

# **AmFIRST REAL ESTATE INVESTMENT TRUST**

## **NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

Reporting Quarter Ended 31st March 2010

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### **EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134**

#### **A1. BASIS OF PREPARATION**

These condensed financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 134 and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted in its most recent Audited Financial Statements for the financial year ended 31st March 2009.

#### **A2. DECLARATION OF AUDIT QUALIFICATION**

There was no audit qualification on the financial statements for the year ended 31st March 2009.

#### **A3. SEASONALITY AND CYCLICALITY OF OPERATIONS**

The operations of AmFIRST are not subjected to seasonal or cyclical fluctuation.

#### **A4. UNUSUAL ITEMS**

On 23rd July 2009, the Selangor State Government (“the Government”) announced its intention to compulsory acquire all that piece of land measuring 4,121 square metres or 1.018 acres (“the Subject Land”) located on the front of The Summit Subang USJ for the purposes of the extension of Light Rail Transit (“LRT”) Kelana Jaya (Phase II) under the Land Acquisition Act 1960. The Subject Land comprises 159 accessory parcels in the form of car park bays. The Government has awarded the compensation amount of RM3,204,596, which the Manager accepted with an appeal to the sum awarded.

Except as stated above and Note A9, there were no unusual items affecting assets, liabilities, equity, net income or cash flow during the quarter under review.

**A5. CHANGES IN ESTIMATES**

There were no changes in estimates that have had a material effect for the quarter under review.

**A6. ISSUANCE, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuances or repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the quarter under review.

**A7. INCOME DISTRIBUTION PAID**

	Total RM'000	Per Unit (Sen)
Income distribution for the financial period ended 30th September 2009, paid on 30th November 2009.	<u>20,892</u>	<u>4.87</u>

**A8. SEGMENT INFORMATION**

Segmental reporting is not applicable.

**A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT BROUGHT FORWARD**

During the quarter under review, a revaluation exercise was undertaken for all six (6) properties of AmFIRST pursuant to FRS 140 and Clause 10.03 of the Securities Commission's REIT Guidelines. The revaluation has resulted in a surplus of RM12,141,648 and has been incorporated into the financial statements of AmFIRST as at 31st March 2010. The details of the said revaluation carried out are tabled as follows:

**A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT BROUGHT FORWARD (CONT'D)**

Description of Property	Tenure of land	Location	Existing Use	Net Book Value RM	Valuation RM	Revaluation surplus value
Menara AmBank	Freehold	Kuala Lumpur	Office	292,395,915	292,500,000	104,085
Bangunan AmBank Group	Leasehold	Kuala Lumpur	Office	226,000,000	230,000,000	4,000,000
Menara Merais	Freehold	Petaling Jaya	Office	68,740,745	64,000,000	(4,740,745)
AmBank Group Leadership Centre	Freehold	Kuala Lumpur	Office	20,000,000	20,000,000	-
Kelana Brem Tower	Leasehold	Kelana Jaya	Office	105,000,000	114,000,000	9,000,000
The Summit Subang USJ	Freehold	Subang Jaya	Mixed Commercial Complex	283,721,692	287,500,000	3,778,308
				995,858,352	1,008,000,000	12,141,648

**A10. MATERIAL SUBSEQUENT EVENTS**

There are no material events subsequent to the end of the reporting quarter.

**A11. CHANGES IN THE COMPOSITION OF THE TRUST**

There were no changes in the composition of AmFIRST during the quarter under review.

**A12. CONTINGENT ASSETS**

The compulsory acquisition of Land as mentioned in Note A4 also involved the Land in form of common area belonged to the Joint Management Body of The Summit Subang USJ ("JMB"). The Government awarded a compensation amount of RM6,675,075 for said Land to JMB on behalf of all owners of The Summit Subang USJ and the entitlement of the compensation amount will be determined in due course.

## **ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

### **B1. REVIEW OF PERFORMANCE**

#### Quarter Result

AmFIRST recorded total gross revenue of RM25,276,080 for the financial quarter ended 31st March 2010, an increase from corresponding quarter of RM24,191,179 mainly due from new lettings and renewal of tenancies at higher rental rates.

These coupled with lower interest expenses as a result of reduction in cost of borrowings contributed to higher realized net income after taxation by 12% to RM11,386,692 compared to RM10,187,945 recorded in the last corresponding quarter.

#### Financial Year End Result

For the financial year ended 31st March 2010, AmFIRST posted a realized net profit after taxation of RM41,915,765, an increase of 12%, as compared with RM37,536,765 for the last financial year.

The notable increase was attributed to higher income from new lettings, positive rental reversion and lower interest expenses.

### **B2. MATERIAL CHANGES IN INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER**

For the quarter, a realized net income after taxation was higher by RM1,784,489 principally due to write back of provision for doubtful debts and higher rental reversion at Menara AmBank for bulk tenancy renewals.

### **B3. CHANGES IN THE STATE OF AFFAIRS**

There were no material changes in the state of affairs of AmFIRST for the quarter under review.

### **B4. CHANGES IN PORTFOLIO COMPOSITION**

There were no material changes in the portfolio composition of AmFIRST for the quarter under review.

**B5. CHANGES IN NET ASSET VALUE (“NAV”) AND UNIT PRICE**

	Current Quarter 31.03.2010	Immediate Preceding Quarter 31.12.2009
Net Asset Value (RM'000)	580,645	568,450
Net Asset Value per Unit (RM)	1.35	1.33
Market price per Unit (RM)	1.10	1.04

**B6. REVIEW OF OFFICE PROPERTY MARKET**

Despite positive sentiment surrounding the economy, office rents continued to drop marginally during the quarter under review, as office occupiers remained cautious in anticipation of significant levels of new supply of office spaces over the next few years.

**B7. PROSPECTS**

The outlook of the office sector remains challenging with uncertainties in global economy despite witnessing recoveries in the second half of 2009. Office rents will continue to face downward pressure due to new supply in Klang Valley that will come on stream in the next few years. Amidst any unforeseen circumstances, AmFIRST is expected to generate a stable income based on current tenancy profile and the diversity of tenants mix for the financial year ending 31st March 2011.

On enhancement front, upgrading and enhancement programs of properties are in place and scheduled to be carried out in near future. These will position the properties to remain competitive in the market and to increase its current level of occupancy.

**B8. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS**

There were no issuances of new units for the quarter under review.

**B9. CIRCUMSTANCES AFFECTING INTEREST OF UNITHOLDERS**

There were no unusual circumstances which materially affect the interest of the Unitholders for the quarter under review.

**B10. CHANGES IN MATERIAL LITIGATION**

There was no material litigation as the date of this report.

**B11. MAJOR MAINTENANCE COSTS AND CAPITAL EXPENDITURE**

There was no major maintenance costs and capital expenditure incurred during the quarter under review.

**B12. SOFT COMMISSION**

There were no soft commissions received by the Manager or its delegate during the quarter under review.

**B13. REVENUE RECOGNITION**

Rental and interest income are recognized on an accrual basis.

**B14. MANAGER'S FEE**

Pursuant to the Trust Deed, the Manager's fee consist of a base fee up to 0.50% per annum of the total asset value of AmFIRST (excluding any taxes payable) and a performance fee of 3.00% per annum of net property income (excluding any taxes payable), accruing monthly but before deduction of property management fee. However, the Manager's fee, for the period from 1st April 2009 to 31st March 2010 consists of a base fee of only 0.30% per annum.

**B15. TRUSTEE'S FEE**

Pursuant to the Trust Deed, the Trustee is entitled to receive a fee up to 0.10% per annum of the net asset value. The Trustee's fee for the period from 1st April 2009 to 31st March 2010, is calculated based on 0.03% per annum of the net asset value.

## B16. UNIT HELD BY RELATED PARTIES

As at 31st March 2010, the Manager did not hold any Units in AmFIRST. The related parties to the Manager who hold units in AmFIRST are as follows:

	Number of Unit 000	Market Value RM'000
AmEquities Sdn Bhd	80,000	88,000
Jadeline Capital Sdn Bhd	53,700	59,070
RCE Synergy Sdn Bhd	33,564	36,920
AmBank (M) Berhad	25,345	27,879
AmCorp Group Berhad	23,280	25,608
AmLife Insurance Berhad on behalf of Life Fund	12,578	13,835
AmLife Insurance Berhad on behalf of General Fund	12,141	13,355
AmG Insurance Berhad	7,086	7,795

The market value is determined by multiplying the number of units with the market price of RM1.10 per unit as at 31st March 2010.

## B17. COMPOSITION OF INVESTMENT PORTFOLIO

As at 31st March 2010, AmFIRST's composition of investment portfolio is as follows:-.

	Type	Cost of * Investment RM'000	Market Value RM'000	Market Value as a % of NAV
<i>Real estate</i>				
The Summit Subang USJ	Mixed commercial	272,209	287,500	49.5
Menara AmBank	Commercial office	232,439	292,500	50.4
Bangunan AmBank Group	Commercial office	180,152	230,000	39.6
Kelana Brem Towers	Commercial office	86,051	114,000	19.6
Menara Merais	Commercial office	63,821	64,000	11.0
AmBank Group Leadership Centre	Commercial office	19,652	20,000	3.4
		<u>854,324</u>	<u>1,008,000</u>	
<i>Others</i>				
Deposits with licensed financial institutions			<u>22,539</u>	3.9

\* Included in were capital expenditures.

## B17. COMPOSITION OF INVESTMENT PORTFOLIO (CONT'D)

There were no changes to the total number of properties held by AmFIRST during the quarter under review.

## B18. TAXATION

Pursuant to the tax system for Real Estate Investment Trust ("REITs"), the undistributed income from REITs is exempted from income tax provided that at least 90% of their income is distributed to unitholders with effect from the year of assessment 2007.

There is no tax payable as AmFIRST intends to distribute 100% of the distributable income to unitholders for the financial year ended 31st March 2010.

## B19. INCOME DISTRIBUTION

	2010	2009
Interim income distribution per unit paid for the six-month period ended 30th September		
- RM'000	20,892	18,310
- Per unit (sen)	4.87	4.27
Final income distribution per unit payable/paid for the six-month period ended 31st March		
- RM'000	20,935	19,219
- Per unit (sen)	4.88	4.48
<b>Annual income distribution</b>		
- RM'000	<b>41,827</b>	<b>37,529</b>
- Per unit (sen)	<b>9.75</b>	<b>8.75</b>

Notice is hereby given that the final income distribution for the six-month period ended 31st March 2010 will be paid on 27th May 2010 to Unitholders whose names appear in the Record of Depositors of the Trust on 14th May 2010. Withholding tax will be deducted for distribution made to the following types of Unitholders:-

- Resident and non-resident individuals (Withholding tax at 10%)
- Resident and non-resident institution investors (Withholding tax at 10%)
- Resident companies (No withholding tax. Subject to corporate tax at prevailing rate)
- Non-resident companies (Withholding tax at 25% for the Year of Assessment 2009).



**B19. INCOME DISTRIBUTION (CONT'D)**

A depositor shall qualify for the entitlement only in respect of:-

- (a) Units transferred into the Depositors Securities Account before 4.00 pm., on 14th May 2010 in respect of ordinary transfers; and
- (b) Unit bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

**B20. STATEMENT BY THE DIRECTORS OF THE MANAGER**

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with FRS 134 : Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of AmFIRST as at 31st March 2010 and of its financial performance and cash flows for the period then ended.