

Quarterly rpt on consolidated results for the financial period ended 30 Sep 2017

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	31 Dec 2017
Quarter	3 Qtr
Quarterly report for the financial period ended	30 Sep 2017
The figures	have not been audited

Attachments

 [Tower REIT - 3rd Quarterly Report \(30.9.2017\).pdf](#)
644.6 kB

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

SUMMARY OF KEY FINANCIAL INFORMATION 30 Sep 2017

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
		\$\$'000	\$\$'000	\$\$'000	\$\$'000
1	Revenue	7,723	8,713	25,403	27,689
2	Profit/(loss) before tax	4,345	5,197	14,489	16,969
3	Profit/(loss) for the period	4,345	5,197	14,489	16,969
4	Profit/(loss) attributable to ordinary equity holders of the parent	4,345	5,197	14,489	16,969
5	Basic earnings/(loss) per share (Subunit)	1.55	1.85	5.17	6.05
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 (\$\$)		1.9262		1.9438

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	24 Oct 2017
Category	Financial Results
Reference Number	FRA-24102017-00002

**CONDENSED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017**

<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
	Quarter Ended 30.09.2017	Corresponding Quarter Ended 30.09.2016	To Date 30.09.2017	Year To Date 30.09.2016
	RM	RM	RM	RM
<u>Income</u>				
Gross revenue	7,723,285	8,713,334	25,402,653	27,688,553
Property operating expenses	(2,644,197)	(2,982,652)	(8,943,536)	(9,163,437)
Net property income	5,079,088	5,730,682	16,459,117	18,525,116
Interest income	75,290	85,217	206,868	180,831
Other income	43,113	11,147	102,120	303,447
	5,197,491	5,827,046	16,768,105	19,009,394
<u>Expenses</u>				
Manager's fees	493,252	514,462	1,507,924	1,579,092
Trustee's fee	41,207	41,140	121,936	121,666
Administrative expenses	278,884	46,253	459,239	206,592
Interest expenses	38,830	28,193	190,375	132,831
	852,173	630,048	2,279,474	2,040,181
Net Trust Income	4,345,318	5,196,998	14,488,631	16,969,213
Change in fair value of tenant deposits	-	-	-	-
Income before tax	4,345,318	5,196,998	14,488,631	16,969,213
Taxation	-	-	-	-
Income after tax	4,345,318	5,196,998	14,488,631	16,969,213
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	4,345,318	5,196,998	14,488,631	16,969,213
Total comprehensive income for the period is made up as follows:				
- Realised	4,345,318	5,196,998	14,488,631	16,969,213
- Unrealised	-	-	-	-
	4,345,318	5,196,998	14,488,631	16,969,213
EARNINGS PER UNIT (SEN)				
- Basic	1.55	1.85	5.17	6.05

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 2016 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

The figures have not been audited.

	As At 30.09.2017 RM	As At 31.12.2016 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	559,589,875	559,000,000
<u>Current Assets</u>		
Trade receivables	726,801	604,826
Other receivables, deposits and prepayments	1,070,707	316,407
Deposits placed with licensed bank	1,500,000	7,680,000
Cash and bank balances	410,016	488,385
	3,707,524	9,089,618
TOTAL ASSETS	563,297,399	568,089,618
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	5,877,058	3,802,490
Borrowings	100,000	100,000
Deferred tax liability	10,400,000	10,400,000
	16,377,058	14,302,490
<u>Current liabilities</u>		
Trade payables	387,588	350,400
Other payables and provisions	1,464,617	1,349,543
Tenants' deposits	4,772,144	6,841,175
	6,624,349	8,541,118
TOTAL LIABILITIES	23,001,407	22,843,608
NET ASSET VALUE	540,295,992	545,246,010
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	193,718,167	193,718,167
Undistributed income - realised	61,233,059	66,183,077
	540,295,992	545,246,010
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.9262	1.9438

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<u>Current Year To Date</u>				
At 1 January 2017	285,344,766	193,718,167	66,183,077	545,246,010
Operations for the period ended 30 September 2017				
Net income for the year	-	-	14,488,632	14,488,632
Total comprehensive income for the year	-	-	14,488,632	14,488,632
Unitholders' transactions				
Distribution to unitholders				
- 2016 final (paid on 28 February 2017)	-	-	(10,462,650)	(10,462,650)
- 2017 interim (paid on 6 September 2017)	-	-	(8,976,000)	(8,976,000)
	-	-	(19,438,650)	(19,438,650)
At 30 September 2017	285,344,766	193,718,167	61,233,059	540,295,992
<u>Preceding Year To Date</u>				
At 1 January 2016	285,344,766	193,503,714	64,673,847	543,522,327
Operations for the period ended 30 September 2016				
Net income for the year	-	-	16,969,213	16,969,213
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

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 2016 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017**

The figures have not been audited.

	Current Year To Date 30.09.2017 RM	Preceding Year To Date 30.09.2016 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	14,488,631	16,969,213
Adjustments for:		
Interest expense	190,375	132,831
Interest income	(206,868)	(180,831)
Operating profit before working capital changes	<u>14,472,138</u>	<u>16,921,213</u>
Changes in working capital:		
Trade and other receivables	(876,275)	(400,034)
Trade and other payables	<u>157,799</u>	<u>(1,453,537)</u>
Net cash generated from operating activities	<u>13,753,662</u>	<u>15,067,642</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Upgrade / enhancement of investment properties	(589,875)	-
Interest income	<u>206,868</u>	<u>180,831</u>
Net cash generated from investing activities	<u>(383,007)</u>	<u>180,831</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(190,375)	(132,831)
Distribution paid to unitholders	<u>(19,438,650)</u>	<u>(19,438,650)</u>
Net cash used in financing activities	<u>(19,629,025)</u>	<u>(19,571,481)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(6,258,370)	(4,323,008)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,868,385</u>	<u>7,544,230</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,610,015</u>	<u>3,221,222</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	410,016	221,222
Deposits placed with licensed financial bank	<u>1,500,000</u>	<u>3,300,000</u>
	1,910,016	3,521,222
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>1,610,016</u>	<u>3,221,222</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2016.

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 2016.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 31 December 2016 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 6 September 2017, paid an interim income distribution of 3.20 sen per unit, amounting to RM8,976,000 for the financial year ending 31 December 2017.

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 2017, the Trust recorded gross revenue of RM7.72 million and a net realised income of RM4.35 million, representing a decrease of 11.4 % and 16.4% 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 HP Towers and 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 September 2017, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
Menara HLA	340,590	61
HP Towers	219,000	39
	<u>559,590</u>	<u>100</u>

B4. Changes in Net Asset Value

	As at 30.09.2017 RM	As at 30.06.2017 RM
Net asset value ("NAV")	540,295,992	544,926,673
NAV per unit	1.9262	1.9427

The NAV per unit as at 30 September 2017 was lower as compared to the immediate preceding quarter as a result of the payment of interim distribution for the financial period ended 30 June 2017.

B5. Changes in Unit Price

On 30 September 2017, Tower REIT's unit price closed at RM1.21 per unit (RM1.21 as at 30 June 2017).

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 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 ended 30 September 2017, 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 as it accrues using the effective interest method in profit or loss.

B14. Manager's Fees

Pursuant to the Deed constituting Tower REIT, the Manager's fees consist 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 2017 of RM934,697 and RM573,227 respectively are 0.17% 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 2017 is RM121,936.

B16. Tax Expense

	Current Year to Date 30.09.2017 RM'000	Preceding Year to Date 30.09.2016 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	14,489	16,969
Income tax using Malaysian tax rate of 24% (2016: 24%)	3,477	4,073
Non-deductible expenses	311	219
Gain on disposal of investment property	-	-
Effect of income exempted from tax	(3,788)	(4,292)
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 2017, 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 30.09.2017	
	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	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 2017.

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 2017 and of its financial performance and cash flows for the period ended 30 September 2017.

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

**CHIN MIN YANN
Secretary**

**Kuala Lumpur
24 October 2017**

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 September 2017 is RM1.9262.

This announcement is dated 24 October 2017.

Announcement Info

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	24 Oct 2017
Category	General Announcement for PLC
Reference Number	GA1-24102017-00009