

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For The Second Quarter Ended 30 September 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.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in the preparation of Audited Financial Statements of AmFIRST Real Estate Investment Trust (“AmFIRST REIT” or the “Trust”) for the financial year ended 31 March 2011.

A2. DECLARATION OF AUDIT QUALIFICATION

There was no audit qualification on the financial statements for the year ended 31 March 2011.

A3. SEASONALITY AND CYCLICALITY OF OPERATIONS

The operations of the Trust 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 due to 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. SEGMENT INFORMATION

Segmental reporting is not applicable.

A8. INCOME DISTRIBUTION PAID

There was no income distribution paid during the quarter under review.

The Board of Directors of the Manager of AmFIRST REIT, has declared an interim income distribution of 4.48 sen per unit, amounting to RM19,219,244, representing approximately 100% of the realized distributable net income for the six-month period ended 30 September 2011, payable on 30 November 2011 as disclosed in note B19 below.

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A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT BROUGHT FORWARD

The valuations of land and buildings have been brought forward without any amendment from the previous audited financial statements for the year ended 31 March 2011.

A10. MATERIAL SUBSEQUENT EVENTS

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

A11. CHANGES IN THE COMPOSITION OF THE TRUST

There were no changes in the composition of the Trust during the quarter under review, and the fund size stands at 429,001,000 units.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A13. REALIZED AND UNREALIZED INCOME DISCLOSURE

The breakdown of undistributed income into realized and unrealized as at 30 September 2011 are summarized as below:-

	As At 30.09.2011 RM'000	As At 31.03.2011 RM'000
<i>Realized</i>		
Distributable undistributed income	19,302	21,211
<i>Unrealized</i>		
Cumulative net change arising from the fair value of investment properties	156,925	156,925
Gain arising from measuring non-current financial liabilities at amortized cost	643	976
	157,568	157,901
	<u>176,870</u>	<u>179,112</u>

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

B1. REVIEW OF PERFORMANCE

For the six-month period ended 30 September 2011, the Trust recorded gross revenue of RM46.178 million and net property income of RM31.271 million respectively. Net income after taxation was RM18.951 million comprising realized net income of RM19.284 million and unrealized net loss of RM0.333 million arising from measuring the non-current financial liabilities at amortized cost.

The compensation from land acquisition of RM1.890 million was included in the realized net income after taxation for the preceding year to date. Excluding this one-off compensation, the realized net income after taxation of RM19.284 million for the six month period ended 30 September 2011 was 3.2% higher than the preceding year to date of RM18.695 million, mainly due to the improved occupancy and higher car park income.

B2. MATERIAL CHANGES IN QUARTER RESULTS

There was no material change in net income after taxation for the quarter under review as compared to the immediate preceding quarter.

B3. CHANGES IN THE STATE OF AFFAIRS

There was no material change in the state of affairs of the Trust for the quarter under review.

B4. CHANGES IN PORTFOLIO COMPOSITION

There was no material change in the portfolio composition of the Trust for the quarter under review. As at 30 September 2011, the Trust's composition of investment portfolio is as follow:-

Real Estate	Type	Cost of Investment* RM'000	Market Value ** RM'000	Market Value As a % of NAV
Bangunan AmBank Group	Commercial Office	184,372	231,000	38.3
AmBank Group Leadership Centre	Commercial Office	19,586	20,700	3.4
Menara AmFIRST	Commercial Office	63,862	64,000	10.6
Menara AmBank	Commercial Office	232,079	299,000	49.5
Kelana Brem Towers	Commercial Office	86,051	111,000	18.4
The Summit Subang USJ	Mixed Commercial	284,957	298,300	49.4
		<u>870,907</u>	<u>1,024,000</u>	

* Cost of investment comprised purchase consideration and capital expenditure incurred during the period.

** Based on latest valuation as at 31 March 2011

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B5. CHANGES IN NET ASSET VALUE AND UNIT PRICE

	As At 30.09.2011 RM'000	As At 31.03.2011 RM'000
Net Asset Value ("NAV")	603,743	605,985
NAV Per Unit (RM)		
- Before income distribution	1.4073	1.4125
- After income distribution	1.3631	1.3631
Closing Unit Price Per Unit (RM)	1.12	1.18

The NAV per Unit after income distribution is calculated after taking into consideration of the proposed income distribution of approximately 100% of the realized distributable income at the end of the reporting period.

B6. REVIEW OF COMMERCIAL PROPERTY MARKET

Generally, the commercial office market remains soft with concerns of oversupply of office spaces in certain locations in anticipation of substantial new supply in the pipeline.

The retail sector continued to be active with high occupancy in established shopping malls. However, the heightened uncertainties in the economy and the pressure of inflation may discourage the consumer spending and pose challenges to the retail sector.

B7. PROSPECTS

The properties under the Trust's portfolio continue to show improvement in occupancy. Moving forward, the Manager will continue to proactively manage the properties under the portfolio in order to safeguard the income stream of the Trust whilst pursuing strategic yield accretive acquisition opportunities to grow the Trust.

Barring any unforeseen circumstances, the Manager expects the Trust to perform satisfactory for the financial year ending 31 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.

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B11. STATUS OF CORPORATE PROPOSALS

Save as disclosed below, there were no corporate proposals announced but not completed at the latest practicable date of this report:

- (a) On 10 June 2011, an announcement was made for the proposed acquisition by AmFIRST REIT of all that piece of land held under Geran 207783, Lot 23582 in the Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan together with two office buildings, consisting of a seven storey building with two levels of basement car park identified as Prima 9 for a cash consideration of RM72,000,000 and a seven storey building with two levels of basement car park identified as Prima 10 for a cash consideration of RM61,000,000 from Complete Event Sdn Bhd. The proposed acquisition is pending the fulfillment of condition precedents as stipulated in Sale and Purchase Agreements dated 10 June 2011.
- (b) On behalf of the Board of Directors of the Manager of AmFIRST REIT, AmInvestment Bank Berhad had on 10 August 2011, announced that AmFIRST REIT proposed to undertake the following:-
 - (i) a renounceable rights issue on the basis of three (3) new Units for every five (5) existing Units at an entitlement date to be determined later (“Proposed Rights Issue”); and
 - (ii) proposed increase in the existing approved fund size of AmFIRST REIT of 429,001,000 Units to 686,401,600 Units (“Proposed Increased in Fund Size”).

The Proposed Rights Issue and Proposed Increase in Fund Size are inter-conditional upon each other and are subject to the following approvals being obtained:-

- (i) the consent of Mayban Trustees Berhad, being the Trustee of AmFIRST REIT, which was obtained on 10 August 2011;
- (ii) the approval of the Securities Commission for the following:-
 - (a) the issuance of new Units pursuant to the Proposed Rights Issue;
 - (b) the listing of and quotation for the Rights Units on the Main Market of Bursa Securities; and
 - (c) the Proposed Increase in Fund Size;
- (iii) Bursa Securities for the listing of and quotation for the Rights Units;
- (iv) Unitholders at a general meeting to be convened; and
- (v) the approvals, waivers and/or consents from any other relevant authorities and/or parties, if required

B12. MAJOR MAINTENANCE COSTS AND CAPITAL EXPENDITURE

For the six months period ended 30 September 2011, a total of approximately RM4.0 million has been incurred for upgrading and enhancement of the investment properties where the bulk amount was spent on the renovation and upgrading of common area in Bangunan AmBank Group.

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B13. SOFT COMMISSION

During the quarter ended 30 September 2011, the Manager did not receive any soft commission from its broker or dealer by virtue of transaction conducted by the Trust.

B14. REVENUE RECOGNITION

Rental and interest income are recognized on an accrual basis.

B15. MANAGER'S FEE

Pursuant to the Deed constituting AmFIRST REIT, the Manager's fee consist of a base fee up to 0.5% per annum of the total asset value of the Trust (excluding any taxes payable) and a performance fee of 3.0% per annum of net property income (excluding any taxes payable), accruing monthly but before deduction of property management fee.

For the quarter ended 30 September 2011, the Manager's fee consists of a base fee of 0.30% per annum and performance fee of 3.0% per annum.

B16. TRUSTEE'S FEE

Pursuant to the Deed constituting AmFIRST REIT, the Trustee is entitled to receive a fee up to 0.10% per annum of the net asset value of the Trust. The Trustee's fee for the quarter ended 30 September 2011 is calculated based on 0.04% per annum of the net asset value.

B17. UNITS HELD BY RELATED PARTIES

As at 30 September 2011, the Manager did not hold any units in AmFIRST REIT. However, the parties related to the Manager who holds units in AmFIRST REIT are as follows:

	Number of Units 000	Market Value RM'000
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(a) Unitholdings of companies related to the Manager

AmEquities Sdn Bhd	80,000	89,600
Amcorp Group Berhad	26,112	29,245
AmBank (M) Berhad	25,344	28,385
Jadeline Capital Sdn Bhd	23,105	25,878
RCE Synergy Sdn Bhd	9,335	10,455
AmLife Insurance Berhad on behalf of Life Non Par	4,500	5,040
AmG Insurance Berhad on behalf of General Fund	3,000	3,360
AmLife Insurance Berhad on behalf of Life Fund	2,500	2,800
AmInvestment Bank Berhad	1	1

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B17. UNITS HELD BY RELATED PARTIES (CONT’N)

	Number of Units 000	Market Value RM’000
(b) Direct unitholdings of Directors of the Manager		
Cheah Tek Kuang	1	1
(c) Indirect unitholdings of Directors of the Manager		
Lim Hwee Chiang #	23,105	25,877
# By virtue of Mr. Lim Hwee Chiang’s indirect interest in Jadeline Capital Sdn Bhd.		
(d) Chief Executive Officer of the Manager		
Lim Yoon Peng *	50	56

*Deemed interest by virtue of his spouse’s unitholding in AmFIRST REIT

The market value is determined by multiplying the number of units with the closing unit price of RM1.12 per unit as at 30 September 2011.

B18. TAXATION

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, where in the basis period for a year of assessment, 90% or more of the total income of the trust is distributed to unitholder, the total income of the trust for that year of assessment shall be exempted from tax.

There will be no tax payable as the Trust intends to distribute at least 90% of the distributable income to unitholders for the financial year ending 31 March 2012.

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

	Current Quarter Ended 30.09.2011 RM’000	Preceding Corresponding Quarter Ended 30.09.2010 RM’000
Current tax expense	-	-
Reconciliation of effective tax expense		
Net Income before taxation	18,951	20,586
Income tax using Malaysian tax rate of 25% (2010 : 25%)	4,738	5,147
Effects of non-deductible expenses	36	35
Effect of measuring non-current financial liabilities at amortized cost	(83)	-
Effects of income exempted from tax	(4,691)	(5,182)
Tax expense	-	-

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B19. INCOME DISTRIBUTION

The Board of Director of the Manager of the Trust, has declared an interim income distribution of 4.48 sen per unit, amounting to RM19,219,244, representing approximately 100% of the realized distributable net income for the six-month period ended 30 September 2011, payable on 30 November 2011 to the unitholders registered in the Record of Depositors on 4 November 2011.

Interim income distribution for the six-month period ended 30 September 2011 is from the following sources:-

	01.04.2011 To 30.09.2011 RM'000
Rental income	46,178
Interest income	63
Other income	15
	<hr/>
	46,256
Less : Expenses	(26,972)
	<hr/>
	19,284
Add : Distributable undistributed income as at 1 April 2011	18
Total Income available for distribution	<hr/>
	19,302
Less : Distributable undistributed income as at 30 September 2011	(83)
Interim Income Distribution for the period	<hr/>
	19,219
	<hr/>
Gross / Net distribution per unit (Sen)	<hr/>
	4.48

Pursuant to the amended Section 109D of the Income Tax Act, 1967, the following withholding tax rates will be deducted for distribution made to the following categories 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, to tax at prevailing corporate tax rate)
- Non-resident corporate (withholding tax at 25%)

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 REIT as at 30 September 2011 and of its financial performance and cash flows for the period ended on that date and duly authorized for released by the Board of the Manager on 18 October 2011.