

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

## TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	31 Dec 2017
Quarter	2 Qtr
Quarterly report for the financial period ended	30 Jun 2017
The figures	have not been audited

### Attachments

[Quarterly Results as at 30.06.2017.pdf](#)  
166.3 kB

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

### SUMMARY OF KEY FINANCIAL INFORMATION 30 Jun 2017

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	8,875	9,367	17,679	18,975
2 Profit/(loss) before tax	4,791	5,440	10,143	11,772
3 Profit/(loss) for the period	4,791	5,440	10,143	11,772
4 Profit/(loss) attributable to ordinary equity holders of the parent	4,791	5,440	10,143	11,772
5 Basic earnings/(loss) per share (Subunit)	1.71	1.94	3.62	4.20
6 Proposed/Declared dividend per share (Subunit)	3.20	3.20	3.20	3.20
	<b>AS AT END OF CURRENT QUARTER</b>		<b>AS AT PRECEDING FINANCIAL YEAR END</b>	
7 Net assets per share attributable to ordinary equity holders of the parent (\$\$)	1.9427		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

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<b>Company Name</b>	TOWER REAL ESTATE INVESTMENT TRUST
<b>Stock Name</b>	TWRREIT
<b>Date Announced</b>	07 Aug 2017
<b>Category</b>	Financial Results
<b>Reference Number</b>	FRA-07082017-00001

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**CONDENSED FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

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The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2017 RM	Preceding Year Corresponding Quarter Ended 30.06.2016 RM	Current Year To Date 30.06.2017 RM	Preceding Year To Date 30.06.2016 RM
<b><u>Income</u></b>				
Gross revenue	8,875,157	9,366,612	17,679,368	18,975,219
Property operating expenses	(3,394,786)	(3,340,997)	(6,299,339)	(6,180,785)
Net property income	5,480,371	6,025,615	11,380,029	12,794,434
Interest income	42,281	38,473	131,578	95,614
Other income	27,919	44,545	59,007	292,300
	<b>5,550,571</b>	<b>6,108,633</b>	<b>11,570,614</b>	<b>13,182,348</b>
<b><u>Expenses</u></b>				
Manager's fees	502,452	523,906	1,014,672	1,064,630
Trustee's fee	40,638	40,139	80,729	80,526
Administrative expenses	73,868	67,137	180,355	160,339
Interest expenses	142,346	37,647	151,545	104,638
	<b>759,304</b>	<b>668,829</b>	<b>1,427,301</b>	<b>1,410,133</b>
<b>Net Trust Income</b>	<b>4,791,267</b>	<b>5,439,804</b>	<b>10,143,313</b>	<b>11,772,215</b>
Change in fair value of tenant deposits	-	-	-	-
<b>Income before tax</b>	<b>4,791,267</b>	<b>5,439,804</b>	<b>10,143,313</b>	<b>11,772,215</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>4,791,267</b>	<b>5,439,804</b>	<b>10,143,313</b>	<b>11,772,215</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>4,791,267</b>	<b>5,439,804</b>	<b>10,143,313</b>	<b>11,772,215</b>
<b>Total comprehensive income for the year is made up as follows:</b>				
- Realised	4,791,267	5,439,804	10,143,313	11,772,215
- Unrealised	-	-	-	-
	<b>4,791,267</b>	<b>5,439,804</b>	<b>10,143,313</b>	<b>11,772,215</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	1.71	1.94	3.62	4.20

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 2016 and the accompanying explanatory notes attached.

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

The figures have not been audited.

	<b>As At 30.06.2017 RM</b>	<b>As At 31.12.2016 RM</b>
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment properties	559,000,000	559,000,000
<b><u>Current Assets</u></b>		
Trade receivables	914,814	604,826
Other receivables, deposits and prepayments	238,063	316,407
Deposits placed with licensed bank	7,800,000	7,680,000
Cash and bank balances	397,792	488,385
	<b>9,350,669</b>	<b>9,089,618</b>
<b>TOTAL ASSETS</b>	<b>568,350,669</b>	<b>568,089,618</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	5,328,717	3,802,490
Borrowings	100,000	100,000
Deferred tax liability	10,400,000	10,400,000
	<b>15,828,717</b>	<b>14,302,490</b>
<b><u>Current liabilities</u></b>		
Trade payables	374,138	350,400
Other payables and provisions	1,768,373	1,349,543
Tenants' deposits	5,452,768	6,841,175
	<b>7,595,279</b>	<b>8,541,118</b>
<b>TOTAL LIABILITIES</b>	<b>23,423,996</b>	<b>22,843,608</b>
<b>NET ASSET VALUE</b>	<b>544,926,673</b>	<b>545,246,010</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	193,718,167	193,718,167
Undistributed income - realised	65,863,740	66,183,077
	<b>544,926,673</b>	<b>545,246,010</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>1.9427</b>	<b>1.9438</b>

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 SECOND QUARTER ENDED 30 JUNE 2017**

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<b><u>Current Year To Date</u></b>				
<b>At 1 January 2017</b>	<b>285,344,766</b>	<b>193,718,167</b>	<b>66,183,077</b>	<b>545,246,010</b>
<b>Operations for the period ended 30 June 2017</b>				
Net income for the year	-	-	10,143,313	10,143,313
Total comprehensive income for the year	-	-	10,143,313	10,143,313
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2016 final (paid on 28 February 2017)	-	-	(10,462,650)	(10,462,650)
	-	-	(10,462,650)	(10,462,650)
<b>At 30 June 2017</b>	<b>285,344,766</b>	<b>193,718,167</b>	<b>65,863,740</b>	<b>544,926,673</b>
<b><u>Preceding Year To Date</u></b>				
<b>At 1 January 2016</b>	<b>285,344,766</b>	<b>193,503,714</b>	<b>64,673,847</b>	<b>543,522,327</b>
<b>Operations for the period ended 30 June 2016</b>				
Net income for the year	-	-	11,772,215	11,772,215
Total comprehensive income for the year	-	-	11,772,215	11,772,215
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2015 final (paid on 29 February 2016)	-	-	(10,462,650)	(10,462,650)
	-	-	(10,462,650)	(10,462,650)
<b>At 30 June 2016</b>	<b>285,344,766</b>	<b>193,503,714</b>	<b>65,983,412</b>	<b>544,831,892</b>

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 SECOND QUARTER ENDED 30 JUNE 2017**

The figures have not been audited.

	<b>Current Year To Date 30.06.2017 RM</b>	<b>Preceding Year To Date 30.06.2016 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	10,143,313	11,772,215
Adjustments for:		
Interest expense	151,545	104,638
Interest income	(131,578)	(95,614)
Operating profit before working capital changes	<u>10,163,280</u>	<u>11,781,239</u>
Changes in working capital:		
Trade and other receivables	(231,644)	505,569
Trade and other payables	<u>580,388</u>	<u>(1,325,243)</u>
<b>Net cash generated from operating activities</b>	<u>10,512,024</u>	<u>10,961,565</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest income	<u>131,578</u>	<u>95,614</u>
<b>Net cash generated from investing activities</b>	<u>131,578</u>	<u>95,614</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(151,545)	(104,638)
Distribution paid to unitholders	<u>(10,462,650)</u>	<u>(10,462,650)</u>
<b>Net cash used in financing activities</b>	<u>(10,614,195)</u>	<u>(10,567,288)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	29,407	489,891
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,868,385</u>	<u>7,544,230</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>7,897,792</u>	<u>8,034,121</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	397,792	164,121
Deposits placed with licensed financial bank	<u>7,800,000</u>	<u>8,170,000</u>
	8,197,792	8,334,121
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>7,897,792</u>	<u>8,034,121</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.

**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 June 2017, the Trust recorded gross revenue of RM8.88 million and a net realised income of RM4.79 million, representing a decrease of 5.2% and 11.9% 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 Tower and higher property operating 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 June 2017, Tower REIT's composition of investment portfolio was as follows:

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

**B4. Changes in Net Asset Value**

	As at 30.06.2017 RM	As at 31.03.2017 RM
Net asset value ("NAV")	544,926,673	540,135,407
NAV per unit	1.9427	1.9256

The NAV per unit as at 30 June 2017 was higher as compared to the immediate preceding quarter as a result of the higher undistributed distributable realised income.

**B5. Changes in Unit Price**

On 30 June 2017, Tower REIT's unit price closed at RM1.21 per unit (RM1.19 as at 31 March 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 30 June 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 in the profit or loss as it accrues, using the effective interest method.

### **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 June 2017 of RM619,076 and RM395,596 respectively are 0.11% 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 June 2017 is RM80,729.

### B16. Tax Expense

	Current Year to Date 30.06.2017 RM'000	Preceding Year to Date 30.06.2016 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	10,143	11,772
Income tax using Malaysian tax rate of 24% (2016: 24%)	2,434	2,825
Non-deductible expenses	236	162
Gain on disposal of investment property	-	-
Effect of income exempted from tax	(2,670)	(2,987)
Tax expense	-	-

### B17. Income Distribution

The Manager of Tower REIT has declared an interim income distribution of 3.20 sen per unit, amounting to RM8,976,000, representing approximately 88% of the realised distributable net income for the six-month period ended 30 June 2017, payable on 6 September 2017 to the unitholders registered in the Record of Depositors on 22 August 2017.

The income distribution are from the following sources:

	Current Year to Date 30.06.2017 RM'000	Preceding Year to Date 30.06.2016 RM'000
Net property income	11,380	12,794
Interest income	131	96
Other income	59	292
	<u>11,570</u>	<u>13,182</u>
Less: Expenses	(1,427)	(1,410)
Income available for distribution	<u>10,143</u>	<u>11,772</u>
Income available for distribution	10,143	11,772
Less: Proposed interim distribution	(8,976)	(8,976)
Balance undistributed income	<u>1,167</u>	<u>2,796</u>
Distribution per unit		
- Interim (sen)	<u>3.20</u>	<u>3.20</u>

### B18. Units held by Related Parties

As at 30 June 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 30.06.2017	
	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 (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 June 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 June 2017 and of its financial performance and cash flows for the period ended 30 June 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**  
**7 August 2017**

# Income Distribution

## TOWER REAL ESTATE INVESTMENT TRUST

<b>EX-date</b>	18 Aug 2017
<b>Entitlement date</b>	22 Aug 2017
<b>Entitlement time</b>	04:00 PM
<b>Entitlement subject</b>	Income Distribution
<b>Entitlement description</b>	Interim Income Distribution of 3.20 sen per unit, taxable in the hands of unitholders.
<b>Period of interest payment</b>	to
<b>Financial Year End</b>	31 Dec 2017
<b>Share transfer book &amp; register of members will be</b>	to closed from (both dates inclusive) for the purpose of determining the entitlement
<b>Registrar or Service Provider name, address, telephone no</b>	Hong Leong Share Registration Services Sdn Bhd Level 5, Wisma Hong Leong 18, Jalan Perak 50450 Kuala Lumpur Tel: 03-21641818
<b>Payment date</b>	06 Sep 2017
<b>a.Securities transferred into the Depositor's Securities Account before 4:00 pm in respect of transfers</b>	22 Aug 2017
<b>b.Securities deposited into the Depositor's Securities Account before 12:30 pm in respect of securities exempted from mandatory deposit</b>	
<b>c. Securities bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.</b>	
<b>Number of new shares/securities issued (units) (if applicable)</b>	
<b>Entitlement indicator</b>	Currency
<b>Currency</b>	Malaysian Ringgit (MYR)
<b>Entitlement in Currency</b>	0.032
<b>Par Value (if applicable)</b>	

**Remarks :**

*This announcement is dated 7 August 2017.*

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<b>Company Name</b>	TOWER REAL ESTATE INVESTMENT TRUST
<b>Stock Name</b>	TWRREIT
<b>Date Announced</b>	07 Aug 2017
<b>Category</b>	Entitlement(Notice of Book Closure)
<b>Reference Number</b>	ENT-07082017-00001

# NET ASSET VALUE / INDICATIVE OPTIMUM PORTFOLIO VALUE

## TOWER REAL ESTATE INVESTMENT TRUST

<b>Type</b>	Announcement
<b>Subject</b>	NET ASSET VALUE / INDICATIVE OPTIMUM PORTFOLIO VALUE
<b>Description</b>	Tower Real Estate Investment Trust - Net Asset Value ("NAV")

The NAV per unit of Tower Real Estate Investment Trust as at 30 June 2017 is RM1.9427.

This announcement is dated 7 August 2017.

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<b>Company Name</b>	TOWER REAL ESTATE INVESTMENT TRUST
<b>Stock Name</b>	TWRREIT
<b>Date Announced</b>	07 Aug 2017
<b>Category</b>	General Announcement for PLC
<b>Reference Number</b>	GA1-07082017-00015