

AME Real Estate Investment Trust

**Interim Financial Report
First Quarter Ended 30 June 2023**

AME Real Estate Investment Trust

Unaudited condensed statement of financial position As at 30 June 2023

	unaudited 30.6.2023 RM'000	audited 31.3.2023 RM'000
Assets		
Investment properties	640,000	640,000
Total non-current assets	<u>640,000</u>	<u>640,000</u>
Trade and other receivables	3,701	4,863
Cash and cash equivalents	13,198	10,660
Total current assets	<u>16,899</u>	<u>15,523</u>
Total assets	<u><u>656,899</u></u>	<u><u>655,523</u></u>
Unitholders' funds		
Unitholders' capital	518,806	517,412
Undistributed income	41,330	42,200
Total unitholders' funds	<u>560,136</u>	<u>559,612</u>
Liabilities		
Trade and other payables	15,844	14,301
Deferred tax liabilities	3,806	3,806
Total non-current liabilities	<u>19,650</u>	<u>18,107</u>
Financings	74,899	74,865
Trade and other payables	2,214	2,939
Total current liabilities	<u>77,113</u>	<u>77,804</u>
Total liabilities	<u>96,763</u>	<u>95,911</u>
Total unitholders' funds and liabilities	<u><u>656,899</u></u>	<u><u>655,523</u></u>
Net asset value	560,136	559,612
Number of units in circulation ('000)	522,073	520,895
Net asset value per unit (RM)		
- Before income distribution	1.0729	1.0743
- After income distribution ^(Note 1)	1.0549	1.0561

Note 1: After reflecting the income distribution of 1.80 sen per unit to be payable on 18 September 2023 (31.3.2023: 1.8228 sen per unit paid on 30 May 2023).

The unaudited condensed statement of financial position should be read in conjunction with the audited financial statements for the financial period ended 31 March 2023 and the accompanying notes attached to this interim financial report.

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Unaudited condensed statement of profit or loss and other comprehensive income for the first quarter ended 30 June 2023

	Individual quarter 30.6.2023 RM'000	Cumulative quarter 30.6.2023 RM'000
Rental income	11,393	11,393
Total revenue	11,393	11,393
Quit rent and assessment	(377)	(377)
Takaful	(147)	(147)
Repair and maintenance	(41)	(41)
Other operating expenses	(115)	(115)
Property operating expenses	(680)	(680)
Net property income	10,713	10,713
Profit income	124	124
Changes in fair value of investment properties	--	--
Net investment income	10,837	10,837
Manager's management fees	(1,025)	(1,025)
Trustee's fees	(42)	(42)
Islamic financing costs	(927)	(927)
Other trust expenses	(197)	(197)
Non-property expenses	(2,191)	(2,191)
Income before tax	8,646	8,646
Taxation	--	--
Net income for the period/ Total comprehensive income for the period	8,646	8,646
Distribution adjustments ^(Note 1)	785	785
Distributable income	9,431	9,431
Net income for the period comprises the following:		
- Realised	8,373	8,373
- Unrealised	273	273
	8,646	8,646
Weighted average number of units ('000)	521,724	521,724
Earnings per unit (sen) ^(Note 2) comprises the following:		
- Realised	1.61	1.61
- Unrealised	0.05	0.05
	1.66	1.66

Note 1: Distribution adjustments comprise the Manager's management fees payable in units and amortisation of capitalised financing costs, net of unbilled lease income receivables.

Note 2: Derived based on the net income for the period divided by the weighted average number of units.

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Unaudited condensed statement of profit or loss and other comprehensive income for the first quarter ended 30 June 2023 (continued)

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 March 2023 and the accompanying notes attached to this interim financial report.

No comparative figures are available as AME REIT was established on 23 May 2022. The acquisitions of the properties by AME REIT were completed and AME REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 20 September 2022.

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Unaudited condensed statement of changes in net asset value for the period ended 30 June 2023

	Unitholders' capital RM'000	Undistributed income RM'000	Total RM'000
At 1 April 2023	517,412	42,200	559,612
<i>Contributions by and distributions to unitholders</i>			
Manager's management fees paid in units ⁽ⁱ⁾	1,394	--	1,394
Income distribution	--	(9,516)	(9,516)
Total comprehensive income for the period	<u>--</u>	<u>8,646</u>	<u>8,646</u>
At 30 June 2023	<u>518,806</u>	<u>41,330</u>	<u>560,136</u>

(i) The Manager's management fees paid in units comprise the following:

	Units '000	Amount RM'000
Base and performance fees for the fourth quarter ended 31 March 2023	814	967
Acquisition fees	364	427
	<u>1,178</u>	<u>1,394</u>

The unaudited condensed statement of changes in net asset value should be read in conjunction with the audited financial statements for the financial period ended 31 March 2023 and the accompanying notes attached to this interim financial report.

No comparative figures are available as AME REIT was established on 23 May 2022. The acquisitions of the properties by AME REIT were completed and AME REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 20 September 2022.

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Unaudited condensed statement of cash flows for the period ended 30 June 2023

	Period to date 30.6.2023 RM'000
Cash flows from operating activities	
Income before tax	8,646
Adjustments for:	
Islamic financing costs	927
Profit income	(124)
Unbilled lease income receivables	(273)
Changes in fair value of investment properties	--
Operating income before changes in working capital	<u>9,176</u>
Changes in trade and other receivables	1,435
Changes in trade and other payables	<u>2,128</u>
Cash generated from operations	12,739
Tax paid	<u>--</u>
Net cash from operating activities	<u>12,739</u>
Cash flows from investing activities	
Profit income	124
Acquisition of investment properties	<u>--</u>
Net cash from investing activities	<u>124</u>
Cash flows from financing activities	
Islamic financing costs paid	(809)
Proceeds from financings	--
Listing expenses	--
Income distribution paid to unitholders	<u>(9,516)</u>
Net cash used in financing activities	<u>(10,325)</u>
Net increase in cash and cash equivalents	2,538
Cash and cash equivalents as at 1 April	<u>10,660</u>
Cash and cash equivalents as at 30 June	<u><u>13,198</u></u>

Cash and cash equivalents included in the unaudited condensed statement of cash flows comprise the following amounts from the unaudited condensed statement of financial position:

	Period to date 30.6.2023 RM'000
Cash and cash equivalents:	
- cash and bank balances	6,160
- Islamic deposits with a licensed bank	<u>7,038</u>
	<u><u>13,198</u></u>

The unaudited condensed statement of cash flows should be read in conjunction with the audited financial statements for the financial period ended 31 March 2023 and the accompanying notes attached to this interim financial report.

No comparative figures are available as AME REIT was established on 23 May 2022. The acquisitions of the properties by AME REIT were completed and AME REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 20 September 2022.

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Notes to the interim financial report

Part A: Explanatory notes pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134 and International Accounting Standards (“IAS”) 34 Interim Financial Reporting

A1. Basis of preparation

This interim financial report is unaudited and has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting and International Accounting Standards (IAS) 34: Interim Financial Reporting.

This interim financial report should be read in conjunction with the audited financial statements for the financial period ended 31 March 2023 (“AFS FPE2023”) and the accompanying notes attached to this interim financial report. The accounting policies and methods of computation adopted in this interim financial report are consistent with those disclosed in the AFS FPE2023.

There are no comparative figures for the corresponding period in the prior year as AME REIT was established on 23 May 2022. The acquisitions of the properties by AME REIT were completed and AME REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 20 September 2022.

A2. Auditors’ report of preceding financial period

The audited financial statements for the financial period ended 31 March 2023 were not subject to any qualifications.

A3. Seasonal or cyclical factors

The business operations of AME REIT were not significantly affected by seasonal or cyclical factors.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of AME REIT during the financial period under review.

A5. Changes in estimates

This is not applicable as no estimates were previously reported.

A6. Debt and equity securities

	Units '000	Amount RM'000
Issuance of new units		
As at 1 April 2023	520,895	521,054
Manager’s management fees paid in units:		
- Base and performance fees for the fourth quarter ended 31 March 2023	814	967
- Acquisition fees	364	427
As at 30 June 2023	<u>522,073</u>	<u>522,448</u>

Save as disclosed above, there were no debt and equity securities issued during the financial period under review.

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Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A7. Income distribution

It is the intention of the Manager to distribute at least 90.0% of AME REIT's distributable income on a quarterly basis or such other intervals as the Manager may determine at its absolute discretion.

Subsequent to the period end, the Manager has proposed an interim income distribution of 99.8% of AME REIT's distributable income amounting to RM9.41 million or 1.80 sen per unit (taxable) for the period from 1 April 2023 to 30 June 2023, to be payable on 18 September 2023 to unitholders whose names appear in the Record of Depositors of AME REIT at the close of business on 25 August 2023.

A8. Segmental reporting

No segmental information is prepared as AME REIT's activities are in one (1) industry segment in Malaysia.

A9. Valuation of investment properties

The investment properties are valued by independent registered valuers. The differences between the valuations and the carrying amounts of the respective investment properties are charged or credited to the statement of profit or loss and other comprehensive income for the period in which they arise.

A10. Material events subsequent to the statement of financial position date

There were no material events subsequent to the end of the financial period under review that have not been reflected in the interim financial report.

A11. Changes in the composition of AME REIT

AME REIT's fund size increased to 522.07 million units as at 30 June 2023 from 520.89 million units as at 31 March 2023 due to the issuance of new units as disclosed in Note A6.

A12. Contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities to be disclosed.

A13. Capital commitments

	30.6.2023 RM'000
Capital expenditure commitment	
Contracted but not provided for	
Investment property	<u>25,970</u>

Save as disclosed above, there were no other major capital commitments as at 31 March 2023.

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Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A14. Significant related party transactions

The significant related party transactions of AME REIT are shown below.

	Individual quarter 30.6.2023 RM'000	Cumulative quarter 30.6.2023 RM'000
Manager		
Manager's management fees	<u>(1,025)</u>	<u>(1,025)</u>
Company related to the Manager		
Rental income	<u>2,859</u>	<u>2,859</u>

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Part B: Additional information pursuant to Paragraph 9.44 of the Listing Requirements

B1. Review of performance

Current quarter / Financial period results

AME REIT recorded total rental income of RM11.39 million, net property income of RM10.71 million and net investment income of RM10.84 million. After the non-property expenses of RM2.19 million, its net income is RM8.65 million. The distributable income of AME REIT is RM9.43 million.

The total net asset value and net asset value per unit of AME REIT is RM560.14 million and RM1.0729 respectively.

B2. Comparison with immediate preceding quarter

	Current quarter 30.6.2023 RM'000	Immediate preceding quarter 31.3.2023 RM'000	Changes %
Revenue	11,393	10,773	6
Net property income	10,713	10,187	5
Income before tax	8,646	46,993	(82)
Net income for the period	8,646	43,187	(80)
Distributable income	<u>9,431</u>	<u>9,515</u>	<u>(1)</u>

The increase in revenue and net property income is mainly due to the full-quarter contribution from two (2) newly acquired industrial properties towards the end of the immediate preceding quarter.

The higher income before tax and net income for the period in the immediate preceding quarter was mainly due to the fair value gain on investment properties.

B3. Prospects

The Manager will continue driving growth of AME REIT through its strategies as disclosed in Note B5.

Given that AME REIT's existing industrial and industrial related properties portfolio has 100% committed occupancy rate and 99% occupancy rate, the Manager is optimistic to achieve a favourable performance for the financial year ending 31 March 2024.

B4. Investment objectives

The Manager's key objective is to provide unitholders with a stable and growing distribution of income and to achieve long-term growth in the net asset value per unit.

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Part B: Additional information pursuant to Paragraph 9.44 of the Listing Requirements (continued)

B5. Strategies and policies

The Manager intends to achieve the investment objectives through the implementation of the following strategies:

- (i) Acquisition growth strategy – The Manager will leverage on AME Group’s future property development projects as well as third party properties to source for and acquire properties within Malaysia that fit within AME REIT’s investment strategy to generate stable cash flows and potential for long-term income and capital growth;
- (ii) Proactive asset management strategy – The Manager will seek to optimise and maintain high occupancy rates, achieve stable rental growth and maximise investment returns; and
- (iii) Capital and risk management strategy – The Manager intends to optimise AME REIT’s capital structure and cost of capital within the financing limits set out in the REIT Guidelines and intends to use a combination of Islamic financing and equity financing to fund future acquisitions and capital expenditure.

B6. Portfolio composition

During the financial period under review, the portfolio of AME REIT consists of thirty-six (36) investment properties, of which thirty-three (33) are industrial properties and three (3) are industrial-related properties.

B7. Utilisation of proceeds raised from any issuance of new units

There were no issuances of new units during the financial period under review other than as disclosed in Note A6.

B8. Income distribution

The income distribution to unitholders is from the following sources:

	Individual quarter 30.6.2023 RM'000	Cumulative quarter 30.6.2023 RM'000
Rental income	11,393	11,393
Profit income	124	124
Less: Unbilled lease income receivables	(273)	(273)
Total income	11,244	11,244
Less: Expenses	(2,871)	(2,871)
Realised income for the period	8,373	8,373
Add: Non-cash items	1,058	1,058
Total realised income available for the period	9,431	9,431
Add: Brought forward undistributed realised income available for distribution	--	--
Total realised income available for distribution	9,431	9,431
Less: Income to be distributed for the period	(9,412)	(9,412)
Balance undistributed realised income available for distribution	19	19
Distribution per unit (sen)	1.80	1.80

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Part B: Additional information pursuant to Paragraph 9.44 of the Listing Requirements (continued)

B9. Taxation

Pursuant to Section 61A of the Income Tax Act, 1967 (“Act”), income of AME REIT will be exempted from tax provided that at least 90% of its total income (as defined in the Act) is distributed to the investors in the basis period of AME REIT for that year of assessment within two (2) months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two (2) months after the close of AME REIT financial year which forms the basis period for a year of assessment, AME REIT will be subject to income tax at the prevailing tax rate on its total income.

As AME REIT intends to declare more than 90% of its distributable income to its unitholders for the financial year ending 31 March 2024, no provision for taxation has been made for the financial period.

B10. Status of corporate proposals

On 5 December 2022, the following have been entered into for a total cash consideration of RM69.25 million.

- (i) conditional sale and purchase agreement between AME Development Sdn Bhd, a wholly-owned subsidiary of AME Elite Consortium Berhad (“AME Development”) and RHB Trustees Berhad, being the trustee of AME REIT (“Trustee”), for the acquisition of Plot 15 Indahpura (as defined in the announcement) for a cash consideration of RM26.50 million (“Proposed Plot 15 Indahpura Acquisition”);
- (ii) conditional sale and purchase agreement between AME Development and the Trustee, for the acquisition of Plot 16 Indahpura (as defined in the announcement) for a cash consideration of RM26.50 million (“Proposed Plot 16 Indahpura Acquisition”); and
- (iii) conditional sale and purchase agreement between Ipark Development Sdn Bhd, a 79.9%-owned subsidiary of AME Elite and the Trustee, for the acquisition of Plot 43 SAC (as defined in the announcement) for a cash consideration of approximately RM16.25 million (“Proposed Plot 43 SAC Acquisition”).

(The Proposed Plot 15 Indahpura Acquisition, Proposed Plot 16 Indahpura Acquisition and Proposed Plot 43 SAC Acquisition are collectively referred to as the “Proposed Acquisitions”).

The Proposed Acquisitions are subject to the fulfilment of conditions precedent, including the approval of the unitholders of AME REIT at an extraordinary general meeting which was obtained on 27 February 2023.

The Proposed Plot 15 Indahpura Acquisition and Proposed Plot 43 SAC Acquisition were completed on 24 March 2023.

B11. Financings

	30.6.2023 RM'000	31.3.2023 RM'000
Secured		
Current		
Islamic revolving credits	<u>74,899</u>	<u>74,865</u>

B12. Material litigation

There was no pending material litigation as at the date of this report.

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Part B: Additional information pursuant to Paragraph 9.44 of the Listing Requirements (continued)

B13. Soft commission received

There was no soft commission received by the Manager or its delegates during the financial period under review.

B14. Income before tax

	Individual quarter 30.6.2023 RM'000	Cumulative quarter 30.6.2023 RM'000
Income before tax is arrived at after charging:		
Islamic financing costs	927	927

B15. Summary of DPU, EPU, NAV and market price

	Current quarter 30.6.2023	Immediate preceding quarter 31.3.2023
Number of units in issue ('000)	522,073	520,895
Earnings per unit ("EPU") (realised) (sen)	1.61	1.68
EPU (included unrealised income) (sen)	1.66	8.30
Total comprehensive income (RM'000)	8,646	43,187
Distributable income (RM'000)	9,431	9,515
Distribution per unit ("DPU") (sen)	1.80	1.8228
Net asset value ("NAV") (RM'000)	560,136	559,612
NAV per unit (RM)	1.0729	1.0743
Market value per unit (RM)	1.20	1.18

B16. Responsibility statement

In the opinion of the Directors of the Manager, this interim financial report has been prepared in accordance with the Listing Requirements, MFRS 134: Interim Financial Reporting and IAS 34: Interim Financial Reporting so as to give a true and fair view of the financial position of AME REIT as at 30 June 2023 and its financial performance and cash flows for the financial period on that date and duly authorised for release by the Board of Directors of the Manager on 9 August 2023.