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**CONDENSED FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

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<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 - 12

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2014 RM	Preceding Year Corresponding Quarter Ended 30.09.2013 RM	Current Year To Date 30.09.2014 RM	Preceding Year To Date 30.09.2013 RM
<b>Income</b>				
Gross revenue	10,077,830	13,338,635	33,992,801	40,466,210
Property operating expenses	(3,822,786)	(3,078,527)	(11,839,270)	(10,173,638)
Net property income	6,255,044	10,260,108	22,153,531	30,292,572
Interest income	19,306	19,849	65,671	59,045
Other income	10,929	20,209	59,337	57,018
	<b>6,285,279</b>	<b>10,300,166</b>	<b>22,278,539</b>	<b>30,408,635</b>
<b>Expenses</b>				
Manager's fees	592,116	604,724	1,887,846	2,093,763
Trustee's fees	38,236	38,398	114,186	113,597
Administrative expenses	81,557	30,123	365,588	180,698
Interest expenses	1,373,905	1,338,262	4,061,591	4,001,133
	<b>2,085,814</b>	<b>2,011,507</b>	<b>6,429,211</b>	<b>6,389,191</b>
<b>Net Trust Income</b>	<b>4,199,465</b>	<b>8,288,659</b>	<b>15,849,328</b>	<b>24,019,444</b>
Change in fair value of derivatives	73,549	145,180	632,965	812,242
<b>Income before tax</b>	<b>4,273,014</b>	<b>8,433,839</b>	<b>16,482,293</b>	<b>24,831,686</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>4,273,014</b>	<b>8,433,839</b>	<b>16,482,293</b>	<b>24,831,686</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>4,273,014</b>	<b>8,433,839</b>	<b>16,482,293</b>	<b>24,831,686</b>
<b>Total comprehensive income for the period is made up as follows:</b>				
- Realised	4,199,465	8,288,659	15,849,328	24,019,444
- Unrealised	73,549	145,180	632,965	812,242
	<b>4,273,014</b>	<b>8,433,839</b>	<b>16,482,293</b>	<b>24,831,686</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	1.52	3.01	5.88	8.85
- Diluted	N/A	N/A	N/A	N/A

The Condensed Statement of Profit or Loss and Other 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 30 SEPTEMBER 2014**

The figures have not been audited.

	As At 30.09.2014 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	894,149	380,862
Other receivables, deposits and prepayments	1,712,940	873,304
Deposits placed with licensed bank	300,000	700,000
Cash and bank balances	314,827	206,803
	<b>3,221,916</b>	<b>2,160,969</b>
<b>TOTAL ASSETS</b>	<b>645,721,916</b>	<b>644,660,969</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	11,327,474	6,140,473
Borrowings	105,500,000	105,500,000
Derivative financial instrument	508,625	1,141,590
	<b>117,336,099</b>	<b>112,782,063</b>
<b><u>Current liabilities</u></b>		
Trade payables	328,843	402,879
Other payables and provisions	3,345,605	2,988,385
Tenants' deposits	1,881,513	6,160,879
Borrowings	19,400,000	8,900,000
	<b>24,955,961</b>	<b>18,452,143</b>
<b>TOTAL LIABILITIES</b>	<b>142,292,060</b>	<b>131,234,206</b>
<b>NET ASSET VALUE</b>	<b>503,429,856</b>	<b>513,426,763</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	200,432,070	199,799,105
Undistributed income - realised	17,653,020	28,282,892
	<b>503,429,856</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>1.7948</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 THIRD QUARTER ENDED 30 SEPTEMBER 2014**

The figures have not been audited.

	Unitholders' Capital RM	Undistributed Income		Total RM
		Non-distributable Unrealised RM	Distributable Realised RM	
<b>Current Year To Date</b>				
<b>At 1 January 2014</b>	<b>285,344,766</b>	<b>199,799,105</b>	<b>28,282,892</b>	<b>513,426,763</b>
<b>Operations for the period ended 30 September 2014</b>				
Total comprehensive income for the period	-	632,965	15,849,328	16,482,293
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2013 final (paid on 28 February 2014)	-	-	(15,736,050)	(15,736,050)
- 2014 interim (paid on 27 August 2014)	-	-	(10,743,150)	(10,743,150)
	-	-	(26,479,200)	(26,479,200)
<b>At 30 September 2014</b>	<b>285,344,766</b>	<b>200,432,070</b>	<b>17,653,020</b>	<b>503,429,856</b>
<b>Preceding Year To Date</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
	-	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>

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 THIRD QUARTER ENDED 30 SEPTEMBER 2014**

The figures have not been audited.

	<b>Current Year To Date 30.09.2014 RM</b>	<b>Preceding Year To Date 30.09.2013 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	16,482,293	24,831,686
Adjustments for:		
Interest expense	4,061,591	4,001,133
Interest income	(65,671)	(59,045)
Change in fair value of derivatives	(632,965)	(812,242)
Operating profit before working capital changes	<u>19,845,248</u>	<u>27,961,532</u>
Changes in working capital:		
Trade and other receivables	(1,352,923)	(1,225,700)
Trade and other payables	<u>1,287,289</u>	<u>1,034,759</u>
<b>Net cash generated from operating activities</b>	<u>19,779,614</u>	<u>27,770,591</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest income	<u>65,671</u>	<u>59,045</u>
<b>Net cash generated from investing activities</b>	<u>65,671</u>	<u>59,045</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(4,158,061)	(4,022,738)
Drawdown of borrowings	10,500,000	6,430,000
Distribution paid to unitholders	<u>(26,479,200)</u>	<u>(31,219,650)</u>
<b>Net cash used in financing activities</b>	<u>(20,137,261)</u>	<u>(28,812,388)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(291,976)	(982,752)
<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>314,827</u>	<u>665,570</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	314,827	365,570
Deposits placed with licensed financial bank	<u>300,000</u>	<u>600,000</u>
	614,827	965,570
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>314,827</u>	<u>665,570</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 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.

The Trust had, on 27 August 2014, paid an interim income distribution of 3.83 sen per unit, amounting to RM10,743,150 for the financial period ended 30 June 2014.

**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.

**B. 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 30 September 2014, the Trust recorded a gross revenue of RM10.08 million and a net realised income of RM4.20 million, representing a decrease of 24% and 49% respectively as compared to the corresponding quarter in the preceding year.

The decrease in revenue was mainly attributed to lower occupancy rates in Menara ING and Menara HLA. The decrease in revenue together with higher operating expense, which was mainly due to assessment and electricity tariff hikes, had reduced the net realised income for 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 30 September 2014, 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**

	30.09.2014	30.06.2014
	RM	RM
Net asset value ("NAV")	503,429,856	509,899,992
NAV per unit - before proposed income distribution	1.7948	1.8178

NAV per unit as at 30 September 2014 was lower as compared to the immediate preceding quarter as a result of the payment of interim distributions for the financial period ended 30 June 2014.

**B5. Changes in Unit Price**

On 30 September 2014, Tower REIT's unit price closed at RM1.33 per unit, a decrease of 6% as compared to the closing unit price of RM1.42 per unit as at 30 June 2014.

**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**

As in the last quarter, 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**

Prospects for the Trust will continue to be challenging due to the oversupply situation. 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 30 September 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 30 September 2014 of RM1,085,084 and RM802,762 are 0.15% and 3.30% 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 2014 is RM114,186.

**B16. Tax Expense**

	Current Year to Date 30.09.2014 RM'000	Preceding Year to Date 30.09.2013 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	16,482	24,832
Income tax using Malaysian tax rate of 25% (2013: 25%)	4,121	6,208
Non-deductible expenses	491	255
Effect of fair value adjustment on derivatives	(158)	(203)
Effect of income exempted from tax	(4,454)	(6,260)
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 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 30.09.2014	
	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	80,823
Hong Leong Assurance Berhad	57,771	76,835
Asia Fountain Investment Company Limited	14,000	18,620
Hong Leong Bank Berhad	13,787	18,337
Hong Leong Investment Bank Berhad	5,887	7,830
Poh Yang Hong	3,085 *	4,103

\* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.33 per unit as at 30 September 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 30 September 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 30 September 2014, the Trust had recognised a gain of RM73,549, arising from the changes in fair value of the IRS as derived below:

	As at 30.09.2014 RM'000	As at 30.06.2014 RM'000	Gain RM'000
Interest rate swaps	<u>(509)</u>	<u>(582)</u>	<u>73</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 30.09.2014 RM'000	Fair Value Assets/(Liabilities) as at 30.09.2014 RM'000
Interest rate swaps		
- Between 1 to 2 years	<u>100,000</u>	<u>(509)</u>
	<u>100,000</u>	<u>(509)</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 2014 and of its financial performance and cash flows for the period ended 30 September 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**

**04 November 2014**