

Consolidated results for the financial period ended 30 Jun 2019

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2019
Quarter	Other
Quarterly report for the financial period ended	30 Jun 2019
The figures	have not been audited

Attachments

 [Tower REIT Quarterly Results 2019-06-30.pdf](#)
219.9 kB

Default Currency

Other Currency

Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 30 Jun 2019

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	Three Months	Three Months	Eighteen Months	Twelve Months
	01 Apr 2019 To	01 Apr 2018 To	01 Jan 2018 To	01 Jan 2017 To
	30 Jun 2019	30 Jun 2018	30 Jun 2019	31 Dec 2017
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	6,432	0	44,054	0
2 Profit/(loss) before tax	3,135	0	23,901	0
3 Profit/(loss) for the period	3,612	0	13,828	0
4 Profit/(loss) attributable to ordinary equity holders of the parent	3,612	0	13,828	0
5 Basic earnings/(loss) per share (Subunit)	1.29	0.00	4.93	0.00
6 Proposed/Declared dividend per share (Subunit)	0.00	0.00	6.90	0.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7 Net assets per share attributable to ordinary equity holders of the parent (\$\$)	1.9254		1.9451	

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

 **Announcement Info**

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	25 Jul 2019
Category	Financial Results
Reference Number	FRA-22072019-00008

**CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2019**

<u>Contents</u>	<u>Page</u>
Condensed Statement of Profit or Loss and Other Comprehensive Income	1 - 2
Condensed Statement of Financial Position	3
Condensed Statement of Changes In Net Asset Value	4
Condensed Statement of Cash Flow	5
Notes to the Financial Statements	6 - 13

The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 30.06.2019 RM	Current Year To Date 30.06.2019 RM
<u>Income</u>		
Gross revenue	6,432,452	44,053,959
Property operating expenses	(3,224,058)	(17,421,028)
Net property income	3,208,394	26,632,931
Interest income	52,268	221,752
Other income	188,077	418,467
	3,448,739	27,273,150
<u>Expenses</u>		
Manager's fees	(401,016)	(2,730,984)
Trustee's fee	(40,287)	(242,630)
Administrative expenses	(113,597)	(422,637)
Interest expenses	(34,120)	(251,408)
	(589,020)	(3,647,659)
Net Trust Income	2,859,719	23,625,491
Change in fair value of investment properties	275,293	275,293
Income before tax	3,135,012	23,900,784
Taxation	477,355	(10,072,645)
Income after tax	3,612,367	13,828,139
Other comprehensive income	-	-
Total comprehensive income for the period	3,612,367	13,828,139
Total comprehensive income for the period is made up as follows:		
- Realised	2,859,719	23,625,491
- Unrealised	752,648	(9,797,352)
	3,612,367	13,828,139
EARNINGS PER UNIT (SEN)		
- Basic	1.29	4.93

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 30.06.2019 RM	Current Year To Date 30.06.2019 RM
Statement of Income Distribution:		
Rental income	6,432,452	44,053,959
Interest income	52,268	221,752
Other income	188,077	418,467
	6,672,797	44,694,178
Less:		
Expenses	(3,813,078)	(21,068,687)
Taxation	-	-
	2,859,719	23,625,491
Realised income for the period/year		
Previous quarter/year undistributed realised income	66,147,579	64,736,307
	69,007,298	88,361,798
Total realised income available for distribution		
Less: Proposed/declared income distribution	-	(19,354,500)
	69,007,298	69,007,298
Balance undistributed realised income		
Distribution per unit (sen)	-	6.90

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

The figures have not been audited.

	As At 30.06.2019 RM	As At 31.12.2017 RM
ASSETS		
<u>Non-current assets</u>		
Investment Properties	562,300,000	562,000,000
<u>Current Assets</u>		
Trade receivables	242,778	88,325
Other receivables, deposits and prepayments	3,182,151	931,281
Deposits placed with licensed bank	5,662,000	3,920,000
Cash and bank balances	779,247	430,521
	9,866,176	5,370,127
TOTAL ASSETS	572,166,176	567,370,127
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	2,638,976	4,092,336
Borrowings	-	100,000
Deferred tax liability	20,622,645	10,550,000
	23,261,621	14,742,336
<u>Current liabilities</u>		
Trade payables	685,682	422,950
Other payables and provisions	3,448,103	1,463,087
Tenants' deposits	4,594,845	5,139,469
Borrowings	100,000	-
	8,828,630	7,025,506
TOTAL LIABILITIES	32,090,251	21,767,842
NET ASSET VALUE	540,075,925	545,602,285
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	185,723,861	195,521,213
Undistributed income - realised	69,007,298	64,736,306
	540,075,925	545,602,285
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.9254	1.9451
- After income distribution	1.8861	1.9171

The NAV as at the reporting date has taken into account distributions paid during the financial period. The final distribution declared after each respective year end is recognised in the subsequent financial year. The NAV per unit after income distribution is calculated based on the NAV as at reporting date after adjusting for final distributions declared subsequent to financial period end.

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
Current Year To Date				
At 1 January 2018	285,344,766	195,521,213	64,736,307	545,602,286
Operations for the period ended 30 June 2019				
Net income for the year	-	(9,522,059)	23,350,198	13,828,139
Total comprehensive income for the year	-	(9,522,059)	23,350,198	13,828,139
Unitholders' transactions				
Distribution to unitholders				
- 2017 final (paid on 28 February 2018)	-	-	(7,854,000)	(7,854,000)
- 2018 first interim (paid on 30 August 2018)	-	-	(5,890,500)	(5,890,500)
- 2018 second interim (paid on 28 November 2018)	-	-	(5,610,000)	(5,610,000)
	-	-	(19,354,500)	(19,354,500)
At 30 June 2019	285,344,766	185,999,154	68,732,005	540,075,925

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 30 JUNE 2019

The figures have not been audited.

	Current Year To Date 30.06.2019 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>	
Income before tax	23,900,784
Adjustments for:	
Interest expense	251,408
Interest income	(221,752)
Change in fair value of investment properties	(275,293)
Operating profit before working capital changes	<u>23,655,147</u>
Changes in working capital:	
Trade and other receivables	(2,405,323)
Trade and other payables	<u>249,765</u>
Net cash generated from operating activities	<u><u>21,499,589</u></u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Payment for enhancement of investment properties	(24,707)
Interest income	<u>221,752</u>
Net cash generated from investing activities	<u><u>197,045</u></u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Interest paid	(251,408)
Proceeds from borrowings	7,000,000
Repayment of borrowings	(7,000,000)
Distribution paid to unitholders	<u>(19,354,500)</u>
Net cash used in financing activities	<u><u>(19,605,908)</u></u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,090,726
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,050,521</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>6,141,247</u></u>
Cash and cash equivalents at end of period comprise:	
Cash and bank balances	779,247
Deposits placed with licensed financial bank	<u>5,662,000</u>
	6,441,247
Deposits pledged as security	<u>(300,000)</u>
	<u><u>6,141,247</u></u>

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

A. Explanatory Notes pursuant to the Malaysian Financial Reporting Standard ("MFRS") 134

A1. Basis of Preparation

The quarterly financial report is unaudited and prepared in accordance with MFRS 134: Interim Financial Reporting, IAS 34: 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 audited financial statements of Tower Real Estate Investment Trust ("Tower REIT" or "Trust") for the financial year ended 31 December 2017.

Changes in Accounting Policies

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those adopted in the preparation of the audited financial statements of Tower REIT for the financial year ended 31 December 2017. The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The initial application of the accounting standard, amendment and interpretation is not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT save for the disclosures and separation of leasing income from non-leasing income in statement of profit or loss.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 31 December 2017 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 interim periods of the current financial year or prior financial years that have had a material impact 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 Paid

No income distribution was paid during the quarter ended 30 June 2019.

A8. Segmental Reporting

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

A9. Valuation of Investment Properties

During the quarter under review, a revaluation exercise was undertaken for both properties pursuant to Clause 10.02 of the Securities Commission's Listed REIT Guidelines.

A10. Borrowing and Debt Securities

Particulars of the Trust's borrowings as at 30 June 2019 are as follows:

	RM
Secured	100,000
Unsecured	-
	<u>100,000</u>

The above borrowing is denominated in Ringgit Malaysia.

A11. Material Events

There were no material events subsequent to the end of the quarterly period.

A12. Changes in the Composition of the Trust

There was no change in the composition of the Trust during the current quarter, and the fund comprised of 280,500,000 units.

A13. 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 30 June 2019, the Trust recorded gross revenue of RM6.43 million and a net realised income of RM2.86 million, representing a decrease of 10.6% and 17.2% respectively as compared to the corresponding quarter in the preceding year.

The lower net trust income in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to lower occupancy rate in Menara HLA.

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 June 2019, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
Menara HLA	342,200	61
Plaza Zurich (formerly known as HP Towers)	220,100	39
	<u>562,300</u>	<u>100</u>

B4. Changes in Net Asset Value

	As at 30.06.2019 RM	As at 31.03.2019 RM
Net asset value ("NAV")	540,075,925	536,463,559
NAV per unit	1.9254	1.9125

The NAV per unit as at 30 June 2019 was higher as compared to the immediate preceding quarter as a result of higher undistributed realised income.

B5. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.88 per unit on 30 June 2019 (RM0.90 as at 31 March 2019).

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

Both office occupancy and rental rates continue to face strong challenges due to the incoming supply of buildings and coupled by limited demand growth.

B9. Prospects

The business prospects will continue to be challenging due to difficult operating environment mainly caused by the oversupply situation. The Manager has taken active steps and shall continue to manage the portfolio to maximise the return to unitholders.

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 30 June 2019, 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) Gross Revenue

As at 30 June 2019, Gross Revenue composition of leasing income and non-leasing income are as follows:

	RM
Leasing income	4,248,658
Non-leasing income (service charge)	1,483,793
Others	700,001
Gross Revenue	<u>6,432,452</u>

Leasing income comprises of rental from investment property and rental/car park income. Rental from investment property is recognised in the statement of profit or loss 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 as it accrues using the effective interest method in statement of profit or loss.

B14. Manager's Fees

Pursuant to the Deed constituting Tower REIT, the Manager's fees (excluding taxes) shall consist of:-

- (1) a base fee of up to 0.75% per annum of the gross asset value;
- (2) a performance fee of up to 4.00% per annum of the net property income, but before deduction of property management fees payable;
- (3) an acquisition fee of 1.00% of the acquisition price of any assets acquired; and
- (4) a divestment fee of 0.50% of the sale price of any asset sold or divested.

The total base fee and performance fee for the period ended 30 June 2019 of RM1,872,676 and RM858,307 respectively were 0.33% 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 up to 0.03% per annum of the audited net asset value of Tower REIT with a cap of RM200,000. The total Trustee's fee for the period ended 30 June 2019 is RM242,630.

B16. Tax Expense

	Current Year to Date 30.06.2019 RM'000
Current tax expense	-
Reconciliation of effective tax expense	
Income before tax	23,625
Income tax using Malaysian tax rate of 24% (2017: 24%)	5,670
Non-deductible expenses	315
Effect of income exempted from tax	(5,985)
Income tax expense	-
RPGT - increase due to change of rate to 10%	10,073
Tax expense	10,073

B17. Income Distribution

The Manager of Tower REIT has declared a final income distribution of 3.93 sen per unit, amounting to RM11,023,650 (2.10 sen per unit, amounting to RM5,890,500 in previous corresponding period), representing approximately 95.34% of the realised distributable net income for the 18-month period ended 30 June 2019, payable on 28 August 2019 to the unitholders registered in the Record of Depositors on 13 August 2019.

B18. Units held by Related Parties

As at 30 June 2019, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	Number of Units '000	Market Value** RM'000
Direct/Indirect unitholdings in Tower REIT of the related parties of the Manager:		
GLM Equities Sdn Bhd	60,769	53,477
Hong Leong Assurance Berhad	57,771	50,838
Asia Fountain Investment Company Limited	14,000	12,320
Associated Land Sendirian Berhad	13,409	11,800
Hong Leong Investment Bank Berhad	5,887	5,181
Dato' Poh Yang Hong	3,085 *	2,714

* Indirect unitholdings.

** The market value is determined by multiplying the number of units with the market price as at 30 June 2019 of RM0.88 per unit.

B19. 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 30 June 2019 and of its financial performance and cash flows for the period ended 30 June 2019.

**By Order of the Board
GLM REIT Management Sdn Bhd
(as the Manager of Tower Real Estate Investment Trust)**

**CHEW ANN NEE
Secretary**

**Kuala Lumpur
25 July 2019**

Income Distribution

TOWER REAL ESTATE INVESTMENT TRUST

EX-date	09 Aug 2019
Entitlement date	13 Aug 2019
Entitlement time	05:00 PM
Entitlement subject	Income Distribution
Entitlement description	Final Income Distribution of 3.93 sen per unit, taxable in the hands of unitholders.
Period of interest payment	to
Financial Year End	30 Jun 2019
Share transfer book & register of members will be	to closed from (both dates inclusive) for the purpose of determining the entitlement
Registrar or Service Provider name, address, telephone no	HONG LEONG SHARE REGISTRATION SERVICES SDN BHD Level 25, Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur Tel: 03-20888818
Payment date	28 Aug 2019
a.Securities transferred into the Depositor's Securities Account before 4:30 pm in respect of transfers	13 Aug 2019
b.Securities deposited into the Depositor's Securities Account before 12:30 pm in respect of securities exempted from mandatory deposit	
c. Securities bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.	
Number of new shares/securities issued (units) (If applicable)	
Entitlement indicator	Currency
Currency	Malaysian Ringgit (MYR)
Entitlement in Currency	0.0393
Par Value (if applicable)	

Remarks :

This announcement is dated 25 July 2019.

 Announcement Info	
Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	25 Jul 2019
Category	Entitlement(Notice of Book Closure)
Reference Number	ENT-23072019-00007

NET ASSET VALUE / INDICATIVE OPTIMUM PORTFOLIO VALUE

TOWER REAL ESTATE INVESTMENT TRUST

Type	Announcement
Subject	NET ASSET VALUE / INDICATIVE OPTIMUM PORTFOLIO VALUE
Description	Tower Real Estate Investment Trust - Net Asset Value ("NAV")

The NAV per unit of Tower Real Estate Investment Trust as at 30 June 2019 is RM1.9254.

Announcement Info

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	25 Jul 2019
Category	General Announcement for PLC
Reference Number	GA1-23072019-00065