

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

Reporting Quarter Ended 30th June 2010

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 2010.

A2. DECLARATION OF AUDIT QUALIFICATION

There was no audit qualification on the financial statements for the year ended 31st March 2010.

A3. SEASONALITY AND CYCLICALITY OF OPERATIONS

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

A4. UNUSUAL ITEMS

Except as explained in Note B7 on the discharge of warranties, 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 31st March 2010, paid on 27th May 2010	20,935	4.88

A8. SEGMENT INFORMATION

Segmental reporting is not applicable.

A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT BROUGHT FORWARD

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31st March 2010.

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 State Government has awarded and deposited the compensation sum of RM6,675,075 at end April 2010 for the acquisition of a stretch of land fronting the The Summit Subang USJ (“the Summit”) with the Joint Management Body of The Summit Subang USJ (“JMB”). JMB is holding this compensation sum on behalf of all the joint owners, including AmFIRST who holds the majority share, and the respective final entitlement will be determined by all the joint owners at its next Annual General Meeting scheduled for end August 2010.

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

B1. REVIEW OF PERFORMANCE

AmFIRST recorded total gross revenue of RM25,118,504 for the financial quarter ended 30th June 2010, an increase by 6% from corresponding quarter of RM23,654,475 mainly due from renewal of tenancies at higher rental rates and new lettings.

While total gross revenue rose by 6%, net income after taxation fell by RM634,863 or 6% to RM9,941,186 from RM10,576,049 recorded in corresponding quarter mainly due to higher provision for doubtful debts and higher interest funding costs.

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

As compared with the immediate preceding quarter, a realized net income after taxation fell by 13% from RM11,386,692 reported in the quarter earlier mainly due to provision for doubtful debts and higher interest expenses, as explained in Note B1.

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 30.06.2010	Immediate Preceding Quarter 31.03.2010
Net Asset Value (RM'000)	580,549	580,645
Net Asset Value per Unit (RM)	1.3533	1.3535
Market price per Unit (RM)	1.18	1.10

B6. REVIEW OF OFFICE PROPERTY MARKET

The commercial property market is expected to remain soft with average rental rates facing downward pressure. The Trust continues to look at strategies to fill vacancies to attract new tenants and offering various incentives.

On the bright side, the government recent liberalization of the financial services industry through the issuance of new bank licenses and the focus on the services sector, will augur well for the commercial office space market as demand is expecting to pick up driven by the employment generation.

B7. PROSPECTS

Despite improvement in the global and domestic economy, the outlook is still challenging with concern over the sustainability of global recoveries in the second half of the year. 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. This may have an impact on the income, however, current tenancy profile and diversity of the tenants mix is expected to mitigate the impact of the bottom-line in the remaining period of the financial year.

With respect to Asset Enhancement Initiatives, upgrading and enhancement programs of properties are in place and scheduled to commence in near future. The Summit Hotel's renovation has been carried as explained in Note B11 whilst the basement car parks improvement plans will commence in the second quarter.

These activities will position the properties to remain competitive in the market and 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

During the quarter, renovation of rooms and general facilities at The Summit Hotel has been carried with an estimated total cost of RM3.0 million. Rooms are being marketed progressively whilst the entire renovation is expected to be completed by August 2010.

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 2010 to 30th June 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 2010 to 30th June 2010, is calculated based on 0.04% per annum of the net asset value.

B16. UNIT HELD BY RELATED PARTIES

As at 30th June 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	94,400
Jadeline Capital Sdn Bhd	53,700	63,366
RCE Synergy Sdn Bhd	33,564	39,605
AmBank (M) Berhad	25,345	29,906
AmCorp Group Berhad	23,280	27,470
AmLife Insurance Berhad on behalf of Life Non Par	12,578	14,841
AmLife Insurance Berhad on behalf of General Fund	12,141	14,326
AmLife Insurance Berhad on behalf of Life Fund	7,086	8,362

The market value is determined by multiplying the number of units with the market price of RM1.18 per unit as at 30th June 2010.

B17. COMPOSITION OF INVESTMENT PORTFOLIO

As at 30th June 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>				
Bangunan AmBank Group	Commercial office	180,295	230,000	39.6
AmBank Group Leadership Centre	Commercial office	19,652	20,000	3.4
Menara Merais	Commercial office	63,821	64,000	11.0
Kelana Brem Towers	Commercial office	86,051	292,500	50.4
Menara AmBank	Commercial office	232,439	114,000	19.6
The Summit	Mixed commercial	273,372	287,500	49.5
		<u>855,630</u>	<u>1,008,000</u>	
<i>Others</i>				
Deposits with licensed financial institutions			<u>15,492</u>	2.7

* Included in were capital expenditures.

** Based on latest valuation as at March 2010.

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.

Barring unforeseen circumstances, there will be no tax payable as AmFIRST intends to distribute at least 90% of the distributable income to unitholders for the financial year ended 31st March 2011.

B19. INCOME DISTRIBUTION

No income distribution was declared during the quarter under review.

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 30th June 2010 and of its financial performance and cash flows for the period then ended.