



## CONDENSED FINANCIAL STATEMENTS

SECOND QUARTER ENDED 30 SEPTEMBER 2017

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# AmFIRST REAL ESTATE INVESTMENT TRUST

## UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Current Year Quarter 30.09.2017 RM'000	Preceding Year Corresponding Quarter 30.09.2016 RM'000	Current Year To Date 30.09.2017 RM'000	Preceding Year To Date 30.09.2016 RM'000
<b>Gross revenue</b>	27,754	27,992	55,805	55,665
Property expenses	(9,346)	(9,921)	(19,051)	(20,085)
<b>Net property income</b>	18,408	18,071	36,754	35,580
Interest income	23	24	50	61
Other income	91	32	154	82
	18,522	18,127	36,958	35,723
<b>Administrative expenses</b>				
Manager's fee	(1,840)	(1,822)	(3,678)	(3,615)
Trustee's fee	(86)	(87)	(173)	(174)
Valuation fee	(45)	(92)	(98)	(174)
Auditors' remuneration	(6)	(15)	(19)	(30)
Tax agent's fee	(4)	(4)	(8)	(24)
Others expenses	(202)	(490)	(19)	(658)
Interest expense	(9,300)	(8,922)	(18,383)	(17,781)
	(11,483)	(11,432)	(22,378)	(22,456)
<b>Realised net income</b>	7,039	6,695	14,580	13,267
Unrealised gain/(loss) on revaluation of derivative	124	(876)	(342)	(1,369)
Unrealised gain/(loss) on financial liabilities measured at amortised cost	355	(404)	(327)	(417)
<b>Profit before taxation</b>	7,518	5,415	13,911	11,481
Taxation	-	-	-	-
<b>Profit for the financial period</b>	7,518	5,415	13,911	11,481
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	7,518	5,415	13,911	11,481
<b>Total comprehensive income for the period is made up as follows:-</b>				
- Realised	7,039	6,695	14,580	13,267
- Unrealised	479	(1,280)	(669)	(1,786)
	7,518	5,415	13,911	11,481
<b>Basic Earnings Per Unit (EPU) (sen)</b>				
- Realised	1.03	0.98	2.12	1.93
- Unrealised	0.07	(0.19)	(0.10)	(0.26)
	1.10	0.79	2.02	1.67

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 30.09.2017 (Unaudited) RM'000	As At 31.03.2017 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Investment properties	1,666,514	1,662,800
Accrued lease receivable	2,765	4,112
	1,669,279	1,666,912
<b>Current Assets</b>		
Trade receivables	1,877	1,742
Accrued lease receivable	1,105	156
Other receivables, deposits and prepayments	5,251	3,778
Deposits with financial institution	2,858	2,818
Cash and bank balances	596	4,159
	11,687	12,653
<b>TOTAL ASSETS</b>	<b>1,680,966</b>	<b>1,679,565</b>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Rental deposits	15,526	12,086
Borrowings	686,342	686,143
Derivatives	1,114	1,283
	702,982	699,512
<b>Current Liabilities</b>		
Trade payables	72	230
Other payables and accruals	9,268	8,645
Rental deposits	9,930	13,672
Borrowings	90,406	89,000
Derivatives	1,811	1,300
	111,487	112,847
<b>TOTAL LIABILITIES</b>	<b>814,469</b>	<b>812,359</b>
<b>NET ASSET VALUE</b>	<b>866,497</b>	<b>867,206</b>
<b>FINANCED BY:</b>		
<b>UNITHOLDERS' FUNDS</b>		
Unitholders' capital	636,625	636,625
Undistributed income - Realised	14,640	14,680
Undistributed income - Unrealised	215,232	215,901
	<b>866,497</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	1.2624	1.2634
- After income distribution	1.2412	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' Funds
	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	-	14,580	(669)	13,911
<u>Unitholders' transactions</u>				
Income distribution to Unitholders				
- 2017 final	-	(14,620)	-	(14,620)
<b>As At 30 September 2017</b>	<u>636,625</u>	<u>14,640</u>	<u>215,232</u>	<u>866,497</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	-	13,267	(1,786)	11,481
<u>Unitholders' transactions</u>				
Income distribution to Unitholders				
- 2016 final	-	(21,072)	-	(21,072)
<b>As At 30 September 2016</b>	<u>636,625</u>	<u>13,306</u>	<u>219,765</u>	<u>869,696</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 30.09.2017 RM'000	Preceding Period To Date 30.09.2016 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	13,911	11,481
<i>Adjustment for :-</i>		
Interest income from placement with financial institution	(50)	(61)
Interest expense	18,383	17,781
Reversal of impairment loss on trade receivables	(313)	(5)
Unrealised loss on financial liabilities measured at amortised cost	327	417
Unrealised loss on revaluation of derivatives	342	1,369
Operating profit before working capital changes	32,600	30,982
<b>Changes in working capital</b>		
(Increase)/Decrease in receivables	(898)	23,015
Increase/ (Decrease) in payables	466	(2,143)
Decrease in rental deposits	(629)	(5,000)
<b>Net cash generated from operating activities</b>	31,540	46,854
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Enhancement of investment properties	(3,714)	(10,749)
Interest income	50	61
<b>Net cash used in investing activities</b>	(3,664)	(10,688)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(18,384)	(17,513)
Distributions paid to Unitholders	(14,620)	(21,072)
Drawdown/(Repayment) of borrowings (net)	1,605	(32,765)
<b>Net cash used in from financing activities</b>	(31,399)	(71,350)
<b>Net decrease in cash and cash equivalents</b>	(3,523)	(35,184)
<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>	3,454	9,594
<b>Cash and cash equivalents included in the statement of cash flows comprise of the following:</b>		
Cash and bank balances	596	436
Deposits with financial institution	2,858	9,158
	3,454	9,594

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 Second Quarter Ended 30 September 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.

##### **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.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Second Quarter Ended 30 September 2017

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#### 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 2.12 sen per unit for the six month period from 1 April 2017 to 30 September 2017 amounting to RM14,551,714, representing approximately 100% of the realized distributable net income for the six-month period ended 30 September 2017, payable on 21 December 2017 as disclosed in note B21 below.

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

There were no significant events subsequent to the current quarter ended 30 September 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 September 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 September 2017 is summarised as below: -

	As At 30.9.2017 RM'000	As At 31.3.2017 RM'000
<b><u>Realised</u></b>		
Distributable undistributed income	14,640	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	(2,925)	(2,583)
Unrealised gain on financial liabilities measured at amortised cost	1,099	1,426
	215,232	215,901
<b>Total</b>	<b>229,872</b>	<b>230,581</b>

# AmFIRST REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Second Quarter Ended 30 September 2017

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

#### B1. FINANCIAL REVIEW FOR CURRENT QUARTER AND FINANCIAL YEAR TO DATE

##### Quarter Results (2Q FY2018 vs 2Q FY2017)

	Current Year Quarter	Preceding Year Quarter	Changes	
	30.09.2017	30.09.2016	RM'000	%
<b>Gross Revenue</b>	<b>27,754</b>	<b>27,992</b>	<b>(238)</b>	<b>-0.9%</b>
Property Expenses	(9,346)	(9,921)	575	5.8%
<b>Net Property Income</b>	<b>18,408</b>	<b>18,071</b>	<b>337</b>	<b>1.9%</b>
Interest & Other Income	114	56	58	103.6%
Non-Property Expenses	(2,183)	(2,510)	327	13.0%
Interest Expenses	(9,300)	(8,922)	(378)	-4.2%
<b>Realised Net Income</b>	<b>7,039</b>	<b>6,695</b>	<b>344</b>	<b>5.1%</b>
Profit for the financial period	7,518	5,415	2,103	38.8%

Gross revenue decreased marginally by 0.9% mainly due to lower average occupancy in Menara AmFIRST.

Property expenses were lower by 5.8% mainly attributable to lower electricity charges as well as lower repair and maintenance cost in some of the properties within the portfolio.

Interest expense was higher by 4.2% mainly due to increase in borrowing to finance various on-going asset enhancement initiatives as well as increase in interest cost of the revolving credit facilities.

Overall, realised net income for current quarter improved by 5.1% to RM7.0 million as compared to preceding year corresponding quarter.



# AmFIRST REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Second Quarter Ended 30 September 2017

### B1. FINANCIAL REVIEW FOR CURRENT QUARTER AND FINANCIAL YEAR TO DATE (CONTD.)

#### Financial Year to Date Results (FY2018 vs FY2017)

	Current Year To Date	Preceding Year To Date	Changes	
	30.09.2017	30.09.2016	RM'000	%
<b>Gross Revenue</b>	<b>55,805</b>	<b>55,665</b>	<b>140</b>	<b>0.3%</b>
Property Expenses	(19,051)	(20,085)	1,034	5.1%
<b>Net Property Income</b>	<b>36,754</b>	<b>35,580</b>	<b>1,174</b>	<b>3.3%</b>
Interest & Other Income	204	143	61	42.7%
Non-Property Expenses	(3,995)	(4,675)	680	14.5%
Interest Expenses	(18,383)	(17,781)	(602)	-3.4%
<b>Realised Net Income</b>	<b>14,580</b>	<b>13,267</b>	<b>1,313</b>	<b>9.9%</b>
Profit for the financial period	13,911	11,481	2,430	21.2%

For the financial year to date, gross revenue of RM55.8 million was marginally higher by 0.3% as compared to that of the preceding year to date, mainly contributed by higher average occupancy rate in The Summit Retail and Menara AmBank. However, the increase was partially offset by the lower average occupancy in Menara AmFIRST.

Property expenses amounted to RM19.1 million, which is 5.1% lower as compared to the preceding year to date, mainly attributable to lower electricity charge in some of the properties within the portfolio.

Non-property expenses of RM4.0 million were lower by 14.5% mainly due to lower provision for impairment loss.

Interest expense was higher by 3.4% mainly due to increase in borrowing to finance the various asset enhancement initiatives as well as increase in interest cost of the revolving credit facilities.

Overall, realised net income for the six-month period ended 30 September 2017 improved by 9.9% to RM14.6 million as compared to preceding year to date.

Profit for the financial period was RM13.9 million after the unrealised fair value loss on the revaluation of derivatives and financial liabilities measured at amortised cost.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Second Quarter Ended 30 September 2017

#### B2. FINANCIAL REVIEW FOR CURENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

##### Quarter Results (2Q FY2018 vs 1Q FY2018)

	Current Year Quarter 30.09.2017	Immediate Preceding Quarter 30.06.2017	Changes	
	RM'000	RM'000	RM'000	%
<b>Gross Revenue</b>	<b>27,754</b>	<b>28,050</b>	<b>(296)</b>	<b>-1.1%</b>
Property Expenses	(9,346)	(9,705)	359	3.7%
<b>Net Property Income</b>	<b>18,408</b>	<b>18,345</b>	<b>63</b>	<b>0.3%</b>
Interest & Other Income	114	90	24	26.7%
Non-Property Expenses	(2,183)	(1,812)	(371)	-20.5%
Interest Expenses	(9,300)	(9,082)	(218)	-2.4%
<b>Realised Net Income</b>	<b>7,039</b>	<b>7,541</b>	<b>(502)</b>	<b>-6.7%</b>
Profit for the financial period	7,518	6,393	1,125	17.6%

Compared to the immediate preceding quarter, the gross revenue of RM27.7 million was lower by 1.1% mainly due to lower occupancy in Menara AmFIRST and Wisma AmFIRST.

Property expenses were lower by 3.7% mainly attributable to lower repair and maintenance cost.

Non-property expenses of RM2.1 million were higher by 20.5% mainly due to the reversal of provision for impairment loss in the immediate preceding quarter.

Interest expense was higher by 2.4% mainly due to increase in interest cost of the revolving credit facilities.

Quarter to quarter, the realised net income for the current quarter of RM7.0 million was lower by 6.7% as result of higher non-property expenses and interest cost.

#### 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.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Second Quarter Ended 30 September 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 September 2017, the Trust's composition of investment portfolio is as follow:-

	Cost of Investment # As At 30.9.2017 RM'000	Valuation As At 30.9.2017 RM'000	% Valuation To Net Asset Value As At 30.9.2017 %
Bangunan AmBank Group	193,800	259,270	29.9%
Menara AmBank	258,483	320,153	36.9%
Menara AmFIRST	64,753	72,531	8.4%
Wisma AmFIRST	94,670	114,043	13.2%
The Summit Subang USJ	360,118	384,179	44.3%
Prima 9	73,239	73,015	8.4%
Prima 10	62,329	66,323	7.7%
Kompleks Tun Sri Lanang	87,941	102,000	11.8%
Mydin HyperMall	254,124	275,000	31.7%
	<u>1,449,457</u>	<u>1,666,514</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 30.9.2017 RM'000	As at 31.3.2017 RM'000
Net Asset Value ("NAV")	<b>866,497</b>	867,206
NAV Per Unit (RM)		
- Before income distribution	<b>1.2624</b>	1.2634
- After income distribution	<b>1.2412</b>	1.2421
Closing Unit Price Per Unit (RM)	<b>0.715</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 retail and office market remain challenging given the increasing supply and weak demand. More commercial retail and office properties are expected to be completed within the next one to two years which provides more downward pressure on the rental and occupancy levels.

**B10. PROSPECTS**

As at 30 September 2017, the overall occupancy of the Trust's portfolio is 81.5%. With the full tenancy of Prima 9 commencing 1 October 2017 and the higher committed occupancy achieved in The Summit Retail and Office, the overall committed occupancy of the Trust's portfolio is expected to improve to 87.3%, a significant improvement as compared to the 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 September 2017, a total of approximately RM2.0 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 September 2017, the Manager did not receive any soft commission from its broker or dealer by virtue of transaction conducted by the Trust.

**B13. STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals previously announced but not completed as at the date of this report.

AmFIRST REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
For The Second Quarter Ended 30 September 2017

**B14. BORROWINGS AND DEBT SECURITIES**

	As at 30.09.2017		Total RM'000
	Long term RM'000	Short term RM'000	
<b>Secured</b>			
Term Loan	392,850	-	392,850
Revolving Credit	295,000	89,000	384,000
	<u>687,850</u>	<u>89,000</u>	<u>776,850</u>
<b>Unsecured</b>			
Overdraft	-	1,406	1,406
Loan transaction costs subject to amortisation	(1,707)	-	(1,507)
<b>Total Borrowings</b>	<b><u>686,342</u></b>	<b><u>90,406</u></b>	<b><u>776,748</u></b>

	As at 31.03.2017		Total RM'000
	Long term RM'000	Short term RM'000	
<b>Secured</b>			
Term Loan	392,850	-	392,850
Revolving Credit	295,000	89,000	384,000
	<u>687,850</u>	<u>89,000</u>	<u>776,850</u>
<b>Unsecured</b>			
Overdraft	-	-	-
Loan transaction costs subject to amortisation	(1,707)	-	(1,707)
<b>Total Borrowings</b>	<b><u>686,143</u></b>	<b><u>89,000</u></b>	<b><u>775,143</u></b>

All the bank borrowings are denominated in Ringgit Malaysia.

As at 30 September 2017, the Trust has RM87.0 million fixed rate bank loan and total Interest rate swap contract of RM200.0 million to mitigate the exposure of volatile interest rate movements. Effectively, 37% of the total borrowing has been hedged with fixed interest rate.

The Trust maintained a competitive weighted average interest cost of 4.66% (including the cost of hedging of the interest rate swap contract of RM200.0 million) as at 30 September 2017.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Second Quarter Ended 30 September 2017

#### B15. DERIVATIVE

	Fair Value as at 30 September 2017	
	Asset RM'000	Liability RM'000

##### Interest Rate Swap contract

Non-current	-	1,114
Current	-	1,811
		<hr/>

- (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).

#### B16. 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.

#### B17. 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 September 2017, the Manager's fee consists of a base fee of 0.30% per annum and performance fee of 3.0% per annum.

#### B18. 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 September 2017, 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 Second Quarter Ended 30 September 2017

#### B19. UNITS HELD BY RELATED PARTIES

As at 30 September 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 Holdings 000	Market Value RM'000
<b>Unitholdings of parties related to the Manager</b>		
AmBank (M) Berhad	183,489	131,195
Yayasan Azman Hashim	41,779	29,872
Jadeline Capital Sdn Bhd	36,168	25,860
AmMetLife Insurance Berhad on behalf of Life Fund	11,200	8,008
Azman bin Hashim	849	607

The market value is determined by multiplying the number of units with the closing unit price of RM0.715 per unit as at 30 September 2017.

#### B20. 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 intends to distribute at least 90% of the total income to unit holders for the financial year ending 31 March 2018.

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

	Current Year 30.9.2017 RM'000	Preceding Corresponding Year 30.9.2016 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before taxation	13,911	11,481
Income tax using Malaysian tax rate of 24% (2017: 24%)	3,339	2,755
Effects of non-deductible expenses	84	532
Effects of income exempted from tax	(3,423)	(3,287)
Tax expense	-	-

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#### B21. INCOME DISTRIBUTION

The Board of Directors of the Manager of AmFIRST REIT, has declared an interim income distribution of 2.12 sen per unit for the six-month period from 1 April 2017 to 30 September 2017 amounting to RM14,551,714 representing approximately 100% of the realized distributable net income for the six-month period from 1 April 2017 to 30 September 2017, payable on 21 December 2017.

The interim income distribution for the six-month period ended 30 September 2017 is from the following sources: -

	<b>01.04.2017 To 30.09.2017 RM'000</b>	<b>01.04.2016 To 30.09.2016 RM'000</b>
Rental income	55,805	55,656
Interest income	50	61
Other income	154	82
Total income	56,009	55,808
Less : Total expenses (before manager's fees)	(37,751)	(38,926)
Net income before taxation (before manager's fees)	18,258	16,882
Less : Manager's fees	(3,678)	(3,615)
Net income before taxation	14,580	13,267
Less : Taxation	-	-
Realised net income after taxation	14,580	13,267
Add : Undistributed realised income brought forward	60	39
Total income available for distribution	14,640	13,306
<b>Less : Proposed interim income distribution</b>	<b>(14,552)</b>	<b>(13,248)</b>
Undistributed realised income carried forward	88	58
Number of unit in circulation ('000)	686,402	686,402
<b>Interim income distribution per unit (Sen)</b>	<b>2.12</b>	<b>1.93</b>

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%)

#### B22. 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 September 2017 and of its financial performance and cash flows for the period ended 30 September 2017 and duly authorised for release by the Board of Directors of the Manager on 21 November 2017.