

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

Reporting Quarter Ended 31st December 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) **Amendments to FRS 110 – Events after the reporting period.**

Prior to 31st December 2010, a provision for income distribution was made at the end of every reporting period prior to the approval by the Trustee and Board of Directors as the income distribution met the criteria of a present obligation under FRS 137₂₀₀₄ for recognition as a liabilities.

A1. BASIS OF PREPARATION (CONT'D)

Changes in Accounting Policies (Cont'd)

(b) Amendments to FRS 110 – Events after the reporting period (cont'd)

However, pursuant to the amendment to Paragraph 13 of FRS 110, if income distributions are declared after the reporting period but before the financial statements are authorized for issue, the income distributions shall not be recognized as a liability at the reporting date because no obligation exist as at the reporting date. The income distributions are disclosed in the notes in accordance with FRS 101 - Presentation of Financial Statements (*Note B20*).

The amended FRS 110 shall be applied for annual periods beginning on or after 1st January 2010. Hence, prior-year adjustments are made to the financial statements of AmFIRST for the financial year ended 31st March 2010. The financial impacts on the opening balances are describe as follows:-

Statement of Financial Position, as at 1st April 2010

	As per Audited	Effect of Adopting Revised FRS 110	As Re-stated
Provision for income distribution	20,935	(20,935)	-
Distributable undistributed income	96	20,935	21,031

The prior-year adjustments have no impact to net income of AmFIRST for the current financial year.

(c) 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:-

(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.

A1. BASIS OF PREPARATION (CONT'D)

Changes in Accounting Policies (Cont'd)

(c) FRS 139 : Financial Instruments – Recognition and Measurement (Cont'd)

(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.

(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.

A1. BASIS OF PREPARATION (CONT'D)

Changes in Accounting Policies (cont'd)

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

(iv) Financial impact on opening balance

Statement of Financial Position, as at 1st April 2010

	As per Audited	Effects of Adopting FRS 139	As Re-stated
	RM'000	RM'000	RM'000
Rental deposits	18,880	(612)	18,268
Fair value reserve	-	612	612

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

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)
Final income distribution for the six-month financial period Ended 31st March 2010, paid on 27th May 2010.	20,935	4.88
Interim income distribution for the six-month financial period Ended 30th September 2010, paid on 30th November 2010	20,635	4.81
	41,570	9.69

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

There were no contingent liabilities or contingent assets to be disclosed.

A13. REALIZED AND UNREALIZED PROFITS/LOSSES DISCLOSURE

A breakdown of undistributed income into realized and unrealized is as summarized below:-

Details	As at 31.12.2010	As at 30.09.2010 *	As at 31.03.2010
		<i>Re-stated</i>	<i>Re-stated</i>
<i>Realized</i>			
Distributable undistributed income ⁽¹⁾	10,313,937	20,681,886	21,031,223
<i>Unrealized</i>			
Revaluation reserve ⁽²⁾	153,675,774	153,675,774	153,675,774
Fair value reserve ⁽³⁾	612,333	196,754	-
Undistributable income ⁽⁴⁾	90,517	-	-
	154,378,624	153,872,528	153,675,774
Total Undistributed Income	164,692,561	174,601,352	174,706,997

* Pursuant to the Directive dated 25th March 2010 (the Directive was made available on 20th December 2010) issued by Bursa Malaysia Securities Berhad with regard to the disclosure of realized and unrealized profits or losses, which is applicable to quarterly report of listed issuer with effective from the financial period ended 30th September 2010.

- (1) The undistributed income as at 30th September 2010 (Unaudited) and 31st March 2010 (audited) have been re-stated pursuant to the amendment made to Paragraph 13 of FRS 110 – Events after the reporting period [Note A1 (b)]
- (2) Revaluation surplus on all six (6) investment properties as at 31st March 2010
- (3) Net gain on financial liabilities measured at amortized cost as at 31st March 2010 (FRS 139 : Financial Instruments – Recognition and Measurement)
- (4) Net gain on financial liabilities measured at amortized cost for nine (9) months financial period ended 31st December 2010. (FRS 139 : Financial Instruments – Recognition and Measurement)

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 third quarter ended 31st December 2010, total gross revenue was RM22,226,445, down 10.0% from the corresponding quarter a year earlier of RM24,687,235 mainly due to drop in average occupancy rate of Kelana Brem Towers.

Nonetheless, the compensation of land acquisition at The Summit Subang USJ has resulted to a higher net income after taxation by 7.9% to RM10,357,502 from RM9,602,202 recorded in corresponding quarter.

Year-To-Date Results

For the cumulative nine-month period ended 31st December 2010, AmFIRST posted total gross revenue of RM69,424,061, a 4.8% decline over total gross revenue of RM72,912,275 achieved for the same period of last year due to lower occupancy rate and hotel's rental rebates to compensate for the disruption to The Summit Hotel operations during the recent refurbishment works.

However, net income after taxation came in positive 1.3% to RM30,943,361 as compared to RM30,529,073 recorded in the corresponding period of last year resulted from the compensation of land acquisition, as explained above.

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

Quarter-on-quarter, net income after taxation slipped 2.7% from RM10,644,674 reported in the quarter earlier mainly due higher property expenses.

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 31.12.2010	Immediate Preceding Quarter 30.09.2010 <i>Re-stated</i>
Net Asset Value (RM’000) ⁽¹⁾	591,566	601,428
Net Asset Value per Unit (RM)		
- Before distribution	1.3789	1.4019
- After distribution	1.3549	1.3538
Market price per Unit (RM)	1.18	1.19

(1) Net asset value as at 30th September 2010 (Unaudited) has been re-stated pursuant to the amendment made to FRS 110 – Events after the reporting period [Note A1 (b)].

B6. REVIEW OF OFFICE PROPERTY MARKET

Office rental market remained soft with average rental rates continues to experience downward pressure due to the anticipation of incoming new supply in the next few years.

B7. PROSPECTS

The outlook of office-space market is expected to 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.

The Manager actively carries out asset enhancement activities to create value adding as well as tenants’ retention and to attract new prospects. In addition, the REIT manager is actively pursuing yield enhancing acquisition opportunities to boost its assets under management as well as income stream.

Barring any unforeseen circumstances, the Manager expects the Trust to maintain its current performance based on its current tenancy profile and diversity of the tenants mix 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

Two (2) announcements were made to Bursa Malaysia Securities Berhad (“Bursa”), as follow:-

- (a) On 2nd September 2010, an announcement was made to Bursa on the 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.

- (b) On 2nd September 2010, an announcement was made to Bursa on the proposed acquisition from FSBM Holdings Berhad (“FSBM”), 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 (“the Property”) for a purchase consideration of RM51,500,000.

On 8th October 2010, further announcement was made 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.

On 9th November 2010, an announcement was made that the Exclusivity Period granted by FSBM had expired on 8th November 2010. Mayban Trustees Berhad (“MTB”) (the Trustee for and on behalf of AmFIRST) has decided not to proceed with the proposed acquisition in view that FSBM and MTB have not been able to reach an agreement on the terms and conditions of the definitive documents and pursuant to FSBM’s decision to abort the proposed disposal.

B12. MAJOR MAINTENANCE COSTS AND CAPITAL EXPENDITURE

For the six-month period ended 31st December 2010, a total of RM5.8 million has been incurred for upgrading and enhancement of investment properties with bulk of the amount 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 October 2010 to 31st December 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 October 2010 to 31st December 2010, is calculated based on 0.04% per annum of the net asset value.

B17. UNIT HELD BY RELATED PARTIES

As at 31st December 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	25,344	29,906
Amcorp Group Berhad *	15,690	18,514
AmLife Insurance Berhad on behalf of Life Non Par	12,578	14,841
AmLife Insurance Berhad on behalf of Life Non Par	9,201	10,857
AmG Insurance Berhad on behalf of General Fund	5,734	6,766
AmLife Insurance Berhad on behalf of Life Fund	3,128	3,691

* This is inclusive of 4,050,000 units held under Amsec Nominees (Tempatan) Sdn Bhd.

The market value is determined by multiplying the number of units with the market price of RM1.18 per unit as at 31st December 2010.

B18. COMPOSITION OF INVESTMENT PORTFOLIO

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

	Type	Investment Outlay * RM'000	Market Value ** RM'000	Market Value As a % of NAV
Real estate				
Bangunan AmBank Group	Commercial office	180,748	230,000	38.9
AmBank Group Leadership Centre	Commercial office	19,586	20,000	3.4
Menara Merais	Commercial office	63,821	64,000	10.8
Menara AmBank	Commercial office	231,975	292,500	49.4
Kelana Brem Towers	Commercial office	86,051	114,000	19.3
The Summit	Mixed commercial	277,452	287,500	48.6
		<u>859,633</u>	<u>1,008,000</u>	
<i>Others</i>				
Deposits with licensed financial institutions			<u>9,942</u>	1.7

* 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.

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

	01.04.2010 TO 31.12.2010 RM	01.04.2009 TO 31.12.2009 RM
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before taxation	30,943,361	30,529,073
Income tax using Malaysian tax rate of 25% (For YA 2010 : 25%)	7,711,208	7,569,964
Effects of non-deductible expenses	50,223	49,224
Effects of income exempted from tax	(7,761,431)	(7,619,188)
Tax expense	-	-

B20. INCOME DISTRIBUTION

	Total RM'000	Per Unit (Sen)
<i>Proposed in previous financial period and recognized as liabilities during the current financial period:</i>		
Final income distribution for the six-month financial period Ended 31st March 2010, paid on 27th May 2010.	20,935	4.88
<i>Proposed and recognized as liabilities during the current financial period:</i>		
Interim income distribution for the six-month financial period Ended 30th September 2010, paid on 30th November 2010	20,635	4.81

No income distribution was declared during the quarter under review.

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 31st December 2010 and of its financial performance and cash flows for the period then ended.