Quarterly rpt on consolidated results for the financial period ended 31 Mar 2024

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2024
Quarter	3 Qtr
Quarterly report for the financial period ended	31 Mar 2024
The figures	have not been audited

Attachments

Tower REIT Q3 Results.pdf
421.1 kB

Default Currency | Other Currency

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION
31 Mar 2024

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
		$$'000	$$'000	$$'000	$$'000
1	Revenue	9,196	8,607	27,333	25,220
2	Profit/(loss) before tax	997	146	1,697	1,105
3	Profit/(loss) for the period	997	146	1,697	1,105
4	Profit/(loss) attributable to ordinary equity holders of the parent	997	146	1,697	1,105
5	Basic earnings/(loss) per share (Subunit)	0.36	0.05	0.60	0.39
6	Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.23	0.31
		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 ($$)	1.7874		1.7863	

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

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	17 May 2024
Category	Financial Results
Reference Number	FRA-15052024-00016

TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 MARCH 2024

Contents	Page
Condensed Statement of Comprehensive Income	1
Condensed Statement of Financial Position	2
Condensed Statement of Changes In Net Asset Value	3
Condensed Statement of Cash Flow	4
Notes to the Financial Statements	5 - 13

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 MARCH 2024

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2024 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2023 RM'000	Current Period To Date 31.03.2024 RM'000	Preceding Period To Date 31.03.2023 RM'000
Income				
Gross revenue	9,196	8,607	27,333	25,220
Property operating expenses	(4,065)	(4,647)	(13,253)	(13,160)
Net property income	5,131	3,960	14,080	12,060
Interest income	15	18	47	44
Other income	70	2	102	27
	5,216	**3,980**	**14,229**	**12,131**
Expenses				
Manager's fees	(580)	(549)	(1,713)	(1,648)
Trustee's fee	(37)	(37)	(113)	(116)
Administrative expenses	(272)	(155)	(521)	(413)
Interest expense	(3,330)	(3,093)	(10,185)	(8,849)
	(4,219)	**(3,834)**	**(12,532)**	**(11,026)**
Net Trust Income	**997**	**146**	**1,697**	**1,105**
Change in fair value of investment properties	-	-	-	-
Income before tax	**997**	**146**	**1,697**	**1,105**
Income tax expense	-	-	-	-
Income after tax	**997**	**146**	**1,697**	**1,105**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**997**	**146**	**1,697**	**1,105**
Total comprehensive income for the period is made up as follows:				
- Realised	997	146	1,697	1,105
- Unrealised	-	-	-	-
	997	**146**	**1,697**	**1,105**
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.36	0.05	0.60	0.39
- Unrealised	-	-	-	-
	0.36	0.05	0.60	0.39

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

The figures have not been audited.

	Unaudited As At 31.03.2024 RM'000	Audited As At 30.06.2023 RM'000
ASSETS		
Non-current assets		
Plant and equipment	9,820	7,963
Investment properties	797,200	797,200
	807,020	805,163
Current Assets		
Trade receivables	1,460	487
Other receivables, deposits and prepayments	1,946	1,260
Cash and bank balances	652	1,324
	4,058	3,071
TOTAL ASSETS	811,078	808,234
LIABILITIES		
Non-current liabilities		
Tenants' deposits	8,370	9,116
Borrowings	260,457	260,292
Deferred tax liability	17,279	17,279
	286,106	286,687
Current liabilities		
Trade payables	92	1,562
Other payables and provisions	7,083	5,584
Tenants' deposits	4,631	2,330
Borrowings	11,800	11,000
	23,606	20,476
TOTAL LIABILITIES	309,712	307,163
NET ASSET VALUE	**501,366**	**501,071**
REPRESENTED BY :		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	155,631	155,631
Undistributed income - realised	60,390	60,095
	501,366	**501,071**
NUMBER OF UNITS IN CIRCULATION (UNITS)	**280,500,000**	**280,500,000**
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.7874	1.7863
- After income distribution	1.7874	1.7836

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE THIRD QUARTER ENDED 31 MARCH 2024

The figures have not been audited.

		Undistributed Income		
	Unitholders' Capital RM'000	Non-distributable Unrealised RM'000	Distributable Realised RM'000	Total RM'000
Current Period To Date				
At 1 July 2023	**285,345**	**155,631**	**60,095**	**501,071**
Operations for the period ended 31 March 2024				
Net income for the period	-	-	1,697	1,697
Total comprehensive income for the period	-	-	1,697	1,697
Unitholders' transactions				
Distribution to unitholders				
- 2023 final (paid on 30 August 2023)	-	-	(757)	(757)
- 2024 interim (paid on 28 February 2024)	-	-	(645)	(645)
	-	-	(1,402)	(1,402)
At 31 March 2024	**285,345**	**155,631**	**60,390**	**501,366**
Preceding Period To Date				
At 1 July 2022	**285,345**	**175,011**	**61,008**	**521,364**
Operations for the period ended 31 March 2023				
Net income for the period	-	-	1,105	1,105
Total comprehensive income for the period	-	-	1,105	1,105
Unitholders' transactions				
Distribution to unitholders				
- 2022 final (paid on 30 August 2022)	-	-	(1,823)	(1,823)
- 2023 interim (paid on 28 February 2023)	-	-	(870)	(870)
	-	-	(2,693)	(2,693)
At 31 March 2023	**285,345**	**175,011**	**59,420**	**519,776**

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE THIRD QUARTER ENDED 31 MARCH 2024

The figures have not been audited.

	Current Period To Date 31.03.2024 RM'000	Preceding Period To Date 31.03.2023 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Income before tax	1,697	1,105
Adjustments for:		
Depreciation	615	594
Interest expense	10,185	8,849
Interest income	(47)	(44)
Operating profit before working capital changes	12,450	10,504
Changes in working capital:		
Trade and other receivables	(1,659)	(1,920)
Trade and other payables	1,584	(1,028)
Net cash generated from operating activities	12,375	7,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant & equipment	(2,472)	(1,303)
Interest income	47	44
Net cash used in investing activities	(2,425)	(1,259)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(10,020)	(8,686)
Proceeds from borrowings	3,400	6,000
Repayment of borrowings	(2,600)	(2,600)
Distribution paid to unitholders	(1,402)	(2,693)
Net cash used in financing activities	(10,622)	(7,979)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(672)	(1,682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	1,324	1,743
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	652	61
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	652	61
	652	61

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023 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 30 June 2023.

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 30 June 2023. The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of Tower REIT.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 30 June 2023 was not subject to any qualification.

A3. Seasonality or Cyclicality 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 year.

A6. Debt and Equity Securities

There was 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 Current Quarter

The Trust had, on 28 February 2024 paid an interim income distribution of 0.23 sen per unit, amounting to RM645,150 for the financial year ending 30 June 2024.

A8. Segmental Reporting

No operating segment information has been prepared as the Trust has only one reportable segment and its assets are located in Malaysia.

A9. Valuation of Investment Properties

The valuation of Menara HLX, Plaza Zurich and Menara Guoco 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 March 2024 are as follows:

	RM'000
Secured	272,257
Unsecured	-
	272,257

The above borrowing is denominated in Ringgit Malaysia.

A11. Material Events

There were no material events subsequent to the current period under review up to the date of this quarterly report that required disclosure.

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

Performance of the Third Quarter/Nine-Month Financial Period

Gross revenue for the quarter ended 31 March 2024 ("Third Quarter") recorded an increase of 6.8% to RM9.2 million as compared to the corresponding quarter of the preceding year. This was mainly due to higher occupancy achieved. Property operating costs were lower by 12.5% due to assessment rebates received, lower agency commission and electricity expenses. Electricity costs have dropped by 9.8% following the chiller upgrade in Menara HLX. Interest expense increased by 7.7% following the interest rate hikes last year. Accordingly, net trust income before tax improved by RM0.8 million as compared to the corresponding quarter of the preceding year.

For the nine-month financial period, gross revenue and net trust income improved by RM2.1 million (8.4%) and RM0.6 million (53.6%) respectively as compared to the corresponding period of the preceding year. The improvement in the results was mainly due to higher rental income partially offset by higher interest expense.

B2. Material Change in Income before Tax for the Third Quarter Compared with Immediate Preceding Quarter

Net trust income for the Third Quarter of RM1.0 million was RM0.6 million higher compared to RM0.4 million in the immediate preceding quarter. This was mainly due to the lower property operating expenses in the Third Quarter.

B3. Changes in State of Affairs

There were no material changes in the state of affairs of the Trust for the Third Quarter.

B4. Changes in Portfolio Composition

As at 31 March 2024, Tower REIT's composition of investment portfolio was as follows:

Real Estate	RM'000	% of Total Real Estate Portfolio
Menara HLX	324,000	41
Plaza Zurich	224,000	28
Menara Guoco	249,200	31
	797,200	100

B5. Changes in Net Asset Value

	As at 31.03.2024 RM'000	As at 31.12.2023 RM'000
Net asset value ('NAV')	501,366	501,014
NAV per unit (RM)	1.7874	1.7861

NAV per unit as at 31 March 2024 was comparable with the immediate preceding quarter.

B6. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.355 per unit on 31 March 2024 (RM0.370 as at 31 December 2023).

B7. Utilisation of Proceeds Raised from any Issuance of New Units

There was no issuance of new units during the Third Quarter.

B8. Circumstances Affecting Interest of the Unitholders

There were no unusual circumstances that had materially affected the interest of the unitholders for the current quarter save and except for the circumstances mentioned in B10 below.

B9. Prospects

Our Manager has achieved improved occupancies in all its properties within the Tower REIT portfolio in the current financial period. Office rental market remains challenging particularly in the Klang Valley with more incoming supply of higher-grade offices. Overall, high vacancies, depressed rental rate, rising operating expenses and elevated interest cost continue to persist. However, we see tentative signs that economic activities have started to pick up with more leasing enquiries as business confidence grows. Our Manager continues to pursue refurbishment initiatives to improve building attributes and enhance ESG performance while expanding its leasing pipeline. The foregoing together with diligent cost management remain the strategic imperatives to protect and sustain the competitive position of its portfolio of buildings.

B10. Material Litigation

The Inland Revenue Board ("IRB") has on 7 December 2021, appealed to the Court of Appeal against the decision of the High Court, which was in favour of Tower REIT on the assessment of real property gains tax of RM2.4 million in relation to the disposal of Menara ING in year 2014. The IRB has subsequently on 5 March 2024 withdrawn the appeal against the decision of the High Court.

B11. Status of Corporate Proposal

On 13 December 2023, Hong Leong Investment Bank Berhad ("HLIB") had on behalf of the Board of Directors of the Manager ("Board") announced that the Manager proposed to undertake the following:-

i. a renounceable rights issue of new units in Tower REIT to raise gross proceeds of up to RM66.00 million ("Rights Issue"); and

ii. an exemption under Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions to GLM Equities Sdn Bhd ("GLME"), being a major unitholder of Tower REIT, and GuocoLand (Malaysia) Berhad, being the holding company of GLME, together with their persons acting in concert, from the obligation to undertake a mandatory offer for all the remaining units in Tower REIT not already owned by them due to the implementation of GLME's additional undertaking pursuant to the Rights Issue ("Exemption").

(The Rights Issue and Exemption are collectively referred to as the "Corporate Exercises")

The approvals for the Corporate Exercises have been obtained from the following:

a. Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing and quotation of up to 210,375,000 Rights Units to be issued pursuant to the Rights Issue on the Main Market of Bursa Securities, of which was obtained vide its letter dated 23 February 2024;

b. the Unitholders of Tower REIT ("Unitholders") for the Rights Issue and the non-interested Unitholders for the Exemption. The approvals were obtained at the Unitholders' meeting held on 22 March 2024; and

c. the Securities Commission Malaysia for the Exemption, of which was obtained vide its letter dated 27 March 2024.

On 15 April 2024, the Board had fixed the issue price of the Rights Units at RM0.31 each at the entitlement basis of 3 Rights Units for every 4 existing units held by the entitled Unitholders.

On 3 May 2024, the abridged prospectus, notice of provisional allotment and rights subscription form in relation to the Rights Issue were despatched to the Unitholders.

On 16 May 2024, the acceptance and payment and excess application for the Rights Issue was closed.

Save for the above, there are no other corporate proposals announced but not completed for the current quarter under review.

B12. Soft Commission

During the quarter ended 31 March 2024, 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) Gross Revenue

For the 3-month quarter ended 31 March 2024, gross revenue composition of rental income and non-rental income are as follows:

	RM'000
Rental income	5,556
Service charge	2,633
Car park and other income	1,007
Gross Revenue	9,196

ii) Rental income and service charge

Rental income and service charge from investment property are recognised in profit or loss over the term of the lease unless collectability is in doubt, in which case, are recognised on a receipt basis.

iii) Car park income

Car park income is recognised in profit or loss upon services being rendered.

iv) Other income

Other income consists of income from signage rental, compensation charges and other associated income. Other income is recognised when services are rendered.

v) 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 March 2024 of RM1,213,153 and RM499,627 respectively were 0.20% 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 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 March 2024 is RM113,237.

B16. Tax Expense

	3 months ended		Period-to-date	
	31.03.2024 RM'000	31.03.2023 RM'000	31.03.2024 RM'000	31.03.2023 RM'000
Current tax expense	-	-	-	-
Reconciliation of tax expense				
Income before tax	997	146	1,697	1,105
Income tax using Malaysian tax rate of 24%	239	35	407	265
Non-deductible expenses	111	109	294	279
Effect of income exempted from tax	(350)	(144)	(701)	(544)
Total income tax expense	-	-	-	-

Under Section 61A of the Income Tax Act 1967, the undistributed income of a REIT are exempted from income tax provided that the REIT distributes 90% or more of its total income for the year. If the REIT is unable to meet the 90% distribution criteria, the entire taxable income of the REIT for the year would be subject to income tax.

As Tower REIT intends to distribute at least 90% of its total income for the year to its unitholders, no provision for tax has been made in the current quarter.

B17. Income Distribution

No income distribution had been declared for the current quarter.

The interim income distribution for the current financial period to the unitholders is derived from the following sources: -

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2024 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2023 RM'000	Current Year To Date 31.03.2024 RM'000	Preceding Year To Date 31.03.2023 RM'000
Rental income	9,196	8,607	27,333	25,220
Interest income	15	18	47	44
Other income	70	2	102	27
	9,281	8,627	27,482	25,291
Less:				
Expenses	(8,284)	(8,481)	(25,785)	(24,186)
Taxation	-	-	-	-
Realised income for the period	**997**	**146**	**1,697**	**1,105**
Previous quarter/year undistributed realised income	59,393	59,274	59,338	59,185
Total realised income available for distribution	**60,390**	**59,420**	**61,035**	**60,290**
Less: Proposed/declared income distribution	-	-	(645)	(870)
Balance undistributed realised income	**60,390**	**59,420**	**60,390**	**59,420**
Distribution per unit (sen)	-	-	0.23	0.31

B18. Units held by Related Parties

As at 31 March 2024, 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 unitholdings in Tower REIT of the related parties of the Manager:		
GLM Equities Sdn Bhd	60,769	21,573
Hong Leong Assurance Berhad	58,271	20,686
Asia Fountain Investment Company Limited	14,000	4,970
Associated Land Sendirian Berhad	13,409	4,760
Hong Leong Investment Bank Berhad	5,887	2,090

** The market value is determined by multiplying the number of units with the market price as at 31 March 2024 of RM0.355 per unit.

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 March 2024 and of its financial performance and cash flows for the period ended 31 March 2024.

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
17 May 2024