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**CONDENSED FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

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<u>Contents</u>	<u>Page</u>
Condensed Statement of Comprehensive Income	1
Condensed Statement of Financial Position	2
Condensed Statement of Changes In Net Asset Value	3
Condensed Statement of Cash Flows	4
Notes to the Financial Statements	5 - 12



**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2012 RM	Preceding Year Corresponding Quarter Ended 30.09.2011 RM	Current Year To Date 30.09.2012 RM	Preceding Year To Date 30.09.2011 RM
<b>Income</b>				
Gross revenue	14,029,498	13,307,426	40,548,647	38,428,172
Property operating expenses	(2,616,354)	(2,655,605)	(7,986,085)	(7,881,798)
Net property income	11,413,144	10,651,821	32,562,562	30,546,374
Interest income	19,143	11,387	44,154	30,100
Other income	5,209	1,325	20,767	30,808
	<b>11,437,496</b>	<b>10,664,533</b>	<b>32,627,483</b>	<b>30,607,282</b>
<b>Expenses</b>				
Manager's fees	647,630	649,483	2,102,058	2,053,118
Trustee's fees	35,062	35,308	105,244	104,888
Administrative expenses	104,699	29,056	185,926	102,553
Interest expenses	1,373,239	1,366,051	3,984,246	3,848,601
	<b>2,160,630</b>	<b>2,079,898</b>	<b>6,377,474</b>	<b>6,109,160</b>
<b>Net Trust Income</b>	<b>9,276,866</b>	<b>8,584,635</b>	<b>26,250,009</b>	<b>24,498,122</b>
Change in fair value of derivatives	333,396	(2,053,577)	209,407	(2,011,956)
<b>Income before tax</b>	<b>9,610,262</b>	<b>6,531,058</b>	<b>26,459,416</b>	<b>22,486,166</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>9,610,262</b>	<b>6,531,058</b>	<b>26,459,416</b>	<b>22,486,166</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>9,610,262</b>	<b>6,531,058</b>	<b>26,459,416</b>	<b>22,486,166</b>
<b>Total comprehensive income for the period is made up as follows:</b>				
- Realised	9,276,866	8,584,635	26,250,009	24,498,122
- Unrealised	333,396	(2,053,577)	209,407	(2,011,956)
	<b>9,610,262</b>	<b>6,531,058</b>	<b>26,459,416</b>	<b>22,486,166</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	3.43	2.33	9.43	8.02
- 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.

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TOWER REAL ESTATE INVESTMENT TRUST  
CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2012

The figures have not been audited.

	As At 30.09.2012 RM	As At 31.12.2011 RM
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment properties	606,915,388	607,153,388
<b><u>Current Assets</u></b>		
Trade receivables	106,058	53,513
Other receivables, deposits and prepayments	1,369,513	559,953
Deposits placed with licensed bank	1,100,000	300,000
Cash and bank balances	420,850	385,084
	2,996,421	1,298,550
<b>TOTAL ASSETS</b>	<b>609,911,809</b>	<b>608,451,938</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	7,576,843	11,447,194
Borrowing	105,500,000	105,500,000
Derivative financial instrument	2,721,287	2,725,249
	115,798,130	119,672,443
<b><u>Current liabilities</u></b>		
Trade payables	297,694	324,008
Other payables and provisions	1,807,684	2,438,497
Derivative financial instrument	-	205,445
Tenants' deposits	7,087,094	2,859,854
Borrowing	17,870,000	11,000,000
	27,062,472	16,827,804
<b>TOTAL LIABILITIES</b>	<b>142,860,602</b>	<b>136,500,247</b>
<b>NET ASSET VALUE</b>	<b>467,051,207</b>	<b>471,951,691</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	162,634,795	162,425,387
Undistributed income - realised	19,071,646	24,181,538
	<b>467,051,207</b>	<b>471,951,691</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>280,500,000</b>	<b>280,500,000</b>
<b>NET ASSET VALUE ("NAV") PER UNIT (RM)</b>	<b>1.6651</b>	<b>1.6825</b>

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.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

The figures have not been audited.

	Unitholders' Capital RM	-----Distributable-----		Total RM
		Undistributed Unrealised RM	Realised RM	
<b>Current Year To Date</b>				
At 1 January 2012	285,344,766	162,425,388	24,181,537	471,951,691
<b>Operations for the period ended 30 September 2012</b>				
Total comprehensive income for the period	-	209,407	26,250,009	26,459,416
	-	209,407	26,250,009	26,459,416
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2011 final (paid on 28 February 2012)	-	-	(15,988,500)	(15,988,500)
- 2012 interim (paid on 24 August 2012)	-	-	(15,371,400)	(15,371,400)
	-	-	(31,359,900)	(31,359,900)
At 30 September 2012	285,344,766	162,634,795	19,071,646	467,051,207
<b>Preceding Year To Date</b>				
At 1 January 2011	285,344,766	164,867,490	20,737,751	470,950,007
<b>Operations for the period ended 30 September 2011</b>				
Total comprehensive income for the period	-	(2,011,956)	24,498,122	22,486,166
	-	(2,011,956)	24,498,122	22,486,166
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2010 final (paid on 28 February 2011)	-	-	(15,427,500)	(15,427,500)
- 2011 interim (paid on 25 August 2011)	-	-	(14,445,750)	(14,445,750)
	-	-	(29,873,250)	(29,873,250)
At 30 September 2011	285,344,766	162,855,534	15,362,623	463,562,923

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 THIRD QUARTER ENDED 30 SEPTEMBER 2012**

The figures have not been audited.

	<b>Current Year To Date 30.09.2012 RM</b>	<b>Preceding Year To Date 30.09.2011 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	26,459,416	22,486,166
Adjustments for:		
Interest expense	3,984,246	3,848,601
Interest income	(44,154)	(30,100)
Change in fair value of derivatives	(209,407)	2,011,956
Operating profit before working capital changes	<u>30,190,101</u>	<u>28,316,623</u>
Changes in working capital:		
Trade and other receivables	(862,105)	(1,884,761)
Trade and other payables	(299,537)	347,323
<b>Net cash generated from operating activities</b>	<u>29,028,459</u>	<u>26,779,185</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceed from compulsory acquisition of investment property	238,000	-
Interest income	44,154	30,100
<b>Net cash generated from investing activities</b>	<u>282,154</u>	<u>30,100</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(3,984,947)	(3,867,009)
Proceed from borrowing	6,870,000	6,800,000
Distribution paid to unitholders	(31,359,900)	(29,873,250)
<b>Net cash used in financing activities</b>	<u>(28,474,847)</u>	<u>(26,940,259)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	835,766	(130,974)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>385,084</u>	<u>351,703</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>1,220,850</u>	<u>220,729</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	420,850	220,729
Deposits placed with licensed financial bank	1,100,000	300,000
	<u>1,520,850</u>	<u>520,729</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>1,220,850</u>	<u>220,729</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 with IAS 34: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of Tower Real Estate Investment Trust ("Tower REIT" or "Trust") for the financial year ended 31 December 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 interim periods of the current financial year or prior financial years that have had a material impact in the current financial period.

**A6. Debt and Equity Securities**

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

**A7. Income Distribution Paid During the Financial Period**

The Trust had, on 28 February 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.

During the quarter under review, the Trust had, on 24 August 2012, paid an interim income distribution of 5.48 sen per unit, amounting to RM15,371,400 for the financial year ending 31 December 2012.

**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 quarter ended 30 September 2012, the Trust recorded a gross revenue and a net realised income of RM11.44 million and RM9.28 million respectively, representing an increase of approximately 7% and 8% respectively as compared to the preceding year's corresponding period.

For the period to date, the Trust recorded a gross revenue and a net realised income of RM32.56 million and RM26.25 million respectively, representing an increase of 7% as compared to the preceding year's corresponding period.

The improvement in revenue recognised was mainly attributed to the increase in the average occupancy rate of HP Towers and Menara HLA.

**B2. Changes in State of Affairs**

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

**B3. Changes in Portfolio Composition**

As at 30 September 2012, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<b><u>Real Estate</u></b>		
Menara HLA	302,215	50
HP Towers	203,306	33
Menara ING	101,394	17
	<u>606,915</u>	<u>100</u>

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 30.09.2012 RM	As at 30.06.2012 RM
Net asset value ("NAV")	467,051,207	472,812,345
NAV per unit	1.6651	1.6856

The NAV per unit as at 30 September 2012 was lower compared to the immediate preceding quarter due to the interim income distribution paid on 24 August 2012 in respect of the financial year ending 31 December 2012 as disclosed in Note A7 above.

**B5. Changes in Unit Price**

On 30 September 2012, Tower REIT's unit price closed at RM1.43 per unit, an increase of 1% as compared to the closing unit price of RM1.41 per unit as at 30 June 2012.

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

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

**B7. Circumstances Affecting Interest of the Unitholders**

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

**B8. Review of Office Property Market**

Both office occupancy and rental rates remain stable. The impending new office supply will continue to exert downward pressure on existing and older buildings.

**B9. Prospects**

Supply will continue to outweigh demand for office space. The Manager expects the Trust's properties, with their high occupancy and stable rental rates, to continue to be resilient. External factors like the Euro zone crisis and uncertainty arising from the US third quantitative easing exercise will push investors towards more defensive investments like Real Estate Investment Trusts.

The Manager will continue to manage assets under the Trust's portfolio exercising good governance and transparency with the objective of further enhancing the portfolio. The Manager will diligently explore acquisition opportunities in order to increase the size of the Trust's portfolio.

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 30 September 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 30 September 2012 of RM1,042,229 and RM1,059,829 are 0.23% and 3.25% 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 quarter ended 30 September 2012 is RM35,062.

**B16. Tax Expense**

	Year to Date 30.09.2012 RM'000	Year to Date 30.09.2011 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	26,459	22,486
Income tax using Malaysian tax rate of 25% (2011: 25%)	6,615	5,622
Non-deductible expenses	162	176
Effect of fair value adjustment on derivatives	(52)	503
Effect of income exempted from tax	(6,725)	(6,301)
Tax expense	-	-

**B17. Income Distribution**

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

**B18. Units held by Related Parties**

As at 30 September 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 30.09.2012	
	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	86,890
Hong Leong Assurance Berhad	58,271	83,328
Asia Fountain Investment Company Limited	14,000	20,020
Hong Leong Bank Berhad	13,990	20,006
Hong Leong Investment Bank Berhad	5,981	8,553
Tang Hong Cheong	160 *	229
Lim Chew Yan	20	29
Poh Yang Hong	5,157 *	7,375

\* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.43 per unit as at 30 September 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 30 September 2012, the Trust had entered into IRS with total notional contracts of RM100 million, fixed for contractual periods expiring in year 2016, at the rates ranging from 3.95% to 4.09% against 3-month KLIBOR.

	<b>Contract/ Notional Value as at 30.09.2012 RM'000</b>	<b>Fair Value Assets/(Liabilities) as at 30.09.2012 RM'000</b>
Interest rate swaps		
- More than 3 years	100,000	(2,721)
	<u>100,000</u>	<u>(2,721)</u>

Hedged accounting is not applied and the changes in fair value of IRS are recognised in the profit or loss. For the current quarter ended 30 September 2012, the Trust had recognised a gain of RM333,396, arising from the changes in fair value of the IRS as derived below:

	<b>Fair Value as at 30.09.2012 RM'000</b>	<b>Fair Value as at 30.06.2012 RM'000</b>	<b>Gain RM'000</b>
Interest rate swaps	(2,721)	(3,054)	333

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 30 September 2012 and of its financial performance and cash flows for the period ended 30 September 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**  
**30 October 2012**