

# Quarterly rpt on consolidated results for the financial period ended 30 Jun 2015

## TOWER REAL ESTATE INVESTMENT TRUST

**Financial Year End** 31 Dec 2015

**Quarter** 2 Qtr

**Quarterly report for the financial period ended** 30 Jun 2015

**The figures** have not been audited

### Attachments

quarterly report-Tower REIT-30.6.2015.pdf  
1.3 MB

**Default Currency** **Other Currency** Currency: **Malaysian Ringgit (MYR)**

### SUMMARY OF KEY FINANCIAL INFORMATION 30 Jun 2015

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	9,500	11,795	19,081	23,915
2 Profit/(loss) before tax	5,810	5,446	9,864	12,209
3 Profit/(loss) for the period	5,810	5,446	9,864	12,209
4 Profit/(loss) attributable to ordinary equity holders of the parent	5,810	5,446	9,864	12,209
5 Basic earnings/(loss) per share (Subunit)	2.07	1.94	3.52	4.35
6 Proposed/Declared dividend per share (Subunit)	3.20	3.83	3.20	3.83
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7 Net assets per share attributable to ordinary equity holders of the		1.9129		1.9097

parent (\$\$)

**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****Company Name** TOWER REAL ESTATE INVESTMENT TRUST**Stock Name** TWRREIT**Date Announced** 23 Jul 2015**Category** Financial Results**Reference Number** FRA-23072015-00005

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**CONDENSED FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2015**

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<u>Contents</u>	<u>Page</u>
Condensed Statement of Profit or Loss and Other Comprehensive Income	1
Condensed Statement of Financial Position	2
Condensed Statement of Changes In Net Asset Value	3
Condensed Statement of Cash Flows	4
Notes to the Financial Statements	5 - 11

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter Ended	Corresponding	Current Year	Year
	30.06.2015	Quarter Ended	To Date	To Date
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
<b><u>Income</u></b>				
Gross revenue	9,500,463	11,795,160	19,080,835	23,914,971
Property operating expenses	(3,219,288)	(4,558,780)	(6,623,611)	(8,016,484)
Net property income	6,281,175	7,236,380	12,457,224	15,898,487
Interest income	447,957	19,683	490,316	46,365
Other income	89,750	17,062	101,449	48,408
Gain on disposal of investment property	-	-	658,815	-
	<b>6,818,882</b>	<b>7,273,125</b>	<b>13,707,804</b>	<b>15,993,260</b>
<b><u>Expenses</u></b>				
Manager's fees	518,895	625,877	1,813,891	1,295,730
Trustee's fees	40,785	38,397	80,198	75,950
Administrative expenses	33,846	211,760	119,652	284,031
Interest expenses	415,636	1,348,238	1,830,075	2,687,686
	<b>1,009,162</b>	<b>2,224,272</b>	<b>3,843,816</b>	<b>4,343,397</b>
<b>Net Trust Income</b>	<b>5,809,720</b>	<b>5,048,853</b>	<b>9,863,988</b>	<b>11,649,863</b>
Change in fair value of derivatives	-	397,017	-	559,416
<b>Income before tax</b>	<b>5,809,720</b>	<b>5,445,870</b>	<b>9,863,988</b>	<b>12,209,279</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>5,809,720</b>	<b>5,445,870</b>	<b>9,863,988</b>	<b>12,209,279</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>5,809,720</b>	<b>5,445,870</b>	<b>9,863,988</b>	<b>12,209,279</b>
<b>Total comprehensive income for the period is made up as follows:</b>				
- Realised	5,809,720	5,048,853	9,863,988	11,649,863
- Unrealised	-	397,017	-	559,416
	<b>5,809,720</b>	<b>5,445,870</b>	<b>9,863,988</b>	<b>12,209,279</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	2.07	1.94	3.52	4.35
- Diluted	N/A	N/A	N/A	N/A

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 2014 and the accompanying explanatory notes attached.

The figures have not been audited.

	As At 30.06.2015 RM	As At 31.12.2014 RM
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment properties	541,000,000	541,000,000
<b><u>Current Assets</u></b>		
Asset held for sale	-	128,027,426
Trade receivables	664,323	227,719
Other receivables, deposits and prepayments	2,927,804	3,660,886
Deposits placed with licensed bank	4,815,902	1,000,000
Cash and bank balances	582,033	8,138,661
	8,990,062	141,054,692
<b>TOTAL ASSETS</b>	<b>549,990,062</b>	<b>682,054,692</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	9,363,848	11,577,213
Borrowings	100,000	105,500,000
Derivative financial instrument	-	290,370
	9,463,848	117,367,583
<b><u>Current liabilities</u></b>		
Trade payables	330,182	315,577
Other payables and provisions	2,089,292	16,119,635
Tenants' deposits	1,537,326	1,670,471
Borrowings	-	10,900,000
	3,956,800	29,005,683
<b>TOTAL LIABILITIES</b>	<b>13,420,648</b>	<b>146,373,266</b>
<b>NET ASSET VALUE</b>	<b>536,569,414</b>	<b>535,681,426</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	185,903,714	227,177,751
Undistributed income - realised	65,320,934	23,158,909
	<b>536,569,414</b>	<b>535,681,426</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>1.9129</b>	<b>1.9097</b>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2015**

The figures have not been audited.

	Undistributed Income			
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	Total RM
<b>Current Year To Date</b>				
At 1 January 2015	285,344,766	227,177,751	23,158,909	535,681,426
<b>Operations for the period ended 30 June 2015</b>				
Net income for the period	-	-	9,863,988	9,863,988
Realisation of unrealised income	-	(41,274,037)	41,274,037	-
Total comprehensive income for the period	-	(41,274,037)	51,138,025	9,863,988
<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)
At 30 June 2015	285,344,766	185,903,714	65,320,934	536,569,414
<b>Preceding Year To Date</b>				
At 1 January 2014	285,344,766	199,799,105	28,282,892	513,426,763
<b>Operations for the period ended 30 June 2014</b>				
Total comprehensive income for the period	-	559,416	11,649,863	12,209,279
	-	559,416	11,649,863	12,209,279
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2013 final (paid on 28 February 2014)	-	-	(15,736,050)	(15,736,050)
	-	-	(15,736,050)	(15,736,050)
At 30 June 2014	285,344,766	200,358,521	24,196,705	509,899,992

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 2014 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2015**

The figures have not been audited.

	Current Year To Date 30.06.2015 RM	Preceding Year To Date 30.06.2014 RM
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	9,863,988	12,209,279
Adjustments for:		
Interest expense	1,830,075	2,687,686
Interest income	(490,316)	(46,365)
Realised gain on disposal of investment properties	(658,815)	-
Change in fair value of derivatives	-	(559,416)
Operating profit before working capital changes	10,544,932	14,291,184
Changes in working capital:		
Trade and other receivables	296,478	610,471
Trade and other payables	(6,782,660)	1,171,684
Net cash generated from operating activities	4,058,750	16,073,339
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest income	490,316	46,365
Proceed from disposal of investment property	119,106,653	-
Net cash generated from investing activities	119,596,969	46,365
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(1,830,075)	(2,784,156)
(Repayment)/Drawdown of borrowings	(116,590,370)	2,100,000
Distribution paid to unitholders	(8,976,000)	(15,736,050)
Net cash used in financing activities	(127,396,445)	(16,420,206)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,740,727)</b>	<b>(300,502)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>9,138,661</b>	<b>606,803</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>5,397,935</b>	<b>306,301</b>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	582,033	56,301
Deposits placed with licensed financial institution	4,815,902	550,000
	5,397,935	606,301
Deposits pledged as security	(300,000)	(300,000)
	5,097,935	306,301

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 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 2014.

**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 2014.

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

The Auditors' Report of the preceding financial year ended 31 December 2014 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 27 February 2015, paid a final income distribution of 3.20 sen per unit, amounting to RM8,976,000 for the financial year ended 31 December 2014.

**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 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 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 2015, the Trust recorded a gross revenue of RM9.50 million, and net income of RM5.81 million, representing a decrease of 19% and an increase of 7% respectively as compared to the corresponding quarter in the preceding year.

Gross revenue in the corresponding quarter in the preceding year was higher mainly due to income generated from Menara ING disposed of during the first quarter of current financial year. The higher realised income in the current quarter as compared to the corresponding quarter in the preceding year was mainly attributable to lower net interest expense due to the repayment of bank borrowings by utilising the proceeds from the disposal of Menara ING.

### 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 2015, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
Menara HLA	325,000	60%
HP Towers	216,000	40%
	<u>541,000</u>	<u>100%</u>

### B4. Changes in Net Asset Value

	30.06.2015 RM	31.03.2015 RM
Net asset value ("NAV")	536,569,414	530,797,205
NAV per unit	1.9129	1.8922
- before proposed income distribution		

The NAV per unit as at 30 June 2015 was higher as compared to the immediate preceding quarter as a result of realised income for the quarter under review.

**B5. Changes in Unit Price**

On 30 June 2015, Tower REIT's unit price closed at RM1.21 per unit (RM1.27 as at 31 March 2015).

**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 rate continue to face significant challenges due to incoming supply of newer buildings and offer of competitive rental rates.

**B9. Prospects**

The office oversupply situation is expected to continue for the foreseeable future. Notwithstanding the challenging operating environment, the Manager strives to retain and attract tenancy by proactively managing the Trust's assets and planning asset enhancement initiatives to increase the overall appeal and rental potential of the buildings.

**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 ended 30 June 2015, 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 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% per annum of the net property income, but before deduction of property management fee;
- (3) an acquisition fee of 1.0% of the acquisition price of assets acquired; and
- (4) a divestment fee of 0.5% of the sale price of any asset sold.

The total base fee and performance fee for the period ended 30 June 2015 of RM674,270 and RM438,215 respectively are 0.22% and 3.52% of the gross asset value and net property income respectively. Divestment fee for the period under review amounted to RM701,406.

**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 30 June 2015 is RM80,198.

**B16. Tax Expense**

	Year to Date 30.06.2015 RM'000	Year to Date 30.06.2014 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	9,864	16,398
Income tax using Malaysian tax rate of 25% (2012: 25%)	2,466	4,100
Non-deductible expenses	166	145
Effect of fair value adjustment on derivatives	-	(167)
Gain on disposal of investment property	(659)	-
Effect of income exempted from tax	(1,973)	(4,078)
Tax expense	-	-

**B17. Income Distribution**

The Manager of Tower REIT had declared an interim income distribution of 3.20 sen per unit, amounting to RM8,976,000, representing approximately 91% of the realised distributable net income for the six-month period ended 30 June 2015, payable on 28 August 2015 to the unitholders registered in the Record of Depository on 7 August 2015.

	RM'000	RM'000
Net property income	12,457	15,898
Interest income	490	46
Other income	760	49
	13,707	15,993
Less: Expenses	(2,014)	(4,343)
	11,693	11,650
Less : Undistributed income	(2,717)	(907)
	8,976	10,743
<b>Total distribution comprises:</b>		
Interim income distribution	8,976	10,743
<b>Distribution per unit</b>		
- Interim (sen)	3.20	3.83

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 distribution 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 30 June 2015, 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 30.06.2015	
	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	73,530
Hong Leong Assurance Berhad	57,771	69,903
Asia Fountain Investment Company Limited	14,000	16,940
Hong Leong Bank 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 2015.

**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 2015 and of its financial performance and cash flows for the period ended 30 June 2015.

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  
23 July 2015