

# TOWERreit

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED INCOME STATEMENT**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2008 RM	Preceding Year Corresponding Quarter Ended 31.03.2007 RM	Current Year To Date 31.03.2008 RM	Preceding Year To Date 31.03.2007 RM
<b><u>INCOME</u></b>				
Gross revenue	11,050,868	8,600,838	11,050,868	8,600,838
Property operating expenses	(2,439,457)	(2,174,208)	(2,439,457)	(2,174,208)
Net property income	8,611,411	6,426,630	8,611,411	6,426,630
Interest income	124,885	143,189	124,885	143,189
Other income	5,729	5,000	5,729	5,000
	<b>8,742,025</b>	<b>6,574,819</b>	<b>8,742,025</b>	<b>6,574,819</b>
<b><u>EXPENSES</u></b>				
Manager's fees	629,921	494,312	629,921	494,312
Trustee's fees	30,702	23,049	30,702	23,049
Administrative expenses	142,765	20,431	142,765	20,431
Interest expenses	1,398,638	1,145,905	1,398,638	1,145,905
	<b>2,202,027</b>	<b>1,683,697</b>	<b>2,202,027</b>	<b>1,683,697</b>
<b>INCOME BEFORE TAXATION</b>	<b>6,539,998</b>	<b>4,891,122</b>	<b>6,539,998</b>	<b>4,891,122</b>
Taxation	-	-	-	-
<b>NET INCOME FOR THE PERIOD</b>	<b>6,539,998</b>	<b>4,891,122</b>	<b>6,539,998</b>	<b>4,891,122</b>
Net income for the period is made up as follows:				
- Realised	6,539,998	4,891,122	6,539,998	4,891,122
- Unrealised	-	-	-	-
	<b>6,539,998</b>	<b>4,891,122</b>	<b>6,539,998</b>	<b>4,891,122</b>
<b>INCOME DISTRIBUTION</b>				
- Distributed income	-	-	-	-
- Provision for income distribution	6,535,650	-	-	-
	<b>6,535,650</b>	-	-	-
<b>EARNINGS PER UNIT (SEN) *</b>				
- Basic	2.33	2.01	2.33	2.01
- 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 31 MARCH 2008

The figures have not been audited.

	As At 31.03.2008 RM	As At 31.12.2007 RM
<b>ASSETS</b>		
Investment properties	550,057,090	550,000,000
Trade receivables	233,237	401,428
Other receivables, deposits and prepayment	1,327,965	504,004
Deposits with licensed financial institutions	3,200,000	16,100,000
Cash and bank balances	260,957	238,314
<b>TOTAL ASSETS</b>	<b>555,079,249</b>	<b>567,243,746</b>
<b>LIABILITIES</b>		
Trade payables	438,342	441,825
Other payables and accrued expenses	1,185,974	1,402,772
Tenant deposits	11,135,804	11,053,618
Provision for income distribution	6,535,650	12,566,400
Borrowings	129,500,000	135,500,000
<b>TOTAL LIABILITIES</b>	<b>148,795,770</b>	<b>160,964,615</b>
<b>NET ASSET VALUE</b>	<b>406,283,479</b>	<b>406,279,131</b>
<b>REPRESENTED BY :</b>		
Unitholders' capital	285,344,767	285,344,767
Undistributable income - unrealised (Investment fluctuation reserves)	120,933,313	120,933,313
Undistributable income - realised	5,398	1,051
	<b>406,283,479</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>1.448</b>	<b>1.448</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.

# TOWERreit

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 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 31 March 2008</b>				
Net income for the period	-	-	6,539,998	6,539,998
Fair value adjustment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>6,539,998</u>	<u>6,539,998</u>
<b>Unitholders' transaction</b>				
Creation of units	-	-	-	-
Establishment and issue expenses	-	-	-	-
Distribution to unitholders - Provision	-	-	(6,535,650)	(6,535,650)
	<u>-</u>	<u>-</u>	<u>(6,535,650)</u>	<u>(6,535,650)</u>
At 31 March 2008	<u>285,344,767</u>	<u>120,933,313</u>	<u>5,399</u>	<u>406,283,479</u>
<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 31 March 2007</b>				
Net income for the period	-	-	4,891,123	4,891,123
	<u>-</u>	<u>-</u>	<u>4,891,123</u>	<u>4,891,123</u>
<b>Unitholders' transaction</b>				
Creation of units	39,130,000	-	-	39,130,000
Establishment and issue expenses	(257,344)	-	-	(257,344)
	<u>38,872,656</u>	<u>-</u>	<u>-</u>	<u>38,872,656</u>
At 31 March 2007	<u>285,539,711</u>	<u>38,531,673</u>	<u>4,891,178</u>	<u>328,962,562</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 2007 and the accompanying explanatory notes attached.

# TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST  
CONDENSED CASH FLOW STATEMENT  
FOR THE FIRST QUARTER ENDED 31 MARCH 2008

The figures have not been audited.

	<b>Current Year To Date 31.03.2008 RM</b>	<b>Preceding Year To Date 31.03.2007 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before taxation	6,539,998	4,891,123
Adjustments for:		
Interest income	(124,885)	(143,189)
Interest expense	<u>1,398,638</u>	<u>1,145,905</u>
Operating profit before changes in working capital	7,813,752	5,893,839
Trade and other receivables	(655,769)	7,906,495
Trade and other payable	<u>(138,095)</u>	<u>2,976,455</u>
Net cash generated from operating activities	<u>7,019,887</u>	<u>16,776,789</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Upgrade / Purchase of investment properties	(57,090)	(77,376,320)
Interest income	<u>124,885</u>	<u>143,189</u>
Net generated from / (cash used) in investing activities	<u>67,795</u>	<u>(77,233,131)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(1,398,638)	(1,145,905)
Proceeds from issue of units	-	39,130,000
Proceeds from borrowings	-	30,000,000
Repayment of borrowings	(6,000,000)	-
Dividend paid to unitholders	(12,566,400)	(12,692,475)
Establishment and issue expenses	<u>-</u>	<u>(257,344)</u>
Net cash (used in) / generated from financing activities	<u>(19,965,038)</u>	<u>55,034,276</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(12,877,357)	(5,422,066)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>16,338,314</u>	<u>14,087,270</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>3,460,957</u>	<u>8,665,204</u>
Cash and cash equivalents at end of period comprise of:		
Deposits placed with licensed financial institutions	3,200,000	7,000,000
Cash and bank balances	<u>260,957</u>	<u>1,665,204</u>
	<u>3,460,957</u>	<u>8,665,204</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 attached.

**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 quarter results.

**A6. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter. The outstanding debts are disclosed in Note B8.

**A7. Income Distribution**

During the quarter under review, the Trust had, on 28 February 2008, paid a final income distribution of 4.48 sen per unit (of which 4.33 sen per unit is taxable and 0.15 per unit is tax exempt in the hands of unitholders) for the financial year ended 31 December 2007, amounting to RM12,566,400.

A provision was made to distribute approximately 100% of the distributable income for the quarter ended 31 March 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 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.

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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**

For the current quarter ended 31 March 2008, the Trust recorded gross revenue and income before taxation (realised) of RM11.051 million and RM6.540 million respectively, representing significant increase of 28% and 34% respectively as compared to preceding year corresponding quarter ended 31 March 2007.

The increase in gross revenue and income before taxation (realised) were mainly due to the additional contribution from Menara ING which was acquired on 27 March 2007 as well as higher rental income as a result of the higher rental rates and occupancy rates of the other properties of the Trust.

**B2. Material Changes in Income Before Taxation for the Quarter as compared with the Immediate Preceding Quarter**

	Current Quarter Ended 31.03.2008 RM	Preceding Quarter Ended 31.12.2007 RM
Income before taxation		
- Realised and distributable for the quarter	6,539,998	6,328,754
- Unrealised - Fair value adjustment on investment properties	-	82,401,640
	<u>6,539,998</u>	<u>88,730,394</u>

Excluding the unrealised surplus from the fair value adjustment of RM82.402 million recorded in the preceding quarter ended 31 December 2007, the current quarter income before taxation of RM6.540 million was marginally higher than the preceding quarter result of RM6.329 million (realised) by approximately 3% mainly due to the improvement in occupancy rates and rental rates from the existing properties as well as lower property operating expenses.

**B3. Prospects**

The Manager, after considering the strength of the real estate portfolio invested and the positive office market outlook, expects the Trust to perform better in the remaining period of the financial year ending 31 December 2008.

**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**

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 2008 are as follows:

	RM
Secured:	
- Long term borrowing	105,500,000
- Short term borrowing	24,000,000
	<u>129,500,000</u>

**B9. Off Balance Sheet Financial Instruments**

There was no off balance sheet financial instruments as at the latest practicable 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 31 March 2008, the Trust had an interest rate swaps with a total notional contracts of RM65,000,000, fixed for the 5 years contractual period expiring in year 2012, at rates ranging from 3.58% to 3.63% 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.

**B10. Material Litigation**

There was no pending material litigation as at the latest practicable date from the date of issuance of this report.

**B11. Income Distribution**

A provision was made to distribute approximately 100% of the distributable income for the quarter ended 31 March 2008 amounting to RM6,535,650.

Pursuant to Section 61A of the Income Tax Act, 1967, the Trust is exempted from tax provided that it distributes at least 90% of its total income to its unitholders. Withholding tax 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 15%)
- Non-resident individual (withholding tax 15%)
- Non-resident corporate (withholding tax 26%)
- Non-resident institutional (withholding tax 20%)



**B12. Earnings Per Unit**

	<b>Current Year Quarter Ended 31.03.08 RM</b>	<b>Current Year To Date 31.03.08 RM</b>
Net income for the period	<u>6,539,998</u>	<u>6,539,998</u>
Number of units in issue	<u>280,500,000</u>	<u>280,500,000</u>
Basic earnings per unit (sen)	2.33	2.33
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**

**14 May 2008**