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AmFIRST-REIT, Exsim unit in hotel refurbishment deal

PETALING JAYA: AmREIT Managers Sdn Bhd, the manager for AmFIRST Real Estate Investment Trust (AmFIRST-REIT), has appointed Mana Mana Holdings Sdn Bhd (MMHSB), a wholly-owned subsidiary of Exsim Hospitality Bhd to provide project management service for the refurbishment and rebranding exercise of the Summit Hotel Subang USJ for RM220,000.

Upon completion of the exercise, MMHSB will operate the hotel under a tenancy agreement, AmFIRST-REIT said in an announcement with Bursa Malaysia yesterday.

Subject to the tender exercise, AmFIRST-REIT shall bear the projected cost of refurbishment up to the maximum of RM45mil.

In the event the tender results exceed this amount, both parties shall enter into discus-

sions with the selected tenderer to renegotiate the cost, it added.

Nonetheless, AmFIRST-REIT reserves the right to stop the exercise and terminate the letter of offer to MMHSB at its sole discretion, AmFIRST-REIT said.

It said the hotel refurbishment cost is expected to be funded by AmFIRST-REIT using borrowings and internally generated funds.

The completion of the exercise and the re-opening of the hotel will be within 15 months from the date of the letter of offer to MMHSB dated July 29, or any other period to be mutually agreed by both parties.

It said MMHSB shall pay AmFIRST-REIT a base rent of RM600,000 per month plus additional rent based on revenue sharing above a defined threshold.

“The exercise is a yield accretive enhancement initiative aimed at improving the property’s yield, which is expected to enhance the distributable income for AmFIRST-REIT as well as to improve the asset value of the hotel in the future,” it said.

In a separate Bursa Malaysia filing, Exsim Hospitality said it had accepted the letter of offer from AmFIRST-REIT and the acceptance is expected to contribute positively to the net assets per share, earnings per share and gearing of the company.

“The company does not foresee any material risk other than normal operational and commercial risks associated with the exercise and the tenancy arrangement.

“Nevertheless, the company will take the necessary steps to mitigate the risks as and when they occur,” Exsim Hospitality said.