



CONDENSED FINANCIAL STATEMENTS

THIRD QUARTER ENDED 31 DECEMBER 2015

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AmFIRST REAL ESTATE INVESTMENT TRUST

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Current Year Quarter 31.12.2015 RM'000	Preceding Year Corresponding Quarter 31.12.2014 RM'000	Current Year To Date 31.12.2015 RM'000	Preceding Year To Date 31.12.2014 RM'000
Gross revenue	24,174	26,811	73,763	81,203
Property expenses	(9,715)	(10,523)	(29,160)	(29,957)
Net property income	14,459	16,288	44,603	51,246
Interest income	24	25	78	73
Other income	8	44	30	126
	14,491	16,357	44,711	51,445
Administrative expenses				
Manager's fee	(1,503)	(1,522)	(4,535)	(4,615)
Trustee's fee	(84)	(85)	(252)	(254)
Valuation fee	(83)	(89)	(239)	(159)
Auditors' remuneration	(14)	(8)	(50)	(23)
Tax agent's fee	1	(3)	(9)	10
Others expenses	(239)	(261)	(786)	(576)
Interest expense	(6,412)	(5,409)	(18,757)	(15,599)
	(8,334)	(7,377)	(24,628)	(21,216)
Net trust income	6,157	8,980	20,083	30,229
Unrealised (loss)/gain on fair value adjustment of derivative	(1,090)	-	943	-
Unrealised (loss)/gain from initial recognition, net of amortisation of financial liabilities	(21)	87	(49)	108
Income before taxation	5,046	9,067	20,977	30,337
Taxation	-	-	-	-
Income for the period	5,046	9,067	20,977	30,337
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	5,046	9,067	20,977	30,337
Total comprehensive income for the period is made up as follows:-				
- Realised	6,157	8,980	20,083	30,229
- Unrealised	(1,111)	87	894	108
	5,046	9,067	20,977	30,337
Basic Earnings Per Unit (EPU) (sen)				
- Realised	0.90	1.31	2.93	4.40
- Unrealised	(0.16)	0.01	0.13	0.02
	0.74	1.32	3.06	4.42

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2015 and the accompanying explanatory notes.

AmFIRST REAL ESTATE INVESTMENT TRUST

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

	As At 31.12.2015 (Unaudited) RM'000	As At 31.03.2015 (Audited) RM'000
ASSETS		
Non-Current Assets		
Investment properties	1,354,154	1,332,200
Current Assets		
Receivables	56,671	33,228
Deposits with financial institution	3,441	4,197
Cash and bank balances	274	506
	60,386	37,931
TOTAL ASSETS	1,414,540	1,370,131
LIABILITIES		
Non-Current Liabilities		
Rental deposits	11,633	10,540
Borrowings	397,000	365,200
Derivative	704	1,419
	409,337	377,159
Current Liabilities		
Payables	8,875	9,045
Rental deposits	12,942	15,617
Borrowings	150,411	126,100
Derivative	384	613
	172,612	151,375
TOTAL LIABILITIES	581,949	528,534
NET ASSET VALUE	832,591	841,597
FINANCED BY:		
UNITHOLDERS' FUNDS		
Unitholders' capital	636,625	636,625
Undistributed income - Realised	6,899	16,799
Undistributed income - Unrealised	189,067	188,173
	832,591	841,597
Number of Units In Circulation (Unit) ('000)	686,402	686,402
Net Asset Value (NAV) per unit (RM)		
- Before income distribution	1.2130	1.2261
- After income distribution	1.2029	1.2017

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2015 and the accompanying explanatory notes.

AmFIRST REAL ESTATE INVESTMENT TRUST

UNAUDITED CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	Undistributed Income		Unitholders' Fund	
	Unitholders' Capital	Realised Income		Unrealised Income
	RM'000	RM'000		RM'000
<u>Current Period To Date</u>				
As At 1 April 2015	636,625	16,799	188,173	841,597
Total comprehensive income for the period	-	20,083	894	20,977
<u>Unitholders' transactions</u>				
Distribution to Unitholders				
- 2015 final	-	(16,748)	-	(16,748)
- 2016 Interim	-	(13,235)	-	(13,235)
As At 31 December 2015	636,625	6,899	189,067	832,591
<u>Preceding Period To Date</u>				
As At 1 April 2014	636,625	25,462	187,777	849,864
Total comprehensive income for the period	-	30,229	108	30,337
<u>Unitholders' transactions</u>				
Distribution to Unitholders				
- 2014 final	-	(25,397)	-	(25,397)
- 2015 interim	-	(20,098)	-	(20,098)
As At 31 December 2014	636,625	10,196	187,885	834,706

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial year ended 31 March 2015 and the accompanying explanatory notes.

AmFIRST REAL ESTATE INVESTMENT TRUST

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

	Current Year To Date 31.12.2015 RM'000	Preceding Year To Date 31.12.2014 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxation	20,977	30,337
<i>Adjustment for :-</i>		
Interest income	(78)	(73)
Provision of impairment loss on trade receivables	77	15
Trade receivables written-off	-	85
Interest expense	18,757	15,599
Unrealised gain on fair value adjustment of derivative	(943)	-
Loss/(gain) from initial recognition, net amortisation of financial liabilities	49	(108)
Operating income before working capital changes	38,839	45,855
Changes in working capital		
Increase in receivables	(23,520)	(19,251)
Decrease in payables	(367)	(2,644)
Decrease in rental deposits	(1,631)	(214)
Net cash generated from operating activities	13,321	23,746
CASH FLOW FROM INVESTING ACTIVITIES		
Enhancement of investment properties	(21,955)	(21,029)
Interest received	78	73
Net cash used in investing activities	(21,877)	(20,956)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(18,560)	(15,478)
Distributions paid to Unitholders	(29,983)	(45,497)
Drawdown of borrowings	56,111	62,021
Net cash generated from financing activities	7,568	1,046
Net change in cash and cash equivalents	(988)	3,836
Cash and cash equivalents at the beginning of period	4,703	4,296
Cash and cash equivalents at the end of period	3,715	8,132
Cash and cash equivalents comprise the following:-		
Cash and bank balances	274	4,649
Deposits with financial institution	3,441	3,483
	3,715	8,132

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2015 and the accompanying explanatory notes.

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2015

EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134 AND INTERNATIONAL ACCOUNTING STANDARD (“IAS”) 34

A1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by Malaysian Accounting Standard Board (“MASB”), IAS 34: Interim Financial Reporting, Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), applicable provisions of the Second Restated Deed (the “Deed”) dated 13 September 2013 and the Securities Commission’s (“SC”) Guidelines on Real Estate Investment Trusts.

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 2015 except for the adoption of the relevant new MFRSs, amendments to MFRSs and IC Interpretations that are effective for annual period beginning on or after 1 April 2015. The adoption of new MFRSs, amendment to MFRSs and IC interpretations does not have any material impact on the financial results of the Trust.

A2. DECLARATION OF AUDIT QUALIFICATION

The audited financial statements of the Trust for the preceding financial year ended 31 March 2015 was not qualified.

A3. SEASONALITY AND CYCLICALITY OF OPERATIONS

The operations of the Trust are not affected by material seasonal or cyclical fluctuation.

A4. UNUSUAL ITEMS

There were no material unusual items affecting the amounts reported for 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, CANCELLATION, REPURCHASE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellation, repurchase, resale and repayment of debt and equity securities for the quarter under review.

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2015

A7. SEGMENTAL INFORMATION

No segmental information is prepared as the Trust's activities are predominantly in one reportable segment and its assets are located in Malaysia.

A8. INCOME DISTRIBUTION PAID

The Trust has paid an interim income distribution of 2.03 sen per unit representing approximately 100% of the realised distributable net income for the six-month period from 1 April 2015 to 30 September 2015 amounting to RM13,933,946 on 11 December 2015 as disclosed in note B20 below.

A9. MATERIAL EVENTS

Maybank Trustees Berhad, acting solely in its capacity as the trustee for and on behalf of AmFIRST REIT, had on 15 December 2015 entered into a sale and purchase agreement with Techvance Properties Management Sdn Bhd to dispose a 13-storey office building comprising of a 10-storey office block, a penthouse and a 3-level car park known as AmBank Group Leadership Center located at Jalan Puncak, Off Jalan P Ramlee, 50250 Kuala Lumpur to Techvance Properties Management Sdn Bhd for a cash consideration of RM36,000,000.

Save for the above, there was no material event as at the latest practicable date from the date of the last reporting period.

A10. 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 686,401,600 units as at 31 December 2015.

A11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A12. VALUATION OF INVESTMENT PROPERTIES

The valuations of investment properties have been brought forward without any amendment from the previous audited financial statements for the year ended 31 March 2015.

AmFIRST REAL ESTATE INVESTMENT TRUST**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For The Third Quarter Ended 31 December 2015****A13. REALISED AND UNREALISED INCOME DISCLOSURE**

The breakdown of undistributed income into realised and unrealised as at 31 December 2015 are summarised as below:-

	As At 31.12.2015 RM'000	As At 30.09.2015 RM'000
<u>Realised</u>		
Distributable undistributed income	6,899	13,977
<u>Unrealised</u>		
Cumulative net change arising from the fair value of investment properties	188,886	188,886
Change in fair value of derivative	(1,088)	2
Gain arising from measuring non-current financial liabilities at amortised cost	1,269	1,291
	<u>195,966</u>	<u>204,156</u>

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2015

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

B1. REVIEW OF PERFORMANCE

The Trust has recorded a net property income and net trust income of RM44.6 million and RM20.1 million respectively for the nine-month period ended 31 December 2015. This represents a decrease of 13% and 33% respectively as compared to the preceding correspondence period. The decrease was mainly due to lower gross revenue and higher interest expense.

Gross revenue for the nine-month period ended 31 December 2015 was RM73.8 million, declined by 9% as compared to the preceding corresponding period. The decrease was mainly resulted from the lower occupancy rate of Prima 9 and Menara AmBank coupled with the rental reduction given to tenants of the Summit Retail Podium and Summit Hotel as rebate for the temporary business disruption by the on-going refurbishment works.

Interest expense for the nine-month period ended 31 December 2015 was higher by 20% as compared to the preceding correspondence period as a result of the additional borrowing to finance the various asset enhancement initiatives of the existing properties and the deposit payment for the acquisition of Mydin Hypermall.

B2. CHANGES IN THE STATE OF AFFAIRS

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

B3. MATERIAL CHANGE IN THE INCOME BEFORE TAXATION FOR THE CURRENT QUARTER AS COMPARED TO THE IMMEDIATE PRECEDING QUARTER

	Current Quarter Ended 31.12.2015 RM'000	Immediate Preceding Quarter Ended 30.09.2015 RM'000
Realised income	6,157	7,485
Unrealised income	(1,111)	1,495
	<u>5,046</u>	<u>8,980</u>

The Trust recorded a lower realised income for the current quarter by 17% as compared to the immediate preceding quarter mainly due to the decrease in occupancy rate of Menara AmBank and higher rental rebate given to tenants of the Summit Retail Podium for the temporary business disruption by the on-going refurbishment works.

The unrealised income was mainly derived from the fair value gain/(loss) on derivative financial instruments.

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2015

B4. CHANGES IN PORTFOLIO COMPOSITION

There were no material changes in the portfolio composition of AmFIRST REIT for the quarter under review. As at 31 December 2015, the Trust's composition of investment portfolio is as follow:-

	Cost of Investment # As At 31.12.2015 RM'000	Market Value As At 31.12.2015 RM'000	% Market Value To Net Asset Value As At 31.12.2015 %
AmBank Group Leadership Centre	26,270	22,907	2.8%
Bangunan AmBank Group	192,756	258,914	31.1%
Menara AmFIRST	63,915	71,706	8.6%
Menara AmBank	249,870	319,933	38.4%
Wisma AmFIRST	94,406	112,190	13.5%
The Summit Subang USJ	315,244	329,873	39.6%
Prima 9	73,224	77,000	9.2%
Prima 10	61,830	68,000	8.2%
Kompleks Tun Sri Lanang	87,754	93,632	11.2%
	<u>1,165,269</u>	<u>1,354,155</u>	

Cost of investment comprised purchase consideration paid and capital expenditure incurred since the acquisitions.

B5. CHANGES IN NET ASSET VALUE AND UNIT PRICE

	As at 31.12.2015 RM'000	As at 31.09.2015 RM'000
Net Asset Value ("NAV")	832,591	840,780
NAV Per Unit (RM)		
- Before income distribution	1.2130	1.2249
- After income distribution	1.2029	1.2046
Closing Unit Price Per Unit (RM)	0.735	0.795

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

B6. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

There were no issuances of new units for the quarter under review.

B7. CHANGES IN MATERIAL LITIGATION

There was no material litigation as at the date of this report.

B8. CIRCUMSTANCES AFFECTING INTEREST OF UNITHOLDERS

There were no unusual circumstances which materially affect the interest of the unit holders for the quarter under review.

B9. REVIEW OF COMMERCIAL PROPERTY MARKET

The office market remains subdued due to the oversupply of commercial office and lackluster demand from a weak economy, which caused downward pressure to the occupancy and rental rates.

The retail property market continues to be competitive with more retail malls coming on stream. The retailers had experienced a much slower growth in sales as consumer sentiment was dampened due to the rising cost of living and the economy slowdown.

To enhance the marketability of the Trust's portfolio, the Manager have carried out various asset enhancement initiatives on the properties within the portfolio to improve their competitiveness in retaining existing tenants and attracting new tenants.

B10. PROSPECTS

The performance of the Trust had been affected by lower occupancy in some of the office buildings coupled with lower rental revenue from The Summit USJ caused by the temporary business disruption due to the on-going refurbishment works.

The Manager will continue to initiate more intense leasing effort and proactive market measures to improve the occupancy of the properties under the Trust's portfolio.

The refurbishment of The Summit Retail Podium is expected to complete by 1st Quarter of the financial year ending 31 March 2017 and the Manager would expect the revenue from the Summit USJ to improve upon its completion of the refurbishment.

The acquisition of Mydin Hyprmall has been completed on 29 January 2016 and starts to generate positive net rental income to the Trust.

On the announced proposed disposal of AmBank Group Leadership Center, it provides the Trust an opportunity to realise the Trust's investment at an attractive price. The sales price of RM36.0 million represents a premium of 57% to the Property's carrying value of RM22.9 million as at 1 December 2015 and is expected to generate a realised net gain of RM8.4 million. The realised net gain from the proposed disposal will be distributed as income distribution and the balance net proceeds will be used to pare down the existing debt to create additional headroom for future potential acquisitions and value enhancing investments. The existing tenant of AmBank Group Leadership Center, the AmBank Group of companies will be relocated to Menara AmBank and this will improve the occupancy rate of Menara AmBank.

Barring any unforeseen circumstances, the Manager expects the Trust to deliver a moderate performance for the financial year ending 31 March 2016.

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2015

B11. MAJOR MAINTENANCE COSTS AND CAPITAL EXPENDITURE

For the nine-month period ended 31 December 2015, a total of approximately RM22.0 million has been incurred for upgrading and enhancement of the investment properties where the bulk of the amount was spent on refurbishment and upgrading of Menara AmBank, The Summit Subang USJ and Bangunan AmBank Group.

B12. SOFT COMMISSION

During the quarter ended 31 December 2015, the Manager did not receive any soft commission from its broker or dealer by virtue of transaction conducted by the Trust.

B13. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Trust and the revenue can be reliably measured. Rental income arising from operating leases on investment properties is accounted for on straight-line basis over the lease term.

B14. STATUS OF CORPORATE PROPOSALS

On 15 December 2015, an announcement was made for the proposed disposal of a 13-storey office building comprising of a 10-storey office block, a penthouse and a 3-level car park known as AmBank Group Leadership Center located at Jalan Puncak, off Jalan P Ramlee, 50250 Kuala Lumpur to Techvance Properties Management Sdn Bhd (“**Purchaser**”) for a cash consideration of RM36,000,000. The proposed disposal is pending payment of the balance disposal price by the Purchaser.

Save for the above, there were no other corporate proposals previously announced but not completed as at the date of this report.

B15. MANAGER’S FEE

Pursuant to the Deed constituting AmFIRST REIT, the Manager's fee consist of a base fee up to 0.50% 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 current quarter ended 31 December 2015, 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.

For the current quarter ended 31 December 2015, the Trustee’s fee is calculated based on 0.03% per annum of the net asset value.

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2015

B17. UNITS HELD BY RELATED PARTIES

As at 31 December 2015, 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 Unit 000	Market Value RM'000
(a) Unitholdings of companies related to the Manager		
AmBank (M) Berhad	183,489	134,864
Yayasan Azman Hashim	41,779	30,707
Jadeline Capital Sdn Bhd	36,168	26,583
AmMetLife Insurance Berhad on behalf of Life Fund	11,200	8,232
(b) Deputy Chief Executive Officer of the Manager		
- Zuhairy bin Md Isa ¹	7	5

1. Direct interest held through nominees account registered in the name of Malacca Equity Nominees (Tempatan) Sdn Bhd.

The market value is determined by multiplying the number of units with the closing unit price of RM0.735 per unit as at 31 December 2015.

B18. TAXATION

Pursuant to 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 unit holders, the total income of the Trust for that year of assessment shall be exempted from tax.

There will be no tax payable for the Trust as the Trust intends to distribute at least 90% of the total income to unit holders for the financial year ending 31 March 2016.

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

	Current Year 31.12.2015 RM'000	Preceding Corresponding Year 31.12.2014 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Net Income before taxation	20,977	30,337
Income tax using Malaysian tax rate of 25% (2014: 25%)	5,244	7,584
Effects of non-deductible expenses	164	65
Effects of income exempted from tax	(5,408)	(7,649)
Tax expense	-	-

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2015

B19. DERIVATIVE

	Fair Value as at 31 December 2015	
	Asset RM'000	Liability RM'000
<u>Interest Rate Swap contract</u>		
Non-current	-	704
Current	-	384

On 6th January 2015, the Trust has entered into a 5-year Interest Rate Swap ("IRS") forward contract with a notional amount of RM100,000,000 to hedge the Trust's floating interest rate for fixed rate in order to mitigate the risk on fluctuating interest rate. In this IRS contract, the Trust pays a fixed rate of 4.25% per annum in exchange of the 3-month Kuala Lumpur Interbank Offered Rate (KLIBOR).

B20. INCOME DISTRIBUTION

The Trust had on 11 December 2015 paid an interim income distribution of 2.03 sen per unit amounting to RM13,933,946 representing approximately 100% of the realised distributable income for the six month period from 1 April 2015 to 30 September 2015 to its unitholders. The income distribution is in line with the objectives of AmFIRST REIT to deliver regular and sustainable distribution to unitholders.

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%)

B21. STATEMENT BY THE DIRECTORS OF THE MANAGER

In the opinion of the Board of Directors of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standard Board ("MASB"), IAS 34: 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 31 December 2015 and of its financial performance and cash flows for the period ended 31 December 2015 and duly authorised for release by the Board of Directors of the Manager on 12 February 2016.