

# Quarterly rpt on consolidated results for the financial period ended 30 Jun 2016

## TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End 31 Dec 2016  
 Quarter 2 Qtr  
 Quarterly report for the financial period ended 30 Jun 2016  
 The figures have not been audited

### Attachments

[Quarterly Result - 30 June 2016.pdf](#)  
 397.5 kB

Default Currency Other Currency Currency: Malaysian Ringgit (MYR)

### SUMMARY OF KEY FINANCIAL INFORMATION 30 Jun 2016

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	9,367	9,500	18,975	19,081
2 Profit/(loss) before tax	5,440	5,810	11,772	9,864
3 Profit/(loss) for the period	5,440	5,810	11,772	9,864
4 Profit/(loss) attributable to ordinary equity holders of the parent	5,440	5,810	11,772	9,864
5 Basic earnings/(loss) per share (Subunit)	1.94	2.07	4.20	3.52
6 Proposed/Declared dividend per share (Subunit)	3.20	3.20	3.20	3.20
	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 (\$\$)	1.9424		1.9377	

#### 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

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#### Announcement Info

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<b>Company Name</b>	TOWER REAL ESTATE INVESTMENT TRUST
<b>Stock Name</b>	TWRREIT
<b>Date Announced</b>	15 Aug 2016
<b>Category</b>	Financial Results
<b>Reference Number</b>	FRA-15082016-00006

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**CONDENSED FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

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**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended <b>30.06.2016</b> RM	Preceding Year Corresponding Quarter Ended <b>30.06.2015</b> RM	Current Year To Date <b>30.06.2016</b> RM	Preceding Year To Date <b>30.06.2015</b> RM
<b>Income</b>				
Gross revenue	9,366,612	9,500,463	18,975,219	19,080,835
Property operating expenses	(3,340,997)	(3,219,288)	(6,180,785)	(6,623,611)
Net property income	6,025,615	6,281,175	12,794,434	12,457,224
Interest income	38,473	447,957	95,614	490,316
Other income	44,545	89,750	292,300	101,449
Gain on sale of investment property	-	-	-	658,815
	<b>6,108,633</b>	<b>6,818,882</b>	<b>13,182,348</b>	<b>13,707,804</b>
<b>Expenses</b>				
Manager's fees	523,906	518,895	1,064,630	1,813,891
Trustee's fee	40,139	40,785	80,526	80,198
Administrative expenses	67,137	33,846	160,339	119,652
Interest expenses	37,647	415,636	104,638	1,830,075
	<b>668,829</b>	<b>1,009,162</b>	<b>1,410,133</b>	<b>3,843,816</b>
<b>Net Trust Income</b>	<b>5,439,804</b>	<b>5,809,720</b>	<b>11,772,215</b>	<b>9,863,988</b>
Change in fair value of derivatives	-	-	-	-
<b>Income before tax</b>	<b>5,439,804</b>	<b>5,809,720</b>	<b>11,772,215</b>	<b>9,863,988</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>5,439,804</b>	<b>5,809,720</b>	<b>11,772,215</b>	<b>9,863,988</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>5,439,804</b>	<b>5,809,720</b>	<b>11,772,215</b>	<b>9,863,988</b>
<b>Total comprehensive income for the year is made up as follows:</b>				
- Realised	5,439,804	5,809,720	11,772,215	9,863,988
- Unrealised	-	-	-	-
	<b>5,439,804</b>	<b>5,809,720</b>	<b>11,772,215</b>	<b>9,863,988</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	1.94	2.07	4.20	3.52

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 2015 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

The figures have not been audited.

	As At 30.06.2016 RM	As At 31.12.2015 RM
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment properties	559,000,000	559,000,000
<b><u>Current Assets</u></b>		
Trade receivables	754,800	1,157,226
Other receivables, deposits and prepayments	210,685	313,828
Deposits placed with licensed bank	8,170,000	6,705,542
Cash and bank balances	164,121	1,138,688
	9,299,606	9,315,284
<b>TOTAL ASSETS</b>	568,299,606	568,315,284
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	5,786,761	5,297,436
Borrowings	100,000	100,000
Deferred tax liability	10,400,000	10,400,000
	16,286,761	15,797,436
<b><u>Current liabilities</u></b>		
Trade payables	334,326	618,521
Other payables and provisions	1,527,707	2,655,740
Tenants' deposits	5,318,920	5,721,260
	7,180,953	8,995,521
<b>TOTAL LIABILITIES</b>	23,467,714	24,792,957
<b>NET ASSET VALUE</b>	544,831,892	543,522,327
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	193,503,714	193,503,714
Undistributed income - realised	65,983,412	64,673,847
	544,831,892	543,522,327
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	280,500,000	280,500,000
<b>NET ASSET VALUE PER UNIT (RM)</b>	1.9424	1.9377

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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	
<b><u>Current Year To Date</u></b>				
<b>At 1 January 2016</b>	<b>285,344,766</b>	<b>193,503,714</b>	<b>64,673,847</b>	<b>543,522,327</b>
<b>Operations for the year ended 30 June 2016</b>				
Net income for the year	-	-	11,772,215	11,772,215
Realisation of unrealised income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>11,772,215</b>	<b>11,772,215</b>
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2015 final (paid on 29 February 2016)	-	-	(10,462,650)	(10,462,650)
	-	-	(10,462,650)	(10,462,650)
<b>At 30 June 2016</b>	<b>285,344,766</b>	<b>193,503,714</b>	<b>65,983,412</b>	<b>544,831,892</b>
<b><u>Preceding Year To Date</u></b>				
<b>At 1 January 2015</b>	<b>285,344,766</b>	<b>227,177,751</b>	<b>23,158,909</b>	<b>535,681,426</b>
<b>Operations for the year ended 30 June 2015</b>				
Net income for the year	-	-	9,863,988	9,863,988
Realisation of unrealised income	-	(41,274,037)	41,274,037	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(41,274,037)</b>	<b>51,138,025</b>	<b>9,863,988</b>
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2014 final (paid on 27 February 2015)	-	-	(8,976,000)	(8,976,000)
	-	-	(8,976,000)	(8,976,000)
<b>At 30 June 2015</b>	<b>285,344,766</b>	<b>185,903,714</b>	<b>65,320,934</b>	<b>536,569,414</b>

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 2015 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

The figures have not been audited.

	<b>Current Year To Date 30.06.2016 RM</b>	<b>Preceding Year To Date 30.06.2015 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	11,772,215	9,863,988
Adjustments for:		
Interest expense	104,638	1,830,075
Interest income	(95,614)	(490,316)
Realised gain on disposal of investment properties	-	(658,815)
Operating profit before working capital changes	<u>11,781,239</u>	<u>10,544,932</u>
Changes in working capital:		
Trade and other receivables	505,569	296,478
Trade and other payables	<u>(1,325,243)</u>	<u>(6,782,660)</u>
<b>Net cash generated from operating activities</b>	<u>10,961,565</u>	<u>4,058,750</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceed from disposal of investment property	-	119,106,653
Interest income	<u>95,614</u>	<u>490,316</u>
<b>Net cash generated from investing activities</b>	<u>95,614</u>	<u>119,596,969</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(104,638)	(1,830,075)
Repayment of borrowings	-	(116,590,370)
Distribution paid to unitholders	<u>(10,462,650)</u>	<u>(8,976,000)</u>
<b>Net cash used in financing activities</b>	<u>(10,567,288)</u>	<u>(127,396,445)</u>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	489,891	(3,740,727)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,544,230</u>	<u>8,838,662</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>8,034,121</u>	<u>5,097,935</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	164,121	582,033
Deposits placed with licensed financial bank	<u>8,170,000</u>	<u>4,815,902</u>
	8,334,121	5,397,935
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>8,034,121</u>	<u>5,097,935</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2015.

**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 2015.

**A2. Audit Report of Preceding Financial Year**

The Auditors' Report of the preceding financial year ended 31 December 2015 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 During the Financial Period**

The Trust had, on 29 February 2016, paid a final income distribution of 3.73 sen per unit, amounting to RM10,462,650 for the financial year ended 31 December 2015.

**A8. Segmental Reporting**

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

**A9. Valuation of Investment Properties**

The valuation of Menara HLA and HP Towers had been brought forward without any amendment from the previous audited financial statements.

**A10. Material Events**

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 stood 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 30 June 2016, the Trust recorded gross revenue of RM9.37 million, and net trust income of RM5.44 million, representing a decrease of 1.4% and 6.4% respectively as compared to the corresponding quarter in the preceding year.

The lower gross revenue in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to the lower occupancy rate while the lower net trust income in the current quarter is mainly due to lower occupancy rate, lower interest income and higher property operating 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 June 2016, Tower REIT's composition of investment portfolio was as follows:

<u>Real Estate</u>	At Valuation RM'000	Total Real Estate Portfolio %
Menara HLA	340,000	61%
HP Towers	219,000	39%
	559,000	100%

**B4. Changes in Net Asset Value**

	As at 30.06.2016	As at 31.03.2016
Net asset value ("NAV")	544,831,892	539,392,088
NAV per unit	1.9424	1.9230

The NAV per unit as at 30 June 2016 was higher as compared to the immediate preceding quarter as a result of higher income for the quarter under review.

**B5. Changes in Unit Price**

On 30 June 2016, Tower REIT's unit price closed at RM1.21 per unit (RM1.20 as at 31 March 2016).

**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 challenges due to the incoming supply of newer buildings and the limited demand growth.

**B9. Prospects**

Prospects for the Trust will continue to be challenging due to the oversupply situation. Notwithstanding the difficult operating environment, the Manager will continue to take active steps to manage the portfolio assets to maximise 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 costs and capital expenditure incurred during the quarter under review.

**B12. Soft Commission**

During the quarter 30 June 2016, 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 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 in the profit or loss as it accrues, using the effective interest method.

**B14. Manager's Fee**

Pursuant to the Deed constituting Tower REIT, the Manager's fee consists of:-

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

The total base fee and performance fee for the period ended 30 June 2016 of RM620,904 and RM443,726 are 0.22% 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 net asset value of Tower REIT with a cap of RM200,000. The total Trustee's fee for the period ended 30 June 2016 is RM80,526.

**B16. Tax Expense**

	<b>Current Year to Date 30.06.2016 RM'000</b>	<b>Preceding Year to Date 30.06.2015 RM'000</b>
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	11,772	9,864
Income tax using Malaysian tax rate of 24% (2015: 25%)	2,825	2,466
Non-deductible expenses	162	166
Gain on disposal of investment property	-	(659)
Effect of income exempted from tax	(2,987)	(1,973)
Tax expense	-	-

**B17. Income Distribution**

The Manager of Tower REIT has declared an interim income distribution of 3.20 sen per unit, amounting to RM8,976,000, representing approximately 76% of the realised distributable net income for the six-month period ended 30 June 2016, payable on 14 September 2016 to the unitholders registered in the Record of Depositors on 30 August 2016.

The income distributions are from the following sources:

	<b>Current Year to Date 30.06.2016 RM'000</b>	<b>Preceding Year to Date 30.06.2015 RM'000</b>
Net property income	12,794	12,457
Interest income	96	490
Other income	292	760
	<u>13,182</u>	<u>13,707</u>
Less: Expenses	(1,410)	(2,014)
Income available for distribution	<u>11,772</u>	<u>11,693</u>
Income available for distribution	11,772	11,693
Less: Proposed interim distribution	(8,976)	(8,976)
Balance undistributed income	<u>2,796</u>	<u>2,717</u>
Distribution per unit		
- Interim (sen)	<u>3.20</u>	<u>3.20</u>

**B17. Income Distribution (cont'd)**

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 24%)
- 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 30 June 2016, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	<b>As at 30.06.2016</b>	
	<b>Number of Units</b>	<b>Market Value**</b>
	<b>'000</b>	<b>RM'000</b>
Direct/Indirect unitholdings in Tower REIT of the related parties of the Manager:		
HLP Equities Sdn Bhd	60,769	73,530
Hong Leong Assurance Berhad	57,771	69,903
Asia Fountain Investment Company Limited	14,000	16,940
Associated Land Sendirian Berhad	13,409	16,225
Hong Leong Investment Bank Berhad	5,887	7,123
Dato' Poh Yang Hong	3,085 *	3,733

\* Indirect unitholdings

\*\*The market value is determined by multiplying the number of units with the market price of RM1.21 per unit as at 30 June 2016.

**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 2016 and of its financial performance and cash flows for the period ended 30 June 2016.

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

**LIM YEW YOKE**  
**CHIN MIN YANN**  
**Secretaries**

**Kuala Lumpur**  
**15 August 2016**

# Income Distribution

## TOWER REAL ESTATE INVESTMENT TRUST

<b>EX-date</b>	26 Aug 2016
<b>Entitlement date</b>	30 Aug 2016
<b>Entitlement time</b>	04:00 PM
<b>Entitlement subject</b>	Income Distribution
<b>Entitlement description</b>	Interim Income Distribution of 3.20 sen per unit, taxable in the hands of unitholders.
<b>Period of interest payment</b>	to
<b>Financial Year End</b>	31 Dec 2016
<b>Share transfer book &amp; register of members will be</b>	to closed from (both dates inclusive) for the purpose of determining the entitlement
<b>Registrar or Service Provider name, address, telephone no</b>	Hong Leong Share Registration Services Sdn Bhd Level 5, Wisma Hong Leong 18, Jalan Perak 50450 Kuala Lumpur Tel: 03-21641818
<b>Payment date</b>	14 Sep 2016
<b>a.Securities transferred into the Depositor's Securities Account before 4:00 pm in respect of transfers</b>	30 Aug 2016
<b>b.Securities deposited into the Depositor's Securities Account before 12:30 pm in respect of securities exempted from mandatory deposit</b>	
<b>c. Securities bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.</b>	
<b>Number of new shares/securities issued (units) (If applicable)</b>	
<b>Entitlement indicator</b>	Currency
<b>Currency</b>	Malaysian Ringgit (MYR)
<b>Entitlement in Currency</b>	0.032
<b>Par Value</b>	Malaysian Ringgit (MYR) 1.000

**Remarks :**

*This announcement is dated 15 August 2016.*

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### Announcement Info

<b>Company Name</b>	TOWER REAL ESTATE INVESTMENT TRUST
<b>Stock Name</b>	TWRREIT
<b>Date Announced</b>	15 Aug 2016
<b>Category</b>	Entitlement(Notice of Book Closure)
<b>Reference Number</b>	ENT-15082016-00002



# NET ASSET VALUE / INDICATIVE OPTIMUM PORTFOLIO VALUE

## TOWER REAL ESTATE INVESTMENT TRUST

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

The NAV per unit of Tower Real Estate Investment Trust as at 30 June 2016 is RM1.9424.

The announcement is dated 15 August 2016.

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### Announcement Info

<b>Company Name</b>	TOWER REAL ESTATE INVESTMENT TRUST
<b>Stock Name</b>	TWRREIT
<b>Date Announced</b>	15 Aug 2016
<b>Category</b>	General Announcement for PLC
<b>Reference Number</b>	GA1-15082016-00021