level 19, Block B, HP Towers, 12 Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur.

The principal activity of Tower REIT is to own or invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies of which principal assets comprise real estate with the primary objectives of achieving an attractive level of return from rental income and of achieving medium to long term capital growth. There has been no significant change in the nature of this activity during the year.

The financial statements were approved by the Board of Directors of GLM REIT Management Sdn. Bhd. on 19 February 2016.

### 1. BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements of Tower REIT have been prepared in accordance with the provisions of the Deed dated 17 February 2006 as restated by the Deed dated 29 May 2014, the SC Guidelines on REITs, applicable securities laws, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards. These financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Securities.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Trust:

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*



# NOTES TO THE FINANCIAL STATEMENTS

Cont'd

## 1. BASIS OF PREPARATION cont'd

### (a) Statement of compliance cont'd

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***  
cont'd

- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

***MFRSs, Interpretations and amendments effective for a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Trust plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14 and amendments to MFRS 10, MFRS 11, MFRS 12, MFRS 128, MFRS 138, MFRS 119 and MFRS 127 which are not applicable to the Trust; and
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Trust 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 Trust is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### **MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Trust is currently assessing the financial impact that may arise from the adoption of MFRS 9.

# NOTES TO THE FINANCIAL STATEMENTS

Cont'd

## 1. BASIS OF PREPARATION cont'd

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Trust's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 3 - Investment properties and Note 25 - Deferred tax liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Trust, unless otherwise stated.

### (a) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Trust becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 2. SIGNIFICANT ACCOUNTING POLICIES cont'd

#### (a) Financial instruments cont'd

##### (ii) Financial instrument categories and subsequent measurement

The Trust categorises financial instruments as follows:

##### *Financial assets*

##### **(a) Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### **(b) Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(e)).

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

Cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES cont'd

### (a) Financial instruments cont'd

#### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all risks and rewards of the asset is transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

### (b) Investment property

#### (i) Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair values with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

#### (ii) Determination of fair value

An external independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Trust's investment property portfolio:

- (a) in the event of an acquisition or disposal of investment property by the Trust; and
- (b) in such manner and frequency (at least once every 3 years) of revaluation as required by the SC Guidelines on REITs.



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 2. SIGNIFICANT ACCOUNTING POLICIES cont'd

#### (b) Investment property cont'd

##### (ii) Determination of fair value cont'd

The last valuation by an independent valuer was done on 10 November 2015. When an independent valuer is not appointed, the Directors of the Manager perform the valuation of investment properties.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Trust and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time frame.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 3.

#### (c) Receivables

Trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(a).

#### (d) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks, which have an insignificant risk of changes in value with original maturities of three months or less, and are used by Tower REIT in the management of its short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(a).

# NOTES TO THE FINANCIAL STATEMENTS

Cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES cont'd

### (e) Impairment

#### Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment loss recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

### (f) Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

### (g) Provisions

A provision is recognised if, as a result of a past event, Tower REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.





## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 2. SIGNIFICANT ACCOUNTING POLICIES cont'd

#### (h) Revenue

##### (i) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease unless collectibility is in doubt, in which case, it is recognised on a receipt basis.

Rental is recognised on an accrual basis except where default in payment of rent has already occurred and rent dues remain outstanding for over six months, in which case, recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

##### (ii) Car park income

Car park income is recognised on an accrual basis except where default in payment of rent has already occurred and rent dues remain outstanding for over six months, in which case, recognition of 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.

#### (i) Expenses

##### (i) Property operating expenses

Property operating expenses consist of property management fee, quit rent and assessment and other property outgoings in relation to investment properties where such expenses are the responsibility of Tower REIT. Property management fees are recognised on an accrual basis.

##### (ii) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

# NOTES TO THE FINANCIAL STATEMENTS

Cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES cont'd

### (i) Expenses cont'd

#### (iii) Establishment and issue expense

Establishment expenses represent expenses incurred in establishing and listing the Trust which were deducted directly against unitholders' fund in the previous year.

Issue expenses relate to expenses incurred in the issuance and placement of additional units in the Trust. This expense will be deducted directly against unitholders' fund.

#### (iv) Manager's and Trustee's fees

The Manager's and Trustee's fees are recognised on an accrual basis.

### (j) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in unitholders' fund, in which case, it is recognised in unitholders' fund.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

### (k) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement date assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 2. SIGNIFICANT ACCOUNTING POLICIES cont'd

#### (k) Fair value measurements cont'd

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Trust uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Trust can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Trust recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 3. INVESTMENT PROPERTIES

	Note	2015 RM'000	2014 RM'000
At 1 January		541,000	642,500
Transfer to non-current asset classified as held for sale	5	-	(101,500)
Changes in fair value of investment properties		18,000	-
At 31 December		559,000	541,000

Description of property	Tenure of land	Location	Existing use	Fair value RM'000	Initial acquisition cost RM'000	Percentage of fair value to net asset value %
Menara HLA	Freehold	Kuala Lumpur	Office	340,000	221,000	63
HP Towers*	Freehold	Kuala Lumpur	Office	219,000	130,000	40
				559,000	351,000	

\* A lienholder caveat had been entered by Public Bank Berhad over the property (Note 9).

Both buildings were revalued on 10 November 2015 by Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuers registered with the Board of Valuers, Appraisers & Estate Agents Malaysia, using the comparison and investment methods of valuation.

## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 3. INVESTMENT PROPERTIES cont'd

#### Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2015</b>				
Menara HLA	-	-	340,000	340,000
HP Towers	-	-	219,000	219,000
	-	-	559,000	559,000
<b>2014</b>				
Menara HLA	-	-	325,000	325,000
HP Towers	-	-	216,000	216,000
	-	-	541,000	541,000

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

#### Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 3. INVESTMENT PROPERTIES cont'd

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

The following table shows a reconciliation of Level 3 fair values:

	2015 RM'000	2014 RM'000
At 1 January	541,000	642,500
Transfer to non-current asset classified as held for sale	-	(101,500)
Changes in fair value recognised in profit or loss	18,000	-
At 31 December	559,000	541,000

The following are the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

#### Valuation technique

The comparison method considers the sales of similar or substitute properties and related market data, and establishes a value estimated by processes involving comparison. In general, the property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

The investment method entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. The annual net income is capitalised using a rate of interest to arrive at the capital value of the property. The range of yield applied to net annual rentals to determine fair value of the property is ranging between 6.00% and 6.40% (2014: 6.00 % and 6.50%).

#### Significant unobservable inputs

	2015	2014
Term yield	6.00%	6.00%
Reversionary yield	6.40%	6.25% - 6.50%
Void periods	10% - 15%	10%
Rental rates (p.s.f.)	RM4.50 - RM7.00	RM4.30 - RM7.30
Outgoings (p.s.f.)	RM1.30	RM1.40

#### Inter-relationship between significant unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- expected net rental income were higher (lower);
- void periods were shorter (longer); and
- expected yield were lower (higher).

## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 3. INVESTMENT PROPERTIES cont'd

#### Inter-relationship between significant unobservable inputs and fair value measurement cont'd

The valuers have considered the results of the above two methods in their valuation and applied professional judgement in the selection of the fair value of these investment properties as the yield and discount rate used are subject to significant uncertainty.

### 4. TRADE AND OTHER RECEIVABLES

	2015 RM'000	2014 RM'000
Trade receivables	1,158	717
Other receivables, deposits and prepayments	314	3,661
	<u>1,472</u>	<u>4,378</u>

Included in trade receivables are rental outstanding from companies related to the Manager amounting to RM274,484 (2014: RM114,711) and are subject to normal trade terms.

### 5. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

#### Non-current asset classified as held for sale

	Note	2015 RM'000	2014 RM'000
Investment property	5.1	-	<u>128,027</u>

Cumulative income recognised in the profit or loss of prior year relating to the non-current asset classified as held for sale was RM26,527,426.

5.1 Investment property held for sale comprises the following:

	2015 RM'000	2014 RM'000
Fair value at 1 January	-	101,500
Changes in fair value recognised in profit or loss	-	26,527
Fair value at 31 December	<u>-</u>	<u>128,027</u>



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 5. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE cont'd

#### Fair value information

Fair value of investment property held for sale is categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014				
Menara ING	-	128,027*	-	128,027

\* The fair value of Menara ING is derived using the selling price of RM132.340 million less transaction cost of RM2.921 million, Manager's divestment fee payable upon completion of the transaction of RM0.661 million and the share of sinking fund of Menara ING of RM0.731 million.

The disposal has been completed on 25 March 2015.

### 6. UNITHOLDERS' CAPITAL

	2015 '000	2014 '000
Issued and fully paid-up (number of units)	280,500	280,500

	2015 RM'000	2014 RM'000
Issued and fully paid-up	285,345	285,345

As at 31 December 2015, the Manager did not hold any units in Tower REIT. However, the related parties of the Manager held units in Tower REIT as follows:

	2015		2014	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Direct/Indirect* unitholdings in Tower REIT of the related parties of the Manager:				
HLP Equities Sdn Bhd	60,769	74,746	60,769	77,177
Hong Leong Assurance Berhad	57,771	71,058	57,771	73,369
Asia Fountain Investment Company Limited	14,000	17,220	14,000	17,780
Hong Leong Bank Berhad	13,409	16,493	13,787	17,509
Hong Leong Investment Bank Berhad	5,887	7,241	5,887	7,476
Dato' Poh Yang Hong	3,085*	3,795	3,085*	3,918

\* Indirect holdings

## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 6. UNITHOLDERS' CAPITAL cont'd

The market value is determined by multiplying the number of units with the market closing price of RM1.23 (2014: RM1.27) per unit as at 31 December 2015.

### 7. UNREALISED UNDISTRIBUTED INCOME

	Note	2015 RM'000	2014 RM'000
Cumulative net change arising from fair value movement of:			
- investment properties		193,503	200,942
- non-current asset classified as held for sale	5	-	26,527
- derivative financial instruments	22	-	(292)
		<b>193,503</b>	<b>227,177</b>

### 8. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	2015 RM'000	2014 RM'000
<b>Non-current</b>		
Financial liabilities at fair value through profit or loss: derivatives	-	292
Tenants' deposits		
- payable after 12 months	5,297	6,745
	<b>5,297</b>	<b>7,037</b>
<b>Current</b>		
<b>Trade</b>		
Trade payables	618	316
<b>Non-trade</b>		
Other payables and accrued expenses	2,656	16,608
Tenants' deposits		
- payable within 12 months	5,722	6,502
<b>Total Non-Trade</b>	<b>8,378</b>	<b>23,110</b>
	<b>8,996</b>	<b>23,426</b>
	<b>14,293</b>	<b>30,463</b>

Included in other payables and accrued expenses are amounts due to the Manager and the Trustee of RM343,139 (2014: RM185,640) and RM27,855 (2014: RM25,479) respectively, which are unsecured, interest free and payable monthly in arrears.





## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 8. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES cont'd

Included in tenants' deposits are rental deposits received from companies related to the Manager amounting to:

	2015 RM'000	2014 RM'000
Payable within 12 months	1,801	1,807
Payable after 12 months	173	173
	<b>1,974</b>	<b>1,980</b>

### 9. BORROWINGS (SECURED)

	2015 RM'000	2014 RM'000
<b>Non-current</b>		
Term loan	100	105,500
<b>Current</b>		
Revolving credit	-	10,900
	<b>100</b>	<b>116,400</b>

Interest rate swaps of RMNil (2014: RM100,000,000) were used to manage the Trust's exposure to interest rate risk arising from the Trust's floating rate term loan.

#### Security

The revolving credit facility of RMNil (2014: RM8,900,000) and term loan were secured by way of lienholder caveat over HP Towers (Note 3).

#### Term and debt repayment schedule

The term loan is repayable upon its maturity on 1 April 2017 (2014: 1 April 2017).

The revolving credit and term loan bore interests at rates ranging from Nil% (2014: 3.81% to 4.56%) p.a. and 3.99% to 4.12% (2014: 3.79% to 4.09%) p.a. respectively during the financial year.

### 10. GROSS REVENUE

	2015 RM'000	2014 RM'000
Gross rental income	32,762	39,051
Car park income	3,409	3,514
Other income	1,126	1,917
	<b>37,297</b>	<b>44,482</b>

## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 11. PROPERTY OPERATING EXPENSES

	2015 RM'000	2014 RM'000
Assessment	3,503	4,054
Service contracts and maintenance	3,687	3,818
Property management fees	341	356
Utilities	3,671	4,024
Others	1,464	2,631
	<b>12,666</b>	<b>14,883</b>

Property management fees of RM341,040 (2014: RM356,160) were charged by property managers, in accordance with the Valuers, Appraisers and Estate Agent Acts 1981 with permissible discount.

### 12. MANAGER'S FEES

Pursuant to the Deed constituting Tower REIT, the Manager's fees consist of a base fee (excluding any goods and services tax payable) of up to 0.75% per annum of the gross asset value and a performance fee (excluding any goods and services tax payable) of up to 4% per annum of the net property income, but before deduction of property management fee. Both fees are based on the agreed scale rate. The base fee and performance fee for the year ended 31 December 2015 of RM1,296,599 and RM860,907 (2014: RM1,452,086 and RM997,425) is 0.24% and 3.50% (2014: 0.21% and 3.37%) of the gross asset value and net property income respectively. Divestment fee of RM701,406 after service tax (2014: RMNil), which equivalent to 0.5% of the sale price is being charged by the Trustee for disposal of Menara ING during the year.

### 13. TRUSTEE'S FEE

Pursuant to the Deed constituting Tower REIT, the Trustee is entitled to receive a fee of 0.03% (2014: 0.03%) per annum of the net asset value of Tower REIT with a cap of RM200,000 (2014: RM200,000). The Trustee's fee for the year ended 31 December 2015 is RM162,181 (2014: RM152,113).



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 14. INCOME TAX EXPENSE

	2015 RM'000	2014 RM'000
<b>Current tax expense</b>		
- under provision in prior years	2,473	-
<b>Deferred tax expense</b>		
- current year	900	-
- under provision in prior years	9,500	-
	10,400	-
Total income tax expense	12,873	-
<b>Reconciliation of tax expense</b>		
Income before tax	38,667	48,733
Income tax using Malaysian tax rate of 25% (2014: 25%)	9,667	12,183
Non-deductible expenses	265	76
Effect of fair value adjustment which is not taxable		
- Derivatives	-	(213)
- Investment properties	(3,600)	-
- Non-current asset classified as held for sale	-	(6,632)
Underprovision in prior years	11,973	-
Effect of income exempted from tax	(5,432)	(5,414)
	12,873	-

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967 under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year of assessment, 90% or more of the total income of the trust is distributed to its unitholders, the total income of the trust for that year of assessment shall be exempt from tax.

### 15. EARNINGS PER UNIT

The calculation of earnings per unit is based on net income for the year of RM25,794,000 (2014: RM48,733,000) and on the number of units in circulation during the year of 280,500,000 (2014: 280,500,000).

## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 16. DISTRIBUTION TO UNITHOLDERS

	Gross/Net distribution per unit sen	Total amount RM'000	Date of payment
<b>2015</b>			
2014 Final income distribution	3.20	8,976	27 February 2015
2015 Interim income distribution	3.20	8,976	28 August 2015
		<u>17,952</u>	
<b>2014</b>			
2013 Final income distribution	5.61	15,736	28 February 2014
2014 Interim income distribution	3.83	10,743	27 August 2014
		<u>26,479</u>	

On 28 January 2016, the Directors of the Manager declared a final income distribution of 3.73 sen (2014: 3.20 sen) per unit amounting to RM10,462,650 (2014: RM8,976,000) in respect of the financial year ended 31 December 2015. The distribution will be recognised in the subsequent period.

The total income distribution for the financial year ended 31 December 2015 which comprise the interim income distribution of 3.20 sen (2014: 3.83 sen) per unit and the proposed final income distribution of 3.73 sen (2014: 3.20 sen) per unit are from the following sources:

	2015 RM'000	2014 RM'000
Net rental income	24,631	29,599
Interest income	559	83
Realised gain on disposal of investment property	659	-
Other income	140	85
	<u>25,989</u>	<u>29,767</u>
Less: Expenses	(5,322)	(8,412)
Less: Taxation	(2,473)	-
	<u>18,194</u>	<u>21,355</u>
Less: Previous year's realised gain/(current year's undistributed gain)	1,245	(1,636)
	<u>19,439</u>	<u>19,719</u>



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 17. PORTFOLIO TURNOVER RATIO

	2015	2014
Portfolio turnover ratio ("PTR") (times)	0.25	-

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in Tower REIT for the financial year to the average net asset value during the financial year.

Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of Tower REIT's PTR against that of other real estate investment trusts.

### 18. MANAGEMENT EXPENSE RATIO

	2015	2014
Management expense ratio ("MER") (%)	0.65	0.58

The calculation of MER is based on total fees incurred by Tower REIT, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administrative expenses, to the average net asset value during the financial year. Since the average net asset value is calculated on a quarterly basis, comparison of the MER of Tower REIT with that of other real estate investment trusts, which uses different bases of calculation, may not be accurate.

### 19. TRANSACTIONS WITH PARTIES RELATED TO THE MANAGER

For the purposes of these financial statements, parties are considered to be related to the Manager if the Manager has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Manager and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

	2015 RM'000	2014 RM'000
Rental charged	5,978	6,189

The above transaction has been entered into in the normal course of business and has been established based on negotiated terms.

The outstanding balances arising from the above transaction have been disclosed in Note 4 to the financial statements.

### 20. TRANSACTION WITH BROKERS/DEALERS

No transaction with brokers/dealers was made during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 21. OPERATING LEASES

Tower REIT leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2015 RM'000	2014 RM'000
Less than one year	21,120	32,929
Between one and five years	13,731	20,888
	<b>34,851</b>	<b>53,817</b>

### 22. FINANCIAL INSTRUMENTS

#### 22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL"):
  - Held for trading ("HFT"); and
- (c) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount RM'000	L&R/ (OL) RM'000	FVTPL -HFT RM'000
<b>2015</b>			
<b>Financial assets</b>			
Trade and other receivables	1,472	1,472	-
Deposits placed with a licensed bank	6,705	6,705	-
Cash and bank balances	1,139	1,139	-
	<b>9,316</b>	<b>9,316</b>	<b>-</b>
<b>Financial liabilities</b>			
Borrowings (secured)	(100)	(100)	-
Trade and other payables, including derivatives	(14,293)	(14,293)	-
	<b>(14,393)</b>	<b>(14,393)</b>	<b>-</b>
<b>2014</b>			
<b>Financial assets</b>			
Trade and other receivables	4,378	4,378	-
Deposits placed with a licensed bank	1,000	1,000	-
Cash and bank balances	8,139	8,139	-
	<b>13,517</b>	<b>13,517</b>	<b>-</b>
<b>Financial liabilities</b>			
Borrowings (secured)	(116,400)	(116,400)	-
Trade and other payables, including derivatives	(30,463)	(30,171)	(292)
	<b>(146,863)</b>	<b>(146,571)</b>	<b>(292)</b>



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 22. FINANCIAL INSTRUMENTS cont'd

#### 22.2 Net gains and losses arising from financial instruments

	2015 RM'000	2014 RM'000
Net gain arising on:		
Fair value through profit or loss:		
- Derivatives	-	851

#### 22.3 Financial risk management

Risk management is integral to the whole business of the Trust. The Trust has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Trust's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Trust has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 22.4 Credit risk

Credit risk is the risk of a financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the Trust, as and when they fall due.

Cash and bank deposits are placed with financial institutions which are regulated.

##### Receivables

##### *Risk management objectives, policies and processes for managing the risk*

The Manager monitors tenants' balances on an ongoing basis. Credit evaluations are performed by the Manager before lease agreements are entered into with tenants.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Manager uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 22. FINANCIAL INSTRUMENTS cont'd

#### 22.4 Credit risk cont'd

Receivables cont'd

*Exposure to credit risk, credit quality and collateral* cont'd

The ageing of trade receivables as at the end of the reporting period was:

	Carrying amount	
	2015 RM'000	2014 RM'000
Not past due	494	234
Past due 31 – 60 days	369	29
Past due 61 – 90 days	66	31
Past due 91 – 120 days	229	423
	<b>1,158</b>	<b>717</b>

#### 22.5 Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust's exposure to liquidity risk arises principally from its various payables and borrowings.

The Trust maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

*Maturity analysis*

The table below analyses the maturity profile of the Trust's financial liabilities, based on undiscounted cash flows.

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	Within 2 - 5 years RM'000
<b>2015</b>					
<i>Non-derivative financial liabilities</i>					
Term loan	100	4.12	111	5	106
Tenants' deposits	11,019	-	11,019	5,722	5,297
Trade and other payables, excluding derivatives	3,274	-	3,274	3,274	-
	<b>14,393</b>		<b>14,404</b>	<b>9,001</b>	<b>5,403</b>





## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 22. FINANCIAL INSTRUMENTS cont'd

#### 22.5 Liquidity risk cont'd

*Maturity analysis* cont'd

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	Within 2 - 5 years RM'000
<b>2014</b>					
<i>Non-derivative financial liabilities</i>					
Term loan	105,500	4.08	116,633	4,948	111,685
Revolving credits	10,900	4.18	10,900	10,900	-
Tenants' deposits	13,247	-	13,247	6,502	6,745
Trade and other payables, excluding derivatives	16,924	-	16,924	16,924	-
	<u>146,571</u>		<u>157,704</u>	<u>39,274</u>	<u>118,430</u>
<i>Derivative financial liabilities</i>					
Interest rate swap contracts	292	-	292	-	292
	<u>146,863</u>		<u>157,996</u>	<u>39,274</u>	<u>118,722</u>

#### 22.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates and other prices will affect the Trust's financial position or cash flows.

##### 22.6.1 Interest rate risk

The Trust's exposure to changes in interest rate relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

Where necessary, the Trust adopts an appropriate hedging policy to minimise interest rate exposure. This may involve fixing certain portion of the interest payable on its underlying debt liabilities via financial derivatives or other suitable financial products.

## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 22. FINANCIAL INSTRUMENTS cont'd

#### 22.6 Market risk cont'd

##### 22.6.1 Interest rate risk cont'd

###### *Exposure to interest rate risk*

The interest rate profile of the Trust's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2015 RM'000	2014 RM'000
<b>Fixed rate instruments</b>		
Financial assets		
Deposits placed with a licensed bank	6,705	1,000
<b>Floating rate instruments</b>		
Financial liabilities		
Term loan	100	105,500
Revolving credits	-	10,900
Derivatives	-	292
	100	116,692

###### *Interest rate risk sensitivity analysis*

If the interest rates have been higher or lower and all other variables were held constant, the Trust's income for the following year would decrease or increase accordingly. This is mainly attributable to the Trust's exposure to interest rates on its floating rate borrowing which is not hedged. The following analysis shows the Trust's sensitivity to interest rates exposure:

	Changes in Trust's results	
	2015 RM'000	2014 RM'000
25 basis points	-	41
50 basis points	1	82
75 basis points	1	123



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 22. FINANCIAL INSTRUMENTS cont'd

#### 22.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The fair value of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2015		2014	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Derivatives	-	-	292	292

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

#### *Derivatives*

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

#### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

#### 22.7.1 Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instrument not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>2015</b>										
<b>Financial liabilities</b>										
Borrowings	-	-	-	-	-	-	100	100	100	100
<b>2014</b>										
<b>Financial liabilities</b>										
Derivatives	-	292	-	292	-	-	-	-	292	292
Borrowings	-	-	-	-	-	-	116,400	116,400	116,400	116,400
	-	292	-	292	-	-	116,400	116,400	116,692	116,692

# NOTES TO THE FINANCIAL STATEMENTS

Cont'd

## 22. FINANCIAL INSTRUMENTS cont'd

### 22.7 Fair value of financial instruments cont'd

#### 22.7.1 Fair value information cont'd

##### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

##### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

##### *Derivatives*

The fair value of interest rate swaps is estimated by determining the present value of the fixed leg and the floating leg of the swaps.

##### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

##### *Transfers between Level 1 and 2 fair values*

There has been no transfer between Level 1 and 2 fair values during the financial year.



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 22. FINANCIAL INSTRUMENTS cont'd

#### 22.7 Fair value of financial instruments cont'd

##### 22.7.1 Fair value information cont'd

###### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

*Financial instruments not carried at fair value*

Type	Valuation Technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<i>Borrowings</i>	<i>Discounted cash flows</i>	<i>Not applicable</i>	<i>Not applicable</i>

### 23. CAPITAL MANAGEMENT

The Trust's objectives when managing capital are to safeguard the Trust's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise unitholders' value.

The Manager monitors capital based on gearing ratio. Under the SC's Guidelines on REITs, the Trust is required to maintain a gearing threshold of not exceeding 50% of total assets.

The gearing is calculated as gross borrowings divided by total assets, based on the latest valuations. Gross borrowings refer to the gross interest-bearing borrowings as set out in Note 9 to the financial statements.

	Note	2015 RM'000	2014 RM'000
Gross borrowings	9	100	116,400
Total assets		568,316	682,544
Gearing		0.02%	17.05%

## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 24. OPERATING SEGMENTS

Segment information is presented based on the information reviewed by the Trust's Chief Operating Decision Makers ("CODMs") for performance assessment and resource allocation. For the purpose of the assessment of segment performance, the Trust's CODMs have focused on its investment properties. This forms the basis of identifying the operating segments of the Trust under MFRS 8, *Operating Segments*.

As each investment property is mainly used for commercial purposes, these investment properties are similar in terms of economic characteristics and nature of services. The CODMs are of the view that the Trust only has one reportable segment – leasing of investment properties.

Accordingly, no operating segment information has been prepared as the Trust only has one reportable segment.

No geographical segment information has been prepared as all the investment properties of the Trust are located in Malaysia.

### 25. DEFERRED TAX LIABILITIES

In the past financial years, the management did not provide for any deferred tax on the fair value gain because of the management's interpretation that the Tower REIT is not subject to RPGT for investment properties held more than 5 years. The change is based on the fact the Inland Revenue Board ("IRB") had issued a tax assessment in 2015 to the Tower REIT on its recent disposal of Menara ING whereby the gains from the disposal was subjected to RPGT tax rate of 5% for disposal of an investment property held more than 5 years. Tower REIT is currently appealing against the assessment.

However, based on the current tax assessment issued by IRB, management is of the view that it is more appropriate to provide deferred tax liability on accumulated fair value gain for its investment properties. If the outcome of the appeal to IRB was favorable to Tower REIT, management will reverse the deferred tax liability accordingly.

Deferred tax liability is attributable to the following:

	2015 RM'000	2014 RM'000
Investment properties	10,400	-



## NOTES TO THE FINANCIAL STATEMENTS

Cont'd

### 26. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the undistributed income of Tower REIT into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, is as follows:

	2015 RM'000	2014 RM'000
Total undistributed income of Tower REIT:		
- realised	64,675	23,159
- unrealised	193,503	227,177
	<b>258,178</b>	<b>250,336</b>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

## STATEMENT BY THE DIRECTORS OF THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 36 to 70 are drawn up in accordance with the provisions of the Deed constituting Tower Real Estate Investment Trust ("Tower REIT"), the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and Malaysian Financial Reporting Standards, and International Financial Reporting Standards so as to give a true and fair view of the financial position of Tower REIT as at 31 December 2015 and of its financial performance and cash flows for the year then ended.

The information set out in Note 26 on page 70 to the financial statements have been compiled in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

Signed for and on behalf of the Manager

**GLM REIT Management Sdn. Bhd.**

in accordance with a resolution of the Directors of the Manager

TANG HONG CHEONG

DATUK KONG WOON JUN

Kuala Lumpur

Date: 19 February 2016





## STATUTORY DECLARATION

I, Loi Kok Mun, the person primarily responsible for the financial management of Tower Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 36 to 70 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 19 February 2016.

LOI KOK MUN

VALLIAMAH A/P PERIAN  
Pesuruhjaya Sumpah  
Commissioner for Oaths  
Kuala Lumpur

## TRUSTEE'S REPORT

To the Unitholders of **Tower Real Estate Investment Trust**

We have acted as Trustee of Tower Real Estate Investment Trust ("Tower REIT") for the financial year ended 31 December 2015. To the best of our knowledge, GLM REIT Management Sdn. Bhd. ("the Manager") has managed Tower REIT in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager and the Trustee under the Deed constituting Tower REIT (the "Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007, and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deed and relevant regulatory requirements; and
- (c) the distribution of returns of 6.93 sen per unit for the financial year ended 31 December 2015 by Tower REIT is tied to and reflects the objectives of the fund.

For and on behalf of the Trustee  
**AmTrustee Berhad**

**TAN KOK CHEENG**  
Chief Executive Officer

Petaling Jaya, Selangor

Date: 19 February 2016



## INDEPENDENT AUDITORS' REPORT

To the Unitholders of **Tower Real Estate Investment Trust**

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tower Real Estate Investment Trust ("Tower REIT"), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, changes in net asset value and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 69.

#### *Directors of GLM REIT Management Sdn. Bhd.'s Responsibility for the Financial Statements*

Directors of GLM REIT Management Sdn. Bhd. ("the Manager") of Tower REIT is responsible for the preparation of financial statements of Tower REIT so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Manager's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Tower REIT as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

# INDEPENDENT AUDITORS' REPORT

To the Unitholders of **Tower Real Estate Investment Trust**  
Cont'd

## OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information on the breakdown of realised and unrealised profits or losses included in Statement of Comprehensive Income and Note 26 on page 70 to the financial statements has been compiled by Tower REIT as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysia Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the unitholders of Tower REIT in accordance with the trust deed of Tower REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### KPMG

Firm Number: AF 0758  
Chartered Accountants

Petaling Jaya, Selangor

Date: 19 February 2016

### CHUA SEE GUAN

Approval Number: 3169/02/17(J)  
Chartered Accountant



## INDEPENDENT VALUER'S MARKET REPORT

### OFFICE MARKET OVERVIEW:

As reported in the Property Market Report 2014, Kuala Lumpur office sub-sector for 2014 depicted better performance where the occupancy of the purpose built office firmed up at 83.2% which saw a rise from 79.0% in 2013. This sub-sector also saw an annual take up of 660,221 sq. metres as compared to 316,221 sq. metres recorded in 2013.

The office sub-sector will change with new completion of nine purposed built office buildings with a combined space of 298,492 sq. metres as follows:

- NU Towers within KL Sentral
- Bank Rakyat Twin Tower along Jalan Travers
- Menara Shell along Jalan Tun Sambanthan
- Sentral Vista @ Brickfields in KL Sentral
- 1 Sentrum along Jalan Tun Sambanthan
- Menara Hap Seng 2 along Jalan P. Ramlee
- Ikon Connaught Suit Office in Cheras
- Menara LGB in Taman Tun Dr. Ismail
- Tabung Haji Tower in Kuala Lumpur city

2014 saw the supply of purpose built office space recorded an increase on net lettable area with 84.2 million sq. ft. (407 buildings) from 82.8 million sq. ft. (398 buildings) in 2013.

Notable developments scheduled for completion in 2015 include Menara Centara, Menara Ilham Baru, Menara Bangkok Bank, Naza HQ Tower Platinum Park and Damansara City (the redevelopment of Pusat Bandar Damansara).

In brief, the office supply is ready for potential incoming demand as huge plan for office spaces are as follows:

- The proposed Tun Razak Exchange (TRX) square is set to be the new Kuala Lumpur Financial District. This project, identified as an Early Entry Point in the Government's Economic Transformation Programme (ETP), on a 70-acre land is being projected with an indicative RM26 billion gross development value (GDV). The first phase is to be completed in the year 2017, which will coincide with the opening of the new onsite Mass Rapid Transit (MRT) rail line. It is planned to house a total of 26 buildings with approximately 9.7 million sq. ft. of office spaces.
- The planned joint venture project by KLCCP Stapled Group and Qatari Diar Real Estate Investment Co. to develop a mixed development in the periphery of KLCC comprising 56-storey and 77-storey building towers. One of the towers will have a 700-room hotel by Fairmont Raffles Hotels International Inc. The development is scheduled for completion by 2020.
- Another planned joint venture project by KLCCP Stapled Group and Sapura Resources Bhd which is the third 52-storey premier office tower, exhibition space and a retail podium also sited next to KLCC.

# INDEPENDENT VALUER'S MARKET REPORT

Cont'd

## OFFICE MARKET OVERVIEW: cont'd

- Also, another proposal by KLCCP Stapled Group to add another 35,000 sq. ft. of office space at the existing Menara Dayabumi where the present building atrium's will be transformed into 3 levels of office space.

The above development will create a substantial supply where a substantial demand is required to reach market equilibrium in medium/long term.

## A. HP TOWERS

The proposed redevelopment of the Pusat Bandar Damansara (PBD) which presently sits on a 9.58 acres of 'S' shaped freehold land into a mixed integrated development to be known as the Pavillion Damansara Heights. The Pavillion Damansara Heights will consist nine office blocks ranging from Corporate Towers, Service Residences, Premier Residences and Retail Galleria. These office blocks are offering an indicative selling price for office space ranging from RM1,200 to RM1,500 per sq. ft., which is higher than the office space in other parts of the city.

The nine block offices range from six storeys and more than 20 storeys, are expected to be completed in phases between three and four years from now. The strong interest in this category of the property market is being sandwiched between two MRT stations which are still under construction, namely, Semantan and Pusat Bandar Damansara stations. Both of the stations are located strategically at the Jalan Damansara-Jalan Johar-Jalan Bangsar intersection.

There was also a proposal to build a shopping mall to be known as Pavilion 2 which will connect to the Pusat Bandar Damansara MRT Station.

With the substantial amount of impending supply, tenants will have a wide range of choices and the office market is expected to experience downward pressure on both rental rates and occupancy levels. Building owners are expected to be more competitive in getting tenants with competitive rental rates.

The planning for huge incoming supply of office space in Kuala Lumpur is seen in tandem with the proposed High Speed Rail (HSR) from Singapore-Kuala Lumpur with 7-stopovers along the way which is targeted to materialise by 2020 which by then will cut short the travelling time from Singapore to Kuala Lumpur to only 90 minutes. By then, the business net-working and connectivity will set a new benchmark.

## B. MENARA HLA

Kuala Lumpur, being the most sought after vicinity for office sector in Malaysia, is also under-going massive redevelopments of a mixed type commercial along the KLCC vicinity which consists of Jalan Ampang, Jalan P. Ramlee, Jalan Binjai, Jalan Bukit Bintang and Jalan Pinang.

Tradewinds Corporation is the major player in the mixed commercial redevelopment by undertaking the redevelopment of the former Crowne Plaza Mutiara and Kompleks Antarabangsa into Tradewinds International Centre and the refurbishment of Menara Tun Razak with a net lettable area of 296,000 sq.ft. along with a new 40-storey office tower block with a net lettable area of about 440,000 sq. ft. slated for completion in 2015 but a delay is expected.



## INDEPENDENT VALUER'S MARKET REPORT

Cont'd

### B. MENARA HLA cont'd

Other redevelopment projects are the former Equatorial Hotel into the Equatorial Plaza which will comprise a 52-storey mixed commercial development of a 5-star hotel annexed with a grade A++ office block by Hotel Equatorial (M) Sdn Bhd and the former MAS building refurbishment and redevelopment into a Grade A++ office and a new 6-star luxury hotel alongside it where the project cost is estimated at around RM1 billion by Permodalan Nasional Berhad ("PNB").

Such integrated development trend had seen spill over to Jalan Maharajalela where the tallest integrated development to be known as KL118 (formerly Kota Warisan) touted to be the new tallest building soaring at 682 meters in height (118 storey) and scheduled for completion in 2019. This mixed development, also being undertaken by PNB, will cater for commercial, residential, hotel, shopping mall, office and retail sectors.

With the substantial amount of impending supply, tenants will have a wide range of choices and the office market is expected to downward experience pressure on both rental rates and occupancy levels. Building owners are expected to be more competitive in getting tenants with a more competitive rental rates.

The optimistic planning for huge incoming supply of office space in Kuala Lumpur is, however, seen in tandem with the aforesaid proposed High Speed Rail (HSR) from Singapore-Kuala Lumpur. Further, the Ministry of Transport had recently announced the great possibility to extend the rail connectivity up north crossing the border to Bangkok and China connections.

By then, if this aspiration would be accomplished, the synergisation of business net-working with ultra-modern accessibility connectivity and office demand sector will set a new benchmark to a greater vibrancy for not only for Kuala Lumpur city centre office market but also for the Asian markets.

*Prepared by Raine & Horne International Zaki + Partners Sdn Bhd  
Kuala Lumpur*

*19 February 2016*

## OTHER INFORMATION

### ANALYSIS OF UNITHOLDINGS AS AT 2 FEBRUARY 2016

#### DISTRIBUTION SCHEDULE OF UNITHOLDERS

Size of Holding	No. of Unitholders	% of Unitholders	No. of Units Held	% of Units Held
Less than 100	13	0.42	300	0.00
100 – 1,000	391	12.77	302,300	0.11
1,001 – 10,000	1,544	50.41	8,863,800	3.16
10,001 – 100,000	912	29.77	32,293,800	11.51
100,001 – less than 5% of issued units	201	6.56	120,500,000	42.96
5% and above of issued units	2	0.07	118,539,800	42.26
	3,063	100.00	280,500,000	100.00

#### LIST OF THIRTY LARGEST UNITHOLDERS

Names of Unitholders	No. of Units	%
1. Assets Nominees (Tempatan) Sdn Bhd - HLP Equities Sdn Bhd	60,768,800	21.66
2. Hong Leong Assurance Berhad - As Beneficial Owner	57,771,000	20.60
3. HLIB Nominees (Asing) Sdn Bhd - Hong Leong Fund Management Sdn Bhd for Asia Fountain Investment Company Limited	14,000,000	4.99
4. Yong Yoon Kiong	14,000,000	4.99
5. HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Fund Management Sdn Bhd for Hong Leong Bank Berhad	13,409,300	4.78
6. Hong Leong Investment Bank Berhad - IVT-A	5,887,000	2.10
7. Loh Cheng Yean	4,600,000	1.64
8. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Poh Soon Sim (CEB)	3,084,500	1.10
9. Citigroup Nominees (Tempatan) Sdn Bhd - MCIS Insurance Berhad (Life Par FD)	2,545,200	0.91
10. HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Fund Management Sdn Bhd for Hong Leong Foundation	2,518,700	0.90





## OTHER INFORMATION

Cont'd

### ANALYSIS OF UNITHOLDINGS AS AT 2 FEBRUARY 2016 cont'd

#### LIST OF THIRTY LARGEST UNITHOLDERS cont'd

Names of Unitholders	No. of Units	%
11. Lian Mong Yee @ Lian Mung Yee	2,121,000	0.76
12. Citigroup Nominees (Tempatan) Sdn Bhd - MCIS Insurance Berhad (Shh FD)	2,075,700	0.74
13. CIMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Chen Yik (Penang-CL)	1,485,000	0.53
14. CIMSEC Nominees (Asing) Sdn Bhd - Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,408,200	0.50
15. Citigroup Nominees (Tempatan) Sdn Bhd - MCIS Insurance Berhad (Ann FD)	1,164,000	0.42
16. CIMB Group Nominees (Asing) Sdn Bhd - Exempt AN for DBS Bank Ltd (SFS)	1,100,000	0.39
17. Ong Ee Nah	1,100,000	0.39
18. Tan Kim Chuan	1,100,000	0.39
19. Lim Kew Seng	1,065,000	0.38
20. Goh Siew Cheng	1,048,200	0.37
21. Kim Gap Yong	1,042,000	0.37
22. Yap Ah Ngah @ Yap Neo Nya	1,000,000	0.36
23. Affin Hwang Investment Bank Berhad - IVT (JBD)	869,900	0.31
24. Gan Peoy Hong	732,800	0.26
25. Ling Thik Ping	700,000	0.25
26. Tan Onn Poh	700,000	0.25
27. Kim Jung Hyung	669,200	0.24
28. CIMSEC Nominees (Asing) Sdn Bhd - Exempt AN for CIMB Securities (Singapore) Pte Ltd (Remisiers Account)	635,500	0.23
29. Cartaban Nominees (Asing) Sdn Bhd - Credit Agricole (Suisse) SA, Singapore Branch for Pierre Marti Chassaing	600,000	0.21
30. Eng Bak Chim	600,000	0.21
	199,801,000	71.23

## OTHER INFORMATION

Cont'd

### ANALYSIS OF UNITHOLDINGS AS AT 2 FEBRUARY 2016 cont'd

#### MAJOR UNITHOLDERS

Names of Unitholders	No. of Units	%
1. Assets Nominees (Tempatan) Sdn Bhd - HLP Equities Sdn Bhd	60,768,800	21.66
2. Hong Leong Assurance Berhad - As beneficial owner	57,771,000	20.60

#### DIRECTORS' INTERESTS AS AT 2 FEBRUARY 2016

Subsequent to the financial year end, there is no change to the Directors' interests in the units of Tower Real Estate Investment Trust appearing in the Manager's Report on page 23.

#### MATERIAL CONTRACTS

The Manager or major unitholders of Tower Real Estate Investment Trust ("Tower REIT") have not entered into any other contracts in relation to Tower REIT which are material and still subsisting at the end of the year or, if not then subsisting, entered into since the end of the previous year, except for the Deed dated 17 February 2006 (as restated by a Deed dated 29 May 2014) entered into between the Manager and the Trustee constituting Tower REIT. The Manager's fees are set out in the Manager's Report.



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fourth Annual General Meeting of the unitholders of Tower Real Estate Investment Trust ("Tower REIT") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 26 April 2016 at 10.00 a.m. in order:

1. To lay before the meeting the audited financial statements of Tower REIT together with the reports of the Trustee and Auditors thereon for the financial year ended 31 December 2015.

### SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions, with or without modifications:

2. **Ordinary Resolution 1**  
**Proposed Renewal Of Unitholders' Mandate To Allot and Issue Up To 56,100,000 New Units In Tower Real Estate Investment Trust ("Tower REIT"), Representing Up To 20% Of The Existing Approved Fund Size of Tower REIT Of 280,500,000 Units ("Proposed Renewal Of Unitholders' Mandate")**

"THAT pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts issued by the Securities Commission, as may be amended from time to time and subject to the passing of Ordinary Resolution 2 below and the requisite approvals being obtained, approval be and is hereby given to the Directors of GLM REIT Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust ("Tower REIT") (the "Manager"), to issue new units from time to time to such persons and for such purposes as the Directors of the Manager may deem fit provided that the aggregate number of the new units to be issued, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the approved fund size of Tower REIT for the time being comprising 280,500,000 units and the Directors of the Manager be and are hereby also empowered to obtain the approval for the listing of and quotation for such new units on the Main Market of Bursa Malaysia Securities Berhad;

**AND THAT** such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the unitholders at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) revoked or varied by resolution passed by the unitholders in a unitholders' meeting,

whichever is the earlier;

**AND THAT** such new units shall, upon allotment and issue, rank equally in all respects with the existing units except that the new units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issue of such new units;

## NOTICE OF ANNUAL GENERAL MEETING

Cont'd

AND THAT authority be and is hereby given to the Directors of the Manager and AmTrustee Berhad, acting as Trustee of Tower REIT (the "Trustee"), for and on behalf of Tower REIT, to give effect to the Proposed Renewal Of Unitholders' Mandate with full powers to assent to any condition, modification, variation and/or amendment as they may deem fit in the best interest of Tower REIT and/or as may be imposed by the relevant authorities; AND FURTHER THAT the Directors of the Manager and the Trustee, for and on behalf of Tower REIT, are to implement, finalise, complete and do all such acts and things (including executing such documents as may be required) in relation to the Proposed Renewal Of Unitholders' Mandate."

(Resolution 1)

3. **Ordinary Resolution 2**

**Proposed Increase In The Existing Approved Fund Size Of Tower Real Estate Investment Trust From 280,500,000 Units To A Maximum Of 336,600,000 Units Pursuant To The Proposed Renewal Of Unitholders' Mandate ("Proposed Increase In Fund Size")**

"THAT subject to the passing of Ordinary Resolution 1 above and the requisite approvals being obtained, the approved fund size of Tower Real Estate Investment Trust ("Tower REIT") be and is hereby increased from 280,500,000 units to a maximum of 336,600,000 units by the creation of up to 56,100,000 new units;

AND THAT authority be and is hereby given to the Directors of GLM REIT Management Sdn Bhd, the Manager of Tower REIT (the "Manager"), and AmTrustee Berhad, acting as Trustee of Tower REIT (the "Trustee"), for and on behalf of Tower REIT, to give effect to the Proposed Increase In Fund Size, with full power to assent to any condition, modification, variation and/or amendment as they may deem fit in the best interest of Tower REIT and/or as may be imposed by the relevant authorities; AND FURTHER THAT the Directors of the Manager and the Trustee, for and on behalf of Tower REIT, are to implement, finalise, complete and do all such acts and things (including executing such documents as may be required) in relation to the Proposed Increase In Fund Size."

(Resolution 2)

4. To consider any other business of which due notice shall have been given.

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

**LIM YEW YOK** (LS 000431)  
**CHIN MIN YANN** (MAICSA 7034011)  
*Company Secretaries*

Kuala Lumpur  
29 February 2016



# NOTICE OF ANNUAL GENERAL MEETING

Cont'd

## Notes

1. For the purpose of determining unitholders' eligibility to attend this meeting, only unitholders whose names appear in the Record of Depositors as at 21 April 2016 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for unitholder who is an exempt authorised nominee, a unitholder entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a unitholder of Tower REIT. A unitholder who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds. A unitholder who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two or more proxies are appointed, the proportions of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which, the appointments shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of GLM REIT Management Sdn Bhd at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.

## Explanatory Notes

### 1. Ordinary Resolution 1 - Proposed Renewal Of Unitholders' Mandate

The Proposed Renewal Of Unitholders' Mandate, if passed, will give a renewed mandate to the Directors of the Manager of Tower REIT to issue units of Tower REIT from time to time provided that the aggregate number of the new units to be issued, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the approved fund size of Tower REIT for the time being. The Proposed Renewal Of Unitholders' Mandate, unless revoked or varied at a unitholders' meeting, will expire at the conclusion of the next Annual General Meeting of unitholders ("AGM") of Tower REIT.

As at to date, no new units of Tower REIT have been issued pursuant to the mandate granted to the Directors of GLM REIT at the last AGM of Tower REIT held on 29 April 2015 and which will lapse at the conclusion of the Fourth AGM of Tower REIT.

The Proposed Renewal Of Unitholders' Mandate will enable the Directors of the Manager to take swift action in case of, inter-alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new units, and to avoid delay and cost in convening unitholders' meetings to approve such issue of units.

### 2. Ordinary Resolution 2 - Proposed Increase In Fund Size

The purpose of the Proposed Increase In Fund Size is to accommodate the issuance of such new units pursuant to the Proposed Renewal Of Unitholders' Mandate.



Tower Real Estate Investment Trust

FORM OF PROXY

I/We \_\_\_\_\_

NRIC/Passport/Company No. \_\_\_\_\_

of \_\_\_\_\_

being a unitholder of Tower Real Estate Investment Trust ("Tower REIT"), hereby appoint \_\_\_\_\_

\_\_\_\_\_

NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_

\_\_\_\_\_

or failing him/her \_\_\_\_\_

\_\_\_\_\_

NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_

\_\_\_\_\_

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Fourth Annual General Meeting of unitholders of Tower REIT to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 26 April 2016 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

NO.	RESOLUTIONS	FOR	AGAINST
1.	As a special business, to approve the ordinary resolution on the proposed renewal of unitholders' mandate to allot and issue new units of Tower REIT		
2.	As a special business, to approve the ordinary resolution on the proposed increase in the existing approved fund size of Tower REIT		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

\_\_\_\_\_  
Number of units held

\_\_\_\_\_  
Signature(s) of unitholder(s)

Fold This Flap For Sealing

Then Fold Here

Affix  
Stamp

The Company Secretary  
**GLM REIT MANAGEMENT SDN BHD** (659312-H)  
The Manager of Tower Real Estate Investment Trust  
Level 10, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Malaysia

1st Fold Here

NOTES:

1. For the purpose of determining unitholders' eligibility to attend this meeting, only unitholders whose names appear in the Record of Depositors as at 21 April 2016 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
3. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
4. A proxy may but need not be a unitholder of Tower REIT.
5. Save for a unitholder who is an exempt authorised nominee, a unitholder shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a unitholder of Tower REIT is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two proxies in respect of each securities account it holds with units of Tower REIT standing to the credit of the said securities account. A unitholder who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
6. Where two or more proxies are appointed, the proportions of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which, the appointments shall be invalid (please see note 9 below).
7. In the case where a unitholder is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
8. All Forms of Proxy must be duly executed and deposited at the Registered Office of GLM REIT Management Sdn Bhd at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.
9. In the event two or more proxies are appointed, please fill in the ensuing section:

Names of Proxies	% of unitholdings to be represented

**GLM REIT MANAGEMENT SDN BHD** (659312-H)  
**The Manager of Tower Real Estate Investment Trust**

Level 19, Block B, HP Towers  
12 Jalan Gelenggang, Bukit Damansara  
50490 Kuala Lumpur  
Tel : 03-2726 1181  
Fax : 03-2726 1182

[www.tower-reit.com.my](http://www.tower-reit.com.my)