

TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED INCOME STATEMENT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2009 RM	Preceding Year Corresponding Quarter Ended 31.12.2008 RM	Current Year To Date 31.12.2009 RM	Preceding Year To Date 31.12.2008 RM
<u>INCOME</u>				
Gross revenue	11,780,643	11,729,005	49,828,019	46,336,016
Property operating expenses	(2,914,518)	(2,737,474)	(11,723,202)	(10,056,452)
Net property income	8,866,125	8,991,531	38,104,817	36,279,564
Interest income	9,362	239,194	35,595	425,919
Other income	9,455	8,755	52,054	46,029
	8,884,942	9,239,480	38,192,466	36,751,512
<u>EXPENSES</u>				
Manager's fees	531,113	528,944	2,515,977	2,438,444
Trustee's fees	34,080	30,422	135,931	122,731
Administrative expenses	194,763	387,359	578,024	720,821
Interest expenses	1,202,389	1,581,700	4,906,945	5,647,535
	1,962,345	2,528,425	8,136,877	8,929,531
NET TRUST INCOME	6,922,597	6,711,055	30,055,589	27,821,981
Fair value adjustment on investment properties	5,769,745	38,653,024	5,769,745	38,653,024
INCOME BEFORE TAXATION	12,692,342	45,364,079	35,825,334	66,475,005
Taxation	-	-	-	-
NET INCOME FOR THE PERIOD	12,692,342	45,364,079	35,825,334	66,475,005
Net income for the period is made up as follows:				
- Realised	6,922,597	6,711,055	30,055,589	27,821,981
- Unrealised	5,769,745	38,653,024	5,769,745	38,653,024
	12,692,342	45,364,079	35,825,334	66,475,005
EARNINGS PER UNIT (SEN)				
- Basic	4.52	16.17	12.77	23.70
- Diluted	N/A	N/A	N/A	N/A
DISTRIBUTION PER UNIT (SEN)				
- Interim	5.00	5.00	5.00	5.00
- Final	5.00	4.35	5.00	4.35

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 31.12.2009 RM	As At 31.12.2008 RM
<u>ASSETS</u>		
Investment properties	596,000,000	589,900,000
Trade receivables	144,348	182,880
Other receivables, deposits and prepayments	1,979,889	393,389
Deposits placed with licensed financial institution	300,000	-
Cash and bank balances	375,370	497,189
TOTAL ASSETS	598,799,607	590,973,458
<u>LIABILITIES</u>		
Trade payables	400,440	371,064
Other payables and accrued expenses	2,550,054	2,084,641
Tenants' deposits	13,321,393	13,288,617
Provision for income distribution	14,025,000	12,201,750
Borrowings	114,200,000	116,500,000
TOTAL LIABILITIES	144,496,887	144,446,072
NET ASSET VALUE	454,302,720	446,527,386
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributable income - unrealised (Investment fluctuation reserves)	165,356,082	159,586,337
Undistributable income - realised	3,601,872	1,596,283
	454,302,720	446,527,386
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)		
- before income distribution	1.6696	1.6354
- after income distribution	1.6196	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.

TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
Operations for the year ended 31 December 2009				
Net income for the year	-	-	30,055,589	30,055,589
Changes in fair value		5,769,745	-	5,769,745
Increase in net assets resulting from operations	-	5,769,745	30,055,589	35,825,334
Unitholders' transactions				
Distribution to unitholders				
- interim	-	-	(14,025,000)	(14,025,000)
- final	-	-	(14,025,000)	(14,025,000)
Increase in net assets resulting from unitholders' transactions	-	-	(28,050,000)	(28,050,000)
At 31 December 2009	285,344,766	165,356,082	3,601,872	454,302,720
<u>Preceding Year To Date</u>				
At 1 January 2008	285,344,766	120,933,313	1,052	406,279,131
Operations for the year ended 31 December 2008				
Net income for the year	-	-	27,821,981	27,821,981
Changes in fair value		38,653,024	-	38,653,024
Increase in net assets resulting from operations	-	38,653,024	27,821,981	66,475,005
Unitholders' transactions				
Distribution to unitholders				
- interim	-	-	(14,025,000)	(14,025,000)
- final	-	-	(12,201,750)	(12,201,750)
Increase in net assets resulting from unitholders' transactions	-	-	(26,226,750)	(26,226,750)
At 31 December 2008	285,344,766	159,586,337	1,596,283	446,527,386

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.

TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED CASH FLOW STATEMENT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009

The figures have not been audited.

	Current Year To Date 31.12.2009 RM	Preceding Year To Date 31.12.2008 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	35,825,334	66,475,005
Adjustments for:		
Interest expense	4,906,945	5,647,535
Interest income	(35,595)	(425,919)
Fair value adjustment on investment properties	(5,769,745)	(38,653,024)
Operating profit before working capital changes	<u>34,926,939</u>	<u>33,043,597</u>
Changes in working capital:		
Trade and other receivables	(1,547,968)	329,164
Trade and other payables	527,565	2,846,108
Net cash generated by operating activities	<u>33,906,536</u>	<u>36,218,869</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Upgrade / enhancement of investment properties	(330,255)	(1,246,978)
Interest income	35,595	425,919
Net cash used in investing activities	<u>(294,660)</u>	<u>(821,059)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(4,906,945)	(5,647,535)
Repayment of borrowing	(2,300,000)	(19,000,000)
Distribution paid to unitholders	(26,226,750)	(26,591,400)
Increase in pledged deposits with licensed financial institution	(300,000)	-
Net cash used in financing activities	<u>(33,733,695)</u>	<u>(51,238,935)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(121,819)	(15,841,125)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>497,189</u>	<u>16,338,314</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>375,370</u>	<u>497,189</u>
Cash and cash equivalents at end of year comprise of:		
Cash and bank balances	375,370	497,189
Deposits placed with licensed financial institution	300,000	-
	<u>675,370</u>	<u>497,189</u>
Deposits pledged as security	(300,000)	-
	<u>375,370</u>	<u>497,189</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 is declaring a final income distribution of 5.00 sen per unit (of which 4.99 sen per unit is subject to withholding tax and 0.01 sen per unit is tax exempt in the hands of unitholders) for the year ended 31 December 2009, amounting to RM14,025,000 and payable on 25 February 2010 as disclosed in Note B18 below.

A8. Segmental Reporting

The principal activity of the Tower REIT is to invest in properties in Malaysia with the primary objective to derive rental income and medium to long terms capital growth. Hence, no segmental reporting is presented.

A9. Valuation of Investment Properties

During the year under review, the existing properties of Tower REIT, namely, Menara HLA, HP Towers and Menara ING, had been revalued by Rahim & Co Chartered Surveyors Sdn Bhd, an independent professional firm of registered valuers, to a total value of RM596.0 million.

The purpose of the revaluation was to ascertain the current market values of the existing properties for accounting purposes in line with the Financial Reporting Standard 140 and paragraph 10.03 of the Securities Commission Guidelines on Real Estate Investment Trusts. The date of valuation of Menara HLA, HP Towers and Menara ING was 11 December 2009.

The revaluation had resulted in an additional surplus on fair value adjustment of RM5.770 million or equivalent to RM0.02 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.

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

B1. Review of Performance

The Trust recorded gross revenue of RM49.828 million for the year ended 31 December 2009, an increase of 8%, compared to the preceding year. The increase in gross income was mainly due to the increase in rental income as a result of the uplift in rental rates in Menara HLA and HP Towers.

The total income after taxation for the year is RM35.826 million, which is inclusive of the unrealised fair value adjustment of RM5.770 million generated from the revaluation of the investment properties.

For the year ended 31 December 2009, the realised and distributable net income was RM30.056 million, representing an increase of 8% as compared to the preceding year. The growth in realised and distributable net income was mainly due to the higher rental income and lower interest expense brought about by the lower interest rate.

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 31 December 2009, Tower REIT's composition of investment portfolio is as follows:

<u>Real Estate</u>	Fair Value At 31.12.09 RM'000	As	Total Real Estate Portfolio %
Menara HLA	295,000		49
HP Towers	207,000		35
Menara ING	94,000		16
	596,000		100

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")

During the quarter under review, the Trust had revalued its existing properties, namely, Menara HLA, HP Tower and Menara ING, which had resulted in a revaluation surplus of RM5.770 million. As a result of the upward revaluation of the investment properties, the total NAV and NAV per unit (after income distribution) of the Trust as at 31 December 2009 rose by 2% to RM454.303 million and RM1.6196 respectively.

B5. Changes in Unit Price

On 31 December 2009, Tower REIT unit price closed at RM1.14 per unit, an increase of 6% compared to the opening unit price of RM1.08 per unit on 1 October 2009.

B6. Review of Office Property Market

The occupancy and rental rates remained stable with slight adjustments in the occupancy and rental rates but there were more investment transactions during the quarter under review. The gradual stabilisation of the economic condition has provided support to the office property market.

B7. Market Prospects

The office property market is expected to stabilise with the government's initiatives in stimulating the economy with more liberalisation of the business environment. The overall occupancy and rental rates will depend on the strength of absorption of new office supply while the growing interest in investment grade buildings will support the capital value.

The Manager will continue to proactively manage the assets under the Trust's portfolio and remains disciplined in assessing growth opportunities.

Barring any unforeseen circumstances, we expect the Trust to continue to deliver sustainable performance to its unitholders.

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 had 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 except for the restoration of external façade of HP Tower, amounted to RM92,862.

B12. Soft Commission

During the quarter ended 31 December 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 year ended 31 December 2009 of RM1,353,213 and RM1,162,764 are 0.23% and 3.02% 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 NAV of Tower REIT with a cap of RM200,000. The Trustee's fee for the year ended 31 December 2009 is RM135,931.

B16. Units held by Related Parties

As at 31 December 2009, the Manager did not hold any units in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	As at 31.12.09	
	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	64,090
Hong Leong Assurance Berhad	49,965	56,960
Asia Fountain Investment Company Limited	14,000	15,960
Hong Leong Bank Berhad	13,990	15,949
Hong Leong Investment Bank Berhad	5,981	6,818
Tang Hong Cheong	160 *	182
Poh Yang Hong	800 *	912
Lim Chew Yan	20	23
Chan Wan Leong	90	103

The market value is determined by multiplying the number of units with the market price of RM1.14 per unit as at 31 December 2009.

B17. Tax Expense

	Current Year to Date 31.12.09 RM'000	Preceding Year to Date 31.12.08 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before taxation	35,826	66,475
Income tax using Malaysian tax rate of 25% (2008: 26%)	8,957	17,284
Non-deductible expenses	613	870
Effect of fair value adjustment of investment properties which is not taxable	(1,442)	(10,050)
Effect of income exempted from tax	(8,128)	(8,104)
Tax expense	-	-

B18. Income Distribution

The Manager of Tower REIT is declaring a final income distribution of 5.00 sen per unit (of which 4.99 sen per unit is subject to withholding tax and 0.01 sen per unit is tax exempt in the hands of unitholders), amounting to RM14,025,000 and payable on 25 February 2010 to the unitholders registered in the Record of Depositors on 22 February 2010.

Together with the interim income distribution of 5 sen per unit, amounted to RM14,025,000 which was paid on 28 August 2009 to the unitholders, the total income distribution of 10.00 sen per unit, amounting to RM28,050,000 representing approximately 93% of the distributable income after taxation for the year ended 31 December 2009.

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

B18. Income Distribution (continued)

Distribution to unitholders is from the following sources:

	Current Year to Date 31.12.09 RM'000	Preceding Year to Date 31.12.08 RM'000
Net rental income	38,105	36,280
Interest income	35	426
Other income	52	46
	<u>38,192</u>	<u>36,752</u>
Less: Expenses	<u>(8,136)</u>	<u>(8,930)</u>
	30,056	27,822
Less: Undistributed income	<u>(2,006)</u>	<u>(1,595)</u>
	<u>28,050</u>	<u>26,227</u>
The distribution comprises of:		
Interim income distribution	14,025	14,025
Final income distribution	14,025	12,202
	<u>28,050</u>	<u>26,227</u>
Distribution per unit		
- Interim (sen)	5.00	5.00
- Final (sen)	5.00	4.35
	<u>10.00</u>	<u>9.35</u>

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 31 December 2009 and of its financial performance and cash flows for the period ended 31 December 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
3 February 2010