

Quarterly rpt on consolidated results for the financial period ended 31 Dec 2019

Amended Announcements

Please refer to the earlier announcement reference number: FRA-15012020-00003

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2020
Quarter	2 Qtr
Quarterly report for the financial period ended	31 Dec 2019
The figures	have not been audited

Attachments

 Tower REIT - Amended Q2 Results (31.12.19).pdf
226.9 kB

Default Currency	Other Currency
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Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 31 Dec 2019

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	5,572	0	11,231	0
2 Profit/(loss) before tax	1,717	0	3,789	0
3 Profit/(loss) for the period	1,717	0	3,789	0
4 Profit/(loss) attributable to ordinary equity holders of the parent	1,717	0	3,789	0
5 Basic earnings/(loss) per share (Subunit)	0.61	0.00	1.35	0.00
6 Proposed/Declared dividend per share (Subunit)	0.00	0.00	3.93	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 (\$\$)	1.8996		1.9254	

Remarks :

The net assets value per unit after income distribution as at 30 June 2019 should be RM1.8861 instead of RM1.9254 under the condensed statement of financial position on page 3 of the Q2 Results for the financial period ended 31 December 2019.

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	22 Jan 2020
Category	Financial Results
Reference Number	FRA-22012020-00008

**CONDENSED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 31.12.2019 RM'000	Current Year To Date 31.12.2019 RM'000
<u>Income</u>		
Gross revenue	5,572	11,231
Property operating expenses	(3,220)	(6,240)
Net property income	2,352	4,990
Interest income	22	69
Other income	67	92
	2,441	5,152
<u>Expenses</u>		
Manager's fees	(405)	(814)
Trustee's fee	(40)	(81)
Administrative expenses	(177)	(338)
Interest expenses	(101)	(129)
	(724)	(1,362)
Net Trust Income	1,717	3,789
Change in fair value of investment properties	-	-
Income before tax	1,717	3,789
Taxation	-	-
Income after tax	1,717	3,789
Other comprehensive income	-	-
Total comprehensive income for the period	1,717	3,789
Total comprehensive income for the period is made up as follows:		
- Realised	1,717	3,789
- Unrealised	-	-
	1,717	3,789
BASIC EARNINGS PER UNIT (SEN)		
- Realised	0.61	1.35
- Unrealised	-	-
	0.61	1.35

Due to change of financial year end from 31 December 2018 to 30 June 2019, there are no comparatives to be presented in this Condensed Statement of Comprehensive Income.

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 and the accompanying explanatory notes attached.

The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 31.12.2019 RM'000	Current Year To Date 31.12.2019 RM'000
Statement of Income Distribution:		
Rental income	5,572	11,231
Interest income	22	69
Other income	67	92
	5,661	11,392
Less:		
Expenses	(3,944)	(7,603)
Taxation	-	-
	1,717	3,789
Realised income for the period/year	1,717	3,789
Previous quarter/year undistributed realised income	60,058	69,009
	61,775	72,799
Total realised income available for distribution	61,775	72,799
Less: Proposed/declared income distribution	-	(11,024)
	61,775	61,775
Balance undistributed realised income	61,775	61,775
Distribution per unit (sen)	-	3.93

Due to change of financial year end from 31 December 2018 to 30 June 2019, there are no comparatives to be presented in this Condensed Statement of Comprehensive Income.

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 and the accompanying explanatory notes attached.

	Unaudited As At 31.12.2019 RM'000	Audited As At 30.06.2019 RM'000
ASSETS		
<u>Non-current assets</u>		
Investment Properties	562,300	562,300
<u>Current Assets</u>		
Trade receivables	812	243
Other receivables, deposits and prepayments	8,311	3,182
Deposits placed with licensed bank	-	5,662
Cash and bank balances	1,951	779
	11,074	9,866
TOTAL ASSETS	573,374	572,166
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	2,777	2,639
Deferred tax liability	20,623	20,623
	23,400	23,262
<u>Current liabilities</u>		
Trade payables	686	686
Other payables and provisions	3,187	3,447
Tenants' deposits	4,659	4,595
Borrowings	8,600	100
	17,132	8,828
TOTAL LIABILITIES	40,532	32,090
NET ASSET VALUE	532,842	540,076
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	185,722	185,722
Undistributed income - realised	61,775	69,009
	532,842	540,076
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.8996	1.9254
- After income distribution	1.8871	1.8861

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 and the accompanying explanatory notes attached.

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 2019	285,345	185,722	69,009	540,076
Operations for the period ended 31 December 2019				
Net income for the year	-	-	3,789	3,789
Total comprehensive income for the year	-	-	3,789	3,789
Unitholders' transactions				
Distribution to unitholders				
- 2019 final (paid on 28 August 2019)	-	-	(11,024)	(11,024)
	-	-	(11,024)	(11,024)
At 31 December 2019	285,345	185,722	61,775	532,842

Due to change of financial year end from 31 December 2018 to 30 June 2019, there are no comparatives to be presented in this Condensed Statement of Changes in Net Asset Value.

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 and the accompanying explanatory notes attached.

The figures have not been audited.

	Current Period To Date 31.12.2019 RM'000
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>	
Income before tax	3,789
Adjustments for:	
Interest expense	129
Interest income	(69)
Operating profit before working capital changes	<u>3,849</u>
Changes in working capital:	
Trade and other receivables	(5,698)
Trade and other payables	(57)
Net cash (used in)/generated from operating activities	<u>(1,906)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Withdrawal of deposits placed with licensed financial bank	300
Interest income	69
Net cash generated from investing activities	<u>369</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Interest paid	(129)
Proceeds from borrowings	8,500
Distribution paid to unitholders	(11,024)
Net cash used in financing activities	<u>(2,653)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,190)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,141</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,951</u>

Due to change of financial year end from 31 December 2018 to 30 June 2019, there are no comparatives to be presented in this condensed statement of cash flow.

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 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 period ended 30 June 2019.

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 period ended 30 June 2019. 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 of the financial statements of Tower REIT save for the disclosures and separation of leasing income from non-leasing income in statement of comprehensive income.

A2. Audit Report of Preceding Financial period

The Auditors' Report of the preceding financial period ended 30 June 2019 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/period 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

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 HLA and Plaza Zurich 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 2019 are as follows:

	RM'000
Secured	8,600
Unsecured	-
	<u>8,600</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.

A14. Change of Financial Year End

The Trust had, on 13 September 2018, changed its financial year end from 31 December 2018 to 30 June 2019 to cover the 18 month period from 1 January 2018 to 30 June 2019 and thereafter, to end on 30 June each year. There are no comparatives to be presented for the condensed statement of comprehensive income, condensed statement of changes in net asset value and condensed statement of cash flow as the amounts are not comparable.

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 2019, the Trust recorded gross revenue of RM5.57 million and a net trust income of RM1.72 million, representing a decrease of 36.2% and 70.8% respectively as compared to the corresponding quarter in the preceding year.

The lower net trust income in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to lower occupancy rate in both Menara HLA and Plaza Zurich and forfeiture of deposit and early termination compensation from tenants of Menara HLA in the corresponding quarter in the preceding year.

	Individual Quarter	
	3 Months	3 Months
	31.12.2019	31.12.2018
	RM'000	RM'000
Gross revenue	5,572	8,732
Net property income	2,352	5,747
Net trust income	1,717	5,876

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

The current quarter profit before tax of RM1.7 million was RM0.3 million lower than immediate preceding quarter profit before tax of RM2.0 million. The lower profit of the current quarter was mainly due to increase in property operating expenses in Menara HLA and interest expense.

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 31 December 2019, Tower REIT's composition of investment portfolio was as follows:

	At	Total Real
	Valuation	Estate
	RM'000	Portfolio
		%
<u>Real Estate</u>		
Menara HLA	342,200	61
Plaza Zurich	220,100	39
	<u>562,300</u>	<u>100</u>

B5. Changes in Net Asset Value

	31.12.2019	30.09.2019
	RM'000	RM'000
Net asset value ("NAV")	532,842	531,092
NAV per unit (RM)	1.8996	1.8934

The NAV per unit as at 31 December 2019 was higher as compared to the immediate preceding quarter as a result of income distribution paid in immediate preceding quarter.

B5. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.82 per unit on 31 December 2019 (RM0.85 as at 30 September 2019).

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 office property market business prospects is expected to remain challenging due to difficult operating environment mainly caused by the oversupply situation. The Manager has taken active steps and shall continue to manage the portfolio to maximise the 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 2019, 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

As at 31 December 2019, gross revenue composition of leasing income and non-leasing income are as follows:

	RM'000
Leasing income	3,349
Non-leasing income (service charge)	1,497
Others	726
Gross Revenue	<u>5,572</u>

Leasing income comprises of rental from investment property and rental/car park income. Rental from investment property is recognised in the statement of comprehensive income 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 as it accrues using the effective interest method in statement of comprehensive income.

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 2019 of RM633,602 and RM180,896 respectively were 0.22% 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 2019 is RM80,642.

B16. Tax Expense

	Current Year to Date 31.12.2019 RM'000
Current tax expense	-
Reconciliation of effective tax expense	
Income before tax	3,789
Income tax using Malaysian tax rate of 24%	909
Non-deductible expenses	9
Effect of income exempted from tax	(918)
Income tax expense	-

B17. Income Distribution

The Manager of Tower REIT has declared an interim income distribution of 1.25 sen per unit, amounting to RM3,506,250 (nil in previous corresponding period), representing approximately 92.53% of the realised distributable net income for the 6-month period ended 31 December 2019, payable on 28 February 2020 to the unitholders registered in the Record of Depositors on 6 February 2020.

B18. Units held by Related Parties

As at 31 December 2019, 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	49,830
Hong Leong Assurance Berhad	57,771	47,372
Asia Fountain Investment Company Limited	14,000	11,480
Associated Land Sendirian Berhad	13,409	10,996
Hong Leong Investment Bank Berhad	5,887	4,827

** The market value is determined by multiplying the number of units with the market price as at 31 December 2019 of RM0.82 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 2019 and of its financial performance and cash flows for the period ended 31 December 2019.

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
20 January 2020