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## CONDENSED FINANCIAL STATEMENTS

### FIRST QUARTER ENDED 30 JUNE 2017

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<b><u>Contents</u></b>	<b><u>Page</u></b>
Condensed Statement of Comprehensive Income	1
Condensed Statement of Financial Position	2
Condensed Statement of Changes In Net Asset Value	3
Condensed Statement of Cash Flows	4
Notes to the Financial Statements	5 - 12

# AmFIRST REAL ESTATE INVESTMENT TRUST

## UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Current Year Quarter 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year To Date 30.06.2016 RM'000
<b>Gross revenue</b>	28,050	27,673	28,050	27,673
Property expenses	(9,705)	(10,164)	(9,705)	(10,164)
<b>Net property income</b>	18,345	17,509	18,345	17,509
Interest income	27	37	27	37
Other income	63	51	63	51
	18,435	17,597	18,435	17,597
<b>Administrative expenses</b>				
Manager's fee	(1,839)	(1,793)	(1,839)	(1,793)
Trustee's fee	(86)	(87)	(86)	(87)
Valuation fee	(53)	(82)	(53)	(82)
Auditors' remuneration	(13)	(15)	(13)	(15)
Tax agent's fee	(4)	(21)	(4)	(21)
Others expenses	183	(167)	183	(167)
Interest expense	(9,082)	(8,860)	(9,082)	(8,860)
	(10,894)	(11,025)	(10,894)	(11,025)
<b>Realised net income</b>	7,541	6,572	7,541	6,572
Unrealised loss on revaluation of derivative	(466)	(493)	(466)	(493)
Unrealised loss on financial liabilities measured at amortised cost	(682)	(12)	(682)	(12)
<b>Profit before taxation</b>	6,393	6,067	6,393	6,067
Taxation	-	-	-	-
<b>Profit for the financial period</b>	6,393	6,067	6,393	6,067
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	6,393	6,067	6,393	6,067
<b>Total comprehensive income for the period is made up as follows:-</b>				
- Realised	7,541	6,572	7,541	6,572
- Unrealised	(1,148)	(505)	(1,148)	(505)
	6,393	6,067	6,393	6,067
<b>Basic Earnings Per Unit (EPU) (sen)</b>				
- Realised	1.10	0.96	1.10	0.96
- Unrealised	(0.17)	(0.07)	(0.17)	(0.07)
	0.93	0.89	0.93	0.89

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes.

# AmFIRST REAL ESTATE INVESTMENT TRUST

## UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

	As At 30.06.2017 (Unaudited) RM'000	As At 31.03.2017 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Investment properties	1,664,508	1,662,800
Accrued lease receivable	3,318	4,112
	1,667,826	1,666,912
<b>Current Assets</b>		
Trade receivables	2,586	1,742
Accrued lease receivable	829	156
Other receivables, deposits and prepayments	3,180	3,778
Deposits with financial institution	2,838	2,818
Cash and bank balances	549	4,159
	9,982	12,653
<b>TOTAL ASSETS</b>	<b>1,677,808</b>	<b>1,679,565</b>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Rental deposits	14,962	12,086
Borrowings	686,242	686,143
Derivatives	1,717	1,283
	702,921	699,512
<b>Current Liabilities</b>		
Trade payables	656	230
Other payables and accruals	8,698	8,645
Rental deposits	12,003	13,672
Borrowings	93,219	89,000
Derivatives	1,332	1,300
	115,908	112,847
<b>TOTAL LIABILITIES</b>	<b>818,829</b>	<b>812,359</b>
<b>NET ASSET VALUE</b>	<b>858,979</b>	<b>867,206</b>
<b>FINANCED BY:</b>		
<b>UNITHOLDERS' FUNDS</b>		
Unitholders' capital	636,625	636,625
Undistributed income - Realised	7,601	14,680
Undistributed income - Unrealised	214,753	215,901
	<b>858,979</b>	<b>867,206</b>
<b>Number of Units In Circulation (Unit) ('000)</b>	<b>686,402</b>	<b>686,402</b>
<b>Net Asset Value (NAV) per unit (RM)</b>		
- Before income distribution	1.2514	1.2634
- After income distribution	1.2403	1.2421

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes.

# AmFIRST REAL ESTATE INVESTMENT TRUST

## UNAUDITED CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	← Undistributed Income →			
	Unitholders' Capital	Realised Income	Unrealised Income	Unitholders' Fund
	RM'000	RM'000	RM'000	RM'000
<b><u>Current Period To Date</u></b>				
<b>As At 1 April 2017</b>	636,625	14,680	215,901	867,206
Total comprehensive income for the period	-	7,541	(1,148)	6,393
<u>Unitholders' transactions</u>				
Income distribution to Unitholders				
- 2017 final	-	(14,620)	-	(14,620)
<b>As At 30 June 2017</b>	<u>636,625</u>	<u>7,601</u>	<u>214,753</u>	<u>858,979</u>
<b><u>Preceding Period To Date</u></b>				
<b>As At 1 April 2016</b>	636,625	21,111	221,551	879,287
Total comprehensive income for the period	-	6,572	(505)	6,067
<u>Unitholders' transactions</u>				
Income distribution to Unitholders				
- 2016 final	-	(21,072)	-	(21,072)
<b>As At 30 June 2016</b>	<u>636,625</u>	<u>6,611</u>	<u>221,046</u>	<u>864,282</u>

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 2017 and the accompanying explanatory notes.

# AmFIRST REAL ESTATE INVESTMENT TRUST

## UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

	Current Period To Date 30.06.2017 RM'000	Preceding Period To Date 30.06.2016 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,393	6,067
<i>Adjustment for :-</i>		
Interest income from placement with financial institution	(27)	(37)
Interest expense	9,082	8,860
Provision of impairment loss on trade receivables	263	(88)
Unrealised loss on financial liabilities measured at amortised cost	682	12
Unrealised loss on revaluation of derivatives	466	493
Operating profit before working capital changes	16,859	15,307
<b>Changes in working capital</b>		
Decrease/ (Increase) in receivables	(389)	27,079
Increase/ (Decrease) in payables	536	(2,653)
Increase/ (Decrease) in rental deposits	525	(4,781)
<b>Net cash generated from operating activities</b>	17,532	34,952
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Enhancement of investment properties	(1,708)	(6,358)
Interest income	27	37
<b>Net cash used in investing activities</b>	(1,681)	(6,321)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(9,139)	(9,041)
Distributions paid to Unitholders	(14,620)	(21,072)
Drawdown/(Repayment) of borrowings (net)	4,318	(33,813)
<b>Net cash used in from financing activities</b>	(19,441)	(63,926)
<b>Net decrease in cash and cash equivalents</b>	(3,590)	(35,295)
<b>Cash and cash equivalents at the beginning of year</b>	6,977	44,778
<b>Cash and cash equivalents at the end of year</b>	3,387	9,483
<b>Cash and cash equivalents included in the statement of cash flows comprise of the following:</b>		
Cash and bank balances	549	393
Deposits with financial institution	2,838	9,090
	3,387	9,483

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes.

## **AmFIRST REAL ESTATE INVESTMENT TRUST**

### **NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The First Quarter Ended 30 June 2017**

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#### **EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134**

##### **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"), 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 2017 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 2017. 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 2017 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 First Quarter Ended 30 June 2017

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#### 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

During the quarter under review, the Trust had on 25 May 2017, paid a final income distribution of 2.13 sen per unit, amounting to RM14,620,354 for the six month period from 1 October 2016 to 31 March 2017.

#### A9. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE CURRENT QUARTER

There were no significant events subsequent to the current quarter ended 30 June 2017.

#### 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 30 June 2017.

#### 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 from the previous audited financial statements for the year ended 31 March 2017.

#### A13. REALISED AND UNREALISED INCOME DISCLOSURE

The breakdown of undistributed income into realised and unrealised as at 30 June 2017 is summarised as below: -

	As At 30.6.2017 RM'000	As At 31.3.2017 RM'000
<b><u>Realised</u></b>		
Distributable undistributed income	7,601	14,680
<b><u>Unrealised</u></b>		
Cumulative net change in fair value of investment properties	217,058	217,058
Unrealised loss on revaluation of derivatives	(3,049)	(2,583)
Unrealised gain on financial liabilities measured at amortised cost	744	1,426
	<b>222,354</b>	<b>230,581</b>

# AmFIRST REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The First Quarter Ended 30 June 2017

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

#### B1. REVIEW OF PERFORMANCE

For the first quarter ended 30 June 2017, the Trust has recorded gross revenue and net property income of RM28.1 million and RM18.3 million respectively, a marginal increase of 1.4% and 4.8% respectively as compared to the preceding year corresponding quarter. The increase in revenue was contributed by the improved occupancy of Menara AmBank and The Summit Retail.

Property expenses for the quarter was RM9.7 million, lower by 4.5% as compared to the preceding year corresponding quarter, mainly attributable to lower electricity charge as well as lower repair and maintenance cost in some of the properties within the portfolio.

Interest expense for the quarter was RM9.1 million, which was 2.5% higher as compared to the preceding year corresponding quarter as a result of the increase in borrowing to finance the various asset enhancement initiatives of the existing properties.

Overall, the distributable realised net income for the quarter ended 30 June 2017 was RM7.5 million, higher by 14.7% as compared to preceding year corresponding quarter of RM6.6 million.

#### 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

	<b>Current Quarter Ended 30.6.2017 RM'000</b>	<b>Immediate Preceding Quarter Ended 31.3.2017 RM'000</b>
Realised net income	7,541	7,864
Unrealised (loss)/income		
- Loss on financial liabilities measured at amortised cost	(682)	(323)
- Loss on revaluation of investment properties	-	(6,568)
- (Loss)/Gain on revaluation of derivatives	(466)	286
<b>Income Before Taxation</b>	<b>6,393</b>	<b>1,259</b>



## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The First Quarter Ended 30 June 2017

#### B4. CHANGES IN PORTFOLIO COMPOSITION

There were no material changes in the portfolio composition of AmFIRST REIT for the quarter under review. As at 30 June 2017, the Trust's composition of investment portfolio is as follow:-

	Cost of Investment # As At 30.6.2017 RM'000	Valuation As At 30.6.2017 RM'000	% Valuation To Net Asset Value As At 30.6.2017 %
Bangunan AmBank Group	193,679	259,149	30.2%
Menara AmBank	257,437	319,107	37.1%
Menara AmFIRST	64,742	72,520	8.4%
Wisma AmFIRST	94,628	114,002	13.3%
The Summit Subang USJ	359,346	383,407	44.6%
Prima 9	73,224	73,000	8.5%
Prima 10	62,329	66,323	7.7%
Kompleks Tun Sri Lanang	87,941	102,000	11.9%
Mydin HyperMall	254,124	275,000	32.0%
	<u>1,447,450</u>	<u>1,664,508</u>	

# Cost of investment comprised purchase consideration paid, incidental cost of acquisition and capital expenditure incurred since acquisition.

#### B5. CHANGES IN NET ASSET VALUE AND UNIT PRICE

	As at 30.6.2017 RM'000	As at 31.3.2017 RM'000
Net Asset Value ("NAV")	<b>858,979</b>	867,206
NAV Per Unit (RM)		
- Before income distribution	<b>1.2514</b>	1.2634
- After income distribution	<b>1.2403</b>	1.2421
Closing Unit Price Per Unit (RM)	<b>0.750</b>	0.810

The NAV per Unit after income distribution is calculated after taking into consideration 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 was no issuance 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 unitholders for the quarter under review.

**B9. REVIEW OF COMMERCIAL PROPERTY MARKET**

The overall office and retail markets remain sluggish due to the oversupply situation and weak demand. Retail Group Malaysia reported that for 1Q2017, retail sales contracted by 1.2% against a projected growth of 1.5%. More commercial retail and office properties will be completed within the next one to two years, which will further impose downward pressure on rental and occupancy rates.

**B10. PROSPECTS**

During the quarter ended 30 June 2017, the Trust has secured a new tenancy to lease en-bloc (with option to purchase) the currently fully vacant property, Prima 9 in Cyberjaya. The new tenancy of Prima 9 will commence effective 1 October 2017.

With the fully tenanted Prima 9 and the higher occupancy achieved in The Summit Retail and Office, the Trust's overall committed occupancy of the properties portfolio has improved to 87.3% as compared to overall occupancy of 82.5% as at 31 March 2017.

The Manager will continue to adopt appropriate leasing and marketing strategies to increase the occupancy of the properties under the Trust's portfolio in order to improve the net income and hence, the income distribution to unitholders.

Barring any unforeseen circumstances, the Manager expects the Trust to deliver an improved performance for the financial year ending 31 March 2018.

**B11. MAJOR MAINTENANCE COSTS AND CAPITAL EXPENDITURE**

During the quarter ended 30 June 2017, a total of approximately RM1.7 million has been incurred on the on-going upgrading and enhancement of the investment properties where the bulk of the amount was on The Summit Subang USJ and Menara AmBank.

**B12. SOFT COMMISSION**

During the quarter ended 30 June 2017, the Manager did not receive any soft commission from its broker or dealer by virtue of transaction conducted by the Trust.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The First Quarter Ended 30 June 2017

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#### 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. The aggregate costs of incentives provided to lessee are recognized as a reduction of rental income over the lease term on a straight-line basis.

#### B14. STATUS OF CORPORATE PROPOSALS

There were no 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 30 June 2017, 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 30 June 2017, the Trustee's fee is calculated based on 0.03% per annum of the net asset value.

#### B17. UNITS HELD BY RELATED PARTIES

As at 30 June 2017, the Manager and all the directors 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
<b>Unitholdings of parties related to the Manager</b>		
AmBank (M) Berhad	183,489	137,617
Yayasan Azman Hashim	41,779	31,335
Jadeline Capital Sdn Bhd	36,168	27,126
AmMetLife Insurance Berhad on behalf of Life Fund	11,200	8,400
Azman bin Hashim	849	637

The market value is determined by multiplying the number of units with the closing unit price of RM0.75 per unit as at 30 June 2017.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The First Quarter Ended 30 June 2017

#### 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 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 distributes at least 90% of the total income to unit holders for the financial year ended 30 June 2017.

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

	<b>Current Year 30.6.2017 RM'000</b>	Preceding Corresponding Year 30.6.2016 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before taxation	<b>6,393</b>	6,067
Income tax using Malaysian tax rate of 24% (2017: 24%)	<b>1,534</b>	1,456
Effects of non-deductible expenses	<b>74</b>	55
Effects of income exempted from tax	<b>(1,608)</b>	(1,511)
Tax expense	-	-

#### B19. DERIVATIVE

	Fair Value as at 30 June 2017	
	Asset RM'000	Liability RM'000
<u>Interest Rate Swap contract</u>		
Non-current	-	1,717
Current	-	1,332

- (i) On 6<sup>th</sup> January 2015, the Trust 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).
- (ii) On 18<sup>th</sup> January 2016, the Trust entered into a second 5-year Interest Rate Swap ("IRS") contract with a notional amount of RM100,000,000 to further hedge the Trust's floating interest rate exposure. In this IRS contract, the Trust pays a fixed rate of 4.09% per annum in exchange of the 3-month Kuala Lumpur Interbank Offered Rate (KLIBOR).

## **AmFIRST REAL ESTATE INVESTMENT TRUST**

### **NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The First Quarter Ended 30 June 2017**

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#### **B20. INCOME DISTRIBUTION**

During the current quarter under review, the Trust had on 25 May 2017, paid a final income distribution of 2.13 sen per unit for the six-month financial period from 1 October 2016 to 31 March 2017, totaling RM14,620,354.

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 24%)

#### **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 30 June 2017 and of its financial performance and cash flows for the period ended 30 June 2017 and duly authorised for release by the Board of Directors of the Manager on 17 August 2017.