

# TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

## CONDENSED INCOME STATEMENT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2008 RM	Preceding Year Corresponding Quarter Ended 30.09.2007 RM	Current Year To Date 30.09.2008 RM	Preceding Year To Date 30.09.2007 RM
<b>INCOME</b>				
Gross revenue	11,952,019	10,437,557	35,132,958	29,435,870
Property operating expenses	(2,956,135)	(2,242,615)	(7,844,925)	(6,411,551)
Net property income	8,995,884	8,194,942	27,288,033	23,024,319
Interest income	21,520	103,309	186,726	327,732
Other income	26,860	12,847	37,273	22,250
	<b>9,044,264</b>	<b>8,311,098</b>	<b>27,512,032</b>	<b>23,374,301</b>
<b>EXPENSES</b>				
Manager's fees	613,340	553,429	1,909,500	1,607,831
Trustee's fees	30,724	24,994	92,309	72,999
Administrative expenses	141,209	37,404	333,462	175,016
Interest expenses	1,347,285	1,460,104	4,065,836	4,059,812
	<b>2,132,557</b>	<b>2,075,931</b>	<b>6,401,106</b>	<b>5,915,658</b>
<b>INCOME BEFORE TAXATION</b>	<b>6,911,707</b>	<b>6,235,167</b>	<b>21,110,926</b>	<b>17,458,643</b>
Taxation	-	-	-	-
<b>NET INCOME FOR THE PERIOD</b>	<b>6,911,707</b>	<b>6,235,167</b>	<b>21,110,926</b>	<b>17,458,643</b>
Net income for the period is made up as follows:				
- Realised	6,911,707	6,235,167	21,110,926	17,458,643
- Unrealised	-	-	-	-
	<b>6,911,707</b>	<b>6,235,167</b>	<b>21,110,926</b>	<b>17,458,643</b>
<b>EARNINGS PER UNIT (SEN) *</b>				
- Basic	2.46	2.22	7.53	6.51
- 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.

# TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

## CONDENSED BALANCE SHEET

AS AT 30 SEPTEMBER 2008

The figures have not been audited.

	As At 30.09.2008 RM	As At 31.12.2007 RM
<b>ASSETS</b>		
Investment properties	551,008,276	550,000,000
Trade receivables	222,584	401,428
Other receivables, deposits and prepayment	29,069,258	504,004
Deposits with licensed financial institutions	500,000	16,100,000
Cash and bank balances	267,930	238,314
<b>TOTAL ASSETS</b>	<b>581,068,048</b>	<b>567,243,746</b>
<b>LIABILITIES</b>		
Trade payables	273,646	441,825
Other payables and accrued expenses	1,602,498	1,402,772
Tenants' deposits	12,526,847	11,053,618
Provision for income distribution	7,068,600	12,566,400
Borrowings	153,300,000	135,500,000
<b>TOTAL LIABILITIES</b>	<b>174,771,591</b>	<b>160,964,615</b>
<b>NET ASSET VALUE</b>	<b>406,296,457</b>	<b>406,279,131</b>
<b>REPRESENTED BY :</b>		
Unitholders' capital	285,344,766	285,344,767
Undistributable income - unrealised (Investment fluctuation reserves)	120,933,313	120,933,313
Undistributable income - realised	18,378	1,051
	<b>406,296,457</b>	<b>406,279,131</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>1.45</b>	<b>1.45</b>

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.

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

The figures have not been audited.

	Unitholders'	-----Distributable-----		Total RM
	Capital RM	Unrealised RM	Realised RM	
<b><u>Current Year To Date</u></b>				
At 1 January 2008	285,344,767	120,933,313	1,051	406,279,131
<b>Operation for the period ended 30 September 2008</b>				
Net income for the period	-	-	21,110,926	21,110,926
	-	-	21,110,926	21,110,926
<b>Unitholders' transaction</b>				
Distributed income			(14,025,000)	(14,025,000)
Provision for income distribution	-	-	(7,068,600)	(7,068,600)
	-	-	(21,093,600)	(21,093,600)
At 30 September 2008	285,344,767	120,933,313	18,376	406,296,457
<b><u>Preceding Year Corresponding Period</u></b>				
At 1 January 2007	246,667,055	38,531,673	54	285,198,782
<b>Operation for the period ended 30 September 2007</b>				
Net income for the period	-	-	17,458,643	17,458,643
	-	-	17,458,643	17,458,643
<b>Unitholders' transaction</b>				
Creation of units	39,130,000	-	-	39,130,000
Establishment and issue expenses	(452,288)	-	-	(452,288)
Distributed income	-	-	(11,220,000)	(11,220,000)
	38,677,712	-	(11,220,000)	27,457,712
At 30 September 2007	285,344,767	38,531,673	6,238,698	330,115,138

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.

# TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED CASH FLOW STATEMENT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

The figures have not been audited.

	<b>Current Year To Date 30.09.2008 RM</b>	<b>Preceding Year To Date 30.09.2007 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before taxation	21,110,926	17,458,643
Adjustments for:		
Interest income	(186,726)	(327,732)
Interest expense	4,065,836	4,059,812
Operating profit before changes in working capital	24,990,035	21,190,723
Trade and other receivables	(28,386,410)	8,214,281
Trade and other payable	1,504,777	2,026,154
Net cash (used in) / generated from operating activities	<u>(1,891,598)</u>	<u>31,431,158</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Upgrade / purchase of investment properties	(1,008,276)	(77,550,760)
Interest income	186,726	327,732
Net cash used in investing activities	<u>(821,550)</u>	<u>(77,223,028)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(4,065,836)	(4,059,812)
Proceeds from issue of units	-	39,130,000
Proceeds from borrowing	27,800,000	30,000,000
Repayment of borrowings	(10,000,000)	-
Distribution paid to unitholders	(26,591,400)	(23,912,475)
Establishment and issue expenses	-	(452,288)
Net cash (used in) / generated from financing activities	<u>(12,857,236)</u>	<u>40,705,425</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,570,384)</b>	<b>(5,086,444)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>16,338,314</b>	<b>14,087,270</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>767,930</b>	<b>9,000,826</b>
Cash and cash equivalents at end of period comprise of:		
Deposits placed with licensed financial institutions	500,000	8,700,000
Cash and bank balances	267,930	300,826
	<u>767,930</u>	<u>9,000,826</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

**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 quarterly results.

**A6. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

**A7. Income Distribution**

During the quarter under review, the Trust had, on 22 August 2008, paid an interim income distribution of 5.00 sen per unit, totalling RM14,025,000.

A provision was made to distribute approximately 100% of the distributable income for the quarter ended 30 September 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 annual financial statements.



TOWER REAL ESTATE INVESTMENT TRUST

NOTES TO THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

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**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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**B. Additional Information Pursuant to Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad****B1. Review of Performance**Quarter Results

For the current quarter ended 30 September 2008, the Trust recorded gross revenue and income after taxation (realised) of RM11.952 million and RM6.912 million respectively, representing significant increases of 15% and 11% respectively as compared to preceding year's corresponding quarter ended 30 September 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 Results

For the current year to date ended 30 September 2008, the Trust recorded gross revenue and income after taxation (realised) of RM35.133 million and RM21.111 million respectively, representing significant increases of 19% and 21% 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**

The current quarter income before taxation of RM6.912 million was lower than the preceding quarter result of RM7.659 million mainly due to the increase in property operating expenses arising from the 26% electricity tariff hike effective 1 July 2008.

**B3. Prospects**

Despite the more challenging global economic environment, the Manager, after considering the strength of the real estate portfolio invested, expects the Trust to maintain satisfactory performance for the remaining period of the financial year ending 31 December 2008.

The Manager will focus on proactive asset management to optimise yield from the existing properties while continuing to pursue for opportunistic yield accretive acquisition.

**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**

The Manager had, on 24 September 2008, announced that Injaz Mena Investment Company PSC ("Injaz Mena"), AsiaEquity Partners Inc ("AsiaEquity Partners") and Injaz AsiaEquity Property Berhad ("Injaz AsiaEquity") had, on 23 September 2008, accepted an ("Offer") from AmTrustee Berhad, acting as trustee for Tower REIT, in relation to the proposed acquisition by Tower REIT of the following :-

**(a) Acquisition of Junior Bonds**

An aggregate of RM78 million nominal value bonds ("Junior Bonds") issued by Injaz AsiaEquity under an asset securitisation exercise for a total purchase consideration of RM157.5 million. A sum of RM27.75 million had been paid as refundable deposit with a stakeholder.

**(b) Acquisition of rights for the purchase of the Property (an office complex known as Kenanga International, situated along Jalan Sultan Ismail, Kuala Lumpur), including refurbishment and upgrading works to be undertaken ("Refurbishment and Upgrading Works"), via:-**

- (i) the purchase of a call option (for the purchase of the Property) from AsiaEquity Partners for a consideration of RM1.00 ("Call Option"); and
- (ii) the direct purchase of the Property (including Refurbishment and Upgrading Works) from Injaz AsiaEquity, for a consideration of RM120 million, which is conditional upon the acquisition of the Junior Bonds and the Call Option.

Kenanga International is a 22 storey building with 3 1/2 storey annexed podium block together with 6 split level car park deck. Upon completion of the Refurbishment and Upgrading Works, the Property will have a net lettable area of approximately 367,511 sq. ft.

The Offer is subject to the compliance and fulfillment of all the conditions precedent agreed by the parties under the Offer. As at the date of this report, all the conditions precedent have yet to be fulfilled.

**B8. Borrowings and Debt Securities**

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

	RM
Secured:	
- Long term borrowing	105,500,000
- Short term borrowing	47,800,000
	<u>153,300,000</u>

**B9. Material Litigation**

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

**B10. Income Distribution**

No income distribution has been proposed or declared for the current quarter ended 30 September 2008. The Trust intends to distribute at least 90% of the distribution income to its unitholders for the financial year ending 31 December 2008.



**B11. Off Balance Sheet Financial Instruments**

There was no off balance sheet financial instruments as at the 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 the date of this report, the Trust had interest rate swaps with a total notional contracts of RM85,000,000, fixed for contractual periods expiring in years 2011 and 2012, at rates ranging from 3.58% to 3.66% 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.

**B12. Earnings Per Unit**

	<b>Current Year Quarter Ended 30.09.08 RM</b>	<b>Current Year To Date 30.09.08 RM</b>
Net income for the period	<u>6,911,707</u>	<u>21,110,926</u>
Number of units in issue	<u>280,500,000</u>	<u>280,500,000</u>
Basic earnings per unit (sen)	2.46	7.53
Diluted earnings per unit (sen)	<u>N/A</u>	<u>N/A</u>

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**  
**11 November 2008**