

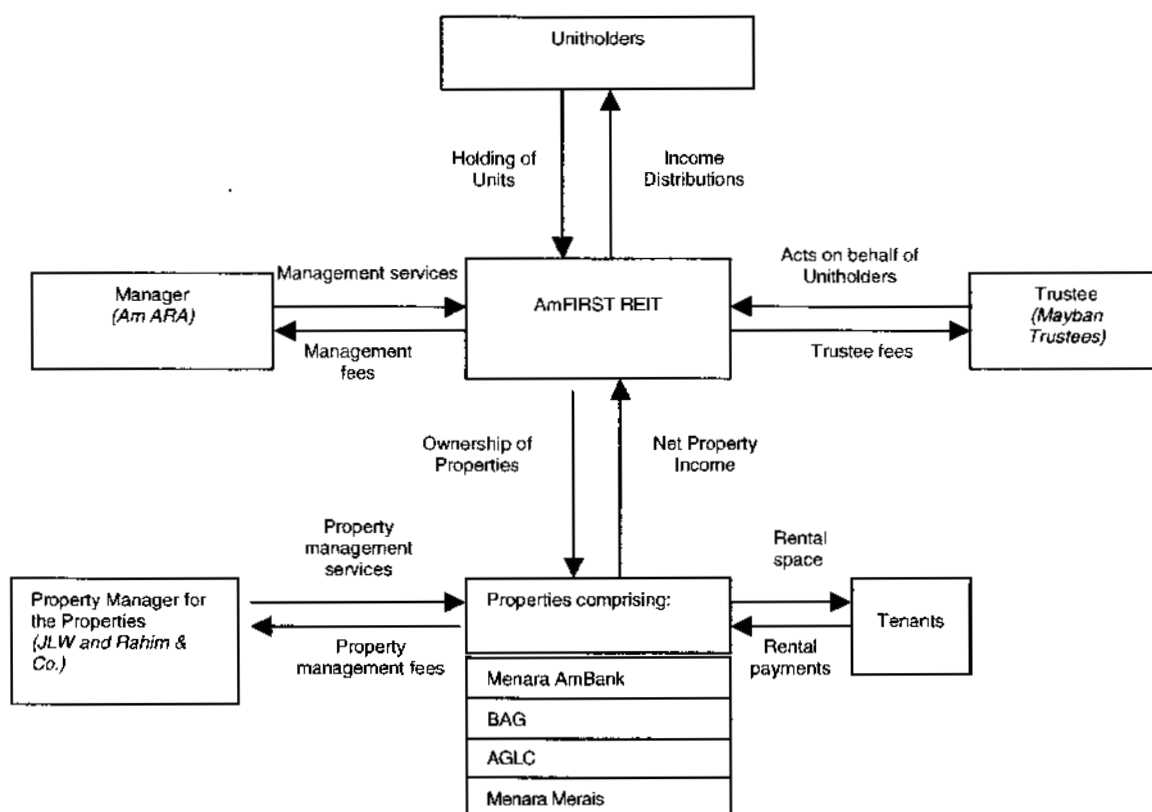
6. The AmFIRST REIT

6.1 General Information

6.1.1 Introduction

AmFIRST REIT was established on 28 September 2006 with the investment objective of owning and investing in real estate whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate and real estate-related assets. AmFIRST REIT is initially being formed to own and invest in the Properties.

The following illustrates the structure of AmFIRST REIT:



6.1.2 Investment Objectives, Overall Strategies and Investment Policies of AmFIRST REIT

Investment Objectives

The key objectives for AmFIRST REIT will be to own and invest in real estate and real estate-related assets whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate and real estate-related assets.

Material changes to the investment objectives of AmFIRST REIT require prior approval of the Unitholders by way of a resolution passed by not less than two-thirds ($\frac{2}{3}$) of all Unitholders (or such other majority as may be required under the REIT Guidelines from time to time) at a meeting duly convened and held.

Overall Strategies

Am ARA intends to achieve AmFIRST REIT's key objectives through the following strategies:-

- invest in income-producing real estate and real estate-related assets directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate;
- active asset management;
- improve rental rates while maintaining high occupancy rates;

6. **The AmFIRST REIT (Cont'd)**

- attract new tenants and explore expansion needs of existing tenants;
- raising the profile and visibility of the Properties through proactive marketing, advertising and promotional efforts;
- develop close tenant-landlord relationships to optimise tenant retention;
- monitor and minimise property expenses;
- enhance the overall portfolio through the acquisition of properties that meet the Manager's investment criteria; and
- employ an appropriate capital structure with debt and equity financing policies.

Am ARA's strategies in achieving AmFIRST REIT's key objectives can be categorised as operating, acquisition and capital management strategies:-

(i) **Operating Strategy**

Am ARA's operating strategy is to continue to enhance the performance of the Properties by increasing yields and returns through retaining existing tenants, reducing vacancy levels, adding and/or optimising office space at the Properties and minimising interruptions in rental income and operational costs. Am ARA expects to apply the following key operating and management principles in order to continue to manage the Properties efficiently, to increase the yields of the Properties and to maximise growth:

- **Improve rental rates:** Am ARA will work with the Property Managers to manage tenancy renewals and to source for new tenancies in order to minimise vacancy periods. This can be achieved through (a) negotiations with tenants whose tenancies are about to expire; (b) identifying and increasing rents on tenancies which are at below market rates; and (c) minimising payment delinquencies and defaults by tenants.
- **Establishing close relationships with tenants to optimise tenant retention:** Am ARA will work closely with the Property Managers to establish closer relationships with tenants. Am ARA believes that such enhanced relationship will increase the attractiveness of the Properties and help maximise tenant retention.
- **Tenant Base:** Am ARA intends to improve occupancy rates by actively working with the Property Managers to pursue new tenancy opportunities. Am ARA will also seek to diversify the tenant base so as to minimise over-reliance on any particular economic sector so as to mitigate the effects of the economic downturn affecting any economic sector.
- **Tenant Mix and Space Configuration:** Am ARA will review tenant mix and, if practicable, re-configure lettable space to maximise rental income. Consultations with major tenants will allow Am ARA to tailor the tenant mix to the needs of the business areas in order to meet the requirements of the tenants. Am ARA intends to take advantage of the wide variety of sizes of lettable space within the Properties to suite tenants' requirements.
- **Continually maintaining the quality of the Properties:** Am ARA will seek to maintain a high level of occupancy by maintaining and upgrading (if necessary) the physical condition of the Properties.
- **Maximising the performance of each Property:** Am ARA will seek to maximise the overall financial performance of the Properties by focusing on the enhancement of the unique feature of each individual Property, using proper management systems to provide timely instructions to the Property Managers to support effective pricing decisions, reduce and control operating costs. Am ARA will measure actual results from operations against prior years' results and planned budgets in an effort to create a focused, profit-oriented approach to the management of each Property.

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- **Improving operating efficiencies and economies of scale:** Am ARA will seek to maintain and pursue further operating efficiencies through strict cost controls to achieve internal cost savings. Am ARA will benefit from the experience and expertise of its management team who are involved in all aspects of operations, including maintenance, security, renovation, management and purchasing.
- **Raising the profile of the Properties:** Am ARA will, through its marketing, advertising and promotional efforts, help to raise the profile of the Properties with a view to enhancing the value of the Properties.

(ii) Acquisition Strategy

Am ARA intends to pursue an acquisition strategy for AmFIRST REIT to increase net property income and the potential for net asset growth.

- **Yields thresholds:** The Manager will seek to acquire properties with yields that are above AmFIRST REIT's cost of capital and which are expected to maintain or enhance returns to unitholders.
- **Tenant mix and occupancy characteristics:** The Manager will seek to acquire properties with opportunities to increase rental and tenant retention rates relative to competitive properties in the respective segment of the property markets. The properties should have a healthy occupancy level with established tenants of good credit standing to minimise rental delinquency and turnover. A key consideration will be the impact of an acquisition on the entire portfolio's tenant, business sector and lease expiry profile.
- **Location:** The Manager will assess properties in terms of their locations as well as convenient access to major roads and public transportation.
- **Value adding opportunities:** The Manager will seek to acquire properties with opportunities to increase occupancy rates and enhance value through proactive property management. The potential to add value through selective renovations or other enhancements will also be assessed.
- **Building and facilities specifications:** The Manager will acquire buildings with good quality specifications which are in compliance with relevant legal and land/building regulations, with due consideration being given to the size and age of the buildings. The buildings will be assessed by property experts relating to repairs, maintenance and capital expenditure requirements in the short to medium-term.

The Manager is expected to benefit from the strength of its shareholders, AIGB (with 70% interest) and ARA Asset Management (Malaysia) Limited (with 30% interest), which is a wholly-owned subsidiary of ARA Asset Management Limited ("ARA Group"). The ARA Group is a leading real estate fund management house in Asia. It has a strong presence in the region, with investments in many parts of Asia. Total assets under management by the ARA Group have grown steadily over the years since it was founded in 2002 to hit US\$3.7 billion as at the LPD. The ARA Group possesses expertise in identifying opportunities in the development of the Asian real estate industry, and is dedicated to the real estate fund management business. Its key staff have been involved with many corporate restructurings in Asia involving real estate assets. Their experience and network will provide an edge to the Manager in its efforts to grow AmFIRST REIT.

Am ARA anticipates that any properties acquired by AmFIRST REIT after the Listing will be managed in the manner described under Section 6.1.2(i) above.

AmFIRST REIT intends to hold the Properties on a long-term basis. In the future where Am ARA considers that any property has reached a stage that offers only limited scope for growth, Am ARA may consider selling the property and using the proceeds for alternative investments in properties that meet Am ARA's investment criteria.

6. The AmFIRST REIT (Cont'd)

(iii) Capital Management Strategy

The Manager's strategy for the management of AmFIRST REIT's capital structure involves adopting and maintaining an appropriate gearing level within the prescribed limits and utilising an active interest rate management policy to manage the risks associated with interest rate fluctuations. The Manager believes that this strategy will:

- optimise Unitholders' returns;
- maintain operating flexibility when considering capital expenditure requirements; and
- enable AmFIRST REIT to maintain operating flexibility in the funding of future acquisition.

AmFIRST REIT plans to acquire properties to enhance its property portfolio diversification and distribution yields.

Upon listing of AmFIRST REIT on the Main Board of Bursa Securities, AmFIRST REIT will have outstanding borrowings of RM61,000,000, or 12.34% of the proforma total asset value of AmFIRST REIT. Please refer to Section 4.6.1 of this Prospectus for further details on the borrowings.

Investment Policies and Compliance with REIT Guidelines

(i) Permitted investments and restrictions

Under the Deed, AmFIRST REIT will be allowed to invest in any of the following:

- (a) real estate;
- (b) single purpose companies, which means unlisted companies whose principal assets comprise real estate;
- (c) real estate-related assets, which includes units of other real estate investment trusts, listed securities of and issued by property companies, listed or unlisted debt securities of and issued by property companies, and mortgage-backed securities;
- (d) liquid assets, which means cash, deposits with licensed institutions and/or other institutions licensed or approved to accept deposits; and any other instrument capable of being converted into cash within seven (7) days as may be approved by the Trustee;
- (e) non-real estate-related assets, which means listed shares issued by non-property companies;
- (f) asset-backed securities;
- (g) listed or unlisted debt securities; and
- (h) any other investment not covered by paragraphs (a) to (g) above but specified as a permissible investment in the REIT Guidelines or as otherwise permitted by the SC.

The Manager will ensure that the investments made by AmFIRST REIT will also adhere to the investment policy set out above. Whilst ensuring that AmFIRST REIT will strive to invest in earnings accretive investments, the Manager will also ensure that AmFIRST REIT will not be involved in any of the following activities for any purpose as set out in the REIT Guidelines:

- (a) extending loans and any other credit facilities to any party;

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- (b) entering into forward purchases or forward sales in any currency or money including Malaysian Ringgit or any foreign-exchange contracts unless AmFIRST REIT owns foreign real estates in its portfolio and the involvement in these instruments are in compliance with the Exchange Control Act 1953 with a view to manage the risks involved in foreign exchange; and
- (c) property development, except in the case where the development is made with a view of purchasing the real estate upon completion and having met the criteria spelled out under Clause 10.03(8) of the REIT Guidelines.

Upon completion of the IPO, the initial investment portfolio of AmFIRST REIT shall only consist of the Properties.

(ii) Investment limits and restrictions

AmFIRST REIT's investments in real estate-related assets and non-real estate-related assets will be subject to the following limits:

- (a) Spread of investments:
 - (i) The value of AmFIRST REIT's holdings of the securities of, and the securities relating to, any single issuer must not exceed 5% of the gross asset value of AmFIRST REIT; and
 - (ii) The value of AmFIRST REIT's holdings of the securities of, and the securities relating to, any group of companies must not exceed 10% of the gross asset value of AmFIRST REIT;
- (b) Concentration of investments:
 - (i) AmFIRST REIT's holdings of any class of security of any single issuer must not exceed 10% of the security issued.

In determining compliance with any limit or restriction, the holding of an investment and/or other instrument by AmFIRST REIT may exclude any entitlement accruing on the investment and/or instrument held. Notwithstanding the preceding sentence, the entitlement shall not be exercised if the exercise results in the breach of any limit or restriction under this part.

(iii) Portfolio composition

AmFIRST REIT's investments may be allocated in the following manner, as prescribed by the REIT Guidelines:

- (a) at least 75% of AmFIRST REIT's total assets shall be invested in real estate, single-purpose companies, real estate-related assets and/or liquid assets;
- (b) at least 50% of AmFIRST REIT's total assets must be invested in real estate and/or single-purpose companies; and
- (c) the remaining 25% of AmFIRST REIT's total assets may be invested in other assets (i.e. real estate-related assets, non-real estate-related assets or asset-backed securities).

Currently, AmFIRST REIT's entire investments are in the real estate.

(iv) Diversification

AmFIRST REIT will seek to diversify its real estate portfolio by property and location type. AmFIRST REIT will focus on investing in real estates which are primarily used for commercial purposes. However, it may also look into other properties used for other purposes that will provide attractive risk-adjusted returns.

6. ***The AmFIRST REIT (Cont'd)***

(v) **Leverage**

AmFIRST REIT will be able to leverage on its borrowings to make the permitted investments which will enhance the returns to Unitholders. However, AmFIRST REIT is only permitted to procure borrowings of up to 50%, or any other percentage as stipulated by the REIT Guidelines from time to time, of its Total Asset Value.

6.1.3 **Risk Factors**

Am ARA's key objectives for AmFIRST REIT are to deliver stable distributions to Unitholders and to achieve long term growth in the NAV per Unit. Accordingly, you should not expect to obtain short-term capital gains. You should be aware that the price of units in a collective investment scheme, and the income there from, may rise or fall. You should note that you may not get back your original investments and that you may not receive any distributions.

In evaluating an investment in AmFIRST REIT and before deciding to invest in the Units, you should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations as well as seek professional advice from your relevant advisers about your particular circumstances.

(i) **Risks relating to AmFIRST REIT 's organisation and operating environment**

Economic and political risks

AmFIRST REIT's operations are closely linked to the economic performance of Malaysia. Any adverse developments in the political and economic environment and uncertainties in Malaysia can materially and adversely affect the financial performance of AmFIRST REIT. Political and economic uncertainties include (but are not limited to) changes in general economic, business and credit conditions, government legislations and policies affecting the real estate industry, inflation, interest rates, taxation, fluctuation in foreign exchange rates and political or social developments in Malaysia.

Changes to regulatory regime

AmFIRST REIT is subject to certain regulatory regime including the REIT Guidelines which were published by the SC on 3 January 2005. There can be no guarantee that the rules set out in the REIT Guidelines will not from time to time be amended by the SC. The regulatory regime that is currently applicable to AmFIRST REIT may be changed. No assurance can be given that future legislation and regulations, administrative and regulatory rulings, court decisions or changes to the REIT Guidelines will not adversely affect the financial condition and results of operations of AmFIRST REIT or an investment by a Unitholder.

Certain regulations that apply to other securities and investments in Malaysia do not apply to the Units and AmFIRST REIT

Unitholders' rights differ from, and may be less protective in certain respects than, those granted to shareholders of public companies in Malaysia.

Currently, the Malaysian Code on Takeovers and Mergers, 1998 does not apply to acquisitions of units in REITs, which means (among other things) that a person may acquire any number of Units without being required to make a general offer to acquire the Units held by other Unitholders. Accordingly, Unitholders may not benefit from a possible premium price and may not receive equal prices for Units sold from an acquirer of Units.

In addition, whilst the Listing Requirements set out detailed provisions regulating transactions involving a listed issuer or its subsidiaries acquiring or disposing of business or assets and related party transactions which aim at protecting the interest of shareholders, such provisions do not apply to the AmFIRST REIT.

6. The AmFIRST REIT (Cont'd)

Am ARA's operations are subject to regulations

Am ARA is required to be approved by the SC for the regulated activity of REIT management. In the event the approval for Am ARA to act as the manager is revoked by the SC, AmFIRST REIT may need to appoint another manager, which may materially and adversely affect the financial condition and results of operations of AmFIRST REIT. In the event whereby no suitable replacement manager can be found, AmFIRST REIT may be terminated. The management team of Am ARA comprises members of the same team that had successfully managed AmFPT and AmPTMB has not had its approval revoked by the SC to act as the manager of AmFPT revoked before.

Notwithstanding the above, Am ARA will endeavour to comply with all regulations at all times and will ensure that AmFIRST REIT will be managed in a professional manner.

Am ARA may not be able to implement AmFIRST REIT's strategies successfully

Am ARA's key objectives for AmFIRST REIT are to deliver stable distributions to Unitholders and to achieve long term growth in the NAV per Unit. There can be no assurance that Am ARA will be able to implement all of its investment strategies successfully or that they will be able to do so in a timely and cost-effective manner to meet its key objectives.

There are limitations on the use of leverage by AmFIRST REIT

AmFIRST REIT is expected to use leverage in connection with its investments. Borrowings by AmFIRST REIT are limited by the REIT Guidelines to no more than 50% or any other percentage as stipulated by the REIT Guidelines from time to time of a REIT's total asset value at the time the borrowings are incurred. Furthermore, AmFIRST REIT may need to procure or arrange for banking facilities. AmFIRST REIT may face difficulties in securing timely and commercially favourable financing in asset-backed lending transactions secured by real estate.

Notwithstanding the above, Am ARA may source for other means of funding such as internally generated funds (*through retention of certain distributable income in AmFIRST REIT*) and issuance of new Units which may result in a dilution of Unitholders' holdings.

There are risks associated with bank borrowings

Upon the Listing of AmFIRST REIT, AmFIRST REIT has bank borrowings of RM61,000,000 arising from the borrowings taken to finance the Acquisition of Menara Merais (RM57,000,000), to defray the listing expenses (RM2,200,000) and for the working capital of AmFIRST REIT (RM1,800,000). The bank borrowings represent 12.34% of the proforma total asset value of AmFIRST REIT upon Listing.

The bank borrowings subject AmFIRST REIT to various risks, including:-

- (a) AmFIRST REIT may not be able to meet its repayment obligation;
- (b) AmFIRST REIT may not be able to refinance the bank borrowings or the terms of such refinancing may not be as favourable as the existing terms of bank borrowings;
- (c) AmFIRST REIT may be subject to certain covenants in connection with any future borrowings; and
- (d) Interest rates may fluctuate adversely.

6. The AmFIRST REIT (Cont'd)

Am ARA may change AmFIRST REIT's investment strategies

Am ARA will determine AmFIRST REIT's policies with respect to certain activities, including investments and acquisitions. Unitholders and potential investors should note that, subject to the requirements of applicable law, the REIT Guidelines and the Deed, Am ARA has absolute discretion to determine the investment strategy of AmFIRST REIT. Furthermore, as with other investment decisions, there are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

The performance of AmFIRST REIT is dependent on Am ARA's key executives

AmFIRST REIT's success is dependent upon the continued efforts and performances of Am ARA's senior management team. These key personnel may possibly leave the employment of the Manager in the future. While Am ARA believes they could find replacements for these key executives, the loss of any of these individuals could have an adverse effect on AmFIRST REIT's financial condition and results of operations.

Majority of the management team of Am ARA comprises the same team that had successfully managed AmFPT, and this management team has been with AmPTMB for more than 5 years.

AmFIRST REIT may not be able to control or exercise any influence over entities in which it has minority interests

AmFIRST REIT may, in future, acquire minority interests in securities of real estate-related assets and non-real estate-related assets for investment purposes. There can be no assurance that AmFIRST REIT will be able to control such entities or exercise any influence over the assets of such entities or their distributions to AmFIRST REIT. Such entities may develop objectives which are different from those of AmFIRST REIT and may not be able to make distributions to AmFIRST REIT at levels that Am ARA anticipate. The management of such entities may also make decisions which may adversely affect the operations of AmFIRST REIT and its ability to make distributions to Unitholders.

AmFIRST REIT is dependent on the AHB Group, a related party to the Manager, for a high proportion of its revenue

Parties related to AHB who are expected to contribute to AmFIRST REIT's revenue include: AmBank, AmMerchant Bank, AmSecurities Sdn Bhd and Am ARA. The total revenue contribution to AmFIRST REIT to be received from entities related to AHB for the forecast for the 5-month period ending 31 March 2007 is approximately 70%. AmBank has been occupying Menara AmBank since 1997 whilst AmMerchant Bank and AmSecurities Sdn Bhd have been occupying BAG for more than 17 years, and Am ARA would occupy the space currently rented by AmPTMB in BAG. These parties related to AHB will assure stable rental income to the AmFIRST REIT.

Despite the relationship between the AHB Group and the Manager, there are no related party transaction between AmFIRST REIT and the AHB Group as the Acquisitions are undertaken by the Trustee who is an independent party. The Manager's role is to manage AmFIRST REIT in accordance with the terms of the Deed.

In the event that there is any related party transaction, the Manager will use its best endeavours to ensure that such transaction will be fair and reasonable. By way of example, the rental rates for premises within each property are independently assessed by independent valuer before such rates are recommended to the Trustee for approval.

6. **The AmFIRST REIT (Cont'd)**

Neither AmFIRST REIT nor the Manager, as new entities, has an established operating history

AmFIRST REIT was established on 28 September 2006 and the Manager was incorporated on 20 April 2006. As such, neither AmFIRST REIT nor the Manager has an operating history as a REIT or a manager of a REIT, or a track record by which its past performance may be judged. This may make it difficult for investors to assess their likely future performance. There can be no assurance that AmFIRST REIT will be able to generate sufficient revenue from operations to make distributions to Unitholders or that such distributions will be in line with those set out in the Profit Forecast and Projections. However, it should be noted that majority of the management team of Am ARA comprises members of the same team that had successfully managed AmFPT, and experienced seconded professionals from the ARA Group.

(ii) Risks relating to investments in real estate

General risks attached to investments in real estate

Investments in real estate are subject to various risks, including:

- (a) adverse changes in national or economic conditions;
- (b) adverse local market conditions;
- (c) the financial conditions of tenants, buyers and sellers of properties;
- (d) changes in availability of debt financing;
- (e) changes in interest rates and other operating expenses;
- (f) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
- (g) environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems, which are located on contaminated properties or as to which inadequate reserves had been established;
- (h) changes in energy prices;
- (i) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market;
- (j) competition among property owners for tenants;
- (k) insufficiency of insurance coverage;
- (l) inability of the Property Managers to provide or procure the provision of adequate maintenance and other services;
- (m) illiquidity of real estate investments;
- (n) considerable dependence on cash flow for the maintenance of, and improvements to, the properties;
- (o) risks and operating problems arising out of the presence of certain construction materials; and
- (p) acts of God, uninsurable losses and other factors beyond the control of the Manager.

Many of these factors may cause fluctuations in occupancy rates, rent schedules, collection of rental income or operating expenses, causing a negative effect on the value of real estate and income derived from real estate.

Whilst Am ARA will continue to take effective measures such as financial management and efficient operating procedures, there is no assurance that any adverse development in the real estate industry will not materially affect AmFIRST REIT.

Properties held by AmFIRST REIT may be subject to increases in operating and other expenses

AmFIRST REIT's ability to make distributions to Unitholders may be adversely affected if operating and other expenses increase without a corresponding increase in revenues or tenant reimbursements of operating and other costs.

6. ***The AmFIRST REIT (Cont'd)***

Factors which could increase operating and other costs include:-

- increases in energy costs;
- increases in sub-contracted service costs;
- increases in insurance premiums;
- increases in land assessment and other statutory charges;
- increases in the rate of inflation;
- changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies; and
- defects affecting the Properties which need to be rectified, leading to unforeseen capital expenditure.

Am ARA intends to minimise the operating and other expenses by, amongst others, adopting cost containment measures and integrating resources to achieve economies of scale.

AmFIRST REIT is dependent on the performance of its tenants and its ability to make distributions may be adversely affected by the loss of its tenants or a downturn in the business of its tenants

AmFIRST REIT's financial condition, results of operations and ability to make distributions may be adversely affected by the insolvency or downturn in the business of its tenants whose rental make up a material proportion of the operating income of the Properties, including the decision by such tenants not to renew their tenancies. Although AmFIRST REIT's ability to make distributions will be affected by the loss of its tenants or a downturn in the business of its tenants, the risk is mitigated by the diversified tenancy base comprising close to 58 tenants in the Properties.

There may be uninsured or under-insured losses

Currently, Am ARA has obtained and maintained insurance coverage on the assets of AmFIRST REIT against fire and public liability, which are statutory insurance requirements. In addition, Am ARA has also obtained loss of rent insurance. However, there is no assurance that insurance against some or all of these risks will in the future continue to be available, or be available in amounts that are equal to the full market value or replacement cost of the insured assets. In addition, there can be no assurance that the particular risks which are currently insured will continue to be insurable on an economically feasible basis or at all. Furthermore, certain types of risks (such as war risk, terrorist acts and losses caused by outbreak of contagious diseases) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk.

In ensuring such risks are reduced, Am ARA will review and ensure adequate coverage for AmFIRST REIT's assets on a continuous basis.

AmFIRST REIT may be adversely affected by the illiquidity of real estate investments

Real estate investments are relatively illiquid. Such illiquidity may affect AmFIRST REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, financial, real estate market or other conditions. This may have an adverse effect on AmFIRST REIT's financial condition and results of operations.

The Properties or part thereof may be acquired compulsorily

The Malaysian Government has the power to acquire compulsorily any land in Malaysia pursuant to the provisions of applicable legislation including the Land Acquisition Act, 1960. If any of the Properties are acquired compulsorily by the Malaysian Government, the amount of compensation paid to AmFIRST REIT for the Properties may be less than the price which AmFIRST REIT paid to acquire the Properties or their current market value.

6. ***The AmFIRST REIT (Cont'd)***

(iii) **Risks relating to AmFIRST REIT's Properties**

Transfer of the Properties may not be registered

Under the Malaysian land registration system, the legal title in a real property does not pass until the relevant instrument of transfer has been duly registered with the relevant land registry of title in favour of the transferee. Presently, the registration process could take a number of months to complete and the issue document of title evidencing the change in the ownership will only be issued to and in favour of the transferee after completion of such registration process. However, the ownership in the property is vested in the transferee with effect from the date of the presentation of the instrument of transfer at the relevant land registry once the registration process is completed.

At the time of listing of AmFIRST REIT, the registration of the Properties may not have been completed. As such, there is a risk of non registration of the transfer of the Properties in favour of the Trustee on or after the AmFIRST REIT is listed, in which event the Trustee shall have the option to either to terminate and wind up AmFIRST REIT (and the relevant provisions relating to a winding up process as set out in accordance with the Deed would apply) or to proceed with the purchase with the seller holding the legal title as bare trustee for the benefit of the Trustee, and doing all that is necessary to effect the registration of the transfer in the quickest time possible.

However, given the nature of property transactions in Malaysia, the risk of non-registration is not a risk which is unique to REITs and can be minimised by taking appropriate steps to ensure that the transfer instrument in respect of the Properties are fit for registration and that there are no restraints on dealings which could prevent the registration of the transfer of the Properties at the time of presentation of the relevant instrument of transfer for registration at the relevant land registry.

The Properties are subject to the risk of non-renewal of expiring tenancies

Most of the tenancies for the Properties are for periods of 3 years or less. As a result, each of the Properties experiences tenancy cycles within which a significant number of tenancies expire each year. This frequency of renewals makes AmFIRST REIT susceptible to rental market fluctuation which, in a declining market, may lead to higher vacancies and lower rents, which in turn may reduce the revenues of AmFIRST REIT.

To mitigate the risk, Am ARA will continue to maintain a good rapport and close relationship with all the existing tenants of the Properties whilst exploring their expansion needs. In addition, the turnover of tenants of the Properties has been relatively low historically as shown in Sections 7.2.8, 7.3.8, 7.4.8 and 7.5.8 of this Prospectus.

Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow

While Am ARA believes that reasonable due diligence investigations have been conducted with respect to the Properties prior to their acquisition, there can be no assurance that the Properties will not have design, construction or other latent property or equipment defects which may require contributions to the common funds for special repair or maintenance expenses or the payment of damages or other obligations to third parties, other than those disclosed in this Prospectus. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which can have a material adverse effect on AmFIRST REIT's earnings and cash flows.

6. The AmFIRST REIT (Cont'd)

AmFIRST REIT's properties are located entirely in Malaysia, which exposes AmFIRST REIT to geographic and market concentration risk

Since all of the Properties are situated in Klang Valley, Malaysia, the political environment in Malaysia or a general downturn in the Malaysian economy would have a greater impact on AmFIRST REIT than if AmFIRST REIT's properties were more geographically diversified. In addition, AmFIRST REIT invests primarily in commercial real estate which may entail a higher level of risk than a portfolio which has a more diverse range of asset class.

Am ARA will endeavour to minimise this risk by identifying real estates that are more geographically diverse and which are of another asset class besides office buildings.

Malaysia's commercial properties market is highly competitive

New facilities built in the vicinity of the Properties may compete with the Properties for tenants. This competition may affect AmFIRST REIT's ability to maintain existing occupancy and utilisation rates and rental rates in respect of the Properties. In order to prevent falling occupancy/utilisation levels, rents and rates may need to be lowered, additional capital improvements may need to be made or additional tenant inducements may need to be offered, all of which may have an adverse impact on AmFIRST REIT's revenues.

Buildings acquired or to be acquired may not possess certifications and/or licences required under the law

Some buildings acquired or which may be acquired may not possess certifications (for example, fire certificate) and/or licences required under the law. Hence, upon the acquisition of such buildings, the AmFIRST REIT would have to take the necessary steps to procure the relevant certifications and/or licences required under the law. In the transitional period, there is no assurance that the relevant authorities will not take legal action and/or impose fines for not having the relevant certifications and/or licences required under the law. In this respect, due diligence is undertaken by Am ARA on such buildings prior to acquisition to identify and, as far as possible, avoid incurring such risks.

(iv) Risks relating to an investment in the Units

The price of the Units may decline after the IPO

The Units may trade at prices significantly below the Offer Price after the IPO and the price of the Units may be volatile. The price of the Units will depend on many factors, including but not limited to:

- Am ARA's ability to implement successfully AmFIRST REIT's investment and growth strategies;
- the market value of AmFIRST REIT's assets;
- the perceived prospects of AmFIRST REIT's business and investments and the Malaysian real estate market;
- changes in general economic or market conditions, both domestically and internationally;
- broad market fluctuations, including weakness of the equity market and increases in interest rates;
- the performance of the Bursa Securities which benchmark against the Kuala Lumpur Composite Index; and
- the perceived attractiveness of the Units against those of other securities, including those not related to the real estate sector.

For these reasons, amongst others, Units may trade at prices higher or lower than the attributable NAV per Unit. If AmFIRST REIT is terminated or liquidated, it is possible that investors may lose all or part of their investment in the Units.

6. The AmFIRST REIT (Cont'd)

Unitholders will be effectively subordinated to all existing and future claims of creditors of AmFIRST REIT

The claims of creditors of AmFIRST REIT will have priority to the assets of AmFIRST REIT over the claims of the Unitholders of AmFIRST REIT in the event of a dissolution. AmFIRST REIT may incur indebtedness in connection with the operation of the Properties and may in the future incur unsecured or secured obligations directly. Secured creditors of AmFIRST REIT would have prior rights of claim over the secured assets and all creditors of AmFIRST REIT would rank ahead of the claims of the Unitholders of AmFIRST REIT.

Distributions to Unitholders will be subject to cash flow availability of AmFIRST REIT

If the Properties and any other assets held by AmFIRST REIT from time to time do not generate sufficient net operating profit and AmFIRST REIT is unable to borrow funds from the market in a timely and cost-effective manner, AmFIRST REIT's income, cash flow and ability to make distributions will be adversely affected. Hence, no assurance can be given as to AmFIRST REIT's ability to pay or maintain distributions.

Property yield on real estate to be held by AmFIRST REIT is not equivalent to yield on the Units

Generally, property yield depends on the amount of net property income (*calculated as the amount of revenue generated by the properties concerned, less the expenses incurred in maintaining, operating, managing and leasing the properties compared against the current value of the properties*). Yield on the Units, however, depends on the distributions payable on the Units as compared with the purchase price of the Units. While there may be some correlation between these two yields, they are not the same and will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the Offer Price.

The NAV of the Units may be diluted if further issues are priced below the NAV

Where there is new issue of Units, the issue price may be above, at or below the current NAV per Unit of AmFIRST REIT. Where new Units are issued at less than the existing NAV per Unit, the NAV per Unit of existing Units will be diluted.

Unitholders have no right to require the redemption of their Units

Unitholders have no right to require the redemption of their Units (*while AmFIRST REIT remains listed*). Therefore, there can be no assurance that a Unitholder will be able to dispose of its Units at the Offer Price or any other price. Accordingly, Unitholders may only be able to liquidate or dispose of their Units through a sale of such Units to third parties on the secondary market.

Failure and/or delay in the Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following events occur:

- (a) the selected places fail to subscribe for the portion of the Units;
- (b) the Underwriter(s) exercising its(their) rights pursuant to the underwriting agreement to discharge itself(themselves) from its(their) obligations thereunder; or
- (c) AmFIRST REIT is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up Units of AmFIRST REIT must be held by a minimum of 1,000 public Unitholders holding no less than 100 Units in AmFIRST REIT.

6. The AmFIRST REIT (Cont'd)

Although Am ARA will endeavour to ensure compliance of the Listing Requirements, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the Listing.

The Units may be delisted from Bursa Securities

Bursa Securities imposes certain requirements for the continued listing of securities, including the Units, on Bursa Securities. Investors cannot be assured that AmFIRST REIT will continue to meet the requirements necessary to maintain the listing of Units on the Main Board of Bursa Securities or that Bursa Securities will not modify the Listing Requirements. AmFIRST REIT may be terminated if the Units are delisted from Bursa Securities.

No assurance of achievability in respect of forward-looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results, and others are forward-looking in nature which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by Am ARA, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors outside of AmFIRST REIT or Am ARA's control which may cause the actual results, performance or achievements to differ materially from actual future results, performance or achievements as expressed or implied in such forward-looking statements.

Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting AmFIRST REIT and the real estate industry and changes in interest rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by Am ARA's advisers or Am ARA that the plans and objectives of AmFIRST REIT will be achieved.

Given the risks and uncertainties that may cause AmFIRST REIT's actual future results, performance or achievements to be materially different from those expected, as expressed or implied by the forward-looking statements in this Prospectus, Am ARA advises you not to place undue reliance on those statements. Am ARA is not warranting or representing to you that AmFIRST REIT's actual future results, performance or achievements will be as stated in those statements.

Changes to accounting standards may result in changes in the future as to how AmFIRST REIT's results and financial position are prepared and presented

The audited financial statements of AmFIRST REIT will be prepared in accordance with provisions of the Deed, REIT Guidelines, the SC Act and applicable approved accounting standards in Malaysia. The Malaysian Accounting Standards Board ("MASB"), as part of its programme to fully converge with international financial reporting standards, has introduced a number of Malaysian Financial Reporting Standards or revised MASB Standards, collectively referred to in this Prospectus as Malaysian Financial Reporting Standards, which are effective for accounting periods beginning on or after 1 January 2006.

These new standards cover amongst others financial instruments, share-based payments, business combinations, insurance contracts and non-current assets held for sale and discontinued operations. A series of exposure drafts to revise the remaining MASB Standards have been issued and include, amongst others, proposed revisions to the accounting of investment properties.

The above changes as well as any other further changes to MASB Standards may result in significant changes in the preparation and presentation of AmFIRST REIT's results in the future. In addition, there can be no assurance that future changes to accounting standards will not affect the ability of AmFIRST REIT to make distributions to Unitholders or that such distributions will be in line with those set out in the Profit Forecasts and Projections.

6. The AmFIRST REIT (Cont'd)

Changes to tax treatment to REIT

Pursuant to the Income Tax Act, 1967, a REIT is exempted from tax on income distributed to unitholders in the same basis period. It was recently proposed in the Finance Bill 2006, as part of the 2007 Budget announcements, that the REIT will be fully exempted from income tax provided at least 90 per cent of its income is distributed to unit holders. If less than 90 per cent is distributed, the income of the REIT would be subject to income tax. The tax treatment granted allows Malaysian tax resident unitholders (i.e. individuals or companies) to receive their distributions free of tax deducted at source. However, unitholders will be taxed at their prevailing income tax rates applicable on them on such income. For non-resident unitholders, the REIT will withhold the tax, currently at 28%. The following was also proposed in the recent 2007 Budget:

- (i) The corporate rate be reduced to 27% for YA 2007 and reduced further to 26% from YA 2008 onwards.
- (ii) The taxation of Unitholders is proposed to be as follows:-
 - Non-resident corporate investors will be taxed at 27% in YA 2007 through a withholding tax mechanism.
 - Resident corporates will be taxed normally at prevailing income tax rates.
 - Non-corporate investors (whether resident or non-resident) will be taxed at a rate of 15% through a withholding tax mechanism for 5 years beginning from year of assessment 2007; and
 - Non-resident institutional investors be taxed at a reduced rate of 20% through a withholding tax mechanism for 5 years beginning from year of assessment 2007.

Please note that the tax treatment applicable to REITs is based on the current tax legislation. If the tax legislation is amended, the tax treatment highlighted above may not apply.

6.1.4 Am ARA's Policy on Gearing and Minimum Liquid Asset

The total borrowings of AmFIRST REIT will not exceed 50% of the Total Asset Value of AmFIRST REIT at the time the borrowings are incurred, as stipulated under the REIT Guidelines (or such other level permitted under the REIT Guidelines from time to time). As at LPD, AmFIRST REIT does not have any borrowings. However, AmFIRST REIT will be raising RM61,000,000 from bank borrowings to finance the Acquisition of Menara Merais, to defray listing expenses and as working capital purposes for AmFIRST REIT.

Please also refer to Section 6.1.3(i) of this Prospectus for risks associated with bank borrowings.

Am ARA will adhere to the REIT Guidelines on the permitted and restricted investments in relation to liquid assets. Liquid assets will be held in the form of cash, deposits with licensed institutions and/or other institutions licensed or approved to accept deposits, or any other instrument capable of being converted into cash within seven days (*as may be approved by the Trustee*).

6.1.5 Investor Profile most suitable for AmFIRST REIT

AmFIRST REIT is best suited for you if you:-

- have funds but do not have the time or expertise to find, select, negotiate, purchase and profitably manage real estate properties;
- have limited funds and wish to, but cannot, finance investment in real estate property on your own account; and
- wish to seek long-term capital growth on a spread of real estate investments.

6. The AmFIRST REIT (Cont'd)

6.1.6 Am ARA's Distribution Policy

Am ARA shall distribute at least 90% of the distributable income of AmFIRST REIT. The distributions will be paid to the Unitholders on a semi-annual basis (or such other intervals as Am ARA may determine) and will be paid within two (2) months after AmFIRST REIT's book closure date.

Barring any unforeseen circumstances, it is the intention of Am ARA to distribute 100% of the distributable income of AmFIRST REIT to the Unitholders for the 5-month period ending 31 March 2007 and the 3 financial years ending 31 March 2008 to 31 March 2010. Thereafter, Am ARA intends to distribute at least 90% of the distributable income of AmFIRST REIT for the relevant financial year or such other percentage and at such other intervals as determined by Am ARA at its discretion. Based on the profit forecasts and projections set out in Section 8.6 of this Prospectus, the Board forecasts and projects that the distributions to Unitholders from the 5-month period ending 31 March 2007 and the 3 financial years ending 31 March 2008 to 31 March 2010 to be as follows:-

		Forecast 5-month period ending 31 March 2007	Forecast FYE 31 March 2008	Projections FYE 31 March	
				2009	2010
Distributable income ⁽¹⁾	(RM'000)	12,466	31,080	31,706	33,275
Distribution per Unit ⁽²⁾	Sen	6.97 ⁽⁴⁾	7.24	7.39	7.76
Distribution yield ⁽³⁾	(%)	6.97 ⁽⁴⁾	7.24	7.39	7.76
Distribution rate ⁽⁵⁾	(%)	100	100	100	100
Distribution cover ⁽⁵⁾	(%)	100	100	100	100

Notes:-

- (1) The distributable income of AmFIRST REIT is expected to be the same as the net income after taxation as set out in section 8.2 of this Prospectus.
- (2) Distribution per Unit is calculated by dividing the distributable income of AmFIRST REIT by the enlarged Units in issue of 429,001,000 Units.
- (3) Distribution yield is calculated by dividing distribution per Unit by the assumption price of RM1.00 per Unit.
- (4) Annualised for comparative purposes. AmFIRST REIT is assumed to commence business on 1 November 2006.
- (5) Computed based on the assumption that AmFIRST REIT will distribute 100% of its distributable income to Unitholders.

The amount of distributions to Unitholders shall be subjected to the following:-

- (a) the availability of funds in providing the amount of the distributions; and
- (b) compliance with the gearing level prescribed by the REIT Guidelines and any applicable borrowing covenants.

The above distribution policy is based on current accounting policies applicable to AmFIRST REIT. In the event of any change in accounting policy, Am ARA will review and may make any change to the distribution of AmFIRST REIT.

Any moneys payable to a Unitholder pursuant to its entitlement of AmFIRST REIT's distribution which remain unclaimed after a period of one (1) year shall be accumulated in a special account and lodged with the Registrar of Unclaimed Moneys by Am ARA or the Trustee. The Trustee shall maintain a record of all unclaimed moneys at its principal place of business in accordance with the provisions of the Unclaimed Moneys Act 1965.

6. The AmFIRST REIT (Cont'd)

6.2 AmFIRST REIT's Investments in Real Estate

Presently, AmFIRST REIT's investments are entirely in real estates. As part of the Listing Scheme, AmFIRST REIT has acquired the Properties.

For AmFIRST REIT's investment strategies in relation to real estates as well as the type and characteristic of the real estates that AmFIRST REIT would acquire, please refer to Section 6.1.2 of this Prospectus.

There is no immediate need for investments other than real estate acquisitions. If Am ARA sees the opportunity or need in the future to invest in debts/equities instruments, a qualified investment manager will be employed or outsourced subject to the Trustee's approval and within any regulatory guidelines. At present, Am ARA sees greater potential and consistency in yields and cashflow in real estate.

The risks arising from this lack of diversification are risks relating to investment in real estates and risks relating to AmFIRST REIT's Properties, details of which are set out in Sections 6.1.3(ii) and 6.1.3(iii) of this Prospectus.

6.3 Future Plans and Strategies of AmFIRST REIT

Am ARA's key objectives for AmFIRST REIT are to deliver stable distributions to Unitholders and to achieve long term growth in the NAV per Unit. Am ARA intends to achieve these objectives through implementation of Am ARA's operating, acquisition and capital management strategies as stipulated in Section 6.1.2 of this Prospectus.

Prior to the issuance of Prospectus, Am ARA has entered into negotiation to acquire a piece of property situated in Klang Valley with NLA of 287,838 sq. ft. The sale and purchase agreement will be executed subject to satisfactory completion of due diligence of the aforesaid property.

6.4 Overview of the Malaysian Property Market

The cumulative supply of office spaces in Klang Valley is expected to increase only marginally in the next six to twelve months as limited new completions are anticipated during this period. More significantly, the KLCA in particular will continue to be short of quality grade office space in the next twelve months, as only 2 new office buildings, which is classified in the secondary KLCA area have been identified in the development pipeline for the next 3 years, while 4 new office buildings in Petaling Jaya area is expected to be completed within the next 3 years.

Demand growth for office space is expected to continue to be positive and locally driven, primarily by the services sector. There are, however, a few existing significant office space requirements from multinational companies, which are expected to translate into positive net take up in the next six to twelve months. The trend of expansions from financial institutions, local government agencies, educational institutions and existing owners and tenants will also continue to be evident during this period.

The outlook for the office sector in Klang Valley within the next six to twelve months is stable to optimistic with some indication of further movement of tenants but with no real growth expected in market rentals. Nevertheless, landlords of quality grade office buildings, especially within proximity to the Petronas Towers are likely to increase their rentals for their remaining vacant office accommodation in the next six to twelve months. Landlords of these buildings, which are mainly located within prime area of KLCA are expected to dictate the rental market in the short term given that limited new supply of prime office building is expected to enter the KLCA office market in the next twelve months.

Market prices of office buildings are expected to generally remain stable in the short term despite numerous transactions recorded in the last eighteen months. However, on the investment front, interest is very keen and transactional activities are expected to increase in the next six to twelve months, once the gap between the expectations of the buyers and sellers are narrowed. Prime office buildings with investment potential are expected to continue to attract investors.

6. The AmFIRST REIT (Cont'd)

The favourable framework as a result of the changes to the Guidelines on Real Estate Investment Trusts issued by the Securities Commission of Malaysia in early 2005 plus various tax incentives that encouraged the emergence of Real Estate Investment Trusts (REITs) as a viable and attractive alternative investment vehicle for income producing real estate. This has led to greater interest shown in these types of properties. The successful listing of Axis REIT, UOA REIT and Tower REIT indicated great interests particularly amongst investors. This would be positive for the commercial sector, particularly office market. Demand from REITs particularly by institutional investors would augur well for the office market in light of the presently tight supply situation and expected stable demand for office space, giving the investment of market in Klang Valley more depth.

(Source: Property Market Report on the Office Sector in in Klang Valley prepared by CH Williams)

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7. Current Investments of AmFIRST REIT

7.1 Competitive Strengths of the Properties

Am ARA is of the opinion that the Properties enjoy the following competitive strengths:-

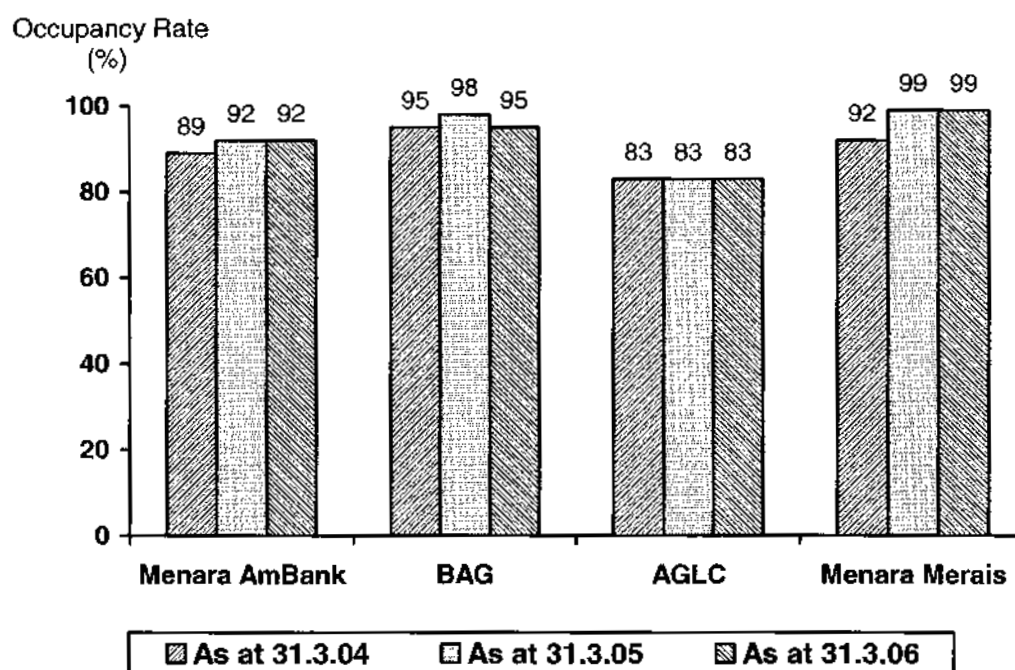
The Properties are located in prime location

Menara AmBank, BAG and AGLC are situated in the heart of Kuala Lumpur's prime business, banking and shopping district or more widely known as the "Golden Triangle" area. Other prominent offices in the immediate vicinity include Kuala Lumpur City Centre, Menara Maxis, Menara Public Bank, Wisma Selangor Dredging, Angkasa Raya building, Megan Avenue II, Menara KUB.COM, Wisma MPL, Menara Weld, Wisma Goldhill, Menara Boustead, Menara Affin, Menara ING, Plaza See Hoy Chan, Bangunan Amanah Capital, Wisma Nusantara, Menara SMI, Menara Pan Global, Plaza Atrium, Menara Aik Hua, Plaza MCB, Wisma Genting, Menara Promet, Menara Dion, MUI Plaza, UBN Tower, Menara Prudential, Menara IMC and Menara Haw Par. The area is easily accessible by all major roads in the city and well served by public transportation including numerous bus and taxi services.

Menara Merais represents a landmark building in Petaling Jaya ("PJ") as it is the only high rise building in the area. Other prominent premises in the immediate vicinity include British American Tobacco (M) Bhd, Wisma Facell-Crystal Palace, Ingram Micro, Wisma Tan Kok Cheng, Handy Mart, Ssang Yong, Citroen, Fella Design, Wisma KT, Central Malaya Printers, Cast Iron Products Sdn Bhd, Summit Company (M) Sdn Bhd, Wisma Academy, UMW Toyota showroom, Toyoma Aluminium, Silverstone, Perodua, Niro Ceramics, Chips Away, Vitagen, Antah Health Care Group, Global Business Park and Kompleks Kemajuan.

High occupancy level

The Properties have been enjoying high occupancies as shown below:-



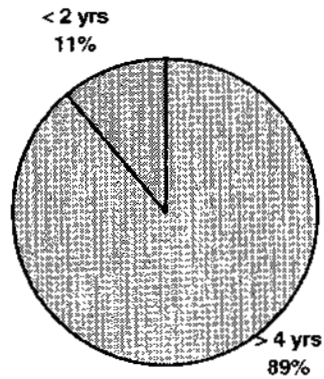
The high occupancy rates of the Properties above reflects the quality and demand for office space in the Properties.

7. Current Investments of AmFIRST REIT (Cont'd)

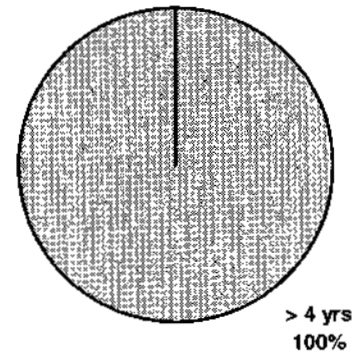
Long term tenants

The Properties not only enjoy high Occupancy Rates but are also able to retain long term tenants. As at the LPD, about 83% of existing tenants have been renting the Properties in aggregate for more than four (4) years. The breakdown of the length of occupancy of the existing tenants for the Properties (based on the number of tenants occupying the Net Lettable Area) as at the LPD is as follows:-

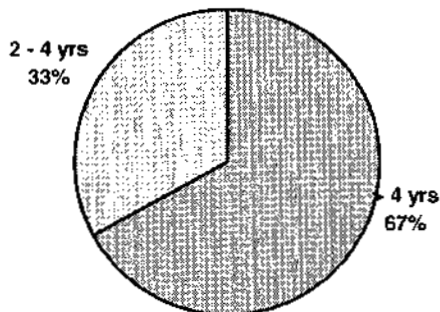
Menara AmBank



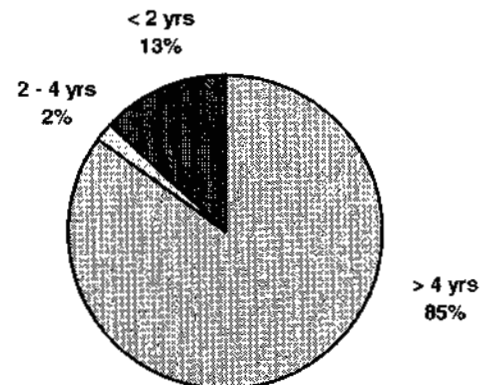
BAG



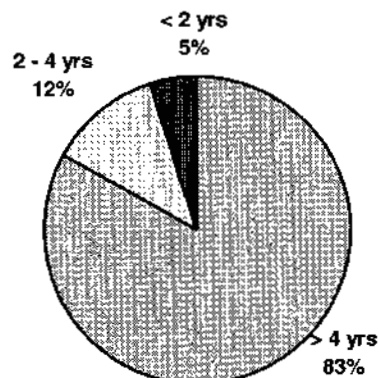
AGLC



Menara Merais



Total Properties



7. Current Investments of AmFIRST REIT (Cont'd)

Competitive rental rates

According to the Property Market Report on the Office Sector in Klang Valley prepared by CH Williams, the current rental rates of the Properties are at rates that are very competitive as compared to the neighbouring buildings. Due to the high demand for office space around the "Golden Triangle" area as well as the Petaling Jaya area, Am ARA may be able to increase the rental rates of the Properties in order to improve the earnings for AmFIRST REIT.

A general comparison of the occupancy and rental rates of the Properties with those of other buildings within the vicinity of the Properties is set out below:-

Building	Approximate average monthly rental (RM per sq ft)	Approximate occupancy rate (%)
Menara AmBank	3.50 – 4.50	92
BAG	4.00 – 5.50	95
AGLC	2.00 – 3.00	83
Menara Boustead, Jalan Raja Chulan	4.05	85
Menara Weld, Jalan Raja Chulan	3.82 – 4.05	90
Wisma Genting, Jalan Sultan Ismail	4.05 – 5.21	95
Bangunan Amoda, Jalan Imbi	3.01 – 3.48	93
Bangunan Angkasaraya, Jalan Ampang	3.36 – 4.05	98
Bangunan MAS, Jalan Sultan Ismail	3.48 – 4.05	99
Menara Getah Asli, Jalan Ampang	3.12	100
Menara Tun Razak, Jalan Raja Laut	2.90 – 3.59	98
Menara Merais	2.20 – 3.20	99
PNB Damansara, Lorong Dungun	2.90 – 3.01	Not available
Wisma Damansara, Jalan Semantan	2.66	Not available

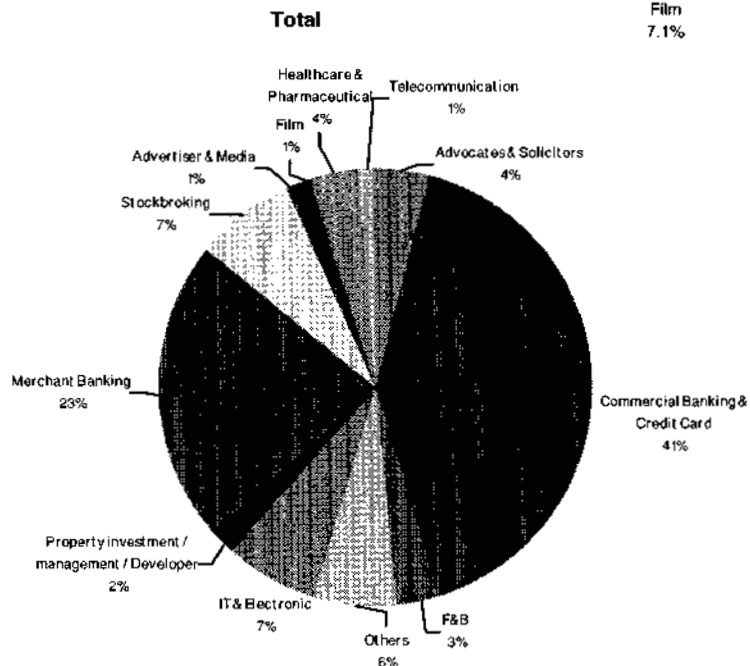
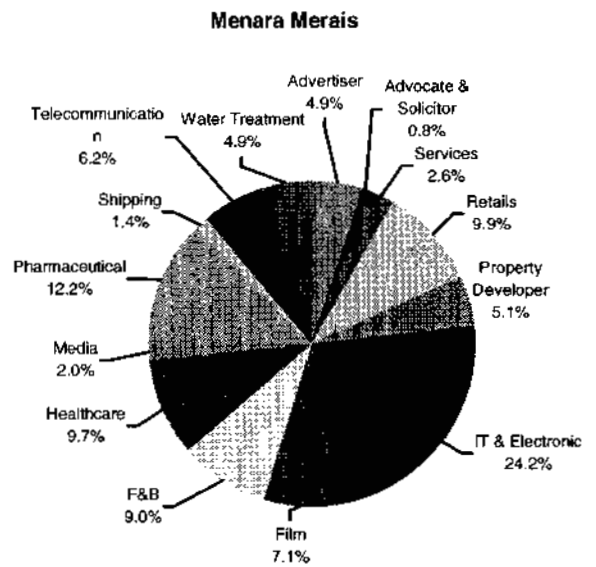
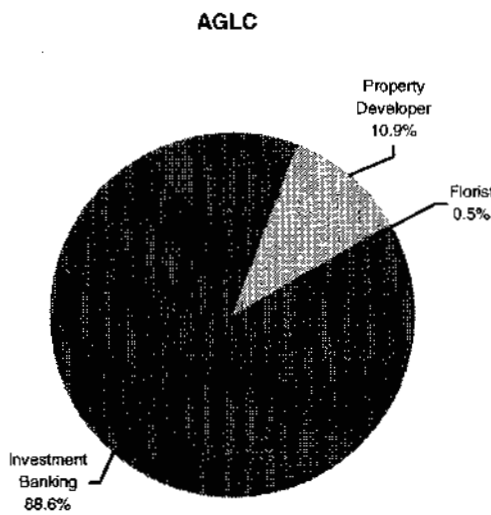
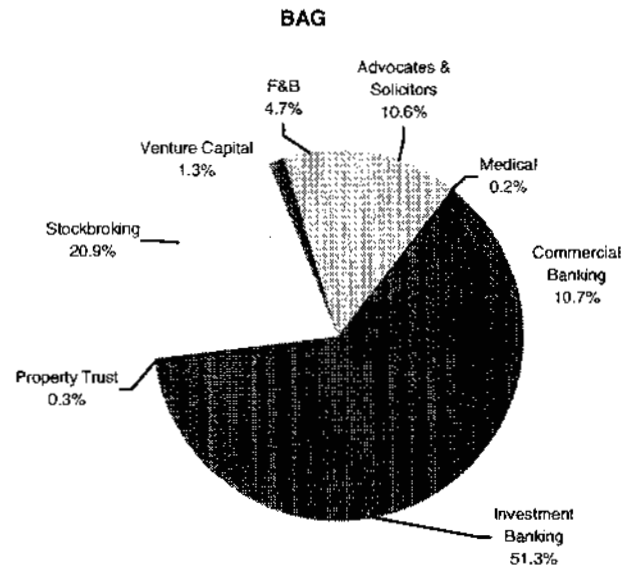
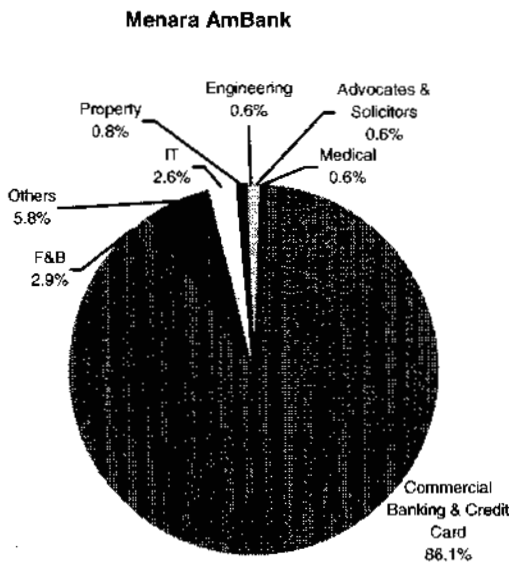
(Source : Extracted from the Property Market Report 2005 issued by Valuation and Property Services Department, Ministry of Finance Malaysia)

Diverse and quality tenant base

As at the LPD, the Properties are occupied by 59 tenants comprising local and multinationals companies. The tenants are also from a wide range of industries which include commercial banking and credit card services which occupy approximately 41% of the NLA and while the remaining 59% of the NLA is currently occupied by tenants involved in merchant banking, stockbroking, insurance, legal, medical, services, information technology, property, media, telecommunication, healthcare, food, pharmaceutical etc industries. Hence, AmFIRST REIT is not overly dependent on any one particular industry.

7. Current Investments of AmFIRST REIT (Cont'd)

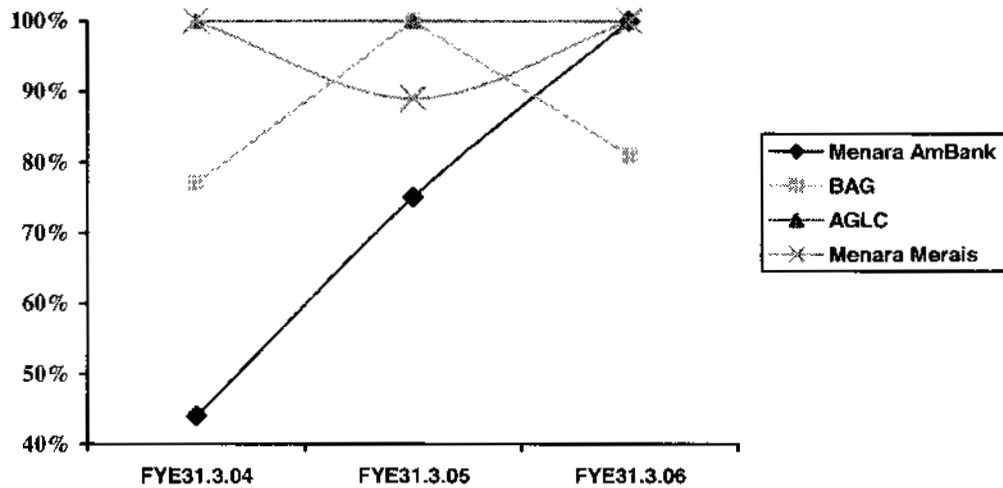
The Tenant Mix of the Properties by NLA as at the LPD is as follows:-



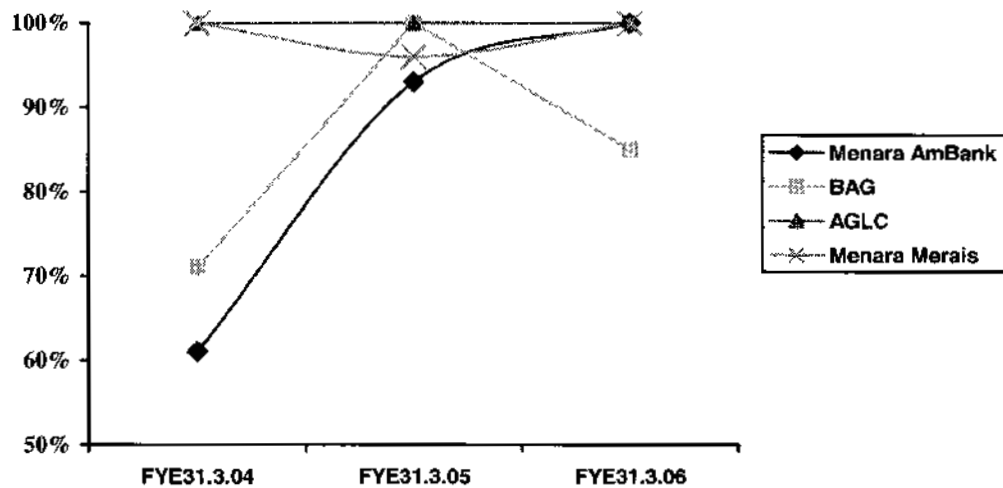
7. Current Investments of AmFIRST REIT (Cont'd)

The Properties' strong tenant base coupled with the selective sourcing for quality tenants have resulted in the Properties enjoying relatively high average tenancy renewal rates of more than 90% over the past three (3) FYEs 31 March 2006 as shown below:-

Renewal rate by no. of tenancies



Renewal rate by Net Lettable Area



Economies of Scale

Collectively, the Properties have total Net Lettable Area for office space of 1,035,851 sq ft plus 1,698 car park bays. This creates a sizeable pool of assets for AmFIRST REIT with specific focus in office class of assets. Am ARA expects to leverage on AmFIRST REIT's large asset pool to achieve economies of scale in terms of profitability and cost efficiency by providing a larger variety of different floor configuration to suit tenants' needs and at different locations namely Petaling Jaya or the Kuala Lumpur "Golden Triangle" area. The large pool of assets will also improve cost efficiency in terms of technical infrastructure, purchasing and human resource expertise which can be shared among the Properties.

7. Current Investments of AmFIRST REIT (Cont'd)

7.2 Menara AmBank

7.2.1 Description

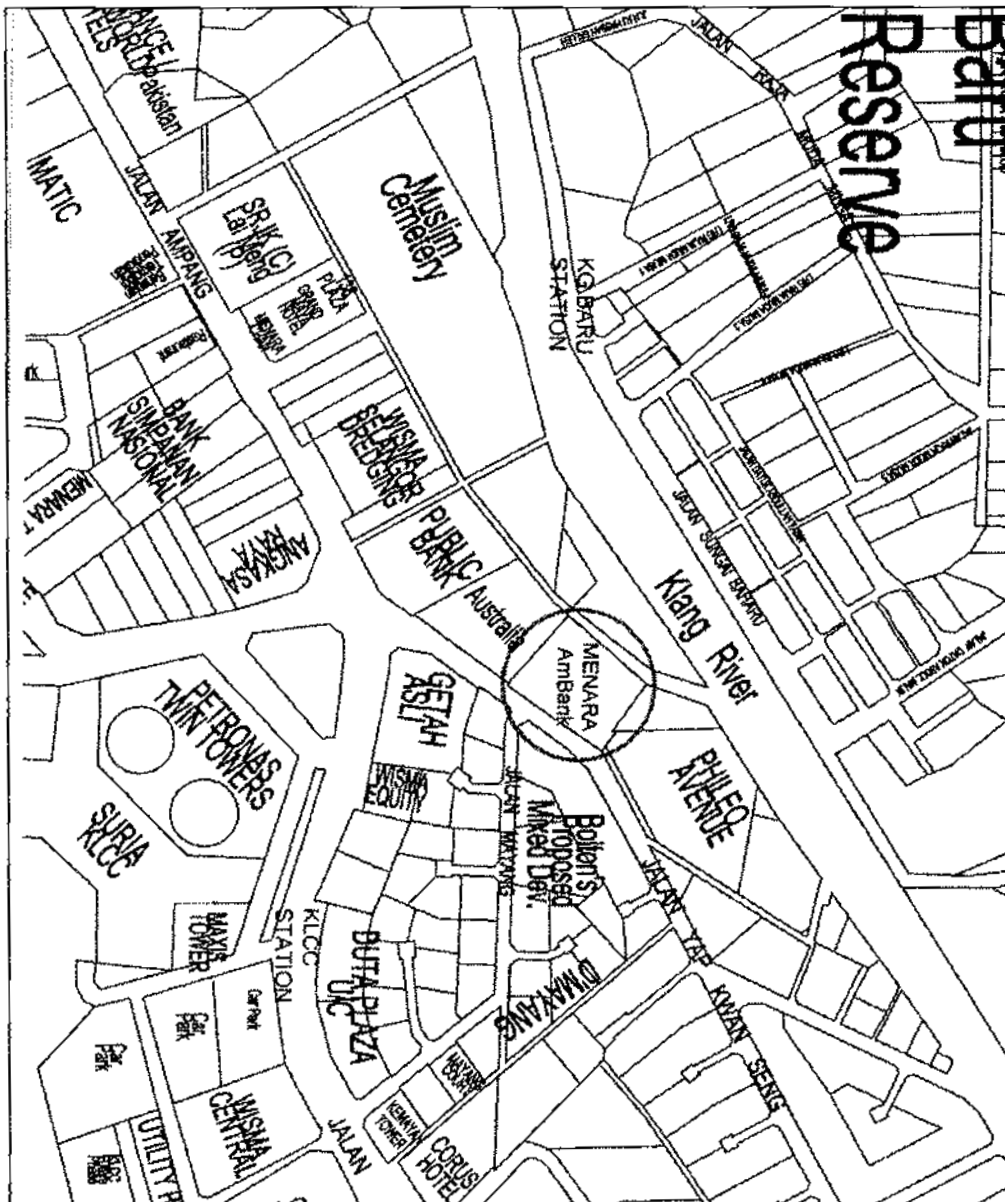
Menara AmBank, with a land area of 80,420 sq ft is located along Jalan Yap Kwan Seng. It is a 46-storey office building comprising 38-storey office tower block, 1-level canteen and a 7-level carpark. The building is constructed of reinforced concrete framework with plastered brickwall and reinforced concrete flat roof enclosed with parapet walls. The external façade of the building was partly finished with full height metal framed glass panel curtain walls and partly with aluminium-carbon curtain wall panels.

The building which was completed in 1997 is situated about 0.5 kilometre by road to the north of the Kuala Lumpur City Centre ("KLCC"). Menara AmBank has a total built-up area of approximately 739,040 sq ft and a NLA measuring 458,882 sq ft plus 795 car parking bays.

The appraised value of Menara AmBank as at 7 March 2006 by the Independent Property Valuer is RM230,000,000.

7.2.2 Location and Accessibility

The postal address of Menara AmBank is No. 8 Jalan Yap Kwan Seng, 50450 Kuala Lumpur.



7. Current Investments of AmFIRST REIT (Cont'd)

Menara AmBank is situated about 0.5 kilometre by road to the north of the Kuala Lumpur City Centre ("KLCC"). It is surrounded mainly with high-rise office buildings, retail complexes, high-rise condominiums / service apartments, hotels and park. Adjoining Menara AmBank to the south-west is the Australian High Commission, whilst situated immediately to the north-east is the Megan Avenue II and Menara KUB.COM. D'Mayang Condominium, Mayang Court and Crimson Apartment are located to the south-east of Menara AmBank.

The nearest LRT station, PUTRA-KLCC Station is located within walking distance. It is easily accessible from KLCC via Jalan Ampang and Jalan Yap Kwan Seng. Alternatively, it is accessible via Jalan Tun Razak.

7.2.3 Particulars of Titles and Encumbrances

Menara AmBank is situated on a freehold land held under Title No. GRN 52468 for Lot No. 140, Section 44, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur measuring 80,420 sq ft (7,471 sq m).

As at the LPD, there is no encumbrance to the title of Menara AmBank.

7.2.4 Income and outgoings

The breakdown of the gross revenue and outgoings for Menara AmBank for the past three (3) financial years (as extracted from the management record of AmBank with the assumption that AmBank has been a tenant in Menara AmBank and paying rental based on the rental rate of RM3.50 per sq. ft for the five (5) FYE 31 March 2002 to FYE 31 March 2006) is as follows:-

Period	Gross revenue (RM'000)	Outgoings* (RM'000)
FYE 31 March 2004	16,343	7,055
FYE 31 March 2005	16,604	7,011
FYE 31 March 2006	17,879	7,318

* Includes operating cost and property cost such as assessment, quit rent, management fee, water and sewerage, and insurance.

7.2.5 Occupancy

The Occupancy Rate of Menara AmBank remains relatively high as at 31 March 2002 to 31 March 2006, as illustrated in the table below:-

As at	Occupancy Rate
31 March 2002	97%
31 March 2003	88%
31 March 2004	89%
31 March 2005	92%
31 March 2006	92%

7.2.6 Tenant Mix

Menara AmBank is 70.6% occupied by AmBank which is involved in commercial banking and finance services. 12.2% is occupied by MBf Cards (Malaysia) Sdn Bhd which provides credit cards and the remaining 13.1% is occupied by a food court, a sundry store, a clinic, 5 information technology-related companies, an advertising consultant company, a construction engineering company and a legal firm.

7. Current Investments of AmFIRST REIT (Cont'd)

7.2.7 Tenant Information

As at the LPD, Menara AmBank have 17 tenants. The table below sets out information relating to the top ten (10) tenants based on rental income:-

Top ten (10) tenants by rental income (as at the LPD):					
Tenant	Trade sub-sector	Tenancy period	Length of occupancy	Percentage of total Net Lettable Area	Percentage of gross rent
		(years)	(years)	(%)	(%)
AmBank*	Commercial Banking	3	4	70.6	77.4
MBF Cards (Malaysia) Sdn Bhd	Credit card	Month to month	8	12.2	9.2
Acer Sales & Services Sdn Bhd	PC distribution and services	3	5	2.7	2.6
SAS Institute Sdn Bhd	IT Consulting & training	Month to month	5	1.4	1.4
Malaysia-German Chamber of Commerce	Chamber of Commerce	Month to month	6	1.2	1.2
Baharoon Development Corporation Sdn Bhd	Property and IT Investment	1	6	0.7	0.9
First Hill Electronics Co. (M) Sdn Bhd	IT-Consulting	Month to month	6	1.0	0.7
Coss Security Sdn Bhd	Security Services	Month to month	9	0.6	0.6
Horeb Services Sdn Bhd	Clinic	3	8	0.5	0.6
Mongoose Pacific (M) Sdn Bhd	Advertising Consultant	3	5	0.5	0.5

* Prior to the acquisition of Menara AmBank by AmFIRST REIT, AmBank has been occupying Menara AmBank as the owner of Menara AmBank. AmBank will be a tenant with effect from the completion of the sale of Menara AmBank and will enter into tenancy for 3 years. The percentage represents the NLA AmBank occupies as at the LPD and the rental rate upon AmBank being the tenant upon the completion of the sale of Menara AmBank.

7.2.8 Expiries and Renewals

The following table sets out information on tenancies at Menara AmBank that have expired and those that have been renewed by the existing tenants during the periods indicated:-

FYE	Number of tenancies expired	Net Lettable Area of expired tenancies (sq ft)	Number of expired tenancies renewed	Total renewed Net Lettable Area (sq ft)	Renewal rate by number of expired tenancies (%)	Renewal rate by expired Net Lettable Area (%)
31 March 2004	18	140,657	8	85,497	44	61
31 March 2005	8	71,263	6	66,354	75	93
31 March 2006	9	83,791	9	83,791	100	100
Total	35	295,746	23	235,642		

The table below sets out details of expiries in respect of tenancies which are scheduled to take place during the periods indicated:

Period	Total number of tenancies expiring	Net Lettable Area of tenancies expiring (sq ft)	Expiring tenancies as a percentage of Net Lettable Area (%)
FYE 31 March 2007	5	9,218	2
Beyond FYE 31 March 2007	5	335,488	73
Total	10	344,706	75

7. Current Investments of AmFIRST REIT (Cont'd)

7.3 BAG

7.3.1 Description

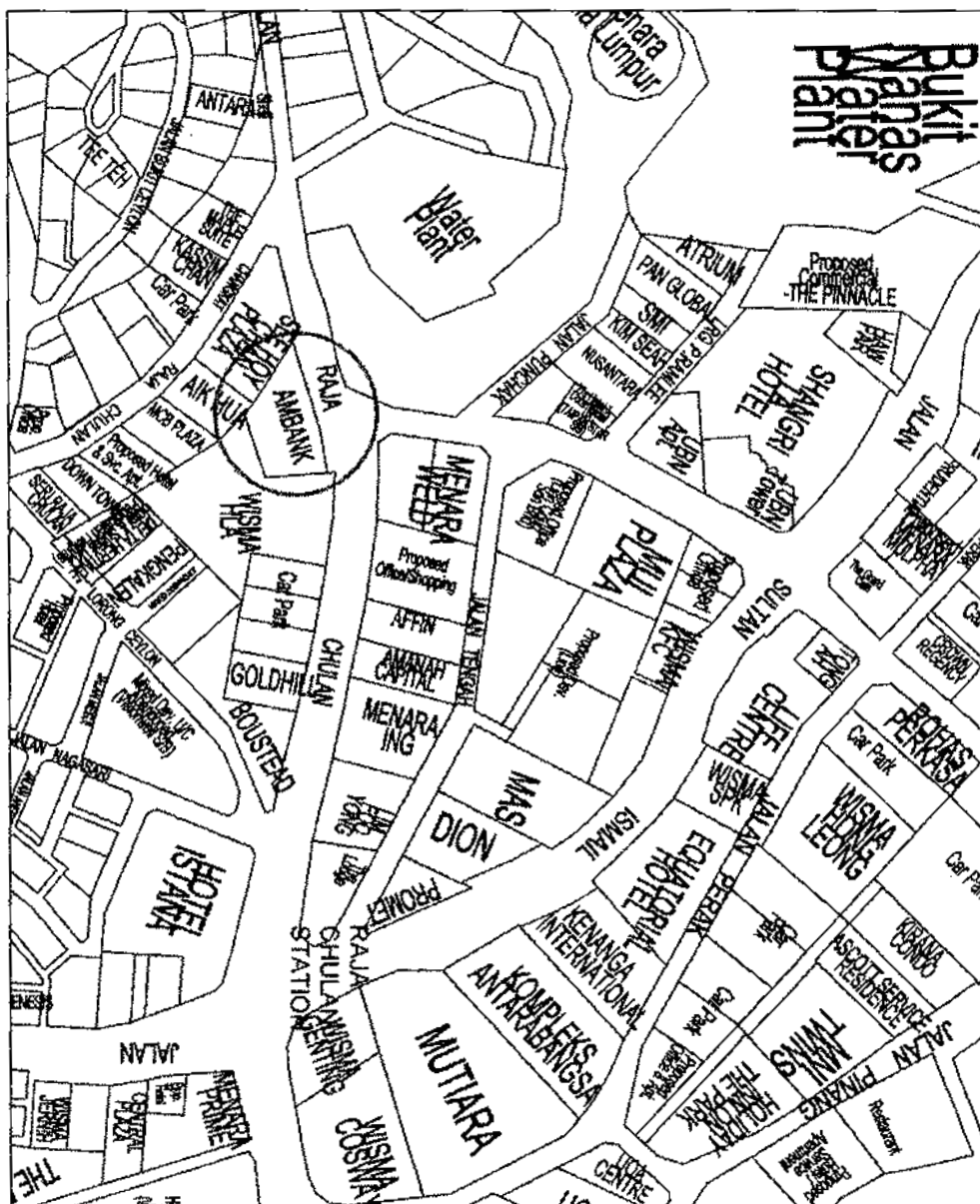
BAG, with a land area of 47,600 sq ft is located along Jalan Raja Chulan. It is a 26-storey office building comprising a 21-storey office tower block, 1-level cafeteria, gymnasium and a multi-purpose hall and 4-upper level carpark and 3-basement level carpark. BAG is a modern individual architectural designed purpose-built office building constructed of reinforced concrete framework with external façade partly clad with tinted glazed and aluminium panel curtain walling and partly plastered brickwalls. The external walls for the entrance lobby on the ground floor are of frameless glass panels.

The building which was completed in 1986 is situated at Jalan Raja Chulan, near to the T-junction by Jalan P Ramlee and Jalan Raja Chulan. BAG has a total built-up area of approximately 700,500 sq ft and a NLA measuring 360,166 sq ft plus 522 car parking bays.

The appraised value of BAG as at 7 March 2006 by the Independent Property Valuer is RM180,000,000.

7.3.2 Location and Accessibility

The postal address of BAG is No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.



7. Current Investments of AmFIRST REIT (Cont'd)

BAG is located within the "Golden Triangle District of Kuala Lumpur" where it is bounded by Jalan Raja Chulan, Jalan Ampang and Jalan Sultan Ismail. Prominent office buildings located along Jalan Raja Chulan are Wisma MPL, Menara Weld, Wisma Goldhill, Menara Boustead, Menara Affin, Menara ING, Plaza See Hoy Chan and Bangunan Amanah Capital. The Kuala Lumpur Tower, located a short distance to the north west of BAG, is surrounded by the Bukit Nanas Recreational Park and commercial developments which include Wisma Nusantara, Menara SMI, Menara Pan Global, AGLC and Plaza Atrium.

BAG is easily accessible from all parts of Kuala Lumpur via Jalan Raja Chulan.

7.3.3 Particulars of Titles and Encumbrances

BAG is situated on a leasehold land expiring on 3 June 2084 and held under Title No. Pajakan Negeri 4512 for Lot No. 1200, Section 57, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur measuring 47,600 sq ft (4,422 sq m) expiring on 3 June 2084.

As at the LPD, there is no encumbrance on the title of BAG.

7.3.4 Income and outgoings

The breakdown of the gross revenue and outgoings for BAG for the past three (3) financial years (as extracted from the unaudited financial results of AmFPT) is as follows:-

Period	Gross revenue (RM'000)	Outgoings* (RM'000)
FYE 31 March 2004	18,033	5,387
FYE 31 March 2005	18,180	5,136
FYE 31 March 2006	18,321	5,373

* Includes operating cost and property cost such as assessment, quit rent, management fee, water and sewerage, and insurance.

7.3.5 Occupancy

The Occupancy Rate of BAG remains relatively high as at 31 March 2002 to 31 March 2006, as illustrated in the table below:-

As at	Occupancy Rate
31 March 2002	99%
31 March 2003	99%
31 March 2004	95%
31 March 2005	98%
31 March 2006	95%

7.3.6 Tenant Mix

BAG is 78.3% occupied by the AHB Group which are mainly involved in commercial banking, merchant banking and stockbroking services. 8.5% is occupied by Messrs Shook Lin & Bok which is a legal firm and the remaining 6.2% are occupied by a food court, multi-purpose hall, gymnasium, two venture capital companies, a clinic and a legal firm.

7. Current Investments of AmFIRST REIT (Cont'd)

7.3.7 Tenant Information

As at the LPD, BAG have 9 tenants. The table below sets out information relating to the nine (9) tenants based on rental income:-

Tenants by rental income (as at the LPD):					
Tenant	Trade sub-sector	Tenancy period	Length of occupancy	Percentage of total Net Lettable Area	Percentage of gross rent
		(years)	(years)	(%)	(%)
AmMerchant Bank	Merchant Banking	3	20	49.0	50.2
AmSecurities Berhad	Stockbroking	3	20	18.4	17.2
		month to month (9 th floor – 5,161sq. ft.)			
AmBank	Commercial Bank	3	20	10.2	13.4
		2 (12 th floor)			
		month to month (11 th floor)			
Shook Lin & Bok	Advocates and solicitor	3	13	8.5	7.7
Messrs. Syed Alwi, Ng & Co	Advocates and solicitor	Month to month	18	1.4	1.4
Malaysia South-South Corporation	Venture Capital	3	14	0.8	0.7
Malaysia Venture Management Inc Sdn Bhd	Management of private equity fund	Month to month	18	0.4	0.4
AmPTMB	Manager of AmFPT	3	17	0.3	0.3
Pakatan Medical Ampang	Clinic	Month to month	18	0.2	0.2

7.3.8 Expiries and Renewals

The following table sets out information on tenancies at BAG that have expired and those that have been renewed by the existing tenants during the periods indicated:-

FYE	Number of tenancies expired	Net Lettable Area of expired tenancies (sq ft)	Number of expired tenancies renewed	Total renewed Net Lettable Area (sq ft)	Renewal rate by number of expired tenancies (%)	Renewal rate by expired Net Lettable Area (%)
31 March 2004	13	52,153	10	36,915	77	71
31 March 2005	7	60,938	7	60,938	100	100
31 March 2006	21	155,049	17	131,060	81	85*
Total	41	268,140	34	228,913		

* Those vacant lots have been subsequently occupied by new tenants.

The table below sets out details of expiries in respect of tenancies which are scheduled to take place during the periods indicated:

Period	Total number of tenancies expiring	Net Lettable Area of tenancies expiring (sq ft)	Expiring tenancies as a percentage of Net Lettable Area (%)
FYE 31 March 2007	6	48,352	13
Beyond FYE 31 March 2007	20	261,547	73
Total	26	309,899	100

7. Current Investments of AmFIRST REIT (Cont'd)

7.4 AGLC

7.4.1 Description

AGLC, with a land area of 15,371 sq ft is located along Lorong P Ramlee. It is a 14-storey office building comprising a 10-storey office tower block, a penthouse and a 3-level carpark. AGLC is basically constructed of reinforced concrete framework with reinforced concrete floors, plastered brick walls and a flat roof with corrugated sheets.

The building which was completed in 1980 is situated about 2 kilometres by road to the north-east of Kuala Lumpur City Centre. AGLC has a total built-up area of approximately 99,144 sq ft and a NLA measuring 57,801 sq ft plus 57 car parking bays.

The appraised value of AGLC as at 7 March 2006 by the Independent Property Valuer is RM19,000,000.

7.4.2 Location and Accessibility

The postal address of AGLC is AmBank Group Leadership Centre, Lorong P Ramlee, 50200 Kuala Lumpur.



7. Current Investments of AmFIRST REIT (Cont'd)

AGLC is surrounded with developed multi storey office towers, shopping complexes, hotels and high rise high-end residential developments. The Kuala Lumpur Tower, located a short distance to the north west of AGLC, is surrounded by the Bukit Nanas Recreational Park. Commercial developments along Lorong P Ramlee/Jalan Puncak are Wisma Nusantara, Menara SMI, Menara Pan Global, Plaza Atrium and the recently completed The Taipan. To the south are Plaza See Hoy Chan, Menara Aik Hua, Plaza MCB, Down Town Apartment and Seri Raja Chulan Condominium. To the south-east of AGLC are BAG, Istana Hotel, The Lodge, Wisma Genting, Mutiara Hotel, Menara Promet, Menara Dion, Menara ING, Menara Affin and Menara Weld. MUI Plaza is located to the east whilst located to the north are UBN Tower, Shangri La Hotel, UBN Apartments, Menara Prudential, Menara IMC, Menara Haw Par and Concorde Hotel.

It is easily accessible from Kuala Lumpur City Centre via Jalan Raja Chulan or Jalan Sultan Ismail, Jalan P Ramlee and thereafter onto Lorong P Ramlee.

7.4.3 Particulars of Titles and Encumbrances

AGLC is situated on a freehold land held under Title No. GRN 6312 for Lot No. 1153, Section 57, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur measuring 15,371 sq ft (1,428 sq m).

As at the LPD, there is no encumbrance on the title of AGLC.

7.4.4 Income and outgoings

The breakdown of the gross revenue and outgoings for AGLC for the past three (3) financial years (as extracted from the unaudited financial results of AmFPT) is as follows:-

Period	Gross revenue (RM'000)	Outgoings* (RM'000)
FYE 31 March 2004	968	1,707
FYE 31 March 2005	1,178	727
FYE 31 March 2006	1,209	764

* Includes operating cost and property cost such as assessment, quit rent, management fee, water and sewerage, and insurance.

7.4.5 Occupancy

The Occupancy Rate of AGLC remains relatively high as at 31 March 2002 to 31 March 2006 and as at the LPD, as illustrated in the table below:-

As at	Occupancy Rate
31 March 2002	50%
31 March 2003	24%
31 March 2004	83%
31 March 2005	83%
31 March 2006	83%

7.4.6 Tenant Mix

Currently, 73.7% of AGLC is occupied by AmMerchant Bank, one of the largest investment banks in Malaysia while the remaining is occupied by a florist and a property developer.

7. Current Investments of AmFIRST REIT (Cont'd)

7.4.7 Tenant Information

As at the LPD, AGLC have 3 tenants. The table below sets out information relating to the three (3) tenants based on rental income:-

Tenants by rental income (as at the LPD):					
Tenant	Trade sub-sector	Tenancy period	Length of occupancy	Percentage of total Net Lettable Area	Percentage of gross rent
		(years)	(years)	(%)	(%)
AmMerchant Bank Berhad	Merchant Banking	3	3	73.7	90.1
Jade San Realty Sdn Bhd	Property Developer	Month to month	15	9.1	9.3
BZ Bee Florist	Florist	2	15	0.3	0.6

7.4.8 Expiries and Renewals

The following table sets out information on tenancies at AGLC that have expired and those that have been renewed by the existing tenants during the periods indicated:-

FYE	Number of tenancies expired	Net Lettable Area of expired tenancies (sq ft)	Number of expired tenancies renewed	Total renewed Net Lettable Area (sq ft)	Renewal rate by number of expired tenancies (%)	Renewal rate by expired Net Lettable Area (%)
31 March 2004	1	5,262	1	5,262	100	100
31 March 2005	2	5,462	2	5,462	100	100
31 March 2006	2	47,839	2	47,839	100	100
Total	5	58,563	5	58,563		

The table below sets out details of expiries in respect of tenancies which, as at the LPD, are scheduled to take place during the periods indicated:

Period	Total number of tenancies expiring	Net Lettable Area of tenancies expiring (sq ft)	Expiring tenancies as a percentage of Net Lettable Area (%)
FYE 31 March 2007	2	5,462	9
Beyond FYE 31 March 2007	1	42,577	74
Total	3	48,039	83

7.5 Menara Merais

Menara Merais, with a land area of 48,569 sq ft is situated at Jalan 19/3, within Section 19, Petaling Jaya, Selangor. It is a 22-storey purpose-built office building with a mezzanine floor, a 3-level basement car park and 1 block of 2-storey mechanical block and a Tenaga Nasional Berhad sub-station. Menara Merais is constructed of reinforced concrete framework, reinforced concrete floor slabs with plastered brickwalls finished with tiles and glass curtain walling, tinted panels and covered with reinforced concrete flat roof enclosed with parapet walls.

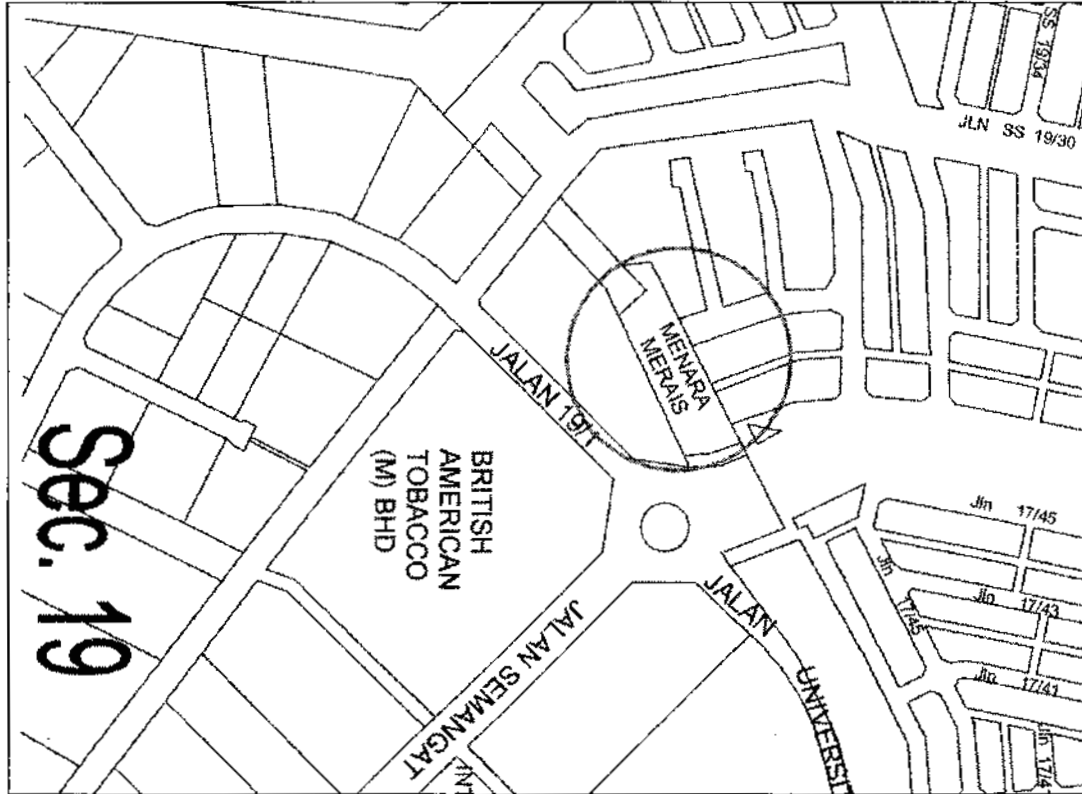
The building which was completed in 1997 is sited off the northern side of the Federal Highway and off the southern side of the SPRINT Highway. Menara Merais has a total built-up area of approximately 362,304 sq ft and a NLA measuring 159,002 sq ft plus 324 car parking bays.

The appraised value of Menara Merais as at 8 March 2006 by the Independent Property Valuer is RM58,000,000.

7. Current Investments of AmFIRST REIT (Cont'd)

7.5.2 Location and Accessibility

The postal address of Menara Merais is No. 1 Jalan 19/3, Section 19, 46300 Petaling Jaya, Selangor.



Menara Merais is situated within Section 19, Petaling Jaya where its immediate locality comprises purpose built factories, warehouses, hotel, industrial/showroom premises and several rows of shophouses.

Notable industrial/showroom premises within Section 19, Petaling Jaya include British American Tobacco (M) Bhd, Wisma Facell-Crystal Palace, Ingram Micro, Wisma Tan Kok Cheng, Handy Mart, Ssang Yong, Citroen, Fella Design, Wisma KT, Central Malaya Printers, Cast Iron Products Sdn Bhd, Summit Company (M) Sdn Bhd, Wisma Academy, UMW Toyota showroom, Toyoma Aluminium, Silverstone, Perodua, Niro Ceramics, Chips Away, Vitagen, Antah Health Care Group, Global Business Park and Kompleks Kemajuan.

It is easily accessible from Petaling Jaya New Town Centre via Jalan Barat, Jalan Utara, Jalan Semangat, Jalan 19/8 and thereafter onto Jalan 19/3 leading to the subject property.

The property is also accessible from the Federal Highway via the Jalan Timur/Utara exit, Jalan Utara, Jalan Semangat, Jalan 19/8 and thereafter onto Jalan 19/3 leading to the subject property.

It is also accessible from Kuala Lumpur via Jalan Duta, Jalan Semantan, the Sprint Highway, Section 16 exit, Jalan Dato Abu Bakar, Jalan Universiti, Jalan 19/8 and thereafter onto Jalan 19/3 leading to the subject property.

Public transportation in the form of buses and taxis is available along Jalan 19/1, Jalan 19/1B, Jalan Kemajuan and Jalan Semangat.

7. Current Investments of AmFIRST REIT (Cont'd)

7.5.3 Particulars of Titles and Encumbrances

Menara Merais is situated on a freehold land held under Title No. HSM 9104 for Lot No. PT 29649, Mukim of Sungai Buluh, District of Petaling, Selangor measuring 48,569 sq ft (4,512.06 sq m).

As determined from the extracts of land search from the Selangor Registry of Land Titles, Shah Alam, Menara Merais is subject to a private caveat and charged both held in favour of Malaysia Nasional Insurance Berhad. The presentation for the withdrawal of the private caveat and the discharge of charge both held in favour of Malaysia National Insurance Berhad was presented for registration on 8 September 2006. The presentation is pending registration.

7.5.4 Income and outgoings

The breakdown of the gross revenue and outgoings for Menara Merais for the past three (3) financial years (as extracted from the unaudited financial results of Merais Sdn Bhd):-

Period	Gross revenue (RM'000)	Outgoings* (RM'000)
31 March 2004	4,824	1,600
31 March 2005	5,154	1,617
31 March 2006	5,581	1,756

* Includes operating cost and property cost such as assessment, quit rent, management fee, water and sewerage, and insurance.

7.5.5 Occupancy

The Occupancy Rate of Menara Merais remains relatively high as at 31 March 2002 to 31 March 2006, as illustrated in the table below:-

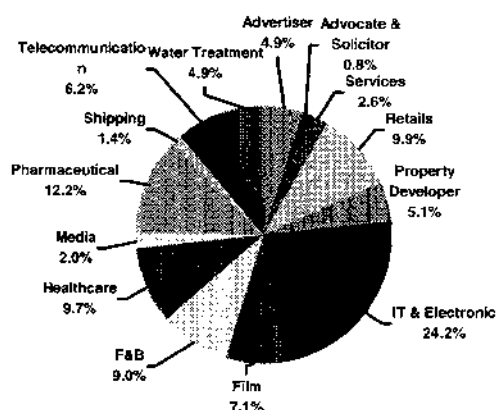
As at	Occupancy Rate
31 March 2002	85%
31 March 2003	90%
31 March 2004	92%
31 March 2005	99%
31 March 2006	99%

7.5.6 Tenant Mix

Menara Merais have a diversified mix of tenants which include large corporates, multinationals, reputable professional entities and other various organisations.

Currently, Menara Merais have 31 tenants whose businesses range from Information Technology, telecommunication, healthcare, food and beverages, film, pharmaceutical and etc.

7. Current Investments of AmFIRST REIT (Cont'd)



The Tenant Mix of Menara Merais as at the LPD is as follows:-

7.5.7 Tenant Information

As at the LPD, Menara Merais have 31 tenants. The table below sets out information relating to the top ten (10) tenants based on rental income:-

Top ten (10) tenants by rental income (as at the LPD):

Tenant	Trade sub-sector	Tenancy period (years)	Length of occupancy (years)	Percentage of total Net Lettable Area (%)	Percentage of gross rent (%)
Merck Sharp & Dohme (I.A.) Corporation	Pharmaceutical	2	9	12.2	10.5
KAO (Malaysia) Sdn Bhd	Detergent	3	6	9.8	6.7
Alliance Teamwork Marketing Sdn Bhd	Food	1	5	8.9	6.5
Agfa Film (Asean) Sdn Bhd	Film	1	9	7.0	6.2
EBWorx Malaysia Sdn Bhd	IT Consulting	2 (3 floor) 3 (7 th and 8 th floors)	6	9.8	7.2
Converse Network System Pac. Rim. Inc	IT Consulting	2	9	4.8	4.6
United KG Water Project (Malaysia) Sdn Bhd	Water Treatment	2	5	4.8	3.9
Smith & Nephew Healthcare Sdn Bhd	Healthcare	3	6	4.8	3.7
Liberty Sky Sdn Bhd (now known as Lifestyle Asis Pacific Malaysia Sdn Bhd)	Healthcare	2	5	4.8	3.7
Asatsu-DK (Malaysia) Advertiser Sdn Bhd	Advertiser	3	5	4.8	3.2

7. Current Investments of AmFIRST REIT (Cont'd)

7.5.8 Expiries and Renewals

The following table sets out information on tenancies at Menara Merais that have expired and those that have been renewed by the existing tenants during the periods indicated:-

FYE	Number of tenancies expired	Net Lettable Area of expired tenancies (sq ft)	Number of expired tenancies renewed	Total renewed Net Lettable Area (sq ft)	Renewal rate by number of expired tenancies⁽¹⁾ (%)	Renewal rate by expired Net Lettable Area⁽¹⁾ (%)
31 March 2004	11	78,731	11	78,731	100	100
31 March 2005	19	72,679	17	66,911	89	96
31 March 2006	19	96,312	19	96,312	100	100
Total	49	247,722	47	241,954		

The table below sets out details of expiries in respect of tenancies which, as at the LPD, are scheduled to take place during the periods indicated:

Period	Total number of tenancies expiring	Net Lettable Area of tenancies expiring (sq ft)	Expiring tenancies as a percentage of Net Lettable Area⁽¹⁾ (%)
FYE 31 March 2007	14	89,890	57
Beyond FYE 31 March 2007	3	7,037	4
Total	17	96,927	61

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8. Financial Performance of AmFIRST REIT

8.1 Proforma Profit Record

The summary of the proforma financial data of AmFIRST REIT comprising the Properties for FYE 31 March 2002 to FYE 31 March 2006 set out below are based on the information extracted from the audited financial statements and accounting records of the following companies which owned the Properties:-

Properties	Owned by
Menara AmBank	AmBank [^]
BAG	Mayban Trustees Berhad (as trustee for AmFPT)
AGLC	Mayban Trustees Berhad (as trustee for AmFPT)
Menara Merais	Merais Sdn Bhd [*]

[^] registered in AmBank's previous name of MBf Finance Berhad.

^{*} the registered owner of Menara Merais is Merais Sdn Bhd. Mayban Trustees Berhad (as trustee for AmFPT) is the beneficial owner of Menara Merais. Upon the completion of the purchase of Menara Merais by Mayban Trustees (as trustee of AmFIRST REIT) from Mayban Trustees Berhad (as trustee for AmFPT), the direct transfer of Menara Merais will be made by Merais Sdn Bhd to Mayban Trustees (as trustee of AmFIRST REIT).

The summary of the proforma financial data of AmFIRST REIT comprising the Properties for the five (5) FYE 31 March 2002 to FYE 31 March 2006 set out below are based on the information extracted from the audited financial statements of the Vendors. As for Menara AmBank, the information is extracted from the management record of AmBank with the assumption that AmBank has been a tenant in Menara AmBank and paying rental based on the rental rate of RM3.50 per sq. ft for the five (5) FYE 31 March 2002 to FYE 31 March 2006.

The extractions are made based on the Vendors' representation and opinion that the revenues, expenses and receivables stated below are directly related to the operation of the Properties.

	←-----Year ended 31 March----->				
	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000
Rental revenue	36,293	38,820	40,168	41,116	42,990
Expenses:					
Operating expenses	7,988	9,426	9,544	8,330	8,798
Assessment and quit rent	3,751	3,774	3,752	3,704	3,694
Management fee	1,064	1,123	1,182	1,302	1,405
Water and sewerage charges	608	584	666	642	734
Insurance	500	512	520	493	555
Rental commission	46	48	86	21	26
Total expenses	13,957	15,467	15,750	14,492	15,212
Net Property Income	22,336	23,353	24,418	26,624	27,778

The extraction of expenses above consists of expenses directly related to the operations of the Properties. In view that AmFIRST REIT is assumed to commence business in fourth quarter of 2006, the property income does not include the expenses specifically incurred by a REIT, e.g. trustee fees.

8. Financial Performance of AmFIRST REIT (Cont'd)

Analysis of rental revenue and occupancy rates by Properties

	FYE 31 March 2002	FYE 31 March 2003	FYE 31 March 2004	FYE 31 March 2005	FYE 31 March 2006
Menara AmBank					
Rental revenue (RM'000)	13,747	15,492	16,343	16,604	17,879
Occupancy Rate (%)	97	88	89	92	92
BAG					
Rental revenue (RM'000)	17,125	17,702	18,033	18,180	18,321
Occupancy Rate (%)	99	99	95	98	95
AGLC					
Rental revenue (RM'000)	838	655	968	1,178	1,209
Occupancy Rate (%)	50	24	83	83	83
Menara Merais					
Rental revenue (RM'000)	4,583	4,971	4,824	5,154	5,581
Occupancy Rate (%)	85	90	92	99	99
Total	36,293	38,820	40,168	41,116	42,990

Analysis of the past performance of the Properties

FYE 31 MARCH 2002

Higher rental revenue recorded mainly contributed by renewal of rental at higher rates for BAG and Menara Merais.

FYE 31 MARCH 2003

Rental revenue improved by 6.9% to RM38.8 million as compared with RM36.3 million recorded in the previous year mainly due to renewals of rental at higher rates at BAG and Menara AmBank. This together with higher occupancy rates except for Menara AmBank, attributed to the higher income for the year.

FYE 31 MARCH 2004

The Properties have generated gross revenue of RM40.2 million, an increase about 3.5% as compared with the previous year. The increase was mainly due higher income derived from AGLC following additional space of 42,577 square feet taken up by AmMerchant Bank and higher rental rate renewals at Menara AmBank.

FYE 31 MARCH 2005

Rental revenue was higher for the year mainly contributed by Menara AmBank and Menara Merais. Both properties achieved higher occupancy rates at 92% and 99% from 89% and 92% respectively in the previous year.

FYE 31 MARCH 2006

The four properties contributed to higher revenue of RM43.0 million as compared with RM41.1 million recorded in FYE 2005. The increase of about 4.8% was attributed to renewal of tenancies at higher rental rates at Menara AmBank, Menara Merais and BAG with almost similar level of occupancy rates registered in the last year except for BAG.

Past performance of the fund is not an indication of future performance.

8. Financial Performance of AmFIRST REIT (Cont'd)

8.1.1 Significant Accounting Policies

The following significant accounting policies will be adopted by AmFIRST REIT.

(a) Basis of Preparation

The financial statements of the AmFIRST REIT will be prepared under the historical cost convention except for the revaluation of investment properties.

The financial statements will comply with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Investment Properties

Investment properties consist of investments in land and buildings that are not substantially occupied for use by, or in the operations, of AmFIRST REIT.

AmFIRST REIT will adopt the fair value model under FRS 140, Investment Properties.

Under the fair value model of FRS 140, investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Gains and losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

(c) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at bank net of outstanding bank overdrafts.

(d) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been exacted at the balance sheet date.

8. Financial Performance of AmFIRST REIT (Cont'd)

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax is not recognized if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognized in the income statement, except when it arises from a transaction which is recognized directly in equity, which case the deferred tax is also recognized directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(e) Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from rental of investment properties are recognized on an accrual basis.

(f) Impairment of Assets

At each balance sheet date, AmFIRST REIT review the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognized as an expense in the income statement immediately, unless the assets is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilized previously recognized revaluation surplus for the same asset.

(g) Financial Instruments

(i) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate which is the actual borrowing costs applicable to AmFIRST REIT's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

8. Financial Performance of AmFIRST REIT (Cont'd)

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

8.1.2 Profit Forecasts and Projections

The summary of the profit forecast for the period of 5 months from 1 November 2006 to 31 March 2007 and for FYE 31 March 2008 as well as profit projections for FYEs 31 March 2009 and 31 March 2010 of AmFIRST REIT are set out below:-

	[^] Forecast 5-month period ending 31 March 2007 (RM'000)	Forecast FYE 31 March 2008 (RM'000)	Projections FYE 31 March 2009 (RM'000)	FYE 31 March 2010 (RM'000)
Revenue	20,972	51,301	52,145	54,315
Property expenses:				
- Operating expenses	(3,954)	(9,377)	(9,514)	(9,977)
- Property management expenses	(633)	(1,577)	(1,694)	(1,787)
- Assessment and quit rent	(1,595)	(3,829)	(3,828)	(3,828)
	(6,182)	(14,783)	(15,036)	(15,592)
Net property income	14,790	36,518	37,109	38,723
Interest expense	(1,268)	(3,044)	(3,044)	(3,044)
Interest income	199	659	726	744
Management fee	(1,072)	(2,616)	(2,636)	(2,685)
Trustee fees	(72)	(175)	(175)	(176)
Audit Fee	(9)	(15)	(15)	(15)
Others	(102)	(247)	(259)	(272)
Profit before taxation	12,466	31,080	31,706	33,275
Taxation	-	-	-	-
Profit after taxation	12,466	31,080	31,706	33,275

Note:-

[^] AmFIRST REIT is assumed to commence business on 1 November 2006.

8. Financial Performance of AmFIRST REIT (Cont'd)

8.2 Profit Forecasts of AmFIRST REIT Together with the Assumptions and the Reporting Accountants' Letter thereon



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Reporting Accountants' Report on the Profit Forecasts for the Financial Period Ending 31 March 2007 and Financial Year Ending 31 March 2008 (prepared for inclusion in the Prospectus to be dated 9 November 2006)

9 October 2006

The Board of Directors
Am ARA REIT Managers Sdn Bhd
22nd Floor, Bangunan AmBank Group
No 55, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

Dear Sirs

AmFIRST REAL ESTATE INVESTMENT TRUST ("AmFIRST REIT") PROFIT FORECASTS FOR THE 5-MONTH PERIOD FROM 1 NOVEMBER 2006 TO 31 MARCH 2007 AND THE FINANCIAL YEAR ENDING 31 MARCH 2008

We have reviewed the forecasts of profit after taxation of AmFIRST REIT for the 5-month period from 1 November 2006 to 31 March 2007 and for the financial year ending 31 March 2008, as set out in the accompanying statement (which we have stamped for the purpose of identification), in accordance with the professional standard applicable to the review of forecast, AI 3400. The forecasts have been prepared for inclusion in the Prospectus in connection with the proposed listing of AmFIRST REIT on Bursa Malaysia Securities Berhad.

Our review has been undertaken to enable us to form an opinion as to whether the forecasts, in all material respects, are properly prepared on the basis of the assumptions made by the directors of Am ARA REIT Managers Sdn. Bhd. ("Am ARA") as set out in the accompanying statement (which we have stamped for the purpose of identification) and is presented on a basis consistent with the accounting policies to be adopted by AmFIRST REIT and complies with the Malaysian Financial Reporting Standards ("Malaysian FRS") as at the date of this report. The directors of Am ARA are solely responsible for the preparation and presentation of the forecasts and the assumptions on which the forecasts are based.

8. *Financial Performance of AmFIRST REIT (Cont'd)*



A forecast, in this context, means prospective financial information prepared on the basis of the assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

In view of the significance of these assumptions made by the directors of Am ARA, we wish to draw attention to the following:

- (a) Note 5 of the assumptions of the forecasts whereby AmFIRST REIT would be able to obtain a term loan and a revolving credit facility amounting to RM57 million and RM4 million, respectively, from a licensed commercial bank related to the Manager. It is also assumed that these credit facilities will be made available throughout the period/year of the forecasts at the terms and conditions as stated in Note 5 of the assumptions. We do not express or imply any opinion as to the possibility of the achievement of this assumption made by the manager of AmFIRST REIT, and
- (b) Note 8 of the assumptions of the forecasts whereby AmFIRST REIT have made the assumption that the fair value of the commercial properties will not fluctuate significantly during the period of the forecasts. As such, the forecasts were prepared on the assumptions that no fair value adjustments would need to be made to the income statements during the period/year under the forecasts. We do not express or imply any opinion as to the future fair value of the commercial properties under the forecast period/year.

Subject to the matters stated in the preceding paragraph:

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the directors of Am ARA, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the forecasts of profit after taxation of AmFIRST REIT; and
- (ii) in our opinion, the forecasts of profit after taxation, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the directors of Am ARA and are presented on a basis consistent with the accounting policies to be adopted and disclosed by AmFIRST REIT and is presented in accordance with relevant presentation principles of Malaysian FRS as at the date of this report.

8. Financial Performance of AmFIRST REIT (Cont'd)



The accompanying forecasts and this letter have been prepared solely for inclusion in the Prospectus in connection with the proposed listing of AmFIRST REIT on Bursa Malaysia Securities Berhad. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

Ernst & Young

ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

A handwritten signature in black ink, appearing to read 'Lim Saw Keng', written over a horizontal line.

LIM SAW KENG
No. 2215/10/07(J)
Partner

**AmFIRST REAL ESTATE INVESTMENT TRUST (“AmFIRST REIT”)
PROFIT FORECASTS FOR THE 5-MONTH PERIOD FROM 1 NOVEMBER 2006
TO 31 MARCH 2007 AND THE FINANCIAL YEAR ENDING 31 MARCH 2008
 (“FORECASTS”)**

The directors of Am ARA REIT Managers Sdn. Bhd., being the manager of AmFIRST REIT, for the proposed listing of AmFIRST REIT, forecast that in the absence of unforeseen circumstances, the profit after taxation of AmFIRST REIT for the 5-month financial period from 1 November 2006 to 31 March 2007 and for the financial year ending 31 March 2008 will be as follows:

	Forecast 5-months period from 1 November 2006 to 31 March 2007 RM'000	Forecast Financial year from 1 April 2007 to 31 March 2008 RM'000
Revenue		
Rental	19,934	48,809
Carpark rental	999	2,397
Miscellaneous	39	95
Total income	<u>20,972</u>	<u>51,301</u>
Property expenses		
Operating expenses	(3,954)	(9,377)
Property management expenses	(633)	(1,577)
Assessment and quit rent	(1,595)	(3,829)
Total property expenses	<u>(6,182)</u>	<u>(14,783)</u>
Net rental income	14,790	36,518
Administrative expenses		
Management fee	(1,072)	(2,616)
Trustee fee	(72)	(175)
Audit fee	(9)	(15)
Others	(102)	(247)
	<u>(1,255)</u>	<u>(3,053)</u>
Net interest expense		
Interest expense	(1,268)	(3,044)
Interest income	199	659
	<u>(1,069)</u>	<u>(2,385)</u>
Profit before taxation	12,466	31,080
Taxation	-	-
Profit after taxation	<u>12,466</u>	<u>31,080</u>
Distribution Rate	100%	100%
Distribution to unitholders	<u>12,466</u>	<u>31,080</u>
Earnings per unit (Sen) (Annualised)	<u>6.97</u>	<u>7.24</u>
Distribution per unit (Sen) (Annualised)	<u>6.97</u>	<u>7.24</u>

8. Financial Performance of AmFIRST REIT (Cont'd)

APPENDIX

The principal bases and assumptions upon which the Forecasts have been prepared are as follows:

1. AmFIRST REIT is assumed to be established by the end of October 2006. As such, the profit forecast for the financial period ending 31 March 2007 is for the 5-month period from 1 November 2006 to 31 March 2007, whilst the financial year ending 31 March 2008 is for the 12-month period from 1 April 2007 to 31 March 2008.
2. Revenue

Gross revenue is the aggregate of gross rental income earned from the commercial properties comprising the following:

- Bangunan AmBank Group ("BAG"),
- AmBank Group Leadership Centre ("AGLC"),
- Menara AmBank ("MAB"), and
- Menara Merais ("Merais")

(collectively referred to as the "Properties").

Rental income is recognised in the income statement when it accrues and it is based on the assumption that there is no forfeiture of existing tenancy agreements.

Rental income which is contracted in the Tenancy Agreements comprises rental and service charge. Tenancy agreements are generally committed for a period of between two to three years as is the normal market practice in Malaysia.

Where tenancy agreements are due for renewal in the Forecasts, it is assumed that these tenancy agreements will be renewed at the assumed revised tenancy rates. Except for AGLC, the increase in tenancy rates for the Forecasts is expected to range from 3% to 5% per annum.

The assumed average occupancy rates for the Properties for the Forecasts period/year are as follows:

Property	Average occupancy rate	
	2007	2008
	%	%
BAG	98.7	99.3
AGLC	85.4	97.0
MAB	93.5	99.0
Merais	100.0	100.0

Rent free periods are given to certain tenants and are recognised in the income statement over the expected tenancy period. Void periods have also been taken into account for the Forecast for existing vacant spaces and potential non-renewing tenancies.

Revenue from carpark and other miscellaneous rental are based on current rates.

 **ERNST & YOUNG** (AF: 0039)

Chartered Accountants, Kuala Lumpur
For identification purposes only

3. Property Expenses

- Property management fee for the Properties are assumed to increase between 2% to 7% for the forecast period ending 31 March 2007 and between 3% to 5% for the forecast year ending 31 March 2008 as compared to existing rates. The property management fees to be charged will be in accordance with the Valuers, Appraisers and Estate Agent Acts 1981 with permissible discount.
- A letting commission will be charged at the rate of 1 month rental for new tenants to take up vacant spaces and half a month's rental for renewal of tenants not related to AMMB Holdings Berhad or its subsidiaries.
- Landlord's expenses will be computed at 0.25% of the rental income of MAB and relates to potential expenses to be incurred in renovating and/or partitioning of certain vacant spaces.
- Utilities, contractual services and recurring maintenance expenses

Generally, utilities and other administrative expenses for the Forecasts are assumed to remain the same as current rates, except for electricity charges which is assumed to increase in the forecast period ending 31 March 2007 as compared to existing tariffs and remain consistent thereafter throughout the forecast year ending 31 March 2008.

Contractual expenses for BAG and AGLC are projected on contract to contract basis. MAB and Merais contractual sums are assumed to increase by 5% per annum.

It is assumed that there will be no major defects, repair or refurbishment work to be done for the Properties. Other recurring maintenance expenses are expected to increase by 5% per annum.

- There are no bad debts assumed in the Forecasts and all rental due are assumed to be collected.
- Assessment and quit rent are assumed to be unchanged from current rates and there will be no increase in the Forecasts.
- It is expected that there will be no stamp duty expenses that will be incurred on the transfer of the Properties to AmFIRST REIT pursuant to the Stamp Duty (Exemption) (No 4) Order 2004 whereby all instruments of transfer of real property to a REIT approved by the Securities Commission are exempted from stamp duty.

4. Administrative Expenses

- **Manager's and Trustee's fees**

Manager's fee will comprise base and performance fees. Base fee is computed at 0.3% of total asset value whilst the performance fee is calculated at 3% of the net property income. Manager's fees will be computed monthly and payable every six months.

Trustee's fee is computed at 0.04% of the net asset value of AmFIRST REIT, and will be computed monthly and payable every six months.

5. Interest Expense

It is assumed that AmFIRST REIT would be able to obtain the following credit facilities from AmBank (M) Berhad, a licensed commercial bank related to the Manager:

- a fixed rate term loan amounting to RM57 million for the acquisition of Merais, and
- a revolving credit facility amounting to RM4 million for working capital purposes.

For purposes of the Forecasts, the fixed rate term loan will bear interest rate of 5% per annum while the revolving credit facility will bear interest rate of 4.85% per annum. Both the fixed rate term loan and the revolving credit facility will be unsecured.

It is also assumed that both the above credit facilities would be made available to AmFIRST REIT throughout the Forecasts period/year and all incidental costs, if any, incurred in obtaining the credit facilities will be borne by the lender.

6. Interest income

Surplus of cash is expected to be placed in short term deposits which is expected to generate interest of between 3.0% to 3.25% per annum in the Forecasts.

7. Taxation

It is assumed that profits before taxation of AmFIRST REIT will be fully distributed and hence, no taxation is forecasted for the Forecasts.

8. Property Value

Malaysian Financial Reporting Standards FRS 140 : Investment Properties was effective for financial periods beginning on or after 1 January 2006. Under the fair value model as prescribed by this standard, all changes in the fair value of commercial properties are to be recognised in the income statement.

For purposes of the Forecasts, it is assumed that there will be no material fluctuation on the market value of the Properties during the Forecast period/year.

9. Accounting Standards

It is assumed that the adoption of applicable Malaysian Financial Reporting Standards by AmFIRST REIT will not give rise to any material effects on the forecast income statement.

10. Other Assumptions

The following additional assumptions have been made in the preparation of the forecast income statements:

- the AmFIRST REIT property portfolio remains unchanged after the Properties are acquired;
- no further capital will be raised during the period;
- there will be no material changes in the present environmental laws and regulations, zoning laws and other legislation or governmental rules, fiscal policies, rates and bases of duties, levies and taxes affecting AmFIRST REIT's activities;
- there will be no significant changes in the financial conditions of tenants, buyers and sellers of Properties;
- all tenancy agreements are enforceable and will be performed in accordance with their terms;
- the collection period of rental will be within the stipulated credit period in tenancy agreements;
- there will be no significant changes in the current demand and in the prevailing market conditions in Malaysia and overseas which will adversely affect AmFIRST REIT's performance;
- there will be no significant changes in the prevailing Malaysian and world economic conditions which may directly or indirectly have an adverse effect on the performance;
- AmFIRST REIT is able to implement successfully its investment and growth strategies and to retain its key personnel which could have material effect on its financial condition and results of operations;
- there will be no significant changes in the availability of borrowings and interest rates during the Forecasts period;
- there will be no significant changes in energy or other utilities prices;
- there will be no significant changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in the market;
- there will be no significant impact to the performance of AmFIRST REIT in relation to the competition among property owners for tenants;
- insurance coverage on the assets of AmFIRST REIT against fire, loss of rent and other risks is sufficient;
- the property manager is able to provide or procure the provision of adequate maintenance and other services;

APPENDIX

- AmFIRST REIT is capable to vary its investment portfolio or liquidate part of its assets in response to changes in economic, financial, real estate market or other conditions;
- there will be sufficient cash flow for the maintenance of, and improvements to, the Properties;
- there will be no significant risks and operating problems arising out of the presence of certain construction material, acts of God, uninsurable losses and others;
- there will be no significant changes in the rate of inflation; and
- there will no compulsory acquisition by the Malaysian Government pursuant to the provisions of Land Acquisition Act, 1960.

8. Financial Performance of AmFIRST REIT (Cont'd)

8.3 Profit Projections of AmFIRST REIT Together with the Assumptions and the Reporting Accountants' Letter thereon



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Reporting Accountants' Report on the Profit Projections for the Financial Years Ending 31 March 2009 and 31 March 2010 (prepared for inclusion in the Prospectus to be dated 9 November 2006)

9 October 2006

The Board of Directors
Am ARA REIT Managers Sdn Bhd
22nd Floor, Bangunan AmBank Group
No 55, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

Dear Sirs

AmFIRST REAL ESTATE INVESTMENT TRUST ("AmFIRST REIT") PROFIT PROJECTIONS FOR THE FINANCIAL YEARS ENDING 31 MARCH 2009 AND 31 MARCH 2010

We have reviewed the projections of profit after taxation of AmFIRST REIT for the financial years ending 31 March 2009 and 31 March 2010, as set out in the accompanying statement (which we have stamped for the purpose of identification), in accordance with the professional standard applicable to the review of projections, AI 3400. The projections have been prepared for inclusion in the Prospectus in connection with the proposed listing of AmFIRST REIT on Bursa Malaysia Securities Berhad.

Our review has been undertaken to enable us to form an opinion as to whether the projections, in all material respects, are properly prepared on the basis of the assumptions made by the directors of Am ARA REIT Managers Sdn. Bhd. ("Am ARA") as set out in the accompanying statement (which we have stamped for the purpose of identification) and is presented on a basis consistent with the accounting policies to be adopted by AmFIRST REIT and complies with the Malaysian Financial Reporting Standards ("Malaysian FRS") as at the date of this report. The directors of Am ARA are solely responsible for the preparation and presentation of the projections and the assumptions on which the projections are based.

8. Financial Performance of AmFIRST REIT (Cont'd)



A projection, in this context, means prospective financial information prepared on the basis of the assumptions that include hypothetical assumptions as to future events and management's actions that are not necessarily expected to occur. As such, these projections may not be appropriate for other purposes. Even if the events anticipated under the hypothetical assumptions occur, actual results are likely to be different from the projections since other anticipated events frequently do not occur as expected and the variation could be material.

In view of the significance of these assumptions made by the directors of Am ARA, we wish to draw attention to the following:

- (a) Note 4 of the assumptions of the projections whereby AmFIRST REIT would be able to obtain a term loan and a revolving credit facility amounting to RM57 million and RM4 million, respectively, from a licensed commercial bank related to the Manager. It is also assumed that these credit facilities will be made available throughout the projection years at the terms and conditions as stated in Note 4 of the assumptions. We do not express or imply any opinion as to the possibility of the achievement of this assumption made by the manager of AmFIRST REIT, and
- (b) Note 7 of the assumptions of the projections whereby AmFIRST REIT have made the assumption that the fair value of the commercial properties will not fluctuate significantly during the projection years. As such, the projections were prepared on the assumptions that no fair value adjustments would need to be made to the income statements during the projection years. We do not express or imply any opinion as to the future fair value of the commercial properties under the projection years.

Subject to the matters stated in the preceding paragraph:

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the directors of Am ARA, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the projections of profit after taxation of AmFIRST REIT; and
- (ii) in our opinion, the projections of profit after taxation, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the directors of Am ARA and are presented on a basis consistent with the accounting policies to be adopted and disclosed by AmFIRST REIT and is presented in accordance with relevant presentation principles of Malaysian FRS as at the date of this report.

8. Financial Performance of AmFIRST REIT (Cont'd)



The accompanying projections and this letter have been prepared solely for inclusion in the Prospectus in connection with the proposed listing of AmFIRST REIT on Bursa Malaysia Securities Berhad. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

Ernst & Young

ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

A handwritten signature in black ink, appearing to read 'LIM SAW KENG'.

LIM SAW KENG
No. 2215/10/07(J)
Partner

8. Financial Performance of AmFIRST REIT (Cont'd)

APPENDIX

**AmFIRST REAL ESTATE INVESTMENT TRUST ("AmFIRST REIT")
PROFIT PROJECTIONS FOR THE FINANCIAL YEARS ENDING 31 MARCH 2009
AND 31 MARCH 2010 ("PROJECTIONS")**

The directors of Am ARA REIT Managers Sdn. Bhd., being the manager of AmFIRST REIT, for the proposed listing of AmFIRST REIT, project that in the absence of unforeseen circumstances, the profit after taxation of AmFIRST REIT for the financial years ending 31 March 2009 and 31 March 2010 will be as follows:

	Projection 2009 RM'000	Projection 2010 RM'000
Revenue		
Rental	49,653	51,754
Carpark rental	2,397	2,466
Miscellaneous	95	95
Total income	<u>52,145</u>	<u>54,315</u>
Property expenses		
Operating expenses	(9,514)	(9,977)
Property management expenses	(1,694)	(1,787)
Assessment and quit rent	(3,828)	(3,828)
Total property expenses	<u>(15,036)</u>	<u>(15,592)</u>
Net rental income	37,109	38,723
Administrative expenses		
Management fee	(2,636)	(2,685)
Trustee fee	(175)	(176)
Audit fee	(15)	(15)
Others	(259)	(272)
	<u>(3,085)</u>	<u>(3,148)</u>
Net interest expense		
Interest expense	(3,044)	(3,044)
Interest income	726	744
	<u>(2,318)</u>	<u>(2,300)</u>
Profit before taxation	31,706	33,275
Taxation	-	-
Profit after taxation	<u>31,706</u>	<u>33,275</u>
Distribution rate	100%	100%
Distribution to unitholders	<u>31,706</u>	<u>33,275</u>
Earnings per unit (Sen)	<u>7.39</u>	<u>7.76</u>
Distribution per unit (Sen)	<u>7.39</u>	<u>7.76</u>

ERNST & YOUNG (AF: 0039)Chartered Accountants, Kuala Lumpur
For identification purposes only

The principal bases and assumptions upon which the Projections have been prepared are as follows:

1. Revenue

Gross revenue is the aggregate of gross rental income earned from the commercial properties comprising the following:

- Bangunan AmBank Group (“BAG”),
- AmBank Group Leadership Centre (“AGLC”),
- Menara AmBank (“MAB”), and
- Menara Merais (“Merais”)

(collectively referred to as the “Properties”).

Rental income is recognised in the income statement when it accrues and it is based on the assumption that there is no forfeiture of existing tenancy agreements.

Rental income which is contracted in the Tenancy Agreements comprises rental and service charge. Tenancy Agreements are generally committed for a period of between two to three years as is the normal market practice in Malaysia.

Where tenancy agreements are due for renewal in the Projections, it is assumed that these tenancy agreements will be renewed at the assumed revised tenancy rates. The increase in tenancy rates for the Projections is expected to range from 3% to 10% per annum.

The assumed average occupancy rates for the Properties for the projection years are as follows:

Property	Average occupancy rate	Average occupancy rate
	2009 %	2010 %
BAG	99.3	99.3
AGLC	100.0	100.0
MAB	99.0	99.0
Merais	100.0	100.0

Rent free periods are given to certain tenants and are recognised in the income statement over the expected tenancy period. Void periods have also been taken into account for the Projections for existing vacant spaces and potential non-renewing tenancies.

Revenue from carpark is assumed to increase by 5% for MAB and Merais whilst carpark revenue for BAG and AGLC and other miscellaneous rental are based on current rates.

2. Property Expenses

- Property management fee for the Properties is assumed to increase between 3% to 5% for the Projections as compared to existing rates. The property management fees to be charged will be in accordance with the Valuers, Appraisers and Estate Agent Acts 1981 with permissible discount.
- A letting commission will be charged at the rate of 1 month rental for new tenants to take up vacant spaces and half a month's rental for renewal of tenants not related to AMMB Holdings Berhad or its subsidiaries.
- Landlord's expenses will be computed at 0.25% of the rental income of MAB and relates to potential expenses to be incurred in renovating and/or partitioning of certain vacant spaces.
- Utilities, contractual services and recurring maintenance expenses

Generally, utilities and other administrative expenses for the Projections are assumed to remain the same as current rates.

Contractual expenses for BAG and AGLC are projected on contract to contract basis. MAB and Merais contractual sums are assumed to increase by 5% per annum.

It is assumed that there will be no major defects, repair or refurbishment work to be done for the Properties. Other recurring maintenance expenses are expected to increase by 5% per annum.

- There are no bad debts assumed in the Projections and all rental due are assumed to be collected.
- Assessment and quit rent are assumed to be unchanged from current rates and there will be no increase in the Projections.

3. Administrative expenses

- Manager's and Trustee's fees

Manager's fee will comprise of a base and performance fees. Base fee is computed at 0.3% of total asset value whilst the performance fee is calculated at 3% of the net property income. Manager's fees will be computed monthly and payable every six months.

Trustee's fee is computed at 0.04% of the net asset value of AmFIRST REIT, and will be computed monthly and payable every six months.

4. Interest Expense

It is assumed that AmFIRST REIT would be able to obtain the following credit facilities from AmBank (M) Berhad, a licensed commercial bank related to the Manager:

- a fixed rate term loan amounting to RM57 million for the acquisition of Merais, and
- a revolving credit facility amounting to RM4 million for working capital purposes.

For purposes of the Projections, the fixed rate term loan will bear interest rate of 5% per annum while the revolving credit facility will bear interest rate of 4.85% per annum. Both the fixed rate term loan and the revolving credit facility will be unsecured.

It is also assumed that both the above credit facilities would be made available to AmFIRST REIT throughout the Projections years and all incidental costs, if any, incurred in obtaining the credit facilities will be borne by the lender.

5. Interest income

Surplus of cash is expected to be placed in short term deposits which is expected to generate interest of 3.5% per annum in the Projections.

6. Taxation

It is assumed that profits before taxation of AmFIRST REIT will be fully distributed and hence, no taxation is projected for the Projections.

7. Property Value

Malaysian Financial Reporting Standards FRS 140 : Investment Properties was effective for financial periods beginning on or after 1 January 2006. Under the fair value model as prescribed by this standard, all changes in the fair value of commercial properties are to be recognised in the income statement.

For purposes of the Projections, it is assumed that there will be no material fluctuation on the market value of the Properties during the Projections years.

8. Accounting Standards

It is assumed that the adoption of applicable Malaysian Financial Reporting Standards by AmFIRST REIT will not give rise to any material effects on the projected income statement.

9. Other Assumptions

The following additional assumptions have been made in the preparation of the projected income statements:

- the AmFIRST REIT property portfolio remains unchanged after the Properties are acquired;
- no further capital will be raised during the Projections;
- there will be no material changes in the present environmental laws and regulations, zoning laws and other legislation or governmental rules, fiscal policies, rates and bases of duties, levies and taxes affecting AmFIRST REIT's activities;
- there will be no significant changes in the financial conditions of tenants, buyers and sellers of Properties;
- all tenancy agreements are enforceable and will be performed in accordance with their terms;
- the collection period of rental will be within the stipulated credit period in tenancy agreements;
- there will be no significant changes in the current demand and in the prevailing market conditions in Malaysia and overseas which will adversely affect AmFIRST REIT's performance;
- there will be no significant changes in the prevailing Malaysian and world economic conditions which may directly or indirectly have an adverse effect on the performance;
- AmFIRST REIT is able to implement successfully its investment and growth strategies and to retain its key personnel which could have material effect on its financial condition and results of operations;
- there will be no significant changes in the availability of borrowings and interest rates during the Projections years;
- there will be no significant changes in energy or other utilities prices;
- there will be no significant changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in the market;
- there will be no significant impact to the performance of AmFIRST REIT in relation to the competition among property owners for tenants;
- insurance coverage on the assets of AmFIRST REIT against fire, loss of rent and other risks is sufficient;
- the property manager is able to provide or procure the provision of adequate maintenance and other services;
- AmFIRST REIT is capable to vary its investment portfolio or liquidate part of its assets in response to changes in economic, financial, real estate market or other conditions;
- there will be sufficient cash flow for the maintenance of, and improvements to, the Properties;
- there will be no significant risks and operating problems arising out of the presence of certain construction material, acts of God, uninsurable losses and others;
- there will be no significant changes in the rate of inflation; and
- there will no compulsory acquisition by the Malaysian Government pursuant to the provisions of Land Acquisition Act, 1960.

8. Financial Performance of AmFIRST REIT (Cont'd)

8.4 Sensitivity Analysis

The forecast and projected distributions included in this Prospectus are based on a number of assumptions that have been outlined above including no material changes in existing political, legal, fiscal, market or economic conditions in Malaysia. The forecast and projected distributions are also subject to a number of risks as outlined in Section 6.1.3.

Investors should be aware that future events cannot be predicted with any certainty and that deviations from the figures forecasted or projected in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the profit forecast and profit projection, a table demonstrating the sensitivity of the distribution per Unit to changes in the principal assumptions are set out below.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown. Movement in other variables for rental may offset or compound the effect of a change in any variable beyond the extent shown.

Revenue

Changes in the rental revenue will impact the net property income of AmFIRST REIT and, consequently, the gross distribution yield. The assumptions for revenue have been set out earlier in this section. The effect of variations in the revenue on the gross distribution yield is set out below:

	Annualised gross distribution yield (%) pursuant to changes in Revenue			
	Forecast Period 2007*	Forecast Year 2008	Projection Year 2009	Projection Year 2010
Offer Price	RM1.00	RM1.00	RM1.00	RM1.00
5.0% above base case revenue (RM'000)	22,019	53,862	54,747	57,026
Distribution yield (%)	7.56	7.84	8.00	8.39
Base Case				
- Revenue (RM'000)	20,972	51,301	52,145	54,315
- Distribution yield (%)	6.97	7.24	7.39	7.76
5.0% below base case revenue (RM'000)	19,925	48,741	49,542	51,604
Distribution yield (%)	6.39	6.65	6.78	7.12

* Annualised.

8.5 Am ARA's Directors' Comments on the Profit Forecasts and Projections

Am ARA's Directors expect AmFIRST REIT's revenue to increase progressively for the 5-month period ending 31 March 2007 and the 3 financial years ending 31 March 2008 to 31 March 2010 due to the increase in rental rates by approximately 3% to 5% and 3% to 10% for expiring tenancies for the 5-month period ending to FYE 31 March 2008 and FYE 31 March 2009 to 31 March 2010 respectively. The operating expenses of the Properties, however, are expected to increase at a lower rate as most of these expenses are fixed in nature. With the implementation of Am ARA's operating strategy as detailed in Section 6.1.2 of this Prospectus and given the prime location of the Properties, Am ARA's Directors expect the high tenancy rates of the Properties to be maintained over the next few years.

Am ARA's Board confirms that the profit forecasts and projections of AmFIRST REIT and the underlying bases and assumptions stated herein have been reviewed by Am ARA's Directors. After due and careful inquiries, Am ARA's Directors, having taken into account the future prospects of the industry, direction of AmFIRST REIT and the underlying bases and assumptions used in preparing the profit forecasts and projections, are of the opinion that the profit forecasts and projections of AmFIRST REIT are fair and reasonable.

Nevertheless, the underlying bases and assumptions used in preparing the profit forecasts and projections cover future periods for which there are inherent risks, and therefore, should be treated with caution. These bases and assumptions are subject to significant uncertainties and contingencies, which may be outside Am ARA's control. Therefore, certain assumptions used in the preparation of the profit forecasts and projections may differ from the date of this Prospectus and this may have a material impact on the profit forecasts and projections.

8. Financial Performance of AmFIRST REIT (Cont'd)

8.6 Distribution Forecasts and Projections

Barring any unforeseen circumstances, it is the intention of Am ARA to distribute 100% of the distributable income of AmFIRST REIT to the Unitholders for the the 5-month period ending 31 March 2007 and the 3 financial years ending 31 March 2008 to 31 March 2010. Thereafter, Am ARA intends to distribute at least 90% of the distributable income of AmFIRST REIT for the relevant financial year or such other percentage and at such other intervals as determined by Am ARA at its discretion. Based on the profit forecasts and projections set out in Section 8.6 of this Prospectus, the Board forecasts and projects that the distributions to Unitholders from the 5-month period ending 31 March 2007 and the 3 financial years ending 31 March 2008 to 31 March 2010 to be as follows:-

		Forecast 5-month period ending 31 March 2007	Forecast FYE 31 March 2008	Projections FYE 31 March	
				2009	2010
Distributable income ⁽¹⁾	(RM'000)	12,466	31,080	31,706	33,275
Distribution per Unit ⁽²⁾	Sen	6.97 ⁽⁴⁾	7.24	7.39	7.76
Distribution yield ⁽³⁾	(%)	6.97 ⁽⁴⁾	7.24	7.39	7.76
Distribution rate ⁽⁵⁾	(%)	100	100	100	100
Distribution cover ⁽⁵⁾	(%)	100	100	100	100

Notes:-

(1) The distributable income of AmFIRST REIT is expected to be the same as the net income after taxation as set out in Section 8.2 of this Prospectus.

(2) Distribution per Unit is calculated by dividing the distributable income of AmFIRST REIT by the enlarged Units in issue of 429,001,000 Units.

(3) Distribution yield is calculated by dividing distribution per Unit by the assumed price of RM1.00 per Unit.

(4) Annualised for comparative purposes. AmFIRST REIT is assumed to commence business on 1 November 2006.

(5) Computed based on the assumption that AmFIRST REIT will distribute 100% of its distributable income to Unitholders.

Please refer to Section 6.1.6 of this Prospectus for AmFIRST REIT's distribution policy.

8.7 Proforma Balance Sheets of AmFIRST REIT

The proforma balance sheets set out below have been prepared for illustrative purposes only to show the effects of the Listing Scheme on the balance sheet of AmFIRST REIT.

	Proforma I As at date of registration of the Deed (unaudited) RM'000	Proforma II After the Acquisitions RM'000
ASSETS		
Investments		
Investment properties	-	486,000
Other Assets		
Cash and bank balance	1	8,467
TOTAL ASSETS	1	494,467
LIABILITY		
Current Liabilities		
Other payables	-	6,666
Revolving credit facilities	-	4,000
Non-current Liabilities		
Fixed rate term loan	-	57,000
TOTAL LIABILITY	-	67,666
NET ASSET VALUE	-	426,801
Financed by:		
Unit holders' capital	1	429,001
Undistributed deficit	-	(2,200)
Unitholders' funds	1	426,801
NAV	1	426,801
NAV per Unit (RM)	1	0.99

8. Financial Performance of AmFIRST REIT (Cont'd)

8.8 Proforma Balance Sheet of AmFIRST REIT Together with the Reporting Accountants' Letter thereon



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Reporting Accountants' Report on Proforma Balance Sheets (prepared for inclusion in the Prospectus to be dated 9 November 2006)

9 October 2006

The Board of Directors
Am ARA REIT Managers Sdn Bhd
22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs

AmFIRST REAL ESTATE INVESTMENT TRUST ("AmFIRST REIT") PROFORMA BALANCE SHEETS AS AT THE DATE OF ESTABLISHMENT OF THE TRUST

We report on the proforma balance sheets set out in Appendix I (which we have stamped for the purpose of identification), which have been prepared for illustrative purposes only, to provide information about how the balance sheet of AmFIRST REIT as at the date of establishment of the trust that has been presented might have been affected by the following proposals had the proposals been completed on that date:

- (A) Allocation of up to 138,400,225 AmFIRST REIT Units to the existing unitholders of AmFirst Property Trust ("AmFPT") at the issue price of RM1.00 per Unit pursuant to the proposed winding up of AmFPT wherein the option given to the unitholders of AmFPT to fully tender up to 138,400,225 Units of AmFIRST REIT to be received in exchange for cash of RM1.00 per Unit of AmFIRST REIT ("Cash Option") plus RM0.40 for every 1 AmFPT Unit held or to receive 1 new Unit of AmFIRST REIT at RM1.00 per Unit plus RM0.40 for every 1 AmFPT Unit held;
- (B) The initial public offering of up to 429,000,000 Units representing undivided interests in AmFIRST REIT ("Units") comprising:
 - (I) Offer for sale of up to 138,400,225 Units pursuant to Cash Option available for placement to institutional and selected investors at the offer price to be determined by way of bookbuilding;
 - (II) Offer for sale of 60,599,775 Units available for placement by AmFPT to institutional and selected investors at the offer price to be determined by way of bookbuilding;
 - (III) Offer for sale of a minimum of 133,753,083 Units but not exceeding 144,778,452 Units available for placement by AMMB Holdings Berhad ("AHB") to institutional and selected investors at the offer price to be determined by way of bookbuilding;

8. Financial Performance of AmFIRST REIT (Cont'd)



AF: 0039

- (IV) Restricted offer for sale of a minimum of 85,221,548 Units but not exceeding 96,246,917 Units to the existing shareholders of AHB on a renounceable basis of 1 Unit for every 25 existing ordinary shares of RM1.00 each held in AHB at the offer price of RM1.00 per Unit payable in full upon application of which RM0.85 per Unit will be paid in cash by the shareholders of AHB and the remaining RM0.15 per Unit will be paid by AHB (“Restricted Offer For Sale”).

It is the responsibility solely of the directors of Am ARA REIT Managers Sdn. Bhd. (“Am ARA”), being the manager of AmFIRST REIT, to prepare the proforma balance sheets in accordance with the Securities Commission Prospectus Guidelines in respect of Public Offerings (“the Guidelines”).

It is our responsibility to form an opinion, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the proforma balance sheets with the responsible officers of Am ARA. Our work involved no independent examination of any of the underlying financial information.

In our opinion:

- (a) the proforma balance sheets have been properly compiled on the bases stated; and
- (b) within the context of the assumed date of the Offer For Sale and Restricted Offer For Sale:
 - (i) such bases are consistent with the accounting policies of AmFIRST REIT; and
 - (ii) the adjustments set out are appropriate for the purposes of the proforma balance sheets pursuant to the Guidelines.

The accompanying proforma balance sheets and this letter have been prepared for inclusion in the Prospectus in connection with the above proposals. This letter should not be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

A stylized, handwritten signature of 'Ernst & Young' in black ink, written in a cursive, flowing script.

Ernst & Young
AF: 0039
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Lim Saw Keng', written in a cursive, flowing script.

Lim Saw Keng
No. 2215/10/07(J)
Partner

Kuala Lumpur, Malaysia

8. Financial Performance of AmFIRST REIT (Cont'd)

APPENDIX I

**AmFIRST REAL ESTATE INVESTMENT TRUST ("AmFIRST REIT")
PROFORMA BALANCE SHEETS AS AT THE DATE OF ESTABLISHMENT OF THE
TRUST**

	Proforma I (Unaudited as at the date of establishment of the trust) RM'000	Adjustment RM'000	Proforma II RM'000
ASSETS			
Investments			
Investment properties	-	486,000	486,000
Other Assets			
Cash and bank balances	1	8,466	8,467
TOTAL ASSETS	1		494,467
LIABILITIES			
Current liabilities			
Rental deposits	-	6,666	6,666
Revolving credit facilities	-	4,000	4,000
	-		10,666
Non-current liabilities			
Fixed rate term loan	-	57,000	57,000
TOTAL LIABILITIES	-		67,666
NET ASSET VALUE	1		426,801
FINANCED BY:			
Unit holders' capital	1	429,000	429,001
Undistributed deficit	-	(2,200)	(2,200)
UNITHOLDERS' FUNDS	1		426,801
Number of units of in circulation	1		429,001
Net assets value per Unit (RM)	1.00		0.99

The accompanying notes form an integral part of this statement.

ERNST & YOUNG (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

**AmFIRST REAL ESTATE INVESTMENT TRUST (“AmFIRST REIT”)
NOTES TO THE PROFORMA BALANCE SHEETS AS AT THE DATE OF
ESTABLISHMENT OF THE TRUST**

1. The proforma balance sheets, which have been prepared by management of Am ARA REIT Managers Sdn. Bhd., have been prepared for illustrative purposes only to show the effects on the unaudited balance sheet of AmFIRST REIT as at the date establishment of the trust, of the following proposals had these been implemented and completed on that date, and by application of bases consistent with the accounting policies to be adopted by AmFIRST REIT:
 - (A) Allocation of up to 138,400,225 AmFIRST REIT Units to the existing unitholders of AmFirst Property Trust (“AmFPT”) at the issue price of RM1.00 per Unit pursuant to the proposed winding up of AmFPT wherein the option given to the unitholders of AmFPT to fully tender up to 138,400,225 Units of AmFIRST REIT to be received in exchange for cash of RM1.00 per Unit of AmFIRST REIT (“Cash Option”) plus RM0.40 for every 1 AmFPT Unit held or to receive 1 new Unit of AmFIRST REIT at RM1.00 per Unit plus RM0.40 for every 1 AmFPT Unit held;
 - (B) The initial public offering of up to 429,000,000 Units representing undivided interests in AmFIRST REIT (“Units”) comprising:
 - (I) Offer for sale of up to 138,400,225 Units pursuant to Cash Option available for placement to institutional and selected investors at the offer price to be determined by way of bookbuilding;
 - (II) Offer for sale of 60,599,775 Units available for placement by AmFPT to institutional and selected investors at the offer price to be determined by way of bookbuilding;
 - (III) Offer for sale of a minimum of 133,753,083 Units but not exceeding 144,778,452 Units available for placement by AMMB Holdings Berhad (“AHB”) to institutional and selected investors at the offer price to be determined by way of bookbuilding;(I), (II) and (III) collectively, “Offer For Sale”); and
 - (IV) Restricted offer for sale of a minimum of 85,221,548 Units but not exceeding 96,246,917 Units to the existing shareholders of AHB on a renounceable basis of 1 Unit for every 25 existing ordinary shares of RM1.00 each held in AHB at the offer price of RM1.00 per Unit payable in full upon application of which RM0.85 per Unit will be paid in cash by the shareholders of AHB and the remaining RM0.15 per Unit will be paid by AHB (“Restricted Offer For Sale”).
2. Proforma I illustrates the unaudited balance sheet of AmFIRST REIT as at the date of establishment of the trust with an initial 1,000 Units issued as promoter Units at RM1.00 per Unit.

3. Proforma II incorporates Proforma I and adjusted for the acquisitions of the following real estate by AmFIRST REIT:

- (i) Acquisition of Bangunan AmBank Group (“BAG”) and AmBank Group Leadership Centre (“AGLC”) from AmFirst Property Trust (“AmFPT”) for a total consideration of RM199 million, which is based on an independent valuation performed by CH Williams Talhar & Wong Sdn Bhd. This consideration will be satisfied by the issuance of 199 million new Units in AmFIRST REIT of RM1.00 per Unit.

Pursuant to the acquisition of BAG and AmGLC, it is also the intention of AmFPT to vest the related rental deposits of the tenants of these two buildings amounting to approximately RM4.563 million to AmFIRST REIT and this has also been adjusted in Proforma II.

- (ii) Acquisition of Menara Merais from AmFPT for a total consideration of RM57 million, which was valued at RM58 million based on independent valuation performed by CH Williams Talhar & Wong Sdn Bhd, to be satisfied by cash.

For purposes of satisfying the purchase consideration, AmFIRST REIT will obtain a fixed rate term loan amounting to RM57 million from a licensed commercial bank related to the Manager. In addition to the fixed rate term loan, AmFIRST REIT will also obtain a revolving credit facility amounting to RM4 million for working capital purposes.

For purposes of the Proforma Balance Sheet, it is assumed that the fixed rate term loan will bear interest rate of 5% per annum while the revolving credit facility will bear interest rate of 4.85% per annum. Both the fixed rate term loan and the revolving credit facility will be unsecured.

It is also assumed that both the above credit facilities would be made available to AmFIRST REIT over the period of time as required by AmFIRST REIT and all incidental costs incurred in obtaining the credit facilities will be borne by the lender.

Pursuant to the acquisition of Menara Merais, it is also the intention for the related rental deposits of the tenants of this building amounting to approximately RM1.213 million to be vested to AmFIRST REIT and this has also been adjusted in Proforma II.

- (iii) Acquisition of Menara AmBank (“MAB”) from AmBank (M) Berhad for a proposed consideration of RM230 million, which is based on an independent valuation performed by CH Williams Talhar & Wong Sdn Bhd. The proposed acquisition of Menara AmBank will be satisfied by the issuance of 230 million new Units in AmFIRST REIT.

Pursuant to the acquisition of MAB, it is also the intention for the related rental deposits of the tenants of this building amounting to approximately RM890,000 to be vested to AmFIRST REIT and this has also been adjusted in Proforma II.

8. Financial Performance of AmFIRST REIT (Cont'd)

APPENDIX I

Based on items 3(i) and 3(iii) above, AmFIRST REIT will therefore issue a total of 429,000,000 new Units in AmFIRST REIT. The 199 million new Units to be issued pursuant to item 3(i) above and the 230 million new Units to be issued pursuant to item 3(iii) above will form the basis of the new Units offered through the Offer For Sale and the Restricted Offer For Sale.

Estimated listing expenses of approximately RM2.2 million will also be paid from the cash raised from the revolving credit facility as described in item 3(ii) above and this has been recognised as an expense in Proforma II.

4. The effects of the above proposals on the Units in issue of AmFIRST REIT are as follows:

	Number of Units in issue '000	Value of Units in issue RM'000
Proforma I , as at date of establishment of the trust	1	1
Adjustment for:		
Acquisition of BAG and AGLC	199,000	199,000
Acquisition of Menara AmBank	230,000	230,000
Less : Listing expenses	-	(2,200)
Proforma II	<u>429,001</u>	<u>426,801</u>

 **ERNST & YOUNG** (AF: 0039)

Chartered Accountants, Kuala Lumpur
For identification purposes only

8. Financial Performance of AmFIRST REIT (Cont'd)

8.9 Value of the Real Estate Properties of AmFIRST REIT

Menara AmBank, BAG and AGLC have been valued by the Independent Property Valuer on 7 March 2006 while Menara Merais was valued on 8 March 2006. The appraised values of the Properties as at their respective valuation dates are set out in the following table:-

Properties	Net book value as at 31 March 2006	Appraised value	Percentage of aggregate appraised value of the Properties
	(RM '000)	(RM '000)	(%)
Menara AmBank	197,105	230,000	47.2
BAG	180,000	180,000	37.0
AGLC	19,000	19,000	3.9
Menara Merais	62,878	58,000	11.9
Total	458,983	487,000	100.0

The above valuations were based on Investment and Comparison Methods of Valuation. Please refer to Section 16 of this Prospectus for the valuation certificate on the Properties prepared by the Independent Property Valuer.

Am ARA intends to obtain a valuation of the Properties at least once every three (3) years from the last valuation date or such frequency as the REIT Guidelines may stipulate. The likely date for the next valuation would be on 7 March 2009 for Menara AmBank, BAG and AGLC and 8 March 2009 for Menara Merais. All valuation will be conducted on the basis and methods in accordance with the Asset Valuation Guidelines issued by the SC.

In the event that the assets of AmFIRST REIT are divested, the proceeds from the divestment may be returned to the Unitholders or reinvested.

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