



5th ANNUAL GENERAL MEETING

Presentation to Shareholders

Questions from the Minority Shareholders Watch Group (MSWG)

25 August 2023

1. Financial Performance

	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Statements of Profit or Loss and Other Comprehensive Income Summary					
Revenue	339,013	380,346	460,605	398,387	575,912
Earning Before Interest, Tax, Depreciation and Amortisation (EBITDA)	81,373	105,159	91,798	82,558	192,418
Earning Before Interest and Tax (EBIT)	76,006	98,634	85,037	76,205	186,415
Profit Before Tax (PBT)	72,591	88,675	79,639	68,905	172,920

(Source: Page 7 of the Annual Report 2023/AR2023)

As reported above, AME recorded revenue of RM575,912,000 and a profit before tax (PBT) of RM172,920,000 in FY2023. Both the revenue and PBT for the year are the highest since FY2019.

The highest PBT recorded in FY2023 was mainly due to the fair value gains on investment properties (other income) amounting to RM116,263,734 (Page 179 of AR2023). Without this other income, AME would have recorded a PBT of only RM56,655,996 in FY2023 (Page 127 of AR2023).

What is the prospect of increasing pre-tax earnings from the core business income in the next financial year?

Responses:

For FY2023, the improved performance was mainly due to higher contribution from property development segment, which saw a 49.02% jump in revenue to RM213.60 million from RM143.34 million in FY2022 as well as higher fair value gains on investment properties of RM116.26 million in FY2023 as compared to fair value losses of RM3.30 million in FY2022.

Of the total RM116.26 million fair value gains on investment properties in FY2023, RM66.50 million was contributed by the sale of a total 12 industrial properties from inventories to AME REIT in FY2023 while RM49.76 million arose from the annual valuation of our investment properties.

The sale of industrial leasing properties (from Property Development Division) to AME REIT (under Investment Property Division) is in the ordinary course of AME's business and the gains from which form part of our core business income. This is also aligned with AME's strategy to optimise our property investment activities, unlock the value of its assets and allocate capital more efficiently to drive future growth.

Going forward, we are optimistic about benefiting from improved business conditions for the financial year ending 31 March 2024, due to the demand for our industrial park properties at i-Park@Indahpura, i-Park@Senai Airport City and i-TechValley in SILC.

2. Construction and Engineering Services Segments

The segments' PBT decreased to RM10.3 million from RM17.3 million in FY2022 due to changes in project mix and margins (Page 17 of AR2023).

In terms of new contracts, the segments secured a construction contract worth RM10.2 million and engineering contracts worth RM100.9 million during FY2023, a lower amount compared to the previous financial year's total of RM442.6 million (Page 16 of AR2023).

(a) What is the progress of the segments' current projects?

Responses:

The progress of AME's construction and engineering segment's key external projects as at 30 June 2023 was as follows:

Description of Projects	Location	Estimated Completion (CY)	Total Contract Value (RM'mil)	Remaining Orderbook (RM'mil)
An integrated production facility, logistics warehouse and office building	Johor	4Q2023	359.0	68.6
Others	--	--	40.8	17.1
<i>Subtotal – Construction</i>			399.8	85.7
Fire protection and public addressable system	Kulim, Kedah	3Q2023	78.0	46.5
Others			19.9	6.0
<i>Subtotal – Engineering</i>			97.9	52.5
Grand total			497.7	138.2

2. Construction and Engineering Services Segments (Cont'd)

(b) What are the reasons for the changes in project mix and margins? What is the outlook for the margins in FY2024?

Responses:

The project mix differs based on the type of projects that we secure. Project margins are influenced by various factors such as completion stage, material and labour costs and contractual pricing. Based on the Group's ongoing projects, our FY2024 margin for the construction and engineering segments are expected to remain at a similar level as FY2023.

2. Construction and Engineering Services Segments (Cont'd)

(c) As the contract secured in FY2023 was lower than the previous financial year, are the segments facing difficulty in securing new contracts? If so, what are the measures taken to manage the difficulty?

Responses:

The construction contracts of RM10.2 million and engineering contracts of RM100.9 million refers to the external contracts secured in FY2023. Aside external contracts, our construction and engineering segments also undertake internal projects for our property development segment.

To capture the high demand for the Group's industrial park properties, AME's strategy is to focus its construction resources to undertake more internal construction projects within its industrial parks, which will contribute to its property development segment instead of the construction segment.

2. Construction and Engineering Services Segments (Cont'd)

(d) What is the latest total orderbook and targeted orderbook replenishment for both segments in FY2024?

Responses:

AME's construction and engineering orderbook as at 30 June 2023 amounted to RM138.2 million. Going forward, the Group will prioritise our internal projects over external tenders.

3. Property Development Segment

In FY2023, the segment achieved record-breaking new sales of RM479.2 million, a significant growth from RM168.4 million in the previous financial year, on strong demand for our industrial properties at i-Park@ Senai Airport City and the newly launched i-TechValley in SILC (Page 15 of AR2023).

(a) What are the current take-up rates for i-Parks in Senai Airport City and the newly launched i-TechValley in SILC?

Responses:

The take-up rates for i-Park@Senai Airport City and i-TechValley in SILC as at 30 June 2023 are as follows:

Industrial Park Development	Phase	Take-Up Rate
i-Park@Senai Airport City	1 & 2	98%
	3 & 3 Plus	83%
i-TechValley	--	18%

(b) What are the targeted sales for the i-TechValley in SILC in FY2024?

Responses:

The Group targets to achieve sales of approximately RM250 million from i-TechValley in FY2024.

4. Industrial Park Expansion

As part of the Group strategic expansions, it is pursuing joint development of a strategic 176- acre parcel of land in Seberang Perai Tengah, Penang that holds great potential for an integrated industrial park with a GDV of RM1.0 billion. The land acquisition process is underway, and the Group is working towards completing and obtaining the necessary procedures and approval (Page 10 of AR2023).

(a) What is the update on completing and obtaining the necessary procedures and approval?

Responses:

On 16 February 2023 and subsequently on 18 August 2023, AME entered into mutual agreement with Waz Lian Holdings Sdn Bhd (Vendor) to extend terms of SPA (land conversion date, cut-off date, and in-kind properties delivery date, etc.) to obtain necessary authority approvals. Please refer to our Bursa announcement for more details.

4. Industrial Park Expansion (Cont'd)

(b) How will this integrated industrial park attract local and international businesses?

Responses:

Penang is an internationally renowned destination for the tech industry and high-value manufacturing sectors. With our proven expertise and experience, we are confident of replicating our successful integrated industrial park model in Penang. Moreover, the global recognition of our integrated industrial parks, underscored by reputed industry awards, further enhances our appeal in attracting investors.

5. Corporate Governance

As disclosed on Page 109 of AR2023, the amount paid for non-audit services provided by the Auditors amounted to RM448,500. This was 97.50% of the audit fees of RM460,000.

The non-audit fees incurred are mainly 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 advisory services in connection with the proposed disposal of 3 industrial properties to AME Real Estate Investment Trust by the external auditors, corporate tax computation and submission services rendered to the Group by a firm affiliated to the external auditors.

The Audit and Risk Management Committee (ARMC) had considered that the provision of non-audit services by the External Auditors and their affiliates during FY2023 did not conflict with the External Auditors' audit services and did not compromise their independence and objectivity (Page 100 of AR2023).

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

Description	AME Group (RM)
KPMG PLT	
1. Review on Statement on Risk Management and Internal Control of the Annual Report 2023 of the Company and AME Real Estate Investment Trust ("AME REIT"), a subsidiary of the Company.	22,000
2. Quarterly review of the Company's interim financial reports for the financial period ended: - 30 June 2022; - 30 September 2022; and - 31 December 2022.	26,500 26,500 26,500
3. Certification for the renovation and refurbishment cost list for tax deduction.	2,000
Sub-total	103,500
4. Fees for acting as Reporting Accountants in connection with the establishment and listing of AME REIT on the Main Market of Bursa Malaysia Securities Berhad ("AME REIT Listing").	115,000
5. Review of the pro forma effects in the Company's Circular dated 26 April 2022 for the disposals of 3 industrial properties by the subsidiaries of the Company to AME REIT ("Disposals to AME REIT").	55,000
Sub-total	170,000
Total	273,500
KPMG Tax Services Sdn Bhd	
6. Corporate tax computation and submission services.	95,700
7. Tax advisory services in connection with AME REIT Listing.	75,000
8. Other tax advisory services.	4,300
Total	175,000
Grand-total	448,500

Responses:

The non-audit fees incurred for FY2023 by the Group were for professional services provided by its external auditors, KPMG PLT, and a firm affiliated to the external auditors' firm, KPMG Tax Services Sdn Bhd.

The breakdown of the non-audit fees of RM448,500 is as shown in the table which you see on screen. The non-audit services provided by KPMG PLT was only RM103,500, which are as described in item 1, 2 and 3. It represents 22.5% of the audit fees of RM460,000.

Item 4 is a fee of RM115,000 which was for acting as Reporting Accountants in connection with AME REIT Listing whilst item 5 is an one-off fee of RM55,000 for the review of pro forma effects in the Company's Circular dated 26 April 2022 for the Disposals to AME REIT.

The balance amount of RM175,000 were for services provided by KPMG Tax Services Sdn Bhd comprising RM100,000 for the corporate tax computation and submission services as well as the tax advisory services, and RM75,000 was for an one-off tax advisory fee on AME REIT Listing.

5. Corporate Governance (Cont'd)

(b) What were the processes used in ARMC's review in which it considered that the provisions of non-audit services by the External Auditors and their affiliates during FY2023 did not conflict with the External Auditors' audit services and did not compromise their independence and objectivity?

Responses:

In May 2023, ARMC of AME (which comprises solely Independent Non-Executive Directors) had a one-to-one private evaluation session with the new audit partner-in-charge of the Company's External Auditors to assess their suitability, objectivity and independence. The evaluation session covered the following:

- a) Calibre of external audit firm;
- b) Quality processes/performance;
- c) Audit team;
- d) Independence and objectivity;
- e) Audit scope and planning
- f) Audit fees; and
- g) Audit communications.

5. Corporate Governance (Cont'd)

Responses (Cont'd):

Overall, no major concern had arisen from the assessment and the ARMC had also considered the new audit partner-in-charge who was responsible for the Group's statutory audit for FY2023. Moreover, the major non-audit services engagements with the External Auditors were in connection with AME REIT Listing and the engagements had been completed upon AME REIT Listing in September 2022.

In addition, written assurance was obtained from the External Auditors confirming that they are, and have been, independent throughout the audit engagement under the terms of all relevant professional and regulatory requirements.

Thank You