

# TOWERreit

## TOWER REAL ESTATE INVESTMENT TRUST

### CONDENSED INCOME STATEMENT

FOR THE FIRST QUARTER ENDED 31 MARCH 2009

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter Ended	Corresponding	To Date	To Date
	31.03.2009	Quarter Ended	31.03.2009	31.03.2008
	RM	RM	RM	RM
<b><u>INCOME</u></b>				
Gross revenue	12,547,851	11,050,868	12,547,851	11,050,868
Property operating expenses	(2,732,959)	(2,439,458)	(2,732,959)	(2,439,458)
Net property income	9,814,892	8,611,410	9,814,892	8,611,410
Interest income	8,840	124,885	8,840	124,885
Other income	13,820	5,729	13,820	5,729
	<b>9,837,552</b>	<b>8,742,024</b>	<b>9,837,552</b>	<b>8,742,024</b>
<b><u>EXPENSES</u></b>				
Manager's fees	683,761	629,921	683,761	629,921
Trustee's fees	33,230	30,702	33,230	30,702
Administrative expenses	271,864	142,765	271,864	142,765
Interest expenses	1,130,575	1,398,638	1,130,575	1,398,638
	<b>2,119,430</b>	<b>2,202,026</b>	<b>2,119,430</b>	<b>2,202,026</b>
<b>INCOME BEFORE TAXATION</b>	<b>7,718,122</b>	<b>6,539,998</b>	<b>7,718,122</b>	<b>6,539,998</b>
Taxation	-	-	-	-
<b>NET INCOME FOR THE PERIOD</b>	<b>7,718,122</b>	<b>6,539,998</b>	<b>7,718,122</b>	<b>6,539,998</b>
Net income for the period is made up as follows:				
- Realised	7,718,122	6,539,998	7,718,122	6,539,998
- Unrealised	-	-	-	-
	<b>7,718,122</b>	<b>6,539,998</b>	<b>7,718,122</b>	<b>6,539,998</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	2.75	2.33	2.75	2.33
- Diluted	N/A	N/A	N/A	N/A

The Condensed Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached.



**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED BALANCE SHEET**  
**AS AT 31 MARCH 2009**

The figures have not been audited.

	As At 31.03.2009 RM	As At 31.12.2008 RM
<b>ASSETS</b>		
Investment properties	590,197,789	589,900,000
Trade receivables	143,551	182,880
Other receivables, deposits and prepayments	1,096,892	393,389
Deposits placed with licensed financial institution	500,000	-
Cash and bank balances	233,984	497,189
<b>TOTAL ASSETS</b>	<b>592,172,216</b>	<b>590,973,458</b>
<b>LIABILITIES</b>		
Trade payables	484,759	371,064
Other payables and accrued expenses	1,661,413	2,084,641
Tenants' deposits	13,580,536	13,288,617
Provision for income distribution	7,023,000	12,201,750
Borrowings	122,200,000	116,500,000
<b>TOTAL LIABILITIES</b>	<b>144,949,708</b>	<b>144,446,072</b>
<b>NET ASSET VALUE</b>	<b>447,222,508</b>	<b>446,527,386</b>
<b>REPRESENTED BY :</b>		
Unitholders' capital	285,344,766	285,344,766
Undistributable income - unrealised (Investment fluctuation reserves)	159,586,337	159,586,337
Undistributable income - realised	2,291,405	1,596,283
	<b>447,222,508</b>	<b>446,527,386</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>1.5944</b>	<b>1.5919</b>

The Condensed Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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 FIRST QUARTER ENDED 31 MARCH 2009

The figures have not been audited.

	Unitholders' Capital RM	-----Distributable----- Undistributed Income		Total RM
		Unrealised RM	Realised RM	
<b><u>Current Year To Date</u></b>				
At 1 January 2009	285,344,766	159,586,337	1,596,283	446,527,386
<b>Operation for the period ended 31 March 2009</b>				
Net income for the period	-	-	7,718,122	7,718,122
	-	-	7,718,122	7,718,122
<b>Unitholders' transaction</b>				
Provision for income distribution	-	-	(7,023,000)	(7,023,000)
	-	-	(7,023,000)	(7,023,000)
At 31 March 2009	<b>285,344,766</b>	<b>159,586,337</b>	<b>2,291,405</b>	<b>447,222,508</b>
<b><u>Preceding Year Corresponding Period</u></b>				
At 1 January 2008	285,344,767	120,933,313	1,051	406,279,131
<b>Operation for the period ended 31 March 2008</b>				
Net income for the period	-	-	6,539,998	6,539,998
	-	-	6,539,998	6,539,998
<b>Unitholders' transaction</b>				
Distributed income	-	-	-	-
	-	-	-	-
At 31 March 2008	<b>285,344,767</b>	<b>120,933,313</b>	<b>6,541,049</b>	<b>412,819,129</b>

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 2008 and the accompanying explanatory notes attached.

The figures have not been audited.

	<b>Current Year To Date 31.03.2009 RM</b>	<b>Preceding Year To Date 31.03.2008 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before taxation	7,718,122	6,539,998
Adjustments for:		
Interest income	(8,840)	(124,885)
Interest expense	1,130,575	1,398,638
Operating profit before changes in working capital	<u>8,839,857</u>	<u>7,813,751</u>
Trade and other receivables	(664,174)	(655,770)
Trade and other payable	<u>(17,614)</u>	<u>(138,095)</u>
Net cash generated from operating activities	<u>8,158,069</u>	<u>7,019,886</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Upgrade / purchase of investment properties	(297,789)	(57,090)
Interest income	<u>8,840</u>	<u>124,885</u>
Net cash (used in) / generated from investing activities	<u>(288,949)</u>	<u>67,795</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(1,130,575)	(1,398,638)
Proceeds from / (repayments of) borrowing	5,700,000	(6,000,000)
Distribution paid to unitholders	<u>(12,201,750)</u>	<u>(12,566,400)</u>
Net cash used in financing activities	<u>(7,632,325)</u>	<u>(19,965,038)</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	236,795	(12,877,357)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>497,189</u>	<u>16,338,314</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>733,984</u>	<u>3,460,957</u>
Cash and cash equivalents at end of period comprise of:		
Deposits placed with licensed financial institutions	500,000	3,200,000
Cash and bank balances	<u>233,984</u>	<u>260,957</u>
	<u>733,984</u>	<u>3,460,957</u>

The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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 2008.

**A2. Audit Report of Preceding Financial Year**

The Auditors' Report on the preceding financial statements for the year ended 31 December 2008 was not subject to any qualification.

**A3. Seasonality or Cyclical 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 equity securities for the current quarter.

**A7. Income Distribution**

During the quarter under review, the Trust had, on 27 February 2009, paid a final income distribution of 4.35 sen per unit (of which 4.20 sen per unit is taxable and 0.15 sen per unit is tax exempted in the hands of unitholders) for the financial year ended 31 December 2008, amounting to RM12,201,750.

A provision was made to distribute approximately 91% of the distributable income for the quarter ended 31 March 2009.

**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.



TOWER REAL ESTATE INVESTMENT TRUST

NOTES TO THE FIRST QUARTER ENDED 31 MARCH 2009

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**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 31 March 2009, the Trust recorded gross revenue and income after taxation (realised) of RM12.548 million and RM7.718 million respectively, representing an increase of 14% and 18% respectively as compared to preceding year's corresponding quarter ended 31 March 2008.

The increases in gross revenue and income after taxation (realised) were driven primarily by higher rental income as a result of the improvement in rental rates of the properties of the Trust, namely, Menara HLA and HP Tower as well as lower interest expenses.

**B2. Material Changes in Income before Taxation for the Quarter as compared with the immediate Preceding Quarter**

Excluding the unrealised surplus from the fair value adjustment of RM38.653 million recorded in the preceding quarter ended 31 December 2008, the current quarter income before taxation of RM7.718 million was higher than the preceding quarter of RM6.711 million (realised) by 15% mainly due to the increase in rental income from the properties as well as decrease in interest expenses.

**B3. Prospects**

Despite the challenging economic environment and barring unforeseen circumstances, the Manager expects the Trust to perform satisfactorily for the remaining period of the financial year ending 31 December 2009.

**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. Hence, there will be no tax payable for the financial year ending 31 December 2009 as the Trust intends to distribute at least 90% of the total income for the financial year ending 31 December 2009.

**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 31 March 2009 are as follows:

	RM
Secured:	
- Long term borrowing	105,500,000
- Short term borrowing	<u>16,700,000</u>
	<u>122,200,000</u>

**B9. Income Distribution**

A provision was made to distribute approximately 91% of the distributable income for the quarter ended 31 March 2009 amounting to RM7,023,000.

Pursuant to the amended Section 109D of the Income Tax Act, 1967, the following withholding tax rate (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%)

**B10. Material Litigation**

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

In relation to the aborted proposed acquisitions of junior bonds and the rights for the purchase of the office complex known as Kenanga International, there has been no development since the last disclosure in the financial results for the quarter ended 31 December 2008 of Tower REIT.

**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 31.03.2009 RM</b>	<b>Current Year To Date 31.03.2009 RM</b>
Net income for the period	<u>7,718,122</u>	<u>7,718,122</u>
Number of units in issue	<u>280,500,000</u>	<u>280,500,000</u>
Basic earnings per unit (sen)	2.75	2.75
Diluted earnings per unit (sen)	<u>N/A</u>	<u>N/A</u>

**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****22 May 2009**