
**CONDENSED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014**

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**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2014 RM	Preceding Year Corresponding Quarter Ended 31.12.2013 RM	Current Year To Date 31.12.2014 RM	Preceding Year To Date 31.12.2013 RM
Income				
Gross revenue	10,489,473	12,404,854	44,482,274	52,871,064
Property operating expenses	(3,043,596)	(3,082,748)	(14,882,866)	(13,256,386)
Net property income	7,445,877	9,322,106	29,599,408	39,614,678
Interest income	16,984	21,807	82,655	80,852
Other income	25,709	53,015	85,046	110,033
	7,488,570	9,396,928	29,767,109	39,805,563
Expenses				
Manager's fees	561,665	565,690	2,449,511	2,659,453
Trustee's fees	37,932	39,034	152,118	152,631
Administrative expenses	34,520	50,135	400,108	230,833
Interest expenses	1,348,570	1,365,216	5,410,161	5,366,349
	1,982,687	2,020,075	8,411,898	8,409,266
Net Trust Income	5,505,883	7,376,853	21,355,211	31,396,297
Change in fair value of non-current asset classified as held for sale	26,527,426	-	26,527,426	-
Change in fair value of derivatives	218,255	458,820	851,220	1,271,062
Income before tax	32,251,564	7,835,673	48,733,857	32,667,359
Taxation	-	-	-	-
Income after tax	32,251,564	7,835,673	48,733,857	32,667,359
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	32,251,564	7,835,673	48,733,857	32,667,359
Total comprehensive income for the period is made up as follows:				
- Realised	5,505,883	7,376,853	21,355,211	31,396,297
- Unrealised	26,745,681	458,820	27,378,646	1,271,062
	32,251,564	7,835,673	48,733,857	32,667,359
EARNINGS PER UNIT (SEN)				
- Basic	11.50	2.79	17.37	11.65
- 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 31 DECEMBER 2014

The figures have not been audited.

	As At 31.12.2014 RM	As At 31.12.2013 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	541,000,000	642,500,000
<u>Current Assets</u>		
Trade receivables	227,719	380,862
Other receivables, deposits and prepayments	3,660,886	873,304
Deposits placed with licensed bank	1,000,000	700,000
Cash and bank balances	8,138,661	206,803
	13,027,266	2,160,969
Non-current asset classified as held for sale	128,027,426	-
	141,054,692	2,160,969
TOTAL ASSETS	682,054,692	644,660,969
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	6,745,375	6,140,473
Borrowings	105,500,000	105,500,000
Derivative financial instrument	290,370	1,141,590
	112,535,745	112,782,063
<u>Current liabilities</u>		
Trade payables	315,577	402,879
Other payables and provisions	16,119,641	2,988,385
Tenants' deposits	6,502,309	6,160,879
Borrowings	10,900,000	8,900,000
	33,837,527	18,452,143
TOTAL LIABILITIES	146,373,272	131,234,206
NET ASSET VALUE	535,681,420	513,426,763
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	227,177,751	199,799,105
Undistributed income - realised	23,158,903	28,282,892
	535,681,420	513,426,763
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.9097	1.8304

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 FOURTH QUARTER ENDED 31 DECEMBER 2014

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<u>Current Year To Date</u>				
At 1 January 2014	285,344,766	199,799,105	28,282,892	513,426,763
Operations for the year ended 31 December 2014				
Total comprehensive income for the year	-	27,378,646	21,355,211	48,733,857
Unitholders' transactions				
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)
At 31 December 2014	285,344,766	227,177,751	23,158,903	535,681,420
<u>Preceding Year To Date</u>				
At 1 January 2013	285,344,766	198,528,043	28,106,245	511,979,054
Operations for the year ended 31 December 2013				
Total comprehensive income for the year	-	1,271,062	31,396,297	32,667,359
	-	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

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 FOURTH QUARTER ENDED 31 DECEMBER 2014**

The figures have not been audited.

	Year ended 31.12.2014 RM	Preceding Year ended 31.12.2013 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	48,733,857	24,831,686
Adjustments for:		
Interest expense	5,410,161	4,001,133
Interest income	(82,655)	(59,045)
Change in fair value of non-current asset classified as held for sale	(26,527,426)	-
Change in fair value of derivatives	(851,220)	(812,242)
Operating profit before working capital changes	<u>26,682,717</u>	<u>27,961,532</u>
Changes in working capital:		
Trade and other receivables	(2,634,439)	(1,225,700)
Trade and other payables	<u>14,166,017</u>	<u>1,034,759</u>
Net cash generated from operating activities	<u>38,214,295</u>	<u>27,770,591</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>82,655</u>	<u>59,045</u>
Net cash generated from investing activities	<u>82,655</u>	<u>59,045</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(5,585,892)	(4,022,738)
Drawdown of borrowings	2,000,000	6,430,000
Distribution paid to unitholders	<u>(26,479,200)</u>	<u>(31,219,650)</u>
Net cash used in financing activities	<u>(30,065,092)</u>	<u>(28,812,388)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,231,858	(982,752)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>606,803</u>	<u>1,648,322</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>8,838,661</u>	<u>665,570</u>
Cash and cash equivalents at end of year comprise:		
Cash and bank balances	8,138,661	365,570
Deposits placed with licensed financial bank	<u>1,000,000</u>	<u>600,000</u>
	9,138,661	965,570
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>8,838,661</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 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.

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 Menara HLA and HP Towers, had been brought forward without any amendment from the previous audited financial statements.

Menara ING had been reclassified as non-current asset held for sale in accordance with Malaysian Financial Reporting Standard ("MFRS") 5 *Non-current Assets Held for Sale and Discontinued Operations* pursuant to the sales and purchase agreement as disclosed in Note A10 below. The fair value for Menara ING had been determined in accordance with MFRS 13 *Fair Value Measurement* which states that fair value of an asset is the price that would be received from the sale of the asset in an orderly transaction in the principal market at the measurement date under current market conditions.

In the event the proposed disposal of Menara ING is not completed, the fair value of Menara ING will have to be re-assessed based on investment method and the change in fair value will be taken up accordingly in the income statement.

A10. Material Events

AmTrustee Berhad, the trustee for the Trust, had on 29 December 2014, entered into a sales 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.

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 current quarter ended 31 December 2014, the Trust recorded a gross revenue of RM10.49 million, and net realised income of RM5.51 million, representing a decrease of 15% and 25% respectively as compared to the corresponding quarter in the preceding year.

The decrease was mainly attributed to lower occupancy rates in Menara ING and Menara HLA. The decrease in revenue together with higher operating expenses, 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 31 December 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	49%
HP Towers	216,000	32%
Menara ING*	128,027	19%
	669,027	100%

*Menara ING had been reclassified as non-current assets held for sale as explained in Note A9.

B4. Changes in Net Asset Value

	As at 31.12.2014 RM	As at 30.09.2014 RM
Net asset value ("NAV")	535,676,512	503,429,856
NAV per unit	1.9097	1.7948

The NAV per unit as at 31 December 2014 was higher as compared to the immediate preceding quarter as a result of the fair value adjustment to Menara ING and the operating profit recognised for the current quarter.

B5. Changes in Unit Price

On 31 December 2014, Tower REIT's unit price closed at RM1.27 per unit, a decrease of 5% as compared to the closing unit price of RM1.33 per unit as at 30 September 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 rates continue to face strong challenges 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 31 December 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 (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 year ended 31 December 2014 of RM1,452,097 and RM997,425 are 0.21% and 3.37% 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 2014 is RM152,113.

B16. Tax Expense

	Current Year to Date 31.12.2014 RM'000	Preceding Year to Date 31.12.2013 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	48,733	32,667
Income tax using Malaysian tax rate of 25% (2012: 25%)	12,183	8,167
Non-deductible expenses	76	82
Effect of fair value adjustment on derivatives	(213)	(317)
Effect of fair value adjustment on investment properties	(6,632)	-
Effect of income exempted from tax	(5,414)	(7,932)
Tax expense	-	-

B17. Income Distribution

The Manager of Tower REIT has declared a final income distribution of 3.20 sen per unit (3.17 sen per unit subject to withholding tax and 0.03 sen tax exempt), amounting to RM8,976,000, representing approximately 92% of the realised distributable net income for the six-month period ended 31 December 2014, to be payable on 27 February 2015 to the unitholders registered in the Record of Depositors on 13 February 2015.

The income distributions are from the following sources:

	2014 RM'000	2013 RM'000
Net property income	29,599	39,615
Interest income	83	81
Other income	85	110
	<u>29,767</u>	<u>39,806</u>
Less: Expenses	(8,412)	(8,409)
	<u>21,355</u>	<u>31,397</u>
Less: Undistributed income	(1,636)	(1,384)
	<u>19,719</u>	<u>30,013</u>
Total distribution comprises:		
- Interim income distribution	10,743	14,277
- Final income distribution	8,976	15,736
	<u>19,719</u>	<u>30,013</u>
Distribution per unit		
- Interim (sen)	3.83	5.09
- Final (sen)	3.20	5.61
	<u>7.03</u>	<u>10.70</u>

B18. Units held by Related Parties

As at 31 December 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 31.12.2014	
	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	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
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 December 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 December 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 December 2014, the Trust had recognised a gain of RM218,255, arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 30.12.2014 RM'000	Fair Value as at 30.09.2014 RM'000	Gain RM'000
Interest rate swaps	(290)	(508)	218

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 2013.

	Contract/ Notional Value as at 31.12.2014 RM'000	Fair Value Assets/(Liabilities) as at 31.12.2014 RM'000
Interest rate swaps		
- Between 1 to 2 years	100,000	(290)
	<u>100,000</u>	<u>(290)</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 2014 and of its financial performance and cash flows for the period ended 31 December 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
28 January 2015