

---

**CONDENSED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

---

<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

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter Ended	Corresponding	To Date	To Date
	31.03.2014	Quarter Ended	31.03.2014	31.03.2013
	RM	RM	RM	RM
<b><u>Income</u></b>				
Gross revenue	12,119,811	13,908,520	12,119,811	13,908,520
Property operating expenses	(3,457,704)	(2,608,788)	(3,457,704)	(2,608,788)
Net property income	8,662,107	11,299,732	8,662,107	11,299,732
Interest income	26,682	19,861	26,682	19,861
Other income	31,346	10,907	31,346	10,907
	<b>8,720,135</b>	<b>11,330,500</b>	<b>8,720,135</b>	<b>11,330,500</b>
<b><u>Expenses</u></b>				
Manager's fees	669,853	763,383	669,853	763,383
Trustee's fees	37,553	37,507	37,553	37,507
Administrative expenses	72,271	22,611	72,271	22,611
Interest expenses	1,339,448	1,317,717	1,339,448	1,317,717
	<b>2,119,125</b>	<b>2,141,218</b>	<b>2,119,125</b>	<b>2,141,218</b>
<b>Net Trust Income</b>	<b>6,601,010</b>	<b>9,189,282</b>	<b>6,601,010</b>	<b>9,189,282</b>
Change in fair value of derivatives	162,399	173,044	162,399	173,044
<b>Income before tax</b>	<b>6,763,409</b>	<b>9,362,326</b>	<b>6,763,409</b>	<b>9,362,326</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>6,763,409</b>	<b>9,362,326</b>	<b>6,763,409</b>	<b>9,362,326</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>6,763,409</b>	<b>9,362,326</b>	<b>6,763,409</b>	<b>9,362,326</b>
<b>Total comprehensive income for the period is made up as follows:</b>				
- Realised	6,601,010	9,189,282	6,601,010	9,189,282
- Unrealised	162,399	173,044	162,399	173,044
	<b>6,763,409</b>	<b>9,362,326</b>	<b>6,763,409</b>	<b>9,362,326</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	2.41	3.34	2.41	3.34
- 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 2013 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2014**

The figures have not been audited.

	As At 31.03.2014 RM	As At 31.12.2013 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	17,085	380,862
Other receivables, deposits and prepayments	1,355,322	873,304
Deposits placed with licensed bank	1,500,000	700,000
Cash and bank balances	60,674	206,803
	2,933,081	2,160,969
<b>TOTAL ASSETS</b>	<b>645,433,081</b>	<b>644,660,969</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	7,814,596	6,140,473
Borrowings	105,500,000	105,500,000
Derivative financial instrument	979,191	1,141,590
	114,293,787	112,782,063
<b><u>Current liabilities</u></b>		
Trade payables	440,430	402,879
Other payables and provisions	2,859,590	2,988,385
Tenants' deposits	4,785,152	6,160,879
Borrowings	18,600,000	8,900,000
	26,685,172	18,452,143
<b>TOTAL LIABILITIES</b>	<b>140,978,959</b>	<b>131,234,206</b>
<b>NET ASSET VALUE</b>	<b>504,454,122</b>	<b>513,426,763</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	199,961,504	199,799,105
Undistributed income - realised	19,147,852	28,282,892
	<b>504,454,122</b>	<b>513,426,763</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>1.7984</b>	<b>1.8304</b>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 2014**

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 2014	285,344,766	199,799,105	28,282,892	513,426,763
<b>Operations for the period ended 31 March 2013</b>				
Total comprehensive income for the period	-	162,399	6,601,010	6,763,409
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2014 interim (paid on 28 February 2014)	-	-	(15,736,050)	(15,736,050)
	-	-	(15,736,050)	(15,736,050)
At 31 March 2014	285,344,766	199,961,504	19,147,852	504,454,122
<b><u>Preceding 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
	-	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

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 2013 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

The figures have not been audited.

	Current Year To Date 31.03.2014 RM	Preceding Year To Date 31.03.2013 RM
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	6,763,409	9,362,326
Adjustments for:		
Interest expense	1,339,448	1,317,717
Interest income	(26,682)	(19,861)
Change in fair value of investment properties	-	-
Change in fair value of derivatives	(162,399)	(173,044)
Operating profit before working capital changes	<u>7,913,776</u>	<u>10,487,138</u>
Changes in working capital:		
Trade and other receivables	(118,241)	(1,212,159)
Trade and other payables	264,209	180,970
Net cash generated from operating activities	<u>8,059,744</u>	<u>9,455,949</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceed from compulsory acquisition of investment property	-	-
Interest income	26,682	19,861
Net cash generated from investing activities	<u>26,682</u>	<u>19,861</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(1,396,505)	(1,323,170)
Drawdown of borrowings	9,700,000	7,640,000
Distribution paid to unitholders	(15,736,050)	(16,942,200)
Net cash used in financing activities	<u>(7,432,555)</u>	<u>(10,625,370)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	653,871	(1,149,560)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>606,803</u>	<u>1,648,322</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>1,260,674</u>	<u>498,762</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	60,674	298,762
Deposits placed with licensed financial bank	1,500,000	500,000
	<u>1,560,674</u>	<u>798,762</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>1,260,674</u>	<u>498,762</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 2013.

**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 2013.

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

The Auditors' Report of the preceding financial year ended 31 December 2013 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 2014, paid a final income distribution of 5.61 sen per unit, amounting to RM15,736,050 for the financial year ended 31 December 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 March 2014, the Trust recorded a gross revenue of RM12.12 million and a net realised income of RM6.60 million, representing a decrease of 13% and 28% respectively as compared to the corresponding quarter in the preceding year.

The decrease in revenue was mainly attributed to lower occupancy rates in Menara HLA and HP Towers. The decrease in net realised income was mainly due to higher operating expenses incurred in the quarter under review.

**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 2014, 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 31.03.2014	As at 31.12.2013
	RM	RM
Net asset value ("NAV")	504,454,122	513,426,763
NAV per unit	1.7984	1.8304

The NAV per unit as at 31 March 2014 was lower as compared to the immediate preceding quarter as a result of the payment of final distribution for the financial year ended 31 December 2013 on 28 February 2014.

**B5. Changes in Unit Price**

On 31 March 2014, Tower REIT's unit price closed at RM1.40 per unit, a decrease of 7% as compared to the closing unit price of RM1.50 per unit as at 31 December 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 continue to come under pressure due to the incoming supply of newer buildings with better specifications and the limited demand growth.

**B9. Prospects**

The office supply demand imbalance is expected to exert pressure on the occupancy and rental rates. Prospects for the Trust will be challenging due to the oversupply situation. Notwithstanding the challenging 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 March 2014, 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 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 RM358,034 and RM311,819 are 0.18% and 3.35% 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 2014 is RM37,553.

#### B16. Tax Expense

	Current Year to Date 31.03.2014 RM'000	Preceding Year to Date 31.03.2013 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	6,601	9,362
Income tax using Malaysian tax rate of 25% (2012: 25%)	1,650	2,341
Non-deductible expenses	55	50
Effect of fair value adjustment on derivatives	(41)	(43)
Effect of income exempted from tax	(1,664)	(2,348)
Tax expense	-	-

**B17. Income Distribution**

No income distribution has been declared for the current financial year.

**B18. Units held by Related Parties**

As at 31 March 2014, 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 31.03.2014	
	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	85,077
Hong Leong Assurance Berhad	57,771	80,879
Asia Fountain Investment Company Limited	14,000	19,600
Hong Leong Bank Berhad	13,787	19,302
Hong Leong Investment Bank Berhad	5,887	8,242
Poh Yang Hong	3,085 *	4,319

\* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.40 per unit as at 31 March 2014.

### 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 2014, 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 2014, the Trust had recognised a gain of RM162,399, arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 31.03.2014 RM'000	Fair Value as at 31.12.2013 RM'000	Gain RM'000
Interest rate swaps	<u>(979)</u>	<u>(1,141)</u>	<u>162</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 2013.

	Contract/ Notional Value as at 31.03.2014 RM'000	Fair Value Assets/(Liabilities) as at 31.03.2014 RM'000
Interest rate swaps		
- Between 2 to 3 years	<u>100,000</u>	<u>(979)</u>
	<u>100,000</u>	<u>(979)</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 2014 and of its financial performance and cash flows for the period ended 31 March 2014.

**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**  
**29 April 2014**