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## CONDENSED FINANCIAL STATEMENTS

THIRD QUARTER ENDED 31 DECEMBER 2017

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# AmFIRST REAL ESTATE INVESTMENT TRUST

## UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Current Year To Date 31.12.2017 RM'000	Preceding Year To Date 31.12.2016 RM'000
<b>Gross revenue</b>	29,456	27,306	85,261	82,971
Property expenses	(9,679)	(9,107)	(28,730)	(29,193)
<b>Net property income</b>	19,777	18,199	56,531	53,778
Interest income	34	24	84	85
Other income	88	24	241	107
	19,899	18,247	56,856	53,970
<b>Administrative expenses</b>				
Manager's fee	(1,885)	(1,837)	(5,563)	(5,452)
Trustee's fee	(87)	(87)	(259)	(261)
Valuation fee	(54)	(90)	(152)	(265)
Auditors' remuneration	(13)	(15)	(33)	(46)
Tax agent's fee	-	(9)	(8)	(34)
Others expenses	(331)	(114)	(350)	(772)
Interest expense	(9,369)	(9,336)	(27,752)	(27,115)
	(11,739)	(11,488)	(34,117)	(33,945)
<b>Realised net income</b>	8,160	6,759	22,739	20,025
Unrealised gain on revaluation of derivative	801	2,525	459	1,156
Unrealised gain/(loss) on financial liabilities measured at amortised cost	229	215	(98)	(201)
<b>Profit before taxation</b>	9,190	9,499	23,100	20,980
Taxation	-	-	-	-
<b>Profit for the financial period</b>	9,190	9,499	23,100	20,980
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	9,190	9,499	23,100	20,980
<b>Total comprehensive income for the period is made up as follows:-</b>				
- Realised	8,160	6,759	22,739	20,025
- Unrealised	1,030	2,740	361	955
	9,190	9,499	23,100	20,980
<b>Basic Earnings Per Unit (EPU) (sen)</b>				
- Realised	1.19	0.98	3.31	2.92
- Unrealised	0.15	0.40	0.05	0.14
	1.34	1.38	3.36	3.06

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 31.12.2017 (Unaudited) RM'000	As At 31.03.2017 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Investment properties	1,667,729	1,662,800
Accrued lease receivable	3,581	4,112
	1,671,310	1,666,912
<b>Current Assets</b>		
Trade receivables	2,220	1,742
Accrued lease receivable	1,105	156
Other receivables, deposits and prepayments	3,257	3,778
Deposits with financial institution	5,279	2,818
Cash and bank balances	705	4,159
	12,566	12,653
<b>TOTAL ASSETS</b>	1,683,876	1,679,565
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Rental deposits	14,245	12,086
Borrowings	696,442	686,143
Derivatives	489	1,283
	711,176	699,512
<b>Current Liabilities</b>		
Trade payables	92	230
Other payables and accruals	8,814	8,645
Rental deposits	12,024	13,672
Borrowings	89,000	89,000
Derivatives	1,636	1,300
	111,566	112,847
<b>TOTAL LIABILITIES</b>	822,742	812,359
<b>NET ASSET VALUE</b>	<b>861,134</b>	<b>867,206</b>
<b>FINANCED BY:</b>		
<b>UNITHOLDERS' FUNDS</b>		
Unitholders' capital	636,625	636,625
Undistributed income - Realised	8,247	14,680
Undistributed income - Unrealised	216,262	215,901
	<b>861,134</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	1.2546	1.2634
- After income distribution	1.2425	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	-	22,739	361	23,100
<u>Unitholders' transactions</u>				
Income distribution to Unitholders				
- 2017 final	-	(14,620)	-	(14,620)
- 2018 Interim	-	(14,552)	-	(14,552)
<b>As At 31 December 2017</b>	<u>636,625</u>	<u>8,247</u>	<u>216,262</u>	<u>861,134</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	-	20,025	955	20,980
<u>Unitholders' transactions</u>				
Income distribution to Unitholders				
- 2016 final	-	(21,073)	-	(21,073)
- 2017 interim	-	(13,248)	-	(13,248)
<b>As At 31 December 2016</b>	<u>636,625</u>	<u>6,815</u>	<u>222,506</u>	<u>865,946</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 31.12.2017 RM'000	Preceding Period To Date 31.12.2016 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	23,100	20,980
<i>Adjustment for :-</i>		
Interest income from placement with financial institution	(84)	(85)
Interest expense	27,752	27,115
Reversal of impairment loss on trade receivables	(313)	(102)
Unrealised loss on financial liabilities measured at amortised cost	98	201
Unrealised loss on revaluation of derivatives	(459)	(1,156)
Operating profit before working capital changes	50,094	46,953
<b>Changes in working capital</b>		
(Increase)/Decrease in receivables	(62)	49,106
Increase/(Decrease) in payables	32	(1,870)
Increase/(Decrease) in rental deposits	413	(4,895)
<b>Net cash generated from operating activities</b>	50,478	89,294
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Enhancement of investment properties	(4,929)	(42,627)
Interest income	84	85
<b>Net cash used in investing activities</b>	(4,845)	(42,542)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(27,753)	(27,265)
Distributions paid to Unitholders	(29,172)	(34,321)
Drawdown/(Repayment) of borrowings (net)	10,299	(20,251)
<b>Net cash used in from financing activities</b>	(46,626)	(81,837)
<b>Net decrease in cash and cash equivalents</b>	(993)	(35,082)
<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>	5,984	9,696
<b>Cash and cash equivalents included in the statement of cash flows comprise of the following:</b>		
Cash and bank balances	705	471
Deposits with financial institution	5,279	9,225
	5,984	9,696

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 Third Quarter Ended 31 December 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 Third Quarter Ended 31 December 2017

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#### A8. INCOME DISTRIBUTION PAID

During the quarter under review, the Trust had on 21 December 2017, paid an interim income distribution of 2.12 sen per unit, amounting to RM14,551,714 for the six-month period from 1 April 2017 to 30 September 2017.

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

There were no significant events subsequent to the current quarter ended 31 December 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 31 December 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 31 December 2017 is summarised as below: -

	As At 31.12.2017 RM'000	As At 31.3.2017 RM'000
<b><u>Realised</u></b>		
Distributable undistributed income	8,247	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	(2,125)	(2,583)
Unrealised gain on financial liabilities measured at amortised cost	1,329	1,426
	216,262	215,901
<b>Total</b>	<b>224,509</b>	<b>230,581</b>

# AmFIRST REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 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 (3Q FY2018 vs 3Q FY2017)

	Current Year Quarter	Preceding Year Quarter	Changes	
	31.12.2017	31.12.2016	RM'000	%
<b>Gross Revenue</b>	<b>29,456</b>	<b>27,306</b>	<b>2,150</b>	<b>7.9%</b>
Property Expenses	(9,679)	(9,107)	(572)	-6.3%
<b>Net Property Income</b>	<b>19,777</b>	<b>18,199</b>	<b>1,578</b>	<b>8.7%</b>
Interest & Other Income	122	48	74	154.2%
Non-Property Expenses	(2,370)	(2,152)	(218)	-10.1%
Interest Expenses	(9,369)	(9,336)	(33)	-0.4%
<b>Realised Net Income</b>	<b>8,160</b>	<b>6,759</b>	<b>1,401</b>	<b>20.7%</b>
Profit for the financial period	9,190	9,499	(309)	-3.3%

Gross revenue increased by 7.9% mainly due to full occupancy in Prima 9 commencing from 1 October 2017 and higher occupancy in The Summit Retail.

Property expenses were higher by 6.3% mainly attributable to higher repair and maintenance expenses in some of the properties within the portfolio.

Non-property expenses were higher by 10.1% due to reversal of provision for impairment of receivable in preceding year quarter.

Overall, realised net income for current quarter improved by 20.7% to RM8.2 million as compared to preceding year corresponding quarter.



# AmFIRST REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 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 31.12.2017	Preceding Year To Date 31.12.2016	Changes	
	RM'000	RM'000	RM'000	%
<b>Gross Revenue</b>	<b>85,261</b>	<b>82,971</b>	<b>2,290</b>	<b>2.8%</b>
Property Expenses	(28,730)	(29,193)	463	1.6%
<b>Net Property Income</b>	<b>56,531</b>	<b>53,778</b>	<b>2,753</b>	<b>5.1%</b>
Interest & Other Income	325	192	133	69.3%
Non-Property Expenses	(6,365)	(6,830)	465	6.8%
Interest Expenses	(27,752)	(27,115)	(637)	-2.3%
<b>Realised Net Income</b>	<b>22,739</b>	<b>20,025</b>	<b>2,714</b>	<b>13.6%</b>
Profit for the financial period	23,100	20,980	2,120	10.1%

For the financial year to date, gross revenue was marginally higher by 2.8% as compared to preceding year to date, mainly contributed by higher average occupancy rate in The Summit Retail and Prima 9. However, the increase was partially offset by the lower average occupancy in Menara AmFIRST.

Property expenses was 1.6% lower as compared to the preceding year to date, mainly attributable to lower electricity expense in some of the properties within the portfolio.

Non-property expenses were lower by 6.8% mainly due to lower provision for impairment of receivables and reversal of overprovision of valuation fees for FY2017.

Interest expense was higher by 2.3% 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 nine-month period ended 31 December 2017 improved by 13.6% to RM22.7 million whilst profit for the financial period increased by 10.1% to RM23.1 million.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2017

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

##### Quarter Results (3Q FY2018 vs 2Q FY2018)

	Current Year Quarter 31.12.2017	Immediate Preceding Quarter 30.09.2017	Changes	
	RM'000	RM'000	RM'000	%
<b>Gross Revenue</b>	<b>29,456</b>	<b>27,754</b>	<b>1,702</b>	<b>6.1%</b>
Property Expenses	(9,679)	(9,346)	(333)	-3.6%
<b>Net Property Income</b>	<b>19,777</b>	<b>18,408</b>	<b>1,369</b>	<b>7.4%</b>
Interest & Other Income	122	114	8	7.0%
Non-Property Expenses	(2,370)	(2,183)	(187)	-8.6%
Interest Expenses	(9,369)	(9,300)	(69)	-0.7%
<b>Realised Net Income</b>	<b>8,160</b>	<b>7,039</b>	<b>1,121</b>	<b>15.9%</b>
Profit for the financial period	9,190	7,518	1,672	22.2%

Compared to the immediate preceding quarter, the gross revenue of was higher by 6.1% mainly due to full occupancy of Prima 9 commencing from 1 October 2017.

Property expenses were higher by 3.6% mainly attributable to higher repair and maintenance expenses in some of the properties within the portfolio.

Non-property expenses were higher by 8.6% mainly due to the higher provision for impairment of receivables.

Quarter to quarter, the realised net income for the current quarter has improved by 15.9% mainly contributed by higher gross revenue.

#### 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 Third Quarter Ended 31 December 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 31 December 2017, the Trust's composition of investment portfolio is as follow:-

	Cost of Investment # As At 31.12.2017 RM'000	Valuation As At 31.12.2017 RM'000	% Valuation To Net Asset Value As At 31.12.2017 %
Bangunan AmBank Group	193,991	259,461	30.1%
Menara AmBank	258,889	320,558	37.2%
Menara AmFIRST	64,841	72,618	8.4%
Wisma AmFIRST	94,680	114,053	13.2%
The Summit Subang USJ	360,612	384,675	44.7%
Prima 9	73,239	73,015	8.5%
Prima 10	62,329	66,323	7.7%
Kompleks Tun Sri Lanang	87,967	102,026	11.8%
Mydin HyperMall	254,124	275,000	31.9%
	<u>1,450,672</u>	<u>1,667,729</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 31.12.2017 RM'000	As at 31.3.2017 RM'000
Net Asset Value ("NAV")	<b>861,134</b>	867,206
NAV Per Unit (RM)		
- Before income distribution	<b>1.2546</b>	1.2634
- After income distribution	<b>1.2425</b>	1.2421
Closing Unit Price Per Unit (RM)	<b>0.675</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. MATERIAL LITIGATION**

**Legal Proceedings Instituted by Swan Properties Sdn Bhd & 14 Others VS. The Summit Subang USJ Management Corporation and Maybank Trustees Berhad (as Trustee for AmFIRST Real Estate Investment Trust (Writ of Summon No: BA-22NCvC-718-12/2017))**

Maybank Trustees Berhad, the trustee of AmFIRST REIT (“AmFIRST REIT Trustee”) was on 15 December 2017, served with a Writ of Summons and Statement of Claim dated 13 December 2017 filed by Swan Properties and 14 others (“Plaintiffs”) who named The Summit Subang USJ Management Corporation (“MC”) as the 1st Defendant and AmFIRST REIT Trustee as the 2nd Defendant.

The Plaintiffs have alleged that the MC has breached certain statutory and fiduciary duties; and the MC and AmFIRST REIT Trustee have conspired to injure the Plaintiffs arising from the said breaches.

AmFIRST REIT Trustee is disputing the allegations by the Plaintiffs. AmFIRST REIT Trustee has appointed solicitors to defend the suit and filed its Statement of Defence on 24 January 2018.

During the Case Management on 22 February 2018, the Plaintiffs had withdrew the suit against both defendants with liberty to file afresh and the Court has awarded the costs of RM3,000.00 to each of the defendants. Given the foregoing, the proceedings of the abovementioned suit has been determined.

**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 31 December 2017, the overall occupancy of the Trust’s portfolio is 85.4%. The overall committed occupancy of the Trust’s portfolio is expected to improve to 89.0%, contributed by new tenancies signed up in The Summit Office and Retail.

The Manager will continue to adopt appropriate leasing and marketing strategies to increase the overall occupancy of the Trust’s portfolio and to manage expenses 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.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2017

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

During the quarter ended 31 December 2017, a total of approximately RM1.2 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 31 December 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.

#### B14. BORROWINGS AND DEBT SECURITIES

	As at 31.12.2017		Total RM'000
	Long term RM'000	Short term RM'000	
<b>Secured</b>			
Term Loan	335,850	57,000	392,850
Revolving Credit	305,000	89,000	394,000
	<u>640,850</u>	<u>146,000</u>	<u>786,850</u>
<b>Unsecured</b>			
Loan transaction costs subject to amortisation	(1,408)	-	(1,408)
<b>Total Borrowings</b>	<b>639,442</b>	<b>146,000</b>	<b>785,442</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>			
Loan transaction costs subject to amortisation	(1,707)	-	(1,707)
<b>Total Borrowings</b>	<b>686,143</b>	<b>89,000</b>	<b>775,143</b>

All the bank borrowings are denominated in Ringgit Malaysia.

As at 31 December 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, 36.5% of the total borrowing has been hedged with fixed interest rate.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2017

#### B14. BORROWINGS AND DEBT SECURITIES (CONTD.)

The Trust maintained a competitive weighted average interest cost of 4.68% (including the cost of hedging of the interest rate swap contract of RM200.0 million) as at 31 December 2017.

#### B15. DERIVATIVE

	Fair Value as at 31 December 2017	
	Asset RM'000	Liability RM'000

##### Interest Rate Swap contract

Non-current	-	489
Current	-	1,636

- (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 31 December 2017, the Manager's fee consists of a base fee of 0.30% per annum and performance fee of 3.0% per annum.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2017

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#### 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 31 December 2017, the Trustee's fee is calculated based on 0.03% per annum of the net asset value.

#### B19. UNITS HELD BY RELATED PARTIES

As at 31 December 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	123,855
Yayasan Azman Hashim	41,779	28,201
Jadeline Capital Sdn Bhd	36,168	24,413
AmMetLife Insurance Berhad on behalf of Life Fund	11,200	7,560

The market value is determined by multiplying the number of units with the closing unit price of RM0.675 per unit as at 31 December 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.

## AmFIRST REAL ESTATE INVESTMENT TRUST

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For The Third Quarter Ended 31 December 2017

#### B20. TAXATION (CONTD.)

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

	<b>Current Year 31.12.2017 RM'000</b>	Preceding Corresponding Year 31.12.2016 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before taxation	<b>23,100</b>	20,980
Income tax using Malaysian tax rate of 24% (2017: 24%)	<b>5,544</b>	5,035
Effects of non-deductible expenses	<b>98</b>	402
Effects of income exempted from tax	<b>(5,642)</b>	(5,437)
Tax expense	-	-

#### B21. INCOME DISTRIBUTION

During the current quarter under review, the Trust had on 21 December 2017, paid an interim income distribution of 2.12 sen per unit for the six-month financial period from 1 April 2017 to 30 September 2017, totaling RM14,551,714.

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 31 December 2017 and of its financial performance and cash flows for the period ended 31 December 2017 and duly authorised for release by the Board of Directors of the Manager on 22 February 2018.