

AME Real Estate Investment Trust

**Interim Financial Report
Second Quarter Ended 30 September 2023**

AME Real Estate Investment Trust

Unaudited condensed statement of financial position As at 30 September 2023

	unaudited 30.9.2023 RM'000	audited 31.3.2023 RM'000
Assets		
Investment properties	640,257	640,000
Total non-current assets	<u>640,257</u>	<u>640,000</u>
Trade and other receivables	4,234	4,863
Cash and cash equivalents	13,868	10,660
Total current assets	<u>18,102</u>	<u>15,523</u>
Total assets	<u><u>658,359</u></u>	<u><u>655,523</u></u>
Unitholders' funds		
Unitholders' capital	519,831	517,412
Undistributed income	40,637	42,200
Total unitholders' funds	<u>560,468</u>	<u>559,612</u>
Liabilities		
Trade and other payables	15,709	14,301
Deferred tax liabilities	3,806	3,806
Total non-current liabilities	<u>19,515</u>	<u>18,107</u>
Financings	74,933	74,865
Trade and other payables	3,443	2,939
Total current liabilities	<u>78,376</u>	<u>77,804</u>
Total liabilities	<u>97,891</u>	<u>95,911</u>
Total unitholders' funds and liabilities	<u><u>658,359</u></u>	<u><u>655,523</u></u>
Net asset value	560,468	559,612
Number of units in circulation ('000)	522,912	520,895
Net asset value per unit (RM)		
- Before income distribution	1.0718	1.0743
- After income distribution ^(Note 1)	1.0538	1.0561

Note 1: After reflecting the income distribution of 1.80 sen per unit to be payable on 18 December 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 second quarter ended 30 September 2023

	Individual quarter 30.9.2023 RM'000	Individual quarter 30.9.2022 RM'000	Cumulative quarter 30.9.2023 RM'000	Cumulative quarter 30.9.2022 RM'000
Rental income	11,765	1,308	23,158	1,308
Total revenue	11,765	1,308	23,158	1,308
Quit rent and assessment	(418)	(45)	(795)	(45)
Takaful	(148)	(20)	(295)	(20)
Repair and maintenance	(95)	(10)	(136)	(10)
Other operating expenses	(329)	(12)	(444)	(12)
Property operating expenses	(990)	(87)	(1,670)	(87)
Net property income	10,775	1,221	21,488	1,221
Profit income	124	--	248	--
Changes in fair value of investment properties	--	--	--	--
Net investment income	10,899	1,221	21,736	1,221
Manager's management fees	(1,037)	(113)	(2,062)	(113)
Trustee's fees	(42)	(5)	(84)	(5)
Islamic financing costs	(958)	(74)	(1,885)	(74)
Other trust expenses	(143)	(61)	(340)	(61)
Non-property expenses	(2,180)	(253)	(4,371)	(253)
Income before tax	8,719	968	17,365	968
Taxation	--	--	--	--
Net income for the period/ Total comprehensive income for the period	8,719	968	17,365	968
Distribution adjustments ^(Note 1)	730	114	1,515	114
Distributable income	9,449	1,082	18,880	1,082
Net income for the period comprises the following:				
- Realised	8,378	944	16,751	944
- Unrealised	341	24	614	24
	8,719	968	17,365	968
Weighted average number of units ('000)	522,474	520,000	522,101	520,000
Earnings per unit (sen) ^(Note 2) comprises the following:				
- Realised	1.60	0.18	3.21	0.18
- Unrealised	0.07	0.01	0.12	0.01
	1.67	0.19	3.33	0.19

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.

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.

The financial results reported for the corresponding quarter and financial period covered the period from 20 September 2022 to 30 September 2022.

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

	Unitholders' capital RM'000	Undistributed income RM'000	Total RM'000
At 23 May 2023	--	--	--
<i>Contributions by and distributions to unitholders</i>			
Issuance of new units ⁽ⁱ⁾	520,000	--	520,000
Listing expenses	(3,694)	--	(3,694)
Total comprehensive income for the period	--	968	968
At 30 September 2022	<u>516,306</u>	<u>968</u>	<u>517,274</u>
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 ⁽ⁱⁱ⁾	2,419	--	2,419
Income distribution	--	(18,928)	(18,928)
Total comprehensive income for the period	--	17,365	17,365
At 30 September 2023	<u>519,831</u>	<u>40,637</u>	<u>560,468</u>

(i) The issuance of new units was derived at based on the following:

	RM'000
520,000,000 units valued at retail price of RM1.13 per unit	587,600
Less: Adjustment due to difference between the retail price of RM1.13 per unit and issue price of RM1.00 per unit	<u>(67,600)</u>
Representing capitalisation of units at issue price of RM1.00 per unit	<u>520,000</u>

(ii) 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
Base and performance fees for the first quarter ended 30 June 2023	<u>839</u>	<u>1,025</u>
	<u>2,017</u>	<u>2,419</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.

The financial results reported for the corresponding financial period covered the period from 20 September 2022 to 30 September 2022.

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

	Period to date	
	30.9.2023 RM'000	30.9.2022 RM'000
Cash flows from operating activities		
Income before tax	17,365	968
Adjustments for:		
Islamic financing costs	1,885	74
Profit income	(248)	--
Unbilled lease income receivables	(614)	(24)
Operating income before changes in working capital	18,388	1,018
Changes in trade and other receivables	1,243	(14,019)
Changes in trade and other payables	4,071	13,001
Net cash from operating activities	23,702	--
Cash flows from investing activities		
Profit income	248	--
Acquisition of investment properties	--	(37,000)
Enhancement of investment properties	(257)	--
Net cash used in investing activities	(9)	(37,000)
Cash flows from financing activities		
Due to ultimate holding company	--	4
Islamic financing costs paid	(1,557)	37,000
Income distribution paid to unitholders	(18,928)	--
Net cash (used in)/from financing activities	(20,485)	37,004
Net increase in cash and cash equivalents	3,208	4
Cash and cash equivalents as at 1 April / date of establishment	10,660	--
Cash and cash equivalents as at 30 September	13,868	4

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	
	30.9.2023 RM'000	30.9.2022 RM'000
Cash and cash equivalents:		
- cash and bank balances	4,757	4
- Islamic deposits with a licensed bank	9,111	--
	13,868	4

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.

The financial results reported for the corresponding financial period covered the period from 20 September 2022 to 30 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.

The financial results reported for the corresponding quarter and financial period covered the period from 20 September 2022 to 30 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
- Base and performance fees for the first quarter ended 30 June 2023	839	1,025
As at 30 September 2023	<u>522,912</u>	<u>523,473</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 RM9.43 million or 1.80 sen per unit (taxable) for the period from 1 July 2023 to 30 September 2023, to be payable on 18 December 2023 to unitholders whose names appear in the Record of Depositors of AME REIT at the close of business on 24 November 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 522.91 million units as at 30 September 2023 from 520.89 million units as at 31 March 2023 due to the issuance of new units as disclosed in Note A6.

Subsequent to the period end, AME REIT's fund size further increased to 523.12 million units due to the issuance of new units of 0.21 million on 30 October 2023 as payment of acquisition fee to the Manager.

A12. Contingent assets and contingent liabilities

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

A13. Capital commitments

	30.9.2023 RM'000	30.9.2022 RM'000
<i>Capital expenditure commitment</i>		
Contracted but not provided for		
Investment properties	26,873	--

Save as disclosed above, there were no other major capital commitments as at 30 September 2023.

Included in the capital commitments is balance purchase consideration of RM25.97 million for the Proposed Plot 16 Acquisition as defined in Note B10, which was paid by AME REIT to the vendor on 16 October 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 30.9.2023 RM'000	Individual quarter 30.9.2022 RM'000	Cumulative quarter 30.9.2023 RM'000	Cumulative quarter 30.9.2022 RM'000
Manager				
Manager's management fees	<u>(1,037)</u>	<u>(113)</u>	<u>(2,062)</u>	<u>(113)</u>
Companies related to the Manager				
Rental income	2,859	349	5,718	349
Acquisition of investment properties	--	(557,000)	--	(557,000)
Enhancement of investment properties	<u>(257)</u>	<u>--</u>	<u>(257)</u>	<u>--</u>

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

B1. Review of performance

Current quarter results

AME REIT recorded total rental income of RM11.77 million, net property income of RM10.78 million and net investment income of RM10.90 million. After the non-property expenses of RM2.18 million, its net income is RM8.72 million. The distributable income of AME REIT is RM9.45 million.

The total net asset value and net asset value per unit of AME REIT are RM560.47 million and RM1.0718 respectively.

The financial results reported for the corresponding quarter covered the period from 20 September 2022 to 30 September 2022 and are not comparable.

Financial period results

AME REIT recorded total rental income of RM23.16 million, net property income of RM21.49 million and net investment income of RM21.74 million. After the non-property expenses of RM4.37 million, its net income is RM17.37 million. The distributable income of AME REIT is RM18.88 million.

The financial results reported for the corresponding financial period covered the period from 20 September 2022 to 30 September 2022 and are not comparable.

B2. Comparison with immediate preceding quarter

	Current quarter 30.9.2023 RM'000	Immediate preceding quarter 30.6.2023 RM'000	Changes %
Revenue	11,765	11,393	3
Net property income	10,775	10,713	1
Income before tax	8,719	8,646	1
Net income for the period	8,719	8,646	1
Distributable income	9,449	9,431	--

The overall increase in revenue and income is mainly due to the renewals and replacements of tenancies at higher rental rates.

B3. Prospects

The Manager will continue to drive the 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% occupancy rates, 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 30.9.2023 RM'000	Individual quarter 30.9.2022 RM'000	Cumulative quarter 30.9.2023 RM'000	Cumulative quarter 30.9.2022 RM'000
Rental income	11,765	1,308	23,158	1,308
Profit income	124	--	248	--
Less: Unbilled lease income receivables	(341)	(24)	(614)	(24)
Total income	11,548	1,284	22,792	1,284
Less: Expenses	(3,170)	(340)	(6,041)	(340)
Realised income for the period	8,378	944	16,751	944
Add: Non-cash items	1,071	138	2,129	138
Total realised income available for the period	9,449	1,082	18,880	1,082
Add: Brought forward undistributed realised income available for distribution	19	--	--	--
Total realised income available for distribution	9,468	1,082	18,880	1,082
Less: Income to be distributed for the period	(9,431)	--	(18,843)	--
Balance undistributed realised income available for distribution	37	1,082	37	1,082
Distribution per unit (sen)	1.80	--	3.60	--

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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’s 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. The Proposed Plot 16 Indahpura Acquisition was completed on 16 October 2023.

B11. Financings

	30.9.2023 RM’000	31.3.2023 RM’000
Secured		
Current		
Islamic revolving credits	<u>74,933</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 30.9.2023 RM'000	Individual quarter 30.9.2022 RM'000	Cumulative quarter 30.9.2023 RM'000	Cumulative quarter 30.9.2022 RM'000
Income before tax is arrived at after charging:				
Islamic financing costs	958	74	1,885	74

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

	Current quarter 30.9.2023	Immediate preceding quarter 30.6.2023
Number of units in issue ('000)	522,912	522,073
Earnings per unit ("EPU") (realised) (sen)	1.60	1.61
EPU (included unrealised income) (sen)	1.67	1.66
Total comprehensive income (RM'000)	8,719	8,646
Distributable income (RM'000)	9,449	9,431
Distribution per unit ("DPU") (sen)	1.80	1.80
Net asset value ("NAV") (RM'000)	560,468	560,136
NAV per unit (RM)	1.0718	1.0729
Market value per unit (RM)	1.27	1.20

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 September 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 8 November 2023.