
**CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2011

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2011 RM	Preceding Year Corresponding Quarter Ended 31.03.2010 RM	Current Year To Date 31.03.2011 RM	Preceding Year To Date 31.03.2010 RM
Income				
Gross revenue	12,848,845	11,035,996	12,848,845	11,035,996
Property operating expenses	(2,537,212)	(2,639,385)	(2,537,212)	(2,639,385)
Net property income	10,311,633	8,396,611	10,311,633	8,396,611
Interest income	7,220	7,883	7,220	7,883
Other income	17,300	5,672	17,300	5,672
	10,336,153	8,410,166	10,336,153	8,410,166
Expenses				
Manager's fees	712,656	635,709	712,656	635,709
Trustee's fees	34,516	33,584	34,516	33,584
Valuation fees	-	-	-	-
Administrative expenses	48,156	61,794	48,156	61,794
Interest expenses	1,201,311	1,056,919	1,201,311	1,056,919
	1,996,639	1,788,006	1,996,639	1,788,006
Net Trust Income	8,339,514	6,622,160	8,339,514	6,622,160
Change in fair value of derivatives	159,903	492,557	159,903	492,557
Income before tax	8,499,417	7,114,717	8,499,417	7,114,717
Taxation	-	-	-	-
Income after tax	8,499,417	7,114,717	8,499,417	7,114,717
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	8,499,417	7,114,717	8,499,417	7,114,717
Total comprehensive income for the period is made up as follows:				
- Realised	8,339,514	6,622,160	8,339,514	6,622,160
- Unrealised	159,903	492,557	159,903	492,557
	8,499,417	7,114,717	8,499,417	7,114,717
EARNINGS PER UNIT (SEN)				
- Basic	3.03	2.54	3.03	2.54
- Diluted	N/A	N/A	N/A	N/A

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

The figures have not been audited.

	As At 31.03.2011 RM	As At 31.12.2010 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	604,439,508	604,439,508
<u>Current Assets</u>		
Trade receivables	184,053	86,850
Other receivables, deposits and prepayments	1,721,820	460,393
Deposits placed with licensed bank	300,000	300,000
Cash and bank balances	158,435	351,703
	2,364,308	1,198,946
TOTAL ASSETS	606,803,816	605,638,454
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	9,393,579	10,094,022
Borrowing	105,500,000	-
Derivative financial instrument	251,220	378,838
	115,144,799	10,472,860
<u>Current liabilities</u>		
Trade payables	344,393	282,945
Other payables and provisions	1,182,703	1,747,582
Derivative financial instrument	77,469	109,754
Tenants' deposits	4,232,528	3,475,306
Borrowing	21,800,000	118,600,000
	27,637,093	124,215,587
TOTAL LIABILITIES	142,781,892	134,688,447
NET ASSET VALUE	464,021,924	470,950,007
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	165,027,393	164,867,490
Undistributed income - realised	13,649,765	20,737,751
	464,021,924	470,950,007
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE ("NAV") PER UNIT (RM)		
- before provision for income distribution	1.6543	1.6790
- after provision for income distribution *	1.6275	1.6240

The NAV as at the end of the reporting period takes into account income distribution paid during the reporting period.

* This NAV per unit is after provision for income distribution of approximately 90% of the realised and distributable income for the end of the reporting period.

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached.

The figures have not been audited.

	-----Distributable-----			Total RM
	Unitholders' Capital RM	Undistributed Income		
		Unrealised RM	Realised RM	
Current Year To Date				
At 1 January 2011	285,344,766	164,867,490	20,737,751	470,950,007
Operations for the period ended 31 March 2011				
Total comprehensive income for the period	-	159,903	8,339,514	8,499,417
	-	159,903	8,339,514	8,499,417
Unitholders' transactions				
Distribution to unitholders				
- 2010 final (paid on 28 February 2011)	-	-	(15,427,500)	(15,427,500)
	-	-	(15,427,500)	(15,427,500)
At 31 March 2011	285,344,766	165,027,393	13,649,765	464,021,924
Preceding Year To Date				
At 1 January 2010	285,344,766	163,934,652	17,626,872	466,906,290
Operations for the period ended 31 March 2010				
Total comprehensive income for the period	-	492,557	6,622,160	7,114,717
	-	492,557	6,622,160	7,114,717
Unitholders' transactions				
Distribution to unitholders				
- 2009 final (paid on 25 February 2010)	-	-	(14,025,000)	(14,025,000)
	-	-	(14,025,000)	(14,025,000)
At 31 March 2010	285,344,766	164,427,209	10,224,032	459,996,007

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 2010 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

The figures have not been audited.

	Current Year To Date 31.03.2011 RM	Preceding Year To Date 31.03.2010 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	8,499,417	7,114,717
Adjustments for:		
Interest expense	1,201,311	1,056,919
Interest income	(7,220)	(7,883)
Change in fair value of derivatives	(159,903)	(492,557)
Operating profit before working capital changes	<u>9,533,605</u>	<u>7,671,196</u>
Changes in working capital:		
Trade and other receivables	(1,358,630)	(1,828,035)
Trade and other payables	(433,729)	1,723,644
Net cash generated from operating activities	<u>7,741,246</u>	<u>7,566,805</u>
<u>CASH FLOWS FROM INVESTING ACTIVITY</u>		
Interest income, representing net cash generated from investing activity	<u>7,220</u>	<u>7,883</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(1,214,234)	(1,292,391)
Proceeds from borrowing	8,700,000	7,500,000
Distribution paid to unitholders	(15,427,500)	(14,025,000)
Net cash used in financing activities	<u>(7,941,734)</u>	<u>(7,817,391)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(193,268)	(242,703)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>351,703</u>	<u>375,370</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>158,435</u>	<u>132,667</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	158,435	132,667
Deposits placed with licensed financial bank	300,000	300,000
	458,435	432,667
Deposits pledged as security	(300,000)	(300,000)
	<u>158,435</u>	<u>132,667</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached.

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

The quarterly financial report is unaudited and prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. It does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of Tower Real Estate Investment Trust ("Tower REIT" or "Trust") for the financial year ended 31 December 2010.

Changes in Accounting Policies

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 REIT for the financial year ended 31 December 2010.

A2. Audit Report of Preceding Financial Year

The Auditors' Report on the preceding audited financial statements for the financial year ended 31 December 2010 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 of Amounts Reported in Prior Interim Periods of the Current Financial Year or in Prior Financial Years

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current financial period.

A6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and the financial year to-date.

A7. Income Distribution

During the quarter under review, the Trust had, on 28 February 2011, paid a final income distribution of 5.5 sen per unit (subject to withholding tax), amounted to RM15,427,500 for the financial year ended 31 December 2010 to the unitholders registered in the Record of Depositors on 21 February 2011 as disclosed in note B17 below.

A8. Segmental Reporting

No operating segment information has been prepared as the Trust only has one reportable segment.

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.

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

B1. Review of Performance

For the current quarter ended 31 March 2011, the Trust recorded gross revenue and net income (realised) of RM12.849 million and RM8.340 million respectively, representing an increase of 16% and 26% respectively as compared to the preceding year's corresponding period.

The improvement of the results was attributed to the substantial increase in the average occupancy rate of Menara HLA after the replenishment of new tenancies and expansion of existing tenancies.

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 March 2011, Tower REIT's composition of investment portfolio is as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
Menara HLA	295,046	49
HP Towers	207,000	34
Menara ING	102,394	17
	604,440	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

	As at 31.03.2011 RM	As at 31.12.2010 RM
Net asset value ("NAV")	464,021,924	470,950,007
NAV per unit		
- before provision of income distribution	1.6543	1.6790
- after provision of income distribution	1.6275	1.6240

With the adoption of the amendment to FRS 110, provision for income distribution should not be recognised if no obligation exists. The NAV as at the reporting period end had taken into account income distribution paid during the reporting period. The NAV per unit (before provision of income distribution) as at 31 March 2011 was lower as compared to the immediate preceding quarter due to the income distribution paid on 28 February 2011 as disclosed in note B17 below.

B5. Changes in Unit Price

On 31 March 2011, Tower REIT's unit price closed at RM1.18 per unit, dropped slightly as compared to the opening unit price of RM1.24 per unit on 1 January 2011.

B6. Utilisation of Proceeds Raised from any Issuance of New Units

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

B7. Circumstances Affecting Interest of the Unitholders

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

B8. Review of Office Property Market

The overall office occupancy remained stable while the rental continued to experience downward pressure amidst the substantial incoming supply.

B9. Prospects

We expect ongoing challenges to the office market due to the imbalance of supply and demand. Unless there is a substantial increase in net demand, the competition from the newly completed buildings and the anticipated incoming supply is expected to exert downward pressure on the office occupancy and rental rates.

The Manager will continue to proactively manage the assets under the Trust's portfolio in order to safeguard the rental income stream as well as to explore acquisition opportunities to grow the Trust.

Barring any unforeseen circumstances, we expect the Trust to sustain its performance in 2011.

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 and capital expenditure incurred during the quarter under review.

B12. Soft Commission

During the quarter ended 31 March 2011, 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 total base fee and performance fee for the period ended 31 March 2011 of RM342,425 and RM370,231 are 0.05% and 3.35% 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 total Trustee's fee for the period ended 31 March 2011 is RM34,516.

B16. Tax Expense

	Current Year to Date 31.03.2011 RM'000	Preceding Year to Date 31.03.2010 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before taxation	8,499	7,115
Income tax using Malaysian tax rate of 25% (2010: 25%)	2,125	1,779
Non-deductible expenses	71	54
Effect of fair value adjustment on derivatives	(40)	(123)
Effect of income exempted from tax	(2,156)	(1,710)
Tax expense	-	-

B17. Income Distribution

During the quarter under review, the Trust had, on 28 February 2011, paid a final income distribution of 5.5 sen per unit (subject to withholding tax), amounted to RM15,427,500 for the year ended 31 December 2010 to the unitholders registered in the Record of Depositors on 21 February 2011.

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. Units held by Related Parties

As at 31 March 2011, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	As at 31.03.2011	
	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	60,769	71,707
Hong Leong Assurance Berhad	58,271	68,760
Asia Fountain Investment Company Limited	14,000	16,520
Hong Leong Bank Berhad	13,990	16,508
Hong Leong Investment Bank Berhad	5,981	7,058
Tang Hong Cheong	160 *	189
Lim Chew Yan	20	24
Poh Yang Hong	5,157 *	6,085

The market value is determined by multiplying the number of units with the market price of RM1.18 per unit as at 31 March 2011.

B19. Derivative Financial Instrument

The Trust had entered into Interest Rate Swaps (“IRS”) with a licensed financial institution to swap its floating rate into fixed rate as a pre-emptive move to mitigate the Trust’s interest rate exposure. As at 31 March 2011, the Trust had entered into IRS with total notional contracts of RM85 million, fixed for contractual periods expiring in years 2011 and 2012, at rates ranging from 3.58% to 3.66% against 3-month KLIBOR.

	Contract/ Notional Value as at 31.03.2011 RM'000	Fair Value Assets/(Liabilities) as at 31.03.2011 RM'000
Interest rate swaps		
- Less than 1 year	20,000	(77)
- 1 year to 3 years	65,000	(251)
	<u>85,000</u>	<u>(328)</u>

Hedged accounting is not applied and the changes in fair value of IRS are recognised in the profit or loss. For the quarter ended 31 March 2011, the Trust had recognised a gain of RM159,903 arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 31.03.2011 RM'000	Fair Value as at 31.12.2010 RM'000	Gain RM'000
Interest rate swaps	<u>(328)</u>	<u>(488)</u>	<u>160</u>

The fair value of the interest rate swaps is derived from the yield curves obtained from broker quotes in the market. The valuations are tested for reasonableness by discounting estimated future cash flows of the swap based on the terms and maturity of each contract using discount factors obtained from the prevailing interest rate swap yield curves in the market on the valuation date.

There were no changes in the credit risk, market risk and liquidity risk associated with the above derivatives since the last financial year ended 31 December 2010.

B20. Statement by the Directors of the Manager

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 March 2011 and of its financial performance and cash flows for the period ended 31 March 2011.

**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
25 April 2011**