

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

Reporting Quarter Ended 30th September 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.

Changes in Accounting Policies

Except as described below, 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.

(a) **FRS 101 : Presentation of Financial Statements (Revised)**

The Revised FRS 101 separates owner and non-owner changes in equity. Therefore, the statement of changes in net asset value will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income.

The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Trust.

(b) **FRS 139 : Financial Instruments – *Recognition and Measurement***

The adoption of FRS 139 has resulted in financial instruments of the Trust to be categorized and measured using the accounting policies summarized below:-

A1. BASIS OF PREPARATION (CONT'D)

Changes in Accounting Policies (cont'd)

(b) FRS 139 : Financial Instruments – *Recognition and Measurement (cont'd)*

(i) Initial recognition and measurement

A financial instrument is recognized in the financial statements when, and only when, the Trust becomes a party to the contractual provisions of the instruments.

A financial instrument is recognized initially at its fair value. In the case of a financial instrument not categorized as fair value through profit or loss, the financial instrument is initially recognized at its fair value plus transaction costs that are directly attributable to acquisition or issue of the financial instrument.

(ii) Financial Assets

The Trust's financial assets include cash and cash equivalents, trade and other receivables and deposits placed with licensed financial institutions.

Trade and other receivables

Prior to the adoption of FRS 139, trade and other receivables are carried at anticipated realizable values.

Under FRS 139, subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when trade and other receivables are derecognized or impaired, and through the amortization process.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, specific provisions are made for any debts considered to be doubtful of collection.

Under FRS 139, The Trust consider factors such as the probability of insolvency, significant financial difficulties or significant delay in payments past the average credit period as an objective evidence of impairment for trade receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the assets' original effective interest rate. The impairment loss is recognized in profit and loss.

A1. BASIS OF PREPARATION (CONT'D)

Changes in Accounting Policies (cont'd)

(b) FRS 139 : Financial Instruments – *Recognition and Measurement (cont'd)*

(iii) Financial liabilities

The Trust's financial liabilities comprise trade and other payables, rental deposits and borrowings.

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using effective interest method other than those categorized as fair value through profit or loss.

In accordance with the transition provision of FRS 139, the above changes are applied prospectively and initial adjustments arising from re-measuring the financial instruments at the beginning of the financial year shall be recognized as adjustments in the opening balance of retained earnings.

(iv) Financial impact on opening balance

Statement of Financial Position, as at 1st April 2010

	As previously reported	Effects of adopting FRS 139	As re-stated
	RM'000	RM'000	RM'000
Rental deposits	18,880	(197)	18,683
Non-distributable reserve	153,678	197	153,875

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 A12, there were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size of incidence.

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 six-month 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

On 3rd September 2010, the Trust received its share of compensation amounting to RM5,671,552 out of total awarded sum of RM6,675,075 for the compulsory acquisition of the land fronting The Summit Subang USJ ("The Summit"). One third of this compensation sum of RM1,890,517 (which is tax exempt income) has been recognized in the current quarter and form part of the income distribution for 1H 2010/11. The balance of RM3,781,035 will be reflected equally in the next two (2) quarters and accordingly will be incorporated into the next income distribution pay-out for the financial year ending 31st March 2011.

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

B1. REVIEW OF PERFORMANCE

Quarter Results

For the quarter ended 30th September 2010, AmFIRST recorded total gross revenue of RM22,084,080, down 10.1% from the corresponding quarter a year earlier of RM24,570,565 mainly due to drop in average occupancy rate of Kelana Brem Towers and rental rebates to compensate for the disruption to The Summit Hotel operations during the recent refurbishment works.

However, net income after taxation rose by 2.8% to RM10,644,674 from RM10,350,822 recorded in corresponding quarter mainly due to the recognition of LRT compensation, as explained in Note A12.

Half Year Results

As for the six-month period ended 30th September 2010, AmFIRST posted total gross revenue of RM47,197,616, a 2.1% decline over total gross revenue of RM48,225,040 achieved for the same period of last year due to lower occupancy rate and rental rebates, as explained above.

Net income after taxation came in at RM20,585,859 as compared to RM20,926,871 recorded in the corresponding period of last year

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

As compared with the immediate preceding quarter, net income after taxation improved by 7.1% from RM9,941,186 reported in the quarter earlier mainly due to LRT compensation sum, as explained in Note A12.

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 30.09.2010	Immediate Preceding Quarter 30.06.2010
		<i>Re-stated</i>
Net Asset Value (RM'000)	580,793	580,746
Net Asset Value per Unit (RM)	1.3538	1.3537
Market price per Unit (RM)	1.19	1.18

B6. REVIEW OF OFFICE PROPERTY MARKET

The commercial property market remains soft with average rental rates continued to face downward pressure, albeit marginally, due to the anticipation of incoming supply.

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

The outlook of office-space market remains challenging. Despite recent strong and sturdy growth in the domestic economy, office rents forecast to further face a marginal downward pressure due to a significant anticipated cumulative supply of office-space that will come on stream in the next few years. However, current tenancy profile and diversity of the tenants mix are expected to mitigate the impact of the bottom-line in the remaining period of the financial year.

On Asset Enhancement Initiatives, the renovation and refurbishment of The Summit Hotel was completed in August 2010 whilst the improvement plans of Retail Podium and basement car parks at The Summit have commenced in the current quarter. Upgrading and enhancement programs for other properties are in place and scheduled to commence in near future.

These activities will position the properties to remain competitive in the market and increase its current level of occupancy.

Barring any unforeseen circumstances, the Manager expects the Trust to maintain its current performance for the remaining period of the financial year ending 31st March 2011.

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. STATUS OF CORPORATE PROPOSALS

On 2nd September 2010, two (2) announcements were made to Bursa Malaysia Securities Berhad (“Bursa”), as follow:-

- (a) Proposed acquisition from FSBM Holdings Berhad, of all that piece of land held under Geran 207772, Lot 23570 in Mukim of Dengkil, District of Sepang and State of Selangor with a five storey office building erected thereon for a purchase consideration of RM51,500,000.

Following the announcement made on 2nd September 2010, further announcement was made to Bursa on 8th October 2010 on the extension of the Exclusivity Period to 5th November 2010 to complete the due diligence review on the said Property and to negotiate and conclude the terms and conditions of the transaction documents, subject to any further extension or extensions as may be exercised.

- (b) Proposed acquisition from SYF Trading Sdn Bhd, of all that premises known as Unit No. S2.140B, 2nd Floor, The Summit Subang USJ, Persiaran Kewajipan USJ 1, UEP Subang Jaya, Selangor measuring approximately 37,372 square feet and held under strata title geran 43528/M1/3/459 Lot 14 in Pekan Subang Jaya, District of Petaling and State of Selangor Darul Ehsan for a total lump sum cash consideration of RM6,800,000.

The proposal is pending fulfillment of condition precedents as stipulated in Sale and Purchase Agreements.

B12. MAJOR MAINTENANCE COSTS AND CAPITAL EXPENDITURE

For the six-month period ended 30th September 2010, a total of RM5.1 million has been incurred for upgrading and enhancement of investment properties with bulk of the amounts were spent for refurbishment of The Summit Hotel and Retail Podium at The Summit.

B13. SOFT COMMISSION

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

B14. REVENUE RECOGNITION

Rental and interest income are recognized on an accrual basis.

B15. 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 July 2010 to 30th September 2010 consists of a base fee of only 0.30% per annum.

B16. 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 July 2010 to 30th September 2010, is calculated based on 0.04% per annum of the net asset value.

B17. UNIT HELD BY RELATED PARTIES

As at 30th September 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	95,200
Jadeline Capital Sdn Bhd	53,700	63,903
RCE Synergy Sdn Bhd	33,564	39,941
AmBank (M) Berhad	25,344	30,159
Amcorp Group Berhad *	23,280	27,703
AmLife Insurance Berhad on behalf of Life Non Par	12,578	14,968
AmG Insurance Berhad on behalf of General Fund	12,141	14,448
AmLife Insurance Berhad on behalf of Life Fund	6,586	7,837

** This is inclusive of 11,639,848 units held under CIMB Group Nominees (Tempatan) Sdn Bhd.*

The market value is determined by multiplying the number of units with the market price of RM1.19 per unit as at 30th September 2010.

B18. COMPOSITION OF INVESTMENT PORTFOLIO

As at 30th September 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	180,351	230,000	39.6
AmBank Group Leadership Centre	Commercial office	19,586	20,000	3.4
Menara Merais	Commercial office	63,821	64,000	11.0
Menara AmBank	Commercial office	231,975	292,500	50.4
Kelana Brem Towers	Commercial office	86,051	114,000	19.6
The Summit	Mixed commercial	277,147	287,500	49.5
		<u>858,931</u>	<u>1,008,000</u>	
<i>Others</i>				
Deposits with licensed financial institutions			<u>8,609</u>	1.5

* Included in were capital expenditures.

** Based on latest valuation as at March 2010.

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

B19. 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 ending 31st March 2011.

B19. TAXATION (CONT'D)

Reconciliation between the applicable income tax expense and the effective income tax expense of the Trust is as follows:-

	01.04.2010	01.04.2009
	TO	TO
	30.09.2010	30.09.2009
	RM	RM
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before taxation	20,585,859	20,926,871
Income tax using Malaysian tax rate of 25% (For YA 2009 : 25%)	5,146,465	5,231,718
Effects of non-deductible expenses	35,695	35,013
Effects of income exempted from tax	(5,182,160)	(5,266,731)
Tax expense	-	-

B20. INCOME DISTRIBUTION

Interim income distribution for the six-month financial period ended 30th September 2010 is from the following sources:-

	01.04.2010	01.04.2009
	TO	TO
	30.09.2010	30.09.2009
	RM'000	RM'000
Rental income	47,198	48,225
Interest income	157	261
Compensation from compulsory acquisition	1,891	-
Other income	2	3
Distributable undistributed income as at 1st April ^(a)	96	8
Income available for distribution	49,344	48,497
Less : Expenses	(28,662)	(27,562)
Less : Taxation	-	-
Retained earnings	20,682	20,935
Interim income distribution per unit proposed/paid for the six-month period ended 30 September ^(b)		
- RM'000	20,635	20,892
- Per unit (sen)	4.81	4.87

B20. INCOME DISTRIBUTION (CONT'D)

- (a) The interim income distribution for the six-month financial period ended 30th September 2010 consists of distributions, which are made from previous year's distributable undistributed income as follows:-

	2010 RM'000	2009 RM'000
Taxable income	4	7
Tax exempt income	92	1
Distributable undistributed income, as at 1st April	96	8

- (b) The composition of proposed interim income distribution for the six-month financial period ended 30th September 2010 between taxable and tax exempt income is tabulated as follows:-

	Per Unit (Sen)	Total RM'000
Taxable income	4.32	18,533
Tax exempt income	0.49	2,102
	4.81	20,635

Notice is hereby given that the interim income distribution of 4.81 sen per unit (of which 4.32 sen per unit is taxable and 0.49 sen per unit is tax exempt) in respect of the six-month financial period ended 30th September 2010 will be paid on 30th November 2010 to Unitholders whose names appear in the Record of Depositors of the Trust on 19th November 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 2010).

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

- (a) Units transferred into the Depositors Securities Account before 4.00 pm., on 19th November 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.

B21. 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 September 2010 and of its financial performance and cash flows for the period then ended.