

Quarterly rpt on consolidated results for the financial period ended 31 Dec 2017

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	31 Dec 2017
Quarter	4 Qtr
Quarterly report for the financial period ended	31 Dec 2017
The figures	have not been audited

Attachments

[Tower REIT-4th Quarterly Report \(31122017\).pdf](#)
990.0 kB

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

SUMMARY OF KEY FINANCIAL INFORMATION 31 Dec 2017

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	7,241	8,903	32,644	36,591
2 Profit/(loss) before tax	5,456	4,193	19,945	21,162
3 Profit/(loss) for the period	5,306	4,193	19,795	21,162
4 Profit/(loss) attributable to ordinary equity holders of the parent	5,306	4,193	19,795	21,162
5 Basic earnings/(loss) per share (Subunit)	1.89	1.49	7.06	7.54
6 Proposed/Declared dividend per share (Subunit)	2.80	3.73	6.00	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 (\$\$)	1.9451		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

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	06 Feb 2018
Category	Financial Results
Reference Number	FRA-05022018-00004



TOWER REAL ESTATE INVESTMENT TRUST

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

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter Ended 31.12.2017	Quarter Ended 31.12.2016	To Date 31.12.2017	To Date 31.12.2016
	RM	RM	RM	RM
Income				
Gross revenue	7,241,495	8,902,738	32,644,148	36,591,291
Property operating expenses	(3,267,411)	(4,336,619)	(12,210,947)	(13,500,056)
Net property income	3,974,084	4,566,119	20,433,201	23,091,235
Change in fair value of derivatives	-	-	-	-
Interest income	38,934	33,799	245,802	214,630
Other income	70,189	14,301	172,309	317,748
	4,083,207	4,614,219	20,851,312	23,623,613
Expenses				
Manager's fees	454,264	475,215	1,962,188	2,054,307
Trustee's fee	41,083	41,024	163,019	162,690
Administrative expenses	38,013	112,407	497,252	318,999
Interest expenses	46,600	6,906	236,975	139,737
	579,960	635,552	2,859,434	2,675,733
Net Trust Income	3,503,247	3,978,667	17,991,878	20,947,880
Change in fair value of tenant deposits	-	214,453	-	214,453
Change in fair value of investment properties	1,953,046	-	1,953,046	-
Income before tax	5,456,293	4,193,120	19,944,924	21,162,333
Taxation	(150,000)	-	(150,000)	-
Income after tax	5,306,293	4,193,120	19,794,924	21,162,333
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	5,306,293	4,193,120	19,794,924	21,162,333
Total comprehensive income for the period is made up as follows:				
- Realised	3,503,247	3,978,667	17,991,878	20,947,880
- Unrealised	1,803,046	214,453	1,803,046	214,453
	5,306,293	4,193,120	19,794,924	21,162,333
EARNINGS PER UNIT (SEN)				
- Basic	1.89	1.49	7.06	7.54

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.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

The figures have not been audited.

	As At 31.12.2017 RM	As At 31.12.2016 RM
ASSETS		
<u>Non-current assets</u>		
Investment Properties	562,000,000	559,000,000
<u>Current Assets</u>		
Trade receivables	88,325	604,826
Other receivables, deposits and prepayments	931,281	316,407
Deposits placed with licensed bank	3,920,000	7,680,000
Cash and bank balances	430,521	488,385
	5,370,127	9,089,618
TOTAL ASSETS	567,370,127	568,089,618
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	4,092,336	3,802,490
Borrowings	100,000	-
Deferred tax liability	10,550,000	10,400,000
	14,742,336	14,202,490
<u>Current liabilities</u>		
Trade payables	422,950	350,400
Other payables and provisions	1,463,087	1,349,543
Borrowings	-	100,000
Tenants' deposits	5,139,469	6,841,175
	7,025,506	8,641,118
TOTAL LIABILITIES	21,767,842	22,843,608
NET ASSET VALUE	545,602,285	545,246,010
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	195,521,213	193,718,167
Undistributed income - realised	64,736,306	66,183,077
	545,602,285	545,246,010
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.9451	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.

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
Current Year To Date				
At 1 January 2017	285,344,766	193,718,167	66,183,077	545,246,010
Operations for the period ended 31 December 2017				
Net income for the year	-	1,803,046	17,991,879	19,794,925
Total comprehensive income for the year	-	1,803,046	17,991,879	19,794,925
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 31 December 2017	285,344,766	195,521,213	64,736,306	545,602,285
Preceding Year To Date				
At 1 January 2016	285,344,766	193,503,714	64,673,847	543,522,327
Operations for the period ended 31 December 2016				
Net income for the year	-	214,453	20,947,880	21,162,333
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

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 FLOW
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited.

	Current Year To Date 31.12.2017 RM	Preceding Year To Date 31.12.2016 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	19,944,924	21,162,333
Adjustments for:		
Interest expense	236,975	139,737
Interest income	(245,802)	(214,630)
Change in fair value of tenant deposits	-	(214,453)
Change in fair value of investment properties	(1,953,046)	-
Operating profit before working capital changes	<u>17,983,051</u>	<u>20,872,987</u>
Changes in working capital:		
Trade and other receivables	(98,373)	549,821
Trade and other payables	(1,225,765)	(1,734,896)
Net cash generated from operating activities	<u>16,658,914</u>	<u>19,687,912</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payment for enhancement of investment properties	(1,046,955)	-
Interest income	245,802	214,630
Net cash generated from investing activities	<u>(801,153)</u>	<u>214,630</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(236,975)	(139,737)
Proceeds from borrowings	5,100,000	-
Repayment of borrowings	(5,100,000)	-
Distribution paid to unitholders	(19,438,650)	(19,438,650)
Net cash used in financing activities	<u>(19,675,625)</u>	<u>(19,578,387)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,817,864)	324,155
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>4,050,521</u>	<u>7,868,385</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	430,521	488,385
Deposits placed with licensed financial bank	3,920,000	7,680,000
	<u>4,350,521</u>	<u>8,168,385</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>4,050,521</u>	<u>7,868,385</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 28 February 2017, paid a final income distribution of 3.73 sen per unit, amounting to RM10,462,650 for the financial year ended 31 December 2016.

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 ended 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

During the quarter under review, a revaluation exercise was undertaken for all two properties by the Trust internally with the assistance of an external valuer.

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 2017, the Trust recorded gross revenue of RM7.24 million and a net realised income of RM3.50 million, representing a decrease of 18.7 % and 12.0% 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 31 December 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	342,000	61
HP Towers	220,000	39
	<u>562,000</u>	<u>100</u>

B4. Changes in Net Asset Value

	As at 31.12.2017 RM	As at 30.09.2017 RM
Net asset value ("NAV")	545,602,285	540,295,992
NAV per unit	1.9451	1.9262

The NAV per unit as at 31 December 2017 was higher as compared to the immediate preceding quarter as a result of the revaluation surplus for HP Towers and Menara HLA and the operating profit recognised for the current quarter.

B5. Changes in Unit Price

On 31 December 2017, Tower REIT's unit price closed at RM1.22 per unit (RM1.21 as at 30 September 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 31 December 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 31 December 2017 of RM1,249,799 and RM712,389 respectively are 0.22% and 3.49% 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 2017 is RM163,019.

B16. Tax Expense

	Current Year to Date 31.12.2017 RM'000	Preceding Year to Date 31.12.2016 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	19,946	21,162
Income tax using Malaysian tax rate of 24% (2016: 24%)	4,787	5,079
Non-deductible expenses	90	265
Effect of fair value adjustment on investment property	(319)	-
Effect of fair value adjustment on tenant deposits	-	(214)
Effect of income exempted from tax	(4,408)	(5,130)
Tax expense	150	-

B17. Income Distribution

The Manager of Tower REIT has declared a final income distribution of 2.80 sen per unit (2.72 sen per unit subject to withholding tax and 0.08 sen tax exempt), amounting to RM7,854,000, representing approximately 93.54% of the realised distributable net income for the six-month period ended 31 December 2017, to be payable on 28 February 2018 to the unitholders registered in the Record of Depositors on 21 February 2018.

B18. Units held by Related Parties

As at 31 December 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 31.12.2017	
	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	74,138
Hong Leong Assurance Berhad	57,771	70,481
Asia Fountain Investment Company Limited	14,000	17,080
Associated Land Sendirian Berhad	13,409	16,359
Hong Leong Investment Bank Berhad	5,887	7,182
Dato' Poh Yang Hong	3,085 *	3,764

* Indirect unitholdings.

** The market value is determined by multiplying the number of units with the market price of RM1.22 per unit as at 31 December 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 31 December 2017 and of its financial performance and cash flows for the period ended 31 December 2017.

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

**CHEW ANN NEE
Secretary**

**Kuala Lumpur
6 February 2018**

Income Distribution

TOWER REAL ESTATE INVESTMENT TRUST

EX-date	19 Feb 2018
Entitlement date	21 Feb 2018
Entitlement time	04:00 PM
Entitlement subject	Income Distribution
Entitlement description	Final Income Distribution of 2.80 sen per unit (of which 2.72 sen per unit is taxable and 0.08 sen per unit is tax exempt in the hands of unitholders).
Period of interest payment	to
Financial Year End	31 Dec 2017
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 Registration Services Sdn Bhd Level 5, Wisma Hong Leong 18, Jalan Perak 50450 Kuala Lumpur Tel: 03-2164 1818
Payment date	28 Feb 2018
a.Securities transferred into the Depositor's Securities Account before 4:00 pm in respect of transfers	21 Feb 2018
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	0.028
Par Value (if applicable)	

Remarks :

This announcement is dated 6 February 2018

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	06 Feb 2018
Category	Entitlement(Notice of Book Closure)
Reference Number	ENT-05022018-00002