

# AmFIRST Real Estate Investment Trust

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## **Summary of Key Matters Discussed at the Seventh Annual General Meeting ("7th AGM") of the Unitholders of AmFIRST REAL ESTATE INVESTMENT TRUST ("AmFIRST REIT") HELD AT BALLROOM 2, FIRST FLOOR, SIME DARBY CONVENTION CENTRE, 1A JALAN BUKIT KIARA 1, 60000 KUALA LUMPUR ON MONDAY, 22 JULY 2019 AT 10.00 A.M.**

The Chairman, Mr Soo Kim Wai, called the Meeting to order at 10.00 a.m. after confirmation of the requisite quorum being present pursuant to paragraph (f) of Schedule 1 of the Trust Deed.

Y.M. Raja Nazirin Shah bin Raja Mohamad, the Executive Director/Chief Executive Officer of the Manager, AmREIT Managers Sdn Bhd (the "Manager"), to present AmFIRST REIT's financial performance and operations review for the financial year ended 31 March 2019 as well as the future plans for AmFIRST REIT and the rationale for the resolutions set out under the Special Business of the Agenda of the Meeting.

### **Presentation on the financial performance and operation review of AmFIRST REIT**

The Company's financial performance and operation review for the financial year ended 31 March 2019 were presented, covering the following topics:-

1. Sustainable Gross Domestic Product ("GDP") growth with stable unemployment & inflation rates (as extracted from Bank Negara Malaysia's ("BNM") Report/ Knight Frank Research)
  - GDP declined by 1.2% from 5.9% in 2017 to 4.7% in 2018, with 2019 forecasted to record a growth to 4.9%.
  - Unemployment Rate declined marginally by 0.1% from 3.4% in 2017 to 3.3% in 2018, with 2019 forecasted to remain stagnant at 3.3%.
  - Inflation Rate declined by 2.7% from 3.7% in 2017 to 1.0% in 2018, with 2019 forecasted within the range of 0.7% to 1.0%.
- a. Market outlook for office sector in Kuala Lumpur
  - Overall, the market will be challenging over the short term with a high supply pipeline and slow take up.
  - Overall occupancy in KL City declined marginally to 78.8% in 2018 (2017: 80.0%) whilst in KL Fringe, the overall occupancy dipped to 83.2% in 2018 (2017: 89.1%).
  - Cumulative supply in KL City stood at 55.0 million square feet ("sq ft") in 2018 whilst in KL Fringe, the supply was 29.5 million sq ft.
  - 9.1 million sq ft of new supply from office projects such as the BBCC and Tun Razak Exchange is expected by 2020 (~16% of the current supply in 2018), where such high end level entry of office space would create a suppression of rental rates in the market.

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### b. Update on retail sector in Selangor:

- Occupancy dropped marginally to 84.1% (2017: 85.4%).
- Additional spaces of 1.1 mil sq ft slated for completion by end 2020.
- Cumulative supply stood at 30.5 mil sq ft in 2018, as most mall owners are carrying out refurbishments in anticipation of uplift in the market and increased leverage in the coming year. (2017: 29.8 mil sq ft).
- Amid growing mismatch in supply & demand, more malls are embarking on AEs and creating new experiences to remain relevant.

### 2. Financial Highlights for the financial year end 31 March 2019

- Gross Revenue increased by 2.2% due to higher overall portfolio occupancy from 84.4% to 86.7%, contributed by:
  - Increase in occupancy at Prima 10, Wisma AmFIRST, Menara AmFIRST and The Summit – Office.
  - Full occupancy at Prima 9 effective from 1 October 2017.
  - Higher rental from Summit Hotel & carpark income.
- Property Expenses increased by 8.5%, contributed mainly by:
  - Increase in service charges from RM1.20 per square feet ("psf") to RM1.56 psf at The Summit Retail effective 1 Sept 2018.
  - Sudden increase in strata parcel quit rent for The Summit.
  - Higher electricity cost in tandem with higher occupancy
- Interest expense increased by 4.2% year-on-year as a result of additional borrowings of RM12 million to finance the ongoing Asset Enhancement Initiatives ("AEI") and higher interest rate after OPR was hike by 25 bps in January 2018. The Trust's weighted average interest rate for FY2019 is 4.83% p.a. [FY2018: 4.67%], and 25% of borrowings are hedged via Interest Rate Swap.
- Realised Net Income decreased by 8.1% year-on-year, arising from an increase in property expenses and interest expenses by 8.5% and 4.2% year-on-year respectively.

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- DPU for FY2019 decreased by 4.8% year-on-year., The total DPU of 4.00 sen for FY2019, representing a distribution ratio of 97%, and work out the Distribution Yield of 7.5% based on closing unit price of 53.5 sen.

### 3. Statement of Financial Position

- Investment Properties and Borrowings were recorded at RM1,687 million and RM791 million, which slightly increased by 0.4% and 1.5% year-on-year respectively.
- NAV and NAV per unit were recorded at RM844 million and RM1.21, which declined marginally by 0.5% and 0.6% year-on-year respectively.
- Asset value marginally increased by 0.4% mainly due to capitalisation of AIEs of RM13.2 million and offset with net deficit in revaluation of RM6.2 million.

### 4. Borrowings and Gearing Ratio

- Gearing increased marginally to 47.3% caused by higher borrowing to finance additional AIEs and reduction in asset value due to revaluation deficit;
- Debt headroom of RM89.7 million before reaching 50% threshold; and
- Management target gearing level to maintain at between 35% to 40% in medium to long term.

### 5. Operation Review

- Occupancy Rate
  - Overall portfolio occupancy as at 31 March 2019 improved to 86.7% with higher occupancy recorded in Wisma AmFIRST, Menara AmFIRST, The Summit Office and Prima 10.
  - The decline in occupancy rate in Menara AmBank was due to the relocation exercise by AmBank Group to move its back office operations from Menara AmBank to Wisma AmFIRST.
  - Committed overall portfolio occupancy as at 31 March 2019 further improved to 87.3%.

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- Tenancy Renewal
  - Achieved 85.9% renewal out of 656,299 sq ft during FY2019.

### 6. Occupancy – Progress Updates

There is still movement and demand for office space in the market, with updates on the progress of occupancy as follows:

#### a) Menara AmFIRST

- Occupancy improved to 68.5%.
- Ongoing negotiations with 2 prospects.
- Explore with existing tenants on their expansion plans.

#### b) Menara AmBank

- Occupancy reduced to 72.7% due to AmBank Group relocating its back office to Wisma AmFIRST.
- Working with AmBank Group for their additional space requirements.
- Ongoing negotiation with prospect for a space between 30,000 sq ft to 70,000 sq ft.

#### c) Summit – Retail

- Committed occupancy is 76.1% with additional spaces to be taken up by GSC.
- Indoor theme park plan to commence in 2020, expected to improve occupancy rate to 80%.
- Working with space optimizing specialist and replacement for supermarket.
- Position the mall to be interactive in nature to improve footfall.

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### d) Summit Office

- Committed occupancy is 89.6% with a new tenancy with a MNC tenant, which will commence in FY2020.
- Presence of co-working space.

### e) Wisma AmFIRST

- Occupancy improved to 97.6%.
- AmBank Group relocated its back room office from Menara AmBank.
- Focus on service level and tenant retention.

### f) Jaya 99

- Occupancy stood at 89.2%.
- Exploring with existing MNC tenant for their expansion of spaces.

### g) Prima 10

- Occupancy increased to 83.8%.
- Ongoing negotiation with existing tenant for the remaining floor.

### h) Prima 9

- Occupancy remained at 100.0%. Management is focused on improving services provided to its tenant.
- The entire building is leased to a government agency.

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### 7. Moving Forward – Improve Distribution and Long Term Value Creation

For the next three (3) years, Management plans to embark on the following strategies concurrently:

- Assets Optimisation
  - to step up leasing efforts to improve occupancy (Target > 90% overall occupancy);
  - to capture positive rental reversions; and
  - to enhance service level and contain property expenses
- Portfolio rationalisation
  - strategic divestments for non-core & non-strategic assets;
  - value accretive deals that create long term value; and
  - target key growth market segments with strong fundamentals.
- Prudent Capital Management
  - optimise capital structure (Target Gearing level 35% - 40%);
  - active interest rate management and effective hedging strategy; and
  - diversify funding sources and maintain competitive average interest rate.

The Unitholders raised some questions which were responded to by the Chairman and/or the CEO. The detailed questions and responses were set out in Appendix 1 enclosed herein.

We are pleased to announce that the two (2) resolutions as set out in the Notice were duly passed by the Unitholders by way of poll. The results of the poll were duly verified by Boardroom Corporate Services Sdn Bhd (Formerly known as Boardroom Corporate Services (KL) Sdn Bhd), the independent Scrutineer appointed AmREIT Managers Sdn Bhd, the Manager of AmFIRST REIT.

There being no other business, the 7th AGM concluded at 12.09 p.m. with a vote of thanks to the Chairman and the Board of Directors of the Manager.