

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED INCOME STATEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2008

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2008 RM	Preceding Year Corresponding Quarter Ended 30.06.2007 RM	Current Year To Date 30.06.2008 RM	Preceding Year To Date 30.06.2007 RM
<u>INCOME</u>				
Gross revenue	12,130,071	10,397,475	23,180,939	18,998,313
Property operating expenses	(2,449,333)	(1,994,728)	(4,888,790)	(4,168,936)
Net property income	9,680,738	8,402,747	18,292,149	14,829,377
Interest income	40,321	81,234	165,206	224,423
Other income	4,684	4,403	10,413	9,403
	9,725,743	8,488,384	18,467,768	15,063,203
<u>EXPENSES</u>				
Manager's fees	666,239	560,090	1,296,160	1,054,402
Trustee's fees	30,883	24,956	61,585	48,005
Administrative expenses	49,488	117,181	192,253	137,612
Interest expenses	1,319,913	1,453,803	2,718,551	2,599,708
	2,066,524	2,156,030	4,268,550	3,839,727
INCOME BEFORE TAXATION	7,659,219	6,332,354	14,199,218	11,223,476
Taxation	-	-	-	-
NET INCOME FOR THE PERIOD	7,659,219	6,332,354	14,199,218	11,223,476
Net income for the period is made up as follows:				
- Realised	7,659,219	6,332,354	14,199,218	11,223,476
- Unrealised	-	-	-	-
	7,659,219	6,332,354	14,199,218	11,223,476
INCOME DISTRIBUTION				
- Distributed income	-	-	-	-
- Provision for income distribution	7,489,350	6,332,354	14,025,000	11,220,000
	7,489,350	6,332,354	14,025,000	11,220,000
EARNINGS PER UNIT (SEN) *				
- Basic	2.73	2.62	5.06	4.28
- Diluted	N/A	N/A	N/A	N/A

* Based on the weighted average number of units in issued (refer to Note B12).

The Condensed Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED BALANCE SHEET

AS AT 30 JUNE 2008

The figures have not been audited.

	As At 30.06.2008 RM	As At 31.12.2007 RM
ASSETS		
Investment properties	550,437,460	550,000,000
Trade receivables	548,013	401,428
Other receivables, deposits and prepayment	395,695	504,004
Deposits with licensed financial institutions	2,100,000	16,100,000
Cash and bank balances	327,138	238,314
TOTAL ASSETS	553,808,306	567,243,746
LIABILITIES		
Trade payables	426,293	441,825
Other payables and accrued expenses	1,787,336	1,402,772
Tenants' deposits	12,616,327	11,053,618
Provision for income distribution	14,025,000	12,566,400
Borrowings	118,500,000	135,500,000
TOTAL LIABILITIES	147,354,957	160,964,615
NET ASSET VALUE	406,453,349	406,279,131
REPRESENTED BY :		
Unitholders' capital	285,344,767	285,344,767
Undistributable income - unrealised (Investment fluctuation reserves)	120,933,313	120,933,313
Undistributable income - realised	175,269	1,051
	406,453,349	406,279,131
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.449	1.448

The Condensed Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE SECOND QUARTER ENDED 30 JUNE 2008

The figures have not been audited.

	Unitholders'	-----Distributable-----		Total RM
	Capital RM	Unrealised RM	Realised RM	
<u>Current Year To Date</u>				
At 1 January 2008	285,344,767	120,933,313	1,051	406,279,131
Operation for the period ended 30 June 2008				
Net income for the period	-	-	14,199,218	14,199,218
	-	-	14,199,218	14,199,218
Unitholders' transaction				
Distribution to unitholders - Provision	-	-	(14,025,000)	(14,025,000)
	-	-	(14,025,000)	(14,025,000)
At 30 June 2008	285,344,767	120,933,313	175,269	406,453,349
<u>Preceding Year Corresponding Period</u>				
At 1 January 2007	246,667,055	38,531,673	54	285,198,782
Operation for the period ended 30 June 2007				
Net income for the period	-	-	11,223,476	11,223,476
	-	-	11,223,476	11,223,476
Unitholders' transaction				
Creation of units	39,130,000	-	-	39,130,000
Establishment and issue expenses	(452,288)	-	-	(452,288)
Distribution to unitholders	-	-	(11,220,000)	(11,220,000)
	38,677,712	-	(11,220,000)	27,457,712
At 30 June 2007	285,344,767	38,531,673	3,530	323,879,970

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST CONDENSED CASH FLOW STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

The figures have not been audited.

	Current Year To Date 30.06.2008 RM	Preceding Year To Date 30.06.2007 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	14,199,218	11,223,476
Adjustments for:		
Interest income	(165,206)	(224,423)
Interest expense	2,718,551	2,599,708
Operating profit before changes in working capital	16,752,563	13,598,761
Trade and other receivables	(38,275)	9,025,457
Trade and other payable	1,931,741	1,552,635
Net cash generated from operating activities	<u>18,646,029</u>	<u>24,176,853</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Upgrade / purchase of investment properties	(437,460)	(77,501,460)
Interest income	165,206	224,423
Net cash used in investing activities	<u>(272,254)</u>	<u>(77,277,037)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(2,718,551)	(2,599,708)
Proceeds from issue of units	-	39,130,000
Proceeds from borrowings	-	30,000,000
Repayment of borrowings	(17,000,000)	-
Dividend paid to unitholders	(12,566,400)	(12,692,475)
Establishment and issue expenses	-	(452,288)
Net cash (used in) / generated from financing activities	<u>(32,284,951)</u>	<u>53,385,529</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	<u>(13,911,176)</u>	<u>285,345</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>16,338,314</u>	<u>14,087,270</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,427,138</u>	<u>14,372,615</u>
Cash and cash equivalents at end of period comprise of:		
Deposits placed with licensed financial institutions	2,100,000	14,100,000
Cash and bank balances	327,138	272,615
	<u>2,427,138</u>	<u>14,372,615</u>

The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached.

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

The quarterly financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

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 Real Estate Investment Trust ("Tower REIT" or "Trust") for the financial year ended 31 December 2007.

A2. Audit Report of Preceding Financial Year

The auditors' report on the preceding financial statements for the year ended 31 December 2007 was not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The business operations of the Trust are 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

There were no changes in estimates that had a material effect in the quarter results.

A6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter. The outstanding debts are disclosed in Note B8.

A7. Income Distribution

No income distribution was paid during the quarter under review. However, for the six-month period ended 30 June 2008, the Board of GLM REIT Management Sdn Bhd, the Manager of Tower REIT, is declaring an interim income distribution of 5.00 sen per unit, totalling RM14,025,000, representing approximately 99% of distributable income after taxation (unaudited), to be payable on 22 August 2008.

A8. Segmental Reporting

Not applicable.

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.

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NOTES TO THE SECOND QUARTER ENDED 30 JUNE 2008

B. Additional Information Pursuant to Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of Performance

Quarter Result

For the current quarter ended 30 June 2008, the Trust recorded gross revenue and income after taxation (realised) of RM12.130 million and RM7.659 million respectively, representing significant increases of 17% and 21% respectively as compared to preceding year's corresponding quarter ended 30 June 2007.

The increases in gross revenue and income after taxation (realised) were underpinned by higher rental income as a result of the improvement in rental rates and occupancy rates of the properties of the Trust, namely HP Towers and Menara HLA.

Current Year Result

For the current year to date ended 30 June 2008, the Trust recorded gross revenue and income after taxation (realised) of RM23.181 million and RM14.199 million respectively, representing significant increases of 22% and 27% respectively as compared to preceding year's corresponding period.

The growth in gross revenue and income after taxation (realised) were mainly due to additional contribution from Menara ING which was acquired on 27 March 2007 and higher rental income as a result of the higher rental rates and occupancy rates of the other properties of the Trust, namely HP Towers and Menara HLA.

B2. Material Changes in Income Before Taxation for the Quarter as compared with the Immediate Preceding Quarter

	Current Quarter Ended 30.06.2008 RM	Preceding Quarter Ended 31.03.2008 RM
Income before taxation		
- Realised and distributable for the quarter	7,659,219	6,539,998
	7,659,219	6,539,998

The current quarter income before taxation of RM7.659 million was higher than the preceding quarter result of RM6.540 million by approximately 17% mainly due to the following:

- (i) Increase in rental income of Menara HLA subsequent to the expiry on 16 April 2008, of the Master Tenancy Agreement entered into between Amtrustee Berhad (the Trustee for Tower REIT), as the landlord, and Kiapeng Development Sdn Bhd ("KDSB"), as the tenant, for a pre-identified total lettable area of 373,011 sq. ft., representing 94% of the total lettable area of Menara HLA, at a gross monthly rental rate of RM3.85 per sq. ft. All the subsisting sub-tenancy agreements entered into by KDSB have been novated or are in the process of being novated to the Trust, whereby the Trust had substituted or will substitute KDSB as a party to the sub-tenancy agreement.

The gross monthly rental income of Menara HLA had increased by approximately 13% after the novation of the sub-tenancies to the Trust and Menara HLA accounted for 47% of the gross revenue of the existing portfolio of the Trust.

- (ii) Higher carpark income and other incomes for Menara HLA and HP Towers.

B3. Prospects

The Manager, after considering the strength of the real estate portfolio invested and the positive office market outlook, expects the Trust to maintain strong performance for the remaining period of the financial year ending 31 December 2008.

B4. Taxation

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, wherein the basis period for a year of assessment, 90% or more of the total income of the Trust are distributed to unitholders, the total income of the Trust for that year of assessment will be exempted from tax.

Thus, there is no tax payable as the Trust intends to distribute at least 90% of the distributable income to its unitholders for the financial year ending 31 December 2008.

B5. Sales of Unquoted Investments and/or Properties

There were no sale of unquoted investments or properties during the current quarter.

B6. Quoted Investments

There was no purchase or disposal of quoted investments during the current quarter.

B7. Corporate Developments

There was no corporate proposal announced during the current quarter.

B8. Borrowings and Debt Securities

Particulars of the Trust's borrowings as at 30 June 2008 are as follows:

	RM
Secured:	
- Long term borrowing	105,500,000
- Short term borrowing	13,000,000
	<u>118,500,000</u>

B9. Off Balance Sheet Financial Instruments

There was no off balance sheet financial instruments as at the latest practicable date from the date of issuance of this report except for the interest rate swaps entered into by the Trust with a licensed financial institution to hedge its floating rate borrowing exposure into fixed rate as a pre-emptive move to mitigate the Trust's interest rate risk exposure.

As at 30 June 2008, the Trust had an interest rate swaps with a total notional contracts of RM65,000,000, fixed for the 5 years contractual period expiring in year 2012, at rates ranging from 3.58% to 3.63% against 3-month KLIBOR.

The net difference between the fixed rate and floating 3-month KLIBOR will be settled between the Trust and the licensed financial institution in every 3 months. This net difference is recognised directly to the income statement over the period of the contracts.

There is a minimal credit and market risk as the interest rate swaps contracts were executed with an established financial institution.

B10. Material Litigation

There was no pending material litigation as at the latest practicable date from the date of issuance of this report.

B11. Income Distribution

The Manager of Tower REIT has declared an interim income distribution of 5.00 sen per unit, totalling RM14,025,000, representing approximately 99% of the distributable income after taxation for the six-month period ended 30 June 2008, payable on 22 August 2008 to the unitholders registered in the Record of Depositors on 12 August 2008.

Pursuant to Section 61A of the Income Tax Act, 1967, the Trust is exempted from tax provided that it distributes at least 90% of its total income to its unitholders. Withholding tax will be deducted for distributions made to the following categories of unitholders:

- Resident corporate (no withholding tax, to tax at prevailing rate)
- Resident non-corporate (withholding tax 15%)
- Non-resident individual (withholding tax 15%)
- Non-resident corporate (withholding tax 26%)
- Non-resident institutional (withholding tax 20%)

B12. Earnings Per Unit

	Current Year Quarter Ended 30.06.08 RM	Current Year To Date 30.06.08 RM
Net income for the period	7,659,219	14,199,218
Number of units in issue	280,500,000	280,500,000
Basic earnings per unit (sen)	2.73	5.06
Diluted earnings per unit (sen)	N/A	N/A

The basic earnings per unit is calculated by dividing the income for the period attributable to unitholders over the weighted average number of units in issue during the period.

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****28 July 2008**