



TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

The figures have not been audited.

| | Individual Quarter | | Cumulative Quarter | |
|--|---|--|---|--|
| | Current Year Quarter Ended 30.09.2009 RM | Preceding Year Corresponding Quarter Ended 30.09.2008 RM | Current Year To Date 30.09.2009 RM | Preceding Year To Date 30.09.2008 RM |
| INCOME | | | | |
| Gross revenue | 12,743,508 | 11,952,019 | 38,047,376 | 35,132,958 |
| Property operating expenses | (3,090,921) | (2,956,135) | (8,808,684) | (7,844,925) |
| Net property income | 9,652,587 | 8,995,884 | 29,238,692 | 27,288,033 |
| Interest income | 8,054 | 21,520 | 26,233 | 186,726 |
| Other income | 4,786 | 26,860 | 42,599 | 37,273 |
| | 9,665,427 | 9,044,264 | 29,307,524 | 27,512,032 |
| EXPENSES | | | | |
| Manager's fees | 620,576 | 613,340 | 1,984,864 | 1,909,500 |
| Trustee's fees | 34,273 | 30,724 | 101,851 | 92,309 |
| Administrative expenses | 54,803 | 141,209 | 383,261 | 333,462 |
| Interest expenses | 1,249,019 | 1,347,284 | 3,704,556 | 4,065,836 |
| | 1,958,671 | 2,132,557 | 6,174,532 | 6,401,107 |
| INCOME BEFORE TAXATION | 7,706,756 | 6,911,707 | 23,132,992 | 21,110,925 |
| Taxation | - | - | - | - |
| NET INCOME FOR THE PERIOD | 7,706,756 | 6,911,707 | 23,132,992 | 21,110,925 |
| Net income for the period is made up as follows: | | | | |
| - Realised | 7,706,756 | 6,911,707 | 23,132,992 | 21,110,925 |
| - Unrealised | - | - | - | - |
| | 7,706,756 | 6,911,707 | 23,132,992 | 21,110,925 |
| EARNINGS PER UNIT (SEN) | | | | |
| - Basic | 2.75 | 2.46 | 8.25 | 7.53 |
| - Diluted | N/A | N/A | N/A | N/A |
| DISTRIBUTION PER UNIT (SEN) | | | | |
| - Interim | 5.00 | 5.00 | 5.00 | 5.00 |
| - Final | 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.

The figures have not been audited.

| | As At 30.09.2009 RM | As At 31.12.2008 RM |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Investment properties | 590,256,920 | 589,900,000 |
| Trade receivables | 131,786 | 182,880 |
| Other receivables, deposits and prepayments | 1,267,149 | 393,389 |
| Deposits placed with licensed financial institution | 600,000 | - |
| Cash and bank balances | 234,116 | 497,189 |
| TOTAL ASSETS | 592,489,971 | 590,973,458 |
| LIABILITIES | | |
| Trade payables | 324,927 | 371,064 |
| Other payables and accrued expenses | 1,833,081 | 2,084,641 |
| Tenants' deposits | 12,996,585 | 13,288,617 |
| Provision for income distribution | 7,012,500 | 12,201,750 |
| Borrowings | 121,700,000 | 116,500,000 |
| TOTAL LIABILITIES | 143,867,093 | 144,446,072 |
| NET ASSET VALUE | 448,622,878 | 446,527,386 |
| REPRESENTED BY : | | |
| Unitholders' capital | 285,344,766 | 285,344,766 |
| Undistributable income - unrealised (Investment fluctuation reserves) | 159,586,337 | 159,586,337 |
| Undistributable income - realised | 3,691,775 | 1,596,283 |
| | 448,622,878 | 446,527,386 |
| NUMBER OF UNITS IN CIRCULATION (UNITS) | 280,500,000 | 280,500,000 |
| NET ASSET VALUE PER UNIT (RM) | | |
| - before income distribution | 1.6244 | 1.6354 |
| - after income distribution | 1.5994 | 1.5919 |

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 THIRD QUARTER ENDED 30 SEPTEMBER 2009

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 2009 | 285,344,766 | 159,586,337 | 1,596,283 | 446,527,386 |
| Operation for the period ended 30 September 2009 | | | | |
| Net income for the period | - | - | 23,132,992 | 23,132,992 |
| | - | - | 23,132,992 | 23,132,992 |
| Unitholders' transaction | | | | |
| Distributed income | - | - | (14,025,000) | (14,025,000) |
| Provision for income distribution | - | - | (7,012,500) | (7,012,500) |
| | - | - | (21,037,500) | (21,037,500) |
| At 30 September 2009 | <u>285,344,766</u> | <u>159,586,337</u> | <u>3,691,775</u> | <u>448,622,878</u> |
| <u>Preceding Year Corresponding Period</u> | | | | |
| At 1 January 2008 | 285,344,767 | 120,933,313 | 1,051 | 406,279,131 |
| Operation for the period ended 30 September 2008 | | | | |
| Net income for the period | - | - | 21,110,925 | 21,110,925 |
| | - | - | 21,110,925 | 21,110,925 |
| Unitholders' transaction | | | | |
| 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 | <u>285,344,767</u> | <u>120,933,313</u> | <u>18,376</u> | <u>406,296,456</u> |



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.



TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED CASH FLOW STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

The figures have not been audited.

| | Current Year To Date 30.09.2009 RM | Preceding Year To Date 30.09.2008 RM |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Income before taxation | 23,132,992 | 21,110,926 |
| Adjustments for: | | |
| Interest income | (26,233) | (186,727) |
| Interest expense | 3,704,556 | 4,065,836 |
| Operating profit before changes in working capital | <u>26,811,315</u> | <u>24,990,035</u> |
| Trade and other receivables | (822,666) | (28,386,410) |
| Trade and other payable | (589,729) | 1,504,777 |
| Net cash generated from / (used in) operating activities | <u>25,398,920</u> | <u>(1,891,598)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Upgrade / enhancement of investment properties | (356,920) | (1,008,276) |
| Interest income | 26,233 | 186,726 |
| Net cash used in investing activities | <u>(330,687)</u> | <u>(821,550)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Interest paid | (3,704,556) | (4,065,836) |
| Proceeds from borrowings | 5,200,000 | 17,800,000 |
| Distribution paid to unitholders | (26,226,750) | (26,591,400) |
| Net cash used in financing activities | <u>(24,731,306)</u> | <u>(12,857,236)</u> |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | 336,927 | (15,570,384) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>497,189</u> | <u>16,338,314</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>834,116</u> | <u>767,930</u> |
| Cash and cash equivalents at end of period comprise of: | | |
| Deposits placed with licensed financial institutions | 600,000 | 500,000 |
| Cash and bank balances | 234,116 | 267,930 |
| | <u>834,116</u> | <u>767,930</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 attached.

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

The quarterly financial report is unaudited and prepared in accordance with FRS 134: Interim Financial Reporting and Chapter 9 Part M3 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

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 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

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 had, on 28 August 2009, paid an interim income distribution of 5.00 sen per unit, amounting to RM14,025,000 and representing 91% of the distributable income after taxation for the six-month period ended 30 June 2009, to the unitholders registered in the Record of Depositors on 19 August 2009.

A provision was made to distribute 91% of the distributable income for the quarter ended 30 September 2009.

A8. Segmental Reporting

Not applicable.



TOWER REAL ESTATE INVESTMENT TRUST

NOTES TO THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

A9. Valuation of Investment Properties

The valuation of the existing properties, namely, Menara HLA, HP Towers and Menara ING, have 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.

B. Additional Information pursuant to Paragraph 9.44 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements**B1. Review of Performance**

For the current year to date at 30 September 2009, the Trust recorded a gross revenue of RM38.047 million, an increase of 8% compared to the corresponding period in the preceding year. The income after taxation (realised) increased by 10% to RM23.133 million.

The increases in gross revenue and income after taxation (realised) were due to the increase in rental income brought about by higher rental rates in Menara HLA and HP Towers, and lower interest expenses.

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 30 September 2009, Tower REIT's composition of investment portfolio is as follows:

| <u>Real Estate</u> | Fair Value As At 30.09.09 RM'000 | Total Real Estate Portfolio % |
|--------------------|---|--|
| Menara HLA | 290,130 | 49 |
| HP Towers | 207,024 | 35 |
| Menara ING | 93,103 | 16 |
| | <u>590,257</u> | <u>100</u> |

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 ("NAV")

The total NAV and NAV per unit of the Trust as at 30 September 2009 were RM448.623 million and RM1.5994 respectively. There were no material changes in the total NAV and NAV per unit as compared to the immediate preceding quarter.

B5. Changes in Unit Price

On 30 September 2009, Tower REIT unit price closed at RM1.08 per unit, an increase of 6% compared to the opening unit price of RM1.02 per unit on 1 July 2009.

B6. Review of Office Property Market

The occupancy and rental rates of offices remained stable with no significant new supply over the quarter under review. Demand for new office space remains weak, a reflection of the current market conditions.

B7. Market Prospects

The outlook of office market is expected to remain challenging with downward pressure on the rental and occupancy rates, due to weak demand and new supply coming on-stream. The recent liberalisation of service sector and the Government's stimulus package may cushion the downward trend.

The Manager will focus on pre-emptive lease management to improve tenant retention and embark on asset enhancement initiatives to attract new high value tenants. The Manager continues to look for opportunities for acquisitions to expand the Trust.

B8. Utilisation of Proceeds raised from any Issuance of New Units

There was no issuance of new units during the quarter under review.

B9. Circumstances affecting Interest of the Unitholders

There were no unusual circumstances which have materially affected the interest of the unitholders for the current quarter.

B10. Material Litigation

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

B11. Major Maintenance Cost and Capital Expenditure

There were no major maintenance cost or capital expenditure incurred during the quarter under review.

B12. Soft Commission

During the quarter ended 30 September 2009, 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 income statement 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 income statement as it accrues, using the effective interest method.

B14. Manager's Fee

Pursuant to the Deed constituting Tower REIT, the Manager's fees consist 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 base fee and performance fee for the period ended 30 September 2009 of RM1,011,214 and RM973,650 are 0.17% and 3.30% 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 Net Asset Value of Tower REIT with a cap of RM200,000. The Trustee's fee for the period ended 30 September 2009 is RM101,851.

B16. Units held by Related Parties

As at 30 September 2009, the Manager did not hold any units in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

| | 30.09.2009 | |
|---|----------------------------|---------------------------|
| | 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 | 56,219 | 60,717 |
| Hong Leong Assurance Berhad | 49,965 | 53,962 |
| Asia Fountain Investment Company Limited | 14,000 | 15,120 |
| Hong Leong Bank Berhad | 13,990 | 15,109 |
| Hong Leong Investment Bank Berhad | 5,981 | 6,459 |
| Tang Hong Cheong | 160 * | 173 |
| Poh Yang Hong | 800 * | 864 |
| Lim Chew Yan | 20 | 22 |
| Chan Wan Leong | 90 | 97 |

The market value is determined by multiplying the number of units with the market price of RM1.08 per unit as at 30 September 2009 (30 September 2008: RM1.05 per unit).

B17. Tax Expense

| | Current Year to Date 30.09.2009 RM'000 | Preceding Year to Date 30.09.2008 RM'000 |
|--|---|---|
| Current tax expense | - | - |
| Reconciliation of effective tax expense | | |
| Income before taxation | 23,133 | 21,111 |
| Income tax using Malaysian tax rate of 25% (2008: 26%) | 5,783 | 5,489 |
| Non-deductible expenses | 25 | 23 |
| Effect of income exempted from tax | (5,808) | (5,512) |
| Tax expense | - | - |

B18. Income Distribution

During the quarter under review, the Trust had, on 28 August 2009, paid an interim income distribution of 5.00 sen per unit, amounting to RM14,025,000.00 and representing 91% of the distributable income after taxation for the six-month period ended 30 June 2009.

A provision was made to distribute approximately 91% of the distributable income for the quarter ended 30 September 2009.

B19. Statement by the Directors of the Managers

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 30 September 2009 and of its financial performance and cash flows for the period ended 30 September 2009.

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
10 November 2009**