

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

Reporting Quarter Ended 31st March 2011

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 are described as follows:-

Statement of Financial Position, as at 31st March 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 considers 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 Restated
	RM'000	RM'000	RM'000
Rental deposits	18,880	(613)	18,267
Fair value reserve	-	613	613

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 A9, 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

During the quarter under review, a revaluation exercise was undertaken for all six (6) properties of AmFIRST pursuant to FRS 140. The revaluation has resulted in unrealized gain of RM3,248,284 and has been incorporated into the financial statements of AmFIRST as at 31st March 2011. The details of the said revaluation carried out are tabled as follows:

Description of Property	Tenure of Land	Location	Existing Use	Net Book Value RM	Revaluation RM	Unrealized gain/(loss) RM
Menara AmBank	Freehold	Kuala Lumpur	Office	292,036,000	299,000,000	6,964,000
Bangunan AmBank Group	Leasehold	Kuala Lumpur	Office	230,624,358	231,000,000	375,642
Menara Merais	Freehold	Petaling Jaya	Office	64,000,000	64,000,000	-
AmBank Group Leadership Centre	Freehold	Kuala Lumpur	Office	19,934,000	20,700,000	766,000
Kelana Brem Towers	Leasehold	Kelana Jaya	Office	114,000,000	111,000,000	(3,000,000)
The Summit Subang USJ	Freehold	Subang Jaya	Mixed Commercial Complex	300,157,358	298,300,000	(1,857,358)
				<u>1,020,751,716</u>	<u>1,024,000,000</u>	<u>3,248,284</u>

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 31.03.2011	As at 01.04.2010	As at 31.03.2010
		<i>Re-stated</i>	<i>Re-stated</i>
<i>Realized</i>			
Distributable undistributed income ⁽¹⁾	21,210,950	21,031,223	21,031,223
<i>Unrealized</i>			
Revaluation reserve ⁽²⁾	153,675,774	153,675,774	153,675,774
Fair value reserve ⁽³⁾	612,333	612,333	-
Unrealized gain on revaluation of investment properties ⁽⁴⁾	3,248,284	-	-
Unrealized net gain on financial liabilities measured at amortized cost ⁽⁵⁾	364,103	-	-
	157,900,494	154,288,107	153,675,774
Total Undistributed Income	179,111,444	175,319,330	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) Distributable undistributed income as at 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 1st April 2010. (FRS 139 : Financial Instruments – Recognition and Measurement)
- (4) Current year revaluation surplus on all six (6) investment properties (FRS 140).
- (5) Current year net gain on financial liabilities measured at amortized cost (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

AmFIRST registered gross revenue of RM19,114,802 and property expenses of RM7,627,729 for the current quarter ended 31st March 2011. Total income was RM16,968,231 of which RM3,521,870 was attributed to fair value adjustments. Realized net income available for distribution was RM10,897,014.

Comparing with the previous preceding quarter, the realized income available for distribution was slightly lower by 4.3% due to cessation of guaranteed minimum net income for the Summit Subang USJ provided by Bounty Dynamics Sdn Bhd (Formerly known as Meda Development Sdn Bhd) (“BDSB”) and drop in average occupancy rate of Kelana Brem Towers and Menara Merais.

Year-To-Date Results

For the current year financial year ended 31st March 2011, the Trust recorded gross revenue and realized net income after taxation of RM88,538,863 and RM41,749,858 respectively, representing a decrease of 9.8% and 0.4% respectively as compared to last year. The decrease was mainly attributed to reduction in occupancy rates and cessation of income guaranteed as mentioned above.

Despite the challenging conditions, the Trust declared a total DPU of 9.75 sen, the same as last year.

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

Quarter-on-quarter, realized net income after taxation rose 6.1% from RM10,266,985 reported in the quarter earlier mainly due lower 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 31.03.2011	Previous Quarter 31.12.2010
Net Asset Value (RM’000) ⁽¹⁾	605,985	591,566
Net Asset Value per Unit (RM)		
- Before distribution	1.4125	1.3789
- After distribution	1.3631	1.3549
Market price per Unit (RM)	<u>1.16</u>	<u>1.18</u>

B6. REVIEW OF OFFICE PROPERTY MARKET

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

B7. PROSPECTS

Barring any unforeseen circumstances, the Manager expects the Trust to maintain its current performance based on its current tenancy profile, diversity of the tenants mix and its continuous efforts on proactive asset enhancements and portfolio management for the financial year ending 31st March 2012.

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 acquisition was completed on 17th March 2011 in accordance with the terms and conditions stipulated in the Sale and Purchase Agreements.

- (b) On 21st March 2011, an announcement was made to Bursa on the discharge of warranties on the minimum net income receivables by the Trustee from the Retail Lots, Office Lots, Hotel and Car Park ("Warranties") given by Bounty Dynamic Sdn Bhd (BDSB) pursuant to the disposal of the Retail Lots, Office Lots, Hotel and Car Park of The Summit Subang USJ.

The Discharge was effective on 21 March 2011 (“Effective Date”). Notwithstanding the Discharge, the Mayban Trustees Berhad (“Trustee”) is expected to receive full payments for any outstanding sums due and owing by BDSB to the Trustee under the Sale and Purchase Agreement (“SPA”).

Under the Discharge:

- (i) BDSB was discharged from the Warranties given under the SPA on the Effective Date, save and except for any antecedent breaches that occurred prior to and on the Effective Date; and
- (ii) Meda Inc Berhad, being the holding company of BDSB, was discharged from the guarantee on the Warranties ("Guarantee") contained in the Guarantee and Indemnity Agreements ("Guarantee Agreements") on the Effective Date, save and except for any guarantee enforceable by the Trustee prior to and on the Effective Date.

The Discharge does not have any material effects on the unitholders’ capital, substantial unitholders’ unitholding, gearing and net asset value of AmFIRST.

B12. MAJOR MAINTENANCE COSTS AND CAPITAL EXPENDITURE

For the financial year ended 31st March 2011, a total of RM6.0 million has been incurred for upgrading and enhancement of investment properties with bulk of the amount spent for refurbishment of The Summit Hotel and car park 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 January 2011 to 31st March 2011 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 January 2011 to 31st March 2011, is calculated based on 0.04% per annum of the net asset value.

B17. UNIT HELD BY RELATED PARTIES

As at 31st March 2011, the Manager did not hold any Units in AmFIRST. However, the related parties to the Manager who hold units in AmFIRST are as follows:

(a) Unit holdings of companies related to the Manager

	Number of Unit 000	Market Value RM'000
AmEquities Sdn Bhd	80,000	92,800
Jadeline Capital Sdn Bhd	53,700	62,292
RCE Synergy Sdn Bhd	33,564	38,934
Amcorp Group Berhad *	27,330	31,702
AmBank (M) Berhad	25,344	29,340
AmLife Insurance Berhad on behalf of Life Non Par Fund	322	373
AmLife Insurance Berhad on behalf of Life Fund	264	307
AmInvestment Bank Berhad	1	1

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

B17. UNIT HELD BY RELATED PARTIES (CONT'D)

(b) Direct unit holdings of Directors of the Manager

	Number of Unit 000	Market Value RM'000
Cheah Tek Kuang	1	1

The market value is determined by multiplying the number of units with the market price of RM1.16 per unit as at 31st March 2011.

B18. COMPOSITION OF INVESTMENT PORTFOLIO

As at 31st March 2011, AmFIRST's composition of investment portfolio is as follows:-

Real estate	Type	Investment Outlay * RM'000	Market Value ** RM'000	Market Value As a % of NAV
Bangunan AmBank Group	Commercial office	230,624	231,000	38.1
AmBank Group Leadership Centre	Commercial office	19,934	20,700	3.4
Menara Merais	Commercial office	64,000	64,000	10.6
Menara AmBank	Commercial office	292,036	299,000	49.3
Kelana Brem Towers	Commercial office	114,000	111,000	18.3
The Summit	Mixed commercial	300,158	298,300	49.2
		<u>1,020,752</u>	<u>1,024,000</u>	
<i>Others</i>				
Deposits with licensed financial institutions			<u>12,958</u>	2.1

* Included in were capital expenditures.

** Based on latest valuation as at March 2011.

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 ended 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 31.03.2011 RM	01.04.2009 TO 31.03.2010 RM
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before taxation	45,362,245	54,057,413
Income tax using Malaysian tax rate of 25% (For YA 2010 : 25%)	10,436,606	13,514,353
Effects of non-deductible expenses	69,871	69,606
Effects of income exempted from tax	(10,506,477)	(13,583,959)
Tax expense	-	-

B20. INCOME DISTRIBUTION

	Total RM'000	Per Unit (Sen)
Proposed and recognized as liabilities during the current financial year:		
Interim income distribution for the six-month financial period ended 30th September 2010, paid on 30th November 2010	20,635	4.81
Proposed but not yet recognized as liabilities during the Current financial year:		
Final income distribution for the six-month financial period ended 31st March 2011, payable on 31st May 2011	21,193	4.94

B20. INCOME DISTRIBUTION (CONT'D)

Final income distribution for the six-month financial period ended 31st March 2011 is from the following sources:-

Realized	01.10.2010 TO 31.03.2011 RM'000	01.10.2009 TO 31.03.2010 RM'000
Rental income	44,083	49,963
Interest income	115	295
Compensation from land acquisition	3,780	-
Realized gain on disposal of real estate related assets	-	89
Other income	11	1
Distributable undistributed income as at 1st October ^(a)	47	43
Income available for distribution	<u>48,036</u>	<u>50,391</u>
Less : Expenses	(26,825)	(29,360)
Less : Taxation	-	-
Retained earnings	<u>21,211</u>	<u>21,031</u>
Final income distribution per unit proposed/paid for the six-month period ended 31st March^(b)		
- RM'000	21,193	20,935
- Per unit (sen)	<u>4.94</u>	<u>4.88</u>

- (a) The final income distribution for the six-month financial period ended 31st March 2011 consists of distributions, which are made from current year's distributable undistributed income as follows:-

	2010 RM'000	2009 RM'000
Taxable income	8	38
Tax exempt income	39	5
Distributable undistributed income, as at 1st October	<u>47</u>	<u>43</u>

- (b) The composition of proposed final income distribution for the six-month financial period ended 31st March 2011 between taxable and tax exempt income is tabulated as follows:-

	Per Unit (Sen)	Total RM'000
Taxable income	4.027	17,276
Tax exempt income	0.913	3,917
	<u>4.94</u>	<u>21,193</u>

B20. INCOME DISTRIBUTION (CONT'D)

Notice is hereby given that the final income distribution of 4.94 sen per unit (*of which 4.027 sen per unit is taxable and 0.913 sen per unit is tax exempt*) in respect of the six-month financial period ended 31st March 2011 will be paid on 31st May 2011 to Unitholders whose names appear in the Record of Depositors of the Trust on 24th May 2011. 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 2011).

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

- (a) Units transferred into the Depositors Securities Account before 4.00 pm., on 24th May 2011 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 31st March 2011 and of its financial performance and cash flows for the period then ended.