

Quarterly rpt on consolidated results for the financial period ended 30 Sep 2020

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2021
Quarter	1 Qtr
Quarterly report for the financial period ended	30 Sep 2020
The figures	have not been audited

Attachments

 [Tower REIT Q1 Results \(30.09.2020\).pdf](#)
237.7 kB

Default Currency	Other Currency
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Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 30 Sep 2020

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	6,511	5,659	6,511	5,659
2 Profit/(loss) before tax	1,566	2,040	1,566	2,040
3 Profit/(loss) for the period	1,566	2,040	1,566	2,040
4 Profit/(loss) attributable to ordinary equity holders of the parent	1,566	2,040	1,566	2,040
5 Basic earnings/(loss) per share (Subunit)	0.56	0.73	0.56	0.73
6 Proposed/Declared dividend per share (Subunit)	1.18	3.93	1.18	3.93
	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 (\$\$)	1.8951		1.9013	

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	13 Oct 2020
Category	Financial Results
Reference Number	FRA-01102020-00002

**CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2020 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2019 RM'000	Current Year To Date 30.09.2020 RM'000	Preceding Year To Date 30.09.2019 RM'000
<u>Income</u>				
Gross revenue	6,511	5,659	6,511	5,659
Property operating expenses	(3,083)	(3,021)	(3,083)	(3,021)
Net property income	3,428	2,638	3,428	2,638
Interest income	10	47	10	47
Other income	28	25	28	25
	3,466	2,710	3,466	2,710
<u>Expenses</u>				
Manager's fees	(525)	(409)	(525)	(409)
Trustee's fee	(40)	(40)	(40)	(40)
Administrative expenses	(544)	(161)	(544)	(161)
Interest expenses	(791)	(60)	(791)	(60)
	(1,900)	(670)	(1,900)	(670)
Net Trust Income	1,566	2,040	1,566	2,040
Change in fair value of investment properties	-	-	-	-
Income before tax	1,566	2,040	1,566	2,040
Taxation	-	-	-	-
Income after tax	1,566	2,040	1,566	2,040
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	1,566	2,040	1,566	2,040
Total comprehensive income for the period is made up as follows:				
- Realised	1,566	2,040	1,566	2,040
- Unrealised	-	-	-	-
	1,566	2,040	1,566	2,040
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.56	0.73	0.56	0.73
- Unrealised	-	-	-	-
	0.56	0.73	0.56	0.73

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the accompanying explanatory notes attached.

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2020 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2019 RM'000	Current Year To Date 30.09.2020 RM'000	Preceding Year To Date 30.09.2019 RM'000
Statement of Income Distribution:				
Rental income	6,511	5,659	6,511	5,659
Interest income	10	47	10	47
Other income	28	25	28	25
	<u>6,549</u>	<u>5,731</u>	<u>6,549</u>	<u>5,731</u>
Less:				
Expenses	(4,983)	(3,691)	(4,983)	(3,691)
Taxation	-	-	-	-
Realised income for the period/year	<u>1,566</u>	<u>2,040</u>	<u>1,566</u>	<u>2,040</u>
Previous quarter/year undistributed realised income	61,969	69,009	61,969	69,009
Total realised income available for distribution	<u>63,535</u>	<u>71,049</u>	<u>63,535</u>	<u>71,049</u>
Less: Proposed/declared income distribution	(3,310)	(11,024)	(3,310)	(11,024)
Balance undistributed realised income	<u>60,225</u>	<u>60,025</u>	<u>60,225</u>	<u>60,025</u>
Distribution per unit (sen)	1.18	3.93	1.18	3.93

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Unaudited As At 30.09.2020 RM'000	Audited As At 30.06.2020 RM'000
ASSETS		
<u>Non-current assets</u>		
Plant and equipment	23,139	22,358
Investment properties	808,158	562,600
	831,297	584,958
<u>Current Assets</u>		
Trade receivables	405	395
Other receivables, deposits and prepayments	2,548	1,812
Deposits placed with licensed bank	-	1,100
Cash and bank balances	3,704	506
	6,657	3,813
TOTAL ASSETS	837,954	588,771
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	9,041	2,957
Borrowings	254,053	-
Deferred tax liability	20,653	20,653
	283,747	23,610
<u>Current liabilities</u>		
Trade payables	588	314
Other payables and provisions	2,070	4,825
Tenants' deposits	1,987	2,716
Borrowings	18,000	24,000
	22,645	31,855
TOTAL LIABILITIES	306,392	55,465
NET ASSET VALUE	531,562	533,306
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	185,992	185,992
Undistributed income - realised	60,225	61,969
	531,562	533,306
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.8951	1.9013
- After income distribution	1.8951	1.8895

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited.

	Undistributed Income			Total RM'000
	Unitholders' Capital RM'000	Non-distributable Unrealised RM'000	Distributable Realised RM'000	
<u>Current Period To Date</u>				
At 1 July 2020	285,345	185,992	61,969	533,306
Operations for the year ended 30 September 2020				
Net income for the year	-	-	1,566	1,566
Total comprehensive income for the year	-	-	1,566	1,566
Unitholders' transactions				
Distribution to unitholders				
- 2020 final (paid on 28 August 2020)	-	-	(3,310)	(3,310)
	-	-	(3,310)	(3,310)
At 30 September 2020	285,345	185,992	60,225	531,562
<u>Preceding Year To Date</u>				
At 1 July 2019	285,345	185,722	69,009	540,076
Operations for the year ended 30 September 2019				
Net income for the year	-	-	2,040	2,040
Total comprehensive income for the year	-	-	2,040	2,040
Unitholders' transactions				
Distribution to unitholders				
- 2019 final (paid on 28 August 2019)	-	-	(11,024)	(11,024)
	-	-	(11,024)	(11,024)
At 30 September 2019	285,345	185,722	60,025	531,092

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 2020 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited.

	Current Period To Date 30.09.2020 RM'000	Preceding Period To Date 30.09.2019 RM'000
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	1,566	2,040
Adjustments for:		
Depreciation	77	-
Interest expense	791	60
Interest income	(10)	(47)
Operating profit before working capital changes	<u>2,424</u>	<u>2,053</u>
Changes in working capital:		
Trade and other receivables	(746)	(2,943)
Trade and other payables	2,874	940
Net cash generated from operating activities	<u>4,552</u>	<u>50</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payment for enhancement of investment properties	(858)	-
Acquisition of investment property	(245,558)	-
Interest income	10	47
Net cash (used in)/generated from investing activities	<u>(246,406)</u>	<u>47</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(791)	(60)
Proceeds from borrowings	254,053	9,300
Repayment of borrowings	(6,000)	-
Distribution paid to unitholders	(3,310)	(11,024)
Net cash generated from/(used in) financing activities	<u>243,952</u>	<u>(1,784)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,098	(1,687)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,606</u>	<u>6,141</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>3,704</u>	<u>4,454</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	3,704	3,204
Deposits placed with licensed financial bank	-	1,550
	<u>3,704</u>	<u>4,754</u>
Deposits pledged as security	-	(300)
Cash and bank balances	<u>3,704</u>	<u>4,454</u>

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 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 2020.

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 2020. 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.

A2. Audit Report of Preceding Financial period

The Auditors' Report of the preceding financial year ended 30 June 2020 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/period

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 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 Current Quarter

The Trust had, on 28 August 2020 paid a final income distribution of 1.18 sen per unit, amounting to RM3,309,900 for the financial year ended 30 June 2020

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 (formerly known as Menara HLA) and Plaza Zurich had been brought forward without any amendment from the previous audited financial statements. The acquisition of Menara Guoco was completed in August 2020 and is capitalised based on its total purchase consideration paid and associated acquisition costs that are allowable for capitalisation.

A10. Borrowing and Debt Securities

Particulars of the Trust's borrowings as at 30 September 2020 are as follows:

	RM'000
Secured	272,053
Unsecured	-
	<u>272,053</u>

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

For the current quarter ended 30 September 2020, the Trust recorded an increase of 15.1% in gross revenue as compared to the corresponding quarter in the preceding year. The increase was mainly due to the additional revenue generated by the newly acquired investment property, Menara Guoco.

However, net trust income for the current quarter was decreased by 23.2% as compared to the corresponding quarter in the preceding year mainly due to higher interest expense and the one off expenses related to the acquisition of Menara Guoco.

B2. Material Change in Profit Before Tax for the Current Quarter Compared with Immediate Preceding Quarter

The current quarter profit before tax of RM1.57 million was approximately the same as the immediate preceding quarter. The increase contribution from Menara Guoco have been compensated by the lower occupancy in Menara HLX.

B3. Changes in State of Affairs

There were no material changes in the state of affairs of the Trust for the quarter under review.

B4. Changes in Portfolio Composition

As at 30 September 2020, Tower REIT's composition of investment portfolio was as follows:

	RM'000	%
<u>Real Estate</u>		
Menara HLX (formerly known as Menara HLA)	342,300	42
Plaza Zurich	220,300	27
Menara Guoco	245,558	31
	808,158	100

B5. Changes in Net Asset Value

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
Net asset value ("NAV")	531,562	533,306
NAV per unit (RM)	1.8951	1.9013

The NAV per unit as at 30 September 2020 was slightly lower as compared to the immediate preceding quarter as a result of the payment of distribution on 28 August 2020.

B5. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.62 per unit on 30 September 2020 (RM0.75 as at 30 June 2020).

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 save and except for the circumstances mentioned in B8 below.

B8. Prospects

Tower REIT has completed its acquisition of Menara Guoco during the quarter under review. With the diversified tenant base across a broader range of sectors, the Manager is expecting that it will further contribute to the stability of Tower REIT's income.

The Covid-19 pandemic continues to have a profound impact across the global and on the Malaysian economic growth. The demand and rental rates for office sector may continue to be subdued. Nevertheless, the demand remains strong for office spaces in selected strategic locations in Klang Valley. The Manager will continue to take active steps to manage the portfolio in maximising the return to the unitholders.

B9. Material Litigation

Tower REIT has previously appealed to the Special Commissioners of Income Tax ("SCIT") against the issuance of assessment of real property gains tax ("RPGT") to Tower REIT on its disposal of Menara ING in year 2014. The SCIT has decided the matter in favour of Tower REIT in August 2020. The Inland Revenue Board of Malaysia ("IRB") has appealed to the High Court against the decision of SCIT. The amount of RPGT involved is RM2.25 million.

B10. Soft Commission

During the quarter ended 30 September 2020, 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.

B11. Revenue Recognition

i) Gross Revenue

As at 30 September 2020, gross revenue composition of leasing income and non-leasing income are as follows:

	RM'000
Leasing income	3,661
Non-leasing income (service charge)	2,092
Others	758
Gross Revenue	<u>6,511</u>

ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease unless collectability is in doubt, in which case, it is recognised on a receipt basis.

iii) Car park income

Car park income is recognised on an accrual basis except where default in payment of rent has already occurred and rent dues remain outstanding for over six months, in which case, recognition of car park income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

iv) Other income

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

v) Interest Income

Interest income is recognised as it accrues using the effective interest method in statement of comprehensive income.

B12. 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 30 September 2020 of RM401,208 and RM124,184 respectively were 0.19% and 3.46% of the gross asset value and net property income respectively.

B13. 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 30 September 2020 is RM39,788.

B14. Tax Expense

	Current Year to Date 30.09.2020 RM'000
Current tax expense	-
Reconciliation of effective tax expense	
Income before tax	1,566
Income tax using Malaysian tax rate of 24%	376
Non-deductible expenses	63
Effect of income exempted from tax	(439)
Income tax expense	-

B15. Income Distribution

No income distribution had been declared for the current quarter.

B16. Units held by Related Parties

As at 30 September 2020, 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	Market Value**
	'000	RM'000
Direct unitholdings in Tower REIT of the related parties of the Manager:		
GLM Equities Sdn Bhd	60,769	37,373
Hong Leong Assurance Berhad	57,771	35,529
Asia Fountain Investment Company Limited	14,000	8,610
Associated Land Sendirian Berhad	13,409	8,247
Hong Leong Investment Bank Berhad	5,887	3,621

** The market value is determined by multiplying the number of units with the market price as at 30 September 2020 of RM0.62 per unit.

B17. 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 2020 and of its financial performance and cash flows for the period ended 30 September 2020.

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
13 October 2020

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 Trust as at 30 September 2020 is RM1.8951.

Announcement Info

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	13 Oct 2020
Category	General Announcement for PLC
Reference Number	GA1-01102020-00059