
**CONDENSED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2013**

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2013

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2013 RM	Preceding Year Corresponding Quarter Ended 30.06.2012 RM	Current Year To Date 30.06.2013 RM	Preceding Year To Date 30.06.2012 RM
Income				
Gross revenue	13,219,055	12,930,997	27,127,575	26,519,149
Property operating expenses	(4,486,323)	(2,707,342)	(7,095,111)	(5,369,731)
Net property income	8,732,732	10,223,655	20,032,464	21,149,418
Interest income	19,335	13,462	39,196	25,011
Other income	25,902	9,980	36,809	15,558
	8,777,969	10,247,097	20,108,469	21,189,987
Expenses				
Manager's fees	725,656	714,786	1,489,039	1,454,428
Trustee's fees	37,692	35,206	75,199	70,182
Administrative expenses	127,964	45,271	150,575	81,227
Interest expenses	1,345,154	1,332,350	2,662,871	2,611,007
	2,236,466	2,127,613	4,377,684	4,216,844
Net Trust Income	6,541,503	8,119,484	15,730,785	16,973,143
Change in fair value of derivatives	494,018	(1,199,750)	667,062	(123,989)
Income before tax	7,035,521	6,919,734	16,397,847	16,849,154
Taxation	-	-	-	-
Income after tax	7,035,521	6,919,734	16,397,847	16,849,154
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	7,035,521	6,919,734	16,397,847	16,849,154
Total comprehensive income for the period is made up as follows:				
- Realised	6,541,503	8,119,484	15,730,785	16,973,143
- Unrealised	494,018	(1,199,750)	667,062	(123,989)
	7,035,521	6,919,734	16,397,847	16,849,154
EARNINGS PER UNIT (SEN)				
- Basic	2.51	2.47	5.85	6.01
- 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 30 JUNE 2013

The figures have not been audited.

	As At 30.06.2013 RM	As At 31.12.2012 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	642,500,000	642,500,000
<u>Current Assets</u>		
Trade receivables	444,977	25,774
Other receivables, deposits and prepayments	668,994	730,336
Deposits placed with licensed bank	700,000	1,600,000
Cash and bank balances	71,267	348,322
	1,885,238	2,704,432
TOTAL ASSETS	644,385,238	645,204,432
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	8,049,294	12,916,794
Borrowing	-	105,500,000
Derivative financial instrument	1,745,590	2,412,652
	9,794,884	120,829,446
<u>Current liabilities</u>		
Trade payables	399,665	302,831
Other payables and provisions	3,565,846	1,782,930
Tenants' deposits	7,080,142	1,740,171
Borrowing	112,110,000	8,570,000
	123,155,653	12,395,932
TOTAL LIABILITIES	132,950,537	133,225,378
NET ASSET VALUE	511,434,701	511,979,054
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	199,195,105	198,528,043
Undistributed income - realised	26,894,830	28,106,245
	511,434,701	511,979,054
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.8233	1.8252

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 SECOND QUARTER ENDED 30 JUNE 2013

The figures have not been audited.

	Undistributed income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<u>Current Year To Date</u>				
At 1 January 2013	285,344,766	198,528,043	28,106,245	511,979,054
Operations for the period ended 30 June 2013				
Total comprehensive income for the period	-	667,062	15,730,785	16,397,847
Unitholders' transactions				
Distribution to unitholders				
- 2012 final (paid on 28 February 2013)	-	-	(16,942,200)	(16,942,200)
	-	-	(16,942,200)	(16,942,200)
At 30 June 2013	<u>285,344,766</u>	<u>199,195,105</u>	<u>26,894,830</u>	<u>511,434,701</u>
<u>Preceding 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 30 June 2012				
Total comprehensive income for the period	-	(123,989)	16,973,143	16,849,154
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 30 June 2012	<u>285,344,766</u>	<u>162,301,399</u>	<u>25,166,180</u>	<u>472,812,345</u>

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 SECOND QUARTER ENDED 30 JUNE 2013**

The figures have not been audited.

	Current Year To Date 30.06.2013 RM	Preceding Year To Date 30.06.2012 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	16,397,847	16,849,154
Adjustments for:		
Interest expense	2,662,871	2,611,007
Interest income	(39,196)	(25,011)
Change in fair value of derivatives	(667,062)	123,989
Operating profit before working capital changes	<u>18,354,460</u>	<u>19,559,139</u>
Changes in working capital:		
Trade and other receivables	(357,861)	(146,141)
Trade and other payables	2,375,564	238,424
Net cash generated from operating activities	<u>20,372,163</u>	<u>19,651,422</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>39,196</u>	<u>25,011</u>
Net cash generated from investing activities	<u>39,196</u>	<u>25,011</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(2,686,214)	(2,598,685)
Drawdown of borrowings	(1,960,000)	(100,000)
Distribution paid to unitholders	(16,942,200)	(15,988,500)
Net cash used in financing activities	<u>(21,588,414)</u>	<u>(18,687,185)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(1,177,055)</u>	<u>989,248</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,648,322</u>	<u>385,084</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>471,267</u>	<u>1,374,332</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	71,267	1,374,332
Deposits placed with licensed financial bank	700,000	300,000
	<u>771,267</u>	<u>1,674,332</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>471,267</u>	<u>1,374,332</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 30 June 2013, the Trust recorded a gross revenue of RM13.22 million, an increase of 2% as compared to the preceding year's corresponding quarter. The income after tax for the current quarter was RM7.04 million, an increase of 2% as compared to the preceding year's corresponding quarter.

The higher charges on repair and maintenance as mentioned in Note B11 were mitigated by the mark to market gain on interest rate swaps.

The Trust recorded a gross revenue of RM27.13 million for the current period to date, representing an increase of 2% as compared to preceding year's corresponding period. Income after tax of RM16.40 million represented a decrease of 3% as compared to the preceding year's corresponding period, mainly due to higher charges on repair and maintenance as mentioned above.

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 June 2013, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
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

	30.06.2013	31.03.2013
	RM	RM
Net asset value ("NAV")	511,434,701	504,399,180
NAV per unit		
- before proposed income distribution	1.8233	1.7982

The NAV per unit as at 30 June 2013 was higher compared to the immediate preceding quarter as a result of the profit generated during the quarter under review.

B5. Changes in Unit Price

On 30 June 2013, Tower REIT's unit price closed at RM1.60 per unit, an increase of 7% as compared to the closing unit price of RM1.49 per unit as at 31 March 2013.

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 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. Nevertheless, the Manager expects the Trust's properties, with their close proximity to city centre and the proposed Mass Rapid Transit (MRT) stations, to continue to attract good tenants.

The Manager will embark on a pro-active maintenance programme and to actively seek opportunities to enhance the assets as well as diligently review the Trust's portfolio mix to maximise the return to Unitholders.

The Manager will continue to manage assets under the Trust's portfolio exercising good governance and transparency, and will strive to sustain its performance amid the oversupply situation.

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, except for a provision for repair and maintenance of RM1.4 million in respect of a building to preserve the quality of the building.

B12. Soft Commission

During the quarter ended 30 June 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 30 June 2013 of RM719,130 and RM769,909 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 30 June 2013 is RM75,199.

B16. Tax Expense

	Current Year to Date 30.06.2013 RM'000	Preceding Year to Date 30.06.2012 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	16,398	16,849
Income tax using Malaysian tax rate of 25% (2012: 25%)	4,100	4,212
Non-deductible expenses	145	117
Effect of fair value adjustment on derivatives	(167)	(31)
Effect of income exempted from tax	(4,078)	(4,298)
Tax expense	-	-

B17. Income Distribution

The Manager of Tower REIT has declared an interim income distribution of 5.09 sen per unit, amounting to RM14,277,450, representing approximately 91% of the realised distributable net income for the six-month period ended 30 June 2013, payable on 27 August 2013 to the unitholders registered in the Record of Depositors on 13 August 2013.

	Current Year to Date 30.06.2013 RM'000	Preceding Year to Date 30.06.2012 RM'000
Net property income	20,032	21,149
Interest income	39	25
Other income	37	16
	<u>20,108</u>	<u>21,190</u>
Less: Expenses	(4,378)	(4,217)
	<u>15,730</u>	<u>16,973</u>
Less: Undistributed income	(1,453)	(1,602)
	<u>14,277</u>	<u>15,371</u>
Total distribution comprises:		
- Interim income distribution	<u>14,277</u>	<u>15,371</u>
Distribution per unit		
- Interim (sen)	<u>5.09</u>	<u>5.48</u>

Pursuant to the amended Section 109D of the Income Tax Act, 1967, the following withholding tax rates (effective 1 January 2009) will be deducted for distributions made to the following categories of unitholders:

- Resident corporate (no withholding tax, to tax at prevailing rate)
- Non-resident corporate (withholding tax 25%)
- Resident non-corporate (withholding tax 10%)
- Non-resident institutional (withholding tax 10%)
- Non-resident individual (withholding tax 10%)

B18. Units held by Related Parties

As at 30 June 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	97,230
Hong Leong Assurance Berhad	58,271	93,234
Asia Fountain Investment Company Limited	14,000	22,400
Hong Leong Bank Berhad	13,809	22,094
Hong Leong Investment Bank Berhad	5,981	9,570
Tang Hong Cheong	160 *	256
Lim Chew Yan	20	32
Poh Yang Hong	4,000 *	6,400

* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.60 per unit as at 30 June 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 30 June 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 30 June 2013, the Trust had recognised a gain of RM494,018, arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 30.06.2013 RM'000	Fair Value as at 31.03.2013 RM'000	Gain RM'000
Interest rate swaps	(1,746)	(2,240)	494

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 30.06.2013 RM'000	Fair Value Assets/(Liabilities) as at 30.06.2013 RM'000
Interest rate swaps		
- More than 3 years	100,000	(1,746)
	100,000	(1,746)

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 June 2013 and of its financial performance and cash flows for the period ended 30 June 2013.

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

LIM YEW YOKE
CHIN MIN YANN
Secretaries

Kuala Lumpur
24 July 2013