AME

4th ANNUAL GENERAL MEETING

Presentation to Shareholders

Question from the Minority Shareholders Watch Group (MSWG)

28 September 2022

AME

1. **Financial Performance**

For the Financial Year Ended 31 March (RM'000)	FY2018	FY2019	FY2020	FY2021	FY2022
Profit Before Tax (PBT)	95,219	72,591	88,675	79,639	68,905

(Source: Page 7 of the Annual Report 2022)

In FY2022, the Group recorded a PBT of RM68,905,000 compared to a PBT of RM79,639,000 in FY2021. This represents a decline of RM10,734,000 or 13.48%, with almost all the business segments reporting lower PBT (Pages 156-157 of the Annual Report 2022). FY2022's PBT was also the lowest since FY2019.

(a) How does the Board plan to address the Group's financial performance?

Response:

AME's financial performance in FY2021 and FY2022 was adversely affected by Covid-19 pandemic and closure of international borders. Supported by the reopening of international borders, we will continue to work on securing new investments, leveraging on Malaysia's status as an attractive investment hub in Southeast Asia.

We have also commenced the development of our new industrial park, namely i-TechValley in quarter 1 of the FY 2023 and we will continue developing i-Park @ Senai Airport City (Phase 3) to improve the Group's profitability.

While mindful of potential changes in the business landscape in light of economic challenges at the macro level, we continue to identify and transform suitable landbank, to replicate our i-Park model in the central and southern regions of Peninsular Malaysia.

(b) What is the outlook for the Group's business segments in FY2023?

Response:

AME recorded resilient new sales of RM65.8 million in 1Q23 (+1.5% yoy, +75.0% qoq) and bookings of RM124.6 million, underscoring high demand for the Group's industrial park properties. Hence, the Group is optimistic of recording better performance in FY2023.

2. **The Group's other expenses increased significantly to RM4,499,140 from RM1,295,118 in FY2021 (Page 108 of the Annual Report 2022).**

What are the reasons for the significant increase in other expenses? Please provide the breakdown of these expenses.

Response:

The higher other expenses in FY2022 was mainly due to the fair value loss of investment properties of RM3.3 million.

The breakdown of the other expenses is as following:

Description	FY2022 (RM)	FY2021 (RM)
Change in fair value of investment properties	3,298,719	--
Others	1,200,421	1,295,118
Total	**4,499,140**	**1,295,118**

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3. **Joint Venture**

AME recorded a share of profit of an equity-accounted joint venture of RM1,623,277 in FY2022, which is lower by RM1,886,834 or 53.75% compared to a share of profit of RM3,510,111 recorded in FY2021 (Page 108 of the Annual Report 2022).

AME's share of profits of the equity-accounted joint venture (JV) from FY2020 to FY2022 are as follows:

FY2022	RM1,623,277
FY2021	RM3,510,111
FY2020	RM5,239,270

(a) What are the main reasons for another lower share of profit recorded in FY2022?

Response:

The project was near completion with 95% of the development properties sold/leased as at 31 March 2022, which was reflected in the decreased share of profit in line with lower revenue recognition during the financial year.

(b) What is the Board's plan regarding the investment in the JV company as the share of profit shows a decreasing trend?

Response:

The Group will continue to develop the remaining units and target to reach a 100% take-up rate for the project. On the other hand, in August 2022, the Group had also formed a joint venture with Majestic Builders Sdn Bhd to jointly develop an integrated industrial park with workers' dormitories in Seberang Perai Tengah, Penang. This project has a GDV of RM1 billion and is expected to commence by the third quarter of 2023.

(c) What is the outlook for the JV company in FY2023?

<u>Response:</u>

AME would continue to assess new opportunities under the JV. While pending the contribution from the abovementioned new JV in Penang, a lower contribution would be expected from the existing JV for FY2023.

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4. <u>Property Development Segment</u>

(a) AME reaching record-high new sales of RM168.4 million in FY2022. While the 20.0% rise from RM140.3 million a year ago was anchored by take-ups in its i-Parks in Senai Airport City and Indahpura (Page 13 of the Annual Report 2022).

What are the current take-up rates for i-Parks in Senai Airport City and Indahpura? What are the targeted sales for the next two financial years?

Response:

The take-up rates for i-Parks in Senai Airport City and Indahpura as at 1Q FY2023 are shown in the table below:

i-Park	Phase	Take-up rate
i-Park @ Senai Airport City	1 & 2	98%
	3 & 3 Plus	48%
i-Park @ Indahpura	1 & 2	97%
	3	95%

The Group targets to achieve sales of RM250 million and RM300 million from the above developments and i-TechValley for FY2023 and FY2024 respectively.

(b) i-TechValley, with a gross development value potential of RM1.5 billion, has already welcomed its first key customer, Nasdaq-listed medical device giant Insulet Corporation, where AME will build its first Southeast Asia manufacturing facility (Page 13 of the Annual Report 2022).

Has the Segment commenced the building of the manufacturing facility? If so, what is the update on this and its progress?

Response:

AME has commenced the development for i-TechValley during Q1 FY2023. Construction of the new manufacturing facility for Insulet Corporation has commenced in Q2 FY2023 and is expected to complete by FY2024.

5. **Investment Holding/ Property Investment and Management Services Segment**

(a) AME increased the number of leased industrial properties to 39 in FY2022 compared to 37 units a year ago (Page 13 of the Annual Report 2022).

What is the targeted number of industrial properties to be leased out in FY2023, and type of the industrial properties to be leased out?

Response:

The Group has secured four leased units in FY2023 to-date.

We do not set a targeted number of industrial properties to be leased per year, as it depends on the clients' preference on the preferred mode of entry, either through property sales or lease.

(b) The Segment's i-Stay dormitories at Indahpura and Senai Airport City maintained high occupancy rates of 96% and 76% respectively as at 31 March 2022 (Page 13 of the Annual Report 2022).

Can i-stay dormitories at Senai Airport City occupancy rate be increased further? What are the targeted occupancy rates for the i-Stay dormitories in FY2023?

Response:

The occupancy rate for i-Stay @ Senai Airport City is expected to increase to above 95% in FY2023. The previous record of 76% occupancy rate for i-Stay @ Senai Airport City was mainly due to transition period between outgoing and new tenants. The new tenants will move in by batches and gradually increase the occupancy rate.

6. **<u>Construction and Engineering Segments</u>**

In October 2021, AME bagged its single largest construction contract to-date of RM359.0 million, to construct a new integrated production facility, logistics warehouse and office building.

With this, AME's construction and engineering orderbook hit RM349.3 million as at 31 March 2022, firmly rebounding 136.7% from RM147.6 million in the previous year (Page 14 of the Annual Report 2022).

(a) How long will the current orderbook last? Do the Segments expect to be awarded another single large construction contract in FY2023?

Response:

AME's orderbook of RM318.7 million as at 30 June 2022 is expected to provide the Group with earnings visibility till FY2024.

The Group's strategy is to focus its construction resources to undertake more internal construction projects located within its i-Parks, which will contribute to its property development segment instead of the construction segment.

(b) What are AME's current construction projects and their progress?

Response:

As at 30 June 2022, the Group's ongoing construction and engineering projects are as follows:

Description of Projects	Expected Completion Date (CY)	Total Contract Value (RM'mil)
Construction Services		
An integrated production facility, logistics warehouse and office building	2Q 2023	359.0
A single-storey factory unit and a single-storey Warehouse	4Q 2022	34.0
Others		13.8
	Total	**406.8**

(c) What is the latest orderbook, and targeted orderbook replenishment in the next two financial years?

Response:

AME's construction and engineering orderbook as at 30 June 2022 was amounted to RM318.7 million. Going forward, the Group will prioritise our internal projects over external tenders.

7. **As disclosed on page 95 of the Annual Report 2022, the amount paid for non-audit services provided by the Auditors amounted to RM460,100. This was 112.22% of the audit fees of RM410,000.**

   The non-audit fees incurred are for the advisory services in connection with the proposed establishment and listing of an industrial real estate investment trust on the Main Market of Bursa Securities, quarterly review of the Company's interim financial reports, and corporate tax computation and submission services rendered to the Group by a firm affiliated to the external auditors.

   (a) Please provide the breakdown of the non-audit fees for each of the non-audit services provided by the Auditors.

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Description	AME Group (RM)
KPMG PLT	
1. Review on Statement on Risk Management and Internal Control of the Annual Report 2022.	12,000
2. Quarterly review of the Company's interim financial reports for the financial period ended:	
- 30 June 2021;	26,500
- 30 September 2021; and	26,500
- 31 December 2021.	26,500
3. Fees for acting as Reporting Accountants in connection with the proposed establishment and listing of an industrial real estate investment trust on the Main Market of Bursa Securities ("**Proposed REIT Listing**").	260,000
Sub-total	**351,500**
KPMG Tax Services Sdn Bhd	
4. Corporate tax computation and submission services.	74,100
5. Tax advisory services in connection with the Proposed REIT Listing.	15,000
6. Other tax advisory services.	19,500
Sub-total	**108,600**
Grand-total	**460,100**

Response:

The amount of non-audit fees paid or payable to the Company's external auditors, KPMG PLT, and a firm affiliated to the external auditors' firm, KPMG Tax Services Sdn Bhd, for FY2022 are shown in the table here.

Corporate Governance Matters

As disclosed in the table, the amount of non-audit fees paid to the external auditors, KPMG PLT, for the FY2022 was RM351,500, which includes the progress billing of RM260,000 for one-off fees for acting as Reporting Accountants in connection with the Proposed REIT Listing. Excluding the said one-off fees, the amount of non-audit fees paid to the external auditors for the FY2022 was only RM91,500, representing 22.3% of the audit fees of RM410,000.

The balance amount of RM108,600 (inclusive of the progress billing of RM15,000 for an one-off tax advisory fee in connection with the Proposed REIT Listing) was paid for the corporate tax computation and submission services as well as the tax advisory services provided by the Company's tax agent, KPMG Tax Services Sdn Bhd.

(b) What is the audit committee's policy when it comes to non-audit fees paid to the external auditor? Is there a percentage limit?

Response:

With an aim to ensure that the provision of non-audit services by the external auditors to AME Group does not impair the external auditors' independence or objectivity, the Audit and Risk Management Committee ("**ARMC**") gives due regard and consideration to the following elements:

(a) whether the skills and experience of the external auditors make it a suitable service provider of the non-audit service;

(b) whether safeguards are available and deployed to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the non-audit services provided by the external auditors; and

(c) the nature of the non-audit services, the related fee levels and the fee levels individually, and in aggregate relative to the audit fee.

The ARMC has a policy to ensure engagements of the external auditors to provide non-audit services which value in aggregate exceeds 50% of the latest Company's audit fees are subject to the approval of the ARMC. The ARMC has considered that the provision of non-audit services by the external auditors and their affiliates during the FY2022 was not in conflict with the external auditors' audit services and did not compromise their independence and objectivity.

Thank You