
CONDENSED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2021

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 30 JUNE 2021

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2021 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2020 RM'000	Current Year To Date 30.06.2021 RM'000	Preceding Year To Date 30.06.2020 RM'000
<u>Income</u>				
Gross revenue	8,326	4,808	31,848	21,604
Property operating expenses	(4,157)	(2,830)	(14,449)	(11,558)
Net property income	4,169	1,978	17,399	10,046
Interest income	13	20	50	105
Other income	6	4	37	101
	4,188	2,002	17,486	10,252
<u>Expenses</u>				
Manager's fees	(555)	(389)	(2,229)	(1,632)
Trustee's fee	(40)	(41)	(159)	(161)
Administrative expenses	498	(53)	(927)	(482)
Interest expenses	(2,690)	(247)	(7,970)	(487)
	(2,787)	(730)	(11,285)	(2,762)
Net Trust Income	1,401	1,272	6,201	7,490
Change in fair value of investment properties	(12,385)	300	(12,385)	300
(Loss)/Income before tax	(10,984)	1,572	(6,184)	7,790
Taxation	1,239	(30)	1,239	(30)
(Loss)/Income after tax	(9,745)	1,542	(4,945)	7,760
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the period	(9,745)	1,542	(4,945)	7,760
Total comprehensive (loss)/income for the period is made up as follows:				
- Realised	1,401	1,272	6,201	7,490
- Unrealised	(11,146)	270	(11,146)	270
	(9,745)	1,542	(4,945)	7,760
BASIC (LOSS)/EARNINGS PER UNIT (SEN)				
- Realised	0.50	0.45	2.21	2.67
- Unrealised	(3.97)	0.10	(3.97)	0.10
	(3.47)	0.55	(1.76)	2.77

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 JUNE 2021

	Unaudited As At 30.06.2021 RM'000	Audited As At 30.06.2020 RM'000
ASSETS		
<u>Non-current assets</u>		
Plant and equipment	11,965	22,358
Investment properties	811,800	562,600
	823,765	584,958
<u>Current Assets</u>		
Trade receivables	487	395
Other receivables, deposits and prepayments	327	1,812
Deposits placed with licensed bank	-	1,100
Cash and bank balances	2,553	506
	3,367	3,813
TOTAL ASSETS	827,132	588,771
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	6,248	2,957
Borrowings	259,856	-
Deferred tax liability	19,414	20,653
	285,518	23,610
<u>Current liabilities</u>		
Trade payables	863	314
Other payables and provisions	5,291	4,825
Tenants' deposits	4,253	2,716
Borrowings	9,100	24,000
	19,507	31,855
TOTAL LIABILITIES	305,025	55,465
NET ASSET VALUE	522,107	533,306
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	174,846	185,992
Undistributed income - realised	61,916	61,969
	522,107	533,306
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.8613	1.9013
- After income distribution	1.8497	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.

The figures have not been audited.

	Undistributed Income			
	Unitholders' Capital RM'000	Non-distributable Unrealised RM'000	Distributable Realised RM'000	Total 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 June 2021				
Net income for the year	-	(11,146)	6,201	(4,945)
Total comprehensive income for the year	-	(11,146)	6,201	(4,945)
Unitholders' transactions				
Distribution to unitholders				
- 2020 final (paid on 28 August 2020)	-	-	(3,309)	(3,309)
- 2021 interim (paid on 26 February 2021)	-	-	(2,945)	(2,945)
	-	-	(6,254)	(6,254)
At 30 June 2021	285,345	174,846	61,916	522,107
<u>Preceding Year To Date</u>				
At 1 July 2019	285,345	185,722	69,009	540,076
Operations for the year ended 30 June 2020				
Net income for the year	-	270	7,490	7,760
Total comprehensive income for the year	-	270	7,490	7,760
Unitholders' transactions				
Distribution to unitholders				
- 2019 final (paid on 28 August 2019)	-	-	(11,024)	(11,024)
- 2020 interim (paid on 28 February 2020)	-	-	(3,506)	(3,506)
	-	-	(14,530)	(14,530)
At 30 June 2020	285,345	185,992	61,969	533,306

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 FOURTH QUARTER ENDED 30 JUNE 2021

The figures have not been audited.

	Current Period To Date 30.06.2021 RM'000	Preceding Period To Date 30.06.2020 RM'000
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
(Loss)/Income before tax	(6,184)	7,790
Adjustments for:		
Depreciation	758	248
Interest expense	7,970	487
Interest income	(50)	(105)
Property, plant & equipment expensed off	431	-
Change in fair value of investment properties	12,385	(300)
Operating profit before working capital changes	15,310	8,120
Changes in working capital:		
Trade and other receivables	1,393	1,218
Trade and other payables	5,843	(555)
Net cash generated from operating activities	22,546	8,783
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payment for acquisition of property, plant & equipment	(6,424)	(22,606)
Acquisition of investment property	(245,558)	-
Withdrawal of deposits placed with licensed financial bank	-	300
Interest income	50	105
Net cash used in investing activities	(251,932)	(22,201)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(8,153)	(487)
Proceeds from borrowings	259,640	26,300
Repayment of borrowings	(14,900)	(2,400)
Distribution paid to unitholders	(6,254)	(14,530)
Net cash generated from financing activities	230,333	8,883
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	947	(4,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,606	6,141
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,553	1,606
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	2,553	506
Deposits placed with licensed financial bank	-	1,100
Cash and bank balances	2,553	1,606

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 ended 30 June 2021.

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

During the quarter under review, a revaluation exercise was undertaken for three properties pursuant to Clause 10.02 of the Securities Commission's Listed REIT Guidelines. The revaluation exercise resulted in an aggregate revaluation deficit of RM12.39 million. The revaluation deficit has been incorporated into the financial statements of the Trust for the year ended 30 June 2021 as an unrealised loss.

A10. Borrowing and Debt Securities

Particulars of the Trust's borrowings as at 30 June 2021 are as follows:

	RM'000
Secured	268,955
Unsecured	-
	<u>268,955</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 Fourth Quarter/Twelve-Month Financial Period

Tower REIT completed its acquisition of Menara Guoco in the first quarter of the financial year ended 30 June 2021 ("FY21").

Gross revenue for the 3-month quarter ended 30 June 2021 ("Fourth Quarter") recorded an increase of 73.17% as compared to the previous corresponding quarter. This was mainly due to the completion of the acquisition of Menara Guoco. Net trust income before tax for the Fourth Quarter increased by 10.14% as compared to the previous corresponding quarter. The increase was mainly due to the reversal of expenses over provided in the previous quarters of FY21.

Gross revenue for FY21 recorded an increase of 47.42% as compared to the preceding financial year. The increase was mainly due to the additional revenue generated by Menara Guoco, and higher occupancy rate for Plaza Zurich in FY21.

Net trust income before tax for FY21 decreased by 17.21% compared to the preceding financial year. This was mainly due to lower occupancy rate for Menara HLX in FY21.

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

Net trust income for the Fourth Quarter of RM1.40 million was lower as compared to RM1.79 million in the preceding quarter. This was mainly due to a higher operating costs for Menara HLX and Plaza Zurich. The Trust also provided a revaluation deficit of RM12.39 million in the Fourth Quarter resulting in loss before tax of RM10.98 million

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 June 2021, Tower REIT's composition of investment portfolio was as follows:

	RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
Menara HLX	340,500	42
Plaza Zurich	225,400	28
Menara Guoco	245,900	30
	<u>811,800</u>	<u>100</u>

B5. Changes in Net Asset Value

	As at 30.06.2021 RM'000	As at 31.03.2021 RM'000
Net asset value ("NAV")	522,107	531,853
NAV per unit (RM)	1.8613	1.8961

The NAV per unit as at 30 June 2021 was lower as compared to the immediate preceding quarter as a result investment properties revaluation deficit in current quarter.

B6. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.585 per unit on 30 June 2021 (RM0.59 as at 31 March 2021).

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 B10 below.

B9. Prospects

The acquisition of Menara Guoco provides a more diversified tenant base and will contribute to the stability of Tower REIT's income.

The Covid-19 pandemic continues to have a profound impact across the globe and on the Malaysian economic growth. However, with the push for mass vaccination across the country, movement control restrictions will be gradually removed to spur the recovery of the economy. The demand and rental rates for office sector will continue to be subdued in the near future. Nevertheless, there is still demand for office spaces in selected areas in the Klang Valley. The Manager will continue to take active steps to manage the portfolio in order to maximise 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 has appealed to the High Court against the decision of SCIT.

B11. Soft Commission

During the quarter ended 30 June 2021, 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 30 June 2021, gross revenue composition of leasing income and non-leasing income are as follows:

	RM'000
Leasing income	5,167
Non-leasing income (service charge)	2,429
Others	730
Gross Revenue	<u>8,326</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 30 June 2021 of RM1,625,927 and RM602,543 respectively were 0.20% 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 30 June 2021 is RM159,034.

B15. Tax Expense

	Current Year to Date 30.06.2021 RM'000	Previous Year to Date 30.06.2020 RM'000
Current tax expense	-	-
Deferred tax (income)/expense	(1,239)	30
Total income tax expense	(1,239)	30
Reconciliation of tax expense		
(Loss)/Income before tax	(6,184)	7,790
Income tax using Malaysian tax rate of 24%	(1,484)	1,870
Difference in tax rate arising from loss/(gain) on investment properties	1,734	(42)
Non-deductible expenses	463	206
Effect of income exempted from tax	(1,952)	(2,004)
Total income tax expense	(1,239)	30

B16. Income Distribution

The Manager of Tower REIT has declared a final income distribution of 1.16 sen per unit, amounting to RM3,253,800 (1.18 sen per unit, amounting to RM3,309,900 in the previous corresponding period), representing approximately 99.95% of the realised distributable net income for the year ended 30 June 2021, payable on 30 August 2021 to the unitholders registered in the Record of Depositors on 23 August 2021.

The distribution to the unitholders is derived from the following sources: -

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter Ended	Corresponding	To Date	To Date
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Rental income	8,326	4,808	31,848	21,604
Interest income	13	20	50	105
Other income	6	4	37	101
	<u>8,345</u>	<u>4,832</u>	<u>31,935</u>	<u>21,810</u>
Less:				
Expenses	(6,944)	(3,560)	(25,734)	(14,320)
Taxation	-	-	-	-
Realised income for the period/year	<u>1,401</u>	<u>1,272</u>	<u>6,201</u>	<u>7,490</u>
Previous quarter/year undistributed realised income	60,515	60,697	58,660	57,985
Total realised income available for distribution	<u>61,916</u>	<u>61,969</u>	<u>64,861</u>	<u>65,475</u>
Less: Proposed/declared income distribution	(3,254)	(3,310)	(6,199)	(6,816)
Balance undistributed realised income	<u>58,662</u>	<u>58,659</u>	<u>58,662</u>	<u>58,659</u>
Distribution per unit (sen)	1.16	1.18	2.21	2.43

B17. Units held by Related Parties

As at 30 June 2021, 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	35,550
Hong Leong Assurance Berhad	57,771	33,796
Asia Fountain Investment Company Limited	14,000	8,190
Associated Land Sendirian Berhad	13,409	7,844
Hong Leong Investment Bank Berhad	5,887	3,444

** The market value is determined by multiplying the number of units with the market price as at 30 June 2021 of RM0.585 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 30 June 2021 and of its financial performance and cash flows for the period ended 30 June 2021.

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
6 August 2021