

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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AME REAL ESTATE INVESTMENT TRUST

(A real estate investment trust constituted in Malaysia under the deed dated 23 May 2022 and registered with the Securities Commission Malaysia on 23 May 2022, entered into between I REIT Managers Sdn Bhd, incorporated in Malaysia under the Companies Act 2016 and RHB Trustees Berhad, incorporated in Malaysia under the Companies Act 1965)

CIRCULAR TO UNITHOLDERS IN RELATION TO THE

PART A

PROPOSED ACQUISITIONS BY RHB TRUSTEES BERHAD, BEING THE TRUSTEE OF AME REAL ESTATE INVESTMENT TRUST (“AME REIT”), OF THE FOLLOWING:

- (I) **A PIECE OF FREEHOLD LAND HELD UNDER GRN 580208, LOT 98835, MUKIM OF KULAI, DISTRICT OF KULAI, STATE OF JOHOR TOGETHER WITH THE BUILDINGS ERECTED THEREON, FROM AME DEVELOPMENT SDN BHD FOR A CASH CONSIDERATION OF RM26,500,000 (PLOT 15 INDAHPUA)**
- (II) **A PIECE OF FREEHOLD LAND HELD UNDER GRN 580209, LOT 98836, MUKIM OF KULAI, DISTRICT OF KULAI, STATE OF JOHOR TOGETHER WITH THE BUILDINGS ERECTED THEREON, FROM AME DEVELOPMENT SDN BHD FOR A CASH CONSIDERATION OF RM26,500,000 (PLOT 16 INDAHPUA)**
- (III) **A PIECE OF FREEHOLD LAND HELD UNDER HSD 77673, PTD 112796, MUKIM OF SENAI, DISTRICT OF KULAI, STATE OF JOHOR TOGETHER WITH THE BUILDINGS ERECTED THEREON, FROM IPARK DEVELOPMENT SDN BHD FOR A CASH CONSIDERATION OF RM16,250,000 (PLOT 43 SAC)**

(COLLECTIVELY REFERRED TO AS THE “PROPOSED ACQUISITIONS”)

PART B

INDEPENDENT ADVICE LETTER FROM MAINSTREET ADVISERS SDN BHD TO THE NON-INTERESTED UNITHOLDERS OF AME REIT IN RELATION TO THE PROPOSED ACQUISITIONS

AND

NOTICE OF UNITHOLDERS’ EXTRAORDINARY GENERAL MEETING (“EGM”)

Principal Adviser for Part A

Independent Adviser for Part B



Hong Leong Investment Bank Berhad
(Registration No. 197001000928 (10209-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)



MainStreet Advisers Sdn Bhd
(Registration No. 200701032292 (790320-P))

The EGM will be conducted on a fully virtual basis through live streaming and online remote voting using Remote Participation and Electronic Voting (“**RPEV**”) facilities via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC-D6A357657) on **Monday, 27 February 2023 at 10.00 a.m.** or at any adjournment thereof. For further information, please refer to the Notice of EGM and Administrative Guide on EGM in order to register, participate, speak and vote remotely via the RPEV.

The Notice of the EGM and the Form of Proxy can be downloaded at the website of AME REIT at <https://amereit.com.my> or Bursa Securities’ website at <https://www.bursamalaysia.com>.

A unitholder entitled to participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to participate, speak and vote on his/her behalf. In such event, please complete and return the Form of Proxy in accordance with the instructions therein as soon as possible and shall be deposited at the office of the Share Registrar of AME REIT, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for holding the EGM. The lodging of the Form of Proxy will not preclude you from participating, speaking and voting remotely at the EGM should you subsequently wish to do so. Alternatively, unitholders may deposit the Form of Proxy by electronic means with the Share Registrar of AME REIT through Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com> or email to bsr_helpdesk@boardroomlimited.com not less than 48 hours before the EGM. For further information on the electronic submission of the Form of Proxy and participation at the EGM, kindly refer to the Administrative Guide which is enclosed together with this Circular.

Last date and time for registration for remote participation and voting at the virtual EGM and for lodgement of the Form of Proxy : **Saturday, 25 February 2023 at 10.00 a.m.**

Date and time of EGM : **Monday, 27 February 2023 at 10.00 a.m.** or at any adjournment thereof

This Circular is dated 10 February 2023

DEFINITIONS

Unless the context requires otherwise, the following definitions will apply throughout this Circular:

Act	:	Companies Act 2016
ALA	:	Agreed lettable area
AME Development	:	AME Development Sdn Bhd, a wholly-owned subsidiary of AME Elite and a Vendor for the Plot 15 Indahpura and Plot 16 Indahpura
AME Elite	:	AME Elite Consortium Berhad
AME Elite Group	:	Collectively, AME Elite, its subsidiaries and jointly-controlled entities
AME REIT	:	AME Real Estate Investment Trust, a REIT established in Malaysia, listed on the Main Market of Bursa Securities and constituted under the Deed
Board	:	Board of Directors of our Manager
Bursa Securities	:	Bursa Malaysia Securities Berhad
CBRE WTW or the Valuer	:	CBRE WTW Valuation & Advisory Sdn Bhd (<i>formerly known as C H Williams Talhar & Wong Sdn Bhd</i>), being the independent property valuer for the Proposed Acquisitions
CCC	:	Certificate of completion and compliance
Circular	:	This circular to our Unitholders in relation to the Proposed Acquisitions
Completion Date	:	In accordance with the respective SPAs, being the date within 1 month from the unconditional date of the respective SPAs where the balance purchase consideration of the respective SPAs is fully settled or such extended date as the respective Vendors and our Trustee may agree in writing
Deed	:	The deed of trust dated 23 May 2022 between our Manager and our Trustee constituting AME REIT, and registered with the Securities Commission Malaysia on 23 May 2022
DPU	:	Distribution per Unit
EGM	:	Extraordinary general meeting of AME REIT
FYE	:	Financial year ended
IAL	:	The independent advice letter from the Independent Adviser to the non-interested Unitholders in relation to the Proposed Acquisitions, as set out in Part B of this Circular
Interested Directors	:	Collectively, Lee Chai, Lee Sai Boon, Lim Yook Kim and Kang Ah Chee
Interested Major Unitholders	:	Collectively, AME Development, AME Elite, Lee Chai, Lee Sai Boon, Lim Yook Kim and Kang Ah Chee
Interested Parties	:	Collectively, the Interested Directors and Interested Major Unitholders
Ipark Development	:	Ipark Development Sdn Bhd, a 79.9%-owned subsidiary of AME Elite and a Vendor for the Plot 43 SAC

DEFINITIONS (Cont'd)

i-Park @ Indahpura	:	A managed industrial park development project undertaken by AME Development for Phase 1 and 2, and by AXIS AME IP Sdn Bhd, a jointly-controlled entity of AME Elite, for Phase 3, located in Bandar Indahpura, Kulai, Johor
i-Park @ SAC	:	A managed industrial park developed by Ipark Development, located in Senai Airport City, Johor
HLIB or the Principal Adviser	:	Hong Leong Investment Bank Berhad
km	:	Kilometres
Lease Agreements	:	Collectively, the lease agreements entered into between the respective Vendors and their existing lessees for the leases of the respective Subject Properties
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	16 January 2023, being the latest practicable date before the issuance of this Circular
MainStreet or Independent Adviser	the	MainStreet Advisers Sdn Bhd
Manager	:	I REIT Managers Sdn Bhd, a wholly-owned subsidiary of AME Elite and the management company for AME REIT
NAV	:	Net asset value
Plot 15 Indahpura	:	A freehold industrial land with a single storey detached factory with mezzanine office and other ancillary buildings erected thereon, held under Title No. GRN 580208, Lot 98835, Mukim of Kulai, District of Kulai
Plot 15 Indahpura SPA	:	Conditional sale and purchase agreement dated 5 December 2022 between AME Development and our Trustee (on behalf of AME REIT) for the Proposed Plot 15 Indahpura Acquisition
Plot 16 Indahpura	:	A freehold industrial land with a single storey detached factory with mezzanine office and other ancillary buildings to be erected thereon, held under Title No. GRN 580209, Lot 98836, Mukim of Kulai, District of Kulai
Plot 16 Indahpura SPA	:	Conditional sale and purchase agreement dated 5 December 2022 between AME Development and our Trustee (on behalf of AME REIT) for the Proposed Plot 16 Indahpura Acquisition
Plot 43 SAC	:	A freehold industrial land with a single storey detached factory with mezzanine office and other ancillary buildings erected thereon, held under Title No. HSD 77673, PTD 112796, Mukim of Senai, District of Kulai
Plot 43 SAC SPA	:	Conditional sale and purchase agreement dated 5 December 2022 between Ipark Development and our Trustee (on behalf of AME REIT) for the Proposed Plot 43 SAC Acquisition
Proposed Acquisitions	:	Collectively, the Proposed Plot 15 Indahpura Acquisition, Proposed Plot 16 Indahpura Acquisition and Proposed Plot 43 SAC Acquisition
Proposed Plot 15 Indahpura Acquisition	:	Proposed acquisition of Plot 15 Indahpura from AME Development for a cash consideration of RM26,500,000

DEFINITIONS (Cont'd)

Proposed Plot 16 Indahpura Acquisition	:	Proposed acquisition of Plot 16 Indahpura from AME Development for a cash consideration of RM26,500,000
Proposed Plot 43 SAC Acquisition	:	Proposed acquisition of Plot 43 SAC from Ipark Development for a cash consideration of RM16,250,000
Purchase Consideration	:	The total cash consideration of RM69,250,000 for the Subject Properties
Reporting Accountants	:	KPMG PLT
SPAs	:	Collectively, the Plot 15 Indahpura SPA, Plot 16 Indahpura SPA, and Plot 43 SAC SPA
sq ft	:	Square feet
Subject Properties	:	Collectively, Plot 15 Indahpura, Plot 16 Indahpura and Plot 43 SAC
Trustee	:	RHB Trustees Berhad, being the trustee of AME REIT
Total Asset Value	:	The value of the assets owned by AME REIT in accordance with generally accepted accounting principles in Malaysia, in accordance with the Deed
Unit(s)	:	Undivided interest(s) in AME REIT as provided for in the Deed
Unitholder(s)	:	Holder(s) of the Units
Valuation Certificate	:	The valuation certificate dated 15 November 2022 in respect of the Subject Properties
Valuation Reports	:	The valuation reports dated 15 November 2022 in respect of the Subject Properties
Vendors	:	Collectively, AME Development and Ipark Development

CURRENCIES

RM and sen : Ringgit Malaysia and sen respectively

References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to the Manager, and where the context requires, shall include our subsidiaries. References to “**you**” in this Circular are to the Unitholders.

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and *vice versa*. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to the provisions of any statute, rules, regulation or rules of stock exchange shall (where the context admits) be construed as a reference to the provisions of such statute, rules, regulation or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statute, rules, regulation or rules of stock exchange for the time being in force.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any reference to time in this Circular is a reference to Malaysian time, unless otherwise stated.

This Circular includes forward-looking statements which are subject to uncertainties and contingencies. All statements other than statements of historical facts included in this Circular, including, without limitation, those regarding our prospects are forward-looking statements. There is no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

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PART A

LETTER TO OUR UNITHOLDERS IN RELATION TO THE PROPOSED ACQUISITIONS

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED ACQUISITIONS AS SET OUT IN PART A OF THIS CIRCULAR. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE ENTIRE CONTENTS OF THIS CIRCULAR, INCLUDING PART B AND THE APPENDICES AND NOT RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSED ACQUISITIONS BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS TO BE TABLED AT OUR FORTHCOMING EGM.

Summary	Reference in Part A of this Circular
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1. DETAILS OF THE PROPOSED ACQUISITIONS

Section 2

- The Proposed Acquisitions entail the acquisitions of the Subject Properties by our Trustee (on behalf of AME REIT) from the Vendors for the Purchase Consideration, subject to the terms and conditions of the respective SPAs.
- The brief details on the Subject Properties are as follows:

Brief description of the Subject Property/ Existing/ Proposed use	Approximate ALA (sq ft)	⁽¹⁾ Purchase Consideration (RM'000)	Ascribed Market Value (RM'000)	Discount to market value (%)
<u>Plot 15 Indahpura</u> A single storey detached factory with mezzanine office and other ancillary buildings located in i-Park @ Indahpura/ Lease by HID Global Sdn Bhd ("HID Global") commenced on 5 October 2022	101,764	26,500	28,000	5.4
<u>Plot 16 Indahpura</u> A single storey detached factory with mezzanine office and other ancillary buildings located in i-Park @ Indahpura/ Lease by HQPack Sdn Bhd ("HQPack") expected to commence in the 3 rd quarter of 2023	98,249	26,500	28,000	5.4
<u>Plot 43 SAC</u> A single storey detached factory with mezzanine office and other ancillary buildings located in i-Park @ SAC/ Lease by SGS (Malaysia) Sdn Bhd ("SGS") commenced on 5 October 2022	56,814	16,250	17,000	4.4

Note:

- (1) To be satisfied in cash, entirely funded via Islamic financing facilities provided by financial institutions.

2. RATIONALE AND BENEFITS

Section 3

- (i) As at the LPD, Plot 15 Indahpura and Plot 43 SAC are income-generating and are fully occupied whilst Plot 16 Indahpura, is expected to be income-generating and fully occupied prior to or on the completion of the Plot 16 Indahpura SPA. Upon completion of the Proposed Acquisitions, the rental income from the Subject Properties will accrue entirely to AME REIT. Premised on this, the Proposed Acquisitions are expected to be DPU yield-accretive to AME REIT.

Summary**Reference in
Part A of this
Circular**

- (ii) The Proposed Acquisitions will (i) enhance the Total Asset Value by approximately 12.8% from RM571.1 million (as at 30 September 2022) to RM644.1 million; and (ii) enlarge our existing ALA by approximately 15.9% from approximately 1.6 million sq ft (as at 30 September 2022) to approximately 1.9 million sq ft.
- (iii) The Subject Properties are strategically located within one of the main development corridors under Iskandar Malaysia, a new regional growth centre adjacent to Singapore and is accessible from Johor Bahru city centre via various highways and roads. This special economic zone is planned to be a major regional economic hub. Its development is highly prioritised and encouraged via various incentives.

3. RISK FACTORS

Section 5

The potential risk factors which may arise from the Proposed Acquisitions are as follows:

- (i) The completion of the Proposed Acquisitions is conditional upon the fulfilment of conditions precedent of the respective SPAs. There is no assurance that all the conditions precedent can be fulfilled or waived, which may result in the Proposed Acquisitions being delayed or terminated. In such circumstances, AME REIT will not be able to derive the potential benefits from the Proposed Acquisitions.
- (ii) The ability to secure financing and its financing cost are dependent on numerous factors. There can be no assurance that AME REIT would be able to secure sufficient funds to finance the Proposed Acquisitions or that such funds secured may be on terms favourable to AME REIT. In such circumstances, AME REIT may not be able to complete the Proposed Acquisitions.
- (iii) AME REIT may be exposed to default or lessee risk due to a downturn in business or from the general economic situation in Malaysia and/or due to any breach by the lessees of their contractual obligations under their respective Lease Agreements. This could in turn result in a material adverse impact on the financial condition and results of the operations of AME REIT.
- (iv) There can be no assurance that the CCC of Plot 16 Indahpura will be issued by the aforementioned timeframe. In the event AME Development (in respect of Plot 16 Indahpura) is not be able to obtain the said CCC by the aforementioned timeframe, AME REIT will not be able proceed to complete the Plot 16 Indahpura SPA.

Summary	Reference in Part A of this Circular
4. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER OF OUR MANAGER, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED WITH THEM	Section 9
<p>Saved as disclosed below, none of the Directors and/or major shareholders of our Manager, major Unitholders and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisitions:</p>	
<p>(i) AME Development, which is:</p> <ul style="list-style-type: none">• a Vendor; and• a major Unitholder and a wholly-owned subsidiary of AME Elite.	
<p>(ii) Ipark Development, which is:</p> <ul style="list-style-type: none">• a Vendor; and• a 79.9%-owned subsidiary of AME Elite.	
<p>(iii) AME Elite, which is:</p> <ul style="list-style-type: none">• by virtue of its direct and indirect interests in AME Development and Ipark Development respectively, a substantial shareholder in the Vendors and by virtue of its direct interest in AME Development, an indirect major Unitholder.	
<p>(iv) Lee Chai, who is:</p> <ul style="list-style-type: none">• by virtue of his direct and indirect interests in AME REIT, a major Unitholder, by virtue of his direct interest in AME Elite, a major shareholder of AME Elite, by virtue of his indirect interests in AME Elite, an indirect major shareholder of our Manager;• Executive Director of our Manager, Group Managing Director of AME Elite, a Director of AME Development, a Vendor, and a Director of Ipark Development, a Vendor; and• brother of Lee Sai Boon, brother-in-law of Lim Yook Kim and father of Lee Ling Sien, his alternate Director in AME Elite.	
<p>(v) Lee Sai Boon, who is:</p> <ul style="list-style-type: none">• by virtue of his direct and indirect interests in AME REIT, a major Unitholder, by virtue of his direct interests in AME Elite, a substantial shareholder of AME Elite and, by virtue of his indirect interests in AME Elite, an indirect major shareholder of our Manager;• Chairman/Executive Director of our Manager, an Executive Director of AME Elite, a Director of AME Development, a Vendor, and a Director of Ipark Development, a Vendor; and• brother of Lee Chai and brother-in-law of Lim Yook Kim.	
<p>(vi) Lim Yook Kim, who is:</p> <ul style="list-style-type: none">• by virtue of his direct and indirect interests in AME REIT, a major Unitholder, by virtue of his direct interests in AME Elite, a major shareholder of AME Elite and, by virtue of his indirect interests in AME Elite, an indirect major shareholder of our Manager;• Alternate Director to Lee Chai of our Manager, an Executive Director of AME Elite and a Director of AME Development, a Vendor; and• brother-in-law of Lee Chai and Lee Sai Boon and father of Lim Pei Shi, his alternate Director of AME Elite and a Director of Ipark Development, a Vendor.	

Summary	Reference in Part A of this Circular
<p>(vii) Kang Ah Chee, who is:</p> <ul style="list-style-type: none">• by virtue of his direct and indirect interests in AME REIT, a major Unitholder, by virtue of his direct interests in AME Elite, a major shareholder of AME Elite and, by virtue of his indirect interests in AME Elite, an indirect major shareholder of our Manager;• Alternate Director to Lee Sai Boon of our Manager, Executive Director of AME Elite and a Director of AME Development, a Vendor; and• father of Kang Koh Wei, his alternate Director of AME Elite.	
<p>5. OUR MANAGER'S AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT</p>	Section 12
<p>The Audit and Risk Management Committee of our Manager, after having considered and deliberated on all relevant aspects of the Proposed Acquisitions, is of the view that the Proposed Acquisitions are:</p>	
<p>(i) in the best interest of AME REIT;</p> <p>(ii) fair, reasonable and on normal commercial terms; and</p> <p>(iii) not detrimental to the interest of our non-interested Unitholders.</p>	
<p>6. DIRECTORS' STATEMENT/RECOMMENDATION</p>	Section 13
<p>The Board (save for the Interested Directors), after having considered all relevant aspects of the Proposed Acquisitions, are of the opinion that the Proposed Acquisitions are in the best interests of AME REIT.</p>	
<p>Accordingly, the Board (save for the Interested Directors) recommends that our Unitholders vote in favour of the resolutions pertaining to the Proposed Acquisitions to be tabled at our forthcoming EGM.</p>	

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I REIT MANAGERS SDN BHD
(Registration No. 202101014501 (1414801-X))
(Incorporated in Malaysia under the Companies Act 2016)

Registered Office

Suite 9D, Level 9
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim

10 February 2023

Board of Directors of our Manager:

Lee Sai Boon	<i>(Chairman/Executive Director)</i>
Chan Wai Leo	<i>(Chief Executive Officer/Executive Director)</i>
Lee Chai	<i>(Executive Director)</i>
Datin Cheryl Kaur Pola	<i>(Independent Non-Executive Director)</i>
Yau Yin Wee	<i>(Independent Non-Executive Director)</i>
Wee Beng Chuan	<i>(Independent Non-Executive Director)</i>
Lim Yook Kim	<i>(Alternate Director to Lee Chai)</i>
Kang Ah Chee	<i>(Alternate Director to Lee Sai Boon)</i>
Lim Pei Shi	<i>(Alternate Director to Chan Wai Leo)</i>

To: Our Unitholders

Dear Sir/Madam,

- (I) PROPOSED PLOT 15 INDAH PURA ACQUISITION**
- (II) PROPOSED PLOT 16 INDAH PURA ACQUISITION**
- (III) PROPOSED PLOT 43 SAC ACQUISITION**

1. INTRODUCTION

On 5 December 2022, HLIB had, on behalf of the Board, announced that on even date, the following have been entered into for a total cash consideration of approximately RM69.3 million:

- (i) conditional sale and purchase agreement between AME Development and our Trustee, for the Proposed Plot 15 Indahpura Acquisition for a cash consideration of RM26.5 million;
- (ii) conditional sale and purchase agreement between AME Development and our Trustee, for the Proposed Plot 16 Indahpura Acquisition for a cash consideration of RM26.5 million; and
- (iii) conditional sale and purchase agreement between Ipark Development and our Trustee, for the Proposed Plot 43 SAC Acquisition for a cash consideration of approximately RM16.3 million.

The Proposed Acquisitions are deemed to be related party transactions in view of the interests of certain Directors of our Manager and certain major Unitholders as set out in **Section 9 of Part A** of this Circular. Accordingly, MainStreet has been appointed on 25 November 2022 as the Independent Adviser to advise the non-interested Directors of our Manager and non-interested Unitholders on the Proposed Acquisitions in accordance with the Listing Requirements.

Further details of the Proposed Acquisitions are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT DETAILS IN RELATION TO THE PROPOSED ACQUISITIONS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM AND FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR, INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR AND THE APPENDICES, BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS TO BE TABLED AT OUR FORTHCOMING EGM.

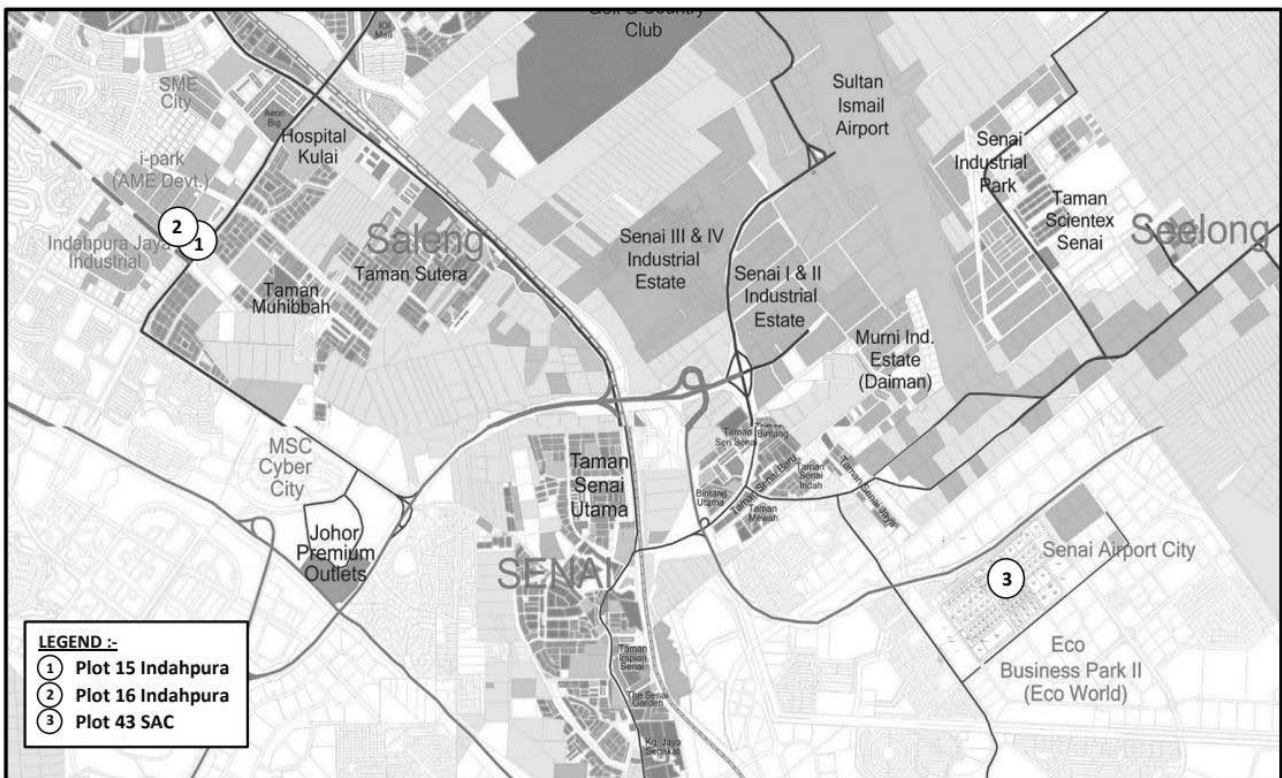
2. DETAILS OF THE PROPOSED ACQUISITIONS

The Proposed Acquisitions entail the acquisitions of the Subject Properties by our Trustee (on behalf of AME REIT) from the Vendors for the Purchase Consideration, subject to the terms and conditions of the respective SPAs. The Purchase Consideration will be entirely funded via Islamic financing facilities provided by financial institutions.

Please refer to **Appendix II** of this Circular for further information on the salient terms of the SPAs.

2.1 Information on the Subject Properties

An overview of the location plan of the Subject Properties:



(Source: CBRE WTW)

The brief details on the Subject Properties are as follows:

Subject Property	Purchaser/ Vendor	Brief description of the Subject Property/ Existing/ Proposed use	Approximate ALA (sq ft)	Purchase Consideration (A) (RM'000)	Market value ascribed by the Valuer (B) (RM'000)	Discount to market value ((A) - (B))/(B) (%)
Plot 15 Indahpura	Trustee/ AME Development	A single storey detached factory with mezzanine office and other ancillary buildings located in i-Park @ Indahpura, which is located about 6km from the Malaysia-Singapore Second Link Expressway, 8km from the North-South Expressway and Senai-Desaru Expressway, 11km from the Senai International Airport and 33km from the Johor Bahru Customs, Immigration and Quarantine ("CIQ")/ Lease by HID Global commenced on 5 October 2022 ⁽²⁾	101,764	26,500	28,000	5.4
Plot 16 Indahpura ⁽¹⁾	Trustee/ AME Development	A single storey detached factory with mezzanine office and other ancillary buildings located in i-Park @ Indahpura, which is located about 6km from the Malaysia-Singapore Second Link Expressway, 8km from the North-South Expressway and Senai-Desaru Expressway, 11km from the Senai International Airport and 33km from the CIQ/ Lease by HQPack expected to commence in the 3 rd quarter of 2023 ⁽²⁾	98,249	26,500	28,000	5.4
Plot 43 SAC	Trustee/ Ipark Development	A single storey detached factory with mezzanine office and other ancillary buildings located in i-Park @ SAC, which is situated in Senai Airport City, located about 6km from the Senai International Airport. It is also 3km from the North-South Expressway, 4km from the Senai-Desaru Expressway, 5km from the Malaysia-Singapore Second Link Expressway and 20km from the CIQ/ Lease by SGS commenced on 5 October 2022 ⁽²⁾	56,814	16,250	17,000	4.4
Total				69,250	73,000	⁽³⁾ 5.1%

Notes:

- (1) Plot 16 Indahpura is currently under construction with approximately 37% completed as at 31 December 2022. The completion of the said construction and issuance of CCC are expected to be by the 3rd quarter of 2023. Paragraph 8.16 of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia ("SC") ("**Listed REIT Guidelines**") provides that a real estate investment trust ("**REIT**") may invest in a real estate under construction provided that (i) the arrangement or agreement to acquire the real estate under construction is made subject to the completion of the building with sufficient cover for construction risks; (ii) the arrangement or agreement to acquire the real estate under construction must be on terms which are best available for AME REIT than an arm's length transaction between independent parties; and (iii) the prospects for the real estate to be acquired upon completion are reasonably expected to be favourable. Additionally, Paragraph 8.17 of the Listed REIT Guidelines sets out that the aggregate investments in property development activities and real estate under construction must not exceed 15% of the Total Asset Value.

However, in view that the sale, purchase and transfer of Plot 16 Indahpura is conditional upon, among others, (i) CCC of Plot 16 Indahpura having been obtained by AME Development; and (ii) the written confirmation from AME Development confirming the Rental Commencement Date (as defined herein) as set out in Plot 16 Indahpura SPA, Paragraphs 8.16 and 8.17 of the Listed REIT Guidelines are not applicable.

- (2) The Lease Agreements will be novated to our Trustee (on behalf of AME REIT) upon the completion of the Proposed Acquisitions for the continuity of existing operations under similar terms being entered into prior thereto, in the respective Lease Agreements. Please refer to **Appendix I** of this Circular for further information on the terms of the leases. For the avoidance of doubt, HID Global, HQPack and SGS are not parties related to AME REIT and/or the Vendors.
- (3) Being the average discount to market value.

Please refer to **Appendix I** of this Circular for further information on the Subject Properties.

2.2 Mode of settlement of the Purchase Consideration

The total cash consideration of approximately RM69.3 million shall be satisfied in the manner as follows:

<u>Payment terms</u>	<u>Timing</u>	<u>Purchase Consideration</u>	
		<u>(RM'000)</u>	<u>(%)</u>
<u>Plot 15 Indahpura</u>			
• Deposit	Paid on 5 December 2022 to AME Development, upon signing of the Plot 15 Indahpura SPA	2,650	10.0
• Balance purchase consideration	To be paid on the Completion Date of the Plot 15 Indahpura SPA	23,850	90.0
	(A)	26,500	100.0
<u>Plot 16 Indahpura</u>			
• Deposit	Paid on 5 December 2022 to AME Development, upon signing of the Plot 16 Indahpura SPA	530	(1)2.0
• Balance purchase consideration	To be paid on the Completion Date of the Plot 16 Indahpura SPA	25,970	98.0
	(B)	26,500	100.0
<u>Plot 43 SAC</u>			
• Deposit	Paid on 5 December 2022 to Ipark Development, upon signing of the Plot 43 SAC SPA	1,625	10.0
• Balance purchase consideration	To be paid on the Completion Date of the Plot 43 SAC SPA	14,625	90.0
	(C)	16,250	100.0
Purchase Consideration (A) + (B) + (C)		69,250	

Note:

- (1) In view that the expected completion date for the Proposed Plot 16 Indahpura Acquisition is in the 1st quarter of 2024 as compared to the expected completion date for the Proposed Plot 15 Indahpura Acquisition and Proposed Plot 43 SAC Acquisition being in early March 2023, AME Development and the Trustee had negotiated for the deposit in relation to Plot 16 Indahpura to be 2.0%.

2.3 Dates and costs of investment

The dates and costs of investment of the Subject Properties are as follows:

<u>Vendors</u>	<u>Date of investment</u>	<u>Cost of investment</u> <u>(RM'000)</u>
AME Development for the following:		
• Plot 15 Indahpura	4 October 2022	11,610
• Plot 16 Indahpura	31 October 2022	3,110
Ipark Development for Plot 43 SAC	4 October 2022	11,761

2.4 Basis and justification for the Purchase Consideration

The Purchase Consideration, which represents a discount of approximately 5.1% from the market value ascribed by the Valuer, had been arrived at, on a willing buyer-willing seller basis and free from encumbrances, after taking into consideration the following:

- (i) the market value of the Subject Properties as appraised by the Valuer of RM73.0 million; and
- (ii) the rationale and benefits for the Proposed Acquisitions, further details of which are as set out in **Section 3 of Part A** of this Circular.

Our Manager had appointed the Valuer to undertake an independent valuation on the Subject Properties, including the buildings erected thereon and the Valuer had, vide its valuation letter ascribed an aggregate market value of RM73.0 million. The Subject Properties had been appraised using the Income Approach (Investment Method), whereby the Investment Method entails determining the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the market value.

The Valuer had also adopted the Comparison Approach to value the Subject Properties as a counter-check. The Comparison Approach entails analysing recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, size, age and condition of unit and building, tenure, title restrictions if any and other relevant characteristics to arrive at the market value.

2.5 Information on the Vendors

2.5.1 Information on AME Development

AME Development was incorporated in Malaysia under the Companies Act 1965 on 21 January 2008 as a private limited company and is deemed registered under the Act. AME Development is principally involved in property development, management services and investment holding.

As at the LPD, the issued share capital of AME Development is RM1.0 million comprising 1.0 million ordinary shares. The substantial shareholders of AME Development and their respective shareholdings are as follows:

Shareholder	Direct		Indirect	
	No. of shares (‘000)	%	No. of shares (‘000)	%
AME Elite	1,000	100.0	-	-
Lee Chai	-	-	(1)1,000	100.0
Lee Sai Boon	-	-	(1)1,000	100.0
Lim Yook Kim	-	-	(1)1,000	100.0
Kang Ah Chee	-	-	(1)1,000	100.0

Note:

- (1) Deemed interested by virtue of his shareholding in AME Elite pursuant to Section 8 of the Act.

The Directors of AME Development are Lim Yook Kim, Kang Ah Chee, Lee Chai and Lee Sai Boon.

2.5.2 Information on Ipark Development

Ipark Development was incorporated in Malaysia on 28 September 2012 under the Companies Act 1965 as a private limited company and is deemed registered under the Act. Ipark Development is principally involved in property development and investment holding.

As at the LPD, the issued share capital of Ipark Development is RM101.0 million comprising (i) 5.0 million ordinary shares in Ipark Development; and (ii) 9,600 non-cumulative redeemable preference shares in Ipark Development (“RPS”).

The substantial shareholders of Ipark Development and their respective substantial shareholdings are as follows:

Shareholder	Direct		Indirect	
	No. of shares (‘000)	%	No. of shares (‘000)	%
AME Integrated Sdn Bhd	4,000	80.0	-	-
Fujiplates Manufacturing Sdn Bhd	1,000	20.0	-	-
AME Elite	-	-	(1)4,000	80.0
Lee Chai	-	-	(2)4,000	80.0
Lee Sai Boon	-	-	(2)4,000	80.0
Lim Yook Kim	-	-	(2)4,000	80.0
Kang Ah Chee	-	-	(2)4,000	80.0
Fuji Offset Plates Manufacturing Ltd	-	-	(3)1,000	20.0

Notes:

- (1) Deemed interested by virtue of its shareholding in AME Integrated Sdn Bhd pursuant to Section 8 of the Act.
- (2) Deemed interested by virtue of his shareholding in AME Integrated Sdn Bhd through his shareholdings held in AME Elite pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of its shareholding in Fujiplates Manufacturing Sdn Bhd pursuant to Section 8 of the Act.

The details of the RPS holders and their holdings are as follows:

RPS holder	Direct		Indirect	
	No. of RPS	%	No. of RPS	%
AME Integrated Sdn Bhd	7,680	80.0	-	-
Fujiplates Manufacturing Sdn Bhd	1,920	20.0	-	-
AME Elite	-	-	(1)7,680	80.0
Lee Chai	-	-	(2)7,680	80.0
Lee Sai Boon	-	-	(2)7,680	80.0
Lim Yook Kim	-	-	(2)7,680	80.0
Kang Ah Chee	-	-	(2)7,680	80.0
Fuji Offset Plates Manufacturing Ltd	-	-	(3)1,920	20.0

Notes:

- (1) Deemed interested by virtue of its RPS holding in AME Integrated Sdn Bhd pursuant to Section 8 of the Act.
- (2) Deemed interested by virtue of his RPS holding in AME Integrated Sdn Bhd through his shareholdings held in AME Elite pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of its RPS holding in Fujiplates Manufacturing Sdn Bhd pursuant to Section 8 of the Act.

The Directors of Ipark Development are Lee Chai, Lee Sai Boon, Lim Pei Shi and Teo Kee Chong.

2.6 Liabilities to be assumed

There are no liabilities, including contingent liabilities and/or guarantees to be assumed by AME REIT arising from the Proposed Acquisitions.

3. RATIONALE AND BENEFITS

As set out in the prospectus of AME REIT dated 17 August 2022, our Manager had identified Plot 15 Indahpura, Plot 16 Indahpura and Plot 43 SAC as potential pipeline to be acquired by AME REIT within 12 months from the listing date.

With Plot 15 Indahpura and Plot 43 SAC obtaining their respective CCCs and having been generating rental income as at December 2022, the Trustee (on behalf of AME REIT) and the relevant Vendors had therefore entered into the Plot 15 Indahpura SPA and Plot 43 SAC SPA.

In respect of Plot 16 Indahpura, notwithstanding that it is currently under construction, as set out in the Plot 16 Indahpura SPA, completion of the Plot 16 Indahpura SPA will only take place after the fulfilment of the conditions precedent, which includes (i) the CCC having been obtained; and (ii) the written confirmation from AME Development of the Rental Commencement Date having been given. The Proposed Plot 16 Indahpura Acquisition had been initiated at this juncture, to minimise incurring expenses in relation thereto as compared to undertaking the Proposed Plot 16 Indahpura Acquisition separately.

The rationale and benefits of the Proposed Acquisitions are as follows:

3.1 DPU yield in AME REIT is expected to be accretive

As at the LPD, Plot 15 Indahpura and Plot 43 SAC are income-generating and are fully occupied whilst Plot 16 Indahpura, is expected to be income-generating and fully occupied prior to or on the completion of the Plot 16 Indahpura SPA. Upon completion of the Proposed Acquisitions, the rental income from the Subject Properties will accrue entirely to AME REIT. Premised on this, the Proposed Acquisitions are expected to be DPU yield-accretive to AME REIT.

The Proposed Acquisitions, which form the proposed acquisitions of completed property development projects of the AME Elite Group, are in line with one of our Manager's acquisition growth strategy whereby our Manager will leverage on, among others, the AME Elite Group's future property development projects that fit within AME REIT's investment strategy to generate stable cash flows and potential for long-term income and capital growth.

Therefore, the Proposed Acquisitions are in line with the investment objective to provide our Unitholders with regular and stable and growing income distribution by expanding its existing portfolio of real estate to include quality properties with stable recurring income and to achieve long term growth in the NAV per Unit through its key investment strategies, while maintaining an optimum level of financing.

3.2 Enhances the size of AME REIT's property portfolio

As at 30 September 2022, our Total Asset Value was approximately RM571.1 million. Upon completion of the Proposed Acquisitions, our Total Asset Value will increase by approximately 12.8% to approximately RM644.1 million.

With the increase in the value of its property portfolio size, AME REIT is expected to strengthen its position as an Islamic REIT in Malaysia as compared to other Islamic REITs listed in Malaysia, as set out below:

No.	Islamic REIT	⁽¹⁾ Total asset value (RM'mil)
1.	KLCC REIT	9,605
2.	Axis REIT	3,838
3.	Al-Aqar Healthcare REIT	1,665
4.	Al-Salam REIT	1,255
5.	AME REIT	644

Note:

(1) Save for AME REIT, the total asset value of the Islamic REITs set out above have been extracted from the latest available annual reports of the respective Islamic REITs as at the LPD.

Additionally, the Proposed Acquisitions will enlarge our existing ALA as at 30 September 2022 by approximately 15.9% from approximately 1.6 million sq ft to approximately 1.9 million sq ft.

3.3 Strategic locations of the Subject Properties

The Subject Properties are strategically located within one of the main development corridors under Iskandar Malaysia, a new regional growth centre in South Peninsular Malaysia adjacent to Singapore. This special economic zone is planned to be a major regional economic hub. Its development is highly prioritised and encouraged via various incentives which include vast expansion capacity, world-class infrastructure and facilities, and an investment-friendly business environment.

The Subject Properties are situated within Flagship E: Senai – Skudai where the current key economic activities are airport services, engineering, electrical and electronic (E&E) and education.

Plot 15 Indahpura and Plot 16 Indahpura

Plot 15 Indahpura and Plot 16 Indahpura, which are located within Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor, are a gated and guarded industrial scheme, which is about 5km from Kulai town and 35km due north-west of Johor Bahru city centre. Plot 15 Indahpura and Plot 16 Indahpura are easily accessible from Johor Bahru city centre via Jalan Tun Abdul Razak, Skudai Highway, Senai Highway, Senai-Kulai main road, Persiaran Indahpura Utama and finally onto Jalan i-Park 1/1.

Alternatively, it is also accessible from Johor Bahru city centre via the Inner Ring Road, Eastern Dispersal Link (EDL), North-South Expressway exit at Senai Selatan Interchange followed by Malaysia-Singapore Second Link Expressway, Persiaran Indahpura 6, Persiaran Indahpura Utama and thereafter onto Jalan i-Park 1/1.

Plot 43 SAC

Plot 43 SAC, which is located within Taman Perindustrian i-Park SAC, Senai, Johor, is strategically located within Flagship E: Senai – Skudai of the Iskandar Malaysia development region. Geographically, the Subject Property is sited approximately 5km from Senai town and 25km due north-west of Johor Bahru city centre.

It is easily accessible from Johor Bahru city centre via the Inner Ring Road (Jalan Lingkar Dalam), Jalan Stulang Darat, the Eastern Dispersal Link (EDL), North-South Expressway, exiting at Senai Airport City/Bukit Amber Interchange followed by Persiaran SAC, Jalan SAC 1, Jalan i-Park SAC 1 and finally onto Jalan i-Park SAC 6.

Alternatively, it is also accessible from Johor Bahru city centre via Jalan Tun Abdul Razak, Skudai Highway, Senai Highway, Jalan Lapangan Terbang, Jalan Seelong, Persiaran SAC and thereafter followed by the above-mentioned route leading to the Subject Property.

Given the strategic location and development potential of the area in which the Subject Properties are located, our Manager is of the view that the tenancy risk (i.e. non-renewal of tenancies) are expected to be minimal. The existing leases with a tenure of 10 years and an option to renew for a further period of 3 years (save for Plot 43 SAC with an option to renew for a further period of 5 years), are expected to provide AME REIT with a stable and sustainable income stream over the tenure of the leases.

Premised on the above, our Manager believes that the Proposed Acquisitions meet the investment objectives of AME REIT in order to provide our Unitholders with a stable and growing distribution of income, to acquire quality real estate with potential for market value appreciation and to achieve long-term growth in its NAV per Unit.

4. INDUSTRY OVERVIEW AND OUTLOOK

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 (“**Q3 2022**”) (second quarter of 2022 (“**Q2 2022**”): 8.9%). Apart from the sizeable base effects from negative growth in the third quarter of 2021, the high growth was underpinned by continued expansion in domestic demand. On a quarter-to-quarter seasonally-adjusted basis, the economy grew by 1.9% (Q2 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

The services sector strengthened further by 16.7% (Q2 2022: 12.0%), primarily supported by consumer-related subsectors. Better labour market conditions and the continued recovery in tourism provided strong impetus to retail and leisure-related activities. Policy measures such as the increase in minimum wage further supported domestic spending.

The manufacturing sector grew by 13.2% (Q2 2022: 9.2%). The electrical and electronics (E&E) cluster continued to record strong growth (17.3%; Q2 2022: 15.5%), while the primary sector expanded at a faster pace (6.0%; Q2 2022: 1.3%) due to the resumption of operations at an existing oil refinery that was previously under maintenance. The consumer cluster registered double-digit growth, lifted by the ramp up of production in the motor vehicle and transport equipment segment to meet the high backlog in orders.

The construction sector recorded a higher growth of 15.3% (Q2 2022: 2.4%) as all subsectors recorded improvements in activities. Commercial real estate, mixed-development and small-scale projects continued to support activities in the non-residential and special trade subsectors.

Commodities-related sectors rebounded. Growth in the mining sector rose to 9.2% (Q2 2022: -0.5%), attributed mainly to higher oil and gas output, including from the Pegaga gas field in Block SK320, Sarawak as well as Block PM302, Terengganu. Growth was also partly contributed by base effects arising from maintenance-related closures in the same period last year. The agriculture sector grew by 1.2% (Q2 2022: -2.4%), driven mainly by higher oil palm output amid gradual receding of labour shortages and improved yields following higher rainfall earlier in the year.

Private consumption growth remained robust at 15.1% (Q2 2022: 18.3%). This was attributed to the continued recovery in labour market conditions with higher employment and income growth. Public consumption expanded at a faster pace of 4.5% (Q2 2022: 2.6%), attributable to higher growth in spending on supplies and services.

Private investment grew by 13.2% (Q2 2022: 6.3%), with higher capital expenditure driven mainly by services and manufacturing firms. Public investment expanded by 13.1% (Q2 2022: 3.2%), on account of higher capital spending by both general government and public corporations particularly in the oil and gas, and telecommunication sectors.

(Source: Bank Negara Malaysia's Quarterly Bulletin – Third Quarter 2022)

4.2 Overview of the property market in Johor

The state property market saw positive changes in 2021 as shown by increased market and construction activity. There were 36,145 transactions worth RM19.22 billion recorded in 2021, showing an increase in number and value of 0.1% and 14.4% respectively (2020: 36,101 transactions worth RM16.79 billion). Residential properties remained the major sub-sector, accounting for 62.5% of total market activity, followed by the agriculture sub-sector with 21.3% market share.

Market activity of all sub-sectors are in good mode. The industrial sub-sector increased by 26.6%, followed by the development land (21.4%), agriculture (0.8%) and commercial (0.7%) sub-sectors. Meanwhile, the residential sub-sector declined slightly (2.4%). In terms of transaction value, all sub-sectors recorded increases.

In 2021, the industrial sub-sector recorded 810 transactions worth RM2.59 billion, increased by 26.6% in volume and 19.4% in value (2020: 640 transactions worth RM2.17 billion).

The industrial overhang and unsold situation improved as the numbers decreased. The sub-sector construction activity was encouraging. Start and new planned supply increased substantially except for completion has recorded slightly declined. As at end-2021, there were 18,525 existing industrial units with another 927 units in the incoming supply and 817 units in the planned supply.

(Source: Property Market Report 2021, Valuation and Property Services Department, Ministry of Finance Malaysia)

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4.3 Outlook and prospects of the growth in rental rate for the property market for industrial properties in Johor

The industrial property market in Malaysia is mainly driven by positive economic development which corresponds to increasing business and industrial activities. Business owners can choose to purchase, rent or lease industrial properties for their business operations.

The demand for the renting or leasing of industrial properties has presented opportunities for investors and REITs to increase rental or lease income by expanding their portfolio of industrial properties. The rental market performance of industrial properties in Malaysia is illustrated through the performances of selected REITs in Malaysia which carry industrial properties in their portfolio, namely Axis REIT, AME REIT, and Atrium REIT. Despite the adverse impact on many economic sectors and industrial properties during the COVID-19 (as defined herein) pandemic, rental income generated from the renting or leasing of industrial properties by the said REITs recorded healthy year-on-year (“YOY”) growth of 6% and 13% in 2021 for Axis REIT and Atrium REIT respectively.

Following the transition into endemicity effective 1 April 2022, the re-opening of national borders and the gradual recovery of business and economic activities to pre-pandemic levels is expected to drive Malaysia’s economic recovery. Further, the domestic industrial property market is also driven by local and foreign investments in the manufacturing sector. The continued demand for goods in the manufacturing industry is poised to drive the growth of the sector. Moving forward, the demand for industrial properties, including rental demand in the market, is expected to be driven by the positive recovery of Malaysia’s overall economic conditions.

Additionally, the demand for industrial properties is driven by the thriving e-commerce activities in Malaysia whereby companies in the e-commerce and logistics industries strive to expand their operational and storage capacity by securing additional industrial properties.

Over the longer term, the demand for industrial properties in Malaysia, and thereby rental demand, is expected to remain strong as industrial properties are essential for the operations of the manufacturing sector which constitutes a major component of Malaysia’s economy.

As an economic hub in the southern region of Peninsular Malaysia, the State of Johor has ample transportation infrastructures, including an airport and 3 seaports. Further, it also has access to major highways such as the North-South Expressway and the Malaysia-Singapore Second Link Expressway which connects Johor to other states in Malaysia and Singapore. This in turn will further boost demand in Johor’s industrial property market in terms of rental and sale or purchase of properties.

(Source: CBRE WTW)

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4.4 Prospects of the Subject Properties

The Subject Properties are located within one of the main development corridors in a special economic zone which is planned to be a major regional economic hub. They are easily accessible through a network of highways and roads, and supported by different modes of public transportation, including busses and taxis. The locations of the Subject Properties are also supported by and will be further supported by adequate infrastructure, facilities and amenities. Additionally, in view of the growth of the Malaysian economy and the improvement of industrial overhang and unsold situation, the prospects of the Subject Properties are expected to be positive.

As at the LPD, the Vendors and the existing lessees have entered into the Lease Agreements for a period of 10 years with an option to renew for a further period of 3 years (save for Plot 43 SAC with an option to renew for a further period of 5 years), which will be novated to our Trustee (on behalf of AME REIT) upon completion of the Proposed Acquisitions. For the avoidance of doubt, as the completion of the Plot 16 Indahpura SPA will only take place after the fulfilment of the conditions precedent, which include (i) the CCC having been obtained; and (ii) the written confirmation from AME Development of the Rental Commencement Date having been provided, AME REIT will not be required to pay any compensation to HQPack in the event AME Development is unable to obtain the CCC in the 3rd quarter of 2023.

Given that AME REIT will be acquiring the Subject Properties with full occupancy, the Proposed Acquisitions are expected to provide AME REIT with a stable and sustainable income over the tenure of the leases.

Purely for illustration purposes, based on the assumption that the Subject Properties are fully occupied and subject to the terms of the Lease Agreements to be novated to our Trustee (on behalf of AME REIT), the approximate timeframe for AME REIT to break-even for the Proposed Acquisitions are as set out below:

Subject Properties	Annual average total rental income (A)	Purchase Consideration (B)	Approximate timeframe to break-even (B)/(A)
	(RM'million)	(RM'million)	(years)
Plot 15 Indahpura	2.1	26.5	13
Plot 16 Indahpura	2.1	26.5	13
Plot 43 SAC	1.2	16.3	14

Notwithstanding the break-even timeframe of 13 to 14 years for the Subject Properties, the Proposed Acquisitions are expected to be yield-accretive as the Subject Properties are income-generating and fully occupied upon completion of the respective SPAs. In addition, the Lease Agreements, which (i) have tenures of at least 10 years (and an option to renew for a further period of 3 years, save for Plot 43 SAC with an option to renew for a further period of 5 years); and (ii) have built-in rental escalation for the respective Subject Properties are expected to benefit AME REIT by providing stable long-term income. Further, AME REIT is expected to enjoy further potential upside in terms of capital appreciation which is aligned to its investment criteria. Based on the above, the prospects of the Subject Properties are expected to be positive for AME REIT and ultimately, our Unitholders.

5. RISK FACTORS

The Proposed Acquisitions may be subject to certain risk factors inherent in the property market, which AME REIT is currently subjected to as an industrial real estate investment trust. The following are some non-exhaustive risk factors that may be inherent to AME REIT in relation to the Proposed Acquisitions:

5.1 Risks relating to the Proposed Acquisitions

5.1.1 Completion risk

The completion of the Proposed Acquisitions is conditional upon the fulfilment of conditions precedent of the respective SPAs as set out in **Section 2 of Appendix II** of this Circular. There is no assurance that all the conditions precedent can be fulfilled and that the Proposed Acquisitions can be completed within the permitted period under the SPAs. If any one or more of the terms and conditions is/are not fulfilled or waived by the relevant parties to the SPAs, the Proposed Acquisitions may be delayed or terminated. In such circumstances, AME REIT will not be able to derive the potential benefits from the Proposed Acquisitions as set out in **Section 3 of Part A** of this Circular.

Nevertheless, our Manager will endeavour to ensure that all reasonable steps will be taken in relation to the completion of the Proposed Acquisitions to ensure that the conditions precedent are met within the stipulated timeframe and that every effort is made to obtain all necessary approvals or consents and confirmations to give effect to the completion of the Proposed Acquisitions.

5.1.2 Financing risk

AME REIT will obtain Islamic financing facilities to wholly fund the Proposed Acquisitions. The ability to secure financing and its financing cost are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other financiers, restrictions imposed by the Government of Malaysia, and the political, social and economic conditions in Malaysia. There can be no assurance that AME REIT would be able to secure sufficient funds to finance the Proposed Acquisitions or that such funds secured may be on terms favourable to AME REIT. In such circumstances, AME REIT may not be able to complete the Proposed Acquisitions.

In mitigating such risks, AME REIT will actively monitor its financing portfolio, which includes financing level, financing costs as well as cash flows to ensure it remains at a sustainable and optimal level.

5.2 Risks relating to the acquisition of the Subject Properties

5.2.1 Default or lessee risk

Upon the completion of the SPAs, the existing Lease Agreements entered into prior thereto between the Vendors and its respective lessees will be novated to our Trustee (on behalf of AME REIT). During the tenure of the Lease Agreements, AME REIT may be exposed to default or lessee risk due to a downturn in business or from the general economic situation in Malaysia and/or due to any breach by the lessees of their contractual obligations under their respective Lease Agreements. This could in turn result in material adverse impact on the financial condition and results of the operations of AME REIT. Consequently, the default or lessee risk may be detrimental to its ability to make distributions to our Unitholders.

To mitigate such risks, the Vendors and our Manager adopt a targeted-risk approach prior to onboarding new lessees. All potential lessees are screened and risk-evaluated in accordance to the sector in which they operate in, prior to the entering of a contract between the parties involved. There is also a diligent credit control process for early detection of potential non-performance by lessees to protect the interests of our Unitholders.

In view of the outlook and prospects of the property market in Johor as referenced in **Section 4.3 of Part A** of this Circular, the strategic locations of the Subject Properties allow our Manager to easily source for potential lessees in the event a default or lessee risk. Nevertheless, our Manager possesses adequate experience in property and lease management, and therefore, is able to minimise any risks within its control.

Additionally, in the event of a default or lessee risk during the lease period, based on the Lease Agreements, AME REIT shall be entitled to forfeit the deposit paid by the lessee and should such deposits be insufficient, AME REIT shall be entitled to seek compensation from the said lessees, subject to the terms of the relevant Lease Agreements. In such scenario, AME REIT will then be entitled to seek legal recourse, to be exercised at our discretion.

5.2.2 Non-issuance of CCC for Plot 16 Indahpura

As at the LPD, given that Plot 16 Indahpura is still under construction, the said CCC has yet to be issued and is expected to be issued in the 3rd quarter of 2023. There can be no assurance that the CCC of Plot 16 Indahpura will be issued by the aforementioned timeframe. Under the Street, Drainage and Building Act 1974, which is enforced by the local authorities of Peninsular Malaysia, it is provided, among others, that any person who occupies or permits to be occupied any building or any part thereof without a certificate of completion and compliance shall be subject to a fine of up to RM250,000 or to an imprisonment for a term not exceeding 10 years, or to both. In this regard, pursuant to the terms of the Plot 16 Indahpura SPA, the issuance of the CCC is a condition precedent. In the event AME Development (in respect of Plot 16 Indahpura) is not able to obtain the said CCC by the aforementioned timeframe, AME REIT will not be able proceed to complete the Plot 16 Indahpura SPA.

5.3 Risks relating to the property market

5.3.1 Compulsory acquisition by the Government of Malaysia

Pursuant to the Land Acquisition Act 1960 ("**Land Acquisition Act**"), the Government of Malaysia has the power to acquire any land, whether in whole or in part, which is needed:

- (i) for any public purpose;
- (ii) by any person or corporation for any purpose which, in the opinion of the Government of Malaysia, is beneficial to the economic development of Malaysia or any part thereof or to the public generally or by any class of the public; or
- (iii) for the purpose of mining or for residential, agricultural, commercial, industrial or recreational purposes or any combination of such purposes.

In the event of any compulsory acquisition of property in Malaysia, the amount of compensation to be awarded is based on the fair market value of a property and is assessed on the basis prescribed in the Land Acquisition Act and other relevant laws. The market value of any of the Subject Properties, if so acquired, as determined by the Government of Malaysia may be lower than the market value as determined by any independent property valuer appointed by AME REIT.

Moreover, if any of the Subject Properties were compulsorily acquired by the Government of Malaysia after completion of the Proposed Acquisitions, and at a point in time when the market value of the Subject Properties has decreased, the level of compensation paid to AME REIT may be less than the price which AME REIT paid for the Subject Properties. This may have an adverse effect on AME REIT's financial position, results of operations and prospects. In the event any of the Subject Properties are subject to compulsory acquisition by the Government of Malaysia before the completion of the Proposed Acquisitions, our Trustee has an option to terminate the relevant SPA or to proceed with the purchase of the relevant Subject Property under the terms of the SPA.

5.3.2 Impact of pandemic outbreaks of infectious diseases such as the coronavirus disease 2019 (“COVID-19”) or any serious public health concerns

Pursuant to the COVID-19 pandemic, the Government of Malaysia had imposed various Movement Control Orders (“MCOs”) throughout Malaysia since 18 March 2020 in its effort to curb the spread of the virus. This includes imposition of travel restrictions, closure of national borders and/or quarantines to curb the spread of the COVID-19 virus. As of 1 April 2022, Malaysia has transitioned into endemicity following further relaxation of COVID-19 restrictions in the country and the reopening of national borders.

Whilst Malaysia has transitioned into endemicity, there is no certainty that there would be no further outbreaks of COVID-19-related viruses or new viral outbreaks that would have a negative impact on the global economy. The inability of governments worldwide to contain new viral outbreaks may result in similar impact to AME REIT’s operations and may subsequently have a material adverse impact on AME REIT’s financial performance.

6. EFFECTS

6.1 Unitholders’ capital and substantial Unitholders’ unitholdings

Save for the issuance of new Units as acquisition fee⁽¹⁾, as may be elected by our Manager upon the Completion Date of the respective SPAs in relation to the Proposed Acquisitions pursuant to the Deed, the Proposed Acquisitions will not have any effect on the issued Unitholders’ capital and substantial Unitholders’ unitholdings as the Proposed Acquisitions do not involve any issuance of new Units by AME REIT.

Note:

- (1) Pursuant to the Proposed Acquisitions (1), our Manager is entitled to receive an acquisition fee of 1.0% of the transaction value of any real estate purchased by AME REIT in consideration of the services rendered by our Manager to AME REIT for the Proposed Acquisitions, as provided for in the Deed.

6.2 Earnings and distributable income

Given that Plot 15 Indahpura and Plot 43 SAC had obtained its respective CCCs in October 2022 and its leases had commenced in the same month, and Plot 16 Indahpura had yet to obtain its CCC, as at the LPD, the Subject Properties do not have any historical net income. As such, the pro forma effects have been illustrated based on the rental income, as extracted from the Lease Agreements.

For illustrative purposes, assuming that the Proposed Acquisitions were completed on 1 April 2021 and all the Subject Properties have commenced generating rental income, the pro forma effects on the rental income of AME REIT for the FYE 31 March 2022 are as follows:

	⁽¹⁾ Unaudited Pro Forma Statement of Comprehensive Income for the FYE 31 March 2022 (RM’000)	⁽²⁾ After the Proposed Acquisitions (RM’000)
Rental income	35,236	35,236
Add: Incremental annualised rental income contribution of the properties	-	⁽³⁾ 4,691
Pro forma rental income of AME REIT	35,236	39,927
Total number of Units in issue (‘000)	520,000	⁽⁴⁾ 520,586
Rental income per unit (sen)	6.78	7.67

Notes:

- (1) Based on the unaudited Pro Forma Statement of Comprehensive Income for the FYE 31 March 2022 as set out in the prospectus of AME REIT dated 17 August 2022.
- (2) Pro forma assuming the Proposed Acquisitions were completed on 1 April 2021.
- (3) Calculated based on the monthly agreed rental (as set out in the Lease Agreements) multiplied by a period of 12 months.
- (4) In accordance with the Deed, our Manager is entitled to receive an acquisition fee of 1.0% of the transaction value of any real estate purchased by AME REIT in consideration of the services rendered by our Manager to AME REIT for the Proposed Acquisitions (as set out in **Note (1)** of **Section 6.1** of Part A of this Circular). Strictly for illustrative purposes only, the number of Units to be issued, based on the Deed, is as follows:

Acquisition fee payable to our Manager	=	1.0% x Purchase Consideration
	=	1.0% x RM69.3 million
	=	<u>RM0.69 million</u>
No. of Units to be issued	=	$\frac{\text{Acquisition fee payable to our Manager}}{\text{Market price}}$
	=	$\frac{\text{RM0.69 million}}{\text{RM1.1815}^{(i)}}$
	=	<u><u>0.59 million Units</u></u>

Sub-note:

- (i) Based on the 5-day volume weighted average price (“**VWAP**”) preceding the completion date of the Proposed Acquisitions. However, for illustrative purposes, the 5-day VWAP had been assumed to be RM1.1815, being the 5-day VWAP of Units up to and including the LPD of 16 January 2023.

The Proposed Acquisitions are not expected to have any material effect on AME REIT’s earning and distributable income for the FYE 31 March 2023. The Proposed Acquisitions are expected to contribute positively to the future earnings and distributable income of AME REIT after taking into consideration the future increase in rental income from the expected rental reversions of the Subject Properties, the additional distribution income and its distribution policy.

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6.3 NAV per Unit and gearing

For illustrative purposes only, the pro forma effects of the Proposed Acquisitions on the NAV per Unit and gearing of AME REIT based on the Statement of Financial Position as at 30 September 2022 and on the assumption that the Proposed Acquisitions had been effected on that date are as follows:

	Unaudited as at 30 September 2022	After the Proposed Acquisitions
	(RM'000)	(RM'000)
Unitholders' capital	516,306	516,999
Undistributed income	968	(1)2,955
Total equity	517,274	519,954
No. of Units ('000)	520,000	(2)520,586
NAV per Unit (RM) ⁽³⁾	0.99	1.00
Total financings (RM'000)	36,572	(4)105,242
Total Asset Value (RM'000)	571,052	(5)644,052
Gearing ratio (times) ⁽⁶⁾	0.06	0.16

Notes:

- (1) After taking into consideration the fair value gain on investment properties of approximately RM2.2 million, net of deferred tax impact from fair value gain on investment properties of approximately RM0.2 million. The fair value gain on investment properties of approximately RM2.2 million is calculated in the following manner:

	RM'mil
Market value of the Subject Properties	73.00
Less:	
Purchase Consideration	(69.25)
Estimated transaction costs:	
- Acquisition fee payable to our Manager	(0.69)
- Estimated expenses in relation to the Proposed Acquisitions	(0.85)
Fair value gain on investment properties	2.21

- (2) Strictly for illustrative purposes only, the number of Units to be issued as acquisition fee payable to our Manager, based on the Deed, is as follows:

$$\begin{aligned} \text{No. of Units to be issued} &= \frac{\text{RM0.69 million}^{(i)}}{\text{RM1.1815}^{(ii)}} \\ &= \underline{\underline{0.59 \text{ million Units}}} \end{aligned}$$

Sub-notes:

- (i) Please refer to **Note (4)** of **Section 6.2** of Part A of this Circular for the calculation of acquisition fee payable to our Manager.
- (ii) Based on the 5-day VWAP preceding the completion date of the Proposed Acquisitions. However, for illustrative purposes, the 5-day VWAP had been assumed to be RM1.1815, being the 5-day VWAP of Units up to and including the LPD of 16 January 2023.

- (3) Calculated based on total equity over number of Units.
- (4) Assuming the Proposed Acquisitions are fully financed via Islamic financing facilities of approximately RM69.3 million, net of estimated transaction costs of approximately RM0.6 million.
- (5) Increase in investment properties of approximately RM73.0 million, includes estimated expenses relating to the Proposed Acquisitions which are allowed to be capitalised as part of the investment properties amount to approximately RM1.5 million and fair value gain on investment properties of approximately RM2.2 million.
- (6) Calculated based on total financings over Total Asset Value.

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Acquisitions are subject to the following being obtained:

- (i) approval from our Unitholders at our forthcoming EGM for the Proposed Acquisitions; and
- (ii) approval and/or consent from any other relevant authority and/or party, if required.

The Proposed Plot 15 Indahpura Acquisition, Proposed Plot 16 Indahpura Acquisition and Proposed Plot 43 SAC Acquisition are not inter-conditional with each other.

8. CORPORATE EXERCISES/SCHEMES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisitions, there is no other corporate exercise/scheme which has been announced by our Manager but not yet completed before the printing of this Circular.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER OF OUR MANAGER, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Saved as disclosed below, none of the Directors and/or major shareholders of our Manager, major Unitholders and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisitions:

- (i) AME Development, a Vendor, is a major Unitholder and a wholly-owned subsidiary of AME Elite;
- (ii) Ipark Development, a Vendor, is a 79.9%-owned subsidiary of AME Elite;
- (iii) AME Elite, by virtue of its direct and indirect interests in AME Development and Ipark Development respectively, is a substantial shareholder in the Vendors and, by virtue of its direct interest in AME Development, is an indirect major Unitholder;
- (iv) Lee Chai, by virtue of his direct and indirect interests in AME REIT, is a major Unitholder and, by virtue of his direct interest in AME Elite, is a major shareholder of AME Elite and, by virtue of his indirect interests in AME Elite, is an indirect major shareholder of our Manager. He is an Executive Director of our Manager, the Group Managing Director of AME Elite, a Director of AME Development, a Vendor, and a Director of Ipark Development, a Vendor. He is the brother of Lee Sai Boon, brother-in-law of Lim Yook Kim and father of Lee Ling Sien, his alternate Director in AME Elite;

- (v) Lee Sai Boon, by virtue of his direct and indirect interests in AME REIT, is a major Unitholder, by virtue of his direct interest in AME Elite, is a substantial shareholder of AME Elite and, by virtue of his indirect interests in AME Elite, is an indirect major shareholder of our Manager. He is the Chairman/Executive Director of our Manager, an Executive Director of AME Elite, a Director of AME Development, a Vendor, and a Director of Ipark Development, a Vendor. He is the brother of Lee Chai and brother-in-law of Lim Yook Kim;
- (vi) Lim Yook Kim, by virtue of his direct and indirect interests in AME REIT, is a major Unitholder, by virtue of his direct interest in AME Elite, is a major shareholder of AME Elite and, by virtue of his indirect interests in AME Elite, is an indirect major shareholder of our Manager. He is an alternate Director to Lee Chai of our Manager, an Executive Director of AME Elite and a Director of AME Development, a Vendor. He is the brother-in-law of Lee Chai and Lee Sai Boon and father of Lim Pei Shi, his alternate Director of AME Elite and a Director of Ipark Development, a Vendor; and
- (vii) Kang Ah Chee, by virtue of his direct and indirect interests in AME REIT, is a major Unitholder, by virtue of his direct interest in AME Elite, is a major shareholder of AME Elite and, by virtue of his indirect interests in AME Elite, is an indirect major shareholder of our Manager. He is an alternate Director to Lee Sai Boon of our Manager, Executive Director of AME Elite and a Director of AME Development, a Vendor. He is the father of Kang Koh Wei, his alternate Director of AME Elite.

The details of the unitholdings of the Interested Parties as at the LPD are as follows:

<u>Interested Parties</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Units</u> <u>('000)</u>	<u>%</u>	<u>No. of Units</u> <u>('000)</u>	<u>%</u>
<u>Interested Major Unitholders</u>				
AME Development	265,200	51.0	-	-
AME Elite	-	-	(1)265,200	51.0
<u>Interested Major Unitholders and Interested Directors</u>				
Lee Chai	24,540	4.7	(2)267,374	51.4
Lim Yook Kim	22,768	4.4	(3)267,299	51.4
Kang Ah Chee	22,318	4.3	(4)267,394	51.4
Lee Sai Boon	7,697	1.5	(5)266,346	51.2

Notes:

- (1) Deemed interested by virtue of its direct interest in AME Development pursuant to Section 8 of the Act.
- (2) Deemed interested by virtue of his direct interest in Lotus Ideal Sdn Bhd ("**Lotus Ideal**") and Lifestyle Capital Sdn Bhd ("**Lifestyle Capital**") and indirect interest in AME Development through AME Elite pursuant to Section 8 of the Act and Units held by his spouse and children pursuant to Section 59(11)(c) of the Act.
- (3) Deemed interested by virtue of his direct interest in Lotus Ideal and Lifestyle Capital and indirect interest in AME Development through AME Elite pursuant to Section 8 of the Act and Units held by his child pursuant to Section 59(11)(c) of the Act.
- (4) Deemed interested by virtue of his direct interest in Lotus Ideal and Lifestyle Capital and indirect interest in AME Development through AME Elite pursuant to Section 8 of the Act and Units held by his children pursuant to Section 59(11)(c) of the Act.
- (5) Deemed interested by virtue of his direct interest in Lotus Ideal and Lifestyle Capital and indirect interest in AME Development through AME Elite pursuant to Section 8 of the Act.

By virtue of the interests set out above, the Proposed Acquisitions are regarded as related party transactions and falls under Paragraph 10.08 of the Listing Requirements. Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting of the Proposed Acquisitions at the relevant Board meetings pertaining to the Proposed Acquisitions.

The Interested Major Unitholders will also abstain from voting in respect of their direct and/or indirect unitholdings in AME REIT, if any, on the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

The Interested Parties have undertaken that they will ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect unitholdings in AME REIT on the resolution pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

10. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.02(g) of the Listing Requirements is 12.1%, computed based on the value of the transaction compared with our Total Asset Value as at 30 September 2022.

11. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS

Save for the Proposed Acquisitions and the material related party transactions as disclosed in the prospectus of AME REIT dated 17 August 2022, AME REIT has not entered into any material transaction with the Interested Parties for the 12 months preceding the LPD.

12. OUR MANAGER'S AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of our Manager, after having considered and deliberated on, among others, the salient terms of the SPAs, basis and justification for the Purchase Consideration, rationale and benefits of the Proposed Acquisitions, the prospects of the Proposed Acquisitions, independent valuation of the Subject Properties, the Pro Forma Statement of Financial Position as at 30 September 2022 of AME REIT together with the Reporting Accountants' Letter Thereon as well as the evaluation of the Independent Adviser, is of the view that the Proposed Acquisitions are:

- (i) in the best interest of AME REIT;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of our non-interested Unitholders.

13. DIRECTORS' STATEMENT/RECOMMENDATION

The Board (save for the Interested Directors), after having considered, among others, the salient terms of the SPAs, basis and justification of the Purchase Consideration, rationale and benefits of the Proposed Acquisitions, prospects of the Proposed Acquisitions, independent valuation of the Subject Properties, the Pro Forma Statement of Financial Position as at 30 September 2022 of AME REIT together with the Reporting Accountants' Letter Thereon as well as the evaluation of the Independent Adviser, is of the opinion that the Proposed Acquisitions are in the best interests of AME REIT.

Accordingly, the Board (save for the Interested Directors) recommends that our Unitholders vote in favour of the resolutions pertaining to the Proposed Acquisitions to be tabled at our forthcoming EGM.

14. TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all approvals/consents being obtained, the tentative timetable for the implementation of the Proposed Acquisitions are as follows:

Tentative timetable	Event
27 February 2023	Our forthcoming EGM for the Proposed Acquisitions
Early March 2023	<ul style="list-style-type: none">• Plot 15 Indahpura SPA and Plot 43 SAC SPA becoming unconditional• Completion of Plot 15 Indahpura Acquisition and Plot 43 SAC Acquisition
Early January 2024	<ul style="list-style-type: none">• Plot 16 Indahpura SPA becoming unconditional pursuant to AME Development providing a written confirmation confirming the Rental Commencement Date• Completion of Plot 16 Indahpura Acquisition

15. INDEPENDENT ADVISER

In view of the interests of the Interested Parties in the Proposed Acquisitions as set out in **Section 9 of Part A** of this Circular and in compliance with Paragraph 10.08 of the Listing Requirements, MainStreet has been appointed to act as Independent Adviser to undertake the following in relation to the Proposed Acquisitions:

- (i) comment as to whether the Proposed Acquisitions are:
 - (aa) fair and reasonable so far as our non-interested Unitholders are concerned; and
 - (bb) to the detriment of our non-interested Unitholders;and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise our non-interested Unitholders on whether they should vote in favour of the Proposed Acquisitions; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

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16. EGM

Our EGM will be conducted on a fully virtual basis through live streaming and online remote voting using Remote Participation and Electronic Voting (“RPEV”) facilities via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC-D6A357657) on **Monday, 27 February 2023 at 10.00 a.m.** or at any adjournment thereof.

A Unitholder entitled to participate, speak and vote at our forthcoming EGM is entitled to appoint a proxy or proxies to participate, speak and vote on his/her behalf. In such event, please complete and return the Form of Proxy in accordance with the instructions therein as soon as possible and shall be deposited at the office of the Share Registrar of AME REIT, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for holding our forthcoming EGM. The lodging of the Form of Proxy will not preclude you from participating, speaking and voting remotely at our forthcoming EGM should you subsequently wish to do so. Alternatively, Unitholders may deposit the Form of Proxy by electronic means with our Share Registrar of AME REIT through Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com> or email to bsr.helpdesk@boardroomlimited.com not less than 48 hours before our forthcoming EGM. For further information on the electronic submission of the Form of Proxy and participation at our forthcoming EGM, kindly refer to the Administrative Guide which is enclosed together with this Circular.

17. FURTHER INFORMATION

You are requested to refer to the enclosed appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
I REIT MANAGERS SDN BHD
(as the management company of AME REIT)

CHAN WAI LEO
Chief Executive Officer/Executive Director

PART B

**INDEPENDENT ADVICE LETTER FROM MAINSTREET ADVISERS SDN BHD TO OUR
NON-INTERESTED UNITHOLDERS IN RELATION TO THE PROPOSED ACQUISITIONS**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meanings and expressions as defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “you” and “your” are to the non-interested Unitholders, whilst references to “we”, “us” or “our” are references to MainStreet, being the Independent Adviser for the Proposed Acquisitions.

This Executive Summary is intended to provide a brief summary of the pertinent information and recommendation as set out in the IAL. You are advised to read and fully understand the IAL, together with the letter from the Board to the Unitholders in relation to the Proposed Acquisitions in Part A of the Circular and the accompanying appendices for other relevant information and not rely solely on this Executive Summary in forming an opinion on the Proposed Acquisitions. You are also advised to carefully consider the recommendations and other information contained in the Circular and our IAL before voting on the relevant resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM of AME REIT.

1. Introduction

On 5 December 2022, HLIB had, on behalf of the Board, announced the Proposed Acquisitions.

By virtue of the interests of certain Directors of the Manager and Interested Major Unitholders, who are deemed interested in the Proposed Acquisitions as detailed out in **Section 9 of Part A of the Circular**, the Proposed Acquisitions are deemed as related party transactions pursuant to paragraph 10.08 of the Listing Requirements.

Accordingly, the Board (save for the Interested Directors) had on 25 November 2022 appointed MainStreet to act as the Independent Adviser to advise the non-interested Directors of the Manager and non-interested Unitholders in respect of the Proposed Acquisitions.

2. Evaluation of the Proposed Acquisition

In evaluating the Proposed Acquisitions, we have taken into consideration the following factors:

Section in the IAL	Area of evaluation	Comments
Section 6.1	Rationale and benefits of the Proposed Acquisitions	We are of the view that the rationale and benefits of the Proposed Acquisitions are reasonable considering the strategic location and development potential of the areas in which the Subject Properties are located. Nevertheless, the non-interested Unitholders should note that the potential benefits arising from the Proposed Acquisitions, are subject to certain risk factors as disclosed in Section 5 of Part A of the Circular .
Section 6.2	Evaluation of the basis and justification for the Purchase Consideration	<p>We have reviewed the key bases and assumptions adopted by the Valuer and are satisfied with the reasonableness of the key bases and assumptions. As such, we are satisfied with the valuation conducted by the Valuer as well as the reasonableness of the opinion of the market values expressed by the Valuer on the Subject Properties and have relied on the valuation of the Subject Properties as conducted by the Valuer.</p> <p>We are of the view that the Purchase Consideration of RM69.25 million is fair and reasonable as it represents a discount of RM3.75 million or 5.14% to the fair value of the Subject Properties of RM73.00 million.</p>

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Comments
Section 6.3	Evaluation of the salient terms of the SPAs	We have reviewed the SPAs, which includes its salient terms and conditions and we are of the view that the salient terms of the SPAs are fair and reasonable and not detrimental to the non-interested Unitholders.
Section 6.4	Effects of the Proposed Acquisitions	<p>(1) Save for the issuance of new Units as acquisition fees, as may be elected by the Manager upon the Completion Date of the respective SPAs in relation to the Proposed Acquisitions pursuant to the Deed, the Proposed Acquisitions will not have any effect on the issued Unitholders' capital and substantial Unitholders' unitholdings as the Proposed Acquisitions do not involve any issuance of new Units by AME REIT.</p> <p>(2) The Proposed Acquisitions are not expected to have any material effect on AME REIT's earning and distributable income for the FYE 31 March 2023. The Proposed Acquisitions are expected to contribute positively to the future earnings and distributable income of AME REIT after taking into consideration the future increase in rental income from the expected rental reversions of the Subject Properties, the additional distribution income and its distribution policy.</p> <p>(3) Based on the Statement of Financial Position as at 30 September 2022 and on the assumption that the Proposed Acquisitions had been effected on that date,</p> <ul style="list-style-type: none"> • the NAV per Unit will increase from RM0.99 to RM1.00 upon completion of the Proposed Acquisitions; and • the gearing ratio will increase from 0.06 times to 0.16 times as the Subject Properties will be financed via Islamic financing facilities. <p>Premised to the above, we are of the view that the overall effects arising from the Proposed Acquisitions are reasonable and not detrimental to the non-interested Unitholders.</p>
Section 6.5	Economy outlook, industry overview and prospects	We note that the Malaysian economy and property market in Johor is improving with the re-opening of economic activities and border as the country transitions to endemicity post COVID-19 pandemic. Based on the generally positive outlook of the Malaysian economy, growth in demand for properties and the strategic location of the Subject Properties within Iskandar Malaysia with ample logistical infrastructure and barring any unforeseen circumstances, we are of view that the overall prospects of the Subject Properties to be generally positive.
Section 6.6	Risk factors of the Proposed Acquisitions	In evaluating the Proposed Acquisitions, you should carefully consider the following risk factors as set out in Section 5 of Part A of the Circular :

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Comments
		<p>(i) Risks relating to the Proposed Acquisitions such as completion risk and financing risk;</p> <p>(ii) Risks relating to the acquisition of the Subject Properties such as default or lessee risk and non-issuance of CCC for Plot 16 Indahpura; and</p> <p>(iii) Risks relating to the property market such as compulsory acquisition by the Government of Malaysia and impact of pandemic outbreaks of infectious diseases such as the COVID-19 or any serious public health concerns.</p> <p>We wish to highlight that although efforts and measures would be taken by AME REIT to mitigate the risk associated with the Proposed Acquisitions, the acquisition of the Subject Properties and the property market, no assurance can be given that one or a combination of risk factors will not occur and give rise to material and adverse impact on the business and operations of AME REIT, its competitiveness, financial performance, financial position or prospects thereon.</p>

3. Conclusion and recommendation

Premised on the abovementioned factors and our evaluation of the Proposed Acquisitions based on the information made available to us, we are of the view that the Proposed Acquisitions are **FAIR** and **REASONABLE** and **NOT DETRIMENTAL** to the non-interested Unitholders.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolutions in respect of the Proposed Acquisitions to be tabled at the forthcoming EGM of AME REIT.

We have assessed and evaluated the Proposed Acquisitions and have set out our evaluation in the IAL. The non-interested Unitholders should carefully consider all relevant and pertinent factors including those set out above and other considerations as set out in this IAL, the Circular and its appendices as well as the recommendation of the Board before making a decision on the course of action to be taken.

As far as our analyses and assessment as contained in the IAL are concerned, we have considered factors which we believe to be of general relevance to the Unitholders as a whole. We have not taken into consideration any specific investment objective, financial situation, risk profile and particular need of any individual unitholder or any specific groups of Unitholders.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, investment adviser, accountant, solicitor or other professional advisers immediately.

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Selangor, Malaysia
Tel: (603) 7968 3398
Fax: (603) 7954 2299

10 February 2023

To: The non-interested Unitholders

Dear Sir/Madam,

AME REAL ESTATE INVESTMENT TRUST (“AME REIT”)

**INDEPENDENT ADVICE LETTER (“IAL”) TO THE NON-INTERESTED UNITHOLDERS IN
RELATION TO THE PROPOSED ACQUISITIONS**

This IAL is prepared for the inclusion in the circular to the Unitholders dated 10 February 2023 (“Circular”) in relation to the Proposed Acquisitions. All the definitions used in this IAL shall have the same meanings and expressions as defined in the Definitions section of the Circular, except where the content otherwise requires or where otherwise defined herein.

1. INTRODUCTION

On 5 December 2022, HLIB had, on behalf of the Board, announced the Proposed Acquisitions.

By virtue of the interests of certain Directors of the Manager and Interested Major Unitholders, who are deemed interested in the Proposed Acquisitions as detailed out in **Section 9 of Part A of the Circular**, the Proposed Acquisitions are deemed as related party transactions pursuant to paragraph 10.08 of the Listing Requirements.

Accordingly, the Board (save for the Interested Directors) had on 25 November 2022 appointed MainStreet to act as the Independent Adviser to advise the non-interested Directors of the Manager and non-interested Unitholders in respect of the Proposed Acquisitions.

The purpose of this IAL is to provide the non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposed Acquisitions and whether or not the terms and conditions of the Proposed Acquisitions are detriment to the non-interested

Unitholders together with our recommendation thereon, subject to the scope and limitations of our role and evaluation as specified herein, in relation to the Proposed Acquisitions.

The non-interested Unitholders should nonetheless also perform their own evaluation on the merits of the Proposed Acquisitions before making a decision on the course of action to be taken.

This IAL is prepared solely for the use of the non-interested Unitholders for the purpose of considering the Proposed Acquisitions and should not be used or relied upon by any other party for any other purpose whatsoever.

NON-INTERESTED UNITHOLDERS ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, INVESTMENT ADVISER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITIONS

The Proposed Acquisitions entail the acquisitions of the Subject Properties by the Trustee (on behalf of AME REIT) from the Vendors for the Purchase Consideration, subject to the terms and conditions of the respective SPAs. The Purchase Consideration will be entirely funded via Islamic financing facilities provided by financial institutions.

The full details of the Proposed Acquisitions are set out in **Section 2 of Part A of the Circular**, which should be read in entirety by the non-interested Unitholders.

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITIONS

We were not involved in the formulation or negotiations of the terms and conditions of the Proposed Acquisitions nor were we involved in the deliberations leading up to the decision by the Board in respect of the Proposed Acquisitions. The terms of reference of our appointment as the Independent Adviser to the non-interested Unitholders in relation to the Proposed Acquisitions are in accordance with the requirements set out in paragraph 10.08(3) of the Listing Requirements.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Acquisitions and whether the Proposed Acquisitions are detrimental to you, together with our recommendation on whether you should vote in favour of the resolutions pertaining to the Proposed Acquisitions, based on the information and documents requested and provided to us or which are available to us, including the following:

- (i) the information contained in Part A of the Circular and the appendices attached thereto;
- (ii) the Valuation Certificates and Valuation Reports;
- (iii) the SPAs;
- (iv) information furnished to us (both orally and in writing) by the Board and management of the Manager; and
- (v) other relevant publicly available information.

We have relied on the Board and management of the Manager to exercise due care to ensure that all information, documents, confirmations and representations provided to us to facilitate our evaluation of the Proposed Acquisitions are accurate, valid and complete in all material aspects. After making all reasonable enquiries and to the best of our knowledge, we are satisfied that sufficient information has been obtained and we have no reason to believe that the aforesaid information provided to us or which are available to us is unreliable, incomplete, misleading and/or inaccurate as at the LPD.

The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (save for the views and recommendation of MainStreet) and confirms that, after having made all reasonable enquiries and to the best of their knowledge, there are no omission of any material facts which would make any statement in this IAL false or misleading.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and importance to you for a holistic assessment of the Proposed Acquisitions and therefore, are of general concern to you. Notwithstanding the following:

- (i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposed Acquisitions; and
- (ii) we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual unitholder or any specific group of unitholders. We recommend that any of you who require specific advice in relation to the Proposed Acquisitions in the context of your individual investment objectives, financial situation, risk profile or particular needs should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on the prevailing market, economic, industry and other conditions (where applicable) and the information/documents made available to us as at the LPD.

We will notify the non-interested Unitholders, after the despatch of this IAL and until the date of the EGM, if we become aware of the following:

- (i) significant change affecting the information contained in the IAL;
- (ii) there is a reason to believe that the statements in the IAL are misleading/deceptive; and
- (iii) there is a material omission in the IAL.

If circumstances require, a supplementary IAL will be sent to the non-interested Unitholders.

4. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

As at the LPD, Dato' Siow Kim Lun ("**Dato' Siow**"), an adviser of MainStreet is also the Independent Non-Executive Chairman of the Board of Directors of the Trustee.

Notwithstanding the above, we confirm that there is no situation of conflict of interest or potential conflict of interest situation arising from us carrying out our role as the IA for the Proposed Acquisitions in view of the following:

- (i) Dato' Siow is not a shareholder or a Director of MainStreet. His role in MainStreet is limited to an advisory role on a job-by-job basis;

- (ii) Dato' Siow is not involved in any capacity in relation to MainStreet's role as the Independent Adviser in respect of the Proposed Acquisitions;
- (iii) Dato' Siow has made the relevant disclosures in relation to his advisory role in MainStreet to the Board of Directors of the Trustee; and
- (iv) Dato' Siow was not involved in the deliberations of MainStreet and the Trustee in respect of the Proposed Acquisitions.

MainStreet is a corporate finance advisory firm licensed by the Securities Commission Malaysia (“SC”) to carry on the regulated activity of advising on corporate finance under the CMSA. We have in the past assumed the role as an Independent Adviser for other corporate exercises, which included the following transactions since the last three (3) years:

- (i) Unconditional mandatory take-over offer by Ho Wah Genting Holding Sdn Bhd through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares and all the remaining unexercised warrants in Ho Wah Genting Berhad not already owned by Ho Wah Genting Holding Sdn Bhd, Dato' Lim Ooi Hong, Lim Wee Kiat and Datuk Teo Tiew, as per our independent advice circular (“IAC”) dated 28 May 2020;
- (ii) Unconditional mandatory take-over offer by Hextar Rubber Sdn Bhd (formerly known as Erpstar Inc. Sdn Bhd) and Dato' Ong Choo Meng (collectively referred to as the “**Joint Offerors**”) through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares in Rubberex Corporation (M) Berhad (presently known as Hextar Healthcare Berhad) which are not already owned by the Joint Offerors, as per our IAC dated 23 July 2020;
- (iii) Renewal of lease agreements of six (6) hospitals entered into between the subsidiaries of KPJ Healthcare Berhad with Amanahraya Trustee Berhad and Damansara REIT Managers Sdn Berhad on behalf of Al-'Aqar Healthcare REIT, as per our independent advice letter dated 24 May 2021;
- (iv) Unconditional mandatory take-over offer by Dato' Sri Dr. Pang Chow Huat and Ho Jien Shiung through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares in BSL Corporation Berhad not already owned by Dato' Sri Dr. Pang Chow Huat and Ho Jien Shiung, as per our IAC dated 26 July 2021;
- (v) Unconditional voluntary take-over offer by Chew Choo Soon and Chang Wai Hoong through UOB Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares in MyKRIS International Berhad (presently known as Zenworld Holdings Berhad) not already owned by Chew Choo Soon and Chang Wai Hoong, as per our IAC dated 16 December 2021;
- (vi) Conditional voluntary take-over offer by Hextar Tech Sdn Bhd and Dato' Ong Choo Meng through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares in Complete Logistic Services Berhad (presently known as Hextar Technologies Solutions Berhad) not already owned by Hextar Tech Sdn Bhd and Dato' Ong Choo Meng, as per our IAC dated 31 December 2021;
- (vii) Unconditional voluntary take-over offer by Chew Choo Soon and Chang Wai Hoong through UOB Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares in Zenworld Holdings Berhad not already owned by Chew Choo Soon and Chang Wai Hoong, as per our IAC dated 14 February 2022;
- (viii) Unconditional mandatory take-over offer by Dato' Sri Dr. Pang Chow Huat through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares in Computer Forms (Malaysia) Berhad not already owned by Dato' Sri Dr. Pang Chow Huat, as per our IAC dated 5 May 2022;

- (ix) Proposed disposal of 100% equity interest in Lee Soon Seng Plastic Industries Sdn Bhd, a wholly-owned subsidiary of SCGM Bhd for a total cash consideration of approximately RM544.38 million ("**Proposed Disposal**") and proposed distribution of the proceeds arising from the Proposed Disposal to all entitled shareholders of SCGM Bhd by way of proposed capital reduction and repayment as well as proposed special dividend, as per our independent advice letter dated 29 July 2022;
- (x) Proposed exemption under subparagraph 4.08(1)(b) of the Rules on Take-overs, Mergers and Compulsory Acquisition and the Malaysian Code on Take-overs and Mergers 2016 for Heng Holdings Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory offer for the remaining Hua Yang Berhad ("**HYB**") shares ("**HYB Share(s)**" or "**Share(s)**") and warrants not already owned by them pursuant to the proposed renounceable rights issue, as per our independent advice letter dated 12 August 2022;
- (xi) Unconditional voluntary take-over offer by Lee Ming Tee, Lee Seng Huang, Lee Seng Hui, Klang Enterprise Sdn Bhd, Sagittarius Management Sdn Bhd, Mount Glory Investments Limited, Magic Unicorn Limited, Mountbatten Corporation & Nautical Investments Limited (collectively, the "**Joint Offerors**") to acquire all the remaining ordinary shares in Mulpha International Bhd not already held by the Joint Offerors, as per our IAC dated 25 October 2022;
- (xii) Conditional mandatory take-over offer by Intisari Delima Sdn Bhd (the "**Offeror**") through TA Securities Holdings Berhad to acquire all the remaining ordinary shares in Ornapaper Berhad not already owned by the Offeror as well as Sai Ah Sai, Sai Han Siong, Sai Chin Hock and persons acting in concert with them, as per our IAC dated 25 October 2022; and
- (xiii) Proposed disposal of 100% equity interest in Seng Yip Furnitures Sdn Bhd, a wholly-owned subsidiary of SYF Resources Berhad ("**SYF**") to Mieco Chipboard Berhad for a total cash consideration of approximately RM50.0 million, proposed disposal of two (2) parcels of freehold land to Juta Development Sdn Bhd for a total cash consideration of approximately RM21.2 million, proposed acquisition of the entire equity interest and redeemable convertible preference shares in M&A Securities Sdn Bhd by SYF from Insas Berhad ("**Insas**") for a purchase consideration of RM222.0 million ("**Proposed Acquisition**") and proposed exemption under subparagraph 4.08(1)(a) of the Rules on Take-overs, Mergers and Compulsory Acquisition for Insas and its persons acting in concert with it from the obligation to undertake a mandatory offer to acquire the remaining shares in SYF not already owned by them upon completion of the Proposed Acquisition, as per our independent advice letter dated 28 December 2022.

Premised on the foregoing, MainStreet is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise non-interested Directors of the Manager and non-interested Unitholders in relation to the Proposed Acquisitions.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS OF THE MANAGER, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED WITH THEM

The interests of the Interested Directors, major shareholders of the Manager, major Unitholders and/or persons connected with them are disclosed in **Section 9 of Part A of the Circular**. Save for those disclosed in **Section 9 of Part A of the Circular**, none of the other Directors and/or major shareholders of the Manager, major Unitholders and/or persons connected with them have any interests, direct or indirect, in the Proposed Acquisitions.

6. EVALUATION OF THE PROPOSED ACQUISITIONS

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisitions based on the following factors:

	Consideration factors	Details in this IAL
(i)	Rationale and benefits of the Proposed Acquisitions	Section 6.1
(ii)	Basis and justification in arriving at the Purchase Consideration	Section 6.2
(iii)	Salient terms of the SPAs	Section 6.3
(iv)	Effects of the Proposed Acquisitions	Section 6.4
(v)	Economy outlook, industry overview and future prospects	Section 6.5
(vi)	Risk factors of the Proposed Acquisitions	Section 6.6

6.1 Rationale and benefits of the Proposed Acquisitions

AME REIT is an Islamic REIT established with the principal investment policy of investing, directly and indirectly, in a Shariah-compliant portfolio of income producing real estate used primarily for industrial and industrial-related purposes in Malaysia and overseas.

As at the LPD, portfolio of AME REIT comprises 31 industrial properties and three (3) industrial-related properties with an appraised value of RM557.0 million as follows:

- 11 industrial properties located in i-Park @ Indahpura and two (2) industrial-related properties located adjacent to i-Park @ Indahpura;
- 13 industrial properties located in i-Park @ SAC, one (1) warehouse located near to I-Park @ SAC in the Free Industrial Zone facility and one (1) industrial-related property located adjacent to i-Park @ SAC; and
- Three (3) industrial properties located in a managed industrial park development by AME Development located in Southern Industrial Logistics Clusters Industrial Park, Iskandar Puteri, Johor (“SILC”) and three (3) industrial properties located in District 6 @ SILC.

The average occupancy rates of the above properties over the past three (3) financial years from FYE 31 March 2020 to FYE 31 March 2022 are 95.8%, 90.8% and 96.9% respectively.

As set out in the prospectus of AME REIT dated 17 August 2022, the Manager had identified Plot 15 Indahpura, Plot 16 Indahpura and Plot 43 SAC for potential acquisitions within 12 months from the listing date on 20 September 2022.

Notwithstanding that Plot 16 Indahpura is currently under construction, we note that the Proposed Plot 16 Indahpura Acquisition had been initiated at this juncture (together with the Proposed Plot 15 Indahpura Acquisition and Proposed Plot 43 SAC Acquisition), to minimise incurring expenses in relation thereto as compared to undertaking the Proposed Plot 16 Indahpura Acquisition separately.

We take note of the rationale and benefits of the Proposed Acquisitions as set out in **Section 3 of Part A of the Circular** and our commentaries are summarised below:

(i) DPU yield in AME REIT is expected to be accretive

We note that the Proposed Acquisitions are expected to be DPU yield-accretive to AME REIT as the rental income from the Subject Properties will accrue entirely to AME REIT upon completion of the respective SPAs.

As at the LPD, Plot 15 Indahpura and Plot 43 SAC are income-generating and are fully occupied whilst Plot 16 Indahpura is expected to be income-generating and fully occupied prior to or on the completion of the Plot 16 Indahpura SPA.

The Proposed Acquisitions, which comprise the proposed acquisitions of completed property development projects of the AME Elite Group, are in line with the Manager's acquisition growth strategy to leverage on, among others, the AME Elite Group's future property development projects that fit within AME REIT's investment strategy to generate stable cash flows with potential for long-term income and capital growth.

This is in line with AME REIT's investment objective to provide its Unitholders with stable and growing income and to achieve long-term growth in the NAV per Unit, by expanding its existing portfolio of real estate while maintaining an optimum level of financing.

Based on the pro forma effects of the Proposed Acquisitions on the rental income of AME REIT as set out in **Section 6.4.2 of this IAL**, the rental income per Unit is expected to increase by 13.12% from 6.78 sen to 7.67 sen upon completion of the Proposed Acquisitions. Accordingly, the rental income is expected to improve and the Unitholders may enjoy returns in the form of DPU.

(ii) Enhances the size of AME REIT's property portfolio

We note that the Total Asset Value will increase by 12.78% from RM571.05 million to RM644.05 million upon completion of the Proposed Acquisitions. Pursuant to the Proposed Acquisitions, AME REIT is expected to strengthen its position among the listed real estate investment trust(s) ("**REIT(s)**") in Malaysia due to the increase in the value of its property portfolio.

For information purpose, the value of investment properties of the listed REIT in Malaysia with industrial properties exposure is as illustrated below:

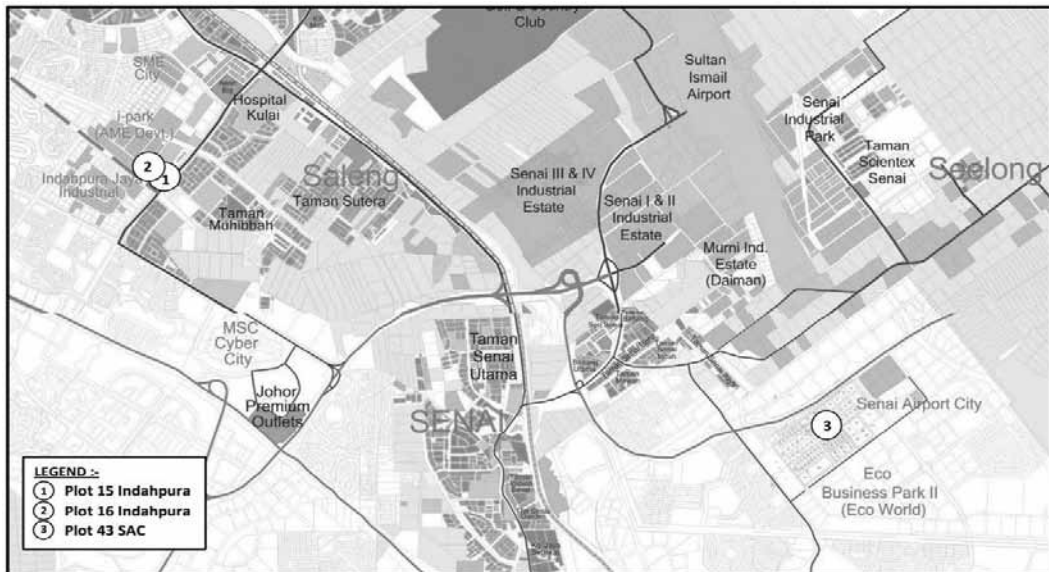
No	REIT	Classification	Value of investment properties* (RM '000)
1.	Sunway REIT	Non-shariah compliant	8,701,745
2.	Axis REIT	Shariah compliant	3,614,230
3.	AmanahRaya REIT	Non-shariah compliant	1,369,500
4.	Al-Salam REIT	Shariah compliant	1,177,237
5.	Atrium REIT	Non-shariah compliant	502,876

Note:

* *Extracted from the latest available audited financial statements of the respective REIT as at 31 December 2021.*

In addition, following the Proposed Acquisitions, there will be an immediate fair value gain on investment properties of RM2.2 million to be recognised, which translates into an increase of approximately RM0.01 in the NAV per Unit. Moving forward, AME REIT also stands to benefit from any potential capital appreciation in the market values of Subject Properties in the future, in view of its good prospects as supported by its strategic location and convenient accessibility.

(iii) **Strategic locations of the Subject Properties**



(Source: CBRE WTW)

We note that the Subject Properties are strategically located within one of the main development corridors under Iskandar Malaysia, a new regional growth centre in South Peninsular Malaysia adjacent to Singapore. This special economic zone is planned to be a major regional economic hub. Its development is highly prioritised and encouraged via various incentives which include vast expansion capacity, world-class infrastructure and facilities, and an investment-friendly business environment.

Plot 15 Indahpura and Plot 16 Indahpura

Plot 15 Indahpura and Plot 16 Indahpura, which are located within Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor situated within the Flagship E: Senai – Skudai (a component area within Iskandar Malaysia development region, a special economic zone earmarked to be a major regional economic hub). Plot 15 Indahpura and Plot 16 Indahpura are easily accessible from Johor Bahru city centre via Skudai Highway and Senai Highway or the North-South Expressway. It is also well connected to Singapore via the Malaysia-Singapore Second Link and the Johor Causeway.

The current key economic activities are airport services, engineering, electrical and electronic (E&E) and education. Going forward, it would also be the hub for agro and food processing, information and communications technology (ICT) and retail tourism. In addition, there are also notable industrial developments located nearby such as SME City and Indahpura Industrial Park.

Plot 43 SAC

Plot 43 SAC, which is located within Taman Perindustrian i-Park SAC, Senai, Johor, located within Flagship E: Senai – Skudai (a component area within Iskandar Malaysia development region, a special economic zone earmarked to be a major regional economic hub). Plot 43 SAC is easily accessible from Johor Bahru city centre via Skudai Highway and Senai Highway or the North-South Expressway. It is also well connected to Singapore via the Malaysia-Singapore Second Link and the Johor Causeway.

Taman Perindustrian i-Park SAC (also known as i-Park @ Senai Airport City), is an award-winning industrial development and forms part of the larger development of Senai Airport City. This comprehensive mixed development targets various industrial segments such as Free Industrial Zone, hi-tech and general manufacturing as well as aerospace maintenance, repair and operations (MRO) & Logistics.

In addition, there are also notable industrial developments located nearby such as Eco Business Park II, M-Park, Taman Perindustrian Senai, Scientex Innopac, i-Synergy@ Bandar Putra, LE Premier Industrial Park, Taman Perindustrian Murni and Senai Industrial Estate I, II and III.

Premised on the above, we are of the view that the rationale and benefits of the Proposed Acquisitions are reasonable considering the strategic location and development potential of the areas in which the Subject Properties are located. Nevertheless, the non-interested Unitholders should note that the potential benefits arising from the Proposed Acquisitions, are subject to certain risk factors as disclosed in Section 5 of Part A of the Circular.

6.2 Basis and justification in arriving at the Purchase Consideration

As set out in **Section 2.4 of Part A of the Circular**, the Purchase Consideration was arrived at on a willing buyer-willing seller basis and free from encumbrances, after taking into consideration the following:

- (i) the market values of the Subject Properties as appraised by the Valuer of RM73.00 million; and
- (ii) the rationale and benefits for the Proposed Acquisitions, further details of which are as set out in **Section 3 of Part A of the Circular**.

In evaluating the Purchase Consideration, we have reviewed the Valuation Reports prepared by the Valuer in accordance with requirements stipulated in the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia.

In arriving at the opinion of the market values on the Subject Properties, we note that the Valuer has considered the Income Approach (Investment Method) and Comparison Approach. The Valuer has adopted the market value derived from the Income Approach (Investment Method) as a fair representation and the Comparison Approach is used to cross check the reasonableness of the value derived from the Income Approach (Investment Method).

Further details on the Income Approach (Investment Method) and Comparison Approach are as follows:

Income Approach (Investment Method)	We are of the opinion that the Income Approach (Investment Method) is appropriate to be used as the principal valuation methodology as this approach takes into consideration the following: <ul style="list-style-type: none">(i) the Subject Properties are commercial income generating assets as the Vendors have entered into long term lease agreements for the Subject Properties; and(ii) the net income is capitalised into market value at a capitalisation rate which reflects the expected return on the investment in the Subject Properties over the lease term.
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	Key bases and assumptions adopted by the Valuer are set out in Section 6.2.1 below .
Comparison Approach	<p>The Comparison Approach entails analysing recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, market condition, terrain, zoning, accessibility/visibility, size, tenure, shape and other relevant characteristics to arrive at the market value.</p> <p>This approach is generally adopted in valuing subject properties where there are appropriate and adequate comparable sales evidences.</p> <p>A summary of the comparable transactions of vacant land considered by the Valuer in arriving at the market values of the Subject Properties is set out in Section 6.2.2 below.</p>

We concurred with the Valuer that the Income Approach (Investment Method) is the most appropriate valuation method in arriving at the market values of the Subject Properties considering the legal owner of the respective Subject Properties has entered into a long-term lease with the lessee which gives them the right to use the subject property in exchange for a periodic income.

We have reviewed the key bases and assumptions adopted by the Valuer and are satisfied with the reasonableness of the key bases and assumptions. As such, we are satisfied with the valuation conducted by the Valuer as well as the reasonableness of the opinion of the market values expressed by the Valuer on the Subject Properties and have relied on the valuation of the Subject Properties as conducted by the Valuer.

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6.2.1 Income Approach (Investment Method)

The key bases and assumptions adopted by the Valuer in arriving at the market values of the Subject Properties and our commentaries are as follows:

No.	Key bases and assumptions	Our comments								
1	<p><u>Term rental</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Subject Property</th> <th style="text-align: center;">Monthly rental during the lease tenure (RM per square foot (“psf”))</th> </tr> </thead> <tbody> <tr> <td>Plot 15 Indahpura</td> <td style="text-align: center;">1.50 to 1.85</td> </tr> <tr> <td>Plot 16 Indahpura</td> <td style="text-align: center;">1.50 to 1.90</td> </tr> <tr> <td>Plot 43 SAC</td> <td style="text-align: center;">1.60 to 1.85</td> </tr> </tbody> </table>	Subject Property	Monthly rental during the lease tenure (RM per square foot (“psf”))	Plot 15 Indahpura	1.50 to 1.85	Plot 16 Indahpura	1.50 to 1.90	Plot 43 SAC	1.60 to 1.85	<p>We are of the view that the adopted monthly rental rates during the lease period is reasonable as they are based on the rental rates stipulated in the Lease Agreements. In addition, the initial monthly rental rates of RM1.50 psf for Plot 15 Indahpura and Plot 16 Indahpura as well as RM1.60 psf for Plot 43 SAC are within the range of adjusted rental rates of comparable properties as stipulated in the Valuation Reports. We are of the view that the selected comparable properties are reasonable as we have determined that they are all located within a 10km radius of the Subject Properties.</p> <p>Despite being located in the same industrial area, we note that Plot 15 Indahpura and Plot 16 Indahpura have different monthly rental terms which have been negotiated and agreed between AME Development with HID Global Sdn Bhd (“HID Global”) and HQPack Sdn Bhd (“HQPack”) respectively.</p> <p>As at the LPD, the lease for Plot 15 Indahpura has commenced on 5 October 2022, whilst Plot 16 Indahpura is still under construction and expected to be completed with CCC issued by the 3rd quarter of 2023 and to be leased out in the same quarter of 2023.</p> <p>Premised on the above, we are of the view that Plot 15 Indahpura having a more favourable monthly rental term as compared to Plot 16 Indahpura is reasonable as the lease of Plot 16 Indahpura is expected to start almost a year later.</p>
Subject Property	Monthly rental during the lease tenure (RM per square foot (“psf”))									
Plot 15 Indahpura	1.50 to 1.85									
Plot 16 Indahpura	1.50 to 1.90									
Plot 43 SAC	1.60 to 1.85									

No.	Key bases and assumptions	Our comments																																			
2	<p><u>Reversionary rental</u></p> <ul style="list-style-type: none"> Plot 15 Indahpura and Plot 16 Indahpura Gross market rental rate of RM1.50 psf per month exclusive of the gated development service charges. Plot 43 SAC Gross market rental rate of RM1.70 psf per month exclusive of the gated development service charges. 	<p>In arriving at the gross market rental rates of the Subject Properties under the reversionary valuation, the Valuer has considered market evidence of rental rates of comparable properties and all other relevant adjustment factors. We are of the view that the adopted monthly gross rental rates for the reversionary terms are reasonable as the selected comparable properties are all located within a 10km radius of the Subject Properties.</p>																																			
3	<p><u>Outgoings</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Expenses</th> <th style="text-align: center;">Basis</th> </tr> </thead> <tbody> <tr> <td colspan="2"><u>Lease term</u></td> </tr> <tr> <td>Quit rent, assessment and fire insurance premium</td> <td>Actual</td> </tr> <tr> <td>Upkeep and maintenance costs</td> <td>1% of gross annual rental</td> </tr> <tr> <td>Property management fees</td> <td>1% of gross annual rental</td> </tr> <tr> <td colspan="2"><u>Revisionary term</u></td> </tr> <tr> <td>Upkeep and maintenance costs</td> <td>2% of gross annual rental</td> </tr> </tbody> </table>	Expenses	Basis	<u>Lease term</u>		Quit rent, assessment and fire insurance premium	Actual	Upkeep and maintenance costs	1% of gross annual rental	Property management fees	1% of gross annual rental	<u>Revisionary term</u>		Upkeep and maintenance costs	2% of gross annual rental	<p>We are of the view that the basis for the outgoings adopted by the Valuer are reasonable.</p> <p>We note from the unaudited financial statements of AME REIT for the period ended 30 September 2022, the proportion of repair and maintenance and other property operating expenses to the revenue is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Individual quarter 30.9.2022* RM'000</th> <th style="text-align: center;">% to the rental income</th> </tr> </thead> <tbody> <tr> <td>Rental income</td> <td style="text-align: right;">1,308</td> <td style="text-align: right;">100.00</td> </tr> <tr> <td>Quit rent, assessment</td> <td style="text-align: right;">(45)</td> <td style="text-align: right;">3.44</td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">(20)</td> <td style="text-align: right;">1.53</td> </tr> <tr> <td>Repair and maintenance</td> <td style="text-align: right;">(10)</td> <td style="text-align: right;">0.76</td> </tr> <tr> <td>Other operating expenses</td> <td style="text-align: right;">(12)</td> <td style="text-align: right;">0.92</td> </tr> <tr> <td>Net property income</td> <td style="text-align: right;">1,221</td> <td style="text-align: right;">93.35</td> </tr> </tbody> </table> <p>Note:</p> <p>* No comparative figures are available as AME REIT was established on 23 May 2022 and listed on the Main Market of Bursa Securities on 20 September 2022.</p>		Individual quarter 30.9.2022* RM'000	% to the rental income	Rental income	1,308	100.00	Quit rent, assessment	(45)	3.44	Insurance	(20)	1.53	Repair and maintenance	(10)	0.76	Other operating expenses	(12)	0.92	Net property income	1,221	93.35
Expenses	Basis																																				
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Upkeep and maintenance costs	2% of gross annual rental																																				
	Individual quarter 30.9.2022* RM'000	% to the rental income																																			
Rental income	1,308	100.00																																			
Quit rent, assessment	(45)	3.44																																			
Insurance	(20)	1.53																																			
Repair and maintenance	(10)	0.76																																			
Other operating expenses	(12)	0.92																																			
Net property income	1,221	93.35																																			

No.	Key bases and assumptions	Our comments
		<p>From the above, we note the following:</p> <ul style="list-style-type: none"> • quit rent, assessment and insurance premium make up the largest component of property operating expenses. In this regard, we view that it is reasonable to use the actual expenses as the basis. • repair and maintenance and other property operating expenses each represents less than 1% of the rental income. In this regard, we view the basis of 1% for these expenses as prudently applied and therefore reasonable. <p>We view that the 2% basis for upkeep and maintenance costs during the reversionary term as reasonable, taking into account the wear and tear factor as the Subject Properties age.</p>
4	<p><u>Void</u></p> <p>5% void for the vacancy period between rent reviews, rent free period and risk of vacancy and uncertainty.</p>	<p>A void allowance is provided to reflect vacancy periods between rent review which include the rent free and fitting out periods.</p> <p>We note that AME REIT will be acquiring the Subject Properties with full occupancy, which is expected to provide a stable income over the tenure of the leases pursuant to the novation to the Trustee (on behalf of AME REIT) of the existing Lease Agreements upon completion of the Proposed Acquisitions.</p> <p>Based on the above, we are of the view that the long-term void allowance of 5% void adopted by the Valuer is reasonable.</p>

No.	Key bases and assumptions	Our comments												
5	<p><u>Capitalisation rate</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Yields</th> <th style="text-align: center;">Plot 15 Indahpura</th> <th style="text-align: center;">Plot 16 Indahpura</th> <th style="text-align: center;">Plot 43 SAC</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Adopted term yield</td> <td style="text-align: center;">Range: 5.75% - 6.25%</td> <td style="text-align: center;">Range: 5.75% - 6.50%</td> <td style="text-align: center;">Range: 5.75% - 6.50%</td> </tr> <tr> <td style="text-align: center;">Reversionary yield</td> <td colspan="3" style="text-align: center;">6.00%</td> </tr> </tbody> </table>	Yields	Plot 15 Indahpura	Plot 16 Indahpura	Plot 43 SAC	Adopted term yield	Range: 5.75% - 6.25%	Range: 5.75% - 6.50%	Range: 5.75% - 6.50%	Reversionary yield	6.00%			<p>In arriving at the capitalisation rates of the Subject Properties, the Valuer had conducted a yield analysis based on past and recent transactions of comparable properties. Premised on the above, we are of the view that the capitalisation rates adopted by the Valuer are reasonable.</p>
Yields	Plot 15 Indahpura	Plot 16 Indahpura	Plot 43 SAC											
Adopted term yield	Range: 5.75% - 6.25%	Range: 5.75% - 6.50%	Range: 5.75% - 6.50%											
Reversionary yield	6.00%													

6.2.2 Comparison Approach

A summary of the comparable transactions of vacant land considered by the Valuer in arriving at the market values of Subject Properties is as follows:

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Lot No, Town, District and State	PTD 112800 Mukim of Senai District of Kulai, Johor	Lot 98823 Mukim of Kulai District of Kulai, Johor	Lot 98824 Mukim of Kulai District of Kulai, Johor	PTD 196172 Mukim of Tebrau District of Johor Bahru, Johor
Address	Plot 36, Taman Perindustrian i-Park SAC, Senai	No. 10, Jalan i-Park 1/1, Kawasan Perindustrian i-Park, Bandar Indahpura	No. 9, Jalan i-Park 1/1, Kawasan Perindustrian i-Park, Bandar Indahpura	No. 5, Jalan i-Park SAC 2, Taman Perindustrian i-Park SAC, Senai
Type	Single storey detached factory with mezzanine office annex			
Tenure	Freehold / term in perpetuity			
Land area	15,141.00 square metre ("sqm") (162,972 sq ft)	8,460.00 sqm (91,063 sq ft)	8,460.00 sqm (91,063 sq ft)	4,360.00 sqm (46,931 sq ft)
Main floor area ("MFA")	10,865 sqm (116,946 sq ft)	5,146 sqm (55,391 sq ft)	5,146 sqm (55,391 sq ft)	2,603 sqm (28,022 sq ft)

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Source	Sale & purchase agreement		Valuation & Property Services Department	
Date	: 31 May 2021	: 26 April 2021	: 26 April 2021	: 9 January 2020
Vendor	: Ipark Development Sdn Bhd	: Triplestar Properties Sdn Bhd	: Fascina (Malaysia) Sdn Bhd	: Symphony Square Sdn Bhd
Purchaser	: Fitson Sdn Bhd	: Armstrong Electronics Sdn Bhd	: Armstrong Electronics Sdn Bhd	: Top Brilliance Asia Holdings Sdn Bhd
Consideration	: RM36,202,892/-	: RM18,000,000/-	: RM18,600,000/-	: RM9,733,151/-
Analysis value over MFA	: RM310 psf	: RM325 psf	: RM336 psf	: RM347 psf
Adjustments	Adjustments are made on time/market condition, size, age & condition of the building			
Adjusted value over MFA for:				
Plot 15 Indahpura	RM325 psf	RM307 psf	RM317 psf	RM278 psf
Plot 16 Indahpura	RM325 psf	RM307 psf	RM317 psf	RM278 psf
Plot 43 SAC	RM374 psf	RM358 psf	RM370 psf	RM 347 psf

Premised on the foregoing and having considered all other relevant factors in the valuation, the Valuer has placed greater emphasis on Comparables 1 to 3 given that these comparables are among the latest transactions and located in close vicinity to the Subject Properties. We have determined the locations of comparables 1, 2, 3 and 4 are within 10km radius from the Subject Properties as well as are of the view that basis of determining the adopted comparables by the Valuer is reasonable. The adopted value for the Subject Properties under Comparison Method is as follows:

Subject Property	Plot 15 Indahpura	Plot 16 Indahpura	Plot 43 SAC
Adopted value psf	RM315	RM315	RM365
ALA	101,764.26 sq ft	98,249.38 sq ft	56,814.44 sq ft
Adopted value	RM29,000,000	RM28,000,000	RM17,000,000

6.2.3 Summary of values

A summary of the values derived from the two valuation methodologies is as follows:

	Value derived from Income Approach (Investment Method)	Value derived from Comparison Approach (as a cross check)
Plot 15 Indahpura	RM28,000,000	RM29,000,000
Plot 16 Indahpura	RM28,000,000	RM28,000,000
Plot 43 SAC	RM17,000,000	RM17,000,000
Total	RM73,000,000	RM74,000,000

The fair value of the Subject Properties based on the market value derived from the Valuation Certificate vis-à-vis the Purchase Consideration is as follows:


Fair value of the Subject Properties (RM)	73,000,000
Purchase Consideration (RM)	69,250,000
Discount to the fair value of the Subject Properties (RM)	3,750,000
Discount to the fair value of the Subject Properties (%)	5.14

Based on the above, we are of the view that the Purchase Consideration is fair and reasonable as it represents a discount of RM3.75 million or 5.14% to the fair value of the Subject Properties of RM73.00 million.

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6.3 Salient terms of the SPAs

We have reviewed the SPAs, which includes its salient terms and conditions as set out in **Appendix II of the Circular**. Non-interested Unitholders are advised to read Appendix II of the Circular in the entirety. Set out below are our comments on the pertinent salient terms of the SPAs:

	Salient terms	MainStreet's comments
1	<p><u>OVERVIEW OF THE SPAS</u></p> <p>Pursuant to the SPAs, the Trustee will acquire the Subject Properties from the Vendors together with the fixtures and fittings thereon and in the condition of the Subject Properties as at the date of the SPAs on an "as is where is" basis (save for Plot 16 Indahpura, where the Subject Property will be acquired in a fully constructed condition), subject to, among others, the following:</p> <ul style="list-style-type: none"> (i) the existing restriction-in-interest, express conditions and the category of land use endorsed on the documents of title to the Subject Properties shall continue to subsist after the completion of the SPAs; (ii) without vacant possession, on the basis that the Subject Properties will continue to be occupied by such lessees with all their rights, benefits and obligations pursuant to the existing tenancy remaining intact; (iii) a deed of mutual covenant to be entered into between the respective developers of i-Park @ SAC and i-Park @ Indahpura, being Ipark Development and AME Development respectively, and the Trustee (on behalf of AME REIT) ("DMC") in relation to the provision of gated development services by the developer of the Subject Properties including but not limited to boundary fencing, provision of security personnel, installation of closed-circuit television monitoring system, erection of boom gate as well as the maintenance, upkeep and repair of the guardhouse in accordance with the terms and conditions of the DMC; and (iv) the wayleave agreement and other documents in relation thereto to be entered into with TNB upon the request of TNB, to grant TNB a right of way over and to lease any part of the Subject Properties to TNB for a substation to be constructed on the Subject Property. 	<p>These terms are reasonable as it serves to protect the interest of the AME REIT as it sets out the obligations of the Vendors in relation to the Proposed Acquisitions.</p> 


	Salient terms	MainStreet's comments
2	<p>CONDITIONS PRECEDENT</p> <p>The sale, purchase and transfer of the Subject Properties are conditional upon the following:</p> <ul style="list-style-type: none"> (i) the respective Vendors having obtained all necessary approvals and consents for the disposal of the Subject Property to the Purchaser; (ii) the approval of the Unitholders for the sale and purchase of the Subject Properties; (iii) only applicable to Plot 16 Indahpura SPA, in addition to the above conditions precedent, the following: <ul style="list-style-type: none"> (a) the Subject Property having been constructed in accordance with the approved building plans, the CCC having been obtained by the Vendor from the relevant authorities; and (b) the written confirmation from the Vendor confirming the rental commencement date after the rent-free period(s) pursuant to the lease agreement ("Rental Commencement Date"), where such written confirmation must be given within thirty (30) days prior to the Rental Commencement Date; and 	<p>This condition is reasonable and is not detrimental to the non-interested Unitholders as the Vendors are required to obtain all necessary approvals and consents from the relevant parties in order to give effect to the Proposed Acquisitions.</p> <p>This condition is reasonable as the approval from the Unitholders is required to be in compliance with Paragraph 10.08 of the Listing Requirements. The Listing Requirements also requires the Interested Directors to abstain from board deliberation and Interested Major Unitholders from voting on the relevant resolutions in respect of the Proposed Acquisitions.</p> <p>This condition sets out the additional obligations of the Vendors in relation to the Plot 16 Indahpura, which is still under construction and expected to be completed with CCC issued by the 3rd quarter of 2023 which also determines the Rental Commencement Date. We note that the rent-free period is subject to the CCC of Plot 16 Indahpura being obtained within 15 months from the date of the building layout confirmation ("CCC Period"). In the event the CCC is not obtained within the CCC Period, there will be an automatic extension of 3 months from the CCC Period ("Extended CCC Period") where HQPack shall be entitled to an additional rent-free period corresponding to the commencement of the Extended CCC Period until the date of the issuance of the CCC. HQPack may rescind the Lease Agreement or agree to a further extension of time in the event if the CCC is not issued within 18 months from the commencement of the CCC Period.</p> <p>Premised on the above, we view this condition as reasonable as it serves to protect the interest of AME REIT in the event of delay or failure in obtaining the CCC.</p>

Salient terms	MainStreet's comments
<p>(iv) The Trustee shall cause the valuation report prepared by the Valuer in relation to the Subject Properties to be done so in accordance with the relevant regulatory requirements and be submitted to Bursa Securities or such relevant authorities as soon as practicable.</p>	<p>This condition is reasonable as it is required in order to be in compliance with Paragraph 10.04 of the Listing Requirements.</p>
<p>3 MANNER OF PAYMENT OF THE PURCHASE PRICE</p> <p>The mode of consideration of the purchase price for the Subject Properties shall be by way of cash consideration only.</p> <p>The purchase price for the Plot 15 Indahpura and Plot 16 Indahpura shall be satisfied by the Trustee in the following manner:</p> <p>(i) 10% of the purchase price of Plot 15 Indahpura or 2% of the purchase price of Plot 16 Indahpura (as the case may be), being the deposit payable to the relevant Vendors upon the execution of the respective SPAs; and</p> <p>(ii) the balance of the purchase price to be paid to the relevant Vendors on the Completion Date.</p> <p>As Plot 43 SAC is presently charged by the financier of the relevant Vendor, the purchase price for Plot 43 SAC shall be satisfied by the Trustee in the following manner:</p> <p>(i) 10% of the purchase price, being the deposit (in respect of Plot 43 SAC SPA) payable to the relevant Vendor upon the execution of the Plot 43 SAC SPA;</p> <p>(ii) the balance purchase price (after the deduction of the deposit in respect of Plot 43 SAC SPA), firstly payable to the chargee of Plot 43 SAC for the sum required for the chargee to discharge and release Plot 43 SAC from its security interest ("Redemption Sum"); and</p> <p>(iii) the balance purchase price, then payable by the Trustee, after the deduction of the deposit (in respect of Plot 43 SAC SPA) and Redemption Sum, to the relevant Vendor on the Completion Date (if any).</p>	<p>These terms are reasonable as it sets out the payment obligations of the Trustee up to the Completion Date.</p> <p>The 10% deposits for Plot 15 Indahpura and Plot 43 SAC are reasonable as its on par with common deposit rates of 10% applied in property transactions.</p> <p>The 2% deposit for Plot 16 Indahpura is reasonable as it is lower than the common deposit rate of 10% applied in property transactions as Plot 16 Indahpura is still under construction and expected to be completed with CCC issued by the 3rd quarter of 2023. This serves to protect the interest of AME REIT by reducing the initial outlay required.</p>

	Salient terms	MainStreet's comments
4	<p>ADJUSTMENT OF THE PURCHASE PRICE</p> <p>In the event that the market value of the relevant Subject Property is adjusted by way of a revision to the valuation report issued by the Valuer and/or any subsequent valuation report issued by an independent valuer pursuant to comments provided by relevant authorities prior to the fulfilment of the conditions precedent set out in Section 2 of Appendix II of the Circular, the Trustee and the respective Vendors shall, within 14 days from the adjustment, mutually determine in good faith whether an adjustment of the purchase price for the Subject Property is required.</p> <p>In the event if the Trustee and the respective Vendors mutually determine that an adjustment of the purchase price is necessary, the Trustee and the respective Vendors shall either:</p> <ul style="list-style-type: none"> (i) mutually agree to adjust the purchase price of the relevant Subject Property by entering into a supplemental agreement; or (ii) terminate the respective SPAs and the respective Vendors shall refund the deposit received from the Trustee in accordance to Section 7 of Appendix II of the Circular, in the event if they cannot agree to an adjusted purchase price. 	<p>This term is reasonable and not detrimental to the non-interested Unitholders as it ensures that the transaction is carried out in an equitable manner where the Purchase Consideration is supported by the market values of the Subject Properties as appraised by the Valuer. Please refer to our assessment on the basis and justification of the Purchase Consideration as set out in Section 6.2 above for further details.</p> <p>In addition, the option to terminate or adjust the purchase price is meant to protect the interests of both parties of the respective SPAs, in the event the adjustment results in unfavourable loss to either party.</p>
5	<p>COMPLETION</p> <p>Subject to the fulfilment of the conditions precedent set out in Section 2 of Appendix II of the Circular, the following shall occur on the Completion Date of the respective SPAs (unless otherwise indicated):</p> <ul style="list-style-type: none"> (i) the rights, benefits, title, interests, in and to the Subject Properties shall pass from the respective Vendors to the Trustee whereupon the respective Vendors shall be deemed to hold on trust the Subject Property for the Trustee until the Trustee is registered as the proprietor at the relevant land registry and the legal possession of the Subject Property shall be deemed delivered to the Trustee; 	<p>These terms are reasonable as it serves to protect the interest of AME REIT and the Vendors as it sets out obligations of both parties upon the Completion Date.</p>

Salient terms	MainStreet's comments												
<p>(ii) the rights, benefits, interests, obligations, and liabilities in the lease in respect of the Subject Properties, which are subsisting on the Completion Date of the respective SPAs, shall be deemed to have passed to the Trustee and shall be novated by the respective Vendors to the Trustee (on behalf of AME REIT) immediately or as soon as practicable;</p> <p>(iii) all existing contracts pertaining to the Subject Properties shall be novated to the Trustee (on behalf of AME REIT) (and to the extent there are no obligations to be transferred to the Trustee under an existing contract, then on the basis that all remaining benefits, rights, titles, entitlements and interests of the respective Vendors under such existing contracts are assigned to the Trustee and due notice that is given to the applicable third party) immediately or as soon as practicable;</p>	<p>The Vendors have entered into long term lease agreements for the Subject Properties as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Subject Property</th> <th style="text-align: left;">Lessee</th> <th style="text-align: left;">Date of agreement</th> </tr> </thead> <tbody> <tr> <td>Plot 15 Indahpura</td> <td>HID Global</td> <td>28 July 2022</td> </tr> <tr> <td>Plot 16 Indahpura</td> <td>HQPack</td> <td>13 May 2022</td> </tr> <tr> <td>Plot 43 SAC</td> <td>SGS (Malaysia) Sdn Bhd</td> <td>10 August 2022</td> </tr> </tbody> </table> <p>The novation of existing contracts pertaining to the Subject Properties allows AME REIT to continue operating the Subject Properties without having to renegotiate and find for new tenancies and contracts upon the completion of the Proposed Acquisitions. Accordingly, this novation enables AME REIT to preserve the current yield of the Subject Properties and benefit from it.</p> <p>In the event any of the conditions precedent pertaining to the CCC for Plot 16 Indahpura is not met, the Proposed Plot 16 Indahpura Acquisition will not be completed.</p> <p>Prior to the completion of the Proposed Plot 16 Indahpura Acquisition, AME REIT shall not be entitled to the benefits and liable for the obligations pursuant to the existing Lease Agreements including the potential loss of rental income. AME REIT will not be required to pay any compensation to HQPack in the event the conditions precedents in the Plot 16 Indahpura SPA is not fulfilled.</p>	Subject Property	Lessee	Date of agreement	Plot 15 Indahpura	HID Global	28 July 2022	Plot 16 Indahpura	HQPack	13 May 2022	Plot 43 SAC	SGS (Malaysia) Sdn Bhd	10 August 2022
Subject Property	Lessee	Date of agreement											
Plot 15 Indahpura	HID Global	28 July 2022											
Plot 16 Indahpura	HQPack	13 May 2022											
Plot 43 SAC	SGS (Malaysia) Sdn Bhd	10 August 2022											

Salient terms	MainStreet's comments
<p>(iv) the takaful coverage or insurance taken up in respect of the Subject Properties which are subsisting on the Completion Date of the respective SPAs shall be endorsed in favour of the Trustee, on or before the expiry of 1 month from the Completion Date of the respective SPAs and the Trustee shall be entitled to purchase such other takaful coverage or insurance which the Trustee deem necessary;</p> <p>(v) all outgoings in respect of the Subject Properties shall be apportioned on the Completion Date of the respective SPAs and the respective Vendors shall bear and settle the outgoings due and payable up to the date immediately preceding the Completion Date of the respective SPAs and the Trustee shall bear and settle the outgoings due and payable on and from the Completion Date of the respective SPAs;</p> <p>(vi) all income in respect of the Subject Properties including rental income shall be apportioned on the Completion Date of the respective SPAs and the respective Vendors shall be entitled to all income received up to the date immediately preceding the Completion Date of the respective SPAs and the Trustee shall, in addition to Sections 5(ii) and (iii) of Appendix II of the Circular, be entitled to all income received on and from the Completion Date of the SPAs; and</p> <p>(vii) all security and utility deposits, rental and other payments paid by the lessees which are retained or in the custody of the respective Vendors as well as the outgoings under Section 5(v) of Appendix II of the Circular and the income under Section 5(vi) of Appendix II of the Circular which are to be paid to the Trustee (if any) shall be held on trust for the Trustee from the Completion Date of the respective SPAs and the respective Vendors shall pay the same to the Trustee immediately or as soon as practicable.</p>	<p>Premised on the above, we view the novation of all existing contracts on the Completion Date as reasonable as it serves to protect the interest of AME REIT in the event of delay or failure in obtaining the CCC for Plot 16 Indahpura.</p>

	Salient terms	MainStreet's comments
6	<p>REPRESENTATION AND WARRANTIES</p> <p>The respective Vendors have given specific representations and warranties relating to, among others, their capacities, the Subject Properties and the leases. If any event or circumstance, which arises or becomes known to the Trustee after the date of the relevant SPA(s) and prior to the Completion Date of the relevant SPA(s), is inconsistent with any of the representations and warranties by the relevant Vendor(s), the Trustee may give a written notice to the relevant Vendor(s) to remedy the same within 30 days from the date of the notice. If the relevant Vendor(s) fail(s) to remedy the same, the Trustee shall be entitled to terminate the relevant SPA(s).</p>	<p>This term is reasonable and not detrimental to the non-interested Unitholders as it serves to protect the interest of AME REIT as it states the Vendors obligations in order to complete the Proposed Acquisitions and it allows the Trustee to terminate the SPA(s) in the event the relevant Vendor(s) fails to remedy any inconsistency with the representations and warranties provided by the Vendor(s).</p>
7	<p>TERMINATION</p> <p><u>Vendor(s)' Rights to Terminate</u></p> <p>If the Trustee defaults in the satisfaction of the purchase price in accordance with the provisions of the respective SPA(s), the respective Vendor(s) is/are entitled to terminate the respective SPA(s) by notice in writing to the Trustee if the Trustee fails to remedy the breach or the matter within seven (7) days of receipt of a notice from the respective Vendor(s).</p> <p><u>Trustee's Rights to Terminate</u></p> <p>The Trustee is entitled, at any time, to give notice to the respective Vendor(s) to terminate the respective SPA(s) if:</p> <ul style="list-style-type: none"> (i) any of the representations and warranties given by the respective Vendor(s) are found to be untrue or incorrect; (ii) the respective Vendor(s) fail, neglect or refuse to complete the sale in accordance with the provisions of their respective SPA(s); (iii) insolvency proceedings are instituted against the respective Vendor(s); or 	<p>These terms are reasonable and not detrimental to the non-interested Unitholders as it set out the rights of both parties in order to rescind the transaction in the event the Proposed Acquisitions are terminated should there be any breaches of the SPA(s) by the defaulting party.</p> 

Salient terms	MainStreet's comments
<p>(iv) the transfer of all rights, title and interest of the respective Subject Properties to the Trustee cannot be presented or registered for any reasons other than those caused by or attributable to any act, default or omission of the Trustee.</p> <p><u>Consequence of Termination</u></p> <p>In the event of termination of the respective SPA(s), then within fourteen (14) days of the giving of such notice:</p> <p>(i) the respective Vendor(s) must return, or cause to be refunded, free of interest, the deposit or any part of the purchase price which has been received by the respective Vendors in relation to the respective Subject Properties, to the Trustee;</p> <p>(ii) the Trustee must return or cause to be returned all rights, title and interest of the respective Subject properties to the respective Vendor(s) with the respective Vendor(s)' interest intact; and</p> <p>(iii) the Trustee's solicitors shall (to the extent that they are in the custody and possession) be duly authorised to return to the respective Vendor(s) the completion documents and the respective Vendor(s)' documents and to the Trustee, the Trustee's Documents.</p>	<p style="text-align: center;">↓</p> <p>These terms are reasonable and not detrimental to the non-interested Unitholders as it set out the obligations of both parties in in the event the Proposed Acquisitions are terminated.</p> <p>We noted that the Vendors and Trustee have the right to legal recourse to compel the defaulting party in accordance with the provisions of the respective SPA(s). We are of the view that this term is reasonable as this legal right is provided such that the Trustee has the right to claim any damages, losses, costs, expenses or outgoings arising from the breach by the Vendors.</p>

Based on the above, we are of the view that the abovementioned salient terms of the SPAs are fair and reasonable and not detrimental to the non-interested Unitholders.

6.4 Effects of the Proposed Acquisitions

We take cognisance of the effects of the Proposed Acquisitions as detailed out in **Section 6 of Part A of the Circular** and we set out below are our comments on the pro forma effects thereon.

6.4.1 Unitholders' capital and substantial Unitholders' unitholdings

Save for the issuance of new Units as acquisition fees⁽¹⁾, as may be elected by the Manager upon the Completion Date of the respective SPAs in relation to the Proposed Acquisitions pursuant to the Deed, the Proposed Acquisitions will not have any effect on the issued Unitholders' capital and substantial Unitholders' unitholdings as the Proposed Acquisitions do not involve any issuance of new Units by AME REIT.

Note:

- (1) Pursuant to Proposed Acquisitions, the Manager is entitled to receive an acquisition fee of 1.0% of the transaction value of any real estate purchased by AME REIT, as provided for in the Deed.

We note that the acquisition fees are payable to the Manager in cash, new Units or a combination thereof as the Manager may elect. We are of the view that this is a common practice among the listed REITs in Malaysia.

As at the LPD, the Manager has yet to decide on the form of payment for the acquisition fees. Strictly for illustrative purposes only, should the Manager elect to be fully paid in new Units, the maximum number of Units to be issued as the acquisition fees is as follows:

$$\text{Maximum number of Units to be issued} = \frac{1\% \text{ of RM69.25 million}}{\text{RM1.1815}^*} = 0.59 \text{ million Units}$$

Note:

- * Based on the 5-day VWAP preceding the completion date of the Proposed Acquisitions. However, for illustrative purposes, the 5-day VWAP had been assumed to be RM1.1815, being the 5-day VWAP of Units up to and including 16 January 2023.

As a result, the total unitholding of the Manager would increase from zero to 0.11% and accordingly the unitholdings of the non-interested Unitholders would be diluted from 33.33% to 33.29%.

Notwithstanding the potential dilutive effect to the existing Unitholders, we are of the view that the issuance of new Units for the settlement of the acquisition fee (should the Manager elect to do so) is fair and reasonable and not detrimental to the Unitholders in view of the following:

- (i) The acquisition fee is applicable to both related party transaction and non-related party transactions;
- (ii) The Manager will ensure that the payment of the acquisition fee in the form of new Units does not result in a conflict of interest by taking the following steps:
 - (a) The payment of the acquisition fees in the form of new Units will be in accordance with the following fixed formula:

$$\text{New Units to be issued as payment of the acquisition fee} = \frac{\text{Acquisition fees payable in Units}}{\text{Market price based on the 5-day VWAP preceding the completion date of the Proposed Acquisitions}}$$

- (b) The Manager will make an immediate announcement to Bursa Securities disclosing the number of new Units issued and the issue price of the new Units when new Units are issued as payment for acquisition fees. The payment of the acquisition fees in Units shall be subject to AME REIT complying with the public spread requirements stated in the Listing Requirements and there being no adverse implications under Rules on Take-overs, Mergers and Compulsory Acquisitions, 2016 issued by the SC; and
- (iii) Pursuant to the Deed, in determining the form of payment of the acquisition fees, the Manager will be guided by, amongst others, the cash flows planning of the Manager, the potential capital appreciation through holding the Units, the alignment of interest with the Unitholders and the manner of payment of the acquisition fees will not be detrimental to the Unitholders.

6.4.2 Earnings and distributable income

Given that Plot 15 Indahpura and Plot 43 SAC had obtained its respective CCCs in October 2022 and its leases had commenced in the same month, and Plot 16 Indahpura had yet to obtain its CCC, as at the LPD, the Subject Properties do not have any historical net income. As such, the pro forma effects have been illustrated based on the rental income, as extracted from the Lease Agreements.

For illustrative purposes, assuming that the Proposed Acquisitions were completed on 1 April 2021 and all the Subject Properties have commenced generating rental income, the pro forma effects on the rental income of AME REIT for the FYE 31 March 2022 are as follows:

	Unaudited Pro Forma Statement of Comprehensive Income for the FYE 31 March 2022⁽¹⁾ (RM'000)	After the Proposed Acquisitions⁽²⁾ (RM'000)
Rental income	35,236	35,236
Add: Incremental annualised rental income contribution of the properties	-	4,691 ⁽³⁾
Pro forma rental income of AME REIT	35,236	39,927
Total number of Units in issue ('000)	520,000	520,586 ⁽⁴⁾
Rental income per Unit (sen)	6.78	7.67

Notes:

- (1) Based on the unaudited Pro Forma Statement of Comprehensive Income for the FYE 31 March 2022 as set out in the prospectus of AME REIT dated 17 August 2022.
- (2) Pro forma assuming the Proposed Acquisitions were completed on 1 April 2021.
- (3) Calculated based on the monthly agreed rental (as set out in the Lease Agreements) multiplied by a period of 12 months.
- (4) In accordance with the Deed, the Manager is entitled to receive an acquisition fee of 1.0% of the transaction value of any real estate purchased by AME REIT (as set out in **Note (1) of Section 6.4.1 above**) in consideration of the services rendered by the Manager to AME REIT for the Proposed Acquisitions.

Strictly for illustrative purposes only, the number of Units to be issued, based on the Deed, is as follows:

$$\begin{aligned} \text{Acquisition fee payable to the Manager} &= 1.0\% \times \text{Purchase Consideration} \\ &= 1.0\% \times \text{RM69.3 million} \\ &= \text{RM0.69 million} \end{aligned}$$

$$\begin{aligned} \text{No. of Units to be issued} &= \frac{\text{Acquisition fee payable to the Manager}}{\text{Market price}} \\ &= \frac{\text{RM0.69 million}}{\text{RM1.1815}^*} \\ &= 0.59 \text{ million Units} \end{aligned}$$

Sub-note:

* Based on the 5-day VWAP preceding the completion date of the Proposed Acquisitions. However, for illustrative purposes, the 5-day VWAP had been assumed to be RM1.1815, being the 5-day VWAP of Units up to and including 16 January 2023.

The Proposed Acquisitions are not expected to have any material effect on AME REIT's earning and distributable income for the FYE 31 March 2023. The Proposed Acquisitions are expected to contribute positively to the future earnings and distributable income of AME REIT after taking into consideration the future increase in rental income from the expected rental reversions of the Subject Properties, the additional distribution income and its distribution policy.

6.4.3 NAV per unit and gearing

For illustrative purposes only, the pro forma effects of the Proposed Acquisitions on the NAV per Unit and gearing of AME REIT based on the Statement of Financial Position as at 30 September 2022 and on the assumption that the Proposed Acquisitions had been effected on that date are as follows:

	Unaudited as at 30 September 2022 (RM'000)	After the Proposed Acquisitions (RM'000)
Unitholders' capital	516,306	516,999
Undistributed income	968	2,955 ⁽¹⁾
Total equity	517,274	519,954
No. of Units ('000)	520,000	520,586 ⁽²⁾
NAV per Unit (RM) ⁽³⁾	0.99	1.00
Total financings (RM'000)	36,572	105,242 ⁽⁴⁾
Total Asset Value (RM'000)	571,052	644,052 ⁽⁵⁾
Gearing ratio (times) ⁽⁶⁾	0.06	0.16

Notes:

(1) After taking into consideration the fair value gain on investment properties of approximately RM2.2 million, calculated in the following manner:

	<u>RM'million</u>
Market value of the Subject Properties	73.00
Less:	
Purchase Consideration	(69.25)
Estimated transaction costs:	
- Acquisition fee payable to the Manager	(0.69)
- Estimated expenses in relation to the Proposed Acquisitions	(0.85)
Fair value gain on investment properties	<u><u>2.21</u></u>

- (2) Strictly for illustrative purposes only, the number of Units to be issued as acquisition fee payable to the Manager, based on the Deed, is as follows:

$$\text{No. of Units to be issued} = \frac{\text{RM0.69 million}^{(i)}}{\text{RM1.1815}^{(ii)}} = 0.59 \text{ million Units}$$

Sub-notes:

- (i) Please refer to **Note (4) of Section 6.4.2 above** for the calculation of acquisition fee payable to the Manager.
- (ii) Based on the 5-day VWAP preceding the completion date of the Proposed Acquisitions. However, for illustrative purposes, the 5-day VWAP had been assumed to be RM1.1815, being the 5-day VWAP of Units up to and including 16 January 2023.
- (3) Calculated based on total equity over number of Units.
- (4) Assuming the Proposed Acquisitions are fully financed via Islamic financing facilities of approximately RM69.3 million, net of estimated transaction costs of approximately RM0.6 million.
- (5) Increase in investment properties of approximately RM73.0 million, includes estimated expenses relating to the Proposed Acquisitions which are allowed to be capitalised as part of the investment properties amount to approximately RM1.5 million and fair value gain on investment properties of approximately RM2.2 million.
- (6) Calculated based on total financings over Total Asset Value.

Premised on the above, we are of the view that the overall effects arising from the Proposed Acquisitions are reasonable and not detrimental to the non-interested Unitholders.

6.5 Economy outlook, industry overview and future prospects

The industry overview and outlook of Malaysian economy, property market in Johor and prospects of the Subject Properties are set out in **Section 4 of Part A of the Circular**.

6.5.1 Overview and outlook of the Malaysian economy

After experiencing a strong economic expansion in 2021, global growth is projected to moderate in 2022. In addition, escalating inflationary pressure as a result of high commodity prices is projected to prompt most central banks to tighten their monetary policy. Meanwhile, a slowdown in China's economic activities, supply chain disruptions and prolonged geopolitical tensions are anticipated to soften global growth in 2023.

Despite the global headwinds, Malaysia's economy continued to recover in the first half of 2022. The economy is expected to grow at 6.1% in the second half of 2022 underpinned by strong demand from private sector, significant tourism activities and good trade performance. In addition, the strong performance in services and manufacturing sectors as well as improvement in the labour market conditions are also expected to contribute to the economic growth. Overall, Malaysia's economy is expected to grow between 6.5% – 7% in 2022 and then moderate in 2023, in line with the softening global economic outlook brought about by a slowdown in China's economic activities, supply chain disruptions and prolonged geopolitical tensions. The nation's GDP is forecast to expand between 4% – 5% in 2023.

Increase in inflationary pressure as a result of high commodity prices is projected to lead to tightening of monetary policy by most central banks. In Malaysia, the Overnight Policy Rate (OPR) was raised by a cumulative of 75 basis points (bps) for three consecutive times from May to September 2022. The decisions pertaining the increase in OPR were made independently by the Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) upon consideration that the Malaysian economy is on a firmer footing with the increase in the OPR conducted gradually to allow various sectors in the economy to adjust accordingly. Notwithstanding the adjustments to the OPR, the stance of monetary policy in 2022 remains supportive of economic growth. Future monetary policy stance will continue to be guided by the MPC's assessment of the dynamic conditions and their impacts on the overall outlook to domestic inflation and growth. The MPC will continue to conduct monetary policy in Malaysia in order to achieve the goal of price stability and sustainable economic growth over a longer term.

The real estate and business services subsector recorded a turnaround of 15.4% in the first half of 2022, underpinned by improved activities in leasing and renting of properties as well as higher demand for professional services, particularly legal and accounting activities. This subsector's growth momentum is expected to continue in the second half of 2022 following the strong improvement in business and trade activities. For the year, the subsector is anticipated to grow by 18.2%.

(Source: Economic Outlook 2023, Ministry of Finance)

6.5.2 Overview of the property market in Johor

Following the transition to endemicity post COVID-19 pandemic and the reopening of borders, the Johor Bahru property market is showing signs of improvement in the second quarter of 2022.

According to Samuel Tan, an executive director of KGV International Property Consultants (Johor) Sdn Bhd, the rental market in Johor Bahru was the first sector to see an improvement as many Malaysians working in Singapore returned to Johor Bahru and started renting apartments near the Johor Causeway and the Malaysia-Singapore Second Link, mainly driven by the escalating rents in Singapore these past two years.

Some of the boosting factors for the improvement are the transport, commercial and industrial projects in Johor namely the Johor Bahru-Singapore Rapid Transit System (RTS) (which is scheduled to commence operation in 2026/2027), the Gemas-Johor Baru Electrified Double Track project (which is due to be completed this year), Coronation Square @ Ibrahim International Business District (IIBD) (i.e a mega integrated commercial, hospitality and residential development), data centre development in Sedenak Industrial Park and industrial and logistics developments in Senai Airport City.

(KGV International Property Consultants Johor Bahru Housing Property Monitor (2Q2022): Having recovered in 2Q2022, Johor Bahru market has brighter outlook, The Edge article dated 30 September 2022)

The construction sector is forecast to expand by 4.7% in 2023 given the better performance in all subsectors. Civil engineering subsector is anticipated to rebound following the implementation of new projects such as Mass Rapid Transit Line 3 (MRT3) Circle Line and acceleration of ongoing infrastructure projects which include, Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3).

Furthermore, the approved investment projects in the manufacturing sector are expected to create more demand for industrial buildings and therefore lead to further expansion in the non-residential buildings subsector. On the other hand, the residential buildings subsector is expected to grow progressively underpinned by more construction of affordable houses, in line with the strategy under the 12MP. Additionally, the incentive offered by the Government to encourage home ownership through the i-MILIKI programme is expected to boost demand for residential buildings while addressing the property overhang issue.

(Source: Economic Outlook 2023, Ministry of Finance)

6.5.3 Prospects of the Subject Properties

We note that AME REIT will be acquiring the Subject Properties with full occupancy, which is expected to provide a stable income for over the tenure of the leases pursuant to the novation to the Trustee (on behalf of AME REIT) of the existing Lease Agreements upon completion of the Proposed Acquisitions. For the avoidance of doubt, the completion of the Plot 16 Indahpura SPA is conditional upon the fulfilment of the conditions precedent which includes (i) the CCC having been obtained; and (ii) written confirmation from AME Development of the Rental Commencement Date having been provided. As such, AME REIT will not be required to pay any compensation to HQPack in the event AME Development is unable to obtain the CCC in the 3rd quarter of 2023.

Purely for illustration purposes, based on the assumption that the Subject Properties are fully occupied and subject to the terms of the Lease Agreements to be novated to the Trustee (on behalf of AME REIT), the approximate timeframe for AME REIT to break-even for the Proposed Acquisitions are as set out below:

Subject Properties	Annual average total rental income (A) (RM'million)	Purchase Consideration (B) (RM'million)	Approximate timeframe to break-even (B)/(A) (years)
Plot 15 Indahpura	2.1	26.5	13
Plot 16 Indahpura	2.1	26.5	13
Plot 43 SAC	1.2	16.3	14

For information purpose, the breakeven analysis of comparable transactions by listed REITs in Malaysia during the last twelve (12) months preceding the LPD are presented below:

REIT	Description of acquired properties	Transaction date	Annual average total rental income (A) (RM'million)	Purchase Consideration (B) (RM'million)	Approximate timeframe to breakeven (B)/(A) (years)
Axis REIT	A parcel of industrial land erected upon with a single storey detached factory with an annexed double storey office building and ancillary buildings	22 February 2022	1.2	16.3	14

REIT	Description of acquired properties	Transaction date	Annual average total rental income (A)	Purchase Consideration (B)	Approximate timeframe to breakeven (B)/(A)
Axis REIT	A double storey ramp-up warehouse cum 3- storey office, covered car park and office at roof top level together with ancillary buildings	11 April 2022	26.7	390.0	15
KIP REIT	An industrial premises accommodating a double storey office building annexed with a single storey warehouse and guard house	12 July 2022	2.2	27.0	12
KIP REIT	An industrial premises accommodating a single storey warehouse, pump house and guard house	12 July 2022	1.9	23.7	12
KIP REIT	An industrial premises accommodating a single storey factory/warehouse, guard house, pump house and refuse chamber	12 July 2022	2.3	28.0	12

Based on the above analysis, the break-even timeframe of recent comparable transactions ranges from 12 to 15 years. We are of the view that the break-even timeframe of 13 to 14 years for the Subject Properties is reasonable as it is within the range of recently completed transactions.

Furthermore, the Proposed Acquisitions are expected to be yield-accretive as the Subject Properties are income-generating and fully occupied upon completion of the respective SPAs. In addition, the Lease Agreements, which (i) have tenures of at least 10 years (and an option to renew for a further period of 3 years, save for Plot 43 SAC with an option to renew for a further period of 5 years); and (ii) have built-in rental escalation for the respective Subject Properties are expected to benefit AME REIT by providing stable long-term income. Further, AME REIT is expected to enjoy further potential upside in terms of capital appreciation which is aligned to its investment criteria. Based on the above, the prospects of the Subject Properties are expected to be positive for AME REIT and ultimately, the Unitholders.

In addition, given the strategic location of the Subject Properties and seemingly favourable outlook of the property market in Johor, AME REIT may benefit from the potential appreciation in property valuation.

We also note that the Malaysian economy and property market in Johor is improving with the re-opening of economic activities and border as the country transitions to endemicity post COVID-19 pandemic. Premised to the above and based on the generally positive outlook on the growth in demand for properties and the strategic location of the Subject Properties within Iskandar Malaysia with ample logistical infrastructure, we are of view that the overall prospects of the Subject Properties following the completion of the Proposed Acquisition are favourable.

Nonetheless, we wish to highlight that all businesses are subject to uncertainties which are not within the Board's control such as, amongst others, changes in government policies, changes in interest rates, changes in global economic conditions and changes in the property industries.

6.6 Risk factors of the Proposed Acquisitions

Section 5 of Part A of the Circular sets out the following risk factors of the Proposed Acquisitions:

- (i) Risks relating to the Proposed Acquisitions such as completion risk and financing risk;
- (ii) Risks relating to the acquisition of the Subject Properties such as default or lessee risk and non-issuance of CCC for Plot 16 Indahpura; and
- (iii) Risks relating to the property market such as compulsory acquisition by the Government of Malaysia and the impact of pandemic outbreaks of infectious diseases such as the COVID-19 or any serious public health concerns.

We wish to highlight that although efforts and measures would be taken by the Manager to mitigate the risk associated with the Proposed Acquisitions, no assurance can be given that one or combination of risk factors will not occur and give rise to material and adverse impact on the business and operations of AME REIT, its competitiveness, financial performance, financial position or prospects thereon.

In evaluating the Proposed Acquisitions, non-interested Unitholders should carefully consider the said risk factors and their respective mitigating factors prior to voting on the resolutions pertaining to the Proposed Acquisitions at the forthcoming EGM of AME REIT. Non-interested Unitholders should also note that the risk factors mentioned therein are not meant to be exhaustive.

Notwithstanding, the above risk factors, we believe the rationale and benefits of the Proposed Acquisitions as disclosed in **Section 3 of Part A of the Circular**, outweigh the potential risks highlighted above. In addition, certain risk factors inherent in the property market are risk factors which AME REIT is currently subjected to as an industrial real estate investment trust and the Subject Properties are located within the same vicinity as AME REIT's existing portfolio. In this regard, the business risk profile of AME REIT will not change significantly upon completion of the Proposed Acquisitions.

7 CONCLUSION AND RECOMMENDATION

In arriving at our conclusions and recommendation, we have considered the following factors, which the non-interested Unitholders should consider in evaluating the Proposed Acquisitions as summarised below:

- (i) The rationale and benefits for the Proposed Acquisitions is reasonable and not detrimental to the non-interested Unitholders;
- (ii) The Purchase Consideration is fair and reasonable and not detrimental to the non-interested Unitholders;
- (iii) The salient terms of the SPAs are reasonable and not detrimental to the non-interested Unitholders;
- (iv) The financial effects of the Proposed Acquisitions are reasonable and not detrimental to the non-interested Unitholders;
- (v) The prospects of the Subject Properties are positive; and
- (vi) The business risk profile of AME REIT will not change significantly upon completion of the Proposed Acquisitions.

Premised on the factors discussed above and our evaluation of the Proposed Acquisitions based on the information made available to us, we are of the view that the Proposed Acquisitions are **FAIR** and **REASONABLE** and **NOT DETRIMENTAL** to the non-interested Unitholders.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolutions in respect of the Proposed Acquisitions to be tabled at the forthcoming EGM.

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested Unitholders. We recommend that any non-interested Unitholders who require specific advice in relation to the Proposed Acquisitions in the context of their individual investment objectives, financial situation or particular needs, to consult their respective stockbrokers, investment advisers, accountants, solicitors or other professional advisers.

YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS TO BE TABLED AT THE FORTHCOMING EGM.

Yours faithfully,

MAINSTREET ADVISERS SDN BHD

Lai Swee Sim
Managing Director

James Goh Chin Chai
Head, Corporate Finance

INFORMATION ON THE SUBJECT PROPERTIES

The information on the Subject Properties are as follows:

Subject Property	Plot 15 Indahpura	Plot 16 Indahpura	Plot 43 SAC
Registered Owner	AME Development	AME Development	lpark Development
Purchaser	Trustee	Trustee	Trustee
Postal address	No. 13 (Plot 15), Jalan i-Park 1/1, Kawasan Perindustrian i-Park, Bandar Indahpura, 81000 Kulai, Johor	No. 14 (Plot 16), Jalan i-Park 1/1, Kawasan Perindustrian i-Park, Bandar Indahpura, 81000 Kulai, Johor	No. 60 (Plot 43), Jalan i-Park SAC 6, Taman Perindustrian i-Park SAC, 81400 Senai, Johor
Title detail	GRN 580208, Lot 98835, Mukim of Kulai, District of Kulai	GRN 580209, Lot 98836, Mukim of Kulai, District of Kulai	HSD 77673, PTD 112796, Mukim of Senai, District of Kulai
Brief description	A single storey detached factory with mezzanine office and other ancillary buildings located in i-Park @ Indahpura, which is located about 6km from the Malaysia-Singapore Second Link Expressway, 8km from the North-South Expressway and Senai-Desaru Expressway, 11km from the Senai International Airport and 33km from the CIQ	A single storey detached factory with mezzanine office and other ancillary buildings located in i-Park @ Indahpura, which is located about 6km from the Malaysia-Singapore Second Link Expressway, 8km from the North-South Expressway and Senai-Desaru Expressway, 11km from the Senai International Airport and 33km from the CIQ	A single storey detached factory with mezzanine office and other ancillary buildings located in i-Park @ SAC, which is situated in Senai Airport City, located about 6km from the Senai International Airport. It is also 3km from the North-South Expressway, 4km from the Senai-Desaru Expressway, 5km from the Malaysia-Singapore Second Link Expressway and 20km from the CIQ
Existing/ proposed use as at the LPD	Lease by HID Global commenced on 5 October 2022 ⁽¹⁾	Lease by HQPack expected to commence in the 3 rd quarter of 2023 ⁽¹⁾	Lease by SGS commenced on 5 October 2022 ⁽¹⁾
Gross/ Expected gross monthly rental income (RM)	Gross monthly rental income of RM152,646.39, subject to the terms of the lease agreement between AME Development and HID Global	Expected gross monthly rental income of RM147,374.07, subject to the terms of the lease agreement between AME Development and HQPack	Gross monthly rental income of RM90,904.00, subject to the terms of the lease agreement between lpark Development and SGS
Monthly rental amount during the lease tenure	RM1.50 to RM1.85 per sq ft per month	RM1.50 to RM1.90 per sq ft per month	RM1.60 to RM1.85 per sq ft per month

INFORMATION ON THE SUBJECT PROPERTIES (Cont'd)

Subject Property	Plot 15 Indahpura	Plot 16 Indahpura	Plot 43 SAC
Approximate age of the building as at the LPD	Less than 1 year	Not applicable	Less than 1 year
Tenure	Freehold	Freehold	Freehold
Market value as at 1 November 2022 (RM)	28,000,000	28,000,000	17,000,000
Audited net book value as at 31 March 2022 (RM)	7,055,043	2,753,178	6,155,867
Gross floor area (sq ft)	99,190	96,746	52,226
Agreed lettable area (sq ft)	Approximately 101,764	Approximately 98,249	Approximately 56,814
Occupancy rate (%)	100.0	Not applicable	100.0
Category of land use	Industrial	Industrial	Industrial
Encumbrance	Nil	Nil	Land charged in favour of RHB Islamic Bank Berhad ("Chargor") ⁽²⁾
Lease tenure	10 years and 2 months	10 years and 1 month ⁽³⁾	10 years and 2 months
Renewal term	3 years	3 years	5 years
Rental amount for renewal term	At the prevailing market rate to be mutually agreed by the lessor and the lessee	At the prevailing market rate to be mutually agreed by the lessor and the lessee	At the prevailing market rate to be mutually agreed by the lessor and the lessee

INFORMATION ON THE SUBJECT PROPERTIES (Cont'd)

Subject Property	Plot 15 Indahpura	Plot 16 Indahpura	Plot 43 SAC
Termination clause	<p>In the event of the occurrence of an Event of Default (as defined below), which such Event of Default remains unremedied after the period allowed for remedy, the lessor shall be entitled to terminate the respective Lease Agreements by notice in writing to the relevant lessees.</p> <p>Upon termination:</p> <ul style="list-style-type: none"> (a) the security deposit shall then be absolutely forfeited by the lessor; (b) the relevant lessee shall pay to the lessor an amount equivalent to the rental amount for the unexpired period of the lease term or the renewed term, as the case may be, as agreed liquidated damages; (c) all other damages arising from such breach (including the lessor's solicitors' fee) shall also be paid by the lessee to the lessor; and (d) the lessee shall at its own cost and expense redeliver vacant possession of the Subject Property to the lessor in accordance with the provisions herein and withdraw any encumbrances that may have been created by the lessee on the Subject Property. <p>The following events shall be considered "Events of Default":</p> <ul style="list-style-type: none"> (i) any step or action is taken for the winding up, dissolution or liquidation or a petition for winding up is presented against the lessee or any order is made or a resolution is passed for the winding up or liquidation of the lessee and such judgment or order shall not have been set aside within 60 days from the date of the making thereof; (ii) the lessee shall institute any proceeding or give its consent to the institution of any proceedings for the relief of the lessee under any winding up or insolvency laws; (iii) the lessee shall make any assignment for the benefit of creditors or shall apply for or consent to the appointment of a receiver for any material asset belonging to the lessee; (iv) whereupon any execution or attachment is levied, enforced or issued against any of the lessee's assets at the Subject Property and the same has not been set aside within 30 days from the date of execution or attachment thereof; (v) the lessee being a company is unable to pay its debts within the ambit of the provisions of the Act; (vi) the lessee shall quit or attempt to quit and deliver vacant possession of the Subject Property at any time prior to the expiration of the lease term or renewal term, as the case may be, for any reason; (vii) the lessee shall determine the Lease Agreement at any time prior to the commencement of the lease; (viii) the lessee shall default in the payment of any monthly rental or in any other payment required to be made by the lessee when due as provided under the Lease Agreement and such default shall continue for 14 days after the lessee receives written notice from the lessor; or (ix) the lessee shall default in any of the covenants and agreements to be kept, observed and performed by the lessee and such default shall continue for 30 days after the lessee receives written notice thereof. 		

INFORMATION ON THE SUBJECT PROPERTIES (Cont'd)

Notes:

- (1) The Lease Agreements will be novated to our Trustee (on behalf of AME REIT) upon the completion of the Proposed Acquisitions for the continuity of existing operations under similar terms being entered into prior thereto, in the respective Lease Agreements.
- (2) In order to discharge and release Plot 43 SAC from the Chargor, Ipark Development is required to pay approximately RM4.1 million to the Chargor.
- (3) The rent-free period is subject to the CCC of Plot 16 Indahpura being obtained within 15 months from the date of the building layout confirmation (“**CCC Period**”). In the event the CCC is not obtained within the CCC Period, there will be an automatic extension of 3 months from the CCC Period (“**Extended CCC Period**”) where HQPack shall be entitled to an additional rent-free period corresponding to the commencement of the Extended CCC Period until the date of the issuance of the CCC. HQPack may rescind the Lease Agreement or agree to a further extension of time in the event if the CCC is not issued within 18 months from the commencement of the CCC Period.

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SALIENT TERMS OF THE SPAS

The salient terms of the SPAs are as follows:

1. OVERVIEW OF THE SPAS

Pursuant to the SPAs, our Trustee will acquire the Subject Properties from the Vendors together with the fixtures and fittings thereon and in the condition of the Subject Properties as at the date of the SPAs on an “as is where is” basis (save for Plot 16 Indahpura, where the Subject Property will be acquired in a fully constructed condition), subject to, among others, the following:

- (i) the existing restriction-in-interest, express conditions and the category of land use endorsed on the documents of title to the Subject Properties shall continue to subsist after the completion of the SPAs;
- (ii) without vacant possession, on the basis that the Subject Properties will continue to be occupied by such lessees with all their rights, benefits and obligations pursuant to the existing tenancy remaining intact;
- (iii) a deed of mutual covenant to be entered into between the respective developers of i-Park @ SAC and i-Park @ Indahpura, being Ipark Development and AME Development respectively, and our Trustee (on behalf of AME REIT) (“**DMC**”) in relation to the provision of gated development services by the developer of the Subject Properties including but not limited to boundary fencing, provision of security personnel, installation of closed-circuit television monitoring system, erection of boom gate as well as the maintenance, upkeep and repair of the guardhouse in accordance with the terms and conditions of the DMC; and
- (iv) the wayleave agreement and other documents in relation thereto to be entered into with Tenaga Nasional Berhad (“**TNB**”) upon the request of TNB, to grant TNB a right of way over and to lease any part of the Subject Properties to TNB for a substation to be constructed on the Subject Property.

2. CONDITIONS PRECEDENT

The sale, purchase and transfer of the Subject Properties are conditional upon the following:

- (i) the respective Vendors having obtained all necessary approvals and consents for the disposal of the Subject Property to the Purchaser;
- (ii) the approval of our Unitholders for the sale and purchase of the Subject Properties;
- (iii) only applicable to Plot 16 Indahpura SPA, in addition to the above conditions precedent, the following:
 - (a) the Subject Property having been constructed in accordance with the approved building plans, the CCC having been obtained by the Vendor from the relevant authorities; and
 - (b) the written confirmation from the Vendor confirming the rental commencement date after the rent-free period(s) pursuant to the lease agreement (“**Rental Commencement Date**”), where such written confirmation must be given within thirty (30) days prior to the Rental Commencement Date; and
- (iv) our Trustee shall cause the valuation report prepared by the Valuer in relation to the Subject Properties to be done so in accordance with the relevant regulatory requirements and be submitted to Bursa Securities or such relevant authorities as soon as practicable.

SALIENT TERMS OF THE SPAS (Cont'd)

3. MANNER OF PAYMENT OF THE PURCHASE PRICE

The mode of consideration of the purchase price for the Subject Properties shall be by way of cash consideration only.

The purchase price for the Plot 15 Indahpura and Plot 16 Indahpura shall be satisfied by our Trustee in the following manner:

- (i) 10% of the purchase price of Plot 15 Indahpura or 2% of the purchase price of Plot 16 Indahpura (as the case may be), being the deposit payable to the relevant Vendors upon the execution of the respective SPAs; and
- (ii) the balance of the purchase price to be paid to the relevant Vendors on the Completion Date.

As Plot 43 SAC is presently charged by the financier of the relevant Vendor, the purchase price for Plot 43 SAC shall be satisfied by our Trustee in the following manner:

- (i) 10% of the purchase price, being the deposit (in respect of Plot 43 SAC SPA) payable to the relevant Vendor upon the execution of the Plot 43 SAC SPA;
- (ii) the balance purchase price (after the deduction of the deposit in respect of Plot 43 SAC SPA), firstly payable to the chargee of Plot 43 SAC for the sum required for the chargee to discharge and release Plot 43 SAC from its security interest ("**Redemption Sum**"); and
- (iii) the balance purchase price, then payable by our Trustee, after the deduction of the deposit (in respect of Plot 43 SAC SPA) and Redemption Sum, to the relevant Vendor on the Completion Date (if any).

4. ADJUSTMENT OF THE PURCHASE PRICE

In the event that the market value of the relevant Subject Property is adjusted by way of a revision to the valuation report issued by the Valuer and/or any subsequent valuation report issued by an independent valuer pursuant to comments provided by relevant authorities prior to the fulfilment of the conditions precedent set out in **Section 2 of Appendix II** of this Circular, our Trustee and the respective Vendors shall, within 14 days from the adjustment, mutually determine in good faith whether an adjustment of the purchase price for the Subject Property is required.

In the event if our Trustee and the respective Vendors mutually determine that an adjustment of the purchase price is necessary, our Trustee and the respective Vendors shall either:

- (i) mutually agree to adjust the purchase price of the relevant Subject Property by entering into a supplemental agreement; or
- (ii) terminate the respective SPAs and the respective Vendors shall refund the deposit received from our Trustee in accordance to **Section 7 of Appendix II** of this Circular, in the event if they cannot agree to an adjusted purchase price.

SALIENT TERMS OF THE SPAS (Cont'd)

5. COMPLETION

Subject to the fulfilment of the conditions precedent set out in **Section 2 of Appendix II** of this Circular, the following shall occur on the Completion Date of the respective SPAs (unless otherwise indicated):

- (i) the rights, benefits, title, interests, in and to the Subject Properties shall pass from the respective Vendors to our Trustee whereupon the respective Vendors shall be deemed to hold on trust the Subject Property for our Trustee until our Trustee is registered as the proprietor at the relevant land registry and the legal possession of the Subject Property shall be deemed delivered to our Trustee;
- (ii) the rights, benefits, interests, obligations, and liabilities in the lease in respect of the Subject Properties, which are subsisting on the Completion Date of the respective SPAs, shall be deemed to have passed to our Trustee and shall be novated by the respective Vendors to our Trustee (on behalf of AME REIT) immediately or as soon as practicable;
- (iii) all existing contracts pertaining to the Subject Properties shall be novated to our Trustee (on behalf of AME REIT) (and to the extent there are no obligations to be transferred to our Trustee under an existing contract, then on the basis that all remaining benefits, rights, titles, entitlements and interests of the respective Vendors under such existing contracts are assigned to our Trustee and due notice that is given to the applicable third party) immediately or as soon as practicable;
- (iv) the takaful coverage or insurance taken up in respect of the Subject Properties which are subsisting on the Completion Date of the respective SPAs shall be endorsed in favour of our Trustee, on or before the expiry of 1 month from the Completion Date of the respective SPAs and our Trustee shall be entitled to purchase such other takaful coverage or insurance which our Trustee deem necessary;
- (v) all outgoing in respect of the Subject Properties shall be apportioned on the Completion Date of the respective SPAs and the respective Vendors shall bear and settle the outgoing due and payable up to the date immediately preceding the Completion Date of the respective SPAs and our Trustee shall bear and settle the outgoing due and payable on and from the Completion Date of the respective SPAs;
- (vi) all income in respect of the Subject Properties including rental income shall be apportioned on the Completion Date of the respective SPAs and the respective Vendors shall be entitled to all income received up to the date immediately preceding the Completion Date of the respective SPAs and our Trustee shall in addition to **Sections 5(ii) and (iii) of Appendix II** of this Circular, be entitled to all income received on and from the Completion Date of the SPAs; and
- (vii) all security and utility deposits, rental and other payments paid by the lessees which are retained or in the custody of the respective Vendors as well as the outgoing under **Section 5(v) of Appendix II** of this Circular and the income under **Section 5(vi) of Appendix II** of this Circular which are to be paid to our Trustee (if any) shall be held on trust for our Trustee from the Completion Date of the respective SPAs and the respective Vendors shall pay the same to our Trustee immediately or as soon as practicable.

SALIENT TERMS OF THE SPAS (Cont'd)

6. REPRESENTATION AND WARRANTIES

The respective Vendors have given specific representations and warranties relating to, among others, their capacities, the Subject Properties and the leases. If any event or circumstance, which arises or becomes known to our Trustee after the date of the relevant SPA(s) and prior to the Completion Date of the relevant SPA(s), is inconsistent with any of the representations and warranties by the relevant Vendor(s), our Trustee may give a written notice to the relevant Vendor(s) to remedy the same within 30 days from the date of the notice. If the relevant Vendor(s) fail(s) to remedy the same, our Trustee shall be entitled to terminate the relevant SPA(s).

7. TERMINATION**Vendor(s)' Right to Terminate**

If our Trustee defaults in the satisfaction of the purchase price in accordance with the provisions of the respective SPA(s), the respective Vendor(s) is/are entitled to terminate the respective SPA(s) by notice in writing to our Trustee if our Trustee fails to remedy the breach or the matter within seven (7) days of receipt of a notice from the respective Vendor(s).

Trustee's Right to Terminate

Our Trustee is entitled, at any time, to give notice to the respective Vendor(s) to terminate the respective SPA(s) if:

- (i) any of the representations and warranties given by the respective Vendor(s) are found to be untrue or incorrect;
- (ii) the respective Vendor(s) fail, neglect or refuse to complete the sale in accordance with the provisions of their respective SPA(s);
- (iii) insolvency proceedings are instituted against the respective Vendor(s); or
- (iv) the transfer of all rights, title and interest of the respective Subject Properties to our Trustee cannot be presented or registered for any reasons other than those caused by or attributable to any act, default or omission of our Trustee.

Consequence of Termination

In the event of termination of the respective SPA(s), then within fourteen (14) days of the giving of such notice:

- (i) the respective Vendor(s) must return, or cause to be refunded, free of interest, the deposit or any part of the purchase price which has been received by the respective Vendors in relation to the respective Subject Properties, to our Trustee;
- (ii) our Trustee must return or cause to be returned all rights, title and interest of the respective Subject properties to the respective Vendor(s) with the respective Vendor(s)' interest intact; and
- (iii) our Trustee's solicitors shall (to the extent that they are in the custody and possession) be duly authorised to return to the respective Vendor(s) the completion documents and the respective Vendor(s)' documents and to our Trustee, our Trustee's Documents.

VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES



CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)
(formerly known as C H Williams Talhar & Wang Sdn Bhd)

Unit 15B Level 15 Menara Ansar
 65 Jalan Trus P O Box 320
 80000 Johor Bahru
 Johor Darul Takzim
 Malaysia

Report and Valuation

15 November 2022

PRIVATE & CONFIDENTIAL

RHB TRUSTEES BERHAD (as the trustee of AME REIT)

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Dear Sirs

CERTIFICATE OF VALUATION OF THREE (3) INDUSTRIAL PROPERTIES FOR THE PURPOSE OF SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD (“BURSA MALAYSIA”) IN RELATION TO THE PROPOSED ACQUISITIONS OF THREE (3) INDUSTRIAL PROPERTIES BY RHB TRUSTEES BERHAD (ACTING ON BEHALF OF AME REAL ESTATE INVESTMENT TRUST (“AME REIT”)) FROM THE SUBSIDIARIES OF AME ELITE CONSORTIUM BERHAD (“AME ELITE”)

We thank you for your instructions to carry out a formal valuation on the above-mentioned property and to provide our opinion of the market value of the property as at 1 November 2022 for the purpose of submission to Bursa Malaysia in relation to the proposed acquisitions of three (3) industrial properties by RHB Trustees Berhad (acting on behalf of AME REIT from the subsidiaries of AME Elite.

This Valuation Certificate is prepared for inclusion in the Circular to unitholders of AME REIT in relation to the proposed acquisition by RHB Trustees Berhad, acting solely in its capacity as trustee for and on behalf of AME REIT.

We have prepared and provided this Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of Market Value and reflects all information known by us and based on present market conditions.

The valuation has been prepared in accordance with the requirements stipulated in the Asset Valuation Guidelines issued by the Securities Commission Malaysia and Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

The basis of the valuation is Market Value which is defined by the Malaysian Valuation Standards (MVS) to be “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

This Valuation Certificate should be read in conjunction with the full Report and Valuation.

VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (Cont'd)

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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METHOD OF VALUATION

In arriving at our opinion of Market Values, we have adopted the following Valuation Methodologies: -

Income Approach (Investment Method)

We have adopted the Income Approach (Investment Method) as our main approach.

The Income Approach (Investment Method) entails determining the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the market value.

Income in the context of the investment method relates mainly to rental. This method is premised on the principle that the value of an income-producing property is represented by "the present worth of future rights to income, or utility".

The passing rents of the existing tenancies are adopted as the 'Term' income whilst the rent for 'Reversion' is benchmarked against recently concluded tenancies within the same property as the main guide as well as market rental evidences for other similar type of properties.

In arriving at the market rent of the subject property under the reversionary valuation, we have considered the following market evidences: -

Details	Comparable 1	Comparable 2	Comparable 3
Source	Tenancy Renewal	Tenancy Agreement	Lease Agreement
Location	Taman Perindustrian i-Park SAC, Senai, Johor	Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor	Taman Perindustrian i-Park SAC, Senai, Johor
Type	Single storey detached factory		
Tenure	Freehold / Term in perpetuity		
Lettable Floor Area	31,202 sq ft	27,980 sq ft	74,619 sq ft
Date of Agreement	17/11/2021	16/11/2021	16/06/2020
Concluded Rental	RM53,044/-	RM50,365/-	RM111,928/-
Analysis Rental (RM psf)	RM1.70 psf	RM1.80 psf	RM1.50 psf

Summary of the gross rentals adopted for the term and reversionary are tabulated as follows: -

Locality	Term Rental	Reversionary Rental
i-Park Indahpura Plot 15	RM1.50 - RM1.85 psf/month	RM1.50 psf/month
i-Park Indahpura Plot 16	RM1.50 - RM1.90 psf/month	RM1.50 psf/month
i-Park Senai Airport City Plot 43	RM1.60 - RM1.85 psf/month	RM1.70 psf/month

The other component of the Investment Method is the annual outgoings which comprises all the property related expenses such as property taxes, insurance, repair & maintenance cost as well as provision for property management fees. Void factor which relates to non-generation of rental income during the period between rent reviews and rent-free period is also construed as property expenses.

We have adopted a market corroborated capitalisation rate to arrive at the capital value of the subject property. In arriving at our opinion of the appropriate capitalisation rate, we have examined and analysed several past and recent sales of industrial premise. Exercising judgement based on our experience in the industry, we have compared the relative investment characteristics of the subject property and the sales. We have made necessary diligent adjustments to arrive at the capitalisation rate with emphasis given on the current property market condition, location, tenure, tenants' profile, quality and condition of the subject building. We also have taken into account the current economic condition, the existing and future demand and supply of industrial space in arriving the capitalisation rate.

VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (Cont'd)



CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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METHOD OF VALUATION

Income Approach (Investment Method) (Cont'd)

The yield analysis of selected industrial premises based on the past and recent transactions is tabulated as follows:-

Comparable	1	2	3	4
Location	No. 89A, Jalan i-Park 1/6, Kaw. Perindustrian i-Park, Bandar Indahpura, Kulai	PLO 823 & PLO 828, Kaw. Perindustrian Pasir Gudang, Pasir Gudang	No. 92, Jalan i-Park 1/10, Kaw. Perindustrian i-Park, Bandar Indahpura, Kulai	No. 21, Jalan Bioteknologi 3, Kaw. Perindustrian SiLC, Iskandar Puteri
Date	22/02/2022	15/03/2021	19/11/2020	31/07/2019
Consideration	RM16,300,000/-	RM75,000,000/-	RM12,984,000/-	RM14,300,000/-
Lettable Area	59,956 sq ft	464,613 sq ft	57,545 sq ft	45,984 sq ft
Tenure	Freehold	60-year leasehold with unexpired term of about 55 yrs and 53 yrs	Freehold	Freehold
Estimated Net Yield Rate	6.1%	6.2%	6.7%	5.2%

Source: CBRE|WTW Research

The above analysis revealed yields ranging from 5.2% to 6.7%. Our research on the yield trend revealed that yields of industrial premise are under further compression due to the moderate Malaysian economy, slower capital market activity and scarcity of quality investment which allows for long term rental income along with capital appreciation.

Having considered the above and other relevant factors including current market condition, location and accessibility, tenure, building characteristics, age, size and quality of the building, we have adopted the reversionary yield of 6.00% whilst the adopted term yields range from 5.75% to 6.50% to reflect the contracted rental rates are over or at market rate.

The yield rate adopted in the reversionary is market derived and we have allowed 0.25 basis point higher to reflect a risk premium, i.e., tenant risk and market risk during the reversionary period of an investment compared to the secured rental income received for the term.

Comparison Approach

Comparison Approach was used as a check method to see the reasonability of the value generated by the Income Approach (Investment Method).

The Comparison Approach entails analysing recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, accessibility, size of the building, age and condition of unit and building, size and shape of land, tenure, planning status, title restrictions if any and other relevant characteristics to arrive at the market value.

The principle of comparison is based on the economic concept of substitution, that a knowledgeable and prudent person would not pay more for a property than the cost of acquiring an equally satisfactory substitute. This implies that, within a suitable time-frame, the values of properties that are considered to be close substitutes in terms of location, utility and desirability will tend to be similar and the lowest price of the best alternative tends to establish market value.

We have compiled and analysed sale evidences in the localities of the subject property. In arriving at our opinion of value of the subject property using the Comparison Approach, the selected suitable sale evidences, amongst others, are considered and adopted.

The transactions data adopted in our valuation are either from Valuation and Property Services Department (JPPH) or concluded sales (SPA) which can be relied upon with significant level of certainty.

VALUATION CERTIFICATE FOR THE SUBJECT PROPERTIES (Cont'd)



CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

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OPINION OF VALUE

The table below is a summary of Market Values for the properties valued: -

No.	Property Details	Market Value
1	<p>Lot No. PTD 112796, Mukim of Senai, District of Kulai, Johor [60 (Plot 43), Jalan I-Park SAC 6, Taman Perindustrian I-Park SAC 81400 Senai, Johor]</p> <p>A single storey detached factory with mezzanine office and other ancillary buildings (Our Ref : WTW/04/V/011630/22/ABL)</p>	RM17,000,000/-
2	<p>Lot 98835, Mukim of Kulai, District of Kulai, Johor [13 (Plot 15), Jalan i-Park 1/1, Kawasan Perindustrian i-Park, Bandar Indahpura, 81000 Kulai, Johor]</p> <p>A single storey detached factory with mezzanine office and other ancillary buildings (Our Ref : WTW/04/V/011631/22/GKN)</p>	RM28,000,000/-
3	<p>Lot 98836, Mukim of Kulai, District of Kulai, Johor [14 (Plot 16), Jalan i-Park 1/1, Kawasan Perindustrian i-Park, Bandar Indahpura, 81000 Kulai, Johor]</p> <p>A single storey detached factory with mezzanine office and other ancillary buildings (Our Ref : WTW/04/V/011632/22/GKN)</p>	RM28,000,000/-
Grand Total		RM73,000,000/-

Yours faithfully
 for and on behalf of
CBRE WTW Valuation & Advisory Sdn Bhd
 (formerly known as C H Williams Talhar & Wong Sdn Bhd)



Sr LO KIN WENG

B. (Hons) Estate Mgt. MRICS, MRISM, MPEPS
 Registered Valuer (V-917)