

TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED INCOME STATEMENT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2008 RM	Preceding Year Corresponding Quarter Ended 31.12.2007 RM	Current Year To Date 31.12.2008 RM	Preceding Year To Date 31.12.2007 RM
INCOME				
Gross revenue	11,729,005	10,887,481	46,336,016	40,323,351
Property operating expenses	(2,737,474)	(2,584,582)	(10,056,452)	(8,996,133)
Net property income	8,991,531	8,302,899	36,279,564	31,327,218
Interest income	239,194	92,229	425,919	419,961
Other income	8,755	6,728	46,029	28,978
	9,239,480	8,401,856	36,751,512	31,776,157
EXPENSES				
Manager's fees	528,944	517,583	2,438,444	2,125,414
Trustee's fees	30,422	27,048	122,731	100,047
Administrative expenses	387,359	98,751	720,821	273,767
Interest expenses	1,581,700	1,429,720	5,647,535	5,489,532
	2,528,426	2,073,102	8,929,531	7,988,760
NET TRUST INCOME	6,711,055	6,328,754	27,821,981	23,787,397
Fair value adjustment on investment properties	38,653,024	82,401,640	38,653,024	82,401,640
INCOME BEFORE TAXATION	45,364,078	88,730,394	66,475,005	106,189,037
Taxation	-	-	-	-
NET INCOME FOR THE PERIOD	45,364,078	88,730,394	66,475,005	106,189,037
Net income for the period is made up as follows:				
- Realised	6,711,055	6,328,754	27,821,981	23,787,397
- Unrealised	38,653,024	82,401,640	38,653,024	82,401,640
	45,364,078	88,730,394	66,475,005	106,189,037
EARNINGS PER UNIT (SEN)				
- Basic	16.17	31.63	23.70	39.14
- 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 2007 and the accompanying explanatory notes attached.

TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED BALANCE SHEET

AS AT 31 DECEMBER 2008

The figures have not been audited.

	As At 31.12.2008 RM	As At 31.12.2007 RM
ASSETS		
Investment properties	589,900,000	550,000,000
Trade receivables	182,881	401,428
Other receivables, deposits and prepayment	393,389	504,004
Deposits with licensed financial institutions	-	16,100,000
Cash and bank balances	497,189	238,314
TOTAL ASSETS	590,973,458	567,243,746
LIABILITIES		
Trade payables	371,064	441,825
Other payables and accrued expenses	2,084,641	1,402,772
Tenants' deposits	13,288,617	11,053,618
Provision for income distribution	12,201,750	12,566,400
Borrowings	116,500,000	135,500,000
TOTAL LIABILITIES	144,446,072	160,964,615
NET ASSET VALUE	446,527,386	406,279,131
REPRESENTED BY :		
Unitholders' capital	285,344,766	285,344,767
Undistributable income - unrealised (Investment fluctuation reserves)	159,586,336	120,933,313
Undistributable income - realised	1,596,283	1,051
	446,527,386	406,279,131
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.5919	1.4484

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.

The figures have not been audited.

	Unitholders' Capital RM	-----Distributable----- Undistributed Income		Total 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 31 December 2008				
Net income for the period	-	-	27,821,981	27,821,981
	-	-	27,821,981	27,821,981
Unitholders' transaction				
Investment fluctuation reserves	-	38,653,024	-	38,653,024
Distributed income	-	-	(14,025,000)	(14,025,000)
Provision for income distribution	-	-	(12,201,750)	(12,201,750)
	-	38,653,024	(26,226,750)	12,426,274
At 31 December 2008	285,344,767	159,586,336	1,596,282	446,527,386
<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 31 December 2007				
Net income for the period	-	-	23,787,397	23,787,397
	-	-	23,787,397	23,787,397
Unitholders' transaction				
Creation of units	39,130,000	-	-	39,130,000
Establishment and issue expenses	(452,288)	-	-	(452,288)
Investment fluctuation reserves	-	82,401,640	-	82,401,640
Distributed income	-	-	(23,786,400)	(23,786,400)
	38,677,712	82,401,640	(23,786,400)	97,292,952
At 31 December 2007	285,344,767	120,933,313	1,051	406,279,131

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 FOURTH QUARTER ENDED 31 DECEMBER 2008

The figures have not been audited.

	Current Year To Date 31.12.2008 RM	Preceding Year To Date 31.12.2007 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	66,475,005	106,189,037
Adjustments for:		
Interest income	(425,919)	(419,961)
Interest expense	5,647,535	5,489,532
Fair value adjustment of investment properties	<u>(38,653,024)</u>	<u>(82,401,640)</u>
Operating profit before changes in working capital	33,043,597	28,856,968
Trade and other receivables	329,163	8,777,765
Trade and other payable	<u>2,846,108</u>	<u>2,519,005</u>
Net cash generated from operating activities	<u>36,218,869</u>	<u>40,153,738</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Upgrade / purchase of investment properties	(1,246,978)	(77,598,360)
Interest income	<u>425,919</u>	<u>419,961</u>
Net cash used in investing activities	<u>(821,058)</u>	<u>(77,178,399)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(5,647,535)	(5,489,532)
Proceeds from issue of units	-	39,130,000
Proceeds from borrowing	-	30,000,000
Repayment of borrowings	(19,000,000)	-
Distribution paid to unitholders	(26,591,400)	(23,912,475)
Establishment and issue expenses	<u>-</u>	<u>(452,288)</u>
Net cash (used in) / generated from financing activities	<u>(51,238,935)</u>	<u>39,275,705</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(15,841,125)	2,251,044
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>16,338,314</u>	<u>14,087,270</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>497,189</u>	<u>16,338,314</u>
Cash and cash equivalents at end of period comprise of:		
Deposits placed with licensed financial institutions	-	16,100,000
Cash and bank balances	<u>497,189</u>	<u>238,314</u>
	<u>497,189</u>	<u>16,338,314</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 equity securities for the current quarter.

A7. Income Distribution

The Manager of Tower REIT is declaring a final income distribution of 4.35 sen per unit (of which 4.20 sen per unit is subject to withholding tax and 0.15 sen per unit is tax exempt in the hands of unitholders) for the year ended 31 December 2008, amounting to RM12,201,750 and payable on 27 February 2009 as disclosed in Note B8 below.

A8. Segmental Reporting

Not applicable.

A9. Valuation of Investment Properties

During the quarter under review, the existing properties, Menara HLA, HP Towers and Menara ING have been revalued by Khong & Jaafar Sdn Bhd, an independent professional firm of registered valuers to a total value of RM589.9 million.

The purpose of revaluation was to ascertain the current market value of the existing properties for accounting purposes in line with the FRS 140. The date of valuation of HP Towers, Menara HLA and Menara ING was 1 December 2008.

The revaluation has resulted in an additional surplus on fair value adjustment of RM38.653 million or equivalent to RM0.14 per unit.

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 31 December 2008, the Trust recorded gross revenue and income after taxation (realised) of RM11.729 million and RM6.711 million respectively, representing an increase of 8% and 6% respectively as compared to preceding year's corresponding quarter ended 31 December 2007.

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 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 31 December 2008, the Trust recorded gross revenue and income after taxation (realised) of RM46.336 million and RM27.821 million respectively, representing significant increases of 15% and 17% respectively as compared to preceding year's corresponding period.

The growth in gross revenue and income after taxation (realised) were mainly due to the higher occupancy rate and positive rental revision from Menara HLA and HP Tower as well as the additional contribution from Menara ING which was acquired on 27 March 2007.

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

There were no material changes in the income before taxation for the quarter under review as compared with the immediate preceding quarter except for the recognition of unrealised surplus from fair valuation adjustment of the investment properties, namely Menara HLA, HP Towers and Menara ING, of RM38.653 million in current quarter under review.

B3. Prospects

Despite the challenging economic environment and barring unforeseen circumstances, the Manager expects the Trust to perform satisfactorily for the coming 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 ended 31 December 2008 as the Trust is distributing more than 90% of the total income for the financial year ended 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") (collectively referred to as the "Vendors") had, on 23 September 2008, accepted an ("Offer") from AmTrustee Berhad ("AmTrustee"), acting as trustee for Tower REIT, in relation to the proposed acquisitions by Tower REIT (collectively referred to as "Proposed Acquisitions") 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.

(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.

The Offer is subject to the compliance and fulfillment of all the conditions precedent agreed by the parties under the Offer within a stipulated period.

On 23 December 2008, Tower REIT announced that it had decided not to proceed with the Proposed Acquisitions as some of the conditions precedent to the Proposed Acquisitions were not fulfilled within the period for fulfillment of the conditions precedent. The stakeholder had refunded the deposit and interest thereon in favour of Tower REIT. AmTrustee had received a notice from the lawyer for the Vendors informing that it had filed an action in court seeking inter alia a declaration that there was in existence a valid and subsisting agreement in respect of the Proposed Acquisitions. No writ has been served on AmTrustee to date.

B8. Income Distribution

The Board of GLM REIT Management Sdn. Bhd., the Manager of Tower REIT, has declared a final income distribution of 4.35 sen per unit (of which 4.20 sen per unit is subject to withholding tax and 0.15 sen per unit is tax exempt in the hands of unitholders) amounting to RM12,201,750 payable on 27 February 2009 to the unitholders registered in the Record of Depositors on 23 February 2009.

With the inclusion of the interim income distribution of 5 sen per unit amounted to RM14,025,000, which was paid on 22 August 2008 to the unitholders, the Trust has declared a total income distribution of 9.35 sen per unit amounting to RM26,226,750, and representing approximately 94% of the distributable income after taxation for financial year ended 31 December 2008.

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)
- Resident non-corporate (withholding tax 10%)
- Non-resident individual (withholding tax 10%)
- Non-resident corporate (withholding tax 25%)
- Non-resident institutional (withholding tax 10%)

B9. Borrowings and Debt Securities

Particulars of the Trust's borrowings as at 31 December 2008 are as follows:

	RM
Secured:	
- Long term borrowing	105,500,000
- Short term borrowing	11,000,000
	<u>116,500,000</u>

B10. Material Litigation

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

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

	Current Year Quarter Ended 31.12.2008 RM	Current Year To Date 31.12.2008 RM
Net income for the period	<u>45,364,078</u>	<u>66,475,005</u>
Number of units in issue	<u>280,500,000</u>	<u>280,500,000</u>
Basic earnings per unit (sen)	16.17	23.70
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
6 February 2009