

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

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	31 Dec 2016
Quarter	3 Qtr
Quarterly report for the financial period ended	30 Sep 2016
The figures	have not been audited

Attachments

[Tower REIT-quarterly result \(30.9.2016\).pdf](#)
1.5 MB

Default Currency	Other Currency	Currency: Malaysian Ringgit (MYR)
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SUMMARY OF KEY FINANCIAL INFORMATION 30 Sep 2016

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	8,713	8,932	27,689	28,013
2 Profit/(loss) before tax	5,197	4,837	16,969	14,701
3 Profit/(loss) for the period	5,197	4,837	16,969	14,701
4 Profit/(loss) attributable to ordinary equity holders of the parent	5,197	4,837	16,969	14,701
5 Basic earnings/(loss) per share (Subunit)	1.85	1.72	6.05	5.24
6 Proposed/Declared dividend per share (Subunit)	0.00	0.00	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 (\$\$)	1.9289		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

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	11 Nov 2016
Category	Financial Results
Reference Number	FRA-11112016-00002

**CONDENSED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

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The figures have not been audited.

	Individual Quarter		Cumulative Quarter		
	Current Year	Preceding Year	Current Year	Preceding Year	
	Quarter Ended	Corresponding	To Date	To Date	
	30.09.2016	Quarter Ended	30.09.2016	30.09.2015	
	RM	30.09.2015	RM	RM	RM
<u>Income</u>					
Gross revenue	8,713,334	8,931,972	27,688,553	28,012,807	
Property operating expenses	(2,982,652)	(3,462,819)	(9,163,437)	(10,086,430)	
Net property income	5,730,682	5,469,153	18,525,116	17,926,377	
Interest income	85,217	45,110	180,831	535,426	
Other income	11,147	14,730	303,447	116,179	
Gain on sale of investment property	-	-	-	658,815	
	5,827,046	5,528,993	19,009,394	19,236,797	
<u>Expenses</u>					
Manager's fees	514,462	514,630	1,579,092	2,328,521	
Trustee's fee	41,140	40,501	121,666	120,699	
Administrative expenses	46,253	129,332	206,592	248,984	
Interest expenses	28,193	7,314	132,831	1,837,389	
	630,048	691,777	2,040,181	4,535,593	
Net Trust Income	5,196,998	4,837,216	16,969,213	14,701,204	
Change in fair value of derivatives	-	-	-	-	
Income before tax	5,196,998	4,837,216	16,969,213	14,701,204	
Taxation	-	-	-	-	
Income after tax	5,196,998	4,837,216	16,969,213	14,701,204	
Other comprehensive income	-	-	-	-	
Total comprehensive income for the year	5,196,998	4,837,216	16,969,213	14,701,204	
Total comprehensive income for the year is made up as follows:					
- Realised	5,196,998	4,837,216	16,969,213	14,701,204	
- Unrealised	-	-	-	-	
	5,196,998	4,837,216	16,969,213	14,701,204	
EARNINGS PER UNIT (SEN)					
- Basic	1.85	1.72	6.05	5.24	

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.

The figures have not been audited.

	As At 30.09.2016 RM	As At 31.12.2015 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	559,000,000	559,000,000
<u>Current Assets</u>		
Trade receivables	627,664	1,157,226
Other receivables, deposits and prepayments	1,243,424	313,828
Deposits placed with licensed bank	3,300,000	6,705,542
Cash and bank balances	221,222	1,138,688
	5,392,310	9,315,284
TOTAL ASSETS	564,392,310	568,315,284
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	7,644,253	5,297,436
Borrowings	100,000	100,000
Deferred tax liability	10,400,000	10,400,000
	18,144,253	15,797,436
<u>Current liabilities</u>		
Trade payables	336,676	618,521
Other payables and provisions	1,561,020	2,655,740
Tenants' deposits	3,297,471	5,721,260
	5,195,167	8,995,521
TOTAL LIABILITIES	23,339,420	24,792,957
NET ASSET VALUE	541,052,890	543,522,327
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	193,503,714	193,503,714
Undistributed income - realised	62,204,410	64,673,847
	541,052,890	543,522,327
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.9289	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.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

The figures have not been audited.

	Unitholders' Capital RM	Undistributed Income		Total RM
		Non-distributable Unrealised RM	Distributable Realised RM	
<u>Current Year To Date</u>				
At 1 January 2016	285,344,766	193,503,714	64,673,847	543,522,327
Operations for the year ended 30 September 2016				
Net income for the year	-	-	16,969,213	16,969,213
Realisation of unrealised income	-	-	-	-
Total comprehensive income for the year	-	-	16,969,213	16,969,213
Unitholders' transactions				
Distribution to unitholders				
- 2015 final (paid on 29 February 2016)	-	-	(10,462,650)	(10,462,650)
- 2016 interim (paid on 14 September 2016)	-	-	(8,976,000)	(8,976,000)
	-	-	(19,438,650)	(19,438,650)
At 30 September 2016	285,344,766	193,503,714	62,204,410	541,052,890
<u>Preceding Year To Date</u>				
At 1 January 2015	285,344,766	227,177,751	23,158,909	535,681,426
Operations for the year ended 30 September 2015				
Net income for the year	-	-	14,701,204	14,701,204
Realisation of unrealised income	-	(41,274,036)	41,274,036	-
Total comprehensive income for the year	-	(41,274,036)	55,975,240	14,701,204
Unitholders' transactions				
Distribution to unitholders				
- 2014 final (paid on 27 February 2015)	-	-	(8,976,000)	(8,976,000)
- 2015 interim (paid on 28 August 2015)	-	-	(8,976,000)	(8,976,000)
	-	-	(17,952,000)	(17,952,000)
At 30 September 2015	285,344,766	185,903,715	61,182,149	532,430,630

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 THIRD QUARTER ENDED 30 SEPTEMBER 2016

The figures have not been audited.

	Current Year To Date 30.09.2016 RM	Preceding Year To Date 30.09.2015 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	16,969,213	14,701,204
Adjustments for:		
Interest expense	132,831	1,837,389
Interest income	(180,831)	(535,426)
Realised gain on disposal of investment properties	-	(658,815)
Operating profit before working capital changes	<u>16,921,213</u>	<u>15,344,352</u>
Changes in working capital:		
Trade and other receivables	(400,034)	17,402
Trade and other payables	<u>(1,453,537)</u>	<u>(15,979,775)</u>
Net cash generated from/(used in) operating activities	<u>15,067,642</u>	<u>(618,021)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceed from disposal of investment property	-	128,686,241
Interest income	<u>180,831</u>	<u>535,426</u>
Net cash generated from investing activities	<u>180,831</u>	<u>129,221,667</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(132,831)	(1,837,389)
Repayment of borrowings	-	(116,090,370)
Distribution paid to unitholders	<u>(19,438,650)</u>	<u>(17,952,000)</u>
Net cash used in financing activities	<u>(19,571,481)</u>	<u>(135,879,759)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(4,323,008)</u>	<u>(7,276,113)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,544,230</u>	<u>8,838,661</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,221,222</u>	<u>1,562,548</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	221,222	262,548
Deposits placed with licensed financial bank	<u>3,300,000</u>	<u>1,600,000</u>
	3,521,222	1,862,548
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>3,221,222</u>	<u>1,562,548</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.

The Trust had, on 14 September 2016, paid an interim income distribution of 3.20 sen per unit, amounting to RM8,976,000 for the financial period ended 30 June 2016.

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 September 2016, the Trust recorded gross revenue of RM8.71 million, and net trust income of RM5.20 million, representing a decrease of 2.5% and an increase of 7.4% respectively as compared to the corresponding quarter in the preceding year.

The lower gross revenue was mainly due to the lower occupancy rate in the current quarter as compared to the corresponding quarter in the preceding year. The higher net trust income in the current quarter as compared to the corresponding quarter in the preceding year was due to saving in administrative 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 September 2016, Tower REIT's composition of investment portfolio was as follows:

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

B4. Changes in Net Asset Value

	As at 30.09.2016	As at 30.06.2016
Net asset value ("NAV")	541,052,890	544,831,892
NAV per unit	1.9289	1.9424

The NAV per unit as at 30 September 2016 was lower as compared to the immediate preceding quarter as a result of the payment of interim distributions for the financial period ended 30 June 2016.

B5. Changes in Unit Price

On 30 September 2016, Tower REIT's unit price closed at RM1.21 per unit (RM1.21 as at 30 June 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 September 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 September 2016 of RM935,992 and RM643,100 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 September 2016 is RM121,666.

B16. Tax Expense

	Current Year to Date 30.09.2016 RM'000	Preceding Year to Date 30.09.2015 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	16,969	14,701
Income tax using Malaysian tax rate of 24% (2015: 25%)	4,073	3,675
Non-deductible expenses	219	79
Gain on disposal of investment property	-	(659)
Effect of income exempted from tax	(4,292)	(3,095)
Tax expense	-	-

B17. Income Distribution

No income distribution has been declared for the quarter under review.

B18. Units held by Related Parties

As at 30 September 2016, 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 30.09.2016	
	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 (formerly known as 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 September 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 September 2016 and of its financial performance and cash flows for the period ended 30 September 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
11 November 2016