Quarterly rpt on consolidated results for the financial period ended 31 Dec 2023

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2024
Quarter	2 Qtr
Quarterly report for the financial period ended	31 Dec 2023
The figures	have not been audited

Attachments

Tower REIT Q2 Results.pdf
265.0 kB

Default Currency | Other Currency

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION
31 Dec 2023

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
		$$'000	$$'000	$$'000	$$'000
1	Revenue	9,083	8,242	18,137	16,613
2	Profit/(loss) before tax	418	108	700	959
3	Profit/(loss) for the period	418	108	700	959
4	Profit/(loss) attributable to ordinary equity holders of the parent	418	108	700	959
5	Basic earnings/(loss) per share (Subunit)	0.15	0.04	0.25	0.34
6	Proposed/Declared dividend per share (Subunit)	0.23	0.31	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 ($$)	1.7861		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	24 Jan 2024
Category	Financial Results
Reference Number	FRA-23012024-00007

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2023

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 SECOND QUARTER ENDED 31 DECEMBER 2023

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2023 RM'000	Preceding Year Corresponding Quarter Ended 31.12.2022 RM'000	Current Period To Date 31.12.2023 RM'000	Preceding Period To Date 31.12.2022 RM'000
Income				
Gross revenue	9,083	8,242	18,137	16,613
Property operating expenses	(4,475)	(4,364)	(9,188)	(8,513)
Net property income	4,608	3,878	8,949	8,100
Interest income	15	13	32	26
Other income	20	23	32	25
	4,643	**3,914**	**9,013**	**8,151**
Expenses				
Manager's fees	(568)	(541)	(1,133)	(1,099)
Trustee's fee	(38)	(39)	(76)	(79)
Administrative expenses	(167)	(179)	(249)	(258)
Interest expenses	(3,452)	(3,047)	(6,855)	(5,756)
	(4,225)	**(3,806)**	**(8,313)**	**(7,192)**
Net Trust Income	**418**	**108**	**700**	**959**
Change in fair value of investment properties	-	-	-	-
Income before tax	**418**	**108**	**700**	**959**
Income tax expense	-	-	-	-
Income after tax	**418**	**108**	**700**	**959**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**418**	**108**	**700**	**959**
Total comprehensive income for the period is made up as follows:				
- Realised	418	108	700	959
- Unrealised	-	-	-	-
	418	**108**	**700**	**959**
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.15	0.04	0.25	0.34
- Unrealised	-	-	-	-
	0.15	0.04	0.25	0.34

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 DECEMBER 2023

The figures have not been audited.

	Unaudited As At 31.12.2023 RM'000	Audited As At 30.06.2023 RM'000
ASSETS		
Non-current assets		
Plant and equipment	9,864	7,963
Investment properties	797,200	797,200
	807,064	805,163
Current Assets		
Trade receivables	1,600	487
Other receivables, deposits and prepayments	626	1,260
Cash and bank balances	1,025	1,324
	3,251	3,071
TOTAL ASSETS	810,315	808,234
LIABILITIES		
Non-current liabilities		
Tenants' deposits	9,474	9,116
Borrowings	260,402	260,292
Deferred tax liability	17,279	17,279
	287,155	286,687
Current liabilities		
Trade payables	286	1,562
Other payables and provisions	6,994	5,584
Tenants' deposits	3,066	2,330
Borrowings	11,800	11,000
	22,146	20,476
TOTAL LIABILITIES	309,301	307,163
NET ASSET VALUE	**501,014**	**501,071**
REPRESENTED BY :		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	155,631	155,631
Undistributed income - realised	60,038	60,095
	501,014	**501,071**
NUMBER OF UNITS IN CIRCULATION (UNITS)	**280,500,000**	**280,500,000**
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.7861	1.7863
- After income distribution	1.7838	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 SECOND QUARTER ENDED 31 DECEMBER 2023

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 December 2023				
Net income for the period	-	-	700	700
Total comprehensive income for the period	-	-	700	700
Unitholders' transactions				
Distribution to unitholders				
- 2023 final (paid on 30 August 2023)	-	-	(757)	(757)
	-	-	(757)	(757)
At 31 December 2023	**285,345**	**155,631**	**60,038**	**501,014**
Preceding Period To Date				
At 1 July 2022	**285,345**	**175,011**	**61,008**	**521,364**
Operations for the period ended 31 December 2022				
Net income for the period	-	-	959	959
Total comprehensive income for the period	-	-	959	959
Unitholders' transactions				
Distribution to unitholders				
- 2022 final (paid on 30 August 2022)	-	-	(1,823)	(1,823)
	-	-	(1,823)	(1,823)
At 31 December 2022	**285,345**	**175,011**	**60,144**	**520,500**

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.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2023

The figures have not been audited.

	Current Period To Date 31.12.2023 RM'000	Preceding Period To Date 31.12.2022 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Income before tax	700	959
Adjustments for:		
Depreciation	410	394
Interest expense	6,855	5,756
Interest income	(32)	(26)
Operating profit before working capital changes	7,933	7,083
Changes in working capital:		
Trade and other receivables	(479)	(561)
Trade and other payables	1,229	(903)
Net cash generated from operating activities	8,683	5,619
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant & equipment	(2,311)	(778)
Interest income	32	26
Net cash used in investing activities	(2,279)	(752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(6,746)	(5,647)
Proceeds from borrowings	2,400	3,000
Repayment of borrowings	(1,600)	(1,600)
Distribution paid to unitholders	(757)	(1,823)
Net cash used in financing activities	(6,703)	(6,070)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(299)	(1,203)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	1,324	1,743
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,025	540
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	1,025	540
	1,025	540

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 impacts 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

No income distribution was paid during the quarter under review.

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 December 2023 are as follows:

	RM'000
Secured	272,202
Unsecured	-
	272,202

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 Second Quarter/Six-Month Financial Period

Gross revenue for the quarter ended 31 December 2023 ("Second Quarter") recorded an increase of 10.2% to RM9.1 million as compared to the corresponding quarter in the preceding year. This was mainly due to higher occupancy rates achieved in the three buildings owned by Tower REIT. Property operating expenses moved up slightly by 2.5% with the increase in electricity cost arising from higher electricity tariff. Interest expense increased by 13.3% as compared to the corresponding quarter in the preceding year arising from the hike in interest rates. Accordingly, the net trust income before tax for the Second Quarter increased by RM0.3 million as compared to the corresponding quarter in the preceding year.

Gross revenue for the 6-month financial period ended 31 December 2023 ("Current Financial Period") recorded an increase of 9.2% as compared to the previous corresponding period for the same reasons mentioned above. However, the net trust income before tax for the Current Financial Period decreased by 27.0% as compared to the previous corresponding period mainly due to higher building operating expenses and interest expenses.

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

Net trust income for the Second Quarter of RM0.4 million was RM0.1 million higher compared to RM0.3 million in the immediate preceding quarter. This was mainly due to the lower property operating expenses in the Second Quarter.

B3. Changes in State of Affairs

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

B4. Changes in Portfolio Composition

As at 31 December 2023, 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 31.12.2023 RM'000	As at 30.9.2023 RM'000
Net asset value ('NAV')	501,014	500,596
NAV per unit (RM)	1.7861	1.7847

NAV per unit as at 31 December 2023 was comparable with the immediate preceding quarter.

B6. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.370 per unit on 31 December 2023 (RM0.415 as at 30 September 2023).

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

There was no issuance of new units during the Second 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. However, the office rental market remains challenging particularly in the Klang Valley, witnessing high vacancies from mismatch in supply against demand, competition in rental rates, rising operating expenses and elevated interest cost. Ongoing refurbishment initiatives remain a key focus to improve building attributes and leasing pipeline and enhance ESG performance. The foregoing together with diligent cost management remain the strategic imperatives of the Manager to protect and sustain the competitive position for its portfolio of buildings.

B10. Material Litigation

On 19 November 2021, the High Court delivered its decision in favour of Tower REIT and dismissed the appeal by the Inland Revenue Board against the Special Commissioners of Income Tax's decision on the assessment of real property gains tax ("RPGT") in relation to the disposal of Menara ING in year 2014. The amount of RPGT involved is RM2.4 million.

The IRB has on 7 December 2021, appealed to the Court of Appeal against the decision of the High Court. During the case management held on 14 December 2023, IRB has informed the Court of Appeal that its intention to withdraw the appeal is currently pending approval from its management. The next case management is fixed on 28 February 2024 for IRB to update the Court of Appeal.

B11. Status of Corporate Proposal

On 13 December 2023, Hong Leong Investment Bank Berhad had on behalf of the Board of Directors of the Manager 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 ("Proposed 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 Proposed Rights Issue ("Proposed Exemption").

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposed Rights Issue is expected to be made within 2 months from 13 December 2023. The application for the Proposed Exemption is expected to be submitted to the Securities Commission after obtaining the approval of the non-interested unitholders of Tower REIT at a general meeting of unitholders of Tower REIT to be convened.

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 December 2023, 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 December 2023, gross revenue composition of rental income and non-rental income are as follows:

	RM'000
Rental income	5,460
Service charge	2,629
Car park and other income	994
Gross Revenue	9,083

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 December 2023 of RM807,139 and RM326,207 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 December 2023 is RM75,752.

B16. Tax Expense

	3 months ended		Period-to-date	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Current tax expense	-	-	-	-
Reconciliation of tax expense				
Income before tax	418	108	700	959
Income tax using Malaysian tax rate of 24%	100	26	168	230
Non-deductible expenses	116	139	183	170
Effect of income exempted from tax	(216)	(165)	(351)	(400)
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

The Manager of Tower REIT has declared an interim income distribution of 0.23 sen per unit, amounting to RM645,150 (0.31 sen in previous corresponding period), representing approximately 92.15% of the realised distributable net income for the 6-month period ended 31 December 2023, payable on 28 February 2024 to the unitholders registered in the Record of Depositors on 13 February 2024.

The interim income distribution ended 31 December 2023 is derived from the following sources: -

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2023 RM'000	**Preceding Year Corresponding Quarter Ended 31.12.2022 RM'000**	**Current Year To Date 31.12.2023 RM'000**	**Preceding Year To Date 31.12.2022 RM'000**
Rental income	9,083	8,242	18,137	16,613
Interest income	15	13	32	26
Other income	20	23	32	25
	9,118	8,278	18,201	16,664
Less:				
Expenses	(8,700)	(8,170)	(17,501)	(15,705)
Taxation	-	-	-	-
Realised income for the period	**418**	**108**	**700**	**959**
Previous quarter/year undistributed realised income	59,620	60,036	59,338	59,185
Total realised income available for distribution	**60,038**	**60,144**	**60,038**	**60,144**
Less: Proposed/declared income distribution	(645)	(870)	(645)	(870)
Balance undistributed realised income	**59,393**	**59,274**	**59,393**	**59,274**
Distribution per unit (sen)	0.23	0.31	0.23	0.31

B18. Units held by Related Parties

As at 31 December 2023, 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	22,485
Hong Leong Assurance Berhad	58,271	21,560
Asia Fountain Investment Company Limited	14,000	5,180
Associated Land Sendirian Berhad	13,409	4,961
Hong Leong Investment Bank Berhad	5,887	2,178

** The market value is determined by multiplying the number of units with the market price as at 31 December 2023 of RM0.370 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 December 2023 and of its financial performance and cash flows for the period ended 31 December 2023.

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
24 January 2024