

Consolidated results for the financial period ended 31 Dec 2018

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2019
Quarter	Other
Quarterly report for the financial period ended	31 Dec 2018
The figures	have not been audited

Attachments

[Tower REIT-Quarterly Report \(31122018\).pdf](#)
220.0 kB

Default Currency Other Currency Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 31 Dec 2018

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	Three Months	Three Months	Twelve Months	Twelve Months
	01 Oct 2018 To	01 Oct 2017 To	01 Jan 2018 To	01 Jan 2017 To
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	8,732	0	29,692	0
2 Profit/(loss) before tax	5,876	0	15,815	0
3 Profit/(loss) for the period	-4,674	0	5,265	0
4 Profit/(loss) attributable to ordinary equity holders of the parent	-4,674	0	5,265	0
5 Basic earnings/(loss) per share (Subunit)	-1.67	0.00	1.88	0.00
6 Proposed/Declared dividend per share (Subunit)	0.00	0.00	4.10	0.00
	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 (\$\$)	1.8949		1.9451	

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	25 Jan 2019
Category	Financial Results
Reference Number	FRA-24012019-00006

**CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2018**

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The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 31.12.2018 RM	Current Year To Date 31.12.2018 RM
<u>Income</u>		
Gross revenue	8,731,688	29,691,727
Property operating expenses	(2,985,032)	(12,369,855)
Net property income	5,746,656	17,321,872
Interest income	26,264	143,694
Other income	755,581	820,418
	6,528,501	18,285,984
<u>Expenses</u>		
Manager's fees	(511,463)	(1,860,567)
Trustee's fee	(40,983)	(162,790)
Administrative expenses	(59,713)	(268,160)
Interest expenses	(40,296)	(179,564)
	(652,455)	(2,471,081)
Net Trust Income	5,876,046	15,814,903
Change in fair value of investment properties	-	-
Income before tax	5,876,046	15,814,903
Taxation	(10,550,000)	(10,550,000)
(Loss)/income after tax	(4,673,954)	5,264,903
Other comprehensive income	-	-
Total comprehensive (loss)/income for the period	(4,673,954)	5,264,903
Total comprehensive (loss)/income for the period is made up as follows:		
- Realised	5,876,046	15,814,903
- Unrealised	(10,550,000)	(10,550,000)
	(4,673,954)	5,264,903
(LOSS)/EARNINGS PER UNIT (SEN)		
- Basic	(1.67)	1.88

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 2017 and the accompanying explanatory notes attached.

The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 31.12.2018 RM	Current Year To Date 31.12.2018 RM
Statement of Income Distribution:		
Rental income	8,731,688	29,691,727
Interest income	26,264	143,694
Other income	755,581	820,418
	9,513,533	30,655,839
Less:		
Expenses	(3,637,487)	(14,840,936)
Taxation	-	-
Realised income for the period/year	5,876,046	15,814,903
Previous quarter/year undistributed realised income	60,930,664	64,736,307
Total realised income available for distribution	66,806,710	80,551,210
Less: Proposed/declared income distribution	(5,610,000)	(19,354,500)
Balance undistributed realised income	61,196,710	61,196,710
Distribution per unit (sen)	2.00	6.90

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 2017 and the accompanying explanatory notes attached.

The figures have not been audited.

	As At 31.12.2018 RM	As At 31.12.2017 RM
ASSETS		
<u>Non-current assets</u>		
Investment Properties	562,000,000	562,000,000
<u>Current Assets</u>		
Trade receivables	844,100	88,325
Other receivables, deposits and prepayments	1,032,521	931,281
Deposits placed with licensed bank	1,420,000	3,920,000
Cash and bank balances	1,405,402	430,521
	4,702,023	5,370,127
TOTAL ASSETS	566,702,023	567,370,127
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	8,289,231	4,092,336
Borrowings	100,000	100,000
Deferred tax liability	21,100,000	10,550,000
	29,489,231	14,742,336
<u>Current liabilities</u>		
Trade payables	552,791	422,950
Other payables and provisions	3,370,044	1,463,087
Borrowings	1,000,000	-
Tenants' deposits	777,268	5,139,469
	5,700,103	7,025,506
TOTAL LIABILITIES	35,189,334	21,767,842
NET ASSET VALUE	531,512,689	545,602,285
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	184,971,213	195,521,213
Undistributed income - realised	61,196,710	64,736,306
	531,512,689	545,602,285
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.8949	1.9451

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

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 2018	285,344,766	195,521,213	64,736,307	545,602,286
Operations for the period ended 31 December 2018				
Net income for the year	-	(10,550,000)	15,814,903	5,264,903
Total comprehensive income for the year	-	(10,550,000)	15,814,903	5,264,903
Unitholders' transactions				
Distribution to unitholders				
- 2017 final (paid on 28 February 2018)	-	-	(7,854,000)	(7,854,000)
- 2018 interim (paid on 30 August 2018)	-	-	(5,890,500)	(5,890,500)
- 2018 interim (paid on 28 November 2018)	-	-	(5,610,000)	(5,610,000)
	-	-	(19,354,500)	(19,354,500)
At 31 December 2018	285,344,766	184,971,213	61,196,710	531,512,689

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 2017 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 31 DECEMBER 2018

The figures have not been audited.

**Current
Year
To Date
31.12.2018
RM**

CASH FLOW FROM OPERATING ACTIVITIES

Income before tax	15,814,903
Adjustments for:	
Interest expense	(179,564)
Interest income	(143,694)
Operating profit before working capital changes	<u>15,491,645</u>
Changes in working capital:	
Trade and other receivables	(857,015)
Trade and other payables	<u>1,871,493</u>
Net cash generated from operating activities	<u>16,506,123</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>143,694</u>
Net cash generated from investing activities	<u>143,694</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Interest paid	179,564
Proceeds from borrowings	7,000,000
Repayment of borrowings	(6,000,000)
Distribution paid to unitholders	<u>(19,354,500)</u>
Net cash used in financing activities	<u>(18,174,936)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,525,119)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,050,521</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,525,402</u>

Cash and cash equivalents at end of period comprise:

Cash and bank balances	1,405,402
Deposits placed with licensed financial bank	<u>1,420,000</u>
	2,825,402
Deposits pledged as security	<u>(300,000)</u>
	<u>2,525,402</u>

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 2017.

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 2017. The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The initial application of the accounting standard, amendment and interpretation is not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT save for the disclosures and separation of leasing income from non-leasing income in profit or loss.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 31 December 2017 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 November 2018, paid a second interim income distribution of 2.00 sen per unit, amounting to RM5,610,000 for the financial year ending 30 June 2019.

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. Borrowing and Debt Securities

Particulars of the Trust's borrowings as at 31 December 2018 are as follows::

	RM
Long term borrowings	
Secured	100,000
Unsecured	-
	<u>100,000</u>
Short term borrowings	
Secured	1,000,000
Unsecured	-
	<u>1,000,000</u>

The above borrowing is denominated in Ringgit Malaysia.

A11. Material Events

There were no material events subsequent to the end of the quarterly period.

A12. Changes in the Composition of the Trust

There was no change in the composition of the Trust during the current quarter, and the fund comprised of 280,500,000 units.

A13. 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 2018, the Trust recorded gross revenue of RM8.73 million and a net realised income of RM5.88 million, representing an increase of 20.6% and 10.7% respectively as compared to the corresponding quarter in the preceding year.

The higher net trust income in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to forfeiture of deposit and early termination compensation from tenants of 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 2018, Tower REIT's composition of investment portfolio was as follows:

<u>Real Estate</u>	At Valuation RM'000	Total Real Estate Portfolio %
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 31.12.2018 RM	As at 30.9.2018 RM
Net asset value ("NAV")	531,512,689	541,796,643
NAV per unit	1.8949	1.9315

The NAV per unit as at 31 December 2018 was lower as compared to the immediate preceding quarter as a result of the payment of income distribution on 28 November 2018 and increase in provision of deferred tax due to increase of real property gain tax ("RPGT") from 5% to 10% for disposal of properties after 5 years.

B5. Changes in Unit Price

On 31 December 2018, Tower REIT's unit price was last traded at RM0.92 per unit (RM0.94 as at 30 September 2018).

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 coupled by limited demand growth.

B9. Prospects

The business prospects 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 cost and capital expenditure incurred during the quarter under review.

B12. Soft Commission

During the quarter ended 31 December 2018, 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 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.

As at 31 December 2018, Rental Income composition of leasing income and non-leasing income are as follows:

	As at 31.12.2018 RM
Leasing income	6,944,806
Non-leasing income (service charge)	1,786,882
Rental Income	<u>8,731,688</u>

ii) Car Park Income

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.

iii) 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 (excluding taxes) shall consist of:-

- (1) a base fee of up to 0.75% per annum of the gross asset value;
- (2) a performance fee of up to 4.00% per annum of the net property income, but before deduction of property management fees payable;
- (3) an acquisition fee of 1.00% of the acquisition price of any assets acquired; and
- (4) a divestment fee of 0.50% of the sale price of any asset sold or divested.

The total base fee and performance fee for the period ended 31 December 2018 of RM1,251,066 and RM609,501 respectively were 0.22% and 4.94% 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 up to 0.03% per annum of the audited net asset value of Tower REIT with a cap of RM200,000. The total Trustee's fee for the period ended 31 December 2018 is RM162,790.

B16. Tax Expense

	Current Year to Date 31.12.2018 RM'000
Current tax expense	-
Reconciliation of effective tax expense	
Income before tax	15,815
Income tax using Malaysian tax rate of 24% (2017: 24%)	3,796
Non-deductible expenses	225
Effect of income exempted from tax	(4,021)
Income tax expense	-
RPGT - increase due to change of rate to 10%	10,550
Tax Expense	10,550

B17. Income Distribution

No income distribution has been declared for the current quarter under review.

B18. Units held by Related Parties

As at 31 December 2018, 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 31.12.2018	
	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	55,907
Hong Leong Assurance Berhad	57,771	53,149
Asia Fountain Investment Company Limited	14,000	12,880
Associated Land Sendirian Berhad	13,409	12,336
Hong Leong Investment Bank Berhad	5,887	5,416
Dato' Poh Yang Hong	3,085 *	2,838

* Indirect unitholdings.

** The market value is determined by multiplying the number of units with the market price of RM0.92 per unit as at 31 December 2018.

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 2018 and of its financial performance and cash flows for the period ended 31 December 2018.

**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
25 January 2019**

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 31 December 2018 is RM1.8949.

This announcement is dated 25 January 2019.

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	25 Jan 2019
Category	General Announcement for PLC
Reference Number	GA1-24012019-00100