

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

## TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	31 Dec 2015
Quarter	3 Qtr
Quarterly report for the financial period ended	30 Sep 2015
The figures	have not been audited

### Attachments

3rd quarter report.pdf  
184.1 kB

Default Currency	Other Currency	Currency: Malaysian Ringgit (MYR)
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### SUMMARY OF KEY FINANCIAL INFORMATION 30 Sep 2015

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Sep 2015	30 Sep 2014	30 Sep 2015	30 Sep 2014
		\$\$'000	\$\$'000	\$\$'000	\$\$'000
1	Revenue	8,932	10,078	28,013	33,993
2	Profit/(loss) before tax	4,837	3,640	14,701	16,482
3	Profit/(loss) for the period	4,837	3,640	14,701	16,482
4	Profit/(loss) attributable to ordinary equity holders of the parent	4,837	4,273	14,701	16,482
5	Basic earnings/(loss) per share (Subunit)	1.72	1.30	5.24	5.88
6	Proposed/Declared dividend per share (Subunit)	0.00	0.00	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		1.8981		1.9097

**holders of the  
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

**Announcement Info**

<b>Company Name</b>	TOWER REAL ESTATE INVESTMENT TRUST
<b>Stock Name</b>	TWRREIT
<b>Date Announced</b>	26 Nov 2015
<b>Category</b>	Financial Results
<b>Reference Number</b>	FRA-26112015-00015

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**CONDENSED FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

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**TOWER REAL ESTATE INVESTMENT TRUST**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2015 RM	Preceding Year Corresponding Quarter Ended 30.09.2014 RM	Current Year To Date 30.09.2015 RM	Preceding Year To Date 30.09.2014 RM
<b><u>Income</u></b>				
Gross revenue	8,931,972	10,077,830	28,012,807	33,992,801
Property operating expenses	(3,462,819)	(3,822,786)	(10,086,430)	(11,839,270)
Net property income	5,469,153	6,255,044	17,926,377	22,153,531
Change in fair value of derivatives	-	73,549	-	632,965
Interest income	45,110	19,306	535,426	65,671
Other income	14,730	10,929	116,179	59,337
Gain on sale of investment property	-	-	658,815	-
	<b>5,528,993</b>	<b>6,358,828</b>	<b>19,236,797</b>	<b>22,911,504</b>
<b><u>Expenses</u></b>				
Manager's fees	514,630	592,116	2,328,521	1,887,846
Trustee's fees	40,501	38,236	120,699	114,186
Administrative expenses	129,332	81,557	248,984	365,588
Interest expenses	7,314	1,373,905	1,837,389	4,061,591
	<b>691,777</b>	<b>2,085,814</b>	<b>4,535,593</b>	<b>6,429,211</b>
<b>Income before tax</b>	<b>4,837,216</b>	<b>3,640,049</b>	<b>14,701,204</b>	<b>16,482,293</b>
Taxation	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>4,837,216</b>	<b>3,640,049</b>	<b>14,701,204</b>	<b>16,482,293</b>
<b>Total comprehensive income for the period is made up as follows:</b>				
- Realised	4,837,216	4,199,465	14,701,204	15,849,328
- Unrealised	-	73,549	-	632,965
	<b>4,837,216</b>	<b>4,273,014</b>	<b>14,701,204</b>	<b>16,482,293</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	1.72	1.30	5.24	5.88
- 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.



**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2015**

The figures have not been audited.

	As At 30.09.2015 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	352,183	227,719
Other receivables, deposits and prepayments	3,519,020	3,660,886
Deposits placed with licensed bank	1,600,000	1,000,000
Cash and bank balances	262,548	8,138,661
	<b>5,733,751</b>	<b>141,054,692</b>
<b>TOTAL ASSETS</b>	<b>546,733,751</b>	<b>682,054,692</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	4,874,417	6,744,968
Borrowings	100,000	105,500,000
Derivative financial instrument	-	290,370
	<b>4,974,417</b>	<b>112,535,338</b>
<b><u>Current liabilities</u></b>		
Trade payables	952,904	315,577
Other payables and provisions	1,880,984	16,119,635
Tenants' deposits	5,994,816	6,502,716
Borrowings	500,000	10,900,000
	<b>9,328,704</b>	<b>33,837,928</b>
<b>TOTAL LIABILITIES</b>	<b>14,303,121</b>	<b>146,373,266</b>
<b>NET ASSET VALUE</b>	<b>532,430,630</b>	<b>535,681,426</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	185,903,715	227,177,751
Undistributed income - realised	61,182,149	23,158,909
	<b>532,430,630</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>1.8981</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 THIRD QUARTER ENDED 30 SEPTEMBER 2015**

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 2015</b>	<b>285,344,766</b>	<b>227,177,751</b>	<b>23,158,909</b>	<b>535,681,426</b>
<b>Operations for the period ended 30 September 2015</b>				
Net income for the period	-	-	14,701,204	14,701,204
Realisation of unrealised income	-	(41,274,036)	41,274,036	-
Total comprehensive income for the period	-	(41,274,036)	55,975,240	14,701,204
<b>Unitholders' transactions</b>				
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)
<b>At 30 September 2015</b>	<b>285,344,766</b>	<b>185,903,715</b>	<b>61,182,149</b>	<b>532,430,630</b>
<b><u>Preceding Year To Date</u></b>				
<b>At 1 January 2014</b>	<b>285,344,766</b>	<b>199,799,105</b>	<b>28,282,892</b>	<b>513,426,763</b>
<b>Operations for the period ended 30 September 2015</b>				
Total comprehensive income for the period	-	632,965	15,849,328	16,482,293
	-	632,965	15,849,328	16,482,293
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2013 final (paid on 28 February 2014)	-	-	(15,736,050)	(15,736,050)
- 2014 interim (paid on 27 August 2014)	-	-	(10,743,150)	(10,743,150)
	-	-	(26,479,200)	(26,479,200)
<b>At 30 September 2014</b>	<b>285,344,766</b>	<b>200,432,070</b>	<b>17,653,020</b>	<b>503,429,856</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 2014 and the accompanying explanatory notes attached.



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

The figures have not been audited.

	<b>Current Year To Date 30.09.2015 RM</b>	<b>Preceding Year To Date 30.09.2014 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	14,701,204	16,482,293
Adjustments for:		
Interest expense	1,837,389	4,061,591
Interest income	(535,426)	(65,671)
Realised gain on disposal of investment properties	(658,815)	-
Change in fair value of derivatives		(632,965)
Operating profit before working capital changes	<u>15,344,352</u>	<u>19,845,248</u>
Changes in working capital:		
Trade and other receivables	17,402	(1,352,923)
Trade and other payables	<u>(15,979,775)</u>	<u>1,287,289</u>
<b>Net cash generated from operating activities</b>	<u>(618,021)</u>	<u>19,779,614</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceed from divestment of investment property	128,686,241	-
Interest income	<u>535,426</u>	<u>65,671</u>
<b>Net cash generated from investing activities</b>	<u>129,221,667</u>	<u>65,671</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(1,837,389)	(4,158,061)
(Repayment)/Drawdown of borrowings	(116,090,370)	10,500,000
Distribution paid to unitholders	<u>(17,952,000)</u>	<u>(26,479,200)</u>
<b>Net cash used in financing activities</b>	<u>(135,879,759)</u>	<u>(20,137,261)</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(7,276,113)</u>	<u>(291,976)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>8,838,661</u>	<u>606,803</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>1,562,548</u>	<u>314,827</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	262,548	314,827
Deposits placed with licensed financial bank	<u>1,600,000</u>	<u>300,000</u>
	1,862,548	614,827
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>1,562,548</u>	<u>314,827</u>

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.

The Trust had, on 28 August 2015, paid an interim income distribution of 3.20 sen per unit, amounting to RM8,976,000 for the financial period ended 30 June 2015.

**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 2015, the Trust recorded a gross revenue of RM8.93 million representing a decrease of 11% as compared to the corresponding quarter in the preceding year. The decrease was mainly attributed to lower occupancy rates in HP Towers and Menara HLA.

However, the Trust recorded a net income of RM4.84 million, an increase of 13% as compared to the corresponding quarter in the preceding year, mainly due to the lower interest expense.

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

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

**B4. Changes in Net Asset Value**

	<b>As at 30.09.2015 RM</b>	<b>As at 30.06.2015 RM</b>
Net asset value ("NAV")	532,430,630	536,569,414
NAV per unit	1.8981	1.9129

The NAV per unit as at 30 September 2015 was lower as compared to the immediate preceding quarter as a result of the payment of interim distributions for the financial period ended 30 June 2015.

**B5. Changes in Unit Price**

On 30 September 2015, Tower REIT's unit price closed at RM1.17 per unit (RM1.21 as at 30 June 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 rates continue to face strong challenges due to the continuous supply of new 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 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 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 30 September 2015 of RM983,431 and RM643,684 are 0.18% and 3.59% 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 year ended 30 September 2015 is RM120,699.

**B16. Tax Expense**

	Current Year to Date 30.9.2015 RM'000	Preceding Year to Date 30.9.2014 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	14,701	16,482
Income tax using Malaysian tax rate of 25% (2014: 25%)	3,675	4,121
Non-deductible expenses	79	491
Effect of fair value adjustment on derivatives	-	(158)
Gain on disposal of investment properties	(659)	-
Effect of income exempted from tax	(3,095)	(4,454)
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 2015, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	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	71,100
Hong Leong Assurance Berhad	57,771	67,592
Asia Fountain Investment Company Limited	14,000	16,380
Hong Leong Bank Berhad	13,409	15,689
Hong Leong Investment Bank Berhad	5,887	6,888
Hong Leong Foundation	2,519	2,947
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 30 September 2015.



**TOWER REAL ESTATE INVESTMENT TRUST**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

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**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 2015 and of its financial performance and cash flows for the period ended 30 September 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  
26 November 2015**