
**CONDENSED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013**

<u>Contents</u>	<u>Page</u>
Condensed Statement of Profit or Loss and Other 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 - 13

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2013 RM	Preceding Year Corresponding Quarter Ended 31.12.2012 RM	Current Year To Date 31.12.2013 RM	Preceding Year To Date 31.12.2012 RM
Income				
Gross revenue	12,404,854	13,936,308	52,871,064	54,484,955
Property operating expenses	(3,082,748)	(2,866,341)	(13,256,386)	(10,852,426)
Net property income	9,322,106	11,069,967	39,614,678	43,632,529
Interest income	21,807	19,860	80,852	64,014
Other income	53,015	11,544	110,033	32,311
	9,396,928	11,101,371	39,805,563	43,728,854
Expenses				
Manager's fees	565,690	593,261	2,659,453	2,695,319
Trustee's fees	39,034	36,691	152,631	141,935
Administrative expenses	50,135	69,714	230,833	255,640
Interest expenses	1,365,216	1,367,106	5,366,349	5,351,352
	2,020,075	2,066,772	8,409,266	8,444,246
Net Trust Income	7,376,853	9,034,599	31,396,297	35,284,608
Change in fair value of derivatives	458,820	308,635	1,271,062	518,042
Change in fair value of investment properties	-	35,584,613	-	35,584,613
Income before tax	7,835,673	44,927,847	32,667,359	71,387,263
Taxation	-	-	-	-
Income after tax	7,835,673	44,927,847	32,667,359	71,387,263
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	7,835,673	44,927,847	32,667,359	71,387,263
Total comprehensive income for the period is made up as follows:				
- Realised	7,376,853	9,034,599	31,396,297	35,284,608
- Unrealised	458,820	35,893,248	1,271,062	36,102,655
	7,835,673	44,927,847	32,667,359	71,387,263
EARNINGS PER UNIT (SEN)				
- Basic	2.79	16.02	11.65	25.45
- 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 DECEMBER 2013

The figures have not been audited.

	As At 31.12.2013 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	380,862	25,774
Other receivables, deposits and prepayments	873,304	730,336
Deposits placed with licensed bank	700,000	1,600,000
Cash and bank balances	206,803	348,322
	2,160,969	2,704,432
TOTAL ASSETS	644,660,969	645,204,432
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	6,154,473	12,916,794
Borrowings	105,500,000	105,500,000
Derivative financial instrument	1,141,590	2,412,652
	112,796,063	120,829,446
<u>Current liabilities</u>		
Trade payables	402,879	302,831
Other payables and provisions	2,988,385	1,782,930
Tenants' deposits	6,146,879	1,740,171
Borrowings	8,900,000	8,570,000
	18,438,143	12,395,932
TOTAL LIABILITIES	131,234,206	133,225,378
NET ASSET VALUE	513,426,763	511,979,054
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	199,799,105	198,528,043
Undistributed income - realised	28,282,892	28,106,245
	513,426,763	511,979,054
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.8304	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 FOURTH QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited.

	Unitholders' Capital RM	Undistributed Income		Total 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 31 December 2013				
Total comprehensive income for the period	-	1,271,062	31,396,297	32,667,359
Unitholders' transactions				
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)
At 31 December 2013	285,344,766	199,799,105	28,282,892	513,426,763
<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 31 December 2012				
Total comprehensive income for the period	-	36,102,655	35,284,608	71,387,263
	-	36,102,655	35,284,608	71,387,263
Unitholders' transactions				
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 31 December 2012	285,344,766	198,528,043	28,106,245	511,979,054

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 FOURTH QUARTER ENDED 31 DECEMBER 2013**

The figures have not been audited.

	Current Year To Date 31.12.2013 RM	Preceding Year To Date 31.12.2012 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	32,667,359	71,387,263
Adjustments for:		
Interest expense	5,366,349	5,351,352
Interest income	(80,852)	(64,014)
Change in fair value of investment properties	-	(35,584,613)
Change in fair value of derivatives	(1,271,062)	(518,042)
Operating profit before working capital changes	<u>36,681,794</u>	<u>40,571,946</u>
Changes in working capital:		
Trade and other receivables	(498,056)	(142,644)
Trade and other payables	(1,065,510)	(357,110)
Net cash generated from operating activities	<u>35,118,228</u>	<u>40,072,192</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceed from compulsory acquisition of investment property	-	238,000
Interest income	80,852	64,014
Net cash generated from investing activities	<u>80,852</u>	<u>302,014</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(5,350,949)	(5,321,068)
Drawdown of borrowings	330,000	(2,430,000)
Distribution paid to unitholders	(31,219,650)	(31,359,900)
Net cash used in financing activities	<u>(36,240,599)</u>	<u>(39,110,968)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,041,519)	1,263,238
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>606,803</u>	<u>1,648,322</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	206,803	348,322
Deposits placed with licensed financial bank	700,000	1,600,000
	<u>906,803</u>	<u>1,948,322</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>606,803</u>	<u>1,648,322</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, amounted 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, amounted 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 quarter under review ended 31 December 2013, the Trust recorded a gross revenue of RM12.40 million, a decrease of 11% as compared to corresponding quarter in the preceding year. The income after tax for the quarter under review of RM7.84 million was lower than the corresponding quarter in the preceding year, mainly because of a revaluation gain of RM35.58 million in the corresponding quarter in the preceding year and lower occupancy at Menara HLA for the quarter under review.

The Trust recorded a gross revenue of RM52.87 million for the financial year under review, a decrease of 3% as compared to preceding financial year. Income after tax of RM32.67 million for the financial year under review is lower than the income after tax of RM71.39 million in the preceding financial year due to the aforesaid reasons.

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 December 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

	As at 31.12.2013 RM	As at 30.09.2013 RM
Net asset value ("NAV")	513,426,763	505,591,090
NAV per unit	1.8304	1.8025

The NAV per unit as at 31 December 2013 was higher as compared to the immediate preceding quarter as a result of the operating profit recognised for the current quarter.

B5. Changes in Unit Price

On 31 December 2013, Tower REIT's unit price closed at RM1.50 per unit, a decrease of 3% as compared to the closing unit price of RM1.54 per unit as at 30 September 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 oversupply of office space especially in the Klang Valley and Kuala Lumpur will continue to exert pressure on the occupancy and rental rates and as more new buildings enter the market, the oversupply situation is expected to persist for the foreseeable future.

Prospects for the Trust are expected to be challenging in the financial year ending 31 December 2014 due to the oversupply of office situation and potential lower occupancy for the portfolio assets in the event the Manager is unable to restore major vacancies due to tenant turnover. Notwithstanding the difficult operating environment, the Manager will continue to take active steps to manage the portfolio assets to maximise 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 31 December 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 December 2013 of RM1,450,259 and RM1,209,194 are 0.22% and 3.01% 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 year ended 31 December 2013 is RM152,631.

B16. Tax Expense

	Current Year to Date 2013 RM'000	Preceding Year to Date 2012 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	32,667	71,388
Income tax using Malaysian tax rate of 25% (2012: 25%)	8,167	17,847
Non-deductible expenses	82	85
Effect of fair value adjustment on derivatives	(317)	(130)
Effect of fair value adjustment on investment properties	-	(8,896)
Effect of income exempted from tax	(7,932)	(8,906)
Tax expense	-	-

B17. Income Distribution

The Manager of Tower REIT has declared a final income distribution of 5.61 sen per unit (5.58 sen per unit subject to withholding tax and 0.03 sen tax exempt), amounting to RM15,736,050, representing approximately 95% of the realised distributable net income for the six-month period ended 31 December 2013, to be payable on 28 February 2014 to the unitholders registered in the Record of Depositors on 13 February 2014.

The income distributions are from the following sources:

	2013 RM'000	2012 RM'000
Net property income	39,615	43,633
Interest income	81	64
Other income	110	32
	<u>39,806</u>	<u>43,729</u>
Less: Expenses	<u>(8,409)</u>	<u>(8,445)</u>
	31,397	35,284
Less: Undistributed income	<u>(1,384)</u>	<u>(2,970)</u>
	<u>30,013</u>	<u>32,314</u>
Total distribution comprises:		
- Interim income distribution	14,277	15,372
- Final income distribution	15,736	16,942
	<u>30,013</u>	<u>32,314</u>
Distribution per unit		
- Interim (sen)	5.09	5.48
- Final (sen)	5.61	6.04
	<u>10.70</u>	<u>11.52</u>

B18. Units held by Related Parties

As at 31 December 2013, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

Direct/Indirect unitholdings in Tower REIT of the related parties of the Manager:

HLP Equities Sdn Bhd	60,769	91,154
Hong Leong Assurance Berhad	57,771	86,657
Asia Fountain Investment Company Limited	14,000	21,000
Hong Leong Bank Berhad	13,809	20,714
Hong Leong Investment Bank Berhad	5,981	8,972
Poh Yang Hong	3,277 *	4,916

* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.50 per unit as at 31 December 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 December 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 December 2013, the Trust had recognised a gain of RM458,820, arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 31.12.2013 RM'000	Fair Value as at 30.09.2013 RM'000	Gain RM'000
Interest rate swaps	(1,142)	(1,601)	459

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.

	Contract/ Notional Value as at 31.12.2013 RM'000	Fair Value Assets/(Liabilities) as at 31.12.2013 RM'000
Interest rate swaps		
- Between 2 to 3 years	<u>100,000</u>	<u>(1,142)</u>
	<u>100,000</u>	<u>(1,142)</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 December 2013 and of its financial performance and cash flows for the period ended 31 December 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
27 January 2014