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**CONDENSED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

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**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2013 RM	Preceding Year Corresponding Quarter Ended 31.03.2012 RM	Current Year To Date 31.03.2013 RM	Preceding Year To Date 31.03.2012 RM
<b>Income</b>				
Gross revenue	13,908,520	13,588,152	13,908,520	13,588,152
Property operating expenses	(2,608,788)	(2,662,389)	(2,608,788)	(2,662,389)
Net property income	11,299,732	10,925,763	11,299,732	10,925,763
Interest income	19,861	11,549	19,861	11,549
Other income	10,907	5,578	10,907	5,578
	<b>11,330,500</b>	<b>10,942,890</b>	<b>11,330,500</b>	<b>10,942,890</b>
<b>Expenses</b>				
Manager's fees	763,383	739,642	763,383	739,642
Trustee's fees	37,507	34,976	37,507	34,976
Administrative expenses	22,611	35,956	22,611	35,956
Interest expenses	1,317,717	1,278,657	1,317,717	1,278,657
	<b>2,141,218</b>	<b>2,089,231</b>	<b>2,141,218</b>	<b>2,089,231</b>
<b>Net Trust Income</b>	<b>9,189,282</b>	<b>8,853,659</b>	<b>9,189,282</b>	<b>8,853,659</b>
Change in fair value of derivatives	173,044	1,075,761	173,044	1,075,761
<b>Income before tax</b>	<b>9,362,326</b>	<b>9,929,420</b>	<b>9,362,326</b>	<b>9,929,420</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>9,362,326</b>	<b>9,929,420</b>	<b>9,362,326</b>	<b>9,929,420</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>9,362,326</b>	<b>9,929,420</b>	<b>9,362,326</b>	<b>9,929,420</b>
<b>Total comprehensive income for the period is made up as follows:</b>				
- Realised	9,189,282	8,853,659	9,189,282	8,853,659
- Unrealised	173,044	1,075,761	173,044	1,075,761
	<b>9,362,326</b>	<b>9,929,420</b>	<b>9,362,326</b>	<b>9,929,420</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	3.34	3.54	3.34	3.54
- 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 2012 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2013**

The figures have not been audited.

	As At 31.03.2013 RM	As At 31.12.2012 RM
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment properties	642,500,000	642,500,000
<b><u>Current Assets</u></b>		
Trade receivables	396,950	25,774
Other receivables, deposits and prepayments	1,571,319	730,336
Deposits placed with licensed bank	500,000	1,600,000
Cash and bank balances	298,762	348,322
	<b>2,767,031</b>	<b>2,704,432</b>
<b>TOTAL ASSETS</b>	<b>645,267,031</b>	<b>645,204,432</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	13,136,552	12,916,794
Borrowing	105,500,000	105,500,000
Derivative financial instrument	2,239,608	2,412,652
	<b>120,876,160</b>	<b>120,829,446</b>
<b><u>Current liabilities</u></b>		
Trade payables	376,143	302,831
Other payables and provisions	1,530,167	1,782,930
Tenants' deposits	1,875,381	1,740,171
Borrowing	16,210,000	8,570,000
	<b>19,991,691</b>	<b>12,395,932</b>
<b>TOTAL LIABILITIES</b>	<b>140,867,851</b>	<b>133,225,378</b>
<b>NET ASSET VALUE</b>	<b>504,399,180</b>	<b>511,979,054</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	198,701,087	198,528,043
Undistributed income - realised	20,353,327	28,106,245
	<b>504,399,180</b>	<b>511,979,054</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>280,500,000</b>	<b>280,500,000</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>	<b>1.7982</b>	<b>1.8252</b>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

The figures have not been audited.

	Unitholders' Capital RM	Undistributed income		Total RM
		Non-distributable Unrealised RM	Distributable Realised RM	
<b><u>Current Year To Date</u></b>				
At 1 January 2013	285,344,766	198,528,043	28,106,245	511,979,054
<b>Operations for the period ended 31 March 2013</b>				
Total comprehensive income for the period	-	173,044	9,189,282	9,362,326
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2012 final (paid on 28 February 2013)	-	-	(16,942,200)	(16,942,200)
	-	-	(16,942,200)	(16,942,200)
At 31 March 2013	285,344,766	198,701,087	20,353,327	504,399,180
<b><u>Preceding Year To Date</u></b>				
At 1 January 2012	285,344,766	162,425,388	24,181,537	471,951,691
<b>Operations for the period ended 31 March 2012</b>				
Total comprehensive income for the period	-	1,075,761	8,853,659	9,929,420
<b>Unitholders' transactions</b>				
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

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 2012 and the accompanying explanatory notes attached.



**TOWER REAL ESTATE INVESTMENT TRUST  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

The figures have not been audited.

	<b>Current Year To Date 31.03.2013 RM</b>	<b>Preceding Year To Date 31.03.2012 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	9,362,326	9,929,420
Adjustments for:		
Interest expense	1,317,717	1,278,657
Interest income	(19,861)	(11,549)
Change in fair value of derivatives	(173,044)	(1,075,761)
Operating profit before working capital changes	<u>10,487,138</u>	<u>10,120,767</u>
Changes in working capital:		
Trade and other receivables	(1,212,159)	(1,140,990)
Trade and other payables	180,970	(432,537)
<b>Net cash generated from operating activities</b>	<u>9,455,949</u>	<u>8,547,240</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest income	<u>19,861</u>	<u>11,549</u>
<b>Net cash generated from investing activities</b>	<u>19,861</u>	<u>11,549</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(1,323,170)	(1,274,682)
Drawdown of borrowings	7,640,000	8,480,000
Distribution paid to unitholders	(16,942,200)	(15,988,500)
<b>Net cash used in financing activities</b>	<u>(10,625,370)</u>	<u>(8,783,182)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,149,560)	(224,393)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>1,648,322</u>	<u>385,084</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>498,762</u>	<u>160,691</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	298,762	160,691
Deposits placed with licensed financial bank	<u>500,000</u>	<u>300,000</u>
	798,762	460,691
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>498,762</u>	<u>160,691</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached.

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

The quarterly financial report is unaudited and prepared in accordance with MFRS 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of Tower Real Estate Investment Trust ("Tower REIT" or "Trust") for the financial year ended 31 December 2012.

**Changes in Accounting Policies**

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those adopted in the preparation of the audited financial statements of Tower REIT for the financial year ended 31 December 2012.

**A2. Audit Report of Preceding Financial Year**

The Auditors' Report of the preceding financial year ended 31 December 2012 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 2013, paid a final income distribution of 6.04 sen per unit, amounting to RM16,942,200 for the financial year ended 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 valuation of the existing properties, namely Menara HLA, HP Towers and Menara ING, had been brought forward without any amendment from the previous audited financial statements.

**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.



**Additional Information pursuant to Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad****B1. Review of Performance**

For the current quarter ended 31 March 2013, the Trust recorded a gross revenue and a net realised income of RM13.91 million and RM9.19 million respectively, representing an increase of approximately 2% and 4% respectively as compared to the preceding year's corresponding period.

The improvement in revenue recognised was mainly attributed to the increase in the average occupancy rates and rental rates at HP Towers.

**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 2013, 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	325,000	51%
HP Towers	216,000	33%
Menara ING	101,500	16%
	<u>642,500</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 31.03.2013 RM	As at 31.12.2012 RM
Net asset value ("NAV")	504,399,180	511,979,054
NAV per unit	1.7982	1.8252

The NAV per unit as at 31 March 2013 was lower compared to the immediate preceding quarter as a result of the payment of final income distribution for the financial year ended 31 December 2012 on 28 February 2013.

**B5. Changes in Unit Price**

On 31 March 2013, Tower REIT's unit price closed at RM1.49 per unit, an increase of 2% as compared to the closing unit price of RM1.46 per unit as at 31 December 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. Moving forward, office rentals are expected to come under pressure due to the incoming supply and limited demand growth. Newer buildings with better specifications and green building certifications will continue to exert downward pressure on existing and older buildings.

**B9. Prospects**

Supply will continue to outweigh demand for office space and the oversupply scenario will cause building owners to reduce rental rate expectations. The Manager expects the Trust's properties, with their prime location and with close proximity to city centre and the proposed Mass Rapid Transit (MRT) stations, to continue to secure high occupancy and achieve stable rental rates.

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 unforeseen circumstances, the Manager expects the Trust to sustain its performance in 2013.

**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 2013, 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 2013 of RM357,638 and RM405,745 are 0.22% and 3.59% 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 2013 is RM37,507.

**B16. Tax Expense**

	Current Year to Date 31.3.2013 RM'000	Preceding Year to Date 31.3.2012 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	9,362	8,854
Income tax using Malaysian tax rate of 25% (2012: 25%)	2,341	2,214
Non-deductible expenses	50	60
Effect of fair value adjustment on derivatives	(43)	(269)
Effect of income exempted from tax	(2,348)	(2,005)
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 2013, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	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	90,546
Hong Leong Assurance Berhad	58,271	86,824
Asia Fountain Investment Company Limited	14,000	20,860
Hong Leong Bank Berhad	13,809	20,575
Hong Leong Investment Bank Berhad	5,981	8,912
Tang Hong Cheong	160 *	238
Lim Chew Yan	20	30
Poh Yang Hong	4,000 *	5,960

\* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.49 per unit as at 31 March 2013.



**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 2013, 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 Kuala Lumpur Interbank Offered Rate (KLIBOR).

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 31 March 2013, the Trust had recognised a gain of RM173,044, arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 31.03.2013 RM'000	Fair Value as at 31.12.2012 RM'000	Gain RM'000
Interest rate swaps	<u>(2,240)</u>	<u>(2,413)</u>	<u>173</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 2012.

	Contract/ Notional Value as at 31.03.2013 RM'000	Fair Value Assets/(Liabilities) as at 31.03.2013 RM'000
Interest rate swaps		
- More than 3 years	<u>100,000</u>	<u>(2,240)</u>
	<u>100,000</u>	<u>(2,240)</u>



**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 2013 and of its financial performance and cash flows for the period ended 31 March 2013.

**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**  
**24 April 2013**