
**CONDENSED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020**

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2020 RM'000	Preceding Year Corresponding Quarter Ended 31.12.2019 RM'000	Current Year To Date 31.12.2020 RM'000	Preceding Year To Date 31.12.2019 RM'000
<u>Income</u>				
Gross revenue	8,587	5,572	15,098	11,231
Property operating expenses	(3,759)	(3,220)	(6,842)	(6,240)
Net property income	4,828	2,352	8,256	4,990
Interest income	11	22	21	69
Other income	-	67	28	92
	4,839	2,441	8,305	5,152
<u>Expenses</u>				
Manager's fees	(577)	(406)	(1,102)	(815)
Trustee's fee	(40)	(40)	(80)	(81)
Administrative expenses	(488)	(177)	(1,032)	(338)
Interest expenses	(2,287)	(101)	(3,078)	(129)
	(3,392)	(724)	(5,292)	(1,363)
Net Trust Income	1,447	1,717	3,013	3,789
Change in fair value of investment properties	-	-	-	-
Income before tax	1,447	1,717	3,013	3,789
Taxation	-	-	-	-
Income after tax	1,447	1,717	3,013	3,789
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	1,447	1,717	3,013	3,789
Total comprehensive income for the period is made up as follows:				
- Realised	1,447	1,717	3,013	3,789
- Unrealised	-	-	-	-
	1,447	1,717	3,013	3,789
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.52	0.61	1.07	1.35
- Unrealised	-	-	-	-
	0.52	0.61	1.07	1.35

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 31 DECEMBER 2020

	Unaudited As At 31.12.2020 RM'000	Audited As At 30.06.2020 RM'000
ASSETS		
<u>Non-current assets</u>		
Plant and equipment	25,804	22,358
Investment properties	808,158	562,600
	833,962	584,958
<u>Current Assets</u>		
Trade receivables	353	395
Other receivables, deposits and prepayments	1,192	1,812
Deposits placed with licensed bank	-	1,100
Cash and bank balances	2,186	506
	3,731	3,813
TOTAL ASSETS	837,693	588,771
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	9,343	2,957
Borrowings	254,053	-
Deferred tax liability	20,653	20,653
	284,049	23,610
<u>Current liabilities</u>		
Trade payables	764	314
Other payables and provisions	2,282	4,825
Tenants' deposits	1,588	2,716
Borrowings	16,000	24,000
	20,634	31,855
TOTAL LIABILITIES	304,683	55,465
NET ASSET VALUE	533,010	533,306
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	185,992	185,992
Undistributed income - realised	61,673	61,969
	533,010	533,306
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.9002	1.9013
- After income distribution	1.8897	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.

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 31 December 2020				
Net income for the year	-	-	3,013	3,013
Total comprehensive income for the year	-	-	3,013	3,013
Unitholders' transactions				
Distribution to unitholders				
- 2020 final (paid on 28 August 2020)	-	-	(3,309)	(3,309)
	-	-	(3,309)	(3,309)
At 31 December 2020	285,345	185,992	61,673	533,010
<u>Preceding Year To Date</u>				
At 1 July 2019	285,345	185,722	69,009	540,076
Operations for the year 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

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 SECOND QUARTER ENDED 31 DECEMBER 2020

The figures have not been audited.

	Current Period To Date 31.12.2020 RM'000	Preceding Period To Date 31.12.2019 RM'000
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	3,013	3,789
Adjustments for:		
Depreciation	154	-
Interest expense	3,078	129
Interest income	(21)	(69)
Operating profit before working capital changes	<u>6,224</u>	<u>3,849</u>
Changes in working capital:		
Trade and other receivables	662	(5,698)
Trade and other payables	<u>3,165</u>	<u>(57)</u>
Net cash generated from/(used in) operating activities	<u>10,051</u>	<u>(1,906)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payment for enhancement of investment properties	(3,600)	-
Acquisition of investment property	(245,558)	-
Withdrawal of deposits placed with licensed financial bank	-	300
Interest income	<u>21</u>	<u>69</u>
Net cash (used in)/generated from investing activities	<u>(249,137)</u>	<u>369</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(3,078)	(129)
Proceeds from borrowings	254,053	8,500
Repayment of borrowings	(8,000)	-
Distribution paid to unitholders	<u>(3,309)</u>	<u>(11,024)</u>
Net cash generated from/(used in) financing activities	<u>239,666</u>	<u>(2,653)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	580	(4,190)
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>2,186</u>	<u>1,951</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	2,186	1,951
Deposits placed with licensed financial bank	<u>-</u>	<u>-</u>
	2,186	1,951
Deposits pledged as security	<u>-</u>	<u>-</u>
Cash and bank balances	<u>2,186</u>	<u>1,951</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

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 (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 31 December 2020 are as follows:

	RM'000
Secured	270,053
Unsecured	-
	<u>270,053</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

Performance of the Second Quarter/Six-Month Financial Period

Tower REIT has completed its acquisition of Menara Guoco during the first quarter of the current financial year ending 30 June 2021 (“Current FY”) and it has contributed fully to the financial results for second quarter ended 31 December 2020 (“Second Quarter”).

As a result, the Second Quarter recorded an increase of 54% in gross revenue as compared to the corresponding quarter in the preceding financial year (“FY”). Gross revenue for the current 6-month financial period ended 31 December 2020 (“Current Financial Period”) recorded an increase of 34% as compared to the corresponding period in the preceding FY. The increase was mainly due to the additional revenue generated by Menara Guoco.

The net trust income before tax for the Second Quarter decreased by 15.7% compared to the corresponding quarter in the preceding FY. The net trust income before tax for the Current Financial Period decreased by 20.5% as compared to the corresponding period in the preceding FY. The additional contribution from Menara Guoco has partially compensated for the lower contribution from Menara HLX in the Current Financial Period.

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

The Second Quarter income before tax of RM1.45 million was lower by 7.6% compared to the immediate preceding quarter. The increase in contribution from Menara Guoco has partially compensated for the lower contribution from Plaza Zurich.

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 2020, Tower REIT's composition of investment portfolio was as follows:

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

B5. Changes in Net Asset Value

	As at 31.12.2020 RM'000	As at 30.09.2020 RM'000
Net asset value ("NAV")	533,010	531,562

NAV per unit (RM) 1.9002 1.8951
The NAV per unit as at 31 December 2020 was higher as compared to the immediate preceding quarter as a result of income distribution paid in immediate preceding quarter.

B6. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.58 per unit on 31 December 2020 (RM0.62 as at 30 September 2020).

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

There was no issuance of new units during the quarter under review.

B8. 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 B9 below.

B9. Prospects

Tower REIT has completed its acquisition of Menara Guoco during the first quarter of the financial year. With its diversified tenant base, the Manager is expecting that it will 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, there are still demand for office spaces of selected areas in Klang Valley from certain business sectors. The Manager will continue to take active steps to manage the portfolio in maximising the return to the unitholders.

B10. 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 amount of RPGT involved is RM2.25 million. The Inland Revenue Board of Malaysia (“IRB”) has appealed to the High Court against the decision of SCIT and the appeal has yet to fix for hearing.

B11. Soft Commission

During the quarter ended 31 December 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.

B12. Revenue Recognition

i) Gross Revenue

For the 3-month quarter ended 31 December 2020, gross revenue composition of leasing income and non-leasing income are as follows:

	RM'000
Leasing income	5,262
Non-leasing income (service charge)	2,481
Others	844
Gross Revenue	<u>8,587</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.

B13. 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 2020 of RM813,942 and RM288,211 respectively were 0.19% and 3.35% of the gross asset value and net property income respectively.

B14. 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 2020 is RM80,057.

B15. Tax Expense

	Current Year to Date 31.12.2020 RM'000
Current tax expense	-
Reconciliation of effective tax expense	
Income before tax	3,013
Income tax using Malaysian tax rate of 24%	723
Non-deductible expenses	285
Effect of income exempted from tax	(1,008)
Income tax expense	-

B16. Income Distribution

The Manager of Tower REIT has declared an interim income distribution of 1.05 sen per unit, amounting to RM2,945,250 (1.25 sen in previous corresponding period), representing approximately 97.73% of the realised distributable net income for the 6-month period ended 31 December 2020, payable on 26 February 2021 to the unitholders registered in the Record of Depositors on 9 February 2021.

The interim income distribution ended 31 December 2020 is derived from the following sources: -

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2020 RM'000	Preceding Year Corresponding Quarter Ended 31.12.2019 RM'000	Current Year To Date 31.12.2020 RM'000	Preceding Year To Date 31.12.2019 RM'000
Rental income	8,587	5,572	15,098	11,231
Interest income	11	22	21	69
Other income	-	67	28	92
	<u>8,598</u>	<u>5,661</u>	<u>15,147</u>	<u>11,392</u>
Less:				
Expenses	(7,151)	(3,944)	(12,134)	(7,603)
Taxation	-	-	-	-
Realised income for the period/year	1,447	1,717	3,013	3,789
Previous quarter/year undistributed realised income	60,226	60,058	58,660	57,986
Total realised income available for distribution	61,673	61,775	61,673	61,775
Less: Proposed/declared income distribution	(2,945)	(3,506)	(2,945)	(3,506)
Balance undistributed realised income	58,728	58,269	58,728	58,269
Distribution per unit (sen)	1.05	1.25	1.05	1.25

B17. Units held by Related Parties

As at 31 December 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	35,246
Hong Leong Assurance Berhad	57,771	33,507
Asia Fountain Investment Company Limited	14,000	8,120
Associated Land Sendirian Berhad	13,409	7,777
Hong Leong Investment Bank Berhad	5,887	3,414

** The market value is determined by multiplying the number of units with the market price as at 31 December 2020 of RM0.58 per unit.

B18. 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 2020 and of its financial performance and cash flows for the period ended 31 December 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
21 January 2021**