

Quarterly rpt on consolidated results for the financial period ended 31 Dec 2016

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	31 Dec 2016
Quarter	4 Qtr
Quarterly report for the financial period ended	31 Dec 2016
The figures	have not been audited

Attachments

[Quarterly Results-31.12.2016.pdf](#)
610.1 kB

Default Currency	Other Currency	Currency: Malaysian Ringgit (MYR)
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SUMMARY OF KEY FINANCIAL INFORMATION 31 Dec 2016

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	8,903	9,285	36,591	37,297
2 Profit/(loss) before tax	4,193	23,965	21,162	38,666
3 Profit/(loss) for the period	4,193	11,092	21,162	25,793
4 Profit/(loss) attributable to ordinary equity holders of the parent	4,193	11,092	21,162	25,793
5 Basic earnings/(loss) per share (Subunit)	1.42	3.95	7.54	9.20
6 Proposed/Declared dividend per share (Subunit)	3.73	3.73	6.93	6.93
	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 (\$\$)	1.9438		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	23 Jan 2017
Category	Financial Results
Reference Number	FRA-23012017-00006

**CONDENSED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2016 RM	Preceding Year Corresponding Quarter Ended 31.12.2015 RM	Current Year To Date 31.12.2016 RM	Preceding Year To Date 31.12.2015 RM
Income				
Gross revenue	8,902,738	9,284,689	36,591,291	37,297,496
Property operating expenses	(4,336,619)	(2,579,990)	(13,500,056)	(12,666,420)
Net property income	4,566,119	6,704,699	23,091,235	24,631,076
Interest income	33,799	23,272	214,630	558,698
Other income	14,301	24,177	317,748	140,356
Gain on sale of investment property	-	371	-	659,186
	4,614,219	6,752,519	23,623,613	25,989,316
Expenses				
Manager's fees	475,215	530,391	2,054,307	2,858,912
Trustee's fee	41,024	41,482	162,690	162,181
Administrative expenses	112,407	204,646	318,999	453,630
Interest expenses	6,906	10,848	139,737	1,848,237
	635,552	787,367	2,675,733	5,322,960
Net Trust Income	3,978,667	5,965,152	20,947,880	20,666,356
Change in fair value of tenant deposits	214,453	-	214,453	-
Change in fair value of investment properties	-	18,000,000	-	18,000,000
Income before tax	4,193,120	23,965,152	21,162,333	38,666,356
Taxation	-	(12,873,455)	-	(12,873,455)
Income after tax	4,193,120	11,091,697	21,162,333	25,792,901
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	4,193,120	11,091,697	21,162,333	25,792,901
Total comprehensive income for the year is made up as follows:				
- Realised	3,978,667	3,491,697	20,947,880	18,192,901
- Unrealised	214,453	7,600,000	214,453	7,600,000
	4,193,120	11,091,697	21,162,333	25,792,901
EARNINGS PER UNIT (SEN)				
- Basic	1.42	3.95	7.54	9.20

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 31 DECEMBER 2016

The figures have not been audited.

	As At 31.12.2016 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	604,826	1,157,226
Other receivables, deposits and prepayments	316,407	313,828
Deposits placed with licensed bank	7,680,000	6,705,542
Cash and bank balances	488,385	1,138,688
	9,089,618	9,315,284
TOTAL ASSETS	568,089,618	568,315,284
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	3,802,490	5,297,436
Borrowings	100,000	100,000
Deferred tax liability	10,400,000	10,400,000
	14,302,490	15,797,436
<u>Current liabilities</u>		
Trade payables	350,400	618,521
Other payables and provisions	1,349,543	2,655,740
Tenants' deposits	6,841,175	5,721,260
	8,541,118	8,995,521
TOTAL LIABILITIES	22,843,608	24,792,957
NET ASSET VALUE	545,246,010	543,522,327
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	193,718,167	193,503,714
Undistributed income - realised	66,183,077	64,673,847
	545,246,010	543,522,327
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.9438	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 FOURTH QUARTER ENDED 31 DECEMBER 2016

The figures have not been audited.

	Unitholders' Capital RM	Undistributed Income		Total RM
		Non-distributable Unrealised RM	Distributable Realised RM	
Current Year To Date				
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	-	214,453	20,947,880	21,162,333
Realisation of unrealised income	-	-	-	-
Total comprehensive income for the year	-	214,453	20,947,880	21,162,333
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 31 December 2016	285,344,766	193,718,167	66,183,077	545,246,010
Preceding Year To Date				
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	-	7,600,000	18,192,901	25,792,901
Realisation of unrealised income	-	(41,274,037)	41,274,037	-
Total comprehensive income for the year	-	(33,674,037)	59,466,938	25,792,901
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 31 December 2015	285,344,766	193,503,714	64,673,847	543,522,327

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 FOURTH QUARTER ENDED 31 DECEMBER 2016

The figures have not been audited.

	Current Year To Date 31.12.2016 RM	Preceding Year To Date 31.12.2015 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	21,162,333	38,666,356
Adjustments for:		
Interest expense	139,737	1,848,237
Interest income	(214,630)	(558,698)
Realised gain on disposal of investment property	-	(659,186)
Change in fair value of tenant deposits	(214,453)	-
Change in fair value of investment properties	-	(18,000,000)
Operating profit before working capital changes	<u>20,872,987</u>	<u>21,296,709</u>
Changes in working capital:		
Trade and other receivables	549,821	2,906,070
Trade and other payables	<u>(1,734,896)</u>	<u>(16,168,834)</u>
Net cash generated from operating activities	<u>19,687,912</u>	<u>8,033,945</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceed from disposal of investment property	-	126,213,163
Interest income	<u>214,630</u>	<u>558,698</u>
Net cash generated from investing activities	<u>214,630</u>	<u>126,771,861</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(139,737)	(1,848,237)
Repayment of borrowings	-	(116,300,000)
Distribution paid to unitholders	<u>(19,438,650)</u>	<u>(17,952,000)</u>
Net cash used in financing activities	<u>(19,578,387)</u>	<u>(136,100,237)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	324,155	(1,294,431)
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>7,868,385</u>	<u>7,544,230</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	488,385	1,138,688
Deposits placed with licensed financial bank	<u>7,680,000</u>	<u>6,705,542</u>
	8,168,385	7,844,230
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>7,868,385</u>	<u>7,544,230</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 31 December 2016, the Trust recorded gross revenue of RM8.9 million, and net trust income of RM3.98 million, representing a decrease of 4% and 33% respectively as compared to the corresponding quarter in the preceding year.

The lower gross revenue was mainly due to the average occupancy rate decreased marginally in the current quarter as compared to the corresponding quarter in the preceding year as a result of the limited demand and the huge amount of newly completed office space, which are yet to be fully physically occupied.

The lower net trust income in the current quarter as compared to the corresponding quarter in the preceding year was due to operating expenses incurred for major building maintenance exercise carried out in the current quarter.

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 31 December 2016, Tower REIT's composition of investment portfolio was as follows:

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

B4. Changes in Net Asset Value

	As at 31.12.2016 RM	As at 30.09.2016 RM
Net asset value ("NAV")	545,246,010	541,052,890
NAV per unit	1.9438	1.9289

The NAV per unit as at 31 December 2016 was higher as compared to the immediate preceding quarter as a result of the payment of interim distribution for the financial period ended 30 June 2016 in the preceding quarter.

B5. Changes in Unit Price

On 31 December 2016, Tower REIT's unit price closed at RM1.17 per unit (RM1.21 as at 30 September 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

The average occupancy rate in the Klang Valley decreased due to over-supply and limited demand of office space and the huge amount of newly completed office blocks.

Occupancy rates may drop further as slower take-up is expected for new supply due to the uncertain economic and business climate.

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 31 December 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 31 December 2016 of RM1,250,372 and RM803,935 are 0.22% and 3.48% 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 31 December 2016 is RM162,690.

B16. Tax Expense

	Current Year to Date 31.12.2016 RM'000	Preceding Year to Date 31.12.2015 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	21,162	38,666
Income tax using Malaysian tax rate of 24% (2015: 25%)	5,079	9,667
Non-deductible expenses	265	82
Effect of fair value adjustment on investment property	-	(3,600)
Effect of fair value adjustment on tenant deposits	(214)	-
Underprovision in prior years	-	11,973
Effect of income exempted from tax	(5,130)	(5,249)
Tax expense	-	12,873

B17. Income Distribution

The Manager of Tower REIT has declared a final income distribution of 3.73 sen per unit (3.66 sen per unit subject to withholding tax and 0.07 sen tax exempt), amounting to RM10,462,650, representing approximately 92.80% of the realised distributable net income for the six-month period ended 31 December 2016, to be payable on 28 February 2017 to the unitholders registered in the Record of Depositors on 14 February 2017.

B17. Income Distribution (cont'd)

The income distributions are from the following sources:

	2016 RM'000	2015 RM'000
Net property income	23,091	24,631
Interest income	215	559
Other income	318	799
	<u>23,624</u>	<u>25,989</u>
Less: Expenses	(2,676)	(5,322)
Income available for distribution	<u>20,948</u>	<u>20,667</u>
Less: Undistributed income	(1,509)	(1,228)
	<u>19,439</u>	<u>19,439</u>
Total distribution comprises:		
- Interim income distribution	8,976	8,976
- Final income distribution	10,463	10,463
	<u>19,439</u>	<u>19,439</u>
Distribution per unit		
- Interim (sen)	3.20	3.20
- Final (sen)	3.73	3.73
	<u>6.93</u>	<u>6.93</u>

B18. Units held by Related Parties

As at 31 December 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 31.12.2016	
	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	71,100
Hong Leong Assurance Berhad	57,771	67,592
Asia Fountain Investment Company Limited	14,000	16,380
Associated Land Sendirian Berhad	13,409	15,689
Hong Leong Investment Bank Berhad	5,887	6,888
Dato' Poh Yang Hong	3,085 *	3,609

* Indirect unitholdings

**The market value is determined by multiplying the number of units with the market price of RM1.17 per unit as at 31 December 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 31 December 2016 and of its financial performance and cash flows for the period ended 31 December 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
23 January 2017

Income Distribution

TOWER REAL ESTATE INVESTMENT TRUST

EX-date	10 Feb 2017
Entitlement date	14 Feb 2017
Entitlement time	04:00 PM
Entitlement subject	Income Distribution
Entitlement description	Final Income Distribution of 3.73 sen per unit (of which 3.66 sen per unit is taxable and 0.07 sen per unit is tax exempt in the hands of unitholders).
Period of interest payment	to
Financial Year End	31 Dec 2016
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 Registrations Services Sdn Bhd Level 5, Wisma Hong Leong 18, Jalan Perak 50450 Kuala Lumpur Tel: 03-2164 1818
Payment date	28 Feb 2017
a. Securities transferred into the Depositor's Securities Account before 4:00 pm in respect of transfers	14 Feb 2017
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	0.0373
Par Value	Malaysian Ringgit (MYR) 1.000

Remarks :

This announcement is dated 23 January 2017.

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	23 Jan 2017
Category	Entitlement(Notice of Book Closure)
Reference Number	ENT-23012017-00003