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**CONDENSED FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013**

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The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2013 RM	Preceding Year Corresponding Quarter Ended 30.09.2012 RM	Current Year To Date 30.09.2013 RM	Preceding Year To Date 30.09.2012 RM
<b><u>Income</u></b>				
Gross revenue	13,338,635	14,029,498	40,466,210	40,548,647
Property operating expenses	(3,078,527)	(2,616,354)	(10,173,638)	(7,986,085)
Net property income	10,260,108	11,413,144	30,292,572	32,562,562
Interest income	19,849	19,143	59,045	44,154
Other income	20,209	5,209	57,018	20,767
	<b>10,300,166</b>	<b>11,437,496</b>	<b>30,408,635</b>	<b>32,627,483</b>
<b><u>Expenses</u></b>				
Manager's fees	604,724	647,630	2,093,763	2,102,058
Trustee's fees	38,398	35,062	113,597	105,244
Administrative expenses	30,123	104,699	180,698	185,926
Interest expenses	1,338,262	1,373,239	4,001,133	3,984,246
	<b>2,011,507</b>	<b>2,160,630</b>	<b>6,389,191</b>	<b>6,377,474</b>
<b>Net Trust Income</b>	<b>8,288,659</b>	<b>9,276,866</b>	<b>24,019,444</b>	<b>26,250,009</b>
Change in fair value of derivatives	145,180	333,396	812,242	209,407
<b>Income before tax</b>	<b>8,433,839</b>	<b>9,610,262</b>	<b>24,831,686</b>	<b>26,459,416</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>8,433,839</b>	<b>9,610,262</b>	<b>24,831,686</b>	<b>26,459,416</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>8,433,839</b>	<b>9,610,262</b>	<b>24,831,686</b>	<b>26,459,416</b>
<b>Total comprehensive income for the period is made up as follows:</b>				
- Realised	8,288,659	9,276,866	24,019,444	26,250,009
- Unrealised	145,180	333,396	812,242	209,407
	<b>8,433,839</b>	<b>9,610,262</b>	<b>24,831,686</b>	<b>26,459,416</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	3.01	3.43	8.85	9.43
- 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 SEPTEMBER 2013**

The figures have not been audited.

	As At 30.09.2013 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	170,741	25,774
Other receivables, deposits and prepayments	1,811,069	730,336
Deposits placed with licensed bank	600,000	1,600,000
Cash and bank balances	365,570	348,322
	2,947,380	2,704,432
<b>TOTAL ASSETS</b>	<b>645,447,380</b>	<b>645,204,432</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	12,089,481	12,916,794
Borrowing	-	105,500,000
Derivative financial instrument	1,600,410	2,412,652
	13,689,891	120,829,446
<b><u>Current liabilities</u></b>		
Trade payables	369,431	302,831
Other payables and provisions	3,043,378	1,782,930
Tenants' deposits	2,253,590	1,740,171
Borrowing	120,500,000	8,570,000
	126,166,399	12,395,932
<b>TOTAL LIABILITIES</b>	<b>139,856,290</b>	<b>133,225,378</b>
<b>NET ASSET VALUE</b>	<b>505,591,090</b>	<b>511,979,054</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	199,340,285	198,528,043
Undistributed income - realised	20,906,039	28,106,245
	<b>505,591,090</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>1.8025</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 THIRD QUARTER ENDED 30 SEPTEMBER 2013**

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<b><u>Current Year To Date</u></b>				
<b>At 1 January 2013</b>	<b>285,344,766</b>	<b>198,528,043</b>	<b>28,106,245</b>	<b>511,979,054</b>
<b>Operations for the period ended 30 September 2013</b>				
Total comprehensive income for the period	-	812,242	24,019,444	24,831,686
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2012 final (paid on 28 February 2013)	-	-	(16,942,200)	(16,942,200)
- 2013 interim (paid on 27 August 2013)	-	-	(14,277,450)	(14,277,450)
	-	-	(31,219,650)	(31,219,650)
<b>At 30 September 2013</b>	<b>285,344,766</b>	<b>199,340,285</b>	<b>20,906,039</b>	<b>505,591,090</b>
<b><u>Preceding Year To Date</u></b>				
<b>At 1 January 2012</b>	<b>285,344,766</b>	<b>162,425,388</b>	<b>24,181,537</b>	<b>471,951,691</b>
<b>Operations for the period ended 30 September 2012</b>				
Total comprehensive income for the period	-	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)
<b>At 30 September 2012</b>	<b>285,344,766</b>	<b>162,634,795</b>	<b>19,071,646</b>	<b>467,051,207</b>

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 THIRD QUARTER ENDED 30 SEPTEMBER 2013**

The figures have not been audited.

	<b>Current Year To Date 30.09.2013 RM</b>	<b>Preceding Year To Date 30.09.2012 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	24,831,686	26,459,416
Adjustments for:		
Interest expense	4,001,133	3,984,246
Interest income	(59,045)	(44,154)
Change in fair value of derivatives	(812,242)	(209,407)
Operating profit before working capital changes	<u>27,961,532</u>	<u>30,190,101</u>
Changes in working capital:		
Trade and other receivables	(1,225,700)	(862,105)
Trade and other payables	1,034,759	(299,537)
<b>Net cash generated from operating activities</b>	<u>27,770,591</u>	<u>29,028,459</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceed from compulsory acquisition of investment property	-	238,000
Interest income	59,045	44,154
<b>Net cash generated from investing activities</b>	<u>59,045</u>	<u>282,154</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(4,022,738)	(3,984,947)
Drawdown of borrowings	6,430,000	6,870,000
Distribution paid to unitholders	(31,219,650)	(31,359,900)
<b>Net cash used in financing activities</b>	<u>(28,812,388)</u>	<u>(28,474,847)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(982,752)	835,766
<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>665,570</u>	<u>1,220,850</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	365,570	420,850
Deposits placed with licensed financial bank	600,000	1,100,000
	<u>965,570</u>	<u>1,520,850</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>665,570</u>	<u>1,220,850</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.

The Trust had, on 27 August 2013, paid an interim income distribution of 5.09 sen per unit, amounting to RM14,277,450 for the financial period ended 30 June 2013.

**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 September 2013, the Trust recorded a gross revenue of RM13.34 million, a decrease of 5% as compared to the preceding year's corresponding quarter. The income after tax for the current quarter was RM8.43 million, a decrease of 12% as compared to the preceding year's corresponding quarter mainly due to lower occupancy at Menara HLA.

The Trust recorded a gross revenue of RM40.47 million for the current period to date, a marginal decrease from RM40.55 million in preceding year corresponding period. Income after tax of RM24.83 million represented a decrease of 6% as compared to the preceding year's corresponding period, mainly due to higher charges on repair and maintenance and lower occupancy at Menara HLA 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 September 2013, Tower REIT's composition of investment portfolio was as follows:

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

	30.09.2013	30.06.2013
	RM	RM
Net asset value ("NAV")	505,591,090	511,434,701
NAV per unit		
- before proposed income distribution	1.8025	1.8233

The NAV per unit as at 30 September 2013 was lower compared to the immediate preceding quarter as a result of the interim income distribution paid on 27 August 2013.

**B5. Changes in Unit Price**

On 30 September 2013, Tower REIT's unit price closed at RM1.54 per unit, a decrease of 4% as compared to the closing unit price of RM1.60 per unit as at 30 June 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**

The office space oversupply situation is expected to continue in the foreseeable future. This would result in keener competition among building owners to secure occupancies for their properties with downward pressure on rental rates.

Prospects for the Trust will be challenging in the foreseeable future due to the oversupply situation and the potential future reduction in occupancy for the portfolio assets in the event the Manager is unable to restore major vacancies due to tenant turnover. The Manager will continue to take active steps to manage the portfolio assets to maximize return to unitholders.

**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 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 September 2013 of RM1,084,721 and RM1,009,042 are 0.17% and 3.33% 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 September 2013 is RM113,597.

#### B16. Tax Expense

	Current Year to Date 30.09.2013 RM'000	Preceding Year to Date 30.09.2012 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	24,832	26,459
Income tax using Malaysian tax rate of 25% (2012: 25%)	6,208	6,615
Non-deductible expenses	255	162
Effect of fair value adjustment on derivatives	(203)	(52)
Effect of income exempted from tax	(6,260)	(6,725)
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 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	93,584
Hong Leong Assurance Berhad	57,771	88,967
Asia Fountain Investment Company Limited	14,000	21,560
Hong Leong Bank Berhad	13,809	21,266
Hong Leong Investment Bank Berhad	5,981	9,211
Tang Hong Cheong	160 *	246
Lim Chew Yan	20	31
Poh Yang Hong	3,741 *	5,761

\* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.54 per unit as at 30 September 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 September 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 September 2013, the Trust had recognised a gain of RM145,180, arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 30.09.2013 RM'000	Fair Value as at 30.06.2013 RM'000	Gain RM'000
Interest rate swaps	<u>(1,600)</u>	<u>(1,745)</u>	<u>145</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.

**B19. Derivative Financial Instrument (Continued)**

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.

	<b>Contract/ Notional Value as at 30.09.2013 RM'000</b>	<b>Fair Value Assets/(Liabilities) as at 30.09.2013 RM'000</b>
Interest rate swaps		
- Between 2 to 3 years	100,000	(1,600)
	<u>100,000</u>	<u>(1,600)</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 30 September 2013 and of its financial performance and cash flows for the period ended 30 September 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  
18 November 2013