
**CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2012

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2012 RM	Preceding Year Corresponding Quarter Ended 31.03.2011 RM	Current Year To Date 31.03.2012 RM	Preceding Year To Date 31.03.2011 RM
<u>Income</u>				
Gross revenue	13,588,152	12,848,845	13,588,152	12,848,845
Property operating expenses	(2,662,389)	(2,537,212)	(2,662,389)	(2,537,212)
Net property income	10,925,763	10,311,633	10,925,763	10,311,633
Interest income	11,549	7,220	11,549	7,220
Other income	5,578	17,300	5,578	17,300
	10,942,890	10,336,153	10,942,890	10,336,153
<u>Expenses</u>				
Manager's fees	739,642	712,656	739,642	712,656
Trustee's fees	34,976	34,516	34,976	34,516
Administrative expenses	35,956	48,156	35,956	48,156
Interest expenses	1,278,657	1,201,311	1,278,657	1,201,311
	2,089,231	1,996,639	2,089,231	1,996,639
Net Trust Income	8,853,659	8,339,514	8,853,659	8,339,514
Change in fair value of derivatives	1,075,761	159,903	1,075,761	159,903
Income before tax	9,929,420	8,499,417	9,929,420	8,499,417
Taxation	-	-	-	-
Income after tax	9,929,420	8,499,417	9,929,420	8,499,417
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	9,929,420	8,499,417	9,929,420	8,499,417
Total comprehensive income for the period is made up as follows:				
- Realised	8,853,659	8,339,514	8,853,659	8,339,514
- Unrealised	1,075,761	159,903	1,075,761	159,903
	9,929,420	8,499,417	9,929,420	8,499,417
EARNINGS PER UNIT (SEN)				
- Basic	3.54	3.03	3.54	3.03
- Diluted	N/A	N/A	N/A	N/A

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012

The figures have not been audited.

	As At 31.03.2012 RM	As At 31.12.2011 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	607,153,388	607,153,388
<u>Current Assets</u>		
Trade receivables	379,120	53,513
Other receivables, deposits and prepayments	1,375,336	559,953
Deposits placed with licensed bank	300,000	300,000
Cash and bank balances	160,691	385,084
	2,215,147	1,298,550
TOTAL ASSETS	609,368,535	608,451,938
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	13,209,552	11,447,194
Borrowing	105,500,000	105,500,000
Derivative financial instrument	1,789,072	2,725,249
	120,498,624	119,672,443
<u>Current liabilities</u>		
Trade payables	320,431	324,008
Other payables and provisions	2,059,496	2,438,497
Derivative financial instrument	65,861	205,445
Tenants' deposits	1,051,512	2,859,854
Borrowing	19,480,000	11,000,000
	22,977,300	16,827,804
TOTAL LIABILITIES	143,475,924	136,500,247
NET ASSET VALUE	465,892,611	471,951,691
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	163,501,148	162,425,387
Undistributed income - realised	17,046,697	24,181,538
	465,892,611	471,951,691
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE ("NAV") PER UNIT (RM)	1.6609	1.6825

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

The figures have not been audited.

	-----Distributable-----			Total RM
	Unitholders' Capital RM	Undistributed Income		
	RM	Unrealised RM	Realised RM	
<u>Current Year To Date</u>				
At 1 January 2012	285,344,766	162,425,388	24,181,537	471,951,691
Operations for the period ended 31 March 2012				
Total comprehensive income for the period	-	1,075,761	8,853,659	9,929,420
	-	1,075,761	8,853,659	9,929,420
Unitholders' transactions				
Distribution to unitholders				
- 2011 final (paid on 28 February 2012)	-	-	(15,988,500)	(15,988,500)
	-	-	(15,988,500)	(15,988,500)
At 31 March 2012	285,344,766	163,501,149	17,046,696	465,892,611
<u>Preceding Year To Date</u>				
At 1 January 2011	285,344,766	164,867,490	20,737,751	470,950,007
Operations for the period ended 31 March 2011				
Total comprehensive income for the period	-	159,903	8,339,514	8,499,417
	-	159,903	8,339,514	8,499,417
Unitholders' transactions				
Distribution to unitholders				
- 2010 final (paid on 28 February 2011)	-	-	(15,427,500)	(15,427,500)
	-	-	(15,427,500)	(15,427,500)
At 31 March 2011	285,344,766	165,027,393	13,649,765	464,021,924

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

The figures have not been audited.

	Current Year To Date 31.03.2012 RM	Preceding Year To Date 31.03.2011 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	9,929,420	8,499,417
Adjustments for:		
Interest expense	1,278,657	1,201,311
Interest income	(11,549)	(7,220)
Change in fair value of derivatives	(1,075,761)	(159,903)
Operating profit before working capital changes	<u>10,120,767</u>	<u>9,533,605</u>
Changes in working capital:		
Trade and other receivables	(1,140,990)	(1,358,630)
Trade and other payables	(432,537)	(433,729)
Net cash generated from operating activities	<u>8,547,240</u>	<u>7,741,246</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>11,549</u>	<u>7,220</u>
Net cash generated from investing activities	<u>11,549</u>	<u>7,220</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(1,274,682)	(1,214,234)
Proceeds from borrowing	8,480,000	8,700,000
Distribution paid to unitholders	(15,988,500)	(15,427,500)
Net cash used in financing activities	<u>(8,783,182)</u>	<u>(7,941,734)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(224,393)	(193,268)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>385,084</u>	<u>351,703</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>160,691</u>	<u>158,435</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	160,691	158,435
Deposits placed with licensed financial bank	<u>300,000</u>	<u>300,000</u>
	460,691	458,435
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>160,691</u>	<u>158,435</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached.

A. Explanatory Notes pursuant to the Malaysian Financial Reporting Standard ("MFRS") 134**A1. Basis of Preparation**

The quarterly financial report is unaudited and prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of Tower Real Estate Investment Trust ("Tower REIT" or "Trust") for the financial year ended 31 December 2011.

Changes in Accounting Policies

The trust had adopted the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board for accounting period beginning 1 January 2012.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding audited financial statements for the financial year ended 31 December 2011 was not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The business operations of the Trust were not affected by any seasonal or cyclical factors for the quarter under review.

A4. Unusual Items

There were no unusual items to be disclosed for the quarter under review.

A5. Changes in Estimates of Amounts Reported in Prior Interim Periods of the Current Financial Year or in Prior Financial Years

There were no changes in estimates of amounts reported in prior financial years that have had a material impact in the current financial period.

A6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and the financial year to-date.

A7. Income Distribution

The Trust had, on 28 February 2012, paid a final income distribution of 5.70 sen per unit, amounting to RM15,988,500 for the financial year ended 31 December 2011.

A8. Segmental Reporting

No operating segment information has been prepared as the Trust has only one reportable segment.

A9. Valuation of Investment Properties

The Directors of the Manager performed the valuation of investment properties as at 31 December 2011 using the investment method of valuation.

A10. Material Events Subsequent to the End of the Quarterly Period

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

A11. Changes in the Composition of the Trust

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

A12. Contingent Liabilities and Contingent Assets

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

B. Additional Information pursuant to Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of Performance

For the current period ended 31 March 2012, the Trust recorded a gross revenue and a net income (realised) of RM13.59 million and RM8.85 million respectively, representing an increase of approximately 6% respectively as compared to the preceding year's corresponding period.

The improvement of the results was mainly attributed to the increase in the average occupancy rate of Menara HLA as a result of new tenancies and renewal of existing tenancies.

B2. Changes in State of Affairs

There were no material changes in the state of affairs of the Trust for the quarter under review.

B3. Changes in Portfolio Composition

As at 31 March 2012, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
Menara HLA	302,215	50
HP Towers	203,544	33
Menara ING	101,394	17
	607,153	100

There were no material changes in the portfolio composition and asset allocation of the Trust for the quarter under review.

B4. Changes in Net Asset Value

	As at 31.03.2012 RM	As at 31.12.2011 RM
Net asset value ("NAV")	465,892,611	471,951,691
NAV per unit	1.6609	1.6825

The NAV per unit as at 31 March 2012 was lower compared to the immediate preceding quarter due to the final income distribution paid on 28 February 2012 in respect of the financial year ended 31 December 2011 as disclosed in Note A7 above.

B5. Changes in Unit Price

On 31 March 2012, Tower REIT's unit price closed at RM1.38 per unit, an increase of 7% as compared to the opening unit price of RM1.29 per unit as at 31 December 2011.

B6. Utilisation of Proceeds Raised from any Issuance of New Units

There was no issuance of new units during the quarter under review.

B7. Circumstances Affecting Interest of the Unitholders

There were no unusual circumstances which had materially affected the interest of the unitholders for the current quarter.

B8. Review of Office Property Market

The overall office occupancy remains stable while the office rental rates are expected to experience downward pressure due to the substantial incoming supply. This has intensified the competition among landlords.

B9. Prospects

Supply of office space continues to outweigh the projected demand. Competition from the newly completed buildings and anticipated incoming supply is expected to exert downward pressure on office occupancy and rental rates. The Manager expects the Trust's properties with their high occupancy rates to continue to be resilient.

The Manager will continue to manage the assets under the Trust's portfolio proactively in order to safeguard the rental income stream and to explore acquisition opportunities to grow the Trust.

Barring any unforeseen circumstances, the Manager expects the Trust to sustain its performance in 2012.

B10. Material Litigation

There was no material litigation as at the date of this report.

B11. Major Maintenance Cost and Capital Expenditure

There were no major maintenance costs and capital expenditure incurred during the quarter under review.

B12. Soft Commission

During the quarter ended 31 March 2012, the Manager did not receive any soft commission (i.e. goods and services) from its brokers or dealers by virtue of transaction conducted by the Trust.

B13. Revenue Recognition

i) Rental/Car Park Income

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

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

ii) Interest Income

Interest income is recognised in the profit or loss as it accrues, using the effective interest method.

B14. Manager's Fee

Pursuant to the Deed constituting Tower REIT, the Manager's fee consists 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. The total base fee and performance fee for the period ended 31 March 2012 of RM347,407 and RM392,235 are 0.22% and 3.55% of the gross asset value and net property income respectively.

B15. Trustee's Fee

Pursuant to the Deed constituting Tower REIT, the Trustee is entitled to receive a fee of 0.03% per annum of the NAV of Tower REIT with a cap of RM200,000. The total Trustee's fee for the period ended 31 March 2012 is RM34,976.

B16. Tax Expense

	Current Year to Date 31.03.2012 RM'000	Preceding Year to Date 31.03.2011 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	8,854	8,499
Income tax using Malaysian tax rate of 25% (2011: 25%)	2,214	2,125
Non-deductible expenses	60	71
Effect of fair value adjustment on derivatives	(269)	(40)
Effect of income exempted from tax	(2,005)	(2,156)
Tax expense	-	-

B17. Income Distribution

No income distribution has been declared for the current financial quarter.

B18. Units held by Related Parties

As at 31 March 2012, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	As at 31.03.2012	
	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	83,861
Hong Leong Assurance Berhad	58,271	80,414
Asia Fountain Investment Company Limited	14,000	19,320
Hong Leong Bank Berhad	13,990	19,306
Hong Leong Investment Bank Berhad	5,981	8,254
Tang Hong Cheong	160 *	221
Lim Chew Yan	20	28
Poh Yang Hong	5,157 *	7,117

* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.38 per unit as at 31 March 2012.

B19. Derivative Financial Instrument

The Trust had entered into Interest Rate Swaps (“IRS”) with a licensed financial institution to swap its floating rate into fixed rate as a pre-emptive move to mitigate the Trust’s interest rate exposure. As at 31 March 2012, the Trust had entered into IRS with total notional contracts of RM165 million, fixed for contractual periods expiring in years 2012 and 2016, at the rates ranging from 3.58% to 4.09% against 3-month KLIBOR. Out of the total RM165 million IRS contracts, RM65 million will only be effective from May 2012 for replacement of contracts expiring in May 2012.

	Contract/ Notional Value as at 31.03.2012 RM'000	Fair Value Assets/(Liabilities) as at 31.03.2012 RM'000
Interest rate swaps		
- Less than 1 year	65,000	(66)
- More than 3 years	100,000	(1,789)
	<u>165,000</u>	<u>(1,855)</u>

B19. Derivative Financial Instrument (continued)

Hedged accounting is not applied and the changes in fair value of IRS are recognised in the profit or loss. For the current period ended 31 March 2012, the Trust had recognised a gain of RM1,075,761 arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 31.03.2012 RM'000	Fair Value as at 31.12.2011 RM'000	Gain RM'000
Interest rate swaps	<u>(1,855)</u>	<u>(2,930)</u>	<u>1,075</u>

The fair value of the IRS is derived from the yield curves obtained from broker quotes in the market. The valuations are tested for reasonableness by discounting estimated future cash flows of the swap based on the terms and maturity of each contract using discount factors obtained from the prevailing interest rate swap yield curves in the market on the valuation date.

There were no changes in the credit risk, market risk and liquidity risk associated with the above derivatives since the last financial year ended 31 December 2011.

B20. Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, the quarterly financial report gives a true and fair view of the financial position of Tower REIT as at 31 March 2012 and of its financial performance and cash flows for the period ended 31 March 2012.

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

LIM YEW YOKE
LEE SOW YEANG
Secretaries

Kuala Lumpur
19 April 2012