



**AmFIRST**

**Real Estate Investment Trust**



**Years of Anniversary**

**ANNUAL REPORT 2017**





Bangunan AmBank Group



Menara AmBank



The Summit Subang USJ

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# FY2007- FY2017 KEY MILESTONES



**DECEMBER 2006**

**Listed on Main Market**

of Bursa Malaysia Securities Berhad.



**MARCH 2008**

Acquisition of

**The Summit Subang USJ**

for a cash consideration of RM260.0 million.



**NOVEMBER**

**2011**

Acquisition of

**Prima 9**

for a cash consideration of RM72.0 million.



**JUNE 2007**

Acquisition of

**Wisma AmFIRST**

formerly known as Kelana Brem Towers for a cash consideration of RM86.0 million.



**NOVEMBER**

**2011**

Acquisition of

**Prima 10**

for a cash consideration of RM61.0 million.



**MARCH 2011**

Acquisition of

**Additional Retail Space  
At The Summit Retail Mall**

of 37,372 sq ft for a cash consideration of RM6.8 million, boosting ownership of The Summit Mall from 66.1% to 70.5%.



## FY2007- FY2017 KEY MILESTONES (CONTD.)



### AUGUST 2012

Completed the  
**Rights Issue**,  
raised RM215.0 million.



### DECEMBER 2016

Completed the  
**Major Refurbishment**  
at  
**The Summit Subang USJ.**



### JANUARY 2016

Acquisition of  
**Mydin HyperMall**  
Bukit Mertajam for a cash  
consideration of RM250.0 million  
with a lease-back arrangement  
with Mydin Mohamed Holdings  
Berhad for a period of thirty (30)  
years.



### NOVEMBER 2012

Acquisition of  
**Jaya 99**  
for a cash consideration of  
RM86.0 million.



### MARCH 2016

Disposal of  
**AmBank Group  
Leadership Centre**  
for a disposal price of RM36.0 million,  
generated net gain on disposal of  
RM12.2 million translated into additional  
DPU of 1.78 sen.



# FY2017 HIGHLIGHTS



Investment  
Properties

**RM1,662.8** million  
[31.3.16 : RM1,627.8 milion]

Closing Unit  
Price

**81.0** sen  
[31.3.16 : 75.0 sen]

Gearing

**46.15** %  
[31.3.16 : 46.15%]

NAV per Unit  
(After proposed final  
income distribution)

**RM1.2421**  
[31.3.16 : RM1.2503]

Gross  
Revenue

**RM111.5** million  
[FY2016 : RM99.8 million]

Net Property  
Income

**RM72.8** million  
[FY2016 : RM61.1 million]

Realised Net  
Profit

**RM27.9** million  
[FY2016 : RM38.3 million included  
the one-off gain on disposal of  
AGLC of RM12.2 million]

DPU

**4.06** sen  
[FY2016 : 5.10 sen included the one-off  
gain on disposal of AGLC of 1.29 sen]



# FIVE-YEAR FINANCIAL HIGHLIGHTS

	FY2017 RM'000	FY2016 RM'000	FY2015 RM'000	FY2014 RM'000	FY2013 RM'000
<b>SUMMARY OF FINANCIAL POSITION</b>					
Investment Properties	1,662,800	1,627,800	1,332,200	1,301,900	1,277,226
Total Asset Value	1,679,565	1,728,132	1,370,131	1,314,092	1,297,589
Net Asset Value ("NAV")	867,206	879,287	841,597	849,864	836,903
Borrowings	775,143	797,516	491,300	429,079	426,400
Gearing (%)	46.15	46.15	35.86	32.65	32.86
Units in Circulation (Units) ('000)	686,402	686,402	686,402	686,402	686,402
NAV per Unit (RM)					
- Before proposed final income distribution	1.2634	1.2810	1.2261	1.2381	1.2193
- After proposed final income distribution	1.2421	1.2503	1.2017	1.2011	1.1828
- Highest NAV during the year (ex-distribution)	1.2514	1.2810	1.2488	1.2381	1.3941
- Lowest NAV during the year (ex-distribution)	1.2228	1.2115	1.2161	1.1967	1.1755
<b>SUMMARY OF COMPREHENSIVE INCOME</b>					
Gross Revenue	111,539	99,794	106,889	112,793	109,784
Net Property Income	72,802	61,092	66,619	76,475	74,168
Profit for the financial year :-					
- Realised	27,889	38,358	37,944	50,267	46,920
- Unrealised	(5,650)	30,015	396	12,801	4,877
	22,239	68,373	38,340	63,068	51,797
Distribution per Unit ("DPU") (sen) <sup>1</sup>					
- Interim	1.93	2.03	3.09	3.65	3.16
- Final	2.13	3.07	2.44	3.70	3.65
	4.06	5.10	5.53	7.35	6.81
Distribution Yield (based on respective closing market price) (%)	5.01	6.80	5.91	7.54	6.31
Management Expense Ratio ("MER") (%) <sup>2</sup>	1.04	0.99	0.96	0.88	1.00
Portfolio Turnover Ratio ("PTR") (Times) <sup>3</sup>	-	0.14	-	-	0.11
<b><sup>1</sup> Distribution dates</b>					
Interim	13/12/16	11/12/15	23/12/14	05/12/13	12/12/12
Final	25/05/17	30/05/16	30/06/15	12/06/14	31/05/13

<sup>2</sup> The calculation of MER is based on total fees incurred by AmFIRST REIT, including the Manager's fees, Trustee's fees, Auditors' remuneration, Tax Agent's fees and administrative expenses, to the average net asset value during the financial year.

<sup>3</sup> The calculation of PTR is based on the average of total acquisition and total disposal of investment in AmFIRST REIT for the financial year to the average net asset value during the financial year.



## FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTD.)

### UNIT PRICE AND TRADING PERFORMANCE



FY2017 FY2016 FY2015 FY2014 FY2013

#### UNIT PRICE PERFORMANCE (RM)

- As at 31 March	0.81	0.75	0.94	0.98	1.08
- Highest Traded Price during the year	0.86	0.95	1.00	1.09	1.23
- Lowest Traded Price during the year	0.73	0.71	0.85	0.91	1.02
- Average Traded Price during the year <sup>4</sup>	0.79	0.84	0.95	1.03	1.14
- Average Volume Traded per day (Units) ('000)	193	289	272	384	435

#### TOTAL RETURN (%)<sup>5</sup>

Change in Unit Price	7.69	(21.96)	(4.19)	(10.22)	2.34
Income Distribution	5.21	6.05	5.79	7.15	6.38
<b>Total Return</b>	<b>12.90</b>	<b>(15.91)</b>	<b>1.60</b>	<b>(3.07)</b>	<b>8.72</b>

#### Average Annual Return (%)<sup>6</sup>

One year	12.90
Three years	(0.47)
Five years	0.85
Since listing date (21 December 2006)	6.02

<sup>4</sup> Average Traded Price during the year is calculated based on average of opening price and closing price for the financial year.

<sup>5</sup> Total Return is based on the actual gross income distribution and net change in unit price at the opening and closing of the financial year, over the average unit price of the opening and closing of the respective financial year. However, for FY2013, the opening unit price as at 1 April 2012 was restated from RM1.19 to cum rights at RM1.06 to reflect the effects of Rights Issue that was completed in August 2012.

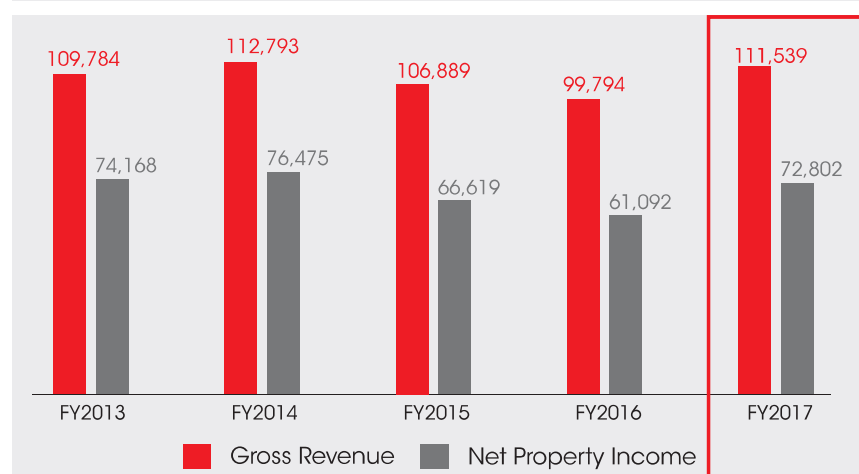
<sup>6</sup> Average Annual Return is computed based on Total Return per unit for the period averaged over number of years.

Past performance is not indicative of future performance. Unit prices and investment returns may fluctuate.

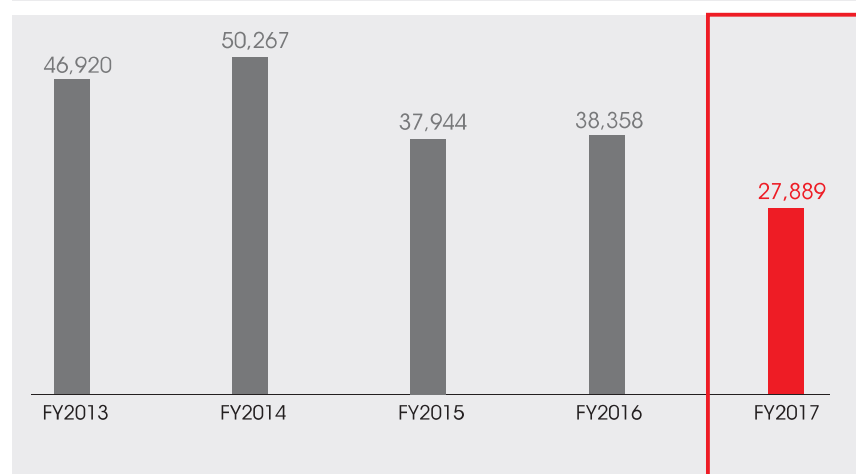


## FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTD.)

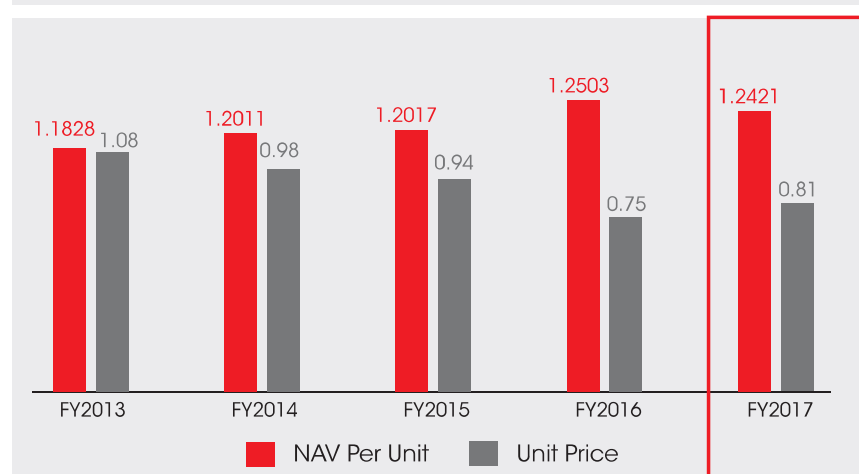
### GROSS REVENUE AND NET PROPERTY INCOME (RM'000)



### REALISED NET PROFIT (RM'000)



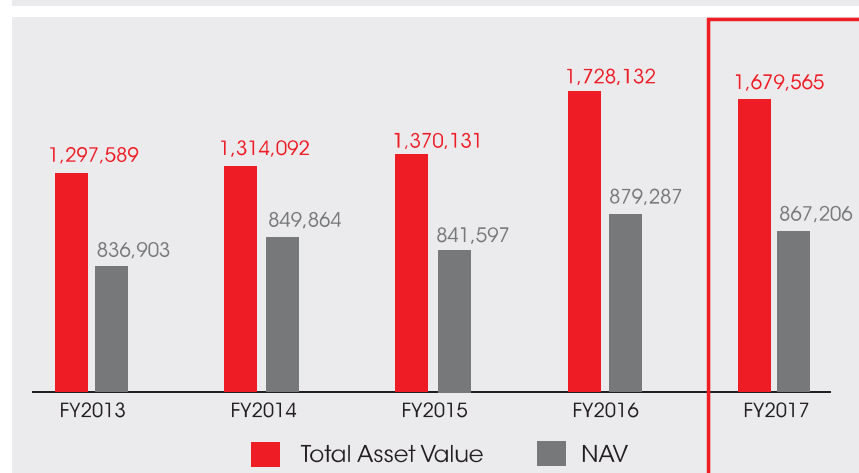
### NAV PER UNIT (after proposed income distribution) AND CLOSING UNIT PRICE (RM)



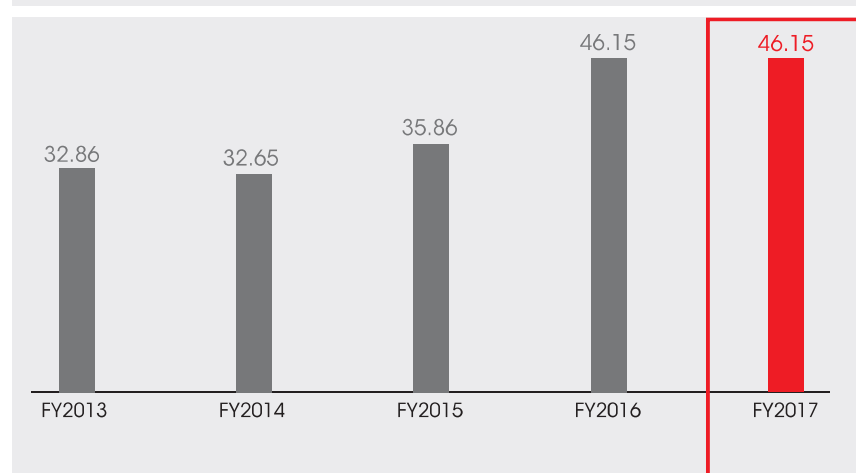
### DISTRIBUTION PER UNIT (SEN)



### TOTAL ASSET VALUE AND NAV (RM'000)



### GEARING (%)

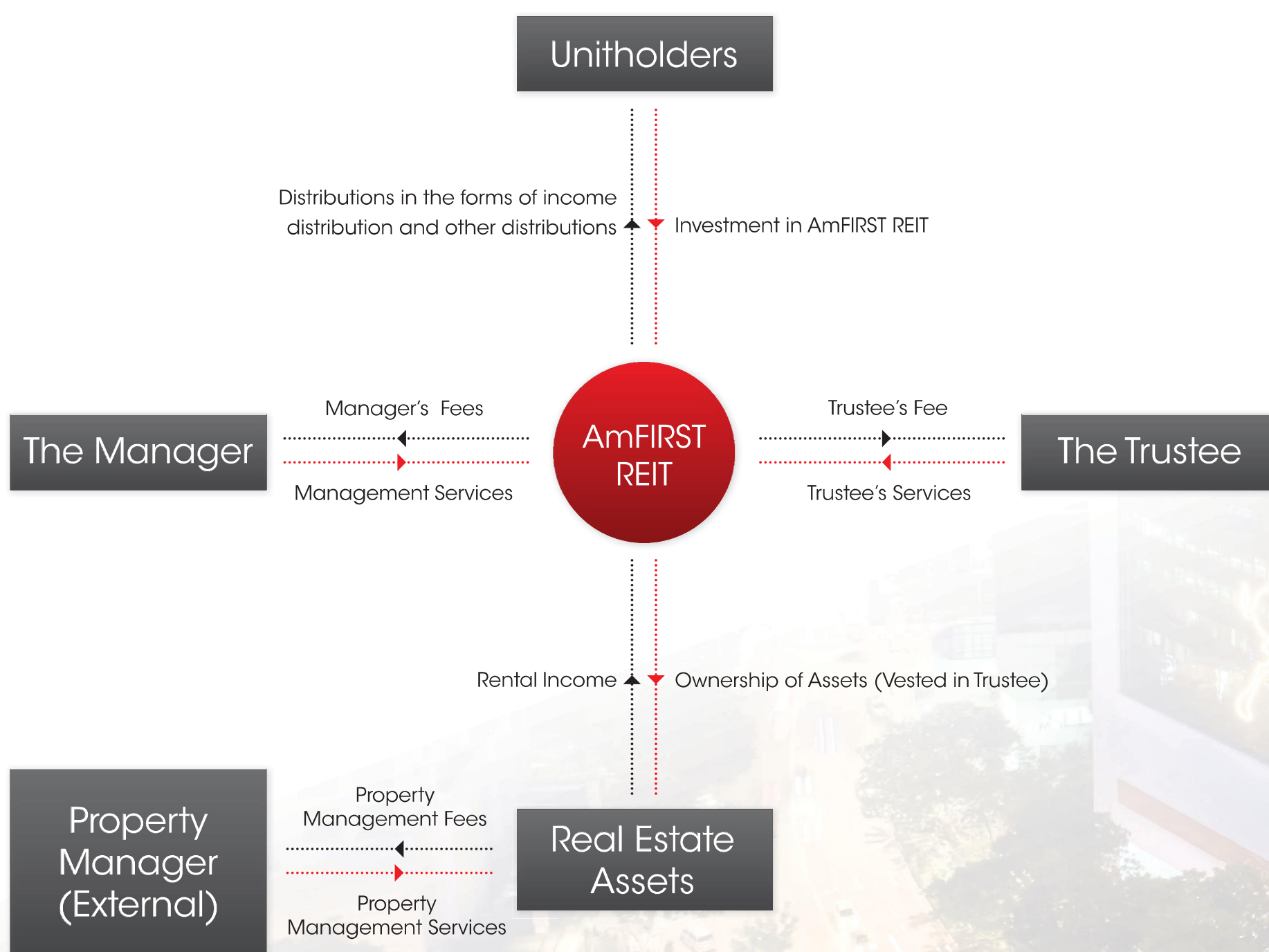




# ABOUT THE TRUST

AmFIRST Real Estate Investment Trust ("AmFIRST REIT" or the "Trust") is a real estate investment trust established in Malaysia and constituted by a Trust Deed dated 28 September 2006 ("Original Deed") (as amended by the First Supplemented, Revised and Restated Trust Deed dated 15 December 2006 ("First Deed") and the Second Restated Deed dated 13 September 2013 ("Second Deed or the "Deed")) entered into between Am ARA REIT Managers Sdn Bhd ("Am ARA" or the "Manager") and Maybank Trustees Berhad, as the Trustee of AmFIRST REIT (the "Trustee"). The Second Deed has superseded the Original Deed and the First Deed. AmFIRST REIT was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 December 2006.

AmFIRST REIT is one of the largest Malaysian-based commercial real estate investment trusts and owns a diverse portfolio of nine (9) properties located in Klang Valley (including Cyberjaya), Melaka and Penang, with a total Net Lettable Area ("NLA") of 2.9 million sq ft (excluding The Summit Hotel) as at 31 March 2017.





# ABOUT THE MANAGER

AmFIRST REIT is managed by Am ARA which is responsible for the management and administration of AmFIRST REIT, as well as the implementation of AmFIRST REIT's investment and business strategies.

The Manager was incorporated in Malaysia on 20 April 2006 and is wholly-owned by Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings") which in turn is 70% owned by AmInvestment Group Berhad ("AIGB") and 30% owned by ARA Asset Management (Malaysia) Limited ("ARA AM").

AIGB is a wholly owned subsidiary of AMMB Holdings Berhad ("AMMB"). AMMB is listed on the Main Market of Bursa Securities. The principal activity of AMMB is that of an investment holding company and whose subsidiaries provide retail banking, wholesale banking, investment banking, Islamic banking and related financial services which also includes underwriting of general insurance, stock and share-broking, future broking, investment advisory and asset, real estate investment trust and unit trusts management.

Established in 2002, ARA Asset Management Limited ("ARA") is a premier integrated real estate fund manager driven by a vision to be the best-in-class Asian real estate fund management company focused on the management of real estate investment trusts ("REITs") and private real estate funds.

ARA's business is focused on the following segments:

- (a) REITs – ARA is one of the largest REIT managers in Asia ex-Japan and currently manages six (6) REITs listed in three countries, namely Fortune REIT dual-listed in Singapore and Hong Kong, Suntec REIT and Cache Logistics Trust listed in Singapore, Hui Xian REIT and Prosperity REIT listed in Hong Kong and AmFIRST REIT listed in Malaysia. The Group also manages five (5) privately-held REITs in South Korea;
- (b) Private real estate funds – The Group manages ten (10) private funds investing in real estate in Asia; and
- (c) Real estate management services – The Group provides property management services and convention & exhibition services, including managing the award-winning Suntec Singapore Convention & Exhibition Centre.

ARA's diverse suite of REITs and private real estate funds are invested in the office, retail, logistics/industrial, hospitality and residential sectors. ARA has distinguished itself over the years with its unique investor-operator philosophy, which nurtures each asset from acquisition to divestment to add value to every stage of the asset life cycle. Built on a foundation of strong corporate governance and business integrity, it counts some of the world's largest pension funds, financial institutions, endowments and family offices as its investors.

As at 31 December 2016, ARA has approximately 1,300 staff in 18 cities in six countries. It manages close to 100 properties measuring 55 million sq ft in Asia Pacific, with approximately S\$36 billion in assets under management.





# MISSION AND CORE VALUES

## OUR MISSION

In everything we do, we are focused on delivering sustainable long-term income distributions and investment performance of our diversified portfolio of commercial real estate. In accomplishing and looking beyond our mission, we embrace the following attributes and deliverables to meet our objectives.



## OUR CORE VALUES

The following core values demonstrate that we are proactive and resourceful in developing investment and asset management strategies for the benefit of all Unitholders. We believe in transparency and respect to go far in creating long term trusting relationships with all stakeholders. We always believe in maintaining our integrity in order to uphold our good reputation in the REIT industry. As a team, we are collaborative, working together as an efficient and dynamic unit to deliver exceptional service that others will benchmark against us.





# FUND INFORMATION

ITEM	BRIEF DESCRIPTION
<b>Name of Trust</b>	AmFIRST REIT.
<b>Category of Trust</b>	Real Estate Investment Trust.
<b>Type of Trust</b>	Income and growth.
<b>Term of Trust</b>	The Trust has no fixed termination date. However, the Deed provides a number of circumstances under which the Trust may be terminated.
<b>Investment Objective</b>	The key objective is to own and invest in real estate and real estate related assets, whether directly or indirectly, through the ownership of single-purpose companies whose principal assets comprise of real estate and real estate-related assets.
<b>Investment Strategies</b>	<p>The principal strategies are as follows:-</p> <ul style="list-style-type: none"> <li>• Invest in income-producing real estate and real estate-related assets directly and/or indirectly through the ownership of single-purpose companies whose principal assets comprise of real estate;</li> <li>• Active asset management;</li> <li>• Improve rental rates while maintaining high occupancy rates;</li> <li>• Attract new tenants and explore expansion needs of existing tenants;</li> <li>• Raise the profile and visibility of property portfolio through proactive marketing, advertising and promotional efforts;</li> <li>• Develop close tenant-landlord relationships to optimise tenant retention;</li> <li>• Monitor and optimise property expenses;</li> <li>• Enhance the overall portfolio through acquisition of properties that meet the investment criteria; and</li> <li>• Employ prudent capital management strategy via optimising capital structure with debt and equity financing.</li> </ul>
<b>Authorised Investments</b>	<p>Invest in real estate, single-purpose companies, real estate-related assets, non-real estate related assets and liquid assets:-</p> <ul style="list-style-type: none"> <li>• At least 50% of AmFIRST REIT's total assets must be invested in real estate and/or single-purpose companies at all times; and</li> <li>• Investment in non-real estate-related assets and/or cash, deposits and money markets must not exceed 25% of AmFIRST REIT's total assets.</li> </ul>
<b>Borrowing Limit</b>	Up to 50% of the total asset value of AmFIRST REIT at the time the borrowings are incurred.
<b>Investors' Profile</b>	AmFIRST REIT may appeal to investors with a long term investment horizon seeking sustainable distribution of income and long term capital growth.
<b>Distribution Policy</b>	Income distributions will be paid on a semi-annual basis (or such other intervals as determined by the Manager).
<b>Revaluation Policy</b>	<p>The Manager intends to distribute at least 90% of the distributable income for each financial year.</p> <p>The properties will be revalued annually pursuant to Malaysian Financial Reporting Standard ("MFRS") 140 and at least once every three (3) years from the date of last revaluation pursuant to Clause 10.03 of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts.</p>



# CHAIRMAN'S STATEMENT

“

Dear Unitholders,

On behalf of the Board of Directors of Am ARA REIT Managers Sdn Bhd (the “Board”), the Manager of AmFIRST Real Estate Investment Trust (“AmFIRST REIT” or the “Trust”), I am pleased to present AmFIRST REIT’s 11th Annual Report together with its audited financial statements for the financial year ended 31 March 2017.

”





## CHAIRMAN'S STATEMENT (CONTD.)

### We Are Committed To Deliver Long Term Growth To Our Unitholders In Terms Of Income Distribution And Capital Growth.

#### OVERVIEW

The year 2016 marked the 10th anniversary of AmFIRST REIT as a public listed real estate investment trust on Bursa Securities. AmFIRST REIT has grown significantly in terms of Assets Under Management and has provided Unitholders with stable and regular income distribution over the years.

FY2017 has been another challenging year for the Trust due to the continued over-supply of office and retail space.

As at 31 December 2016, the cumulative supply of purpose built office space in KL City was recorded at about 51.0 million sq ft whilst in KL Fringe, it stood at about 24.6 million sq ft.

On the retail market, by the end of 2017, the impending completion of six shopping centres with some 4.07 million sq ft NLA will increase the cumulative supply in Selangor to circa 33.66 million sq ft.

Retail Group Malaysia have downgraded most of their quarterly forecasts in 2015 and 2016 and have also indicated that 2017 will continue to be a challenging year as consumers contend with costlier goods and services amid a weaker Ringgit.

*(Sources: Knight Frank Malaysia Sdn Bhd)*

We expect the global and domestic economic uncertainties in 2017 to continue into 2018 which will inevitably have an impact on the M-REITs sector. Nevertheless, we will continue to intensify our marketing and leasing efforts to maintain a high portfolio occupancy rate and proactively manage our asset portfolio to further improve the performance of the Trust.

The Securities Commission ("SC"), in line with the liberalisation and development of the global REIT market, had on 14 July 2016 released the proposed amendments to SC's Guidelines on Real Estate Investment Trusts with the objective of facilitating growth by expanding the scope of permitted investments that can be undertaken by a REIT, enhancing corporate governance requirements and improving efficiency through streamlining of post listing requirements for REITs with those of listed corporations.

In tandem with this, Bursa Securities had on 19 July 2016 issued its consultative paper on the review of the post listing requirements for REITs. We are supportive of these timely changes proposed by the authorities as such measures will spur the growth of the M-REITs industry and propel it to the next level. The proposed changes in the regulatory landscape are also a reflection of the maturity of the industry.

#### SUSTAINABILITY REPORTING

The move by Bursa Securities in introducing the Sustainability Framework in October 2015 is highly applauded. Bursa Securities has put in place new requirements for listed issuers to disclose in its annual reports material sustainability matters which include details of the management of material economic, environment and social risks and opportunities. We believe that effective sustainability practices will benefit businesses and in turn, deliver sustainable value to society at large. We will work closely with our stakeholders on these sustainability issues to maximise the growth and performance of the Trust.



## CHAIRMAN'S STATEMENT (CONTD.)

### FINANCIAL REVIEW

The increase in gross revenue was mainly attributed to the additional rental contribution from the newly acquired property, Mydin HyperMall, and higher occupancy and rental reversion in Menara AmBank ("MAB").

However, the increase was partially offset by lower revenue as a result of lower occupancy at Prima 10, The Summit Office and Menara AmFIRST coupled with the exclusion of AmBank Group Leadership Centre ("AGLC") upon its divestment in the previous financial year.

Excluding the one-off gain on disposal of AGLC amounting to RM12.2 million that was reported in FY2016, the overall realised net profit from operations for FY2017 of RM27.9 million was higher by 6.7% as compared to RM26.1 million in FY2016, underpinned by additional contribution from Mydin HyperMall and higher revenue from MAB and The Summit Retail Mall.

### DISTRIBUTION TO UNITHOLDERS

The Trust, had on 13 December 2016 paid an interim income distribution of 1.93 sen per unit for the six-month period from 1 April 2016 to 30 September 2016 amounting to RM13.2 million.

On 18 April 2017, the Trust further declared a final income distribution of 2.13 sen per unit for the period from 1 October 2016 to 31 March 2017 to be paid on 25 May 2017. Including the interim income distribution of 1.93 sen per unit, the total distribution per unit ("DPU") was 4.06 sen for the full financial year ended 31 March 2017. The total DPU of 4.06 sen represents approximately 100% of the realised distributable net profit for the year and it translates to a distribution yield of 5.0% based on AmFIRST REIT's closing price of 81.0 sen as at 31 March 2017.

### OPERATIONS REVIEW

As part of our asset portfolio rationalisation strategy, we have been focusing on the divestment of low-yielding and non-core properties. While there are prospective parties negotiating with us, no firm offer was received thus far. We will continue to explore opportunities to actively manage our asset portfolio to improve the performance of the Trust.

On this note, I am pleased to report that we have completed the refurbishment of The Summit Subang USJ on 15 July 2016 and have successfully launched the rebranding of the Mall on 16 December 2016.

The refurbishment at MAB is expected to be completed by 4th Quarter of 2018.

We will continue to invest in our portfolio of assets to enhance its value and to ensure they remain relevant and competitive. These asset enhancements ensure that our properties remain attractive and competitive to improve our capability to retain existing tenants as well as attract new ones.

# 11.8% ↑

**Total Gross Revenue RM111.5 million**  
(FY2016 : RM99.8 million)

# 6.7% ↑

**Realised Net Profit RM27.9 million**  
(FY2016 : RM26.1 million excluding the one-off gain on divestment of AGLC)

**Our primary focus at the start of the financial year was to:-**

- ✓ **Focus on strategic divestment and acquisition;**
- ✓ **Complete the AELs at The Summit Subang USJ and MAB;**
- ✓ **Fill-up occupancy for our properties in Cyberjaya and The Summit Subang USJ; and**
- ✓ **Achieve operational excellence with emphasis on cost containment and operational efficiency.**

# 2.2% ↑

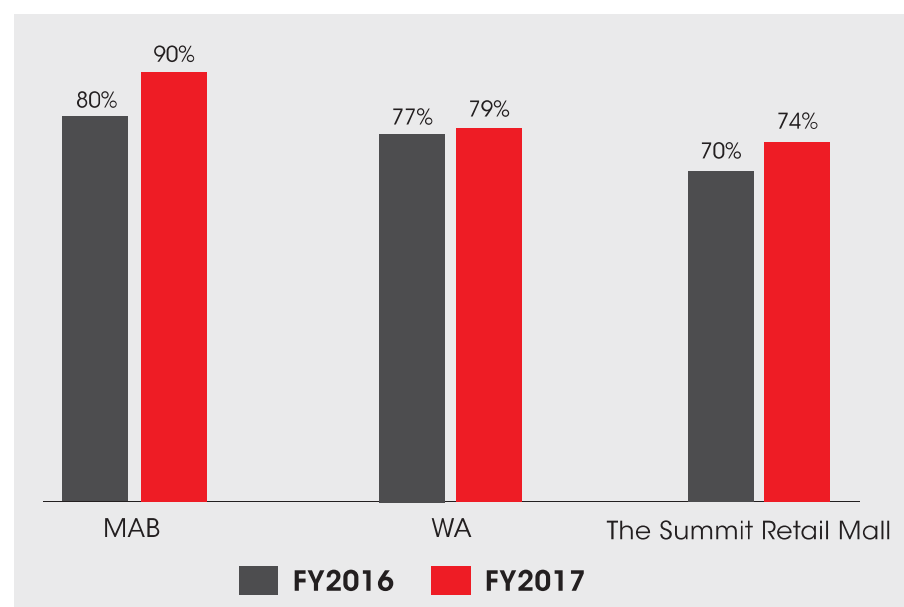
**Assets Under Management ("AUM") RM1.66 billion**  
(FY2016 : RM1.63 billion)



## CHAIRMAN'S STATEMENT (CONTD.)

### OPERATIONS REVIEW (CONTD.)

Although the overall average occupancy was almost the same as the last financial year's, the Trust has achieved better occupancy at the following properties:-



With the completion of The Summit Subang USJ's refurbishment, we have managed to bring in a number of reputable tenants that will improve the occupancy as well as enhance the Mall's image among shoppers. International chain retailers and local brands such as Home Products Centre, Hot Market, Miniature Wonder and Chai have started their businesses at The Summit Retail Mall. This bodes well with our effort to attract both national and international retailers. We will continue with our efforts to introduce new brands to the shoppers.

On cost containment, we continue to be highly cost conscious through proactive project cost management and efficiency improvement initiatives.

### PROSPECTS

Mounting global uncertainties, slow economic growth and the over-supply of commercial and retail properties are expected to temper the leasing market in the coming year. We have to be more innovative, agile and disciplined in response to this dynamic business environment.

As the Manager of the Trust, our main challenge ahead is to further improve the occupancy of some of the properties within the portfolio while pursuing opportunities on strategic divestment and acquisition to diversify the asset base.

We will adapt and adopt appropriate leasing and marketing strategies to improve the occupancy rate and are committed to ensure that the asset portfolio continue to deliver sustainable returns to the Unitholders.

### ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our gratitude to Dato' Teo Chiang Quan and Sr Tuan Haji Mohd Salleh bin Akram, who have retired from the Board pursuant to AMMB's 9-Year Rule for Independent Directors and to Ms Pushparani a/p A Moothathamby who has resigned from the Board, in line with her retirement from AMMB. Their contributions towards AmFIRST REIT over the years are greatly appreciated.

At the same time, I am pleased to welcome Dato' Wong Nam Loong and Dato' Abdullah Thalith bin Md Thani, who were appointed as Independent Non-Executive Directors on 15 August 2016 and YM Raja Teh Maimunah binti Raja Abdul Aziz, who was appointed a Non-Independent Non-Executive Director on 21 March 2017.

I would also like to thank my fellow Board members, as well as management and staff for their steadfast dedication and contribution.

My sincere appreciation to our Unitholders, Trustee, business partners and tenants for their confidence and support as we continue in our drive to enhance performance and deliver value to our Unitholders.

Sincerely,  
**Soo Kim Wai**  
Chairman

18 April 2017



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF AmFIRST REIT

AmFIRST REIT (the "Trust") was constituted pursuant to the execution of a Deed by the Manager and the Trustee, Maybank Trustees Berhad. It was listed on the Main Market of Bursa Securities on 21 December 2006.

The principal activity of the Trust is to own and invest in a portfolio of commercial properties in major growth areas of Malaysia. As at 31 March 2017, AmFIRST REIT owns a diverse portfolio of nine (9) properties located in the Klang Valley (including Cyberjaya), Melaka and Penang, with a total net lettable area of 2.93 million sq ft (excluding The Summit Hotel).

### Investment Objectives

AmFIRST REIT's investment objectives are to deliver regular and stable income distributions to Unitholders and to achieve long term growth in the net asset value per unit through proactive management of the Trust's portfolio of assets and acquisition of yield accretive properties.

### Investment Policies

#### (i) Permitted Investments and Restrictions

AmFIRST REIT is allowed to invest in real estate, single-purpose companies whose principal assets comprise real estate, real estate-related or non-real estate-related assets, liquid assets, asset-backed securities, listed or unlisted debt securities and any other investments which are permissible under Securities Commission Malaysia ("SC")'s Guidelines on Real Estate Investment Trusts (the "REITs Guidelines") or otherwise permitted by SC.

#### (ii) Portfolio Composition

AmFIRST REIT's investments may be allocated in the manner as prescribed by the SC's REITs Guidelines, as follows: -

- (a) Invest in real estates, single-purpose companies, real estate-related assets, non-real estate-related assets and liquid assets;
- (b) At least 50% of AmFIRST REIT's total assets must be invested in real estate and/or single-purpose companies at all times; and
- (c) Investment in non-real estate-related assets and/or liquid assets must not exceed 25% of AmFIRST REIT's total assets.

### Investment Policies (Contd.)

#### (iii) Diversification

AmFIRST REIT will seek to diversify its real estate portfolio by property type and location, and will focus on investing in real estates which are primarily used for commercial purposes.

#### (iv) Gearing

AmFIRST REIT is able to leverage on borrowings to make permitted investments that will enhance the returns to Unitholders. Under the SC's REITs Guidelines, AmFIRST REIT is permitted to procure borrowings of up to 50% of its total asset value (as stipulated by the SC's REITs Guidelines).

### Investment Strategies

The Manager intends to achieve AmFIRST REIT's investment objectives through three (3) key strategies as follows: -

#### (i) Operating Strategy

The Manager's operating strategy is to continue to enhance the performance of the existing properties by increasing yields and returns through retaining existing tenants, reducing vacancy levels, adding and/or optimising lettable space at the properties, minimising interruptions in rental income and operational costs and maintaining satisfactory service levels to our tenants.

The Manager expects to apply the following key operating and management principles in order to continue to manage the properties efficiently, to increase the yields of the properties and to maximise growth: -

- Improve rental rates
- Establish close relationships with tenants to ensure tenants' retention



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### Investment Strategies (Contd.)

#### (i) Operating Strategy (Contd.)

- Diversify tenant base
- Review tenant mix and re-configure existing space to meet tenants' expectation
- Maintain the quality of the properties
- Maximise the performance of each property
- Improve operating efficiencies and customer service levels
- Raise the profile of the properties

#### (ii) Acquisition/Divestment Strategy

The Manager intends to pursue an acquisition strategy for AmFIRST REIT to increase net property income and asset growth based on the following criteria: -

- Yield-accretive
- Good location
- Healthy tenant mix and occupancy level
- Value add opportunities
- Quality building and facilities specifications

The Manager expects to benefit from its sponsor's network and its business partner, ARA Asset Management (Malaysia) Limited, which is part of ARA Group, Asia's premier integrated real estate fund manager.

AmFIRST REIT intends to hold its properties on a long term basis. At any opportune time when there are offers to acquire any of the properties which has reached a stage where it offers limited scope for growth to the Trust, the Manager may consider selling the property and utilise the proceeds for alternative investments that add value to its portfolio.

#### (iii) Capital Management Strategy

The Manager's strategy for the management of capital structure of AmFIRST REIT involves adopting and maintaining an appropriate debt-equity structure with gearing to be maintained within the prescribed limit and utilising an active interest rate management policy to manage the risks associated with interest rate fluctuations. The Manager believes the strategy will: -

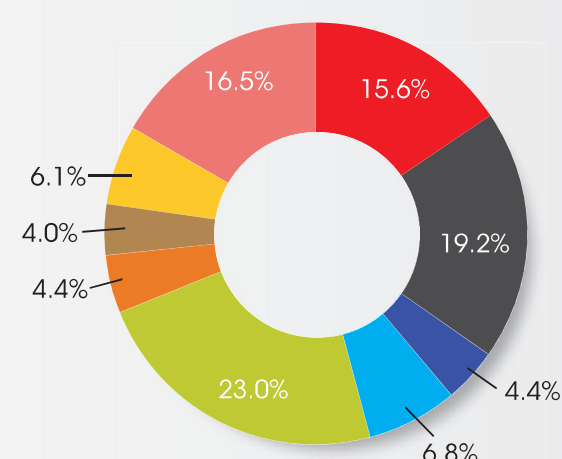
- optimise the returns to Unitholders
- maintain operating flexibility when considering capital expenditure requirements; and
- enable AmFIRST REIT to maintain financing flexibility in the funding of future acquisitions.

### Investment of the Trust

AmFIRST REIT's composition of investments as at 31 March 2017 is as tabulated below: -

Investment Properties	Location	Valuation RM'000	%
Bangunan AmBank Group	Kuala Lumpur	259,000	15.6
Menara AmBank	Kuala Lumpur	318,800	19.2
Menara AmFIRST	Petaling Jaya	72,500	4.4
Wisma AmFIRST	Kelana Jaya	114,000	6.8
The Summit Subang USJ	Subang Jaya	382,200	23.0
Prima 9	Cyberjaya	73,000	4.4
Prima 10	Cyberjaya	66,300	4.0
Kompleks Tun Sri Lanang (also known as Jaya 99)	Melaka	102,000	6.1
Mydin HyperMall	Bukit Mertajam	275,000	16.5
		<b>1,662,800</b>	<b>100.0</b>

Investment Properties



- Bangunan AmBank Group
- Menara AmBank
- Menara AmFIRST
- Wisma AmFIRST
- The Summit Subang USJ
- Prima 9
- Prima 10
- Jaya 99
- Mydin HyperMall



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

## FINANCIAL REVIEW

Key Financial Highlights	FY2017	FY2016	Change	
	RM'000	RM'000	RM'000	%
Gross Revenue	<b>111,539</b>	99,794	11,745	11.8%
Net Property Income	<b>72,802</b>	61,092	11,710	19.2%
Interest Expenses	<b>36,125</b>	27,342	8,783	32.1%
Net Profit for the financial year: -				
- Realised Net Profit from Operations	<b>27,889</b>	26,135	1,754	6.7%
- Realised Capital Gain	-	12,223	(12,223)	(100.0%)
- Unrealised (Loss)/Gain	<b>(5,650)</b>	30,015	(35,665)	118.8%
	<b>22,239</b>	68,373	(46,134)	(67.5%)
Distribution per Unit ("DPU") (sen)				
- Interim	<b>1.93</b>	2.03		
- Final	<b>2.13</b>	3.07		
	<b>4.06</b>	5.10		
Distribution Yield (%) (Based on respective closing price)	<b>5.0%</b>	6.8%		

### Gross Revenue

The Trust recorded gross revenue of RM111.5 million for FY2017, an increase of 11.8% as compared to the preceding year, mainly attributable to the following:

- Full year contribution from Mydin HyperMall, of which the acquisition was completed in January 2016;
- Higher occupancy in Menara AmBank after the relocation of tenants from AGLC to Menara AmBank;
- Improved revenue from The Summit Retail Mall after the completion of refurbishment with new anchor tenants such as Home Products Centre, Hot Market and Miniature Wonder; and
- Higher revenue in Wisma AmFIRST and Jaya 99.

However, the additional contribution from Mydin HyperMall and higher revenue from the abovementioned properties have been partially offset by: -

- lower revenue from Prima 10, The Summit Office and Menara AmFIRST as a result of lower occupancy; and
- exclusion of AGLC's contribution upon its divestment on 31 March 2016.

### Net Property Income

As a result of the improved gross revenue, net property income ("NPI") for FY2017 has increased to RM72.8 million or 19.2% higher than the preceding year's NPI of RM61.1 million.

### Interest Expenses

Interest expenses for FY2017 of RM36.1 million was higher by 32.1% as compared to the preceding year. This is mainly due to interest cost on the additional borrowing of RM250.0 million to finance the acquisition of Mydin HyperMall as well as the additional borrowing to finance various Asset Enhancement Initiatives ("AEIs") of the existing properties.

Notwithstanding higher interest expenses incurred on the additional borrowing for the new acquisition and AEIs, the unexpected reduction of 25 basis point in Overnight Policy Rate ("OPR") by Bank Negara Malaysia in July 2016 has resulted in interest saving to the Trust during the financial year. Approximately 68% of the total borrowings of the Trust subjected to variable interest rate movement which fluctuate in tandem with variable cost of funds charged by the banks. Lower OPR has resulted in lower cost of funds charged by the banks and hence lower interest cost to the Trust.

### Realised Net Profit

The overall distributable realised net profit for FY2017 was RM27.9 million, an increase of 6.7% as compared to preceding year of RM26.1 million, excluding the one-off disposal gain of AGLC of RM12.2 million recorded in FY2016. The improved results from operations were mainly underpinned by the additional contribution from Mydin HyperMall and higher revenue generated from Menara AmBank and The Summit Retail Mall.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### FINANCIAL REVIEW (CONTD.)

#### Income Distribution

The Trust had paid an interim income distribution of 1.93 sen per unit and has declared a final income distribution of 2.13 sen per unit payable on 25 May 2017 in respect of FY2017. Adding the interim and final income distribution, the total income distribution was 4.06 sen per unit, which translated to a distribution yield of 5.0% based on the closing unit price of RM0.81 as at 31 March 2017.

The total DPU of 4.06 sen per unit was higher by 6.6% as compared to 3.81 sen per unit in FY2016 (excluding the realised capital gain arising from the disposal of AGLC). The total DPU for FY2016 was 5.10 sen per unit lifted by the one-off realised capital gain of 1.29 sen from the disposal of AGLC.

The total DPU of 4.06 sen per unit or a total paid out of RM27.8 million represents approximately 100% of the realized distributable net profit for FY2017. Pursuant to the amendment of Section 61A of the Income Tax Act, 1967, where in the basis period for a year of assessment, when 90% or more of the total income of the Trust is distributed to Unitholders, the total income of the Trust for that year of assessment shall be exempted from tax.

The financial statements for the current financial year do not reflect the final income distribution. Such income distribution will be accounted for in the statement of changes in net asset value as distribution to Unitholders in the next financial year ending 31 March 2018.

Key Financial Position	31 March 2017	31 March 2016	Change	
	RM'000	RM'000	RM'000	%
Investment Properties	<b>1,662,800</b>	1,627,800	35,000	2.2%
Total Asset Value	<b>1,679,565</b>	1,728,132	(48,567)	(2.8%)
Trade Receivable	<b>1,742</b>	2,973	(1,231)	(41.4)
Borrowings	<b>775,143</b>	797,516	(22,373)	(2.8%)
Net Asset Value ("NAV")	<b>867,206</b>	879,287	(12,081)	(1.4%)
Gearing (%)	<b>46.2%</b>	46.1%	-	0.1%
Unit Price (RM)	<b>0.81</b>	0.75	0.06	8.0%
Market Capitalisation	<b>555,985</b>	514,801	41,184	8.0%
Units in Circulation (Units) (`000)	<b>686,402</b>	686,402	-	0.0%
NAV Per Unit (RM)				
- Before proposed final income distribution	<b>1.2634</b>	1.2810	(0.0176)	(1.4%)
- After proposed final income distribution	<b>1.2421</b>	1.2503	(0.0082)	(0.7%)

#### Total Asset Value / Investment Properties

As at 31 March 2017, Total Asset Value was RM1,679.6 million, a marginal decrease of 2.8% as compared to RM1,728.1 million recorded as at 31 March 2016. This is mainly due to lower other receivable and cash and bank balances as a result of the net proceeds received from the disposal of AGLC, approximately RM34.0 million, and cash recovered from the GST Input tax paid on Mydin HyperMall's acquisition amounting to RM15.0 million, which were collectively utilised to pare down borrowings of RM60.0 million in April 2016.

The Trust's investment properties, representing approximately 99% of the total asset value, increased marginally by RM35.0 million or 2.2% from RM1,627.8 million to RM1,662.8 million. The marginal increase was contributed by the capitalisation of enhancement costs of RM41.6 million during the financial year but reduced by the net revaluation deficit of RM6.6 million arising from the revaluation exercise conducted at the end of FY2017. The revaluation deficit of RM6.6 million or 0.4% of the total investment properties was mainly arising from the marginal decrease in valuation of Prima 9 and Prima 10 in Cyberjaya and The Summit Retail Mall.

There are no new acquisitions or disposals during the financial year. The total asset portfolio remains at nine (9) properties.

#### Trade Receivables

Trade receivables reduced by 41.4% year-on-year reflecting the effective and efficient credit control processes in place.

#### Total Borrowings

As at 31 March 2017, the Trust's total borrowings was RM775.1 million, lower by RM22.4 million as compared to the total borrowings of RM797.5 million as at 31 March 2016. During the financial year, the Trust has utilised the net proceeds from the disposal of AGLC to pare down a revolving credit facility. In the meantime, the Trust also has drawdown revolving credit facilities to finance various AELs incurred during the financial year.

#### NAV Per Unit

NAV Per Unit stood at RM1.2421 (after proposed final income distribution) as at 31 March 2017, representing a marginal diminution of 0.7% as compared to RM1.2503 as at 31 March 2016. This is mainly caused by the revaluation deficit on the investment properties of RM6.6 million recorded in FY2017.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### FINANCIAL REVIEW (CONTD.)

#### Unit Price and Market Capitalisation

During the financial year, unit price registered an increase of 8.0% from the opening price of RM0.75 as at 1 April 2016 to a closing price of RM0.81 as at 31 March 2017, reducing the trading discount to the NAV per unit of RM1.2421 as at 31 March 2017 to approximately 34.8% as compared to the trading discount of 40.0% as at 31 March 2016.

Based on the unit price of RM0.81 and 686,401,600 units in circulation, market capitalisation as at 31 March 2017 was RM556.0 million, higher by 8.0% as compared to the market capitalisation of RM514.8 million as at 31 March 2016.

#### Capital Management

The Manager assesses its capital management approach through a mix of available capital sources as strategy to optimise Unitholders's return. As at 31 March 2017, the Trust's total borrowings comprise of term loans and revolving credit facilities from licensed financial institutions as below: -

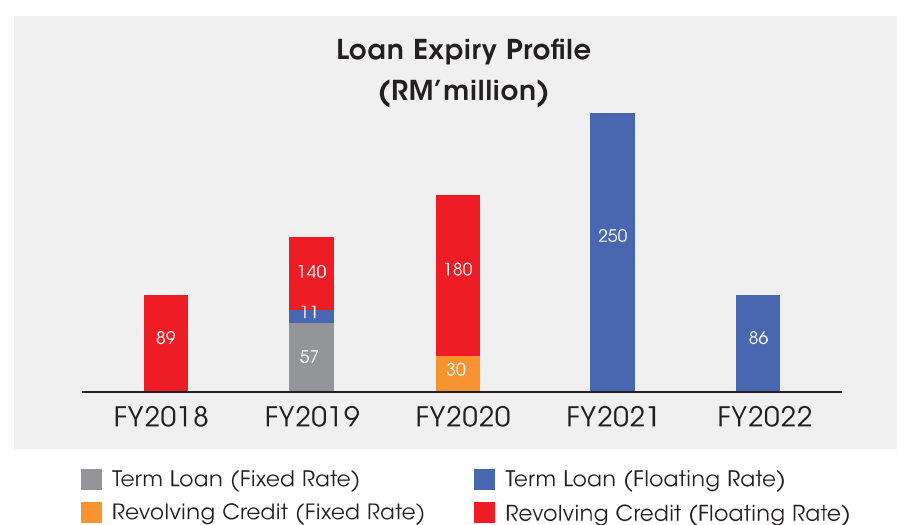
	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Term Loan	392,850	378,000
Revolving Credit	384,000	421,000
Less : Transaction cost subject to amortisation	(1,707)	(1,484)
Total Borrowings	775,143	797,516
Total Asset Value	1,679,565	1,728,132
Gearing (%)	46.2%	46.1%

#### Capital Management (Contd.)

Total borrowings of RM775.1 million as at 31 March 2017 represent gearing of 46.2% over Total Asset Value of RM1,679.5 million, maintaining almost the same gearing as preceding year. Based on this gearing of 46.2%, the Trust has a debt headroom of approximately RM128.5 million before it exceeds the gearing threshold of 50% as permitted under the SC's REIT Guidelines.

With the objective to lower the gearing level, the Manager is exploring opportunities to rationalise its asset portfolio via strategic divestment of non-core and non-performing assets within the asset portfolio. The Trust completed the divestment of the AGLC in March 2016 and has utilised the net proceeds of approximately RM34.0 million to pare down the borrowings in April 2016. Proceeds from such divestment opportunities will enable the Manager to recycle the capital with the objective of enhancing better return to Unitholders. On a longer term, the Manager intends to maintain a prudent financial structure by keeping the gearing level at 35% - 40%.

The Trust reviews its loan profile closely so as to diversify the refinancing risks and keep a well-spread debt maturity profile. The loan maturity profile for the Trust as at 31 March 2017 was as follows:





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)



### FINANCIAL REVIEW (CONTD.)

#### Capital Management (Contd.)

As at 31 March 2017, the weighted average maturity was 2.87 years with 11.4% or RM89.0 million of the Trust's debt maturing in FY2018. During FY2017, the Trust has fully repaid a RM60.0 million term loan upon its expiry, using the net proceeds from the disposal of AGLC and the working capital available.

During FY2017, the Manager has also diversified its funding sources by securing a new term loan of RM85.85 million from a financial institution to finance the AELs incurred and to refinance existing revolving credit facility that bears higher interest rate. The Manager will continue to review the maturity profile of its loan portfolio and will take into account prevailing credit market condition as well as the potential funding avenue available to diversify its loan exposure.

#### Interest Rate Management

The Manager adopts a balanced approach in terms of interest rate management by having a combination of fixed rate borrowings while having a portion of borrowings that capitalise on the floating low interest rates.

To hedge against volatile movement of interest rates, the Trust entered into long term fixed rate borrowings as well as into Interest Rate Swap ("IRS") contracts by swapping part of its floating interest expenses to fixed rate payments to mitigate interest rate exposure.

As at 31 March 2017, the Trust has RM87.0 million fixed rate bank loans and total IRS contracts of RM200.0 million to mitigate the exposure to volatile interest rate movements. Effectively, 37% of the total borrowings has been hedged with fixed interest rate.

The Trust maintained a competitive average interest cost of 4.58% (including the cost of hedging arising from the IRS contracts). Interest cost sensitivity analysis reveals that with 37%

#### Interest Rate Management (Contd.)

of the borrowings being hedged, a 25 basis-point increase or decrease (with all other variables held constant) will cause a corresponding decrease or increase of RM1.2 million of the Trust's net income.

#### Cash Flow / Liquidity

As at 31 March 2017, the Trust has cash and bank balances of RM4.2 million and deposit with financial institution of RM2.8 million.

Based on the Statement of Cash Flows for FY2017, the Trust has generated net cash from operating activities of RM74.5 million (before the payment of interest expenses of RM36.1 million) and utilised cash for investing activities of RM19.3 million primarily for enhancements or AELs of investment properties. The net cash used by the Trust in financing activities of RM93.0 million comprising of the interest paid of RM36.3 million, distributed income distribution totaling RM34.3 million and net repayment of bank borrowings of RM22.4 million during the financial year under review.

On a net basis, the Trust has a net decrease of cash and cash equivalent of RM37.8 million for FY2017, which reduced the cash and cash equivalent to RM7.0 million as at 31 March 2017.

Any surplus funds generated from operations will be used to temporarily pare down the revolving credit facilities as part of interest cost management activity. The Trust will only redraw the revolving credit facilities to finance various investing and financing activities as and when required.

As at 31 March 2017, the Trust has undrawn banking facilities of RM89.0 million, comprising of revolving credit and overdraft facilities to finance any future funding needs of the Trust.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### OPERATIONS REVIEW

#### Leasing Management

The overall portfolio occupancy rate as at 31 March 2017 is 82.6%, compared to 81.4% as at 31 March 2016.

	As at 31 March 2017	As at 31 March 2016
Bangunan AmBank Group	99.6%	100.0%
Menara AmBank	90.5%	80.3%
Menara AmFIRST	62.0%	79.3%
Wisma AmFIRST	78.6%	77.0%
The Summit Office	64.4%	76.3%
The Summit Retail Mall	74.3%	69.7%
Prima 9	-	-
Prima 10	60.1%	100.0%
Jaya 99	100.0%	100.0%
Mydin HyperMall	100.0%	100.0%
<b>Overall Portfolio*</b>	<b>82.6%</b>	<b>81.4%</b>

\*excluded The Summit Hotel

The challenge we had in FY2017 is to improve the occupancy rate and rental income for some of the properties that have relatively low occupancy. We had initiated various marketing efforts, inclusive of agents' event to promote and market our properties, and implemented appropriate action plans targeting at individual buildings, in particular on the followings: -

- Prima 9
- The Summit Retail Mall
- The Summit Office
- Menara AmFIRST

#### Prima 9, Cyberjaya

The office market in Cyberjaya remains challenging due to low demand and increasing supply of office space. The market situation was further aggravated with more office supply with MSC status coming into the market outside of Cyberjaya, thereby pulling existing MSC tenants to move out of Cyberjaya. Despite the stiff competition, the Manager has stepped up marketing effort by engaging Savills as the property manager and marketing agent to lease out the premises. At the same time, the Manager is also working on a lease-with-option-to-purchase package with a prospective purchaser, with the intention to divest Prima 9 ultimately.

#### The Summit Retail Mall, Subang Jaya

Since the completion of the refurbishment of The Summit Retail Mall and commencement of business by Home Products Centre in December 2016, together with advertisement and promotion activities at the Mall, we observed gradual improvement in the footfall from an average 397,000 shoppers a month during the mall refurbishment period to current monthly average of 552,000 shoppers. We have also engaged Knight Frank as property manager and marketing agent for the leasing of retail and office space in The Summit Retail Mall and Office. The intensive marketing effort have yielded positive results, with the increase in occupancy from 69.7% as at the end of last financial year to 74.3% as at 31 March 2017.

#### The Summit Office, Subang Jaya

We have refreshed the exterior façade of The Summit Office tower with a new coat of paint to match the modern looking newly refurbished The Summit Retail Mall. We have also made plans to upgrade the present facilities of the building, including passenger lifts and toilets, to make it relevant compared to the surrounding office buildings. As part of our marketing plan, we have also engaged our tenants to understand their needs and future plans. Despite having tenants expanding their office space, the occupancy decreased from 76.3% to 64.4% mainly due to the loss of one key tenant because of MSC status requirements.

#### Menara AmFIRST, Petaling Jaya

We have addressed the prevalent issue of carpark limitation in the building and this has enabled us to offer prospective tenants with competitive carpark allocation. Intense marketing efforts were implemented to meet the needs of prospects during this challenging and competitive period. At the same time, constant engagement with our existing tenants were carried out in our tenants' retention efforts. Despite such efforts, the occupancy has dropped from 79.3% to 62.0% as a result of a major tenant having ceased its business in Malaysia.

#### Tenancy Expiry Profile

As of 31 March 2017, the total leased area is 2.41 million sq ft, representing 82.2% of the total NLA of 2.93 million sq ft. The portfolio tenancy expiry profile is as follows:

FY	NLA due for renewal	%
2018	805,818	33.4
2019	621,476	25.8
2020	447,160	18.5
2021	536,507	22.3

The expiry dates for the portfolio are quite evenly spread over the next four (4) years mitigating the risk of imbalanced expiry on any one financial year.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### OPERATIONS REVIEW (CONTD.)

#### Tenancy Renewal and New Tenancy

During FY2017, 318,709 sq ft was renewed out of the 386,886 sq ft of space that due for renewal, representing a renewal rate of 82.4%. One of the key factors for the lower renewal rate was due to a planned exercise of relocation and reconfiguration of present retail space at The Summit Retail Mall to accommodate the introduction of the new anchor tenant, Home Products Centre and mini anchor, Chai; the other reduction came mainly from the office tenancies. The average rental reversion achieved for the portfolio in FY2017 was 2.5%.

On the new lettings of retail space, Home Products Centre, Chai and other retailers have taken up 121,717 sq ft at The Summit Retail Mall, while new lettings of office space totaled 33,401 sq ft.

Tenancy Renewal and % Rental Reversion			
Properties	Total Due for Renewal (sq ft)	Total Space Renewed (sq ft)	Rental Reversion %
Bangunan AmBank Group	60,940	59,562	+ 6.0
Menara AmBank	31,556	11,320	+ 0.6
Menara AmFIRST	44,279	20,998	+ 4.2
Wisma AmFIRST	61,812	55,362	+ 3.9
The Summit Retail Mall	99,032	96,160	- 4.3
The Summit Office	67,771	55,233	+ 1.7
Prima 9	-	-	-
Prima 10	-	-	-
Jaya 99 - Office	7,988	6,567	+ 5.9
Jaya 99 - Retail	13,508	13,508	+ 2.7
Mydin HyperMall	-	-	-
<b>Total</b>	<b>386,886</b>	<b>318,709</b>	<b>+ 2.5</b>

**Tenant Retention Rate** **82.4%**

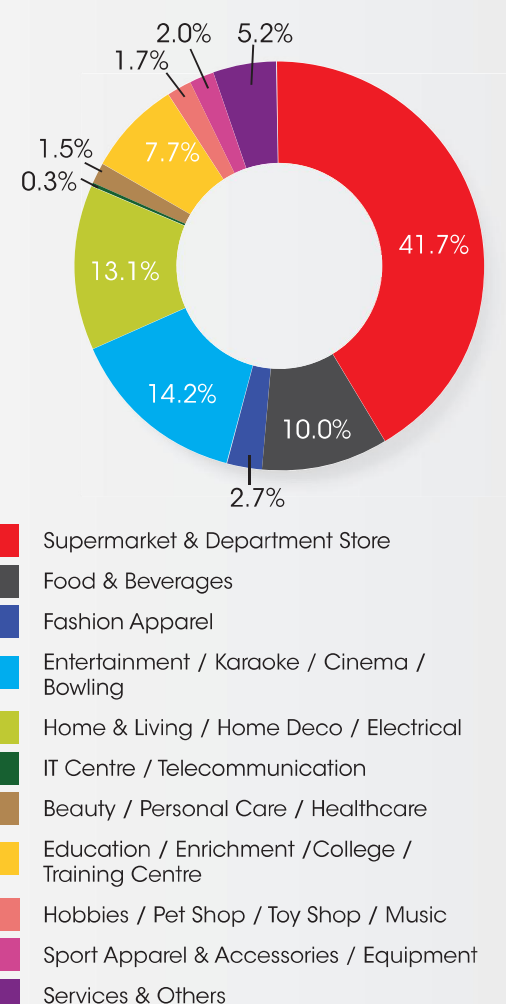
#### Tenancy Mix Analysis

The properties under the portfolio have a diverse tenant base across various business sectors to provide the diversification of risk exposure. Following is the tenancy trade mix analysis for retail and office segment of the properties under the portfolio: -

Tenant Mix for Retail Component

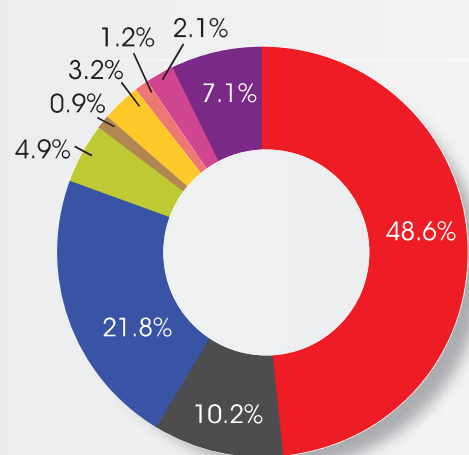
Category	% of NLA
Supermarket & Department Store	41.7
Food & Beverages	10.0
Fashion Apparel	2.7
Entertainment / Karaoke / Cinema / Bowling	14.2
Home & Living / Home Deco / Electrical	13.1
IT Centre / Telecommunication	0.3
Beauty / Personal Care / Healthcare	1.5
Education / Enrichment / College / Training Centre	7.7
Hobbies / Pet Shop / Toy Shop / Music	1.7
Sport Apparel & Accessories / Equipment	2.0
Services & Others	5.1
<b>Total</b>	<b>100.0</b>

**Tenancy Mix  
for Retail Component**



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

**Tenancy Mix  
for Office Component**



### OPERATIONS REVIEW (CONTD.)

#### Tenancy Mix Analysis (Contd.)

Tenant Mix for Office Component

Category	%
Banking & Financial Institutions	48.6
Telecommunication/ IT/ Electronic/ Electrical	10.2
Services & Others	21.8
Health / Personal Care	4.9
Construction/ Real Estate	0.9
Advocate & Solicitor (Legal)	3.2
Education / Enrichment / College	1.2
Food & Beverages	2.1
Logistics	7.1
<b>Total</b>	<b>100.0</b>

#### Key Tenants

The top ten (10) largest tenants by rental income in the portfolio collectively contributed 70.1% to the total rental income of the Trust in FY2017.

Name	Trade Sector	%
AmBank Group	Banking & Financial Institutions	38.9
Mydin Mohamed Holdings Berhad	Hypermarket	15.4
RBC Investor Services (Malaysia) Sdn Bhd	Services	3.3
Prudential Assurance Malaysia Berhad	Services	2.5
The Summit Hotels Management Sdn Bhd	Hospitality	2.4
Shook Lin & Bok	Advocates & Solicitors	2.3
Kimberly-Clark Trading (M) Sdn Bhd	Trading	1.8
Sudong Sdn Bhd	Services	1.3
IMC Education Sdn Bhd	Education	1.1
AIA Bhd	Services	1.1
<b>Total</b>		<b>70.1</b>

AmBank Group continue to remain as the top revenue contributor to the Trust, accounting for 38.9% of the total rental income.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### OPERATIONS REVIEW (CONTD.)

#### Asset Portfolio Rationalisation

In line with the Manager's asset portfolio rationalisation strategy, the Manager has identified Prima 9 and The Summit Hotel as divestment targets. We have been negotiating with a few prospects and are currently finalising key terms to address these two properties.

In the meantime, the Manager has been pursuing and evaluating acquisition opportunities. However, none of the proposals have met our investment criteria.

#### Asset Enhancement Initiatives

During the financial year, The Summit Hotel and Office towers underwent façade repainting works to complement the mall's new façade. Both buildings' roof top waterproofing works have also been carried out together with the hotel's water tank waterproofing lining improvement and have their facilities deck planter box drainage system upgraded. For The Summit car parks, repainting works including the car park bays lining and signage are in progress.

At Menara AmBank, enhancement of the building façade with LED strips and RGB screen is on-going. Lifts modernization works for the low, mid and high zones lifts including the Bomba lift is in progress. To keep up with market expectations, a portion of the ground floor area had been converted into retail space with an improved exhaust system. For air conditioning enhancement, new Building Automation Systems were installed and the air conditioning ducts cleaning is in progress to provide cleaner air to the building occupants. Initiative was also taken to provide a cleaner water supply to the building occupants by installing

#### Asset Enhancement Initiatives (Contd.)

a main water filter system and the cleaning of water tanks. Repainting works at all the common staircases were completed and upgrading of common corridors is in progress.

For Bangunan AmBank Group, the air conditioning and exhaust system to the food court have been upgraded. At the ground floor car park, a new VIP car park system has been installed. The ventilation systems at the M&E rooms located at the basements have also been improved.

Across the Cyberjaya front, several enhancements to the Prima 10 building, including the installation and implementation of pedestrian turnstile system at the lobby and the reconfiguration of CCTV system to increase the security surveillance level. On the air conditioning system, the 3 - ways modulating valves had been upgraded for better comfort enjoyment of the tenants. Crack treatment to the car park areas have also been carried out.

To be in line with the Manager's sustainability programs, Bangunan AmBank Group, Menara AmBank, Wisma AmFIRST, Menara AmFIRST and Jaya 99's common areas and car parks lightings have been upgraded with energy saving LED fittings.

For this coming financial year, further capital expenditures are being planned to provide enhancement to the portfolio's value and competitiveness, including upgrading work for lifts at Bangunan AmBank Group, Menara AmBank car parks and The Summit Office. We will also commence efforts to rejuvenate the interior fit-out of The Summit Hotel if we are able to engage a new hotel operator for the hotel while pursuing the divestment opportunity.





# MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

## RISK MANAGEMENT

The Manager recognises that it has the responsibility to manage risks effectively in order to protect the Trust against potential losses, damage or failure to achieve goals and objectives of the Trust due to uncertain action or event.

Risk management is an integral part of the Manager's corporate governance and has been embedded in the management processes as part of the Manager's overall framework to deliver continuous improvement for the Trust. The Manager has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Trust throughout the financial year under review.

### (a) Interest Rate Risk

As at 31 March 2017, the Trust's exposure in interest rate risk stems from its borrowings at 46.2% gearing level and that 63% of its loans are subject to floating rate loans. An adverse interest rate movement will result in higher interest cost and reduce the net income of the Trust.

The Manager has adopted a balanced proportion of fixed and floating rate borrowings as its strategy to mitigate interest rate risk. To mitigate the interest rate exposure, the Trust uses fixed rate term loan and IRS as instruments to hedge against the volatility of interest rates.

As at 31 March 2017, 37% of the loan exposure has been hedged via fixed rate term loan from financial institutions and IRS. The Trust has entered into two 5-year IRS contracts with a notional amount of RM100 million each and has RM87.0 million fixed rate term loan as means to mitigate the interest rate exposures.

The Manager closely monitors the interest rate environment and will continue to manage the interest cost diligently to minimise the Trust's exposure to adverse movement in interest rates.

### (b) Capital and Liquidity Risk

Capital and liquidity risk is associated with the ability of the Trust to access cash or capital at any given time to prevent insufficient liquidity to meet its business needs and financial obligations, including paying of dividends, interests, & loan repayments.

Capital and liquidity risk arises from event of default in loan covenants which lead to foreclosure by the lenders, deteriorating credit market resulting in non-availability of loans, poor liquidity and cash flow management, and underperforming unit price that will cause high dilution for new unit issuance.

### (b) Capital and Liquidity Risk (Contd.)

The Trust's capital and liquidity management objectives are to safeguard our ability to continue as a going concern and maintain an efficient capital structure in order to maximize returns to the Unitholders. Our capital and liquidity management strategies include:

- (i) Effective cash flow and treasury management
- (ii) Ongoing financial monitoring and interest rate management
- (iii) Regular review of compliance with loan covenants
- (iv) Relationship management with bankers, investors and sponsors
- (v) Reduction of gearing via strategic divestment of low yielding assets

The Manager regularly reviews its capital and liquidity management strategy to ensure the Trust's capital and liquidity management objectives are met.

### (c) Credit Risk

Credit risk is the risk of reduction in net income due to high provision for doubtful debt or bad debts write off and high legal cost incurred to pursue recovery of outstanding receivables from the tenants.

Poor credit collections also give rise to cash flows problems. The Manager has identified several possible causes of credit risk, which include high concentration of tenant mix, loose or complex tenancy arrangement and economic slowdown or rising costs which affect the ability of tenants to pay their rent.

To mitigate the Trust's credit risk exposure, the Manager maintains a policy of collecting security deposits from all tenants which act as collateral. The Manager also performs thorough customer due diligence to assess the tenants' ability to meet the rental payments prior to commencing the tenancy.

The Manager has implemented effective credit control measures such as close follow-up on rental arrears with tenants and the charging of late payment interest to encourage timely rental payment. The Manager also maintains good tenant relations to increase timely rental collections.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### RISK MANAGEMENT (CONTD.)

#### (d) Acquisition and Investment Risks

Acquisition and investment risks refers to imperil of assets / investments not being yield accretive, affecting the overall performance of the Trust. Prior to recommending to the Board, the Manager evaluates the proposed investment from financial, legal and technical aspects.

The Manager will remain very selective and manages such risk by evaluating potential acquisitions against an approved investment criteria. The Investment Department will evaluate all proposed acquisitions prior to recommending to the Board. Due diligence will be conducted prior to acquisition.

The recent diversification of AmFIRST REIT's portfolio in the recent acquisition of Mydin HyperMall Bukit Mertajam mitigates risk of weaker market in certain sub-sector of the property market.

#### (e) Valuation Risk

Valuation risk refers to risk that valuation of property may not be sustainable, hence affecting the Trust's asset value, profitability and gearing. The main constraints for valuation are rental rates, occupancy rates and also operational cost. All these factors will be monitored by the Manager to ensure that they are not compromised and are mitigated with suitable strategies such as strategic marketing activities, building strong relationship with tenants and providing a wider range of tenant mix. For newly acquired properties, the Manager will require more time to stabilize the occupancy and rental rates.

Various asset management strategies are adopted by the Manager to ensure that all the assets under management maintain its high occupancy level and rental rates. Strategies such as providing value-added services, improving tenancy mix, organizing promotional activities within the properties are being implemented to further attract customers and potential tenants.

#### (f) Tenant Concentration Risk

Generally, AmFIRST REIT has a broad mix of tenants across its properties. Nevertheless, as reported in the Tenancy Mix Analysis section, it is evident that there is a tenant concentration risk of over relying on tenants that contribute significant revenue to the Trust may pose a risk when there is an adverse event of reduction in rental rate or reduction in office space under current economic conditions.

For FY2017, our top ten tenants generated 70.1% of total rental income of which 38.9% by AmBank Group and 15.4% by Mydin Mohamed Holdings Berhad while the remaining eight tenants have a relatively lower percentage ranging from 1% to 3%.

On the contrary, AmBank Group being the main sponsor of AmFIRST REIT, and the 30 years lease with Mydin Mohamed Holdings Berhad will mitigate the risk exposure with long term and sustainable rental income. It would then be favourable and an advantage to retain the said tenants.

#### (g) Market Risk

As at 31 December 2016, there is 75.6 million sq ft of office space in Kuala Lumpur and Kuala Lumpur fringe area and the supply of office space will be further increased in 2017 and 2018 by approximately 11.7 million sq ft. Whilst in Selangor, the office space supply as at 31 December 2016 is 36.5 million sq ft, there is an impending supply of 4.5 million sq ft of office space currently being developed which is expected to complete in 2017 and 2018. The glut in office space has resulted in pressure on office rental rates due to competition from new office buildings with low occupancy. It is inevitable that competitors will drop their rental rates to attract tenants from existing buildings.

The Manager has great challenges ahead in both retaining and securing new tenants. The Manager has re-strategized and enhanced its focus to address adverse risks arising from the market over supply and stiff competition. Amongst others, the key strategy rolled out was to retain existing tenants by upgrading service level and meeting tenants needs.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)



### RISK MANAGEMENT (CONTD.)

#### (h) Operation Risk

The Manager is managing nine (9) buildings which makes up the asset portfolio. Apart from building structures, these buildings require constant attention on air-conditioning system, escalators where it is operational, elevators, CCTV system and fire-fighting system. Inherently as these equipment and machineries comprise of mechanical and electrical components, there are inherent risks associated with them. Mechanical and electrical components can be faulty during its use due to wear and tear. This would have an impact on both of its functionality and safety.

The Manager mitigates the risk by appointing appropriate and competent specialists to ensure that proper planned maintenance is undertaken accordingly. Approved annual budgets for maintenance and where required, replacements or asset enhancement are provided for to address operations requirement. There have been asset enhancements carried out for some of the buildings where deemed required.

#### (i) Regulatory and Compliance Risk

The Manager is licensed under Capital Markets & Services Act 2013, hence, it is subject to strict adherence of the requirements of the Act as well as Securities Commission's REIT Guidelines. In addition, as the Manager is a subsidiary of a financial institution, namely, AmBank Group, it is also subject to regulatory requirements of Bank Negara Malaysia. There is great emphasis of compliance on various regulations such as anti-money laundering, personal data protection, securities trading, anti-corruption, amongst others.

It is pertinent that an effective framework and resources must be in place to ensure regulatory requirements are complied with. The dedicated Compliance & Risk Unit was established to address related compliance risks. The Unit is responsible and tasked in advocating appropriate compliance culture among the Management team as well as service providers who have dealings with AmFIRST REIT. The Manager's compliance culture is further strengthened and mitigated by appropriate oversight role, guidance and resources by AmBank's Group Compliance as well as Operational Risk Departments.

### PROSPECTS

The commercial office and retail market will continue to face mounting headwind, especially for properties located within the Klang Valley. The main challenge ahead for the Manager is to further improve the occupancy in some of the properties within the portfolio, be it via tenants' retention or the addition of new tenancies. Mindful of the competitive environment in the commercial office and retail market, the Manager will continue to strengthen operational initiatives and step up leasing efforts in our bid to increase service levels and improve occupancy of the properties under the Trust's portfolio. We will continue to pursue strategies which have worked for the Trust and modify or change alternative approach to replace those which have yielded less favourable results.

Arising from the above experience, we foresee that the office portfolio in AmFIRST REIT's portfolio will face increasingly daunting challenges ahead. On a brighter note, we expect the occupancy at The Summit Retail Mall to continue its upward trend, while we are hopeful to finally achieve breakthroughs for our Cyberjaya assets. The Trust's property in Melaka continues to enjoy almost full occupancy and we remain positive that this trend will continue.

Barring any unforeseen circumstances, we expect the Trust to deliver an improved performance for the financial year ending 31 March 2018, supported by the higher occupancy of the properties portfolio.



# BOARD OF DIRECTORS



Soo Kim Wai, a Malaysian, Male, aged 56, was appointed to the Board of Am ARA REIT Managers Sdn Bhd, the Manager of AmFIRST Real Estate Investment Trust ("AmFIRST REIT") on 19 August 2015. He is also a Member of the Manager's Audit Committee of Directors.

Mr Soo is currently the Group Managing Director of Amcorp Group Berhad. He joined Amcorp Group Berhad in 1989 as Senior Manager of Finance, and has since held various senior positions before he was promoted to his current appointment. Prior to that, he was attached with Plantation Agencies Sdn Bhd from 1985 to 1989 and in the accounting profession for five (5) years with Deloitte KassimChan from 1980 to 1985.

Mr Soo sits on the boards of AMMB Holdings Berhad, RCE Capital Berhad, Amcorp Properties Berhad and other private limited companies as well as foreign companies. He is also a Board Member of British Malaysian Chamber of Commerce.

Mr Soo is a Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is also a Fellow of The Certified Practising Accountant, Australia and the Association of Chartered Certified Accountants, United Kingdom.



Dato' Wong Nam Loong, a Malaysian, Male, aged 67, was appointed to the Board of Am ARA REIT Managers Sdn Bhd, the Manager for AmFIRST Real Estate Investment Trust ("AmFIRST REIT") on 15 August 2016. He is also the Chairman of the Manager's Audit Committee of Directors.

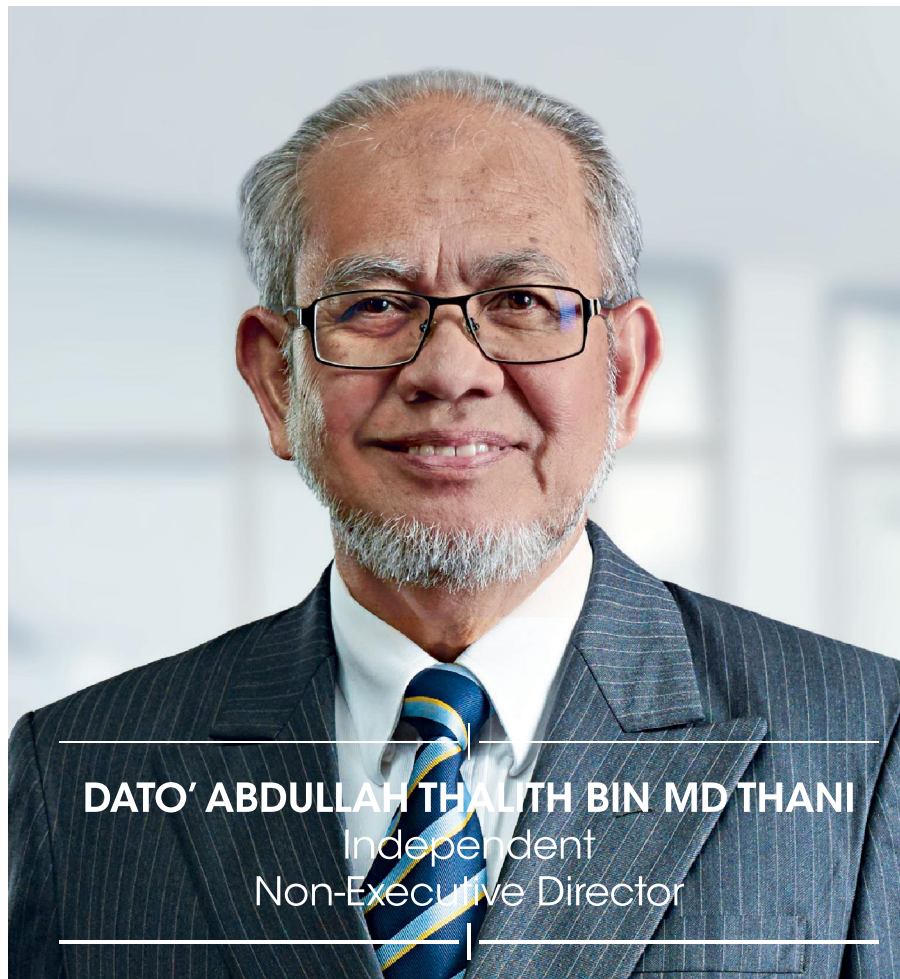
Dato' Wong is currently the Managing Director of Temasya Mentari Sdn Bhd, Richmond Crescent Sdn Bhd, The Esquire Kitchen Sdn Bhd, and the Executive Director of Canggih Pesaka Sdn Bhd. Prior to that, he was a Managing Director of Homestake Development Sdn Bhd from 1976 to 1985, Desa Permai Sdn Bhd from 1986 to 1989. Executive Director of Scientex-Quatari (M) Sdn Bhd from 1990 to 2003, Scientex Development Sdn Bhd from 1991 to 1995, Arab-Malaysian Scientex Development Sdn Bhd from 1993 to 1996, Rising Heights Development Sdn Bhd from 2004 to 2009 and Tri-Ivory Assets Sdn Bhd from 2008 to 2011.

Dato' Wong started his career with Messrs Shook, Lin & Bok as an Advocate and Solicitor where he was given numerous assignments including taking charge of Bandaraya Development Berhad's project in Bangsar. Dato' Wong is the co-founder of Messrs Wong, Fadzil Omar & Co, which had managed to be appointed to the panels of some of the leading banks in Malaysia.

Dato' Wong holds a Degree of an Utter Barrister from Lincoln's Inn, London and was called to the English Bar in 1972 after completing the post final examination. He was then called to the Malaysian Bar on 21 February 1973.



## BOARD OF DIRECTORS (CONTD.)



Dato' Abdullah Thalith bin Md Thani, a Malaysian, Male, aged 62, was appointed to the Board of Am ARA REIT Managers Sdn Bhd, the Manager for AmFIRST Real Estate Investment Trust ("AmFIRST REIT") on 15 August 2016. He is also a member of the Manager's Audit Committee of Directors.

Dato' Abdullah joined the Valuation and Property Services Department, Ministry of Finance as a Valuation Officer in May 1978. Along the line, he had been elevated as District Valuer, State Director, Director of INSPEN (the training arm of the department), Director of National Property Information Centre (NAPIC) and Deputy Director General. During his tenure, his major and significant contribution was the setting up of NAPIC in 1999 where he was the first director and had presented a number of papers at property forum and seminars, both local and abroad. His last position was as the Director-General of the Department from February 2006 prior to his retirement in November 2012.

Dato' Abdullah sits on the board of Amway (Malaysia) Holdings Berhad. He has served on the boards of Syarikat Perumahan Negara Berhad, Syarikat Usahasama SPNB-LTAT Sdn Bhd, SPNB Mesra Sdn Bhd and SPNB Dana Sdn Bhd.

Dato' Abdullah graduated with a Degree in B. Surveying (Property Management) from Universiti Teknologi Malaysia and Master of Science (Business Studies) from University of Salford.



YM Raja Teh Maimunah binti Raja Abdul Aziz, a Malaysian, Female, aged 49, was appointed to the Board of Am ARA REIT Managers Sdn Bhd, the Manager of AmFIRST Real Estate Investment Trust ("AmFIRST REIT") on 21 March 2017.

YM Raja Teh Maimunah was appointed as Chief Executive Officer of AmInvestment Bank Berhad on 7 February 2017 and is also the Managing Director of Wholesale Banking of AmBank Group.

Prior to joining AmBank Group, she was the Managing Director/CEO of Hong Leong Islamic Bank. She started her career with KPMG Peat Marwick Consultants and then moved in to banking and finance. Among the senior positions she has held are Global Head, Islamic Markets of Bursa Malaysia, Chief Corporate Officer & Head, International Business, Corporate & Investment Banking of Kuwait Finance House (Malaysia), Senior Director of Bank Alkhair, Kuala Lumpur, Associate Director at CIMB Investment Bank and Senior Vice President, Investment Banking of RHB Investment Bank.

YM Raja Teh Maimunah Raja Abdul Aziz has 20 years of experience in banking and finance, across all product groups of investment banking and Islamic banking including equity and debt origination, mergers and acquisition, private placements, proprietary investments, initial public offerings and secondary offerings, asset backed securitisation, debt and restructuring.

YM Raja Teh Maimunah is the Adviser on Islamic Banking and Finance to the World Islamic Economic Forum Foundation, a member of the Islamic Finance Committee for the Malaysian Institute of Accountants, a Board member of Islamic Banking and Finance Institute Malaysia and a member of the Social Impact Committee, Agensi Inovasi Malaysia.

YM Raja Teh Maimunah has received various awards and accolades including the 'Most Influential Brand Leader' from World Brand Congress in 2016 and 'Most Enterprising Islamic Bank Women CEO of the Year 2016' by Global Brands Magazine.

She holds a Bachelor of Laws LL.B (Hons) from University of East London, United Kingdom. She was awarded an Honorary Doctorate of Laws from University of East London, United Kingdom.



**BOARD OF DIRECTORS (CONTD.)**

Kong Tai Meng Thomas, a Singaporean, Male, aged 45, was appointed to the Board of Am ARA REIT Managers Sdn Bhd, the Manager of AmFIRST Real Estate Investment Trust ("AmFIRST REIT") on 28 January 2016.

Mr Thomas Kong is currently the Chief Executive Officer of ARA Harmony Fund III (Malaysia Malls), Straits Investment Partners and ARA Summit Development Fund I. He joined ARA Asset Management Limited Group ("ARA Group") in October 2004 as Manager of Business Development, and has since held various senior positions before he was promoted to his current position.

Mr Thomas Kong was actively involved in setting up the ADF I and had held various key positions including Investment Director and Portfolio Management Director in the ADF. Prior to that, he was the Fund Manager for Al Islamic Far Eastern Real Estate Fund, which was fully divested in 2007. He was also actively involved in the listing of Prosperity REIT in Hong Kong and AmFIRST REIT in Malaysia in 2005 and 2006, respectively.

Mr Thomas Kong started his career with Wing Tai Group, a listed real estate developer based in Singapore in 1996. Prior to joining ARA Group, Mr Thomas Kong was attached with CapitaLand Group, one of the largest listed real estate developers in Southeast Asia from 2000 to 2004, in investments, business development and asset management, with the last position as Vice President of TCC Capital Land Limited, a joint venture between CapitaLand Group and T.C.C. Limited, a Thai conglomerate group.

Mr Thomas Kong holds a Bachelor of Business Degree (Financial Analysis) from Nanyang Technological University, Singapore. He is also a CFA Charterholder.



Wong Khim Chon, a Malaysian, Male, aged 57, was appointed to the Board of Am ARA REIT Managers Sdn Bhd ("Am ARA"), the Manager for AmFIRST Real Estate Investment Trust ("AmFIRST REIT") on 8 January 2015. He is currently the Chief Executive Officer of Am ARA.

Mr Wong has more than thirty (30) years of experience in the real estate industry, in areas of building and civil construction, property development, project management and property management, including property related asset management for a life insurance company.

Prior to joining Am ARA, he was attached with Hap Seng Land Sdn Bhd, a wholly owned subsidiary of Hap Seng Consolidated Berhad, a well-diversified public listed group of companies with business activities in both East and Peninsular Malaysia as Senior General Manager, Property from 2010 to 2014. He was the Head of Property Management and Leasing Department, responsible for the group's investment properties in Peninsular Malaysia, in addition to overseeing the Sales and Marketing Department for commercial and residential properties in the Property Development Business Unit.

Mr Wong held the post of Vice Chairman of the Management Board of The Malaysian REIT Managers Association (MRMA) in 2016.

Mr Wong holds a Master of Business Administration from University of Strathclyde, Glasgow, Scotland, a Bachelor of Engineering (Hons) in Civil Engineering from University of Malaya, and a Certified Diploma in Accounting and Finance of The Association of Chartered Certified Accountants, United Kingdom.



# SENIOR MANAGEMENT TEAM



Please refer to page 31 under the Board of Directors of this Annual Report.



Encik Zuhairy bin Md Isa joined Am ARA on 15 April 2008 as the Head, Asset Management where he was responsible for overseeing property management, marketing and leasing and the implementation of organic growth strategies to enhance the performance of AmFIRST REIT's portfolio as well as planning and implementing the asset enhancement initiatives.

On 1 August 2013, he was appointed as the Acting Chief Executive Officer ("CEO") of Am ARA and responsible for the strategic direction, investment objectives and operations of AmFIRST REIT and Am ARA as well as overseeing the roles as the Head, Asset Management.

On 8 January 2015, he was redesignated to Deputy CEO of the Manager overseeing the asset management and investment portfolios.

Encik Zuhairy has more than fifteen (15) years of related working experience prior to joining Am ARA. His last position was Assistant Vice- President II with MIDF Property Berhad, heading the Leasing and Marketing Department for Klang Valley region. He was also responsible in handling the land development matters throughout Malaysia as well as Indonesia. He also served as a director for the subsidiaries involved in logistics in Malaysia and property development in Indonesia, namely MIEL Logistics Sdn Bhd and PT Miel Nusantara Development.

Encik Zuhairy held the Chairmanship of The Summit Subang USJ Management Corporation ("MC") from 2012 to 2017. Presently, he is the elected Council Member of the MC, spearheading the management, operations and also the planned repositioning of the mall. He was the Vice Chairman of The Malaysian REIT Managers Association (MRMA) for 2014 and 2015.

He graduated from the University of Newcastle Upon-Tyne, United Kingdom with Postgraduate Diploma and Bachelor of Arts (Hons) Degree, both in Town Planning.



## SENIOR MANAGEMENT TEAM (CONTD.)



**CHONG HONG CHUON**  
Chief Financial Officer

Mr Chong Hong Chuon joined Am ARA on 2 November 2015 as the Chief Financial Officer. He is overall in charge of the full spectrum of financial matters relating to AmFIRST REIT and this includes financial and management reporting, capital management, treasury and taxation.

Mr Chong started his career as an auditor and has over eighteen (18) years of extensive financial and management accounting experience in real estate industry particularly real estate investment trust. His last position was General Manager, Finance of Tropicana Corporation Berhad. Prior to joining Tropicana Corporation Berhad, he was the Head, Finance of Am ARA and Group Financial Controller of GLM REIT Management Sdn Bhd.

He holds a Master of Science in Financial Management from The Robert Gordon University, United Kingdom and is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and member of the Malaysian Institute of Accountants.



**HEONG KIM MENG**  
Vice President 1, Marketing & Leasing,  
Asset Management

Mr Heong Kim Meng joined Am ARA on 6 June 2014, Head, Asset Management. He is primarily responsible for the properties management, marketing and leasing of properties as well as planning and implementation of asset enhancement initiatives. In June 2016, he became Head of Marketing & Leasing as Management restructured the Asset Management into Operation and Marketing & Leasing separately, to streamline and meeting strategic needs.

He has more than ten (10) years of related working experience prior to joining Am ARA. His last position was General Manager of Kwong Hing Group. He was responsible for group operation and administration, mainly involved in properties management, marketing and leasing of properties and properties investment.

He is an Associate Member of The Chartered Institute of Management Accountants, United Kingdom. He is also a Member of The Malaysian Institute of Accountants.



## SENIOR MANAGEMENT TEAM (CONTD.)



Mr Ong Boon Hock joined Am ARA on 15 June 2016 as Vice President of Operations Asset Management.

He is primarily responsible for the property management which includes directly overseeing and setting service levels for the Property Managers. He also plans and implements the asset enhancement activities. He was also appointed as the Chairperson of the Occupational Safety and Health (OSH) Committee of Menara AmFIRST.

He has over twenty one (21) years of related working experience prior to joining Am ARA. Prior to joining Am ARA, he was attached to a local Property Consultant company as a General Manager. Formerly, he was with Hap Seng Land Sdn Bhd, part of Hap Seng Consolidated Berhad Group. He also briefly held the post of Centre Manager of Subang Parade while in Hektar REIT.

He spent his career in developing his professional knowledge in Property Management particularly in Shopping Mall Management including holding a Complex Manager's post while he was with an international property consultant firm, DTZ Nawawi Tie Leung Property Consultants Sdn Bhd. He studied in the field of Institute of Chartered Secretaries and Administrators and Marketing.



Mr Jayasuraes Naidu a/l Subramaniam joined Am ARA on 4 May 2015 as Vice President of Compliance & Risk. He is primarily responsible for compliance and risk management activities of Am ARA. He has twenty (20) years of related working experience prior to joining Am ARA.

Apart from specialized knowledge and skills in compliance, auditing and risk management, he too had an opportunity to lead management and its operations regionally in his previous employment. The combination of experiences that he has gained over the years greatly contributes to current organization and in discharging his current role.

He began his career with Arthur Andersen & Co., as an external Auditor in the public accounting firm and later pursued his interest in internal audit function with IGB Corporation Berhad ("IGB"). He was one of the key members in the Group Internal Audit team in IGB during its initial establishment and implementation of internal audit function.

Prior to joining Am ARA, he was attached with Turiya Technologies Pte Ltd, a semiconductor company based in Singapore. He was the Head of Finance and Risk Management for the Singapore Group of Companies. He was later promoted to General Manager to helm the Singapore and China Operations.

He holds a Bachelor Degree in Accountancy (Hons) from University Putra Malaysia and is a Certified Internal Auditor. He is currently a Member of The Malaysian Institute of Accountants and Institute of Internal Auditors Malaysia.



## SENIOR MANAGEMENT TEAM (CONTD.)



Ms Carrie Chua Mooi Chu joined Am ARA in October 2008. Ms Carrie Chua is responsible for the marketing and leasing of space involving negotiating with new and existing tenants and property management of the AmFIRST REIT's portfolios.

In addition, she oversees the property management aspects in the delivery of tenant care and services and has the responsibility to maximize tenant retention, loyalty and satisfaction.

She has more than fifteen (15) years of extensive real estate experience in various aspect of real estate management, ranging from sales and marketing, and managing retail mall. She has worked in several public listed companies, handled a variety of responsibilities in the areas of development, sales and marketing, leasing of various types of property development and retail management.

She holds an London Chamber of Commerce and Industry ("LCCI") in Business Accounting and Diploma in Secretarial from Systematic College.



En Abdul Rahman bin Mohd Joned joined Am ARA in June 2007 as Assistant Manager, Finance and subsequently promoted to Vice President 2, Finance. He is responsible for financial and management reporting, credit control, capital management and treasury of AmFIRST REIT and assist in investor relation matters.

He has more than ten (10) years of related working experience prior to joining Am ARA. His last position was Assistant Accountant with Chase Perdana Berhad, a public listed company, responsible for the preparation of financial and management reports of the company and its subsidiaries.

He started his career as an Auditor with Abu Bakar Rajudin & Co. and involved in auditing, accounting, taxation, secretarial and due diligence works.

He was graduated from Universiti Teknologi MARA with a Degree in Accountancy (Hons). He is also a member of The Malaysian Institute of Accountants.



Sr. Anuar bin Husin joined Am ARA on 10 January 2010 as Manager, Property Management and promoted to Senior Manager on 1 April 2014. He began his career in 2002 as a Valuer with MN Associates Sdn Bhd, undertaken real estate valuations relating to mortgages, insurance and for auction purposes. In 2003, he joined Raine & Horne International Zaki & Partners Sdn Bhd as Senior Valuer at its Subang Jaya branch. He later left to join Malaysia Building Society Berhad ("MBSB") as its Senior Property Executive and was responsible for the management and maintenance of MBSB's property assets nationwide as well as the setup of new branches until he left in early 2007.

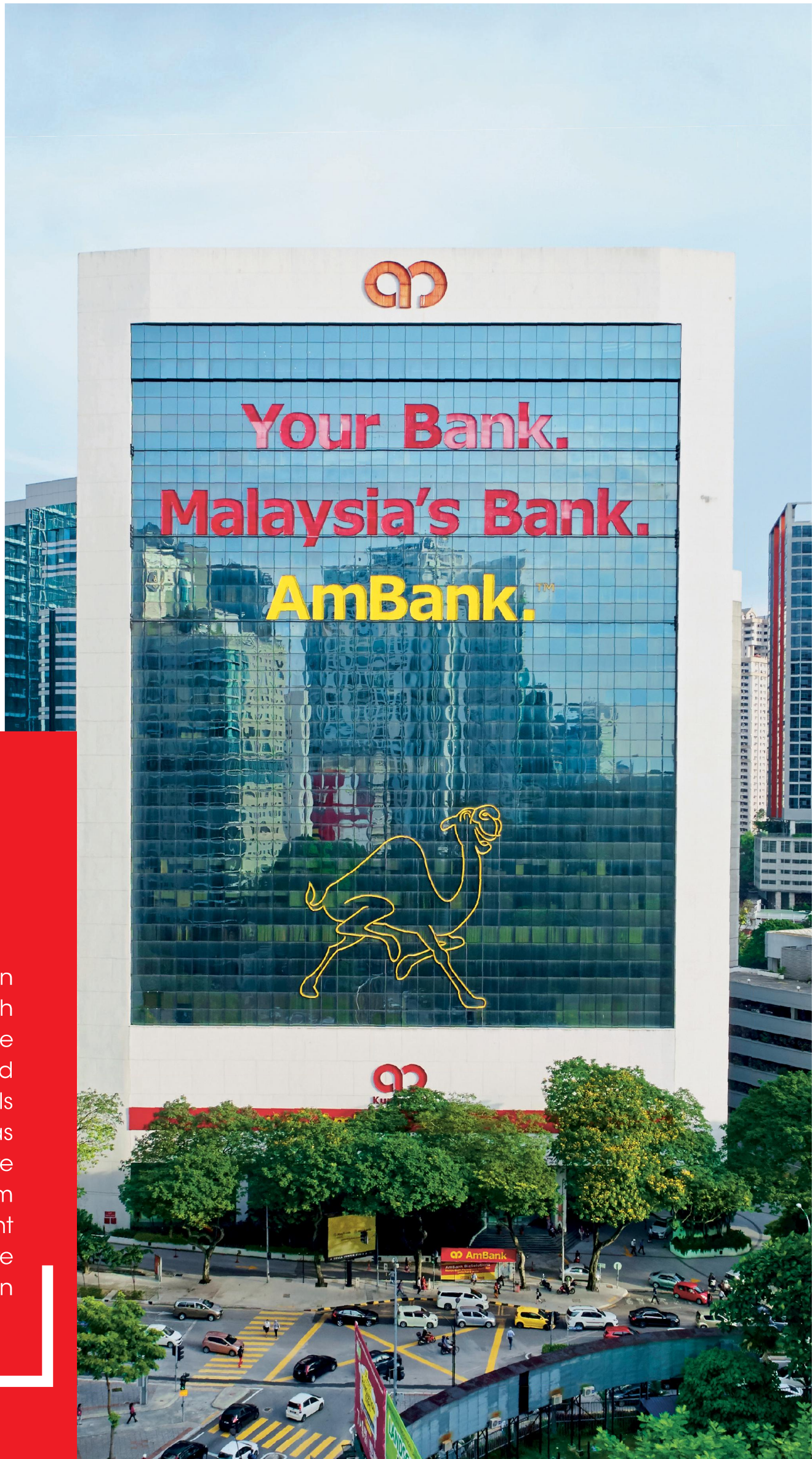
Currently, he reports to the Head of Operations and is responsible for overseeing AmFIRST REIT's investment properties in relation to operational matters, safety and health matters. He is also appointed as Operational Control Coordinator (OCC) that covers Risk Management's spectrum under Asset Management Department.

He directly supervises the Property Managers of AmFIRST REIT's investment portfolios. He also participates actively in AmFIRST REIT's asset enhancement projects which include coordinating and evaluating tenders.

He holds both a Master in Property Investment and a Bachelor of Science (Hons) in Estate Management from Universiti Teknologi MARA. He is currently holding professional memberships with the Royal Institute Surveyors Malaysia (RISM), The Malaysian Institute of Professional Property Managers (MIPPM) and also a Probationary Valuer (PV 1840) under the Board of Valuers, Estate Agents and Appraisers Malaysia (BOVEA).



# ASSET PROFILE



## BANGUNAN AmBANK GROUP (“BAG”)

Bangunan AmBank Group is situated within an established commercial area which comprises of mainly purpose-built office buildings, high-end condominiums and serviced apartments, international hotels and prime shopping complexes as well as embassy offices. Kuala Lumpur City Centre (“KLCC”) is located a short distance from Bangunan AmBank Group. Other prominent landmarks located within the vicinity are The Kuala Lumpur Tower, Forest Information Centre and Muzium TELEKOM.

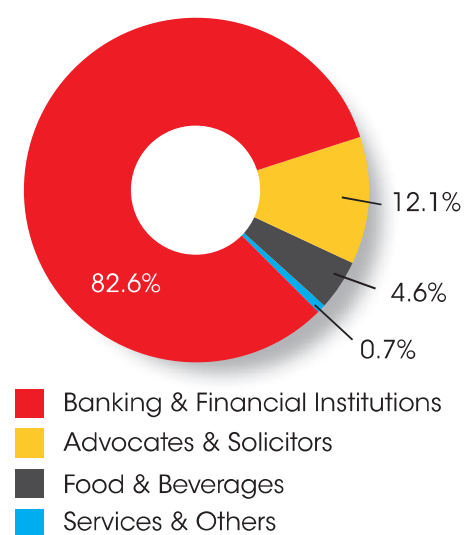


## ASSET PROFILE (CONTD.)

DETAILS OF PROPERTY	
ADDRESS	Bangunan AmBank Group No. 55, Jalan Raja Chulan 50200 Kuala Lumpur
DESCRIPTION OF PROPERTY	26-storey office building comprising of a 21-storey office tower block, a 1-level cafeteria, gymnasium and a multi-purpose hall, 4-upper level car park and 3-basement car park
LAND TITLE	Title No. Pajakan Negeri 4512 Lot No. 1200 Section 57 Town and District of Kuala Lumpur State of Federal Territory of Kuala Lumpur
TENURE	Leasehold 99 years expiring on 3 June 2084 (unexpired term of approximately 67 years)
ENCUMBRANCES	Nil
YEAR OF COMPLETION	1987
AGE OF BUILDING	30 years
NET LETTABLE AREA	360,166 sq ft
EXISTING USE	Commercial Office
CAR PARK	522 bays
NUMBER OF TENANTS	6
DATE OF ACQUISITION	21 December 2006
ACQUISITION COST	RM180.1 million
LATEST REVALUATION	RM259.0 million *
DATE OF REVALUATION	20 February 2017
OCCUPANCY RATE	99.6% *
GROSS REVENUE	RM24.0 million #
NET RENTAL INCOME	RM17.4 million #
MAJOR CAPITAL EXPENDITURE	RM0.7 million #
AVERAGE TENANCY PERIOD	3 years
VALUER	Messrs Rahim & Co Chartered Surveyors Sdn Bhd
MAJOR TENANTS	AmBank Group Shook Lin & Bok Syed Alwi, Ng & Co.
PROPERTY MANAGER	Knight Frank Malaysia Sdn Bhd

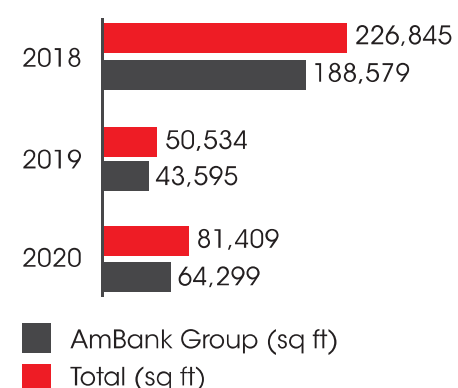
## TENANTS' TRADE MIX ANALYSIS

Category	sq ft	%
Banking & Financial Institutions	296,473	82.6
Advocates & Solicitors	43,407	12.1
Food & Beverages	16,330	4.6
Services & Others	2,578	0.7
<b>Total</b>	<b>358,788</b>	<b>100.0</b>



## TENANCY EXPIRY PROFILE

FY	AmBank Group (sq ft)	%	Total (sq ft)	%
2018	188,579	83.1	226,845	63.2
2019	43,595	86.3	50,534	14.1
2020	64,299	79.0	81,409	22.7
<b>TOTAL</b>	<b>296,473</b>	<b>82.6</b>	<b>358,788</b>	<b>100.0</b>



\* As at 31 March 2017

# For FY2017

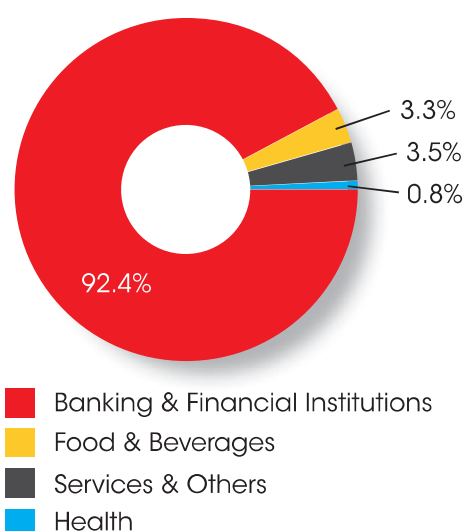


## ASSET PROFILE (CONTD.)

DETAILS OF PROPERTY	
ADDRESS	Menara AmBank, No.8, Jalan Yap Kwan Seng 50450 Kuala Lumpur
DESCRIPTION OF PROPERTY	46-storey office building comprising a 38-storey office tower block, a 1-level canteen and a 7-level car park
LAND TITLE	Title No. Geran 52468 Lot No. 140, Section 44 Town and District of Kuala Lumpur State of Federal Territory of Kuala Lumpur
TENURE	Freehold
ENCUMBRANCES	Lien Holder's Caveat
YEAR OF COMPLETION	1997
AGE OF BUILDING	20 years
NET LETTABLE AREA	458,187 sq ft
EXISTING USE	Commercial Office
CAR PARK	776 bays
NUMBER OF TENANTS	9
DATE OF ACQUISITION	21 December 2006
ACQUISITION COST	RM230.2 million
LATEST REVALUATION	RM318.8 million *
DATE OF REVALUATION	22 February 2017
OCCUPANCY RATE	90.5% *
GROSS REVENUE	RM24.8 million #
NET RENTAL INCOME	RM15.8 million #
MAJOR CAPITAL EXPENDITURE	RM5.2 million #
AVERAGE TENANCY PERIOD	1 - 3 years
VALUER	Messrs Rahim & Co Chartered Surveyors Sdn Bhd
MAJOR TENANTS	AmBank Group Mongoose Publishing (M) Sdn Bhd
PROPERTY MANAGER	Knight Frank Malaysia Sdn Bhd

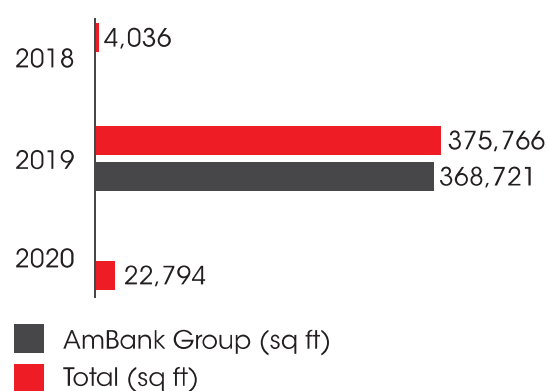
### TENANTS' TRADE MIX ANALYSIS

Category	sq ft	%
Banking & Financial Institutions	372,061	92.4
Food & Beverages	13,429	3.3
Services & Others	14,101	3.5
Health	3,005	0.8
<b>Total</b>	<b>402,596</b>	<b>100.0</b>

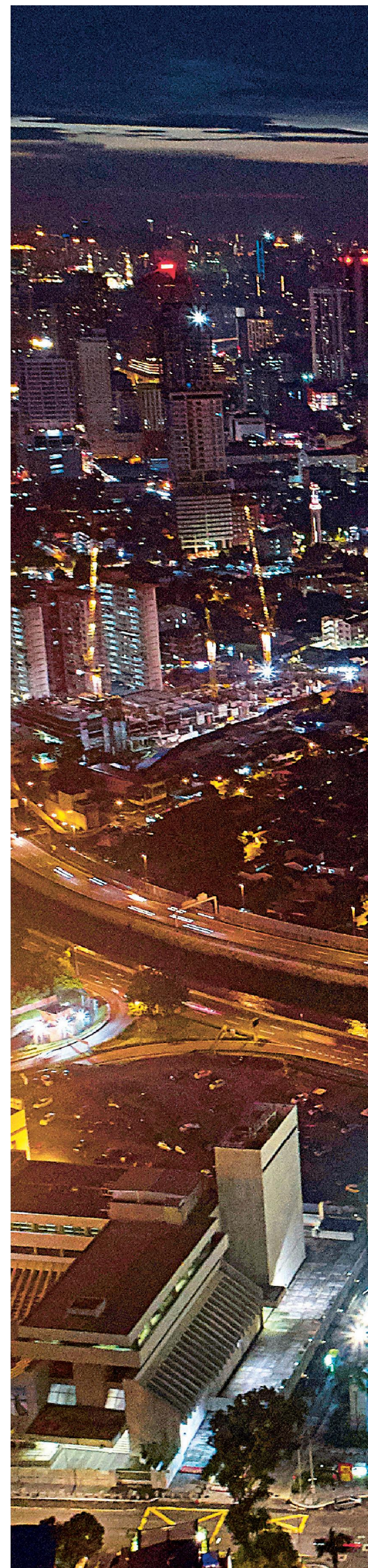


### TENANCY EXPIRY PROFILE

FY	AmBank Group (sq ft)	%	Total (sq ft)	%
2018	-	-	4,036	1.0
2019	368,721	98.1	375,766	93.3
2020	-	-	22,794	5.7
<b>TOTAL</b>	<b>368,721</b>	<b>91.6</b>	<b>402,596</b>	<b>100.0</b>



\* As at 31 March 2017  
# For FY2017





## ASSET PROFILE (CONTD.)



### MENARA AmBank ("MAB")

Menara AmBank is situated along Jalan Yap Kwan Seng and is within the walking distance from Kuala Lumpur City Centre ("KLCC"). It is easily accessible from Jalan Ampang or also Jalan Tun Razak. It is located within a densely developed area of predominantly commercial buildings within the Golden Triangle of Kuala Lumpur.



## ASSET PROFILE (CONTD.)



### MENARA AmFIRST ("MA")

Menara AmFIRST is a landmark building within Petaling Jaya, as it is the tallest building within the vicinity. It is easily accessible from Kuala Lumpur City Centre via Federal Highway and Lebuhraya Damansara - Puchong. It is also accessible from Kuala Lumpur via Jalan Duta, Jalan Semantan in Damansara and The Sprint Highway.





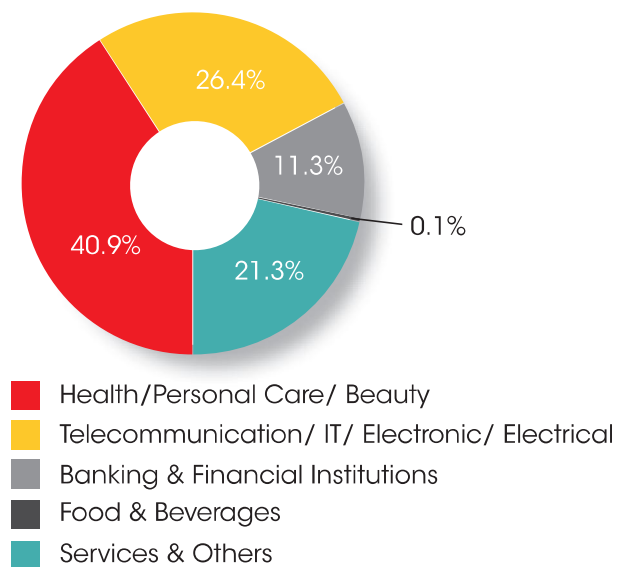
## ASSET PROFILE (CONTD.)

## DETAILS OF PORPERTY

ADDRESS	Menara AmFIRST No. 1, Jalan 19/3 46300 Petaling Jaya Selangor Darul Ehsan	
DESCRIPTION OF PROPERTY	22-storey purpose-built office building comprising a 3-level basement car park	
LAND TITLE	Title No. HSM 9104 PT No 29649 Mukim of Sungai Buluh District of Petaling State of Selangor	
TENURE	Freehold	
ENCUMBRANCES	Lien Holder's Caveat	
YEAR OF COMPLETION	1994	
AGE OF BUILDING	23 years	
NET LETTABLE AREA	156,369 sq ft	
EXISTING USE	Commercial Office	
CAR PARK	324	
NUMBER OF TENANTS	21	
DATE OF ACQUISITION	21 December 2006	
ACQUISITION COST	RM57.1 million	
LATEST REVALUATION	RM72.5 million *	
DATE OF REVALUATION	23 February 2017	
OCCUPANCY RATE	62.0% *	
GROSS REVENUE	RM5.8 million #	
NET RENTAL INCOME	RM3.3 million #	
MAJOR CAPITAL EXPENDITURE	RM0.8 million #	
AVERAGE TENANCY PERIOD	1-3 years	
VALUER	Messrs Rahim & Co Chartered Surveyors Sdn Bhd	
MAJOR TENANTS	KAO (M) Sdn Bhd	JVC Kenwood Malaysia Sdn Bhd
	Perfect Pentagon Sdn Bhd	Asatsu-DK (Malaysia) Sdn Bhd
	Locus-T Online Sdn Bhd	MTrustee Bhd
PROPERTY MANAGER	Savills (Malaysia) Sdn Bhd	

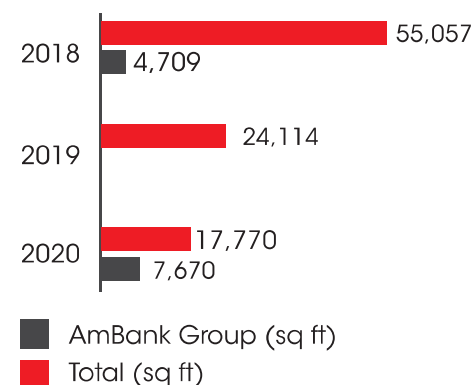
## TENANTS' TRADE MIX ANALYSIS

Category	sq ft	%
Health/Personal Care/Beauty	39,641	40.9
Telecommunication/ IT/ Electronic/ Electrical	25,601	26.4
Banking & Financial Institutions	10,922	11.3
Food & Beverages	130	0.1
Services & Others	20,646	21.3
<b>Total</b>	<b>96,940</b>	<b>100.0</b>



## TENANCY EXPIRY PROFILE

FY	AmBank Group (sq ft)	%	Total (sq ft)	%
2018	4,709	8.6	55,057	56.8
2019	-	-	24,114	24.9
2020	7,670	43.2	17,770	18.3
<b>TOTAL</b>	<b>12,379</b>	<b>12.8</b>	<b>96,940</b>	<b>100.0</b>



\* As at 31 March 2017  
# For FY2017

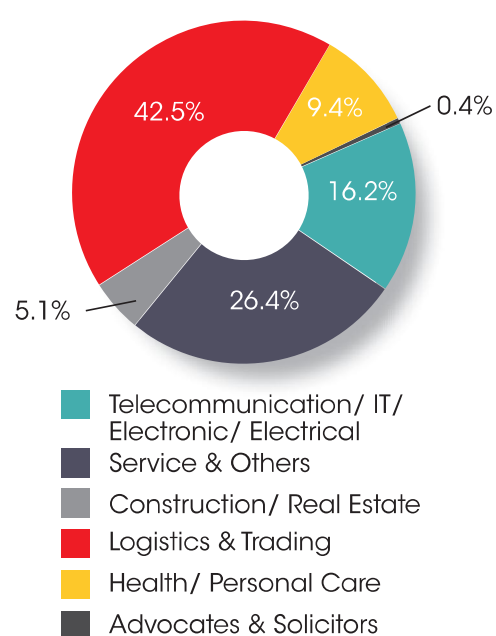


## ASSET PROFILE (CONTD.)

DETAILS OF PROPERTY	
ADDRESS	Wisma AmFIRST Jalan SS 7/15 (Jalan Stadium) 47301 Kelana Jaya Selangor Darul Ehsan
DESCRIPTION OF PROPERTY	16-storey office building comprising of 2 towers, a 5-storey podium block and 1-level basement car park and a 1-level cafeteria
LAND TITLE	Title No. HSM 8547 Lot No. PT 5135 Mukim of Damansara District of Petaling State of Selangor Darul Ehsan
TENURE	Leasehold of 99 years expiring on 19 February 2094 (unexpired term of approximately 77 years)
ENCUMBRANCES	Lien Holder's Caveat
YEAR OF COMPLETION	2001
AGE OF BUILDING	16 years
NET LETTABLE AREA	284,499 sq ft
EXISTING USE	Commercial Office
CAR PARK	645
NUMBER OF TENANTS	26
DATE OF ACQUISITION	21 June 2007
ACQUISITION COST	RM86.1 million
LATEST REVALUATION	RM114.0 million *
DATE OF REVALUATION	8 February 2017
OCCUPANCY RATE	78.6% *
GROSS REVENUE	RM9.2 million #
NET RENTAL INCOME	RM5.2 million #
MAJOR CAPITAL EXPENDITURE	RM0.2 million #
AVERAGE TENANCY PERIOD	1 - 3 years
VALUER	Messrs Cheston International (KL) Sdn Bhd
MAJOR TENANTS	Kimberly-Clark Trading (M) Sdn Bhd Suruhanjaya Pengangkutan Awam Darat KFM Holdings Sdn Bhd
PROPERTY MANAGER	Savills (Malaysia) Sdn Bhd

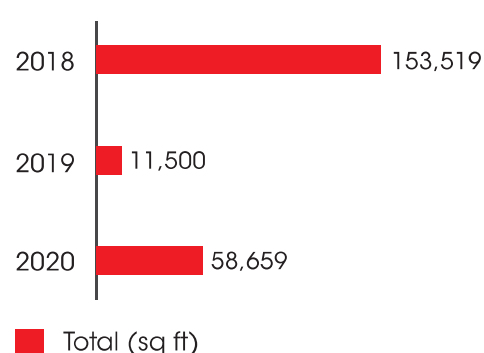
### TENANTS' TRADE MIX ANALYSIS

Category	sq ft	%
Telecommunication/ IT/ Electronic/ Electrical	36,142	16.2
Service & Others	59,021	26.4
Construction/ Real Estate	11,400	5.1
Logistics & Trading	95,015	42.5
Health/ Personal Care	21,100	9.4
Advocates & Solicitors	1,000	0.4
<b>Total</b>	<b>223,678</b>	<b>100.0</b>



### TENANCY EXPIRY PROFILE

FY	Total (sq ft)	%
2018	153,519	68.6
2019	11,500	5.1
2020	58,659	26.2
<b>TOTAL</b>	<b>223,678</b>	<b>100.0</b>



\* As at 31 March 2017  
# For FY2017





## ASSET PROFILE (CONTD.)



### WISMA AmFIRST ("WA")

Wisma AmFIRST is located within SS7 Kelana Jaya, an established mixed development area. It is easily accessible from Kuala Lumpur City Centre via North-Klang Expressway, Lebuhraya Damansara-Puchong and Federal Highway. Located in the immediate vicinity is the Kelana Jaya Park, MBPJ Stadium, MBPJ Swimming Pool Complex and Kelana Jaya Sports Centre, shopping centres such as Paradigm Mall, Giant Kelana Jaya Hypermarket, The Curve, Evolve Concept Mall, Citta Mall and 1 Utama Shopping Centre are located within a short distance.



## ASSET PROFILE (CONTD.)



### PRIMA 9

Prima 9 is located in Cyberjaya which is known as the largest Multimedia Super Corridor Cybercity. It is easily accessible from Putrajaya - Cyberjaya Expressway and is located about 38 kilometres to the south-west of Kuala Lumpur City Centre. About 200 other multinationals have invested and relocated within Cyberjaya.



## ASSET PROFILE (CONTD.)

DETAILS OF PROPERTY	
ADDRESS	Prima 9, Prima Avenue II, Block 3547 Persiaran Apec 63000 CyberJaya Selangor Darul Ehsan
DESCRIPTION OF PROPERTY	A 7-storey office tower with 2 levels of basement car park
LAND TITLE	Title No. GRN 207783 Lot 23582 Mukim of Dengkil District of Sepang State of Selangor Darul Ehsan
TENURE	Freehold
ENCUMBRANCES	Nil
YEAR OF COMPLETION	2009
AGE OF BUILDING	8 years
NET LETTABLE AREA	111,224 sq ft
EXISTING USE	Commercial Office
CAR PARK	414
NUMBER OF TENANTS	Nil
DATE OF ACQUISITION	30 November 2011
ACQUISITION COST	RM72.9 million
LATEST REVALUATION	RM73.0 million *
DATE OF REVALUATION	7 February 2017
OCCUPANCY RATE	Nil *
GROSS REVENUE	Nil #
NET RENTAL INCOME	(RM0.9 million) #
MAJOR CAPITAL EXPENDITURE	Nil #
AVERAGE TENANCY PERIOD	Nil
VALUER	Messrs Cheston International (KL) Sdn Bhd
MAJOR TENANTS	Nil
PROPERTY MANAGER	Savills (Malaysia) Sdn Bhd

\* As at 31 March 2017

# For FY2017



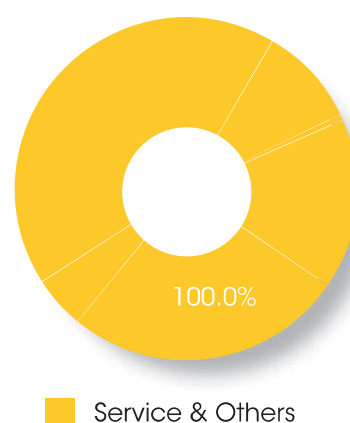


## ASSET PROFILE (CONTD.)

DETAILS OF PROPERTY	
ADDRESS	Prima 10, Prima Avenue II Block 3544, Persiaran Apec 63000 Cyberjaya Selangor Darul Ehsan
DESCRIPTION OF PROPERTY	A 7-storey office tower with 2 levels of basement car park
LAND TITLE	Title No. GRN 207774 Lot 23589 Mukim of Dengkil District of Sepang State of Selangor Darul Ehsan
TENURE	Freehold
ENCUMBRANCES	First Party Legal Charge
YEAR OF COMPLETION	2010
AGE OF BUILDING	7 years
NET LETTABLE AREA	100,272 sq ft
EXISTING USE	Commercial Office
CAR PARK	322
NUMBER OF TENANTS	1
DATE OF ACQUISITION	30 November 2011
ACQUISITION COST	RM61.7 million
LATEST REVALUATION	RM66.3 million *
DATE OF REVALUATION	7 February 2017
OCCUPANCY RATE	60.1% *
GROSS REVENUE	RM3.8 million #
NET RENTAL INCOME	RM2.7 million #
MAJOR CAPITAL EXPENDITURE	RM0.5 million #
AVERAGE TENANCY PERIOD	5 years
VALUER	Messrs Cheston International (KL) Sdn Bhd
MAJOR TENANTS	RBC Investor Services (Malaysia) Sdn Bhd
PROPERTY MANAGER	Savills (Malaysia) Sdn Bhd

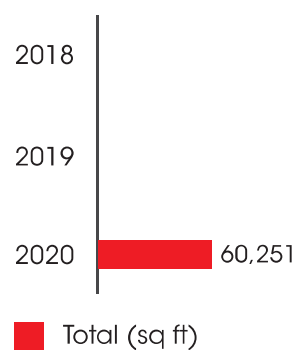
### TENANTS' TRADE MIX ANALYSIS

Category	sq ft	%
Service & Others	60,251	100.0
<b>Total</b>	<b>60,251</b>	<b>100.0</b>



### TENANCY EXPIRY PROFILE

FY	Total (sq ft)	%
2018	-	-
2019	-	-
2020	60,251	100.0
<b>TOTAL</b>	<b>60,251</b>	<b>100.0</b>



\* As at 31 March 2017  
# For FY2017





## ASSET PROFILE (CONTD.)



### PRIMA 10

Prima 10 is located in Cyberjaya which is known as the largest Multimedia Super Corridor Cybercity. It is easily accessible from Putrajaya - Cyberjaya Expressway and is located about 38 kilometres to the south-west of Kuala Lumpur City Centre. About 200 other multinationals have invested and relocated within Cyberjaya.



## ASSET PROFILE (CONTD.)



### KOMPLEKS TUN SRI LANANG

(Also known as Jaya 99)

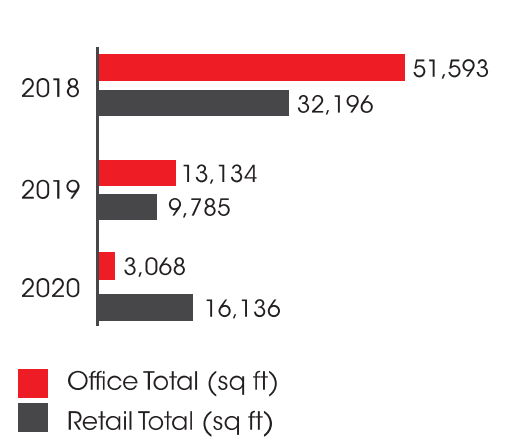
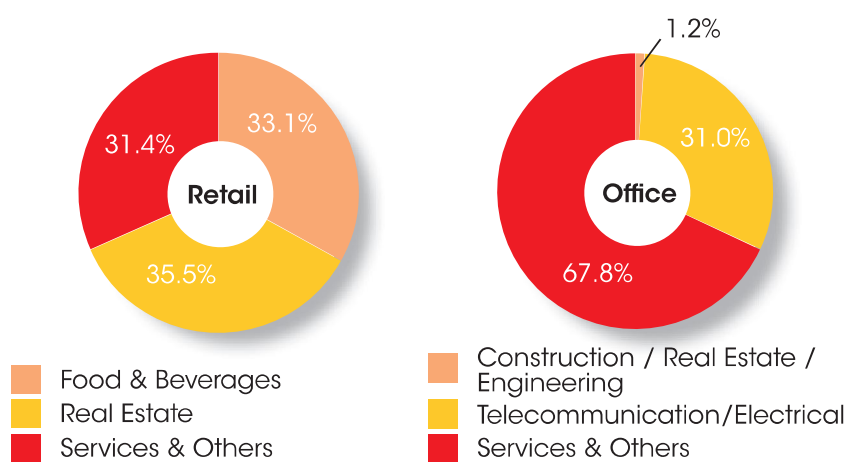
Jaya 99 is located 800 metres north of Melaka town. Main shopping attractions located nearby Jaya 99 include Mahkota Parade Shopping Complex, Dataran Pahlawan Megamall Shopping Complex, Plaza Mahkota, Hang Tuah Mall, Orchard Square, Melaka Sentral which houses Tesco Hypermarket, AEON Bandaraya Melaka and Plaza Melaka Raya. The elevated Melaka Monorail, Hang Jebat Monorail Station, Terminal Melaka Sentral and Melaka - Dumai Ferry Terminal are located a short distance from Jaya 99.



## ASSET PROFILE (CONTD.)

## DETAILS OF PROPERTY

ADDRESS	Kompleks Tun Sri Lanang (also known as Jaya 99) No. 99, Jalan Tun Sri Lanang 75100 Melaka	
DESCRIPTION OF PROPERTY	A 18-storey office building consisting of two (2) office towers (9-level & 10-level), sitting atop a 7-level podium block with a mezzanine floor	
LAND TITLE	Title No. HSD 68894 Lot No. PT 45 Kawasan Bandar XVIII District of Melaka Tengah State of Melaka	
TENURE	Leasehold 99 years expiring on 7 October 2109 (unexpired term of approximately 92 years)	
ENCUMBRANCES	First Party Legal Charge	
YEAR OF COMPLETION	2011	
AGE OF BUILDING	6 years	
NET LETTABLE AREA	225,912 sq ft	
EXISTING USE	Commercial Office	
CAR PARK	551	
NUMBER OF TENANTS	21	
DATE OF ACQUISITION	1 November 2012	
ACQUISITION COST	RM87.2 million	
LATEST REVALUATION	RM102.0 million *	
DATE OF REVALUATION	6 February 2017	
OCCUPANCY RATE	100.0% *	
GROSS REVENUE	RM8.5 million #	
NET RENTAL INCOME	RM5.9 million #	
MAJOR CAPITAL EXPENDITURE	RM0.2 million #	
AVERAGE TENANCY PERIOD	1 - 6 years	
VALUER	Messrs Cheston International (KL) Sdn Bhd	
MAJOR TENANTS	Prudential Assurance Malaysia Berhad	AIA Berhad
	Sudong Sdn Bhd	KPMG Resources Sdn Bhd
PROPERTY MANAGER	Malik & Kamaruzaman Property Management Sdn Bhd	



## TENANTS' TRADE MIX ANALYSIS

Category	sq ft	%
<b>(Retail)</b>		
Food & Beverages	19,267	33.1
Real Estate	20,603	35.5
Services & Others	18,247	31.4
<b>Total</b>	<b>58,117</b>	<b>100.0</b>
<b>(Office)</b>		
Construction / Real Estate / Engineering	1,970	1.2
Telecommunication/Electrical	52,044	31.0
Services & Others	113,781	67.8
<b>Total</b>	<b>167,795</b>	<b>100.0</b>

\* As at 31 March 2017

# For FY2017

## TENANCY EXPIRY PROFILE

FY (Retail)	Total (sq ft)	%
2018	32,196	55.4
2019	9,785	16.8
2020	16,136	27.8
<b>TOTAL</b>	<b>58,117</b>	<b>100.0</b>

FY (Office)	Total (sq ft)	%
2018	51,593	90.3
2019	13,134	7.8
2020	3,068	1.9
<b>TOTAL</b>	<b>167,795</b>	<b>100.0</b>

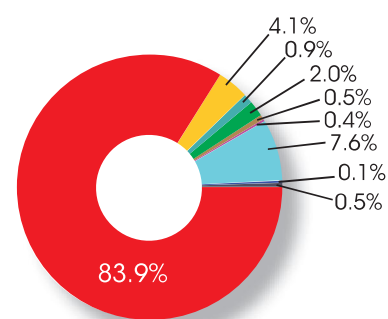


## ASSET PROFILE (CONTD.)

DETAILS OF PROPERTY	
ADDRESS	Mydin HyperMall Jalan Baru 14000 Bukit Mertajam Pulau Pinang
DESCRIPTION OF PROPERTY	3 Storey Hypermall Building, Each Floor With A Mezzanine Level
LAND TITLE	Title No. HSD 62289 Lot No. 10413 Mukim 06 District of Seberang Perai Tengah State of Pulau Pinang
TENURE	Freehold
ENCUMBRANCES	First Party Legal Charge
YEAR OF COMPLETION	2015
AGE OF BUILDING	2 years
NET LETTABLE AREA	536,507 sq ft
EXISTING USE	Commercial Retail
CAR PARK	1,242 bays
NUMBER OF TENANTS	1 (Master Lease)
DATE OF ACQUISITION	29 January 2016
ACQUISITION COST	RM254.1 million
LATEST REVALUATION	RM275.0 million *
DATE OF REVALUATION	8 February 2017
OCCUPANCY RATE	100.0% *
GROSS REVENUE	RM16.3 million #
NET RENTAL INCOME	RM16.1 million #
MAJOR CAPITAL EXPENDITURE	Nil
AVERAGE TENANCY PERIOD	30 years
VALUER	Messrs Cheston International (KL) Sdn Bhd
MAJOR TENANTS	Mydin Mohamed Holdings Bhd
PROPERTY MANAGER	Savills (Malaysia) Sdn Bhd

### TENANTS' TRADE MIX ANALYSIS

Category	sq ft	%
Anchor (Supermarket & Dept. Store)	320,771	83.9
Food & Beverages	15,498	4.1
Fashion Apparel/ Jewellery/ Accessories	3,617	0.9
Hobbies, Jewellery / Time Piece / Gifts & Specialty	7,611	2.0
Electrical / Telecommunication	1,828	0.5
Health / Personal Care / Beauty/ Optical	1,570	0.4
Leisure & Entertainment, Sports & Fitness	29,054	7.6
Services & Others	502	0.1
Home Improvement / Furniture / Deco	1,732	0.5
<b>TOTAL</b>	<b>382,183</b>	<b>100.0</b>



\* As at 31 March 2017

# For FY2017





## ASSET PROFILE (CONTD.)

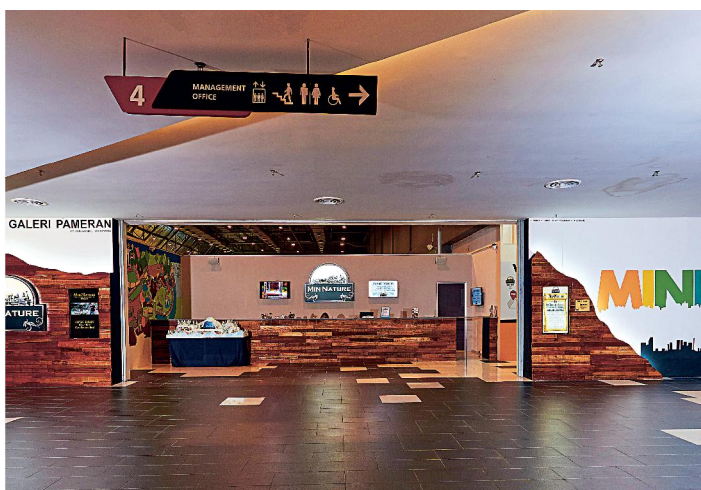
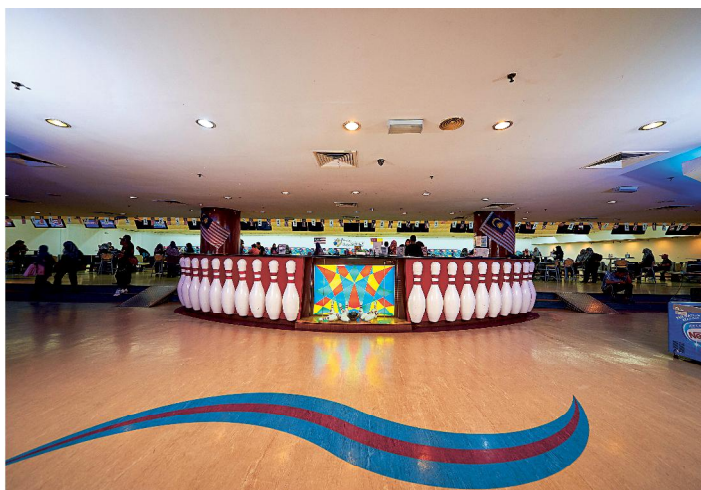


### MYDIN HYPERMALL

Mydin HyperMall is one of the largest wholesale hypermalls under Mydin, located strategically along Jalan Baru which is the main service road connecting Bukit Mertajam and Butterworth, Penang. These are two major rapidly developing towns on the mainland of Penang. It is also located very strategically close to nearby towns, transportation centres and major highways such as Bukit Mertajam town, Butterworth Ferry Terminal and Lebuhraya Lingkar Luar Butterworth and North-South Expressway.



## ASSET PROFILE (CONTD.)



### THE SUMMIT SUBANG USJ ("The Summit")

The Summit Subang USJ is located within one of the commercial hubs of UEP Subang Jaya which comprises mainly purpose-built commercial buildings and is easily accessible from Lebuhraya Shah Alam (KESAS Highway). The commercial areas of Subang Jaya and Bandar Sunway are also located within a short distance.





ASSET PROFILE (CONTD.)

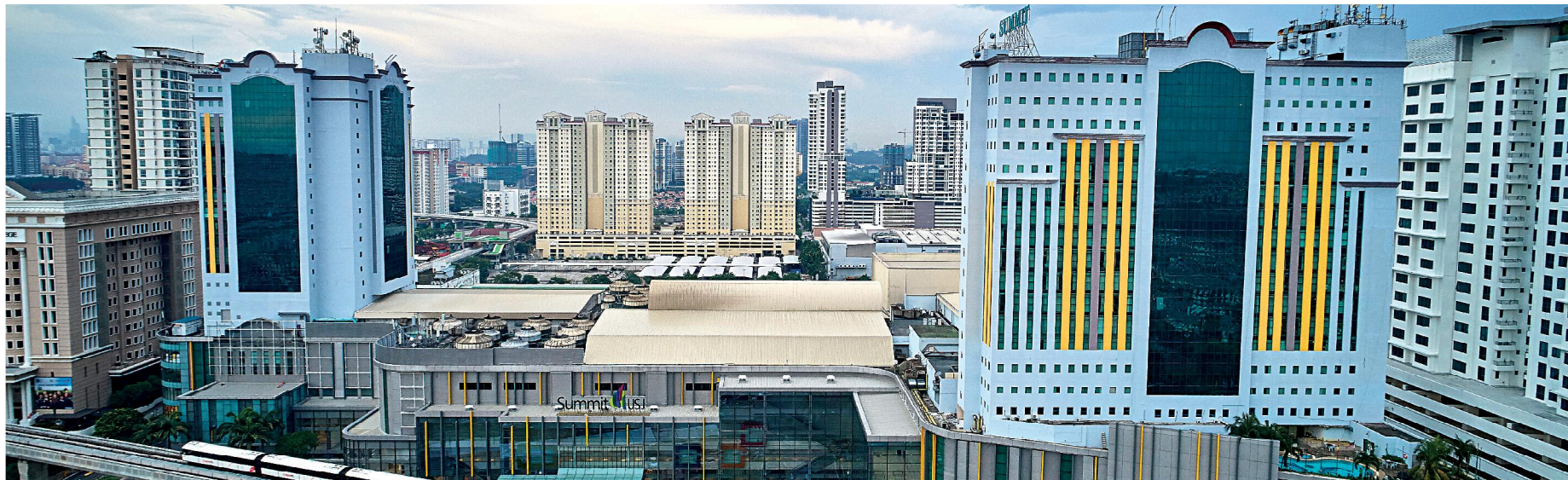


DETAILS OF PROPERTY			
ADDRESS	The Summit Subang USJ Persiaran Kewajipan, USJ 1 47600 UEP Subang Jaya Selangor Darul Ehsan		
DESCRIPTION OF PROPERTY	A 13-storey office tower, a 6-storey retail podium, a 332-room 4 star rated hotel and 1,966 car parking bays		
LAND TITLE (PARENT LOT)	Title No. GRN 43528 Lot 14, Pekan Subang Jaya District of Petaling State of Selangor Darul Ehsan		
TENURE	Freehold		
ENCUMBRANCES	Lien Holder's Caveat		
YEAR OF COMPLETION	1998		
AGE OF BUILDING	19 years		
NET LETTABLE AREA	Retail - 561,978 sq ft	Office - 138,604 sq ft	Hotel - 286,600 sq ft
EXISTING USE	Commercial Office, Hotel and Retail Mall		
CAR PARK	1,966		
NUMBER OF TENANTS	Retail - 62	Office - 13	Hotel - 1
DATE OF ACQUISITION	31 March 2008		
ACQUISITION COST	RM278.7 million		
LATEST REVALUATION	RM382.2 million		
DATE OF REVALUATION	20 February 2017		
OCCUPANCY RATE	Retail - 74.3%	Office - 64.4%	Hotel - 100.0%
GROSS REVENUE	RM19.1 million #		
NET RENTAL INCOME	RM7.3 million #		
MAJOR CAPITAL EXPENDITURE	RM33.9 million *		
AVERAGE TENANCY PERIOD	1 to 3 years		
VALUER	Messrs Rahim & Co. Chartered Surveyors Sdn Bhd		
MAJOR TENANTS	OFFICE	RETAIL	
	Salcon Engineering Sdn Bhd	HomePro	SEGI College (Subang)
	NOL Global Services Centre Sdn Bhd	International Medical College (Subang)	New Market
	Bakat Pintar Sdn Bhd	Dynasty Dragon Seafood Restaurant	Giant Supermarket
	Easmed Sdn Bhd		Ampang Superbowl
	Gunnebo Malaysia Sdn Bhd	Golden Screen Cinemas	
PROPERTY MANAGER	Knight Frank Malaysia Sdn Bhd		



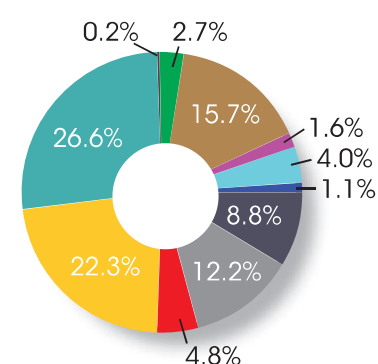


## ASSET PROFILE (CONTD.)



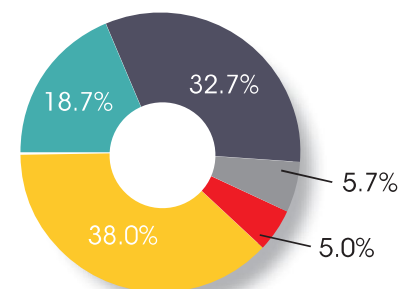
### TENANTS' TRADE MIX ANALYSIS

Category (Retail)	sq ft	%
Supermarket & Department Store	36,486	8.8
Food & Beverages	50,792	12.2
Fashion Apparel	19,927	4.8
Entertainment / Karaoke / Cinema / Bowling	92,957	22.3
Home & Living / Home Deco / Electrical / Diy	110,827	26.6
IT Centre / Telecommunication	970	0.2
Beauty / Personal Care / Healthcare	11,220	2.7
Education / Enrichment /College / Training Centre	65,572	15.7
Hobbies / Pet Shop / Toy Shop / Music	6,872	1.6
Sport Apparel & Accessories / Equipment	16,771	4.0
Services & Others	4,583	1.1
<b>Total</b>	<b>416,978</b>	<b>100.0</b>

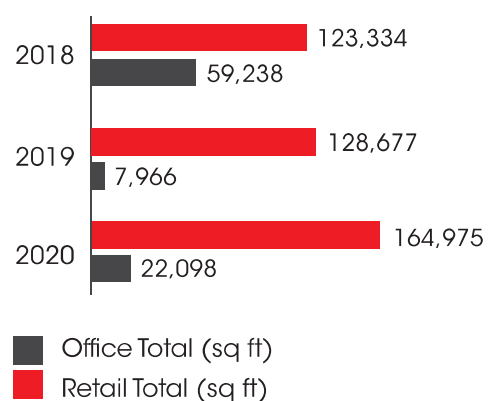


- Fashion Apparel
- Food & Beverages
- Supermarket & Department Store
- Entertainment / Karaoke / Cinema / Bowling
- Home & Living / Home Deco / Electrical / Diy
- IT Centre / Telecommunication
- Beauty / Personal Care / Healthcare
- Education / Enrichment /College / Training Centre
- Hobbies / Pet Shop / Toy Shop / Music
- Sport Apparel & Accessories / Equipment
- Services & Others

Category (Office)	sq ft	%
Education / Enrichment /College / Auditorium	16,668	18.6
Electrical / Telecommunication	29,172	32.7
Health / Personal Care / Beauty	5,046	5.7
Logistics & Trading	4,453	5.0
Services & Others	33,964	38.0
<b>Total</b>	<b>89,303</b>	<b>100.0</b>



- Education / Enrichment /College / Auditorium
- Electrical / Telecommunication
- Health / Personal Care / Beauty
- Logistics & Trading
- Services & Others



### TENANCY EXPIRY PROFILE

FY (Retail)	Total (sq ft)	%
2018	123,334	29.6
2019	128,677	30.9
2020	164,975	39.6
<b>TOTAL</b>	<b>416,987</b>	<b>100.0</b>

FY (Office)	Total (sq ft)	%
2018	59,238	66.3
2019	7,966	8.9
2020	22,098	24.8
<b>TOTAL</b>	<b>89,303</b>	<b>100.0</b>

\* As at 31 March 2017  
# For FY2017



# CORPORATE SOCIAL RESPONSIBILITY



## RAYA CELEBRATION 2016 CELEBRATE RAYA WITH BATIK STYLE

16th June 2016

- 30 kids from Pusat Jagaan Mesra Baitul Hidayah were invited to the Raya launch.

## " I LOVE MALAYSIA " COLORING COMPETITION 2016

7th August 2016



## JOM DURIAN 8+1

13th August 2016

- The biggest annual charity event organised by Children Wish Society with main sponsor by The Summit USJ to help fund raising to fulfill wishes for terminally ill children across the country.
- Successfully raised over RM190,000 from corporate and individual sponsorship.



## CORPORATE SOCIAL RESPONSIBILITY (CONTD.)

### MERDEKA FUN RIDE 2016

31st August 2016



### CHARITY RUN

23rd October 2016

- The event was organised by Yayasan Humanistik and attracted close to 2,000 participants on fun run program.

### 2016 CHILDREN'S DAY CELEBRATION

22th November 2016

- Community Event in conjunction with World Children Day. It was aiming at creating public awareness to end violence against women and children.





## CORPORATE SOCIAL RESPONSIBILITY (CONTD.)



**SELANGOR STATE  
CHRISTMAS OPEN HOUSE**  
18th December 2016

**CNY CALLIGRAPHY  
COMPETITION 2017**  
22nd January 2017



**SUBANG JAYA  
CNY CELEBRATION 2017**  
11th February 2017



# INVESTOR RELATIONS AND COMMUNICATION

The Manager is committed to maintaining timely and consistent communication with various stakeholders. We engage our stakeholders, including Unitholders, prospective investors, analysts and media, to ensure that they are provided with relevant information on major developments on AmFIRST REIT in a timely manner.

We strive to present our stakeholders with relevant information to enable them to make sound investment decisions. We are constantly working towards sound investor relations practice, improved transparency and corporate governance.

## STAKEHOLDERS ENGAGEMENT

During the financial year, the management team have reached out to stakeholders through various communication channels in order to enable them to keep abreast of AmFIRST REIT's performance and outlook, including:-

### *Bursa Securities*

The Manager makes disclosures on an immediate basis pursuant to the Listing Requirements of Bursa Securities. This includes quarterly financial results, annual reports, media releases, corporate presentations and any other material announcements.

### *Annual General Meeting*

AmFIRST REIT held its fourth Annual General Meeting ("AGM") on 28 July 2016. The AGM serves as a platform for both the Manager and the Unitholders to interact. The AGM enables the Unitholders to provide constructive feedback and raise their concerns directly to the Board and the Management. It also allows the Manager to update the Unitholders on the latest development and strategic direction of AmFIRST REIT.

The fifth Annual General Meeting is scheduled on Tuesday, 25 July 2017.





## INVESTOR RELATIONS AND COMMUNICATION (CONTD.)

### Financial Results

AmFIRST REIT publishes quarterly corporate presentation in an investor-friendly manner to provide more clarity on AmFIRST REIT's financial and operational performance. The corporate presentations are available on the corporate website following the disclosure made to Bursa Securities.

AUG 2017	1st Quarter Interim Financial Report FY2018
NOV 2017	2nd Quarter Interim Financial Report FY2018
FEB 2018	3rd Quarter Interim Financial Report FY2018
APR 2018	4th Quarter Interim Financial Report FY2018

### Website

Comprehensive information and updates relating to AmFIRST REIT are also made accessible to the public on AmFIRST REIT's corporate website at [www.amfirstreit.com.my](http://www.amfirstreit.com.my). Information such as announcements to Bursa Securities, share price performance, media releases, corporate presentation, annual reports and other developments are archived on AmFIRST REIT's corporate website.

The website is regularly updated to ensure that the latest information is readily available to our stakeholders.

### FEEDBACK AND ENQUIRIES

We welcome feedback from our investors so that we can further improve our interaction with our investing community. Please feel free to contact us via the followings:-

#### Mr Wong Khim Chon

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#### Encik Zuhairy bin Md Isa

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#### Encik Abdul Rahman bin Mohd Joned

Vice President 2, Finance  
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# MARKET REPORT



## 1.0 ECONOMIC INDICATORS

The Malaysian economy grew by 4.5% in 4Q2016 (3Q2016: 4.3%), underpinned by the manufacturing and services sectors. Despite facing external and domestic headwinds, the country's economy has continued to expand albeit at a slower pace, with Gross Domestic Product (GDP) recorded at 4.2% in 2016 (2015: 5.0%). Going forward, domestic demand will continue to be the key growth driver for the nation's economy. For 2017, Bank Negara Malaysia (BNM) expects the country's growth to be at modest level of 4.3% to 4.8%.

Meanwhile, labour market conditions continued to weaken with unemployment rate recorded at 3.5% in 2016 (2015: 3.1%). For 2017, unemployment rate is expected to range between 3.6% and 3.8%.

Since July 2016, BNM has maintained the Overnight Policy Rate (OPR) at 3.0% in line with moderating growth momentum in major economies and greater volatility in the international financial market.

The Consumer Sentiment Index (CSI), as measured by Malaysian Institution of Economic Research (MIER), remained below the 100-point threshold level of confidence for whole year of 2016 (4Q2016: 69.8 points), reflecting prolonged weak consumer sentiment amid a challenging economic environment.

Inflation for 2016, as measured by the annual change in the Consumer Price Index (CPI), remained at 2015 level of 2.1%.

The country's tourism sector has shown signs of recovery with positive growth in tourist arrivals and receipts. In 2016, the country welcomed 26,757,392 tourists with corresponding tourist receipts of RM82.1 billion, depicting a 4.0% and 18.8% increase from the previous year. The tourism targets for 2017 are 31.8 million arrivals with corresponding receipts of RM118 billion.

## 1.1 SERVICES SECTOR OVERVIEW

The services sector continued to maintain its position as the largest contributor to the country's GDP growth. The sector's contribution to the country's total GDP has been fairly consistent on an annual basis, ranging from about 52.0% to 54.2%. In 2016, the services sector contributed 54.2% of the GDP.

**Table 1: Malaysia - Services Sector Percentage Contribution to Total GDP, at Constant 2010 Prices (2011- 2017(f))**

	2012	2013	2014	2015	2016p	2017f
<b>Services (RM Million)</b>	479,300	507,791	541,070	568,892	600,834	630,123
<b>GDP (RM Million)</b>	912,261	955,260	1,012,506	1,062,647	1,107,968	1,158,500
<b>Percent of Total</b>	52.5%	53.2%	53.5%	53.5%	54.2%	54.4%

Source: Department of Statistics, Malaysia

In 2015, the services sector in Malaysia was dominated by Selangor (25.1%) and WPKL (24.8%, includes WP Putrajaya) with a combined share of 49.9%. The services sector in Penang contributed 6.0% to the sector's total value in the country.

The table below shows the breakdown of GDP contribution for selected states.

**Table 2: Services Sector - Percentage Contribution to Total GDP of WPKL, Selangor, Penang and Malacca (2014 & 2015)**

Year / State	WPKL	Selangor	Penang	Malacca
<b>2014</b>	<b>88.5%</b>	<b>59.5%</b>	<b>49.5%</b>	<b>46.2%</b>
<b>2015</b>	<b>88.0%</b>	<b>59.4%</b>	<b>49.1%</b>	<b>45.6%</b>

Source: Department of Statistics, Malaysia



## MARKET REPORT (CONTD.)



### 1.2 WHOLESALE AND RETAIL SECTOR OVERVIEW

The wholesale and retail trade industry has consistently been one of the most active sub-sectors in the Malaysian economy. For the period from 2012 to 2016, its annual contribution to GDP ranged between 13.8% and 14.9%.

The wholesale and retail share for 2016 was at approximately 14.9% of total GDP; about 0.2% higher than the contribution recorded in 2015 (14.7%). The industry's contribution to GDP is expected to remain fairly constant underpinned by a more diversified economy structure and anchored by sustained private sector-led and domestic demand climate.

### 2.0 OFFICE SECTOR OVERVIEW

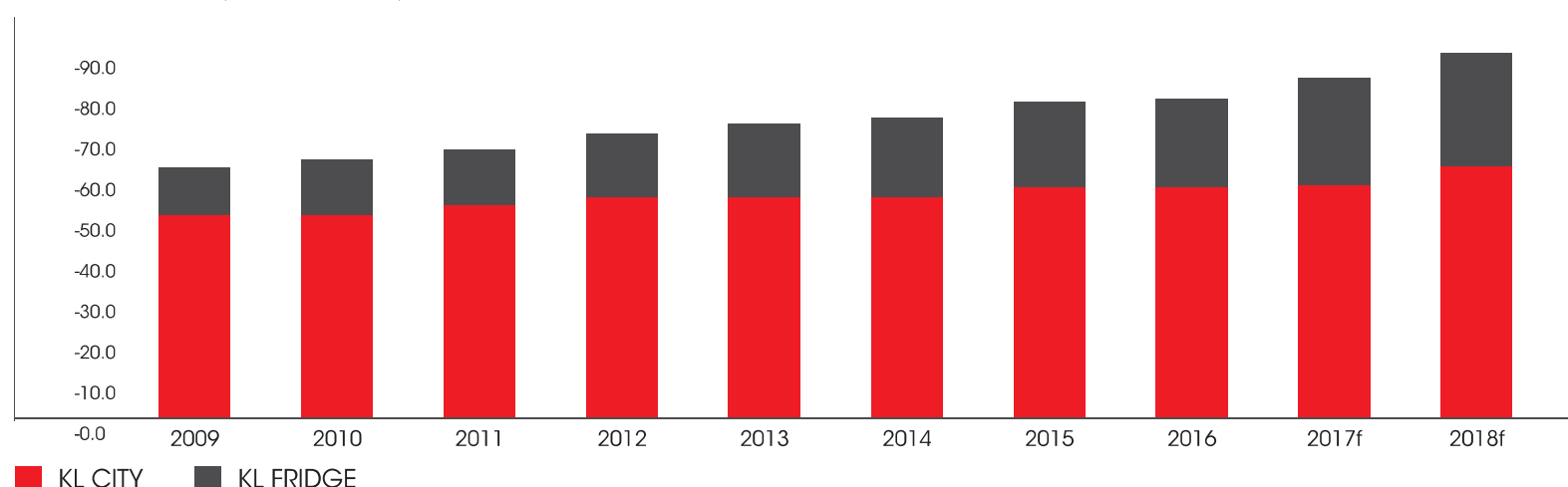
#### 2.1 KUALA LUMPUR

##### 2.1.1 Supply

The chart below shows that there has been steady growth in the supply of office space in Kuala Lumpur. However, since 2009, new supply from KL Fringe has been outpacing KL City, growing 9.3% annually on average in comparison to a modest 2.6% growth per annum in KL City.

**Chart 1: KL City & KL Fringe - Cumulative Supply of Purpose Built Office Space (2009 - 2018(f))**

EXISTING STOCK (MILLION SQ FT)



Source: Knight Frank Research

As at 2016, the cumulative supply of purpose built office space in KL City was recorded at about 51.0 million sq ft whilst in KL Fringe, it stood at about 24.6 million sq ft following the completion of two buildings, namely Menara Hong Leong (506,100 sq ft NLA) in Damansara City and Signature Office Suites (271,000 sq ft NLA) in KL Eco City.

There is a high impending supply currently under construction and in the planning pipeline catering to increase demand for investment grade purpose-built office buildings. Between 2017 and 2018, approximately 11.7 million sq ft of office space is expected to enter the market.

Notable office buildings slated for completion by 2017 include Menara Public Bank 2 and JKG Tower in KL City; Menara Ken @ TTDI and Southpoint Office @ Mid Valley City in KL Fringe.

##### 2.1.2 Occupancy

During 2016, the overall occupancy rate of office buildings in KL City declined marginally to record at 82.8% (2015: 83.5%) due to consolidation and downsizing of certain businesses that include those in the Oil and Gas (O&G) sector, impacted by the prolonged period of low crude oil prices and challenging business operating environment.



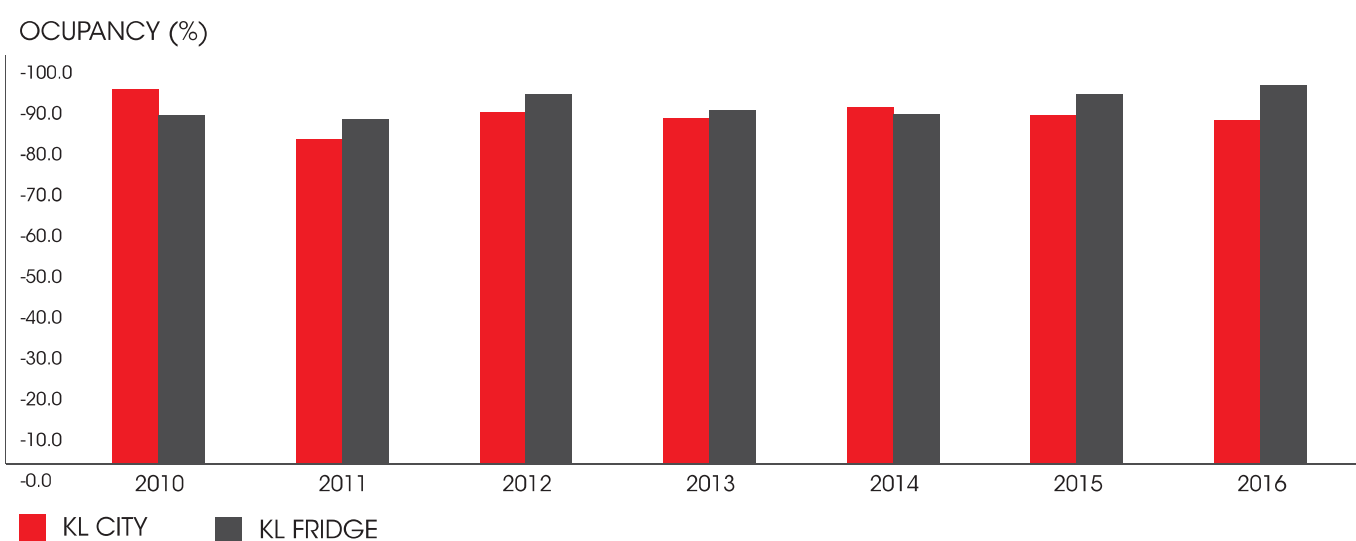
## MARKET REPORT (CONTD.)

### 2.1.2 Occupancy (Contd.)



In KL Fringe, however, there was a slight improvement in the overall occupancy rate at 90.8% (2015: 88.8%). Selected office buildings such as 1 Sentrum and the newly completed Wisma Guocoland continue to see higher take-up levels.

**Chart 2: Kuala Lumpur – Overall Occupancy of Purpose Built Office Space (2010 – 2016)**

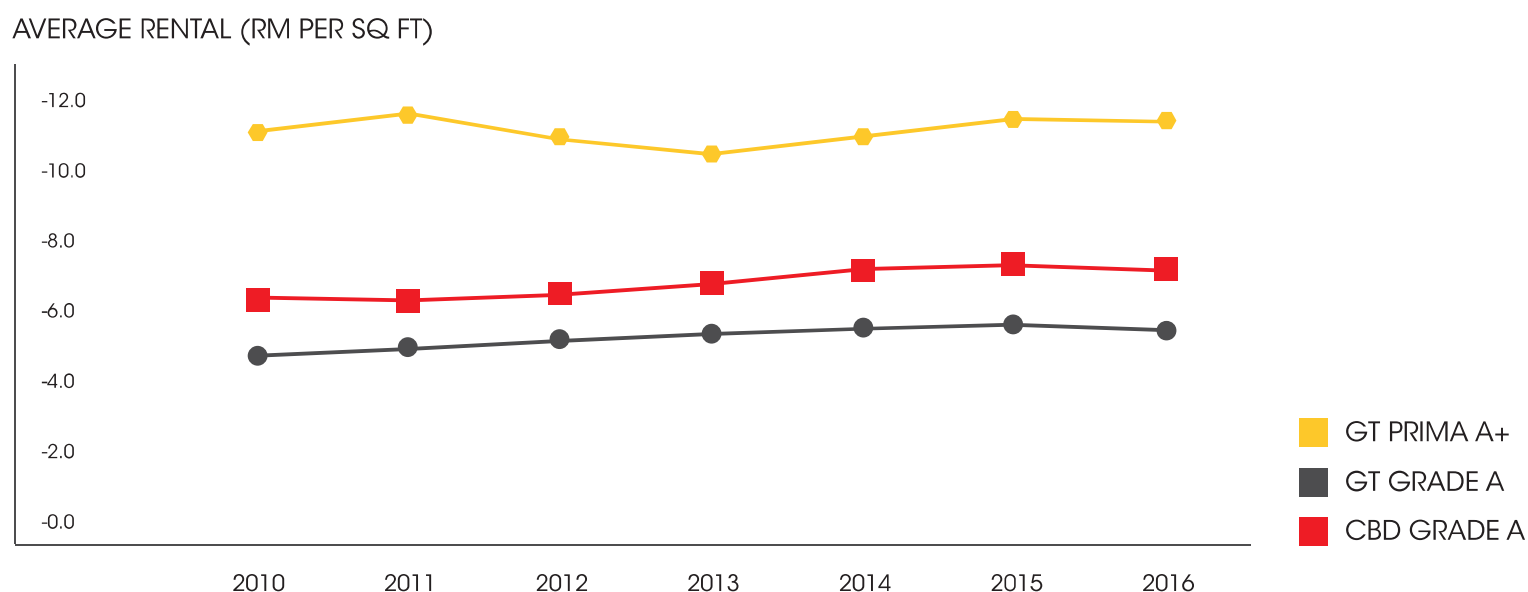


Source: Knight Frank Research

### 2.1.3 Rental Rates

From the Chart below, it is noted that Prime A+ office space in the Golden Triangle of Kuala Lumpur (GT) have consistently command higher rental rates when compared to those located in the Central Business District (CBD).

**Chart 3: KL City - Average Rental Rate of Prime Office Space (2010 – 2016)**



Source: Knight Frank Research

Note: GT refers to Golden Triangle; CBD refers to Central Business District

**Prime A+:** Iconic buildings located within prime or main address and form part of integrated developments, equipped with high quality marble/stone finishes and up-to-date facilities, and usually command the highest rents and attract high-profile tenants such as multinational companies.

**Grade A:** Modern buildings usually located within main or secondary address with high quality finishes, good amenities, accessibility and having full range of facilities.



## MARKET REPORT (CONTD.)

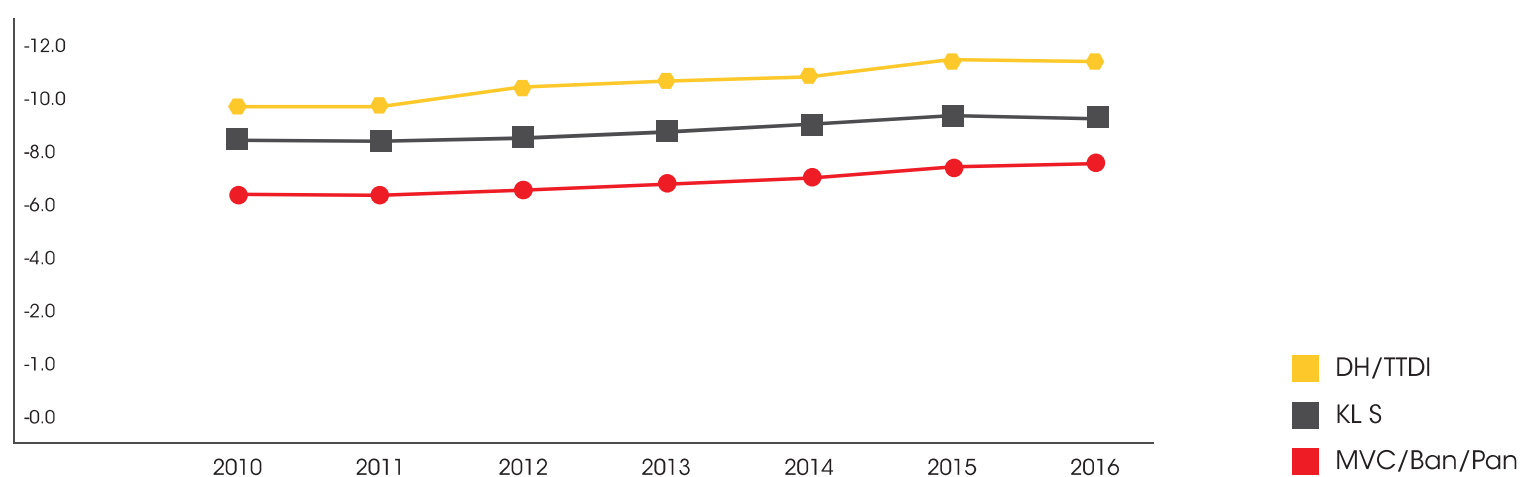


### 2.1.3 Rental Rates (Contd.)

In 2016, the average achieved rental rates for GT and CBD declined marginally to RM7.61 per sq ft and RM5.33 per sq ft per month respectively (2015: RM7.77 per sq ft and RM5.55 per sq ft per month respectively). Prime A+ office space in the GT, however, continues to record above the RM10.00 per sq ft per month mark. As at 2016, the average rental rate for Prime A+ office space was recorded at RM11.33 per sq ft per month.

**Chart 4: KL Fringe - Average Rental Rate of Purpose-built Office Space (2010 - 2016)**

AVERAGE RENTAL (RM PER SQ FT)



Source: Knight Frank Research

Note: DH/TTDI – Locality of Damansara Heights/Taman Tun Dr. Ismail;

KLS – Locality of Kuala Lumpur Sentral;

MVC/ Ban/ Pan – Locality of Mid Valley City/Bangsar/Pantai

Meanwhile, in KL Fringe, rental rates continued to hold steady, ranging between RM4.83 per sq ft and RM5.68 per sq ft per month. The locality of KL Sentral continues to record higher average rental rate in excess of RM6.50 per sq ft per month. The popularity of the KL Sentral as an office location is supported by its excellent infrastructure which provides easy accessibility and good connectivity; its reputation as the country's transportation hub as well as its availability of modern, good grade office space at competitive rental rates.

### 2.1.4 Market Outlook

The Kuala Lumpur office market is expected to remain subdued with no catalysts to boost demand in the short term. Amid widening mismatch between supply and demand, office vacancies are expected to trend upwards due to a high supply pipeline and weaker demand as more firms freeze hiring, downsize and consolidate their business operations.

Owners / landlords of newly completed office buildings which have not been pre-let / have yet to achieve significant occupancies are expected to offer more competitive rental packages (or below market rentals) to secure tenants while those of older / dated and secondary office buildings are expected to be more flexible in negotiations (offer marginal or zero rental increment on renewals) as they seek to retain their existing tenants.

On the positive side, good grade buildings located within the Information Technology Outsourcing (ITO) and MSC corridor remain good performing stock moving forward. Similarly, decentralised office locations along the route of the newly operational Phase 1 of the Sungai Buloh – Kajang Mass Rapid Transit (MRT) line, are expected to benefit from improved accessibility and connectivity.



## MARKET REPORT (CONTD.)



### 2.2 SELANGOR

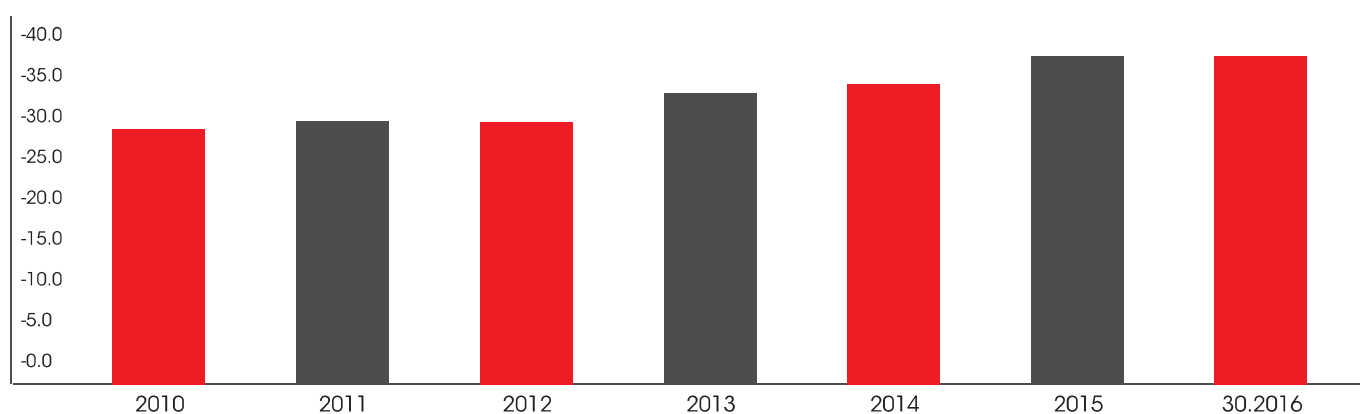
#### 2.2.1 Supply

The cumulative supply of purpose-built office space in Selangor stands at circa 36.54 million sq ft as at the end of 3Q2016. There has been a steady growth in the supply of office space over the past six years from 2010 to 2015, averaging at circa 6.2% per annum.

Notable office buildings completed in 2016 that include UOA Business Park (1 million sq ft NLA) in Shah Alam and Mercu Mustapha Kamal (Tower 2: 179,800 sq ft NLA) in Petaling Jaya.

**Chart 5: Selangor - Supply of Purpose-Built Office Space (2010 - 3Q2016)**

SUPPLY (MILLION SQ FT)



Source: NAPIC / Knight Frank Research

There is an impending supply of some 4.5 million sq ft of purpose-built office space currently being developed in Selangor. The majority of this incoming supply is expected to come from the localities of Subang Jaya and Sepang, accounting for 49.7% (2.2 million sq ft) and 32.3% (1.5 million sq ft) of space respectively. Meanwhile, the localities of Petaling Jaya and Shah Alam, will collectively see an additional 0.8 million sq ft of impending supply.

Notable upcoming purpose-built office buildings in the Subang Jaya locality include SunGeo Tower (160,890 sq ft NLA) in Bandar Sunway and One City: Phase 3 – Corporate Tower (1.5 million sq ft NLA) in USJ 25. These office buildings are expected to be completed between 1H2017 and 2018.

#### 2.2.2 Occupancy

From the chart below, it is noted that the overall occupancy rate for purpose-built office space in Selangor has consistently hovered above 75%; it was recorded at 76.7% in 1H2016.

Selected established and growing office locations in Selangor which include Bandar Utama, Sunway City, Shah Alam, and Kelana Jaya have maintained strong occupancy rates, recording at more than 80%, higher than the state's overall occupancy level.

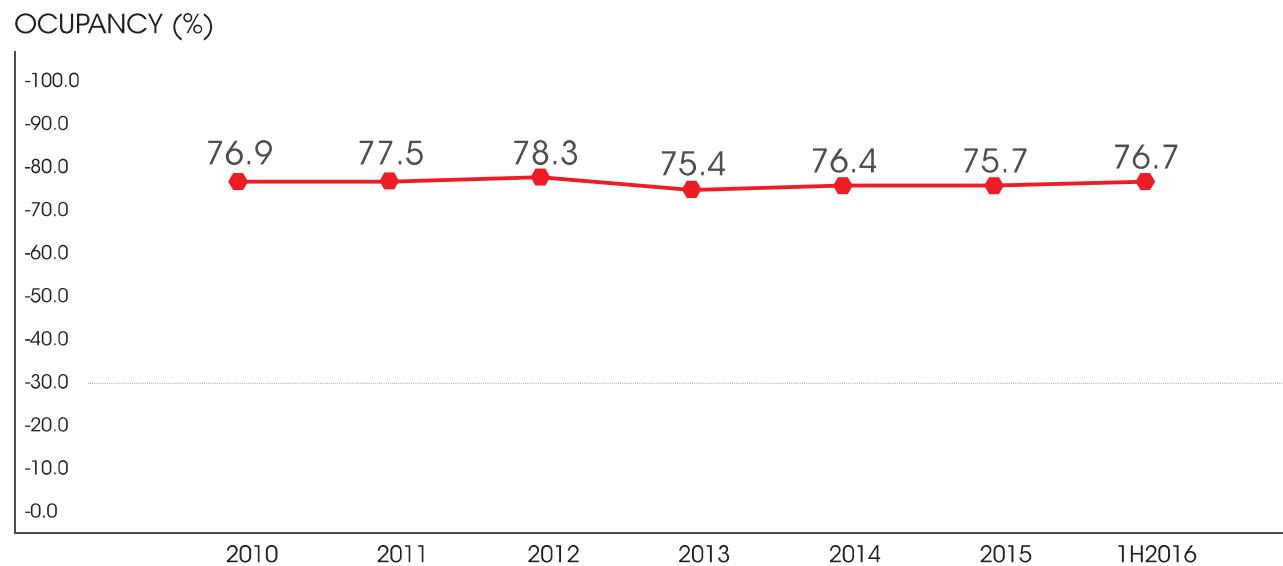


## MARKET REPORT (CONTD.)



### 2.2.2 Occupancy (Contd.)

**Chart 6: Selangor - Overall Occupancy of Purpose-Built Office Space (2010 - 1H2016)**



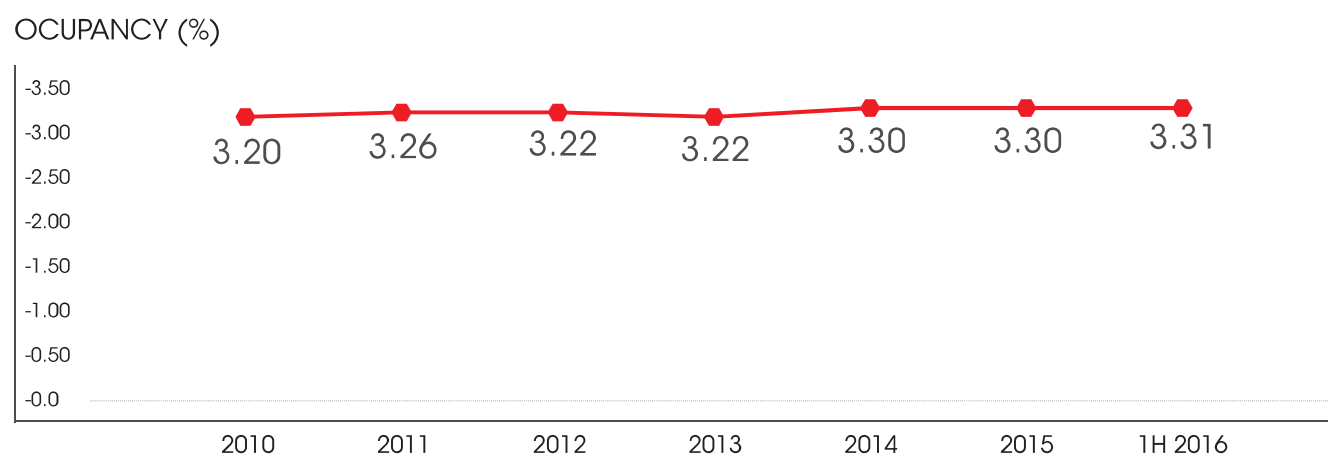
Source: JPPH

The availability of good grade office space at attractive rental rates coupled with improved infrastructure providing easy accessibility and good connectivity to various part of Klang Valley has contributed to the growing popularity of decentralised office locations.

### 2.2.3 Rental Rates

The average rental rates for purpose-built office space in Selangor have remained fairly stable, averaging at circa RM3.25 per sq ft per month over the past six years (2010 to 2015). In 1H2016, the overall average rental rate was recorded at RM3.31 per sq ft per month.

**Chart 7: Selangor - Overall Average Rental Rate of Purpose-Built Office Space (2010 - 1H2016)**



Source: JPPH

### 2.2.4 Market Outlook

The Selangor office market is expected to remain resilient with overall occupancy and rental rates holding steady.

The newly operational Phase 1 of the Sungai Buloh – Kajang Mass Rapid Transit (MRT) line and, the Ampang and Kelana Jaya light rail transit (LRT) line extensions have enhanced accessibility and connectivity within Greater Kuala Lumpur and this augurs well for selected decentralised office locations such as the Bandar Utama – Mutiara Damansara – Damansara Perdana corridor, Petaling Jaya, Subang Jaya and Puchong. Coupled with the availability of good grade office space available at competitive rental rates, this is expected to accelerate the decentralisation process and create demand for office space along the transportation routes.



## MARKET REPORT (CONTD.)



### 2.2.4 Market Outlook (Contd.)

In the short term, demand for good grade dual compliant (MSC Status and GBI certified) office buildings, particularly those forming part of integrated mixed-use developments in these established fringe and upcoming office locations, are expected to remain stable due to limited availability of such space.

## 2.3 MELAKA

### 2.3.1 Supply

The cumulative supply of purpose-built office space in Melaka stood at 4.29 million sq ft as of 3Q2016 with no new completion since 2015. An office building in Melaka Tengah with circa 156,000 sq ft of space was completed in 2014.

Melaka Tengah constitutes circa 2.68 million sq ft or 62.5% of the total office supply in the state, followed by Melaka Town with 1.35 million sq ft (or 31.5%) whilst Pekan Jasin, Pekan Masjid Tanah and Pekan Alor Gajah collectively constitute the remaining space of approximately 0.26 million sq ft or 6.0%.

### 2.3.2 Occupancy

The overall occupancy rate of office space in the state was recorded at approximately 81.4% in 1H2016. The localities of Pekan Alor Gajah, Pekan Masjid Tanah and Pekan Jasin recorded higher occupancy levels of above 90% (source: NAPIC).

### 2.3.3 Rental Rates

Monthly asking rentals of selected existing office buildings in prime locations range from RM1.30 per sq ft to RM2.68 per sq ft.

**Table 3: Melaka – Rental Range of Selected Office Buildings**

Name of Building / Location	Rental Range (RM per sq ft / month)
Bangunan Graha Maju Jalan Hang Tuah	1.60 – 2.15
Bangunan Graha Peladang Jalan Hang Tuah	1.50 – 2.20
Bangunan Tabung Haji Jalan Banda Kaba	1.30 – 2.10
Kompleks Tun Sri Lanang Jalan Tun Sri Lanang	2.50 – 2.68

*Source: NAPIC*

The state of Melaka, well-known for tourist attraction place, will welcome a premier mixed development project, namely Melaka Gateway. The project will comprise three reclaimed and one natural islands totalling 1,366 acres, set in a strategic area off the Straits of Melaka. In September 2016, KAJ Development Sdn Bhd (KAJD), the master developer of Melaka Gateway, signed a Memorandum of Agreement (MoA) with Powerchina International Group Ltd for a RM30 billion joint investment to build and develop the three islands that have been earmarked for tourism, commercial, property, and maritime developments.

### 2.3.4 Market Outlook

The Melaka office market is expected to remain stable with both occupancy and rental levels continue to hold. Furthermore, there is only one (1) office building (53,863 sq ft NLA) located in Melaka Tengah is expected to be completed between 2017 and 2018 with no planned supply in the short term.



## MARKET REPORT (CONTD.)



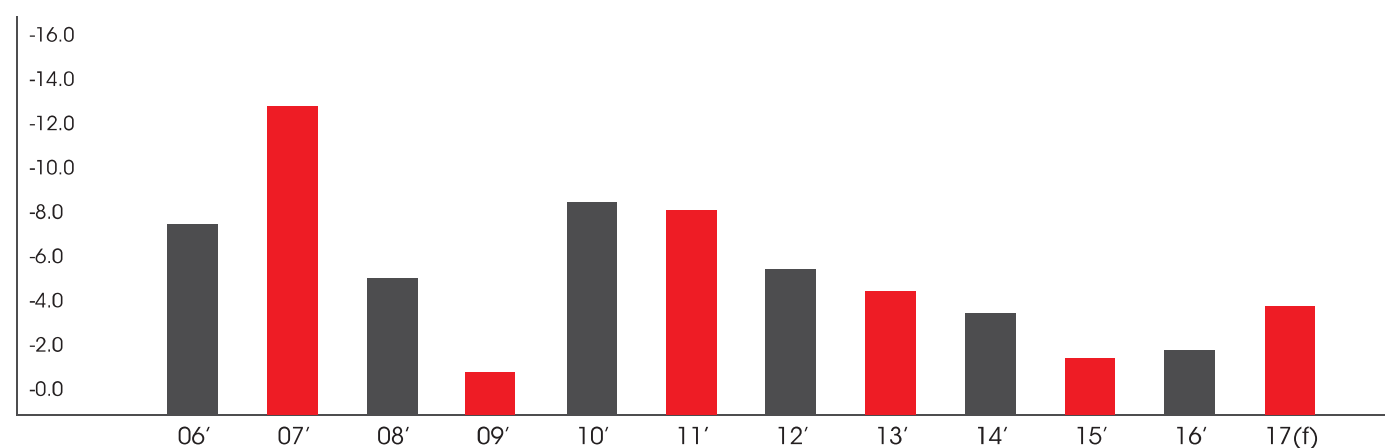
### 3.0 RETAIL MARKET OVERVIEW

Retail sales in Malaysia continued its growth momentum to record at 8.1% in 2011 (2010: 8.4%) although GDP growth moderated to 5.3% (2010: 7.2%). Since then, however, growth in retail sales exhibited downward trend from 5.5% in 2012 to 3.4% in 2014 and recorded the lowest growth rate at 1.4% in 2015. The upward adjustments of fuel prices and electricity tariffs, and the implementation of the goods and services tax (GST) on 1st April 2015 collectively lead to higher cost of living and imposed adverse impact on the retail industry.

The retail industry continues to remain weak and expanded by a mere 1.7% in 2016. For 2017, Retail Group Malaysia has projected a 3.9% growth rate in retail sales as the weak local currency continues to impose pressures on consumers' purchasing power.

**Chart 8: Malaysia - Retail Sales Performance (2006 - 2017(f))**

RETAIL SALES GROWTH RATE (%)



Source: Malaysia Retailers Association / Retail Group Malaysia

### 3.1 SELANGOR

#### 3.1.1 Supply

Selangor retail supply stood at some 29.59 million sq ft as of December 2016. There are 85 shopping centres in the state, with notable ones in the localities of Subang Jaya – Bandar Sunway (5.41 million sq ft or 18%) and Bandar Utama – Mutiara Damansara (4.84 million or 16%), the two well-known shopping districts amongst the locals and tourists.

In 2016, the state saw the completion of nine shopping centres, contributing a total of 2.26 million sq ft NLA. The new completions are Aeon Mall Shah Alam, Sunway Pyramid Phase 3, da:mén USJ Shopping Mall, The Square @ One City, Utropolis Marketplace, The Starling Mall, M Square Shopping Mall, Centrus Mall and Gallerie @ De Centrum.

By the end of 2017, the impending completion of six shopping centres with some 4.07 million sq ft NLA will increase the cumulative supply in Selangor to circa 33.66 million sq ft. Empire City Damansara Mall in Damansara Perdana will contribute circa 2.31 million sq ft NLA while other notable upcoming completions include Pacific Star retail mall (240,000 sq ft) in Section 13 Petaling Jaya, SkyPark Cyberjaya (565,000 sq ft) and Selayang Star City (550,000 sq ft) in Selayang, Amerin Mall (155,000 sq ft) in Cheras South, and Evo Shopping Mall (251,000 sq ft) in Bangi.

Year 2018 will see the completion of two shopping centres with combined NLA of 1.34 million sq ft viz. Central i-City Shopping Centre @ CentralPlaza at i-City in Shah Alam (940,000 sq ft) and Horizon Village Outlets (400,000 sq ft).



## MARKET REPORT (CONTD.)

### 3.1.2 Occupancy

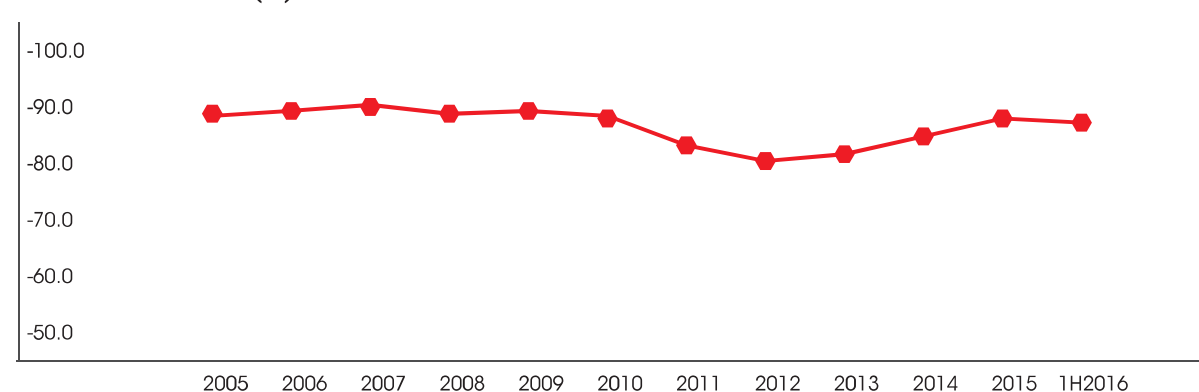


According to the Property Market Report published by the National Property Information Centre (NAPIC), the average occupancy for shopping centres, arcades and hypermarkets in Selangor (including Putrajaya) over the past ten years from (2006 to 2015) has been recorded at about 85.8% per annum, slightly higher when compared to shopping centres in Kuala Lumpur (85.1%) over the same period. As of 1H2016, the average occupancy remained stable at 87.3% compared to the corresponding period in 2015 (1H2015: 87.8%).

Despite the challenging market environment, the average rental rates of prime and popular shopping centres in Selangor such as 1 Utama Shopping Centre, Sunway Pyramid, The Curve at Mutiara Damansara and Subang Parade have continued to hold steady. Occupancy and rentals levels at less established shopping centres, however, will be under growing pressure with heightened competition amid a high supply pipeline and a weak retail market in 2017.

**Chart 9: Selangor – Average Occupancy Rates of Shopping Centres, Arcades and Hypermarkets (2005 – 1H2016)**

OCCUPANCY RATE (%)



Source: NAPIC

### 3.1.3 Rental Rates

In general, rental rates of selected established shopping centres in prime areas including Bandar Utama / Mutiara Damansara, Subang Jaya, Bandar Sunway, Puchong, Shah Alam and Klang range from RM2.85 to RM7.35 per sq ft per month at the lower range, RM15.00 to RM29.60 per sq ft per month in the mid-range, and RM31.60 to RM56.60 per sq ft per month at the higher range during 1H2016.

**Table 4: Rental Levels of Retail Space in Selected Shopping Centres (1H2016)**

Shopping Centre	Location	Floor Level	Rental Range (RM per sq ft / month)
1 Utama Shopping Centre	Bandar Utama	Lower Ground	11.50 – 55.00
		Ground	13.00 – 25.50
		First	10.00 – 24.00
The Curve	Mutiara Damansara	Ground (Fashion Mall)	8.82
		Ground (Asian Courtyard)	10.66
		1 (Western Courtyard)	7.35
Subang Parade	Subang Jaya	Lower Ground	13.25 – 56.60



## MARKET REPORT (CONTD.)



## 3.1.3 Rental Rates (Contd.)

Table 4: Rental Levels of Retail Space in Selected Shopping Centres (1H2016) (Contd.)

Shopping Centre	Location	Floor Level	Rental Range (RM per sq ft / month)
Sunway Pyramid Shopping Mall	Bandar Sunway	Oasis Boulevard	5.60 – 11.60
		Lower Ground 3	6.60 – 16.60
		Lower Ground 2	11.60 – 25.60
		Lower Ground 1	13.60 – 29.60
		Ground	21.60 – 31.60
		First	13.60 – 27.60
IOI Mall	Puchong	Ground	5.70 – 15.00
		First	9.00 – 11.00
		Second	6.00 – 9.50
SACC Mall	Shah Alam	Lower Ground	6.00 – 20.34
		Ground	4.00 – 23.00
		First	2.85 – 20.00
		Second	2.00 – 6.00
		Third	2.50 – 8.00
AEON Bandar Bukit Tinggi	Klang	Ground	5.00 – 25.30
		First	6.20 – 21.30
		Second	3.80 – 22.30

Source: NAPIC / Knight Frank Research

Note: Excludes space occupied by anchor and mini anchor tenants

## 3.2 PENANG

## 3.2.1 Supply

Existing

According to the Property Market Report, as of 1H2016, the supply of retail space in Penang increased by 307,470 sq ft to record at 18.60 million sq ft (2015: 18.29 million sq ft). Out of the total 18.60 million sq ft, Penang Island accounted for 61.8% (11.50 million sq ft) of the total supply, with the remaining 38.2% (7.10 million sq ft) located in Penang Mainland area.

From years 2011 to 2015, the supply of retail space on Penang Island and Penang Mainland saw a compounded annual growth rate (CAGR) of 4.7% and 6.3% respectively.

Two shopping malls, namely, M Mall 020 (353,317 sq ft) at Phase 2 of Penang Times Square located at George Town on Penang Island and The Pearl City Mall (GFA: 130,000 sq ft) in Seberang Prai Selatan, opened in 2015 and 2016 respectively.

A premium outlet mall known as Design Village (400,000 sq ft) in Bandar Cassia (formerly known as Batu Kawan) Penang Mainland, opened in November 2016. Design Village is the only premium outlet mall in the northern region of Peninsular Malaysia.



## MARKET REPORT (CONTD.)



### 3.2.1 Supply (CONTD.)

#### Existing (Contd.)

In the hypermarket segment, Mydin Wholesale Hypermarket in Bukit Mertajam (536,507 sq ft) commenced operations in November 2015. The table below provides a list of selected existing hypermarket malls in Penang.

The hypermarkets in Penang Island are located within prime housing areas in the east coast region. On the mainland, Mydin Wholesale Hypermarket Bertam is situated at Kepala Batas in Seberang Prai Utara while the other four hypermarkets are located in Seberang Prai Tengah.

**Table 5: Penang – Selected Existing Supply of Hypermarket Malls**

Hypermarket	Area	Location	Estimated NLA / GFA (sq ft)	Estimated Completion / Opening Year
<b>Penang Island</b>				
Tesco Penang	Island	Jelutong	275,020	2004
Tesco Extra Penang	Island	Sungai Dua	n/a	2007 (formerly Makro)
Tesco Tanjung Penang	Island	Tanjong Tokong	269,418	2011
Giant Bayan Baru Mall	Island	Bayan Baru	168,324	2005
<b>Sub-total: Penang Island</b>			<b>&gt; 712,762</b>	
<b>Penang Mainland</b>				
Tesco Extra Seberang Jaya	Mainland	Seberang Jaya	n/a	2008 (formerly Makro)
Tesco Bukit Mertajam	Mainland	Bukti Mertajam	n/a	n/a
Mydin Hypermall Bukit Mertajam	Mainland	Bukti Mertajam	536,507	2015
Mydin Wholesale Hypermarket Bertam	Mainland	Kepala Batas	160,000	2014
Giant Prima Prai Mall	Mainland	Perai	n/a	Mid 2000's
<b>Sub-total: Penang Mainland</b>			<b>&gt; 696,507</b>	
<b>Total - Penang</b>			<b>&gt; 1,409,269</b>	

Source: Knight Frank Research

Note: n/a denotes not available



## MARKET REPORT (CONTD.)



## 3.2.1 Supply (Contd.)

Future

As of 2016, there are nine shopping centre developments under construction / planning stage in Penang, of which seven developments will be located on Penang Island accounting for circa 4.86 million sq ft. The remaining two developments will be located in Seberang Jaya and Batu Kawan in Penang Mainland.

Table 6: Penang - Future Supply of Selected Shopping Centres

Shopping Centre	Location	Estimated NLA / GFA (sq ft)	Status / Expected Completion Year
<b>Penang Island</b>			
Sunshine Tower	George Town	900,000	Under Construction
City Mall Tanjung Tokong	Tanjung Tokong	300,000	Under Construction
Penang Times Square Phase 3	George Town	230,000	Under Planning
Sunway Valley City Shopping Mall	Paya Terubong	1,000,000	Under Planning
The Light Waterfront Mall	Jelutong	1,000,000	Under Planning
Penang World City	Bayan Lepas	1,000,000	Under Planning
<b>Sub-total - Penang Island</b>		<b>4,710,000</b>	
<b>Penang Mainland</b>			
Sunway Carnival Extension	Seberang Jaya	500,000	2019
Ikea and Ikano Power Centre	Batu Kawan	n/a	2018
<b>Sub-total - Penang Mainland</b>		<b>&gt; 500,000</b>	
<b>Total - Penang</b>		<b>&gt; 5,210,000</b>	

Source: Knight Frank Research

## 3.2 Occupancy

The average occupancy of the total retail stock (inclusive of shopping centres, arcades and hypermarkets in Penang (include Penang Island and Penang Mainland) has been fairly stable during the review period, recording at about 69.0% per annum (source: NAPIC). As of 1H2016, the average occupancy was registered higher at 71.8%, (1H2015: 66.2%).

The overall occupancy rate for the retail stock on Penang Island is higher, ranging from 74.3% to 80.1% when compared to that of the mainland which range from 44.4% to 59.8%.



## MARKET REPORT (CONTD.)



### 3.3 RENTAL RATES

In general, rental rates of selected established shopping centres in the central town prime area on Penang Island are in region of RM6.20 per sq ft to RM34.00 per sq ft per month, whilst in Seberang Prai Tengah, Plaza Bukit Mertajam (Summit) commands lower rates between RM1.20 per sq ft and RM4.45 per sq ft per month.

### 4.0 MARKET OUTLOOK

Malaysian consumer confidence continues to remain low following the recent increase in fuel prices and the removal of cooking oil subsidy. Coupled with the sharp depreciation of the Ringgit, consumers, faced with lower disposable income and rising cost of living will continue to adopt a more prudent spending approach. For 2017, Malaysia's retail sales growth has been revised downwards from 5.0% to 3.9%.

The Klang Valley retail landscape is facing strong headwinds and the impending completion of some 2.51 million sq ft of space by 1H2017 will further heighten competition in the already crowded market. Rental and occupancy levels for prime and established shopping centres, however, are expected to remain firm.

In Penang, although prime shopping centres continue to perform well, pressures on rentals are building up as recent additions and significant upcoming supply are expected to further aggravate the situation over the next year or two. Secondary malls and hypermarkets are expected to experience mounting downward pressures on rentals and challenges on maintaining occupancy rates.

Mall operators and retailers will have to step up their marketing efforts and re-strategize to continue to attract customers. The Performance Management and Delivery Unit (Pemandu) have also urged retailers to improve their internet sales from online shopping as there is huge potential in the rapidly growing e-commerce market.

Nationwide, the Government will promote Malaysia through Visiting ASEAN@50 Year Campaign in conjunction with the 50th anniversary of ASEAN as well as Malaysia being the host for the 2017 SEA and Para ASEAN Games. To achieve the target of 32 million of tourist arrivals next year, the Government will extend eVisa, currently available to Chinese tourists, to countries in the Balkans and South Asia regions.



# STATEMENT OF CORPORATE GOVERNANCE

Am ARA recognises the importance to have good and effective corporate governance culture to promote and safeguard the best interests of its Unitholders and other stakeholders, thereby enhancing the credibility and reputation of the Trust. This is also critical to the performance of the Manager and consequently, the success of AmFIRST REIT.

The Manager has adopted a good corporate governance framework that is designed to meet the best practice principles. In particular, the Board and the Management of the Manager have the obligation to act honestly, with due care and diligence, and in the best interests of its Unitholders and other stakeholders by emphasising on the transparency of decision making process, fairness and trustworthiness in managing AmFIRST REIT.

The Manager also recognises the need to adapt and improve the principles and practices to meet the ongoing changes and challenges in regulatory requirements, international developments and investor expectations.



The following sections describe the Manager's main corporate governance practices and policies which are guided by measures recommended in Guidelines on Real Estate Investment Trusts ("REITs") (the "REITs Guidelines"), Capital Markets and Services Act 2017 ("CMSA"), The Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or the "Code") and the Main Market Listing Requirements of Bursa Securities ("MMLR") as well as the Manager's obligations as described in the Deed.

## UNITHOLDERS

The Manager, in particular, the Board and the Management recognise their responsibilities to protect the best interests of all Unitholders with the objective of maximising values of Unitholders. The summary of Unitholders' profiles and unitholdings are as set out on pages 131 and 132 of this Annual Report.

Pursuant to Clause 15.33A of the SC's REITs Guidelines, the Manager shall call for a general meeting of Unitholders once in every calendar year and not more than fifteen (15) months from the last preceding annual general meeting. Section 305(1) of CMSA further provides that a general meeting of Unitholders must be convened upon a written request of not less than fifty (50) Unitholders or one-tenth (1/10) of all Unitholders having a right to vote at that meeting, and deposited at the Manager's registered office at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

AmFIRST REIT convened its Fourth Annual General Meeting ("AGM") on 28 July 2016, at Berjaya Times Square Hotel Kuala Lumpur to seek its Unitholders' approval on the following:-

- (i) Proposed authority to allot and issue new units pursuant to Clause 14.03 of SC's REITs Guidelines.
- (ii) Proposed increase in the existing approved fund size of AmFIRST REIT from 686,401,600 units up to a maximum of 823,681,920 units in AmFIRST REIT ("Units").

All the resolutions were voted by way of a poll and were carried based on the results from the Unit Registrar, namely Symphony Share Registrars Sdn Bhd and the Scrutineers, namely Messrs Ernst & Young.

## TRUSTEE

Maybank Trustees Berhad was appointed as the Trustee for AmFIRST REIT and the appointment was approved by the SC as prescribed under sections 288(1)(a) and 289(1) of the CMSA.

The Trustee is required to act honestly and discharge its roles and responsibilities in accordance with the Deed, SC's REITs Guidelines, trust laws and securities laws. It has to exercise a degree of due care and diligence and has to act in the best interests of Unitholders. The primary roles and functions of the Trustee are outlined in the Deed.



## STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

### THE MANAGER

AmFIRST REIT, constituted as a trust, is managed by the Manager and thus, it has no personnel of its own. The Manager appoints experienced and well qualified management personnel to handle the day to day operations of AmFIRST REIT. All the Directors and employees of the Manager are remunerated by the Manager and not the Trust.

Subject to the provisions of the Deed and the applicable laws and regulations, the Manager has general powers of management over the assets of AmFIRST REIT. Its main objective is to manage the assets and liabilities of AmFIRST REIT for the benefit of its Unitholders, with a view to provide long-term and sustainable distribution of income to its Unitholders and to achieve long-term growth in the net asset value per unit, in order to provide competitive investment return to its Unitholders. The primary roles and functions of the Manager as outlined in the Deed are to set the strategic directions of AmFIRST REIT and make recommendations to the Trustee on acquisition and enhancement or divestment of assets of AmFIRST REIT, in accordance with its stated investment strategy as provided under the Deed. Other general roles and functions of the Manager are, including but not limited to, as follows:-

#### Investment

Formulate and implement AmFIRST REIT's investment strategy, including determining the location, subsector, market risk, type and other characteristic of AmFIRST REIT's property portfolio. For acquisition and divestment, the Investment Department will make recommendations to and co-ordinate with the Trustee and implement the acquisition of new assets and divestment of AmFIRST REIT's existing investments. The Department is also responsible for the revaluation of all the real estates in the fund's investment portfolio and insurance renewal programs to ensure that all real estates acquired are insured in the name of the Trustee as required under SC's REIT Guidelines.

#### Asset Management

During the financial year, the Asset Management role has been further enhanced by reorganising and establishing two separate departments namely Marketing and Operations. The Manager opined that the reorganisation is required to further enhance the corporate governance structure as well as to meet the service level demanded by the stakeholders.

The Marketing Department would greatly emphasize on leasing services, rent collection and following up on arrears, where as Operations Department would supervise and oversee the management of AmFIRST REIT's properties which includes procurement of service providers to carry out specified activities, including but not limited to, on-site property management and property maintenance.

### Finances

Formulate plans for equity and debt financing for AmFIRST REIT's capital requirements with the objective of optimising the capital structure and cost of capital. The Manager is also responsible for managing the finances of AmFIRST REIT including preparation of accounts and financial statements.

### Investor Relations

Developing and maintaining investor relations including information coordination and distribution as well as customer service to investors.

### Legal and Compliance Management

Ensuring compliance with all legislations, tax rulings, rules and guidelines issued by SC, Bursa Securities, Inland Revenue Board Malaysia and other relevant authorities, where applicable. The Manager endeavors to carry on and conduct AmFIRST REIT's business in a proper and efficient manner and to conduct all transactions with, or on behalf of AmFIRST REIT, at arm's length basis.

### Risk Management

Responsible for the risk management of AmFIRST REIT which includes but not limited to, identifying the principal risks associated with the business activities and ensuring appropriate measures, systems and internal controls are in place to mitigate the risk exposure.

### CMSA

CMSA was amended to expand the definition of fund management to include management of assets in a unit trust scheme by an asset fund manager. Under this new regime, the Manager is required to be appropriately licensed in order to carry out the regulated activity. SC issued a Capital Markets Services Licence ("CMSL") to the Manager to carry out the regulated activity of fund management in relation to asset management restricted to REITs pursuant to the requirements under CMSA.

As at the date of this report, the Manager has three (3) Capital Markets Services Representative's Licence ("CMSRL") holders where the Executive Director/Chief Executive Officer of the Manager is also a CMSRL holder to comply with the licensing requirements.



## STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

### THE BOARD

The Manager is managed by an experienced Board with a wide and varied range of expertise. The Board is responsible for the overall management and corporate governance of AmFIRST REIT, including establishing goals for management and monitoring the achievement of these goals.

Each Director has a duty to act honestly and in good faith, with due care and diligence, and in the best interests of the Unitholders. The Board ensures that proper and effective controls are in place to assess and manage business risk, and compliance with applicable laws, regulations, guidelines and policies.

The Board is supported by an Audit Committee of Directors to look into, amongst others the risk management, internal control and financial management of AmFIRST REIT, which in turn is supported by the Group Internal Audit, Group Compliance and Group Operational Risk Departments of the ultimate holding company of the Manager.

The Board focuses mainly on strategy, financial performance and critical business issues, including:-

- strategic business plans.
- key financial performance indicators.
- principal risks and their management.

- succession planning for senior management.
- investors and Unitholders relations programs.
- system of internal control.
- policies.

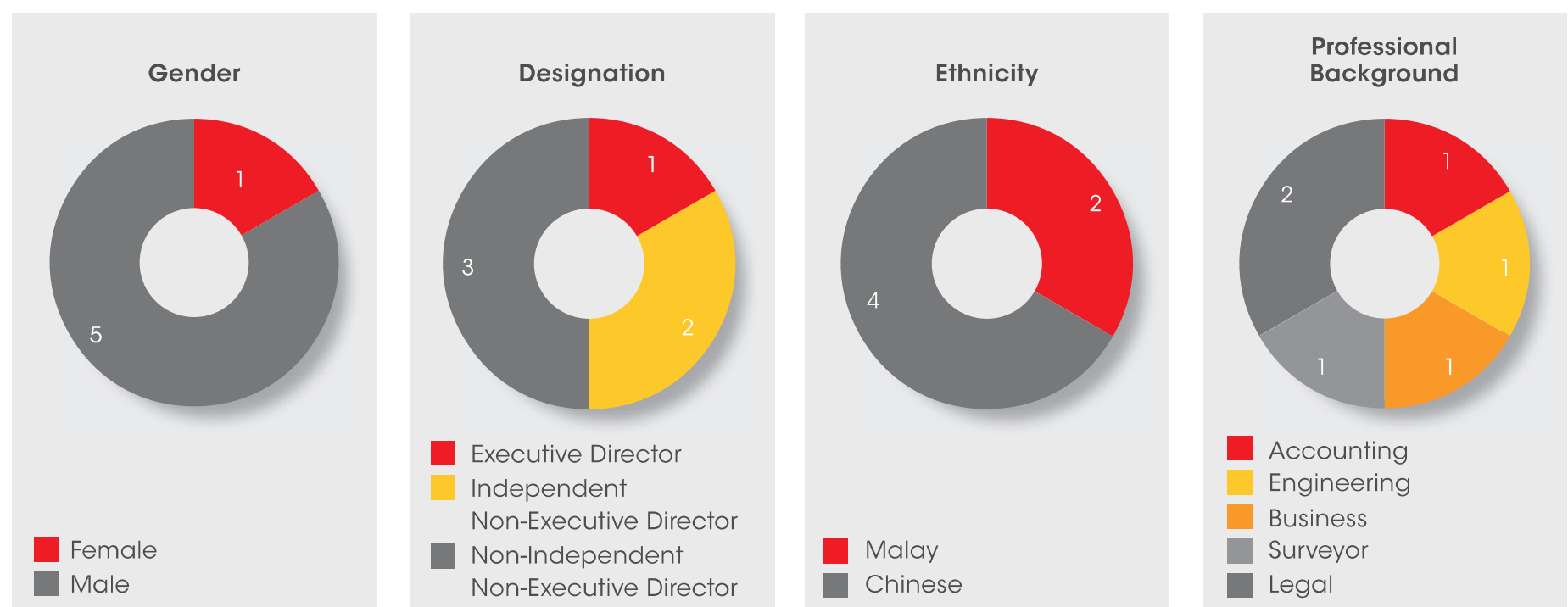
### Board Composition

The Board has six (6) members comprising five (5) Non-Executive Directors and one (1) Executive Director, one (1) of whom is a female Director. Two (2) of the Board members are Independent Directors in compliance with the SC's REITs Guidelines while the Chairman of the Board is a Non-Independent Director.

Pursuant to Recommendation 3.5 of MCCG 2012, the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

Notwithstanding that Recommendation 3.5 of MCCG 2012 is not met, one-third (1/3) of the Board comprises Independent Directors, and in compliance with the MMLR and SC's REITs Guidelines. The Board strongly believes that all the Directors act in the best interest of all stakeholders.

The Board diversity in terms of gender, ethnicity, professional background and experience are as illustrated below:-





## STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

### THE BOARD (CONTD.)

#### Board Composition (Contd.)

As at the date of this Report, none of the Directors held directorships in more than five (5) listed issuers.

The relationships among the Board members are disclosed on page 89 of this Annual Report. In addition to this, information on direct and indirect unitholdings related to the Manager and transactions with the companies related to the Manager are disclosed in Note 12 and Note 24 respectively, of the notes to the financial statements within.

The Board comprises business leaders and experienced professionals with backgrounds in fund management, property, banking, legal and finance. The profiles of the Directors are set out on pages 29 to 31 of this Annual Report. The Board is of the view that its current composition comprises individuals who, as a group, provide the necessary core competencies and that the current Board size is appropriate and effective, taking into consideration the nature and scope of AmFIRST REIT's operations.

A Director who is independent of the Manager (or the controlling or significant shareholder of the Manager) and free from any business or other relationship, which could interfere with the exercise of independent judgment or the ability to act in the best interests of AmFIRST REIT, is considered to be independent.

The Board performs the function that a Nominating Committee would otherwise perform, namely, it administers nominations to the Board, review the structure, size and composition of the Board, and review the independence of Board members. The composition of the Board is reviewed to ensure an appropriate mix of expertise, independence, experience and knowledge in business, finance and management skills critical to AmFIRST REIT's business is present in the composition of the Board.

Newly appointed Directors are given briefings by the Management on the business activities of AmFIRST REIT, its strategic directions and policies and the regulatory environment in which AmFIRST REIT operates. Directors are also informed of their statutory and other duties and responsibilities as well as policies and procedures relating to the corporate conduct and governance including the disclosure of interests, prohibitions on dealings in AmFIRST REIT's units and restrictions on the disclosure of price-sensitive information.

#### Chairman and Executive Director/Chief Executive Officer

The roles and responsibilities of the Chairman and Executive Director/Chief Executive Officer are separate and the positions are held by two (2) different individuals. Mr Soo Kim Wai is a Non-Independent Non-Executive Director/Chairman while Mr

#### Chairman and Executive Director/Chief Executive Officer (Contd.)

Wong Khim Chon, the Executive Director ("ED") also holds the position as the Chief Executive Officer ("CEO"). This is to ensure an appropriate balance of power and increased accountability.

The segregation ensures a clear distinction between the Chairman's responsibilities to lead and manage the Board and the ED/CEO's responsibilities to manage the Trust and the Manager.

Mr Soo Kim Wai, the Chairman, leads the Board and ensures that members of the Board work together with the management in a constructive manner to address strategies, business operations, financial performance, risk management and internal control issues.

Mr Wong Khim Chon, the ED/CEO has full executive responsibilities in consultation with the Executive Committee over the business directions and operational decisions of AmFIRST REIT. He leads the management and provides direction on the day-to-day operations and works with the Board to determine the overall business, investment and operational strategies for AmFIRST REIT and ensures that they are implemented as planned and in accordance with the Deed and the SC's REITs Guidelines. In addition, he is also responsible for the overall planning for the future strategic development and growth of AmFIRST REIT.

#### Executive Committee

During the financial year, the Board made an imperative decision to establish an Executive Committee ("EXCO"). The EXCO was formed to support the Board of Directors to assess, deliberate and approve operational decisions expeditiously. The formation of EXCO demonstrates the Board's commitment in ensuring good corporate governance. The EXCO comprises three (3) members who are key staff of the shareholders of Am ARA. The EXCO Meeting is held on monthly basis and attended by key management staffs. The Board will be notified by the EXCO on key deliberation and decisions made for each quarter.

#### Board Meetings

The Board meetings are scheduled at least four (4) times per annum with the purpose, amongst others, to discuss and review the operations of AmFIRST REIT and approve the release of the interim and the audited financial statements of AmFIRST REIT. Additional meetings are held as and when necessary between the scheduled meetings.



## STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

### THE BOARD (CONTD.)

#### Board Meetings (Contd.)

During the financial year ended 31 March 2017, the Board met four (4) times. Total number of meetings attended by the Board members were as follows:-

Director	Designation	Number of Board Meeting	Percentage of Attendance [%]
<b>Soo Kim Wai</b>	Non-Independent Non-Executive Director/Chairman	4/4	100
<b>Dato' Wong Nam Loong</b> (Appointed on 15 August 2016)	Independent Non-Executive Director	3/3	100
<b>Dato' Abdullah Thalith bin Md Thani</b> (Appointed on 15 August 2016)	Independent Non-Executive Director	3/3	100
<b>Kong Tai Meng Thomas</b>	Non-Independent Non-Executive Director	4/4	100
<b>Wong Khim Chon</b>	Executive Director/Chief Executive Officer	4/4	100
<b>YM Raja Maimunah binti Raja Abdul Aziz</b> (Appointed on 21 March 2017)	Non-Independent Non-Executive Director	N/A	N/A
<b>Pushparani a/p A Moothathamby</b> (Resigned on 23 February 2017)	Non-Independent Non-Executive Director	3/3	100
<b>Dato' Teo Chiang Quan</b> (Resigned on 16 August 2016)	Independent Non-Executive Director	1/1	100
<b>Sr Tuan Haji Mohd Salleh bin Akram</b> (Resigned on 16 August 2016)	Independent Non-Executive Director	1/1	100

*Note:*

*All attendances reflected were the number of meetings attended during the Directors' tenure of service.*

#### Directors' Remunerations

The Directors' remuneration is paid by the Manager and not the Trust. For Non-Executive Directors, they receive Directors' fees and meeting allowance for their attendance at meetings of the Board and any of the Board Committee meetings.



## STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

### THE BOARD (CONTD.)

#### Directors' Remunerations (Contd.)

The determination of the Non-Executive Directors' remuneration is a matter of the Board as a whole and is subject to the Manager's shareholders' approval. The Directors are not involved in the approval of their own remuneration. The proposed Directors' fees for the financial year ended 31 March 2017 are as follows:-

Director	FY2017 Directors' Fees RM	FY2016 Directors' Fees RM
Soo Kim Wai	46,000	28,404
Kong Tai Meng Thomas (Appointed on 28 January 2016)	40,000	6,995
Dato' Wong Nam Loong (Appointed on 15 August 2016)	25,096	-
Dato' Abdullah Thalith bin Md Thani (Appointed on 15 August 2016)	25,096	-
YM Raja Maimunah binti Raja Abdul Aziz (Appointed on 21 March 2017)	1,205	-
Y Bhg Dato' Teo Chiang Quan (Ceased as Member on 16 August 2016)	16,721	40,000
Sr Tuan Haji Mohd Salleh bin Akram (Ceased as Member on 16 August 2016)	16,721	40,000
Pushparani a/p A Moothathamby (Ceased as director on 23 February 2017)	35,945	40,000
Anthony Ang Meng Huat (Ceased as director on 28 January 2016)	-	33,005
Dato' Azlan bin Hashim (Ceased as director on 12 August 2015)	-	16,716

#### Directors' Trainings

During the financial year under review, the Directors had attended various conferences, seminars and workshops to enhance their knowledge and expertise and to keep abreast with the relevant changes in laws, regulations and the business environment. The training programs attended by the Directors during the financial year ended 31 March 2017 were, inter alia, on areas relating to real estates, corporate leadership and governance, professional development, risk management, information technology, regulatory and compliance conducted by Group Learning and Development of the ultimate holding company of the Manager and regulators as well as professional establishments.

Effective 1 May 2015, SC has enforced that all Directors of CMSL holder for dealing in securities, dealing in derivatives and fund management in relation to portfolio management are required to attend and complete the Capital Market Director Programme ("CMDP") within the stipulated timeline pursuant to the requirement of SC's Licensing Handbook.

CMDP is an exclusive platform for Directors of licensed intermediaries to be equipped with the relevant knowledge, skills and abilities to meet the expected competencies required of a board. It is also designed to allow Directors to explore and deliberate on pertinent issues affecting the industry from multi-stakeholders perspectives. The Group Learning & Development has organised for all the Directors to complete the relevant CMDP modules within the stipulated timeline as prescribed by SC.

#### Directors' Trainings (Contd.)

Dato' Wong Nam Loong and Dato' Abdullah Thalith bin Md Thani who were appointed to the Board on 15 August 2016, had completed the Mandatory Accreditation Programme (MAP) and has satisfied the Clause 2.0, Practice Note 5 requirement of the MMLR on Training for Directors.

The Board continues to evaluate and determine the training needs of its Directors on an ongoing basis.

#### Appointment and Removal, Retirement by Rotation and Re-election of Directors

##### (i) Appointment and Removal

The Board as a whole will serve as the Nominating Committee. All new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient caliber and experience. The process of assessing the Directors is an ongoing responsibility of the entire Board. The Board has the power to appoint any person to be a Director, either to fill a vacancy or as an addition to the existing Directors. Shareholders of the Manager may by ordinary resolution remove any Director and appoint another person in his stead.



## STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

### THE BOARD (CONTD.)

#### Appointment and Removal, Retirement by Rotation and Re-election of Directors (Contd.)

##### (ii) Retirement by Rotation and Re-election

The Manager's Articles of Association provides that one third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. A retiring Director who is subject to retirement by rotation will retire at every Annual General Meeting with the exception of the First Annual General Meeting whereby all Directors shall retire from office.

A retiring Director shall be eligible for re-election. The retiring Directors on each occasion will be those Directors who have remained in office the longest since their last election or appointment. As between persons who become Directors on the same day, those to retire shall (unless otherwise agreed among themselves) be determined by lot.

##### (iii) Tenure

Recommendation 3.2 of the MCCG 2012 states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. This is in line with the Group's existing policy which states that an Independent Non-Executive Director shall serve up to a maximum of nine (9) years (the "9-Year Rule") and any exception to the same will be subject to the recommendation of the Group Nomination and Remuneration Committee of Directors and the approval of the Board.

In line with the 9-Year Rule, Y Bhg Dato' Teo Chiang Quan and Sr Tuan Haji Mohd Salleh bin Akram, who have served as Independent Non-Executive Directors of Am ARA for nine (9) years, have stepped down as Directors of Am ARA on 16 August 2016. The said positions are replaced by Dato' Wong Nam Loong and Dato' Abdullah Thalith bin Md Thani. Their appointments were effected on 15 August 2016.

### Access to Information

The Management provides the Board with complete and adequate information in a timely manner. This is done through regular updates on financial results, market trends and business developments. Changes to regulations and accounting standards are monitored closely. To keep pace with regulatory changes, where these changes have an important and significant bearing on AmFIRST REIT and its disclosure obligations, the Directors are briefed by the Management either during Board meetings, at specifically convened sessions or via circulation of Board papers.

### Access to Information (Contd.)

The Company Secretaries work with the Chairman and Management to ensure that Board papers and agenda are provided to the Directors ahead of meetings of the Board and Board Committees so that they can familiarise themselves with the matters prior to the meetings. Meetings are usually half-a-day affairs and include presentations by the Management, and when necessary, presentations by external consultants and experts on strategic issues relating to specific business areas.

The Board will take independent professional advice when it deems necessary for the proper and efficient discharge of its responsibilities and the Company Secretaries will assist the Board in obtaining such advice upon request.

The Board has separate and independent access to the Management and Company Secretaries, and vice versa. The Company Secretaries render necessary assistance to the Board, and ensure meeting procedures are followed and the applicable laws and regulations are complied with. Under the direction of the Chairman, the Company Secretaries' responsibilities include ensuring good information flows within the Board and the Board Committees, and between the Management and Directors, as well as facilitating orientation and assisting with professional development as required.

### COMPANY SECRETARIES

The Company Secretaries report directly to the Board and are the sources of guidance and advice to the Directors on areas of corporate governance, relevant legislations, regulations and policies besides ensuring compliance with the MMLR and other regulatory requirements.

The Company Secretaries attend the Board and the Board Committees' meetings and responsible for the accuracy and adequacy of records of the proceedings of the Board and the Board Committees' meetings and resolutions.

### MANAGEMENT PERSONNEL

The Management have the responsibilities to ensure the successful implementation of the strategies and directions which have been set by the Board. In discharging these responsibilities, they apply business principles and ethics which are consistent with those expected by the Board, Unitholders and other stakeholders as guided by the Deed, the SC's REITs Guidelines, the MMLR, other applicable laws and regulations together with the established policies and procedures. The details and profiles of the Senior Management are as set out on pages 32 to page 35 of this Annual Report.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RISK MANAGEMENT

The Board has established a sound risk management framework which has been implemented by the Manager that enables it to continuously identify, evaluate, mitigate and monitor risks that affect the Trust and the Manager in achieving its business objectives within the defined risk parameters and acceptable risk appetite.

The Manager applies the risk management framework as a structured process in making risk-based strategies and decisions across the respective functions which consist of the following components and are incorporated within the Trust's and the Manager's Risk Profiling:

- i. Business model, objectives and strategies.
- ii. Assessment of the internal and external environment.
- iii. Identify events that may affect the business objectives and strategies.
- iv. Assessment of inherent risks within the business.
- v. Establish appropriate risk responses.
- vi. Ensure control activities operate effectively.
- vii. Ensure accurate and sufficient information and communication.
- viii. Monitor the effectiveness of the framework and report to the Board.

The Risk Profiling is reviewed by the Manager's Audit Committee of Directors (the "AC") on a half-yearly basis or as and when required.

The risk management process is integrated with the business processes, enabling proper risk management at the operational level of each property, as well as at the Trust's level. Risks identified are systematically evaluated with proper mitigating action in place, developed to manage the risks to an acceptable level and monitored on a continuous basis.

A Risk Management Committee at the Manager level was established to assist the AC in assessing the adequacy of internal control and risk management. The Risk Management Committee comprises the Chief Executive Officer and Heads of Departments of the Manager with the support from the AmBank Group (the "Group") Risk Management Department. The Risk Management Committee performs the following roles:-

- i. Review adequacy and effectiveness of risk management process and system;
- ii. Review and present to the Board and AC, the broad terms risk guidelines and risk appetite of AmFIRST REIT on a periodic basis;
- iii. Review identified key risks at AmFIRST REIT's operations;
- iv. Guide staff in identifying, evaluating and managing key risks; and

## RISK MANAGEMENT (CONTD.)

- v. Report to the Board on material and pervasive findings which exceeded the risk appetite and make appropriate recommendations.

The Risk Management Framework comprises functional roles and responsibilities established for the management of risk, i.e. the First Line of Defense ("FLOD"). The FLOD comprises coordinators for Business Operational Controls ("BOC") at the Manager's level and Operational Controls Coordinators ("OCC") appointed at each functional department of the Manager.

The objectives of the establishment of FLOD are:

- i. To establish personnel who are competent and appreciative of risk management principles within the business;
- ii. To enhance accountability within the business in executing risk management controls within their span of authority; and
- iii. To promote proactive risk management culture in the business.

## INTERNAL CONTROL

The Board has voluntarily adopted the best practices in corporate governance by establishing an AC and internal audit function, the latter of which is undertaken by the Group's Internal Audit Department ("GIAD"), although it is not compulsory for a REIT to comply under the Listing Requirements. These efforts demonstrate that the Board recognises the need for a sound and effective internal control system as one of the key priorities for an effective corporate governance culture.

The Board is also committed to maintain a sound and effective system of internal control which consists of policies and procedures designed to provide reasonable assurance to the Board that the Trust will achieve its objectives to safeguard the interests of the Unitholders including reliability of financial reporting, compliance with applicable laws and regulations and effectiveness and efficiency of operations. These policies and procedures are regularly reviewed and updated to reflect changes in the business and regulatory requirements. Changes in the policies and procedures are communicated to the management and other affected stakeholders in a timely manner upon approval by the Board.

The system provides reasonable but not absolute assurance against material misstatement of management and financial information, against financial losses, fraud and the occurrence of unforeseeable circumstances. As part of the effective and ongoing internal control and governance processes, the Manager is reviewing on the adequacy and effectiveness of its internal control systems to ensure it remain relevant, effective and able to meet the ongoing changes and challenges faced



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTD.)

### INTERNAL CONTROL (CONTD.)

by the Trust. This involves reviewing for improvement opportunities in the areas of financial, operational and compliance controls. The Manager takes cognizance of recommendations made for the Trust by the External Auditors, Messrs Ernst & Young ("EY"), and GIAD in respect of the accounting and operational controls in their audit reports issued during the financial year. Recommendations by the said parties are implemented accordingly where required to enhance internal controls.

#### Internal Audit Function

GIAD operates under a charter from the AC that gives it unrestricted access to the Manager's personnel, premises, documents, records, information, and is authorised to obtain such information and explanations considered necessary to fulfill and discharge its responsibilities. The Head of GIAD reports directly to the AC.

GIAD performs the audit reviews in accordance with an audit plan, which is based on the risk assessment of all activities undertaken by the Manager. The risk-based audit plan is reviewed annually taking into account the changing business and risk environment. The AC reviews and approves the annual audit plan of GIAD.

The main objective of the audit reviews is to assess the adequacy and effectiveness of the Manager's system of internal control and risk management. When required, GIAD also undertakes special reviews or investigations as directed by the AC. Audit findings, recommendations and the Manager's action plans are highlighted in audit reports which are tabled to the AC. GIAD conducts follow-up and report on the status of implementation of Management action plans arising from the internal audit report.

The AC reviews the internal audit reports and activities on an ongoing basis. The AC is of the view that the Internal Audit team is adequately resourced to perform its functions and has maintained its independence from the activities that it audits.

### External Auditors

The Board maintains a transparent relationship throughout their association with the External Auditors. The appointment of External Auditors, who were nominated by the Manager, is approved by the Trustee. The External Auditors appointed must be independent of the Manager and Trustee. The remuneration of the External Auditors is approved by the Trustee based on the Manager's recommendation.

### External Auditors (Contd.)

As part of the External Auditors' audit of the financial statements, the External Auditors obtain an understanding of internal controls sufficient for their planning of the audit and to assist in their expression of an opinion on the financial statements of AmFIRST REIT as a whole. Any significant deficiencies and material weaknesses identified during the audit are communicated to the AC. As part of continuous refinement of AmFIRST REIT's internal control system, the AC reviews the effectiveness of measures taken by the Manager in response to those significant deficiencies and material weaknesses identified.

The Trustee has appointed EY as the External Auditors to conduct the statutory audit for the financial year ended 31 March 2017. EY had written to the AC confirming there is no relationship between them and the Trust and/or the Manager which may impair their independence.

### Compliance Officer

The Manager has a designated Compliance Officer who works towards ensuring the compliance with the Trust Deed as well as all the rules and guidelines issued by SC, Bursa Securities, other laws and regulations as well as internal policies and procedures which are applicable to the Trust and the Manager.

The Compliance Officer plays an active role in advising the key management staff on regulatory matters as well as internal policies and procedures in their day to day activities. In addition, the incumbent employs Group's resources and collaborates closely with the Group Compliance and Group Operational Risk Department in respect of Compliance & Risk matters.

### Dealings with Related Parties

In general, the Manager has to ensure that related party transactions are undertaken in compliance with the SC's REITs Guidelines, the Deed and the Listing Requirements. Such transactions are to be carried out at arm's length basis based on normal commercial terms and will not be prejudicial to the interest of AmFIRST REIT and its Unitholders.

In respect of such transactions, the Manager would have to demonstrate to the AC that the transactions are undertaken on normal commercial terms, which may include (where applicable) obtaining quotations from parties unrelated to the Manager, or obtaining a valuation from an independent valuer. All related party transactions are subject to review by AC prior to Board's notation.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTD.)

### INTERNAL CONTROL (CONTD.)

#### Dealings with Related Parties (Contd.)

In dealing with any related party transactions, all related party transactions carried out by or on behalf of AmFIRST REIT should be:

- i. at arm's length basis and on normal commercial terms;
- ii. in the best interests of AmFIRST REIT's Unitholders;
- iii. adequately disclosed to AmFIRST REIT's Unitholders; and
- iv. in relation to a real estate transaction:
  - a. consented by the Trustee;
  - b. consistent with the investment objective and strategy of AmFIRST REIT; and
  - c. transacted at a price that is supported by valuation report.

Any variation of price transacted must comply with REIT Guidelines issued by SC as described in the subsequent paragraphs.

Acquisition/disposal may be transacted at a price other than as per the valuation report provided that:

- i. the acquisition price is not more than 110% of the value assessed in the valuation report;
- ii. the disposal price is not less than 90% of the value assessed in the valuation report; and
- iii. the Trustee provides a written confirmation that the transaction is based on normal commercial terms, at arm's length, and not prejudicial to Unitholders' interest.

The Manager and the Trustee must ensure that prior approval of the Unitholders (by way of an ordinary resolution) is obtained if the transaction value with related parties is equal to or exceeds 5% of the total asset value of AmFIRST REIT (post acquisition). Where the transaction value does not exceed 5% of the total asset value of AmFIRST REIT (post acquisition), the Trustee must provide a written confirmation that the transaction is based on normal commercial terms, at arm's length, and not prejudicial to the Unitholders' interest.

The Board members will consider AmFIRST REIT's best interest in relation to decision affecting it when they vote at the Board meetings. In addition, Directors, Chief Executive Officer and management staff of the Manager are expected to act with honesty and integrity at all times.

### Role of the Audit Committee for Related Party Transactions

The AC together with the Management reviews the related party transactions to ensure compliance with the internal control procedures, relevant provisions of the Deed, SC's REITs Guidelines and the Listing Requirements. The review includes examination of the nature of the transaction and the supporting documents, or such other data deemed necessary by the AC.

If a member of the AC has an interest in a transaction, he is to disclose and abstain from participating in the review and the recommendation process in relation to the transaction. The related party transactions for the financial year ended 31 March 2017 are as disclosed in Note 24 of the notes to the financial statements within this annual report.

### Dealings with Conflict of Interest

All transactions carried out for or on behalf of AmFIRST REIT are executed on commercial terms and are no less favorable than arm's length transactions between independent parties. The Manager and Trustee will avoid conflict of interests from arising or if conflict arises, will ensure that AmFIRST REIT is not disadvantaged by the transaction concerned.

The Directors of the Manager are under a fiduciary duty to AmFIRST REIT to act in its best interests in relation to decisions affecting AmFIRST REIT when they are voting as members of the Board.

Under the Deed, the related parties of the Manager (as defined in the Deed) are prohibited from voting at, or being part of a quorum for, any meeting of Unitholders convened to approve matter or business if the related parties have interest in the outcome of a transaction which is different from the interest of other Unitholders.

Save for Directors' interests in AmFIRST REIT (as disclosed on page 89 of the Manager's Report) and the transactions with companies related to the Manager (as disclosed in Note 24 of the notes to the financial statements within this annual report), no conflict of interest has arisen during the financial year under review.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTD.)

### TRADING IN AmFIRST REIT's UNITS

The Manager adopts best practices and issues policies to its Directors and employees which prohibit dealings in AmFIRST REIT's units while in possession of material unpublished price-sensitive information. Under these policies, the Directors and employees of the Manager are prohibited from dealing in AmFIRST REIT's units during the period commencing on and from one (1) month prior to the targeted date of announcement of AmFIRST REIT's quarterly results to Bursa Securities, up to one (1) full market day after the announcement of AmFIRST REIT's quarterly results. If any of such affected persons deal in AmFIRST REIT's units during such closed period, they are required to comply with the conditions as set out in the Listing Requirements and the related policies of the Manager. They are also made aware of the applicability of the insider trading laws at all times.

There were no dealings in AmFIRST REIT's units during the closed periods by the Directors or employees of the Manager reported during the financial year up to the date of this Report.

### WHISTLEBLOWER PROTECTION POLICY (THE "POLICY")

The Manager, being part of AMMB Holdings Berhad, has in place a policy to provide employees of the Manager and members of the public with well-defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to AmFIRST REIT and the Manager. The aim of the Policy is to promote whistleblowing in a positive and independent manner which provides an avenue to escalate concern on improper conduct or transactions and such concern are being addressed appropriately.

The Policy provides protection to whistleblower which includes not only the employees but also any person that provides information, causing information to be provided or otherwise assisting in an investigation regarding improper conduct and/or filing, causing to be filed, testifying, participating in or otherwise assisting in a proceeding filed or about to be filed relating to the violation of this Policy or legislative requirements.

### CONCLUSION

The Board has received assurance from the Executive Director/ Chief Executive Officer and Chief Financial Officer that the risk management and internal control system is operating adequately and effectively, in all material aspects. The external auditors have reviewed this Statement for inclusion in the 2017 Annual Report. The external auditors conducted the review in accordance with the Recommended Practice Guide 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report (RPG 5) issued by the Malaysian Institute of Accountants. The review has been conducted to assess whether this Statement is both supported by the documentation prepared by or for the Board and appropriately reflects the processes the Directors had adopted in reviewing the adequacy and integrity of the system of internal controls of the Group. RPG 5 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the risk and control procedures. RPG 5 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant matters disclosed in the Annual Report will, in fact, mitigate the risks identified or remedy the potential problems. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes the Board has adopted in the review of the adequacy and effectiveness of the risk management and internal control.

The Board is of the view that the system of internal control and risk management for the year under review and up to the date of approval of this Statement is in place, sound and provides a level of confidence on which the Board relies for assurance.



# AUDIT COMMITTEE REPORT

An Audit Committee of Directors ("AC") was established by the Board to assist the Manager in fulfilling its statutory and fiduciary responsibilities relating to internal controls, financial reporting and reviewing policies as well as to carry out certain oversight functions on behalf of the Board with the main objective of protecting the interests of the Unitholders.

The AC comprises three (3) members, all of whom are Non-Executive Directors, of which two (2) members are Independent Directors.

The AC Chairman is an Independent Non-Executive Director.

## COMPOSITION

The AC members of the Manager since the date of the last report and at the date of this report are:-

**Dato' Wong Nam Loong, Chairman**

Independent Non-Executive Director (Appointed on 15 August 2016)

**Dato' Abdullah Thalith bin Md Thani**

Independent Non-Executive Director (Appointed on 15 August 2016)

**Soo Kim Wai**

Non-Independent Non-Executive Director

**Dato' Teo Chiang Quan**

Independent Non-Executive Director (Ceased as Member on 16 August 2016)

**Sr Tuan Haji Mohd Salleh bin Akram**

Independent Non-Executive Director (Ceased as Member on 16 August 2016)

The Manager is of the view that the AC members have the relevant expertise to discharge the functions of an AC.

The primary role and responsibilities of the AC is to monitor and evaluate the effectiveness of AmFIRST REIT and the Manager's internal controls and to ensure that the financial statements comply with the applicable financial reporting standards. The AC has a set of terms of reference defining its scope of authority which includes, in relation to its management of AmFIRST REIT.

## TERMS OF REFERENCE

The AC is governed by the terms of reference as listed below:-

### Primary Roles and Responsibilities

- (i) To provide assistance to and to review and report to the Board of the Manager in relation to:-
  - a. fulfilling the statutory and fiduciary responsibilities of the Manager; and
  - b. monitoring of the accounting and financial reporting practices of the Trust and the Manager.
- (ii) To determine that the Trust and the Manager have adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct and protecting the assets of the Trust.
- (iii) To serve as an independent and objective party in the review of the financial information of the Trust that is presented by the Manager to the Board.



## AUDIT COMMITTEE REPORT (CONTD.)

### TERMS OF REFERENCE (CONTD.)

#### Primary Roles and Responsibilities (Contd.)

- (iv) To review the quarterly and annual financial statements of the Trust prior to the approval by the Board in particular, with reference to:-
  - (a) changes in or implementation of major accounting policy;
  - (b) significant and unusual events; and
  - (c) compliance with accounting standards and other regulatory requirements.
- (v) To review and approve the scope of audits, audit plans and audit reports of both the external and internal Auditors.
- (vi) To evaluate the adequacy and effectiveness of the Manager's control systems through the review of the reports of both the external and internal Auditors that highlight internal accounting, organisational and operating control weaknesses and to determine that appropriate corrective actions are being taken by the Manager.
- (vii) To ensure the adequacy of the scope, functions and resources of the internal audit functions and that they have the necessary authority to carry out their works.
- (viii) To ensure through discussions with the external and internal Auditors, that no restrictions are being placed by the Manager and employees of the Manager on the scope of their examinations.
- (ix) To direct and supervise any special project or investigation which is considered necessary.
- (x) To prepare when necessary, periodic reports to the Board summarising the works deemed performed in fulfilling the AC primary responsibilities.
- (xi) To review any related party transaction and conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions of the Manager's integrity.
- (xii) To review the annual appointment of the external Auditors, or letter of resignation from external Auditors, to negotiate and approve the annual audit fees and/or special audit fees, and evaluate basis of billings therewith.

### MEETING

The AC shall meet at quarterly intervals or such other intervals as the AC shall decide. The quorum necessary for the transaction of the business of the AC shall be two (2) members. For the financial year ended 31 March 2017, the AC had met a total of four (4) times. The attendance of the AC members to the AC meetings held for the financial year ended 31 March 2017 are as follows:-

Member	Designation	AC Meeting
Dato' Wong Nam Loong (Appointed on 15 August 2016)	Independent Non-Executive Director/Chairman	3/3
Dato' Abdullah Thalith bin Md Thani (Appointed on 15 August 2016)	Independent Non-Executive Director	3/3
Soo Kim Wai	Non-Independent Non-Executive Director	4/4
Dato' Teo Chiang Quan (Ceased as Member on 16 August 2016)	Independent Non-Executive Director	1/1
Sr Tuan Haji Mohd Salleh bin Akram (Ceased as Member on 16 August 2016)	Independent Non-Executive Director	1/1



## AUDIT COMMITTEE REPORT (CONTD.)

### SUMMARY OF ACTIVITIES OF THE AC

The activities of the AC for the financial year ended 31 March 2017 as listed below:-

- (i) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit with the internal Auditors.
- (ii) Reviewed the audit activities carried out by the internal Auditors and the audit reports to ensure corrective actions were taken to address the issues reported.
- (iii) Reviewed with the external Auditors, the audit plan for the year (inclusive of risk and audit approach, system evaluation, audit fees and issues raised, and the Manager's responses) prior to the commencement of the annual statutory audit.
- (iv) Reviewed the financial statements, audit report, issues and reservations arising from the statutory audit with the external Auditors.
- (v) Reviewed and discussed the financial performance with the Manager.
- (vi) Reviewed the quarterly results and financial statements of AmFIRST REIT for recommendation to the Board of the Manager for approval before release to Bursa Securities.
- (vii) Reviewed quarterly compliance reports to ensure regulatory requirements, internal policies as well as procedures are adhered to.
- (viii) Reviewed and endorsed all related party transactions entered into by AmFIRST REIT.
- (ix) Reviewed any conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises question of the Manager's integrity.
- (x) Discussed the implications of any latest changes and pronouncements on AmFIRST REIT and/or the Manager, issued by the statutory and regulatory bodies.
- (xi) Reviewed overall risk management matters to ensure measures in place to manage the risks are adequate.
- (xii) Reported to the Board of the Manager on the significant issues and concerns discussed during the AC meetings, together with applicable recommendations. Minutes of the AC meetings were tabled and noted by the Board of the Manager.
- (xiii) Reviewed and recommended the re-appointment of external Auditors to the Board of the Manager for approval.



# DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible to ensure that the financial statements for the financial year ended 31 March 2017 have been prepared and drawn out in accordance with the Malaysian Financial Reporting Standards in Malaysia, International Financial Reporting Standards, applicable provisions of the Deed of AmFIRST REIT and the SC's REITs Guidelines, so as to give a true and fair view of the financial position of AmFIRST REIT as at 31 March 2017 and of its financial performance and cash flows for the year then ended.

In preparing the financial statements for the financial year ended 31 March 2017, the Directors have:-

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Ensured that the financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards; and
- Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Trust have adequate resources to continue in operational existence for the foreseeable future.

The Directors of the Manager are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of AmFIRST REIT. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.



# MANAGER'S REPORT

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

The Board of Directors (the "Board") of Am ARA REIT Managers Sdn Bhd, ("Am ARA" or the "Manager"), the Manager of AmFIRST Real Estate Investment Trust ("AmFIRST REIT" or the "Trust"), have the pleasure in presenting their report to the Unitholders of the Trust together with the audited financial statements of the Trust for the financial year ended 31 March 2017.

## THE TRUST, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The Trust was constituted pursuant to the execution of a Deed dated 28 September 2006 ("Original Deed") [as amended by the First Supplemented, Revised and Restated Trust Deed dated 15 December 2006 ("First Deed") and the Second Restated Deed dated 13 September 2013] ("Second Deed" or the "Deed") by the Manager and the Trustee, Maybank Trustees Berhad. The Second Deed superseded the Original Deed and the First Deed.

The principal activity of the Trust is to own and invest in a portfolio of commercial properties in major growth areas of Malaysia, primarily in the Klang Valley.

Am ARA, the Manager of AmFIRST REIT, is a private limited liability company incorporated and domiciled in Malaysia. Am ARA is principally involved in the business of managing real estate investment trusts and properties.

Am ARA, is a wholly-owned subsidiary of Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings"), a company incorporated in Malaysia. Am ARA Holdings is 70% owned by AmInvestment Group Berhad and 30% owned by ARA Asset Management (Malaysia) Limited, a wholly-owned subsidiary of ARA AmFIRST (Singapore) Pte Ltd, which in turn is a wholly owned subsidiary of ARA Asset Management Limited ("ARA Group").

## MANAGER'S FEES AND COMMISSION

Pursuant to the Deed, the Manager's fee is entitled to receive from the Trustee out of the Assets of the REIT a base fee (excluding any taxes payable) of up to 0.5% per annum ("p.a.") of the total asset value and a performance fee (excluding any taxes payable) of 3% p.a. of the net property income, but before deduction of property management fees. During the financial year end 31 March 2017, the Manager's fee consists of base fee of 0.3% (FY2016 : 0.3%) per annum and performance fee of 3% (FY2016: 3%) per annum.

In addition, the Manager will also be entitled to an acquisition fee of 1% of the acquisition price of any real estate or single-purpose company whose principal assets comprise real estate for any acquisition by AmFIRST REIT and a divestment fee of 0.5% of the sale price of any real estate or single-purpose company whose principal assets comprise real estate, sold or divested by AmFIRST REIT (pro-rated, if applicable to the proportion of the interest in real estate or single-purpose company purchased or sold).

During the financial year, the Manager did not receive any soft commission (i.e. goods and services) from its broker, by virtue of transactions conducted by AmFIRST REIT.

## MATERIAL LITIGATION

There is no material litigation pending since the issuance of the last annual report up to the date of this report.

## DIRECTORS OF THE MANAGER

The Directors of the Manager in office since the date of the last report and at the date of this report are:-

Soo Kim Wai

Dato' Wong Nam Loong (Appointed on 15 August 2016)

Dato' Abdullah Thalith bin Md Thani (Appointed on 15 August 2016)

YM Raja Teh Maimunah binti Raja Abdul Aziz (Appointed on 21 March 2017)

Kong Tai Meng Thomas

Wong Khim Chon

Dato' Teo Chiang Quan (Resigned on 16 August 2016)

Tuan Haji Mohd Salleh bin Akram (Resigned on 16 August 2016)

Pushparani a/p A Moothathamby (Resigned on 23 February 2017)



## MANAGER'S REPORT (CONTD.)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive a benefit (other than benefits which accrue from the fee paid to the Manager or from transactions made with companies related to the Manager as shown in the notes to the financial statements of the Trust) by reason of a contract made by the Manager or the Trust or a related corporation with the Director of the Manager or with a firm in which the Director of the Manager is a member, or with a company in which the Director of the Manager has a substantial financial interest, other than for the related party transactions as shown in Note 24 to the financial statements of the Trust.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangement to which the Manager or the Trust was a party, whereby the Directors of the Manager might acquire benefits by means of acquisition of shares in or debentures of the Manager or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB Holdings Berhad ("AMMB"), the ultimate holding company, or of the acquisition of units of the Trust.

### DIRECTORS' INTEREST

None of the directors of the Manager in office at the end of the financial year had any interest in the Trust during the financial year ended 31 March 2017.

### SANCTION AND / OR PENALTIES

There was no public sanction and/or penalty imposed on the Trust and the Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 March 2017.

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR SUBSTANTIAL UNITHOLDERS

None of the Directors of the Manager has any family relationship with any other Directors or major Unitholders of AmFIRST REIT.

### CONFLICT OF INTEREST

No conflict of interest has arisen during the financial year under review.

### CONVICTIONS FOR OFFENCES (OTHER THAN TRAFFIC OFFENCES)

None of the Directors has been convicted for offences within the past 10 years.

### AUDIT AND NON-AUDIT FEE

The amount of audit and non-audit fees paid or payable to the external auditors for the financial year ended 31 March 2017 are as follows:-

RM'000	FY2017
Audit Fee	53,500
Non-Audit Fees	4,500



## MANAGER'S REPORT (CONTD.)

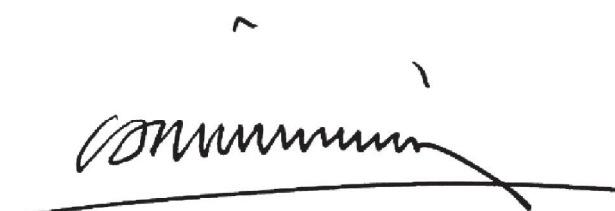
### OTHER STATUTORY INFORMATION

- (a) Before the statement of comprehensive income and statement of financial position of the Trust were made out, the Manager took reasonable steps:-
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realize their value as shown in the accounting records in the ordinary course of business had been written down to their estimated realisable values.
- (b) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements of the Trust which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts made in the financial statements of the Trust inadequate to any material extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Trust misleading.
- (c) At the date of this report, the Manager is not aware of any circumstances which have arisen, which would render adherence to the existing method of valuation of assets or liabilities of the Trust misleading or inappropriate.
- (d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Trust which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Trust which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Trust which has arisen since the end of the financial year.
- (f) In the opinion of the Directors of the Manager:
- (i) no contingent or other liability of the Trust has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Trust to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Trust for the financial year in which this report is made.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager.



**SOO KIM WAI**



**WONG KHIM CHON**

Kuala Lumpur, Malaysia  
Date: 18 April 2017





# FINANCIAL STATEMENTS

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# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	2017 RM	2016 RM
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investment properties	5	1,662,800,000	1,627,800,000
Receivables	6	4,111,816	-
		1,666,911,816	1,627,800,000
<b>Current Assets</b>			
Receivables	6	5,675,943	55,553,909
Deposits with financial institution	7	2,818,199	9,019,973
Cash and bank balances		4,159,386	35,757,911
		12,653,528	100,331,793
<b>TOTAL ASSETS</b>		1,679,565,344	1,728,131,793
<b>UNITHOLDERS' FUNDS</b>			
Unitholders' capital	12	636,624,829	636,624,829
Undistributed income	12	230,581,095	242,662,333
<b>Total unitholders' funds</b>		867,205,924	879,287,162
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Rental deposits	8	12,085,986	16,648,977
Borrowings	9	686,142,592	648,515,625
Derivatives	10	1,283,345	3,086,893
		699,511,923	668,251,495
<b>Current Liabilities</b>			
Payables	11	8,875,134	17,784,837
Rental deposits	8	13,672,419	12,869,940
Borrowings	9	89,000,000	149,000,000
Derivatives	10	1,299,944	938,359
		112,847,497	180,593,136
<b>TOTAL LIABILITIES</b>		812,359,420	848,844,631
<b>TOTAL UNITHOLDERS' FUNDS AND LIABILITIES</b>		1,679,565,344	1,728,131,793
<b>NET ASSET VALUE</b>		867,205,924	879,287,162
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>		686,401,600	686,401,600
<b>NET ASSET VALUE PER UNIT</b>			
- before proposed final income distribution		1.2634	1.2810
- after proposed final income distribution		1.2421	1.2503



# STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	2017 RM	2016 RM
<b>Gross revenue</b>	13	111,538,892	99,794,016
Property expenses	14	(38,737,061)	(38,701,793)
<b>Net rental income</b>		72,801,831	61,092,223
Interest income		108,994	118,016
Changes in fair value of investment properties	5	(6,567,797)	31,376,869
Gain/(loss) on financial liabilities measured at amortised cost		(524,014)	631,621
Unrealised gain/(loss) on revaluation of derivatives		1,441,963	(1,993,506)
Gain on disposal of investment property		-	12,222,840
Other income		147,844	641,659
		67,408,821	104,089,722
<b>Administrative expenses</b>			
Manager's fee	15	7,313,619	6,323,113
Trustee's fee	16	347,743	336,530
Valuation fee		179,917	198,051
Auditors' remuneration		53,500	53,500
Tax agent's fee		40,100	16,028
Other expenses	17	1,109,778	1,447,674
Interest expense		36,125,322	27,342,239
		45,169,979	35,717,135
<b>Profit before taxation</b>		22,238,842	68,372,587
<b>Taxation</b>	18	-	-
<b>Profit for the financial year, representing total comprehensive income for the year</b>		22,238,842	68,372,587
<b>Total comprehensive income for the year is made up as follows:</b>			
- Realised		27,888,690	38,357,603
- Unrealised		(5,649,848)	30,014,984
		22,238,842	68,372,587



## STATEMENT OF COMPREHENSIVE INCOME (CONTD.)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	2017	2016
<b>Earnings per unit (sen)</b>	19		
- after manager's fee		3.24	9.96
- before manager's fee		4.31	10.88
<b>Income distribution (RM)</b>	20		
Interim income distribution of 1.93 sen per unit paid on 13 December 2016 (FYE 2016: 2.03 sen per unit paid on 11 December 2015)		13,247,551	13,933,942
Proposed final income distribution of 2.13 sen per unit payable on 25 May 2017 (FYE 2016: Final income distribution of 3.07 sen per unit paid on 30 May 2016)		14,620,354	21,072,529
		27,867,905	35,006,471
<b>Income distribution per unit * (sen)</b>			
- Interim		1.93	2.03
- Final		2.13	3.07
		4.06	5.10

\* Withholding tax will be deducted for distributions made to the following types of Unitholders:

	2017	2016
Resident individual	10%	10%
Resident institutional investor	10%	10%
Non-resident institutional investor	10%	10%
Resident company (No withholding tax, subject to prevailing corporate tax rate)	Nil	Nil
Non-resident company	24%	24%/25%



# STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	<----- Undistributed Income ----->			
	Unitholders' Capital RM	Realised Income RM	Unrealised Income RM	Unitholders' Funds RM
<b>As at 1 April 2016</b>	636,624,829	21,111,545	221,550,788	879,287,162
Total comprehensive income for the year	-	27,888,690	(5,649,848)	22,238,842
	636,624,829	49,000,235	215,900,940	901,526,004
<b>Unitholders' transactions</b>				
Distributions to Unitholders				
- 2016 final	-	(21,072,529)	-	(21,072,529)
- 2017 interim	-	(13,247,551)	-	(13,247,551)
	-	(34,320,080)	-	(34,320,080)
<b>As at 31 March 2017</b>	636,624,829	14,680,155	215,900,940	867,205,924
<b>As at 1 April 2015</b>	636,624,829	16,799,353	188,172,534	841,596,716
Total comprehensive income for the year	-	38,357,603	30,014,984	68,372,587
Realisation of the unrealised loss	-	(3,363,270)	3,363,270	-
	636,624,829	51,793,686	221,550,788	909,969,303
<b>Unitholders' transactions</b>				
Distributions to Unitholders				
- 2015 final	-	(16,748,199)	-	(16,748,199)
- 2016 interim	-	(13,933,942)	-	(13,933,942)
	-	(30,682,141)	-	(30,682,141)
<b>As at 31 March 2016</b>	636,624,829	21,111,545	221,550,788	879,287,162



# STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	2017 RM	2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	22,238,842	68,372,587
<i>Adjustments for:</i>		
Interest income from placements with financial institution	(108,994)	(118,016)
Interest expense	36,125,322	27,342,239
(Write back)/Provision of impairment loss on trade receivables	(98,425)	46,586
Change in fair value of investment properties	6,567,797	(31,376,869)
Loss/(Gain) on financial liabilities measured at amortised cost	524,014	(631,621)
Gain on disposal of investment property	-	(12,222,840)
Unrealised (gain)/loss on revaluation of derivatives	(1,441,963)	1,993,506
Operating profit before working capital changes	63,806,593	53,405,572
<i>Changes in working capital:</i>		
Decrease/(increase) in receivables	23,743,754	(14,972,232)
(Decrease)/increase in payables	(8,749,627)	8,187,809
(Decrease)/increase in rental deposits	(4,284,528)	3,993,502
<b>Net cash generated from operating activities</b>	<b>74,516,192</b>	<b>50,614,651</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment properties (Note 5)	-	(254,107,489)
Enhancements of investment properties (Note 5)	(19,446,974)	(33,013,650)
Net proceeds from disposal of investment property	-	27,720,848
Interest income	108,994	118,016
<b>Net cash used in investing activities</b>	<b>(19,337,980)</b>	<b>(259,282,275)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(36,285,398)	(26,790,816)
Distributions paid to Unitholders	(34,320,080)	(30,682,141)
(Repayment)/drawdown of borrowings (net)	(22,373,033)	306,215,625
<b>Net cash (used in)/generated from financing activities</b>	<b>(92,978,511)</b>	<b>248,742,668</b>
Net (decrease)/increase in cash and cash equivalents	(37,800,299)	40,075,044
Cash and cash equivalents at the beginning of the financial year	44,777,884	4,702,840
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6,977,585</b>	<b>44,777,884</b>
<b>Cash and cash equivalents included in the statement of cash flows comprise the following:</b>		
Cash and bank balances	4,159,386	35,757,911
Deposits with financial institution (Note 7)	2,818,199	9,019,973
	<b>6,977,585</b>	<b>44,777,884</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

AmFIRST Real Estate Investment Trust ("AmFIRST REIT" or the "Trust") was constituted pursuant to the execution of a Deed dated 28 September 2006 ("Original Deed") (as amended by the First Supplemented, Revised and Restated Trust Deed dated 15 December 2006 ("First Deed") and the Second Restated Deed dated 13 September 2013 ("Second Deed")) executed between the Manager, Am ARA REIT Managers Sdn Bhd, and the Trustee, Maybank Trustees Berhad. The Second Deed has superseded the Original Deed and the First Deed. The Manager, incorporated in Malaysia, is a wholly-owned subsidiary of Am ARA REIT Holdings Sdn Bhd. Am ARA REIT Holdings Sdn Bhd is 70% owned by AmInvestment Group Berhad and 30% owned by ARA Asset Management (Malaysia) Limited, a wholly-owned subsidiary of ARA AmFIRST (Singapore) Pte. Ltd., which in turn is a wholly-owned subsidiary of ARA Asset Management Limited.

AmFIRST REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 21 December 2006.

The key objective of AmFIRST REIT is to own and invest in real estate, whether directly or indirectly, through the ownership of single-purpose companies whose principal assets comprise real estate and real estate-related assets.

There have been no significant changes in these activities during the financial year.

The registered office of the Manager is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Manager is located at Penthouse, Menara AmFIRST, No. 1, Jalan 19/3, 46300 Petaling Jaya, Selangor.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors on 18 April 2017.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis unless otherwise indicated in the financial statements.

### 2.2 Statement of compliance

The financial statements of the Trust have been prepared in accordance with the provision of the Deed, the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts ("REITs Guidelines"), Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and applicable securities laws in Malaysia.

### 2.3 Presentation of financial statements

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Trust.

### 2.4 Summary of significant accounting policies

#### 2.4a Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both, rather than for use in the production or supply of goods and services, or for administrative purpose, or sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 2. ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (Contd.)

##### 2.4a Investment properties (Contd.)

Subsequent to initial recognition, investment properties are stated at fair value which reflects market condition at the reporting date. The fair value is arrived at by reference to market evidence of transaction prices for similar properties and is valued by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued. Gains and losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

##### 2.4b Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

##### 2.4b(i) The Trust as a lessor

Leases in which the Trust does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

##### 2.4c Financial instruments – initial recognition and subsequent measurement

##### 2.4c(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Trust becomes a party to the contractual provisions of the instrument. This includes regular way trades; purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

##### 2.4c(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

##### 2.4c(iii) Subsequent measurement

The subsequent measurement of financial instruments depends on their classification as described below.

##### 2.4c(iii)(a) Financial assets and financial liabilities at fair value through profit or loss: derivatives

The Trust uses derivative instrument i.e. interest rate swap to hedge its risk associated with interest rates. Such derivative financial instrument is initially recognised at fair value on the date on which derivative contract is entered into and it is subsequently re-measured at fair value. Derivative is recorded at fair value and carried as asset when its fair value is positive and as liability when its fair value is negative. Changes in fair value of derivative is recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 2. ACCOUNTING POLICIES (CONTD.)

### 2.4 Summary of significant accounting policies (Contd.)

#### 2.4c Financial instruments – initial recognition and subsequent measurement (Contd.)

##### 2.4c(iii) Subsequent measurement (Contd.)

##### 2.4c(iii)(b) Financial assets at amortised cost – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method based on effective interest rate ("EIR") less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "interest income" in profit or loss. The losses arising from impairment are recognised in profit or loss as "impairment losses on financial investments" for loans/ financing or "other operating expenses" for receivables.

##### 2.4c(iii)(c) Financial liabilities at amortised cost

Financial liabilities issued by the Trust, that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Trust having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset.

After initial measurement, borrowings and rental deposits are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

##### 2.4c(iii)(d) "Day 1" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Trust immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in "gain/(loss) arising from measuring non-current financial liabilities at amortised cost". In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

#### 2.4c(iv) Derecognition of financial assets and financial liabilities

##### 2.4c(iv)(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the asset have expired.
- The Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
  - the Trust has transferred substantially all the risks and rewards of the asset, or
  - the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Trust's continuing involvement in the asset. In that case, the Trust also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 2. ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (Contd.)

##### 2.4c Financial instruments – initial recognition and subsequent measurement (Contd.)

##### 2.4c(iv) Derecognition of financial assets and financial liabilities (Contd.)

##### 2.4c(iv)(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

##### 2.4d Fair value measurement

The Trust measures certain financial instruments such as derivative, and non-financial assets such as investment property, at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Trust.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, option pricing models and other relevant valuation models.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on lowest level input that is significant to the fair value measurements a whole) at the financial year end.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 2. ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (Contd.)

##### 2.4e Impairment of financial assets

The Trust assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### 2.4e(i) Financial assets carried at amortised cost – loans and receivables

For financial assets carried at amortised cost, the Trust first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Trust determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of trade receivables is reduced through the use of an allowance account while the carrying amount of other financial assets are reduced directly in that account. The associated loss is recognised in profit or loss. Trade receivables together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Trust. If, in subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account and the particular financial asset account for trade receivables and other financial asset respectively. If a write-off is later recovered, the recovery is adjusted in profit or loss.

##### 2.4f Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

##### 2.4g Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash and bank balances with banks and other financial institution, and short-term deposits maturing within three months.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above and net of outstanding bank overdrafts.

##### 2.4h Provisions

Provisions are recognised when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Trust expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 2. ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (Contd.)

##### 2.4i Contingent liabilities and contingent assets

A contingent liability is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or in extremely rare cases whereby there is a liability that cannot be recognised because it cannot be measured reliably. The contingent liability is not recognised but instead is disclosed in the financial statements. A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust is also disclosed as a contingent liability unless the probability of outflow of economic resources is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. The Trust does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

##### 2.4j Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised.

##### 2.4j(i) Interest/ financing income and similar income and expense

For all financial assets and financial liabilities measured at amortised cost, interest/ financing income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Trust revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in profit or loss.

##### 2.4j(ii) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

##### 2.4k Property expenses

Property expenses consist of property management fees, quit rent, assessment and other outgoings in relation to investment properties.

##### 2.4k(i) Manager's and Trustee's fees

The Manager's and Trustee's fees are recognised on an accrual basis.

The basis by which Manager's and Trustee's fee is derived is as explained in Note 15 and Note 16 respectively.

##### 2.4l Income distribution

Income distributions are recognised as a liability when they are approved by Trustee and the Board of Directors of the Manager. Interim distributions are deducted from Unitholders' funds when they are paid.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 2. ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (Contd.)

##### 2.4l Income distribution (Contd.)

Income distribution to Unitholders of AmFIRST REIT that are declared after the reporting period are not recognised as a liability at the end of reporting period.

##### 2.4m Taxation

##### 2.4m(i) Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date.

##### 2.4m(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted, or substantively enacted, at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 2. ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (Contd.)

##### 2.4m Taxation (Contd.)

##### 2.4m(ii) Deferred tax (Contd.)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in income statement.

##### 2.4n Earnings per Unit

The Trust's earnings per unit ("EPU") is presented based on basic and diluted format.

Basic EPU is calculated by dividing the profit or loss attributable to Unitholders of AmFIRST REIT by the weighted average number of units outstanding during the year.

Diluted EPU is determined by adjusting the profit or loss attributable to Unitholders against the weighted average number of units outstanding adjusted for the effects of all dilutive potential units.

### 3. CHANGES IN ACCOUNTING POLICIES

#### 3.1 New and amended standards and interpretations adopted

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations which became effective for the Trust on 1 April 2016.

- Amendments to MFRS 101 Disclosure Initiatives
- Amendments to MFRS 116 and 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 7 Financial Instruments - Disclosure (Annual Improvements to MFRSs 2012 - 2014 Cycle)
- Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012 - 2014 Cycle)
- Amendments to MFRS 119 Employee Benefits (Annual Improvements to MFRSs 2012 - 2014 Cycle)
- Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements to MFRSs 2012 - 2014 Cycle)
- Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127 Equity Method in Separate Financial Statements
- Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
- MFRS 14 Regulatory Deferral Accounts

The adoption of these new and amended standards and interpretations did not have any material impact on the financial statements of the Trust.

#### 3.2 Standards issued but not yet effective

The following are standards issued but not yet effective up to the date of issuance of the Trust's financial statements. The Trust intends to adopt the relevant standards when they become effective.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

#### 3.2 Standards issued but not yet effective (Contd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 12 Disclosure of Interest in Other Entities (Annual Improvements to MFRS 2014-2016 Cycle)	1 January 2017
Amendments to MFRS 107 Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 -2016 cycle)	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-Based Payment Transactions	1 January 2018
Amendment to MFRS 128 Investments in Associate and Joint Venture (Annual Improvements to MFRSs 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Deferred Assets between an Investor and its Associate or Joint Venture	Deferred

#### 3.3 Effect of adoption of standards issued but not yet effective

The nature of the Standards relevant to the Trust, that are issued but not yet effective are described below. The Trust is assessing the financial effects of their adoption.

##### 3.3a Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods.

##### 3.3b Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Standards (Annual Improvements to MFRSs 2014-2016 Cycle)

The amendments reflects the deletion of some of short-term exemptions from MFRSs in Appendix E of MFRS 1, after those short-term exemptions have served their intended purpose.

##### 3.3c Amendments to MFRS 140: Transfer of investment property

The amendments clarify that assets are transferred to, or from, investment property when, and only when, there is change in use. If a property has changed in use there should be an assessment of whether the property meets the definition of an investment property and this change must be supported by evidence.

A change in intention, in isolation, is not enough to support a transfer.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

#### 3.3 Effect of adoption of standards issued but not yet effective (Contd.)

##### 3.3d MFRS 9 Financial Instruments

##### 3.3d (i) Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). However, trade receivables without a significant financing component are initially measured at their transaction price as defined in MFRS 15 Revenue from Contracts with Customers.

Debt instruments are subsequently measured on the basis of their contractual cash flows and the business model under which the debt instruments are held. If a debt instrument has contractual cash flows that are solely payments of principal and interest on the principal outstanding and is held within a business model with the objective of holding the assets to collect contractual cash flows, it is accounted for at amortised cost. If a debt instrument has contractual cash flows that are solely payments of principle and interest on the principal outstanding and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, it is measured at fair value through other comprehensive income (FVOCI) with subsequent reclassification to profit or loss.

All other debt instruments are subsequently accounted for at FVTPL. Also, there is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in OCI (without subsequent reclassification to profit or loss).

##### 3.3d (ii) Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

All other MFRS 139 classification and measurement requirements for financial liabilities have been carried forward into MFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

##### 3.3d (iii) Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the MFRS 139 incurred loss model.

The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under MFRS 15; and lease receivables under MFRS 117 Leases.

Entities are generally required to recognise either 12-months' or life time ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For trade receivables without a significant financing component, and depending on an entity's accounting policy choice for other trade receivables and lease receivables, a simplified approach applies whereby life time ECL are always recognised.

The measurement of ECL must reflect a probability weighted outcome, the effect of the time value of money, and based on reasonable and supportable information that is available without undue cost or effort.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

#### 3.3 Effect of adoption of standards issued but not yet effective (Contd.)

##### 3.3d MFRS 9 Financial Instruments (Contd.)

##### 3.3d (iv) Hedge accounting

Hedge effectiveness testing must be prospective and can be qualitative, depending on the complexity of the hedge.

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.

The time value of an option, the forward element of a forward contract and any foreign currency basis spread can be excluded from the designation as the hedging instrument and accounted for as costs of hedging.

More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

##### 3.3e MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces all existing revenue requirements (MFRS 111 Construction Contracts, MFRS 118 Revenue, IC 13 Customer Loyalty Programmes, IC 15 Agreements for the Construction of Real Estate, IC 18 Transfers of Assets from Customers and IC 131 Revenue – Barter Transactions Involving Advertising Services) in MFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of sales of some non-financial assets including disposals of property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in MFRS 15 will be applied using a five step model:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

For each step of the model, the standard requires entities to exercise judgement and to consider all relevant facts and circumstances when applying the model to contracts with their customers.

In addition to the five-step model, the standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in the standard to assist entities in applying its requirements to common arrangements, including licenses, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services, and breakage.

##### 3.3f MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

#### 3.3 Effect of adoption of standards issued but not yet effective (Contd.)

##### 3.3f MFRS 16 Leases (Contd.)

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Judgements, estimates and assumptions are continually evaluated and are based on past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

No major judgements have been made by the Trust in applying the accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at reporting date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year other than those disclosed in Note 5.

### 5. INVESTMENT PROPERTIES

	2017 RM	2016 RM
As at beginning of the year	1,627,800,000	1,332,200,000
Acquisition	-	254,107,489
Enhancements	41,567,797	33,013,650
Disposal	-	(22,898,008)
Change in fair value	(6,567,797)	31,376,869
As at end of year	1,662,800,000	1,627,800,000

Included in the enhancements of investment properties are RM22,120,823 (2016: Nil) of enhancements capitalised during the year from prepayments made in prior year.

Investment properties are stated at fair value which has been determined based on valuations that reflect market conditions at the end of the reporting period by accredited independent valuers. The valuations were based on comparison and investment methods that makes comparison to comparable properties. The fair value measurement of the investment properties were based on significant inputs that are not observable in the market, which MFRS 13 refers to as Level 3 fair value hierarchy inputs. The significant unobservable input for all investment properties are the capitalisation term yield and the reversion yield.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 5. INVESTMENT PROPERTIES (CONTD.)

Description of property	Valuation date	Term yield <sup>1</sup>	Reversion yield <sup>2</sup>
(i) Menara AmBank	22 February 2017	5.75%	6.00%
(ii) Bangunan AmBank Group	20 February 2017	6.00%	6.25%
(iii) Menara AmFIRST	23 February 2017	6.00%	6.25%
(iv) Wisma AmFIRST	8 February 2017	6.25%	6.75%
(v) The Summit Subang USJ	20 February 2017	6.00%	6.25 - 6.50%
(vi) Prima 9	7 February 2017	- <sup>3</sup>	6.50%
(vii) Prima 10	7 February 2017	6.25%	6.50%
(viii) Jaya 99	6 February 2017	6.25%	6.75%
(ix) Mydin Bukit Mertajam	8 February 2017	6.50%	7.00%

<sup>1</sup> Yield that the investment properties are expected to achieve and is derived from the current average rental rate, including revision upon renewal of tenancies during the term.

<sup>2</sup> Yield that the investment properties are expected to achieve upon expiry of current term rental.

<sup>3</sup> No yield is expected to achieve upon expiry of current term rental due to the subject property is vacant as at valuation date.

Significant increases/(decreases) in estimated inputs in isolation would result in a significant higher/(lower) fair value.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 5. INVESTMENT PROPERTIES (CONTD.)

Description of property	Land Title	Location	Existing use	Cost of Investment 31.3.2017 RM	Carrying value as at 31.3.2017 RM	% of valuation to net asset value as at 31.3.2017 %	Cost of Investment 31.3.2016 RM	Carrying value as at 31.3.2016 RM	% of valuation to net asset value as at 31.3.2016 %
(i) Menara AmBank	Freehold	Kuala Lumpur	Office	257,130,640	318,800,000	36.76	251,898,340	314,000,000	35.71
(ii) Bangunan AmBank Group	Leasehold@	Kuala Lumpur	Office	193,530,156	259,000,000	29.87	192,845,345	259,000,000	29.46
(iii) Menara AmFIRST	Freehold	Petaling Jaya	Office	64,722,797	72,500,000	8.36	63,914,876	72,500,000	8.25
(iv) Wisma AmFIRST	Leasehold#	Kelana Jaya	Office	94,626,360	114,000,000	13.15	94,405,989	114,000,000	12.97
(v) The Summit Subang USJ	Freehold	Subang Jaya	Commercial Office, Hotel and Retail Mall	358,138,423	382,200,000	44.07	324,194,868	349,400,000	39.74
(vi) Prima 9	Freehold	CyberJaya	Office	73,224,077	73,000,000	8.42	73,224,077	74,500,000	8.47
(vii) Prima 10	Freehold	CyberJaya	Office	62,305,560	66,300,000	7.65	61,829,610	68,000,000	7.73
(viii) Jaya 99	Leasehold^	Melaka	Office	87,940,861	102,000,000	11.76	87,753,989	101,400,000	11.53
(ix) Mydin HyperMall	Freehold	Penang	Hypermall	254,123,504	275,000,000	31.71	254,107,488	275,000,000	31.28
				1,445,742,378	1,662,800,000		1,404,174,582	1,627,800,000	

Legend:

@ The leasehold land will expire on 3 June 2084.

# The leasehold land will expire on 19 February 2094.

^ The leasehold land will expire on 7 October 2109.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 6. RECEIVABLES

	2017 RM	2016 RM
<i>Non-Current</i>		
Accrued lease receivable (a)	4,111,816	-
<i>Current</i>		
Trade receivables (b)	2,348,591	3,757,165
Less: Allowance for impairment	(606,301)	(784,307)
Trade receivables, net	1,742,290	2,972,858
Accrued lease receivable (a)	156,338	-
Other receivables, deposits and prepayments	3,777,315	52,581,051
Total receivables, net	5,675,943	55,553,909

(a) All leasing incentives for the new or renewed operating lease are recognised as a reduction of rental income over the lease term, on a straight-line basis. This represents the balance unamortised of the lease incentives arising from the fit-out costs and rent-free-period incentives given to lessee.

(b) Included in trade receivables are rental outstanding from companies related to the Manager amounting to RM241,195 (2016: RM496,844) which are subject to normal trade terms.

The Trust's primary exposure to credit risk arises through its trade receivables. The Trust's trading terms with its tenants are mainly on credit. The credit period is generally for a period of 7 days as stipulated in the tenancy agreement. The Trust seeks to maintain strict control over its outstanding receivables and has a sound credit control processes in place to minimise credit risk. Overdue balances are reviewed regularly by management. The Trust's trade receivables relate to a large number of diversified customers, and other than AmBank Group, there is no significant concentration of credit risk.

### 7. DEPOSITS WITH FINANCIAL INSTITUTION

	2017 RM	2016 RM
Placements with a licensed bank maturing within three months	2,818,199	9,019,973

The deposits have been placed with a financial institution related to the Manager of the Trust.

Details of the interest rate and maturity of the deposits are disclosed in Note 25(b)(ii).



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 8. RENTAL DEPOSITS

	2017 RM	2016 RM
<i>Non-current</i>		
Payable after 12 months	12,085,986	16,648,977
<i>Current</i>		
Payable within 12 months	13,672,419	12,869,940
	25,758,405	29,518,917

Included in the above are rental deposits received from companies related to the Manager amounting to:

	2017 RM	2016 RM
<i>Non-current</i>		
Payable after 12 months	6,954,138	8,169,279
<i>Current</i>		
Payable within 12 months	4,386,862	1,739,339
	11,341,000	9,908,618

### 9. BORROWINGS

	2017 RM	2016 RM
<i>Current</i>		
Term Loan	-	60,000,000
Revolving Credit	89,000,000	89,000,000
	89,000,000	149,000,000
<i>Non-Current</i>		
Term Loan	142,850,000	68,000,000
Revolving Credit	295,000,000	332,000,000
Syndicated Term Loan	250,000,000	250,000,000
Loan transaction costs subject to amortisation	(1,707,408)	(1,484,375)
	686,142,592	648,515,625
Total borrowings	775,142,592	797,515,625

A term loan facility of RM57.0 million and revolving credit facility of RM4.0 million are secured by way of a lien holder caveat over Menara AmFIRST. A revolving credit facility of RM85.0 million is secured by way of a lien holder caveat over Wisma AmFIRST. A revolving credit facility of RM210.0 million is secured by a lien holder caveat over Menara AmBank. A revolving credit facility of RM140.0 million is secured by way of a lien holder caveat over The Summit Subang USJ. A term loan facility of RM85.85 million is secured by first party legal charge over Jaya 99. The Syndicated Term Loan facility of RM250.0 million is secured by first party legal charge over Mydin HyperMall and Prima 10.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 9. BORROWINGS (CONTD.)

Details of the interest rate and maturity of the borrowings are disclosed in Note 25(b)(ii).

The Trust has pledged its short term deposits of RM2,818,199 (2016: RM2,738,733) as a requirement for the RM57.0 million Term Loan Facility, RM85.0 million and RM210.0 million Revolving Credit Facilities.

### 10. DERIVATIVES

	2017 RM	2016 RM
Interest rate swap contracts		
- Non-Current	1,283,345	3,086,893
- Current	1,299,944	938,359
	2,583,289	4,025,252

On 6 January 2015, The Trust has entered into a 5-year Interest Rate Swap ("IRS") contract with AmBank (M) Berhad 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. The Trust pays fixed rate of 4.25% per annum on the notional amount in exchange of the 3-month KLIBOR.

On 18 January 2016, The Trust has entered into a new 5-year Interest Rate Swap ("IRS") contract with AmBank (M) Berhad with a notional amount of RM100,000,000 to hedge the Trust's floating interest rate for fixed rate. In this contract, The Trust pays fixed rate of 4.09% per annum on the notional amount in exchange of the 3-month KLIBOR.

### 11. PAYABLES

	2017 RM	2016 RM
Trade payables	229,513	510,305
Other payables and accruals	8,645,621	17,274,532
	8,875,134	17,784,837

Included in other payables and accruals is:

- (i) Amounts owing to the Manager and Trustee of RM617,702 (2016: RM625,340) and RM28,891 (2016: RM29,318) respectively.

### 12. UNITHOLDERS' FUNDS

Unitholders' funds is represented by:

	2017 RM	2016 RM
Unitholders' capital	636,624,829	636,624,829
Undistributed realised income	14,680,155	21,111,545
Undistributed unrealised income	215,900,940	221,550,788
	867,205,924	879,287,162



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 12. UNITHOLDERS' FUNDS (CONTD.)

Number of units in circulation:

	2017 Unit	2016 Unit
At 1 April/31 March	686,401,600	686,401,600

Issued and fully paid:

	2017 RM	2016 RM
At 1 April/31 March	636,624,829	636,624,829

As at 31 March 2017, the Manager and all of the directors of the Manager do not have any unitholding in the Trust. However, the parties related to the Manager held unit in the Trust as follows:

	<----- 2017 ----->		<----- 2016 ----->	
	Number of units	Market Value RM	Number of units	Market Value RM
<b>Unitholdings of parties related to the Manager</b>				
AmBank (M) Berhad	183,489,138	148,626,202	183,489,138	137,616,854
Yayasan Azman Hashim	41,779,353	33,841,276	41,779,353	31,334,515
Jadeline Capital Sdn Bhd	36,168,000	29,296,080	36,168,000	27,126,000
AmMetLife Insurance Berhad on behalf of Life Fund	11,200,000	9,072,000	11,200,000	8,400,000
Azman bin Hashim	849,076	687,752	849,076	636,807
AmGroup Foundation	2,560	2,074	-	-

The market value is determined by multiplying the number of units with the market closing price of RM0.810 per unit as at 31 March 2017 (31 March 2016: RM0.750 per unit).

### 13. GROSS REVENUE

	2017 RM	2016 RM
Gross rental income	103,710,226	92,295,297
Car park income	7,193,003	7,386,147
Other income	635,663	112,572
	111,538,892	99,794,016

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 13. GROSS REVENUE (CONTD.)

AmFIRST REIT leases out its investment properties (Note 5) under operating leases. The future minimum lease receivable under non-cancellable leases are as follows:

	2017 RM	2016 RM
Less than one year	84,881,436	90,912,028
Later than one year and not later than five years	115,578,658	141,632,505
Later than five years	524,788,933	545,290,057
	725,249,027	777,834,590

### 14. PROPERTY EXPENSES

Included in property expenses are the following :

	2017 RM	2016 RM
Property management fee and reimbursement *	3,003,639	1,634,395
Rates and assessment	5,865,265	5,889,333
Quit rent	162,841	170,117

\* Property management fee and reimbursement was charged by property managers in accordance with the Valuers, Appraisers and Estate Agent Act 1981 with permissible discount.

### 15. MANAGER'S FEE

Pursuant to the Deed, the Manager is entitled to receive:

- (i) a base fee of up to 0.50% per annum of the total asset value of the Trust (excluding any taxes payable);
- (ii) a performance fee of up to 3.00% per annum of the net property income (excluding any taxes payable), accruing monthly, but before deduction of property management fees;
- (iii) an acquisition fee of 1.00% of the acquisition price of any asset of the Trust; and
- (iv) a divestment fee of 0.50% of the sale price of any Asset of the Trust.

The Manager's fee for the current financial year consists of a base fee of 0.30% (2016: 0.30%) per annum and performance fee of 3.00% (2016: 3.00%) per annum.

### 16. TRUSTEE'S FEE

Pursuant to the Deed, the Trustee is entitled to receive a fee up 0.10% per annum of the net asset value. The Trustee's fee for the current financial year is calculated based on 0.04% (2016: 0.04%) per annum on the net asset value.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 17. OTHER EXPENSES

Included in other expenses are:

	2017 RM	2016 RM
(Write back)/provision of impairment loss on trade receivables (Note 25(b)(iii))	(98,425)	46,586

### 18. TAXATION

	2017 RM	2016 RM
Current tax expense	-	-

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967 under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year of assessment, 90% or more of the total income of the Trust is distributed to its Unitholders, the total income of the Trust for that year of assessment shall be exempted from tax.

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective tax rate of the Trust is as follows:

	2017 RM	2016 RM
Income before taxation	22,238,842	68,372,587
Income tax using Malaysian tax rate of 24% (2016: 24%)	5,337,322	16,409,421
Effects of non-deductible expenses	348,113	429,077
Effect of fair value adjustment on investment properties not subject to tax	(1,576,271)	7,530,449
Effects of income exempted from tax	(4,109,164)	(24,368,947)
Tax expense	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 19. EARNINGS PER UNIT

Earnings per unit after manager's fees is computed based on net income for the year divided by the weighted average number of units in circulation during the year.

	2017	2016
Net income for the year (RM)	22,238,842	68,372,587
Number of units in circulation during the year (units)	686,401,600	686,401,600
Basic earnings per unit after manager's fee (sen)	3.24	9.96

Earnings per unit before manager's fees is computed based on net income for the year after adding back manager's fees, divided by the weighted average number of units in circulation during the year.

	2017	2016
Net income for the year (RM)	22,238,842	68,372,587
<i>Add back:</i>		
Manager's fee (RM)	7,313,619	6,323,113
Net income for the year before manager's fee (RM)	29,552,461	74,695,700
Number of units in circulation during the year (units)	686,401,600	686,401,600
Basic earnings per unit before manager's fee (sen)	4.31	10.88

### 20. INCOME DISTRIBUTION

In respect of the current financial year ended 31 March 2017, the Manager had paid an interim income distribution of 1.93 sen per unit for the six-month financial period from 1 April 2016 to 30 September 2016 of RM13,247,551 and has proposed a final income distribution of 2.13 sen per unit for the six-month financial period from 1 October 2016 to 31 March 2017 totalling RM14,620,354 which is in line with the objectives of AmFIRST REIT to deliver regular and stable distributions to Unitholders. The total income distribution of 4.06 sen per unit for the financial year ended 31 March 2017 is from the following sources:

	2017 RM	2016 RM
Gross revenue	111,538,892	99,794,016
Interest income	108,994	118,016
Other income	147,844	641,659
Gain on disposal of investment property	-	12,222,840
Fair value loss on investment property	-	(3,363,270)
	111,795,730	109,413,261
Less: Expenses	(83,907,040)	(74,418,928)
	27,888,690	34,994,333
Add: Undistributed income at beginning of the year	39,327	51,465
Total income available for distribution	27,928,017	35,045,798
Less: Undistributed income at end of the year	(60,112)	(39,327)
	27,867,905	35,006,471
Distribution per unit (sen)	4.06	5.10



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 21. PORTFOLIO TURNOVER RATIO

	2017	2016
Portfolio Turnover Ratio ("PTR") (Times)	-	0.14

The calculation of PTR is based on the average of the total acquisitions and total disposals of investments in the Trust for the financial year calculated to the average net asset value during the financial year.

### 22. MANAGEMENT EXPENSE RATIO

	2017	2016
Management Expense Ratio ("MER") (%)	1.04	0.99

The calculation of MER is based on total fees of the Trust incurred, including the Manager's fee, Trustee's fee, auditors' remuneration, tax agent's fee and administrative expenses, to the average net asset value during the financial year. Comparison of MER of the Trust with other real estate investment trusts which use different basis of calculation may not be an accurate comparison.

### 23. CAPITAL COMMITMENT AND CONTINGENCIES

	2017 RM	2016 RM
<i>Approved but not contracted for:</i>		
Investment properties	36,004,506	35,599,486
<i>Approved and contracted for:</i>		
Investment properties	7,577,366	15,435,568

### 24. TRANSACTIONS WITH THE COMPANIES RELATED TO THE MANAGER

	2017 RM	2016 RM
Rental earned from AmBank Group	43,386,737	41,941,410
Interest earned from AmBank (M) Berhad	108,994	118,016
Interest paid to AmBank (M) Berhad	26,961,180	26,004,935
Loan Facilities fee	90,000	195,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 24. TRANSACTIONS WITH THE COMPANIES RELATED TO THE MANAGER (CONTD.)

Other than as disclosed in the respective notes, the other outstanding balances arising from transactions with companies related to the Manager as at end of the financial year include:

	2017 RM	2016 RM
<b>AmBank Group</b>		
Bank balances and deposits placed with AmBank (M) Berhad	6,958,890	44,771,334
Bank borrowings from AmBank (M) Berhad	541,000,000	649,000,000
Rental deposits received from AmBank Group	11,341,000	9,908,618

The above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

### 25. FINANCIAL INSTRUMENTS

AmFIRST REIT operates within clearly defined guidelines as set out in the REITs Guidelines. The REITs Guidelines have been formulated with the objective of providing a regulatory framework that would protect the interests of the investing public. AmFIRST REIT's risk management policies, which ensure compliance with the spirit of the REITs Guidelines, are set out below. It is not the Trust's policy to engage in speculative transactions.

(a) The following are classes of financial instruments that have carrying amounts which are reasonable approximations of their fair value.

Loans and receivables	Note
Receivables	(i)
Deposits with financial institution	(i)
Cash and bank balances	(i)
<b>Financial liabilities</b>	
Payables	(i)
Rental deposits	(ii)
Borrowings	(ii)

The following methods and assumptions were used to estimate the fair values of financial assets and liabilities as at the reporting date:

#### (i) Cash and bank balances, deposits with financial institution, receivables and payables

The carrying values of these financial assets and financial liabilities approximate their fair value due to the short-term maturity of these instruments.

#### (ii) Rental deposits and borrowings

Fair value is estimated by discounting expected future cash flows at the market incremental lending rate for similar types of borrowings and payables at the reporting date.

#### (b) Financial risk management objectives and policies

AmFIRST REIT is exposed to financial risks arising from operations and the use of financial instruments. The key financial risks include interest rate, credit and liquidity risks.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 25. FINANCIAL INSTRUMENTS (CONTD.)

#### (b) Financial risk management objectives and policies (Contd.)

##### (i) Interest rate risk

AmFIRST REIT's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movements in interest rate.

The interest rate profile of AmFIRST REIT's significant interest bearing financial instruments, based on carrying amounts as at the end of reporting period is as follows:

	2017 RM	2016 RM
<b>Financial assets:</b>		
<i>Floating rate instrument</i>		
Deposits with financial institution	2,818,199	9,019,973
<b>Financial liabilities:</b>		
<i>Fixed rate instrument</i>		
Term Loan	57,000,000	117,000,000
Revolving credit	30,000,000	30,000,000
	87,000,000	147,000,000
<i>Floating rate instrument</i>		
Term Loan	334,142,592	259,515,625
Revolving credit	354,000,000	391,000,000
	688,142,592	650,515,625
Interest rate swap contracts	2,583,289	4,025,252

#### Interest rate risk sensitivity analysis

If the interest rates have been higher or lower and all other variables were held constant, the Trust's income for the following year would increase or (decrease) accordingly as a result from the Trust's exposure to interest rates on its rate borrowing which is not hedged. The Trust has performed the following interest rate sensitivity analysis to show the Trust's sensitivity to interest rates exposure:

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 25. FINANCIAL INSTRUMENTS (CONTD.)

#### (b) Financial risk management objectives and policies (Contd.)

##### (i) Interest rate risk (Contd.)

	<----- Profit or loss ----->	
	25 basis point Increase RM	25 basis point Decrease RM
<b>2017</b>		
Floating rate instruments	(1,724,625)	1,724,625
IRS swap Contract	500,000	(500,000)
	(1,224,625)	1,224,625
<b>2016</b>		
Floating rate instruments	(1,630,000)	1,630,000
IRS swap Contract	500,000	(500,000)
	(1,130,000)	1,130,000

##### (ii) Effective interest rates

In respect of interest-earning financial assets and interest bearing liabilities, the following table indicates their weighted average effective interest rates at the reporting date and the periods in which they mature.

	Weighted average effective interest rate %	Total RM	Within 1 year RM	> 1-5 years RM
<b>2017</b>				
<b>Financial assets</b>				
Deposits with financial institution	2.80	2,818,199	2,818,199	-
<b>Financial liabilities</b>				
Term loans	4.43	391,142,592	-	391,142,592
Revolving credit facilities	4.32	384,000,000	89,000,000	295,000,000
<b>2016</b>				
<b>Financial assets</b>				
Deposits with financial institution	3.10	9,019,973	9,019,973	-
<b>Financial liabilities</b>				
Term loans	4.66	376,515,625	60,000,000	316,515,625
Revolving credit facilities	4.54	421,000,000	89,000,000	332,000,000



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 25. FINANCIAL INSTRUMENTS (CONTD.)

#### (b) Financial risk management objectives and policies (Contd.)

##### (iii) Credit risk

Credit risk is the risk of loss that may arise on the outstanding financial assets should a counterparty default on its obligation.

As at the reporting date, other than the amount due from the AmBank Group, the Trust does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

The Trust's credit risk profile of its trade receivables as at the reporting date is tabled as follows:

	Gross RM	Provision of Impairment Loss RM	Net RM
<b>2017</b>			
<b>Current</b>	1,113,797	(154,645)	959,152
<i>Impairment</i>			
Past due 30 - 60 days	510,212	(129,531)	380,681
Past due 61 - 90 days	186,197	(60,943)	125,254
Past due more than 90 days	538,385	(261,182)	277,203
	2,348,591	(606,301)	1,742,290
<b>2016</b>			
<b>Current</b>	2,478,393	(190,327)	2,288,066
<i>Impairment</i>			
Past due 30 - 60 days	657,484	(92,856)	564,628
Past due 61 - 90 days	113,557	(72,784)	40,773
Past due more than 90 days	507,731	(428,340)	79,391
	3,757,165	(784,307)	2,972,858

All of the Trust's other receivables are neither past due nor impaired.

Movement in the allowance for the impairment of receivables is as follows:

	2017 RM	2016 RM
As at beginning of the year	784,307	997,737
Amount written off	(79,581)	(260,016)
(Write back)/Charge (Note 17)	(98,425)	46,586
As at 31 March	606,301	784,307

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 25. FINANCIAL INSTRUMENTS (CONTD.)

#### (b) Financial risk management objectives and policies (Contd.)

##### (iv) Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they fall due.

The Trust manages its liquidity risk by maintaining a portion of its resources in deposits and balances with financial institutions to meet estimated commitments arising from financial liabilities.

The table below summarises the maturity profile of the Trust's financial liabilities at the reporting date based on contractual repayment obligations.

	Within one year RM	1 - 5 years RM	Total RM
<b>2017</b>			
Rental deposits	13,672,419	12,085,986	25,758,405
Payables	8,875,134	-	8,875,134
Borrowings	89,000,000	686,142,592	775,142,592
<b>Total financial liabilities</b>	<b>111,547,553</b>	<b>698,228,578</b>	<b>809,776,131</b>
<b>2016</b>			
Rental deposits	12,869,940	16,648,977	29,518,917
Payables	17,784,837	-	17,784,837
Borrowings	149,000,000	648,515,625	797,515,625
<b>Total financial liabilities</b>	<b>179,654,777</b>	<b>665,164,602</b>	<b>844,819,379</b>

### 26. CAPITAL MANAGEMENT

The Trust's objective when managing capital are to safeguard the Trust's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise Unitholders' value.

The Manager monitors capital using the gearing of the Trust. Under the Securities Commission Malaysia's REITs Guidelines, the Trust is required to maintain a gearing not exceeding 50%.

The gearing is calculated as gross borrowings divided by total assets value of the Trust. Gross borrowings refer to the gross interest-bearing borrowings as set out in Note 9.

	2017 RM	2016 RM
Total borrowings	775,142,592	797,515,625
Total assets	1,679,565,344	1,728,131,793
Gearing ratio (%)	46.2%	46.1%



# SUPPLEMENTARY INFORMATION

## REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD

### 27. DISCLOSURE OF REALISED AND UNREALISED INCOME

The breakdown of undistributed income of the Trust into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad on 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the context of Disclosure Pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, as issued by the Malaysian Institute of Accountants, is as follows:

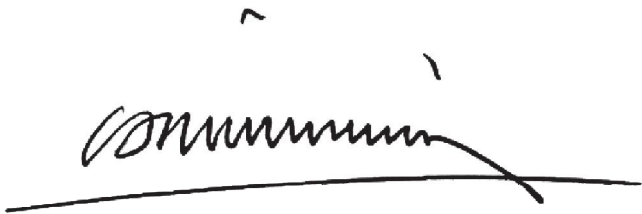
	2017 RM	2016 RM
<b>Realised</b>		
Distributable undistributed income	14,680,155	21,111,545
<b>Unrealised</b>		
Cumulative net change arising from the fair value of investment properties	217,057,621	223,625,418
Cumulative gain on financial liabilities measured at amortised cost	1,426,609	1,950,623
Cumulative unrealised loss on revaluation of derivatives	(2,583,290)	(4,025,253)
	230,581,095	242,662,333

# STATEMENT BY THE DIRECTORS OF THE MANAGER

We, Soo Kim Wai and Wong Khim Chon, being two of the Directors of the Manager, do hereby state that, in the opinion of the Directors of the Manager, the financial statements of AmFIRST Real Estate Investment Trust (the "Trust") as set out on pages 92 to 123 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Trust as at 31 March 2017 and of the results and the cash flows of the Trust for the financial year then ended.

The information set out in page 124 of the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager.



**SOO KIM WAI**



**WONG KHIM CHON**

Kuala Lumpur, Malaysia  
18 April 2017

## STATUTORY DECLARATION

I, Chong Hong Chuon, being the officer primarily responsible for the financial management of AmFIRST Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 92 to 124 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed Chong Hong Chuon  
at Kuala Lumpur in Wilayah Persekutuan  
on 18 April 2017

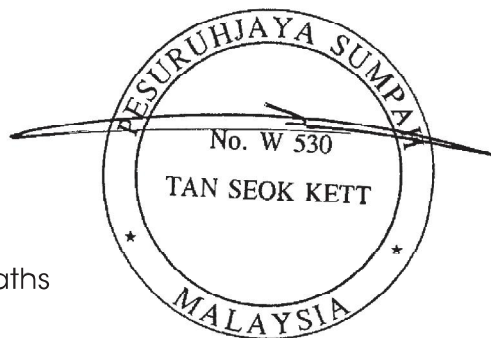


**CHONG HONG CHUON**

Before me:

Commissioner for Oaths

Lot 350, 3rd Floor, Wisma MPL,  
Jalan Raja Chulan,  
50200 Kuala Lumpur.





# TRUSTEE'S REPORT

To the Unitholders of AmFIRST Real Estate Investment Trust

We have acted as the Trustee of AmFIRST Real Estate Investment Trust ("the Trust") for the financial year ended 31 March 2017. To the best of our knowledge, Am ARA REIT Managers Sdn Bhd ("Management Company") has managed the Trust in accordance with the roles and responsibilities and limitation imposed on the investment powers of the Management Company and the Trustee under the Deed, the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 31 March 2017.

We are of the opinion that:

- (i) the valuation and pricing of the Trust's units are adequate and such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.
- (ii) the income distributions declared and paid during the financial year ended 31 March 2017 are in line with and are reflective of the objectives of the Trust.

For Maybank Trustees Berhad



**Chong Kin Tuck**  
Chief Executive Officer

Kuala Lumpur, Malaysia  
18 April 2017

# INDEPENDENT AUDITORS' REPORT

## Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of AmFIRST Real Estate Investment Trust ("the Trust") which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 92 to 123.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence and other ethical responsibilities*

We are independent of the Trust in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Trust for the current year. These matters were addressed in the context of our audit of the financial statements of the Trust as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.



## INDEPENDENT AUDITORS' REPORT (CONTD.)

### Key audit matters (Contd.)

#### Risk area and rationale:

##### Fair value valuation of investment properties

The investment properties of the Trust as at 31 March 2017 stood at RM1,662,800,000 (31 March 2016: RM1,627,800,000) as disclosed in Note 5 to the financial statements. During the current financial year, the Trust conducted its annual revaluation for all of its investment properties using the qualified professional valuers.

The process of valuation of the investment properties involves various valuation models and assumptions that are affected by expected future market and economic conditions. There is significant measurement uncertainty involved in the revaluation.

The valuation methodology and assumptions used are described in Note 5 to the financial statements.

#### Our response:

Our audit procedures on revaluation of investment properties included the following:

- (i) assessed the qualifications and competencies of the professional valuers;
- (ii) reviewed the valuation methodology adopted and the underlying assumptions applied by the valuers; and
- (iii) assessed the reasonableness of the methodology and assumptions adopted.

##### Valuation of interest rate swap

The interest rate swaps of the Trust as at 31 March 2017 stood at RM2,583,289 (31 March 2016: RM4,025,252) included under liabilities as disclosed in Note 10 to the financial statements. The interest rate swaps, which are derivatives are carried at fair value through profit or loss in accordance with requirements of MFRS 139 *Financial Instruments* and their fair values have been determined in accordance with requirements of MFRS 13 *Fair Value Measurement*.

The process of valuation of the interest rate swaps involves various valuation assessment and assumptions that are affected by expected future market and economic conditions, and involves the use of observable and unobservable inputs and parameters in the financial markets. There is significant measurement uncertainty involved in the valuation.

Net valuation gain or loss of interest rate swaps during the year is recognised in the profit or loss.

Our audit procedures on valuation of interest rates swaps included the followings:

- (i) reviewed the critical terms of the contracts;
- (ii) assessed the accuracy of the calculations performed; and
- (iii) assessed the reasonableness of the assumptions adopted, including assessing if the inputs and parameters used were observable in the financial markets.

## INDEPENDENT AUDITORS' REPORT (CONTD.)

### *Information other than the financial statements and auditors' report thereon*

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Trust and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Trust does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Trust, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Trust or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Manager and take appropriate action.

### *Responsibilities of the Manager for the financial statements*

The Manager is responsible for the preparation of financial statements of the Trust that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Trust that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Trust, the Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Trust as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Trust, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Trust or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.



## INDEPENDENT AUDITORS' REPORT (CONTD.)

### *Auditors' responsibilities for the audit of the financial statements (Contd.)*

- Evaluate the overall presentation, structure and content of the financial statements of the Trust, including the disclosures, and whether the financial statements of the Trust represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

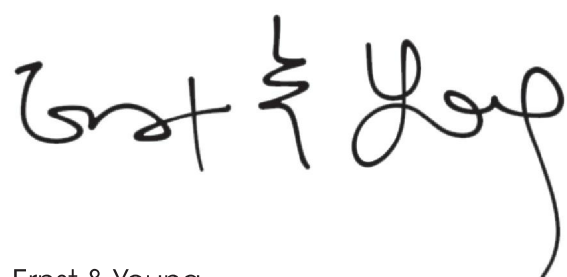
From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Trust for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other reporting responsibilities

The supplementary information set out in Note 27 on page 124 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors the Manager are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matters

This report is made solely to the Unitholders of the Trust, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
18 April 2017



Chan Hooi Lam  
No. 2844/02/18 (J)  
Chartered Accountant

# ANALYSIS OF UNITHOLDERS

**Thirty (30) Largest Unitholders**  
**As At 5 May 2017**

Nos.	Names	No. of Holding	% of Holding
1.	AmBank (M) Berhad *	183,489,138	26.73
2.	Yayasan Azman Hashim *	41,779,353	6.09
3.	Jadeline Capital Sdn Bhd *	36,168,000	5.27
4.	Valuecap Sdn Bhd	21,801,100	3.18
5.	CIMB Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	20,252,700	2.95
6.	AMSEC Nominees (Tempatan) Sdn Bhd AmMetLife Insurance Berhad (FM-AMAB-LF)	11,200,000	1.63
7.	AmanahRaya Trustees Berhad Public Optimal Growth Fund	9,800,000	1.43
8.	Affin Hwang Investment Bank Berhad iVT (JBD)	9,143,520	1.33
9.	DFN Resources Sdn Bhd	7,142,900	1.04
10.	Lim Soon Huat	5,122,272	0.75
11.	Tan Kim Chuan	4,901,000	0.71
12.	AMSEC Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Ng Bee Lan (9917-2101)	4,400,000	0.64
13.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ramanathan A/L L Manickavasagam (Solaris-CL)	3,304,900	0.48
14.	Wing Kwong @ Chan Wing Kwong	3,298,724	0.48
15.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,221,500	0.47
16.	Cimsec Nominees (Asing) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	2,748,280	0.40
17.	Seng Siaw Wei	2,500,000	0.36
18.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Sun Yick	2,415,000	0.35
19.	Lim Kew Seng	2,083,080	0.30
20.	Radhakrishnan A/L Menon	2,050,000	0.30
21.	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank LTD (SFS)	2,025,000	0.30
22.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Liew Sun Yick	1,994,000	0.29
23.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group Inc	1,788,940	0.26
24.	Oh Eng Hoe	1,600,000	0.23
25.	Wong Soh Har @ Wong Yin Teck	1,590,000	0.23
26.	Labuan Reinsurance (L) Ltd	1,525,200	0.22
27.	Yap Ah Ngah @ Yap Neo Nya	1,500,000	0.22
28.	Maybank Nominees (Tempatan) Sdn Bhd Chau Mei Lan	1,366,251	0.20
29.	Koh Song Leang	1,365,000	0.20
30.	Neoh Choo Ee & Company, Sdn Berhad	1,357,142	0.20
		<b>392,933,000</b>	<b>57.24</b>

\* Substantial Unitholders [More than 5% of the unit in circulation].



## ANALYSIS OF UNITHOLDERS (CONTD.)

### Distribution Schedule of Unit As At 5 May 2017

Category	No. of Unitholders	No. of Holding	% of Holdings
Less than 100	608	22,885	-
100 to 1,000	3,164	2,071,750	0.30
1,001 to 10,000	5,345	23,178,853	3.38
10,001 to 100,000	2,762	92,695,328	13.50
100,001 to less than 5% of the issued units	647	306,996,293	44.73
5% and above the issued units	3	261,436,491	38.09
<b>Total</b>	<b>12,529</b>	<b>686,401,600</b>	<b>100.00</b>

### Classification of Unitholders As At 5 May 2017

Category of Unitholders	No. of Unitholders		No. of Holding		% of Holdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1. Individuals	10,370	192	219,721,622	8,882,813	32.01	1.29
2. Body Corporate						
a. Banks/Finance Companies	9	-	225,637,438	-	32.87	-
b. Investment Trusts/Foundation/Charities	5	-	42,160,661	-	6.14	-
c. Industrial and Commercial Companies	165	7	22,170,915	37,398,209	3.23	5.45
3. Government Agencies/Institutions	2	-	51,421	-	0.01	-
4. Nominees	1,666	113	113,725,685	16,652,836	16.57	2.43
<b>Total</b>	<b>12,217</b>	<b>312</b>	<b>623,467,742</b>	<b>62,933,858</b>	<b>90.83</b>	<b>9.17</b>

### BREAKDOWN OF UNIT HOLDINGS AS AT 31 MARCH 2017

	Number of Unitholders	Number of Holding
5,000 and below	7,562	12,337,009
5,001 to 10,000	1,551	12,819,650
10,001 to 50,000	2,269	56,455,371
50,001 to 500,000	1,029	151,482,119
500,001 and above	106	453,307,451
	<b>12,517</b>	<b>686,401,600</b>

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS OF THE MANAGER

### Mr Soo Kim Wai

Non-Independent Non-Executive Director/  
Chairman

### Y Bhg Dato' Wong Nam Loong

Independent Non-Executive Director

### Y Bhg Dato' Abdullah Thalith bin Md Thani

Independent Non-Executive Director

### YM Raja Teh Maimunah

binti Raja Abdul Aziz

Non-Independent Non-Executive Director

### Mr Kong Tai Meng Thomas

Non-Independent Non-Executive Director

### Mr Wong Khim Chon

Executive Director/Chief Executive Officer

## THE MANAGER

**Am ARA REIT Managers Sdn Bhd**  
(Company No. 730964-X)

## REGISTERED OFFICE OF THE MANAGER

22nd Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Telephone No. : 603 – 2036 2633  
Facsimile No. : 603 – 2032 1914

## BUSINESS ADDRESS OF THE MANAGER

Penthouse, Menara AmFIRST  
No. 1, Jalan 19/3, 46300  
Petaling Jaya, Selangor  
Telephone No. : 603 – 7955 8780/8782  
Facsimile No. : 603 – 7955 8360/80  
Website: [www.amfirstreit.com.my](http://www.amfirstreit.com.my)

## COMPANY SECRETARIES

**Chan Sau Leng**  
(MAICSA 7012211)

**Ruzeti Emar Binti Mohd Rosli**  
(LS0009965)

Level 8 Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya, Selangor  
Telephone No. : 603 - 7841 8000  
Facsimile No. : 603 - 7841 8199

## TRUSTEE

### Maybank Trustees Berhad

(Company No. 5004-P)  
8th Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
Telephone No. : 603 – 2078 8363  
Facsimile No. : 603 – 2070 9387

## PROPERTY MANAGERS

### Malik & Kamaruzaman Property Management Sdn Bhd

(Company No. 721939-X)  
3rd Floor, Wisma Yakin  
Jalan Melayu  
50100 Kuala Lumpur  
Telephone No. : 603 – 2698 5522  
Facsimile No. : 603 – 2692 5202

### Savills (KL) Sdn Bhd

(Company No. 587693-W)  
#9-1, Level 9, Menara Millennium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Telephone No. : 603 – 2092 5955  
Facsimile No. : 603 – 2092 5966

### Knight Frank Malaysia Sdn Bhd

(Company No. 1211775-H)  
Suite 10.01 Level 10 Centrepont South  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Telephone No. : 603 – 2289 9688  
Facsimile No. : 603 – 2289 9788

## AUDITORS

### Messrs Ernst & Young (AF: 0039)

Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Telephone No. : 603 – 7495 8000  
Facsimile No. : 603 – 2095 5332

## TAX ADVISER

### PricewaterhouseCoopers Taxation Services Sdn Bhd

(Company No. 464731-M)  
Level 10, 1 Sentral Jalan Rakyat  
Kuala Lumpur Sentral  
P.O. Box 10192  
50706 Kuala Lumpur  
Telephone No. : 603 – 2173 1188  
Facsimile No. : 603 – 2173 1288

## PRINCIPAL BANKER

### AmBank (M) Berhad

(Company No. 5815D)  
Level 18, Menara Dion  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Telephone No. : 603 – 2026 3939  
Facsimile No. : 603 – 2026 6855

### Public Bank Berhad

(Company No. 6463-H)  
Menara Public Bank  
146, Jalan Ampang  
50450 Kuala Lumpur  
Telephone No. : 603 – 2163 8888 /  
8899  
Facsimile No. : 603-2163 9917

## REGISTRAR

### Symphony Share Registrars Sdn Bhd

(Company No. 378993-D)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya, Selangor  
Telephone No. : 603 – 7849 0777  
(Helpdesk)  
Facsimile No. : 603 – 7841 8151/8152

## STOCK EXCHANGE LISTING

### Main Market of Bursa Malaysia

### Securities Berhad

Stock Name : AmFIRST  
Stock Code : 5120



# NOTICE OF FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting ("AGM") of the Unitholders of AmFIRST Real Estate Investment Trust ("AmFIRST REIT") will be held at Manhattan II, Level 14, Berjaya Times Square Hotel Kuala Lumpur, No.1 Jalan Imbi, 55100 Kuala Lumpur on Tuesday, 25 July 2017 at 10.00 a.m. or at any adjournment thereof, for the following purpose:

## ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2017 of AmFIRST REIT together with the Reports of the Trustee and Auditors thereon.

## SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

2. **PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS PURSUANT TO CLAUSE 14.03 OF THE SECURITIES COMMISSION MALAYSIA'S GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS ("REITs GUIDELINES")**

**ORDINARY  
RESOLUTION NO. 1**

"THAT pursuant to the REITs Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and subject to the passing of Ordinary Resolution No. 2 below and the approvals being obtained from all relevant authorities and/or parties, where required, the Board of Directors of Am ARA REIT Managers Sdn Bhd (the "Manager") (the "Directors") be and are hereby authorised to allot and issue new units in AmFIRST REIT ("Units") from time to time to such persons and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of new Units issued, when aggregated with the number of Units to be issued pursuant to this resolution does not exceed 20% of the existing approved fund size of AmFIRST REIT for the time being comprising 686,401,600.

AND THAT the new Units to be issued pursuant to this resolution shall, upon allotment and issuance, rank equally in all respects with the existing Units, except that the new Units will not be entitled to any distributable income, rights, benefit, entitlement and/or any other distributions that may be declared prior to the date of allotment and issuance of such new Units.

AND THAT the Directors and Maybank Trustees Berhad (the "Trustee"), acting for and on behalf of AmFIRST REIT, be and are hereby authorised to give effect to this resolution with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be imposed by the relevant authorities or as the Manager and the Trustee may deem to be in the best interest of the Unitholders and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and to give full effect to this resolution."

## NOTICE OF FIFTH ANNUAL GENERAL MEETING (CONTD.)

### 3. PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF AmFIRST REIT FROM 686,401,600 UNITS UP TO A MAXIMUM OF 823,681,920 UNITS IN AmFIRST REIT ("UNITS")

### ORDINARY RESOLUTION NO. 2

"THAT subject to the passing of Ordinary Resolution No.1 above and the approvals being obtained from all relevant authorities and/or parties, where required, the existing approved fund size of AmFIRST REIT be increased from 686,401,600 Units up to a maximum of 823,681,920 Units by the creation of up to 137,280,320 new Units.

AND THAT the Directors and Maybank Trustees Berhad (the "Trustee"), acting for and on behalf of AmFIRST REIT, be and are hereby authorised to give effect to the increase in fund size with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as they may deem fit in the best interest of AmFIRST REIT and/or as may be required by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as may be deemed necessary or expedient to implement, finalise and to give full effect to the increase in fund size."

**By Order of the Board of  
Am ARA REIT MANAGERS SDN BHD (730964-X)**  
The Manager of AmFIRST Real Estate Investment Trust

Chan Sau Leng (MAICSA 7012211)  
Ruzeti Emar Binti Mohd Rosli (LS0009965)  
Company Secretaries

Kuala Lumpur  
31 May 2017

#### Notes:-

- (1) In respect of deposited securities, only Unitholders whose names appear in the Record of Depositors of AmFIRST REIT on 18 July 2017 shall be eligible to attend the AGM or appoint proxies to attend, vote and speak on their behalf.
- (2) A Unitholder entitled to attend and vote at the AGM is entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and vote instead of him/her. There shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at the AGM shall have the same rights as the Unitholder to speak at the AGM.
- (3) A Unitholder shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless the Unitholder specifies the proportions of its holdings to be represented by each proxy in the Form Of Proxy.
- (4) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the AGM and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and vote. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
- (5) If a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with units of AmFIRST REIT standing to the credit of the said securities account.
- (6) Where a Unitholder is an exempt authorised nominee which holds units in AmFIRST REIT for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- (7) The instrument appointing a proxy must be deposited at the registered office of the Manager at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default of this provision, the instrument of Proxy shall not be treated as valid.
- (8) **Note to Ordinary Resolution No. 1 – Proposed Authority to Allot and Issue New Units Pursuant to Clause 14.03 of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts**  
Ordinary Resolution No. 1, if passed, will give the Board of Directors of the Manager (the "Directors"), from the date of the forthcoming AGM, authority to allot and issue up to twenty percent (20%) of the existing approved fund size of AmFIRST REIT for the time being, as and when the need or business opportunities arise which the Directors consider would be in the interest of AmFIRST REIT. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.
- (9) **Note to Ordinary Resolution No. 2 – Proposed Increase in the Existing Approved Fund Size of AmFIRST REIT from 686,401,600 Units up to a maximum of 823,681,920 Units in AmFIRST REIT**  
Ordinary Resolution No. 2, if passed, would facilitate the allotment and issuance of Units pursuant to Ordinary Resolution No. 1.





**AmFIRST REAL ESTATE INVESTMENT TRUST**

[Established in Malaysia under the Trust Deed dated 28 September 2006 ("Original Deed") (as amended by the First Supplemented, Revised and Restated Trust Deed dated 15 December 2006 ("First Deed") and the Second Restated Deed dated 13 September 2013 ("Second Deed")) entered into between Am ARA REIT Managers Sdn Bhd and Maybank Trustees Berhad, companies incorporated under the Companies Act, 1965]

## FORM OF PROXY

CDS Account No.
**CDS Account No. of Authorised Nominee
Number of Units held

\*I/We (full name),.....  
(\*NRIC No./Passport No./Company No.....)  
of (full address) .....  
.....

being a Unitholder of AmFIRST Real Estate Investment Trust ("AmFIRST REIT") hereby appoint:-

### First Proxy "A"

Full Name:		Proportion of Unitholdings Represented	
		No. of Units	%
NRIC No./Passport No.:			
Full Address:			

and/or failing \*him/her,

### Second Proxy "B"

Full Name:		Proportion of Unitholdings Represented	
		No. of Units	%
NRIC No./Passport No.:			
Full Address:			
			100%

or \*failing him/her, \*the Chairman of the meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Fifth Annual General Meeting ("AGM") of the Unitholders of AmFIRST REIT to be held at Manhattan II, Level 14, Berjaya Times Square Hotel Kuala Lumpur, No. 1 Jalan Imbi, 55100 Kuala Lumpur on Tuesday, 25 July 2017 at 10.00 a.m. or at any adjournment thereof.

No.	Resolution	For	Against
1	Ordinary Resolution No. 1		
2	Ordinary Resolution No. 2		

Please indicate with an "X" in the spaces above as to how you wish your votes to be cast. In the absence of specific directions, your proxy will vote or abstain as \*he/she thinks fit.

Dated this\_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
Signature of Unitholder/Common Seal (if Unitholder is a Corporation)

Tel: \_\_\_\_\_ (Office/House) \_\_\_\_\_ (Mobile)

\*Delete if not applicable

#### Notes:-

- (1) In respect of deposited securities, only Unitholders whose names appear in the Record of Depositors of AmFIRST REIT on 18 July 2017 shall be eligible to attend the AGM or appoint proxies to attend, vote and speak on their behalf.
- (2) A Unitholder entitled to attend and vote at the AGM is entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and vote instead of him/her. There shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at the AGM shall have the same rights as the Unitholder to speak at the AGM.
- (3) A Unitholder shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless the Unitholder specifies the proportions of its holdings to be represented by each proxy in the Form Of Proxy.
- (4) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the AGM and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and vote. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
- (5) If a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with units of AmFIRST REIT standing to the credit of the said securities account.
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Stamp

**Am ARA REIT Managers Sdn Bhd (730964-X)**  
**The Manager for AmFIRST Real Estate Investment Trust**  
22<sup>nd</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia

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# REQUEST FORM

To : Am ARA REIT Managers Sdn Bhd

Please send to me/us a printed copy of **AmFIRST REIT - Annual Report 2017**.

Name of Unitholder :	
NRIC No. / Passport No. / Company No. :	
CDS Account No. :	
Address :	
Contact No. / E-mail Address :	
Signature of Unitholder :	

Contact details of Am ARA REIT Managers Sdn Bhd for a printed copy of the Annual Report 2017 :-

- **Telephone No.** : 03-7955 8120 through Encik Abdul Rahman bin Mohd Joned
- **Facsimile No.** : 03-7955 8360/80
- **E-mail Address** : rahman-joned@ambankgroup.com
- **Mailing Address** : Penthouse, Menara AmFIRST, No. 1, Jalan 19/3, 46300 Petaling Jaya, Selangor

The printed copy of **AmFIRST REIT - Annual Report 2017** will be sent to Unitholder within four (4) market days from the date of receipt of your return or verbal request.

**AmFIRST REIT – Annual Report 2017** may also be downloaded at <https://ir.chartnexus.com/amfirstreit/reports.php>.



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**Am ARA REIT Managers Sdn Bhd (730964-X)**  
**The Manager for AmFIRST Real Estate Investment Trust**  
Penthouse, Menara AmFIRST  
No. 1, Jalan 19/3  
46300 Petaling Jaya  
Selangor

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**[www.amfirstreit.com.my](http://www.amfirstreit.com.my)**

**Am ARA REIT Managers Sdn Bhd** (730964-X)

The Manager for AmFIRST Real Estate Investment Trust

Penthouse, Menara AmFIRST, No. 1, Jalan 19/3, 46300 Petaling Jaya, Selangor Darul Ehsan

Tel : +603 7955 8780/82    Fax: +603 7955 8360/80