

Financial ResultsReference No **TR-120119-838B0**

Company Name : **TOWER REAL ESTATE INVESTMENT TRUST**
 Stock Name : **TWRREIT**
 Date Announced : **19/01/2012**
 Financial Year End : **31/12/2011**
 Quarter : **4**
 Quarterly report for the financial period ended : **31/12/2011**
 The figures : **have not been audited**

Converted attachment :

Please attach the full Quarterly Report here:
[Tower REIT - Q4 Results \(31.12.2011\).pdf](#)

Remark:

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency : Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION
31/12/2011

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER	CORRESPONDING QUARTER	TO DATE	CORRESPONDING PERIOD
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1Revenue	13,528	13,104	51,956	49,266
2Profit/(loss) before tax	8,389	8,483	30,875	30,691
3Profit/(loss) for the period	8,389	8,483	30,875	30,691
4Profit/(loss) attributable to ordinary equity holders of the parent	8,389	8,483	30,875	30,691
5Basic earnings/(loss) per share (Subunit)	2.99	3.02	11.01	10.94

6Proposed/Declared dividend per share (Subunit)	5.70	5.50	10.85	10.00
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	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
7Net assets per share attributable to ordinary equity holders of the parent (\$\$)	1.6825	1.6790

Remarks :

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

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**CONDENSED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2011 RM	Preceding Year Corresponding Quarter Ended 31.12.2010 RM	Current Year To Date 31.12.2011 RM	Preceding Year To Date 31.12.2010 RM
Income				
Gross revenue	13,528,014	13,104,329	51,956,186	49,265,826
Property operating expenses	(2,753,729)	(2,954,065)	(10,635,527)	(12,095,428)
Net property income	10,774,285	10,150,264	41,320,659	37,170,398
Interest income	11,120	6,841	41,220	34,740
Other income	5,556	17,426	36,364	75,547
	10,790,961	10,174,531	41,398,243	37,280,685
Expenses				
Manager's fees	581,590	565,264	2,634,708	2,531,733
Trustee's fees	35,487	34,478	140,375	136,490
Administrative expenses	20,281	25,062	122,834	123,064
Interest expenses	1,334,689	1,249,964	5,183,290	4,731,019
	1,972,047	1,874,768	8,081,207	7,522,306
Net Trust Income	8,818,914	8,299,763	33,317,036	29,758,379
Change in fair value of derivatives	(430,146)	183,618	(2,442,102)	932,838
Income before tax	8,388,768	8,483,381	30,874,934	30,691,217
Taxation	-	-	-	-
Income after tax	8,388,768	8,483,381	30,874,934	30,691,217
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	8,388,768	8,483,381	30,874,934	30,691,217
Total comprehensive income for the period				
is made up as follows:				
- Realised	8,818,914	8,299,763	33,317,036	29,758,379
- Unrealised	(430,146)	183,618	(2,442,102)	932,838
	8,388,768	8,483,381	30,874,934	30,691,217
EARNINGS PER UNIT (SEN)				
- Basic	2.99	3.02	11.01	10.94
- 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 2010 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

The figures have not been audited.

	As At 31.12.2011 RM	As At 31.12.2010 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	607,153,388	604,439,508
<u>Current Assets</u>		
Trade receivables	53,513	86,850
Other receivables, deposits and prepayments	559,953	460,393
Deposits placed with licensed bank	300,000	300,000
Cash and bank balances	385,084	351,703
	1,298,550	1,198,946
TOTAL ASSETS	608,451,938	605,638,454
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	11,447,194	10,094,022
Borrowing	105,500,000	-
Derivative financial instrument	2,725,249	378,838
	119,672,443	10,472,860
<u>Current liabilities</u>		
Trade payables	324,008	282,945
Other payables and provisions	2,438,497	1,747,582
Derivative financial instrument	205,445	109,754
Tenants' deposits	2,859,854	3,475,306
Borrowing	11,000,000	118,600,000
	16,827,804	124,215,587
TOTAL LIABILITIES	136,500,247	134,688,447
NET ASSET VALUE	471,951,691	470,950,007
<u>REPRESENTED BY :</u>		
Unit holders' capital	285,344,766	285,344,766
Undistributed income - unrealised	162,425,387	164,867,490
Undistributed income - realised	24,181,538	20,737,751
	471,951,691	470,950,007
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE ("NAV") PER UNIT (RM)	1.6825	1.6790

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited.

	Unitholders' Capital RM	-----Distributable-----		Total RM
		Undistributed Unrealised RM	Realised RM	
Current Year To Date				
At 1 January 2011	285,344,766	164,867,490	20,737,751	470,950,007
Operations for the period ended 31 December 2011				
Total comprehensive income for the period	-	(2,442,102)	33,317,036	30,874,934
	-	(2,442,102)	33,317,036	30,874,934
Unitholders' transactions				
Distribution to unitholders				
- 2010 final (paid on 28 February 2011)	-	-	(15,427,500)	(15,427,500)
- 2011 interim (paid on 25 August 2011)	-	-	(14,445,750)	(14,445,750)
	-	-	(29,873,250)	(29,873,250)
At 31 December 2011	285,344,766	162,425,388	24,181,537	471,951,691
Preceding Year To Date				
At 1 January 2010	285,344,766	163,934,652	17,626,872	466,906,290
Operations for the period ended 31 December 2010				
Total comprehensive income for the period	-	932,838	29,758,379	30,691,217
	-	932,838	29,758,379	30,691,217
Unitholders' transactions				
Distribution to unitholders				
- 2009 final (paid on 25 February 2010)	-	-	(14,025,000)	(14,025,000)
- 2010 interim (paid on 23 August 2010)	-	-	(12,622,500)	(12,622,500)
	-	-	(26,647,500)	(26,647,500)
At 31 December 2010	285,344,766	164,867,490	20,737,751	470,950,007

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 2010 and the accompanying explanatory notes attached.



**TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

The figures have not been audited.

	Current Year To Date 31.12.2011 RM	Preceding Year To Date 31.12.2010 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	30,874,934	30,691,217
Adjustments for:		
Interest expense	5,183,290	4,731,019
Interest income	(41,220)	(34,740)
Change in fair value of derivatives	2,442,102	(932,838)
Operating profit before working capital changes	<u>38,459,106</u>	<u>34,454,658</u>
Changes in working capital:		
Trade and other receivables	(66,223)	1,576,994
Trade and other payables	1,483,803	(490,905)
Net cash generated from operating activities	<u>39,876,686</u>	<u>35,540,747</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Upgrade / enhancement of investment properties	(2,713,880)	(2,349,930)
Acquisition of investment property	-	(6,089,578)
Interest income	41,220	34,740
Net cash generated from / (used in) investing activities	<u>(2,672,660)</u>	<u>(8,404,768)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(5,197,395)	(4,912,146)
(Repayment) / Proceeds from borrowing	(2,100,000)	4,400,000
Distribution paid to unitholders	(29,873,250)	(26,647,500)
Net cash used in financing activities	<u>(37,170,645)</u>	<u>(27,159,646)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	33,381	(23,667)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	351,703	375,370
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>385,084</u>	<u>351,703</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	385,084	351,703
Deposits placed with licensed financial bank	300,000	300,000
	<u>685,084</u>	<u>651,703</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>385,084</u>	<u>351,703</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached.

A. Explanatory Notes pursuant to Financial Reporting Standard ("FRS") 134**A1. Basis of Preparation**

The quarterly financial report is unaudited and prepared in accordance with FRS 134: 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 2010.

Changes in Accounting Policies

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial statements of Tower REIT for the financial year ended 31 December 2010 except for the adoption of the relevant new FRSSs, amendments to FRSSs and IC Interpretations that are effective for annual period beginning on or after 1 January 2011. The adoption of new FRSSs, amendments to FRSSs and IC Interpretations does not have any material impact on the financial position.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding audited financial statements for the financial year ended 31 December 2010 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 financial years that have had a material effect 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

The Trust had, on 28 February 2011, paid a final income distribution of 5.50 sen per unit, amounting to RM15,427,500 for the financial year ended 31 December 2010 and on 25 August 2011, paid an interim income distribution of 5.15 sen per unit, amounting to RM14,445,750 for the financial year ended 31 December 2011.

A8. Segmental Reporting

No operating segment information has been prepared as the Trust has only one reportable segment.

A9. Valuation of Investment Properties

The Directors of the Manager performed the valuation of the three existing properties, namely, Menara HLA, HP Towers and Menara ING at the fair value which reflects market conditions as at 31 December 2011.

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 current period to date ended 31 December 2011, the Trust recorded a gross revenue and a net income (realised) of RM52.0 million and RM33.3 million respectively, representing an increase of approximately 5% and 12% respectively as compared to the preceding year's corresponding period.

The improvement of the results was mainly attributed to the increase in the average occupancy rate of Menara HLA after the replenishment of new tenancies and expansion of existing tenancies.

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 2011, Tower REIT's composition of investment portfolio was as follows:

<u>Real Estate</u>	At Valuation RM'000	Total Real Estate Portfolio %
Menara HLA	302,215	50
HP Towers	203,544	33
Menara ING	101,394	17
	607,153	100

There were no material changes in the portfolio composition and asset allocations of the Trust for the quarter under review.

B4. Changes in Net Asset Value

	As at 31.12.2011 RM	As at 31.12.2010 RM
Net asset value ("NAV")	471,951,691	470,950,007
NAV per unit	1.6825	1.6790

As at 31 December 2011, there were no material changes in the total NAV and NAV per unit as compared to the previous year ended 31 December 2010.

B5. Changes in Unit Price

On 31 December 2011, Tower REIT's unit price closed at RM1.29 per unit, an increase of 7% as compared to the opening unit price of RM1.21 per unit as at 30 September 2011.

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

The overall office occupancy remains stable while the office rental rates are expected to experience downward pressure due to the substantial incoming supply. This has intensified the competition among landlords.

B9. Prospects

The Manager expects ongoing challenges to the office market as supply of office space continues to outweigh the projected demand. Competition from the newly completed buildings and anticipated incoming supply is expected to exert downward pressure on office occupancy and rental rates, unless there is a substantial increase in net demand.

The Manager will continue to manage the assets under the Trust's portfolio proactively in order to safeguard the rental income stream and explore acquisition opportunities to grow the Trust.

Barring any unforeseen circumstances, the Manager expects the Trust to sustain its performance for the next financial year.

B10. Material Litigation

There was no material litigation as at the date of this report.

B11. Major Maintenance Cost and Capital Expenditure

For the year ended 31 December 2011, a total of approximately RM2.714 million has been incurred for the enhancement of the lifts in HP Towers and Menara HLA.

B12. Soft Commission

During the quarter ended 31 December 2011, 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 2011 of RM1,389,639 and RM1,245,069 are 0.23% and 2.97% 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 2011 is RM140,375.

B16. Tax Expense

	Current Year to Date 31.12.2011 RM'000	Preceding Year to Date 31.12.2010 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	<u>30,875</u>	<u>30,691</u>
Income tax using Malaysian tax rate of 25% (2010: 25%)	7,719	7,673
Non-deductible expenses	221	213
Effect of fair value adjustment on derivatives	611	(233)
Effect of income exempted from tax	<u>(8,551)</u>	<u>(7,653)</u>
Tax expense	<u>-</u>	<u>-</u>

B17. Income Distribution

The Manager of Tower REIT is declaring a final income distribution of 5.70 sen per unit (5.67 sen per unit subject to withholding tax and 0.03 sen tax exempt), amounting to RM15,988,500, payable on 28 February 2012 for the financial year ended 31 December 2011 to the unitholders registered in the Record of Depositors on 17 February 2012.

The final income distribution for the period ended 31 December 2011 is from the following sources:

	01.07.2011 to 31.12.2011 RM'000	01.07.2010 to 31.12.2010 RM'000
Net property income	21,610	19,664
Interest income	22	17
Other income	7	26
	<u>21,639</u>	<u>19,707</u>
Less: Expenses	<u>(4,236)</u>	<u>(3,845)</u>
	17,403	15,862
Less: Undistributed income	<u>(1,414)</u>	<u>(435)</u>
	<u>15,989</u>	<u>15,427</u>
Distribution per unit		
- Final (sen)	<u>5.70</u>	<u>5.50</u>

Pursuant to the amended Section 109D of the Income Tax Act, 1967, the following withholding tax rates (effective 1 January 2009) will be deducted for distributions made to the following categories of unitholders:

- Resident corporate (no withholding tax, to tax at prevailing rate)
- Non-resident corporate (withholding tax 25%)
- Resident non-corporate (withholding tax 10%)
- Non-resident institutional (withholding tax 10%)
- Non-resident individual (withholding tax 10%)

B18. Units held by Related Parties

As at 31 December 2011, 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 31.12.2011	
	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	78,392
Hong Leong Assurance Berhad	58,271	75,170
Asia Fountain Investment Company Limited	14,000	18,060
Hong Leong Bank Berhad	13,990	18,047
Hong Leong Investment Bank Berhad	5,981	7,715
Tang Hong Cheong	160 *	206
Lim Chew Yan	20	26
Poh Yang Hong	5,157 *	6,653

* Indirect unitholdings

The market value is determined by multiplying the number of units with the market price of RM1.29 per unit as at 31 December 2011.

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 2011, the Trust had entered into IRS with total notional contracts of RM165 million, fixed for contractual periods expiring in years 2012 and 2016, at the rates ranging from 3.58% to 4.09% against 3-month KLIBOR. Out of the total RM165 million IRS contracts, RM65 million will only be effective from May 2012 for replacement of contracts expiring in May 2012.

	Contract/ Notional Value as at 31.12.2011 RM'000	Fair Value Assets/(Liabilities) as at 31.12.2011 RM'000
	Interest rate swaps	
- Less than 1 year	65,000	(206)
- More than 3 years	100,000	(2,725)
	<u>165,000</u>	<u>(2,931)</u>

Hedged accounting is not applied and the changes in fair value of IRS are recognised in the profit or loss. For the current year ended 31 December 2011, the Trust had recognised a loss of RM2,442,102 arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 31.12.2011 RM'000	Fair Value as at 01.01.2011 RM'000	Loss RM'000
Interest rate swaps	<u>(2,930)</u>	<u>(488)</u>	<u>(2,442)</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 2010.

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 2011 and of its financial performance and cash flows for the year ended 31 December 2011.

By Order of the Board
GLM REIT Management Sdn Bhd
(as the Manager of Tower Real Estate Investment Trust)

LIM YEW YOKE
LEE SOW YEANG
Secretaries

Kuala Lumpur
19 January 2012