
**CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

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The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2015 RM	Preceding Year Corresponding Quarter Ended 31.03.2014 RM	Current Year To Date 31.03.2015 RM	Preceding Year To Date 31.03.2014 RM
<u>Income</u>				
Gross revenue	9,580,372	12,119,811	9,580,372	12,119,811
Property operating expenses	(3,404,323)	(3,457,704)	(3,404,323)	(3,457,704)
Net property income	6,176,049	8,662,107	6,176,049	8,662,107
Interest income	42,359	26,682	42,359	26,682
Other income	11,699	31,346	11,699	31,346
Gain on disposal of investment property	658,815	-	658,815	-
	6,888,922	8,720,135	6,888,922	8,720,135
<u>Expenses</u>				
Manager's fees	1,294,996	669,853	1,294,996	669,853
Trustee's fees	39,413	37,553	39,413	37,553
Administrative expenses	85,806	72,271	85,806	72,271
Interest expenses	1,252,110	1,339,448	1,252,110	1,339,448
	2,672,325	2,119,125	2,672,325	2,119,125
Net Trust Income	4,216,597	6,601,010	4,216,597	6,601,010
Change in fair value of derivatives	(162,329)	162,399	(162,329)	162,399
Income before tax	4,054,268	6,763,409	4,054,268	6,763,409
Taxation	-	-	-	-
Income after tax	4,054,268	6,763,409	4,054,268	6,763,409
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	4,054,268	6,763,409	4,054,268	6,763,409
Total comprehensive income for the period is made up as follows:				
- Realised	4,216,597	6,601,010	4,216,597	6,601,010
- Unrealised	(162,329)	162,399	(162,329)	162,399
	4,054,268	6,763,409	4,054,268	6,763,409
EARNINGS PER UNIT (SEN)				
- Basic	1.45	2.41	1.45	2.41
- 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 2014 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

The figures have not been audited.

	As At 31.03.2015 RM	As At 31.12.2014 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	541,000,000	541,000,000
<u>Current Assets</u>		
Asset held for sale	-	128,027,426
Trade receivables	341,650	227,719
Other receivables, deposits and prepayments	122,944,477	3,660,886
Deposits placed with licensed bank	800,000	1,000,000
Cash and bank balances	497,877	8,138,661
	124,584,004	141,054,692
TOTAL ASSETS	665,584,004	682,054,692
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	7,393,049	11,577,213
Borrowings	-	105,500,000
Derivative financial instrument	-	290,370
	7,393,049	117,367,583
<u>Current liabilities</u>		
Trade payables	361,474	315,577
Other payables and provisions	4,257,503	16,119,635
Derivative financial instrument	452,699	-
Tenants' deposits	5,859,585	1,670,471
Borrowings	116,500,000	10,900,000
	127,431,261	29,005,683
TOTAL LIABILITIES	134,824,310	146,373,266
NET ASSET VALUE	530,759,694	535,681,426
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	185,451,017	227,177,751
Undistributed income - realised	59,963,911	23,158,909
	530,759,694	535,681,426
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.8922	1.9097

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 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 2015

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
Current Year To Date				
At 1 January 2015	285,344,766	227,177,751	23,158,909	535,681,426
Operations for the period ended 31 March 2015				
Net income for the period	-	(162,329)	4,216,597	4,054,268
Realisation of unrealised income	-	(41,564,405)	41,564,405	-
Total comprehensive income for the period	-	(41,726,734)	45,781,002	4,054,268
Unitholders' transactions				
Distribution to unitholders				
- 2014 final (paid on 27 February 2015)	-	-	(8,976,000)	(8,976,000)
	-	-	(8,976,000)	(8,976,000)
At 31 March 2015	285,344,766	185,451,017	59,963,911	530,759,694
Preceding Year To Date				
At 1 January 2014	285,344,766	199,799,105	28,282,892	513,426,763
Operations for the period ended 31 March 2014				
Total comprehensive income for the period	-	162,399	6,601,010	6,763,409
	-	162,399	6,601,010	6,763,409
Unitholders' transactions				
Distribution to unitholders				
- 2013 final (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

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 2014 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

The figures have not been audited.

	Current Year To Date 31.03.2015 RM	Preceding Year To Date 31.03.2014 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	4,054,268	6,763,409
Adjustments for:		
Interest expense	1,252,110	1,339,448
Interest income	(42,359)	(26,682)
Realised gain on disposal of investment properties	(658,815)	-
Change in fair value of derivatives	162,329	(162,399)
Operating profit before working capital changes	<u>4,767,533</u>	<u>7,913,776</u>
Changes in working capital:		
Trade and other receivables	8,629,904	(118,241)
Trade and other payables	<u>(11,452,470)</u>	<u>264,209</u>
Net cash generated from operating activities	<u>1,944,967</u>	<u>8,059,744</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>42,359</u>	<u>26,682</u>
Net cash generated from investing activities	<u>42,359</u>	<u>26,682</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(1,252,110)	(1,396,505)
Drawdown of borrowings	100,000	9,700,000
Distribution paid to unitholders	<u>(8,976,000)</u>	<u>(15,736,050)</u>
Net cash used in financing activities	<u>(10,128,110)</u>	<u>(7,432,555)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(8,140,784)	653,871
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>9,138,661</u>	<u>606,803</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>997,877</u>	<u>1,260,674</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	497,877	60,674
Deposits placed with licensed financial institution	<u>800,000</u>	<u>1,500,000</u>
	1,297,877	1,560,674
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>997,877</u>	<u>1,260,674</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 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 2014.

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 2014.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 31 December 2014 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 27 February 2015, paid a final income distribution of 3.20 sen per unit, amounting to RM8,976,000 for the financial year ended 31 December 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 Menara HLA and HP Towers had been brought forward without any amendment from the previous audited financial statements.

A10. Material Events

AmTrustee Berhad, the trustee for the Trust, had on 29 December 2014, entered into a sale and purchase agreement with Goldstone Kuala Lumpur Sdn Bhd for the proposed disposal by the Trust of 19 office parcels and 190 car park bays within Menara ING for a cash consideration of RM132,340,725. This transaction was completed on 25 March 2015.

The balance of the sale proceed from the disposal of Menara ING, amounting to RM119,106,653, was received in the subsequent quarter. The proceed will be utilised to repay outstanding borrowings.

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 stood 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 current quarter ended 31 March 2015, the Trust recorded a gross revenue of RM9.58 million, and net realised income of RM4.22 million, representing a decrease of 21% and 36% respectively as compared to the corresponding quarter in the preceding year.

The lower revenue and realised income in the current quarter as compared to the corresponding quarter in the preceding year were due the vacancy at Menara ING and lower occupancy rate at Menara HLA.

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 2015, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
Real Estate		
Menara HLA	325,000	60%
HP Towers	216,000	40%
	541,000	100%

The disposal of Menara ING was completed on 25 March 2015.

B4. Changes in Net Asset Value

	As at 31.03.2015 RM	As at 31.12.2014 RM
Net asset value ("NAV")	530,797,205	535,676,512
NAV per unit	1.8923	1.9097

The NAV per unit as at 31 March 2015 was lower as compared to the immediate preceding quarter as a result of the payment of distribution on 27 February 2015.

B5. Changes in Unit Price

On 31 March 2015, Tower REIT's unit price closed at RM1.27 per unit (RM1.27 as at 31 December 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

Both office occupancy and rental rate continue to face significant challenges due to incoming supply of newer buildings with better specifications, facilities and at competitive rental rates.

B9. Prospects

As more new buildings enter the market, the oversupply situation is expected to persist for the foreseeable future. Notwithstanding the difficult operating environment, the Manager is putting in substantial efforts to retain and attract tenancy by proactively managing the Trust's portfolio of assets and carrying out various asset enhancement initiatives to increase the overall appeal and rental potential of the buildings.

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 2015, 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 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:-

- (1) a base fee (excluding any goods and services tax payable) of up to 0.75% per annum of the gross asset value;
- (2) 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;
- (3) an acquisition fee of 1.0% of the acquisition price of assets acquired; and
- (4) a divestment fee of 0.5% of the sale price of any asset sold.

The total base fee and performance fee for the period ended 31 March 2015 of RM368,982 and RM224,879 respectively are 0.22% and 3.62% of the gross asset value and net property income respectively. Divestment fee for the period under review amounted to RM701,406.

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 2015 is RM39,413.

B16. Tax Expense

	Year to Date 31.03.2015 RM'000	Year to Date 31.03.2014 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	4,217	6,601
Income tax using Malaysian tax rate of 25% (2012: 25%)	1,054	1,650
Non-deductible expenses	95	55
Effect of fair value adjustment on derivatives	41	(41)
Gain on disposal of investment property	(165)	-
Effect of income exempted from tax	(1,025)	(1,664)
Tax expense	-	-

B17. Income Distribution

No income distribution had been declared for the current quarter.

B18. Units held by Related Parties

As at 31 March 2015, 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 31.03.2015	
	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	77,177
Hong Leong Assurance Berhad	57,771	73,369
Asia Fountain Investment Company Limited	14,000	17,780
Hong Leong Bank Berhad	13,787	17,509
Hong Leong Investment Bank Berhad	5,887	7,476
Dato' Poh Yang Hong	3,085 *	3,918

* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.27 per unit as at 31 March 2015.

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 2015, 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 2015, the Trust had recognised a loss of RM162,329, arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 31.03.2015 RM'000	Fair Value as at 31.12.2014 RM'000	Loss RM'000
Interest rate swaps	<u>(452)</u>	<u>(290)</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 2014.

	31.03.2015 RM'000	31.03.2015 RM'000
Interest rate swaps		
- Less than one year	<u>100,000</u>	<u>(452)</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 2015 and of its financial performance and cash flows for the period ended 31 March 2015.

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
20 April 2015