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Our Mission

To maximise income in order to reward unitholders with a competitive rate of return for their investments through regular and stable distributions and achieving long-term growth in distributions and Net Asset Value per unit.

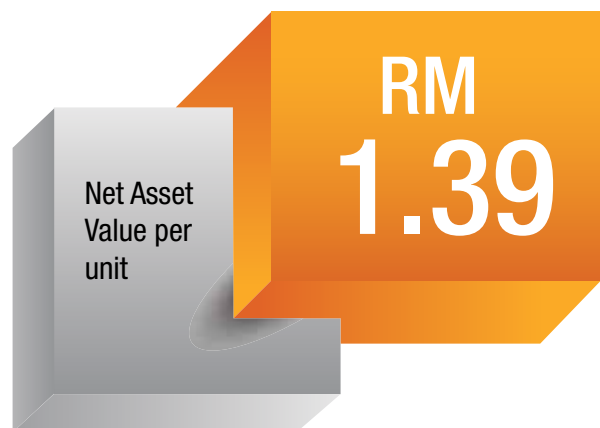
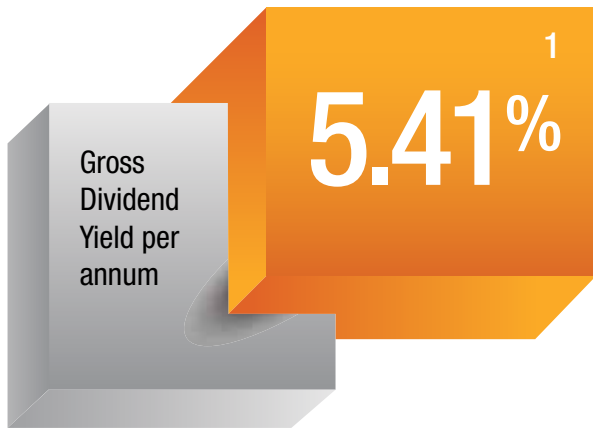


Atrium REIT is an industrial asset focused real estate investment trust constituted by a Trust Deed entered into on 20 November 2006, amended by the Supplementary Deed dated 25 November 2008 and the Restated Deed dated 24 March 2016 between CIMB Commerce Trustee Berhad (formerly known as BHLB Trustee Berhad) as the Trustee and Atrium REIT Managers Sdn Bhd as the Manager. Atrium REIT was listed on Main Board of Bursa Malaysia Securities Berhad on 2 April 2007

On 21 April 2016, the Manager, CIMB Commerce Trustee Berhad (“Retiring Trustee”) and Pacific Trustees Berhad (“New Trustee”) entered into a Supplementary Deed to effect the change of trustee of Atrium REIT from the Retiring Trustee to the New Trustee. The change of trustee was effected on 6 May 2016 upon the registration and lodgement of the Supplementary Deed with the Securities Commission on 6 May 2016 and 11 May 2016 respectively.

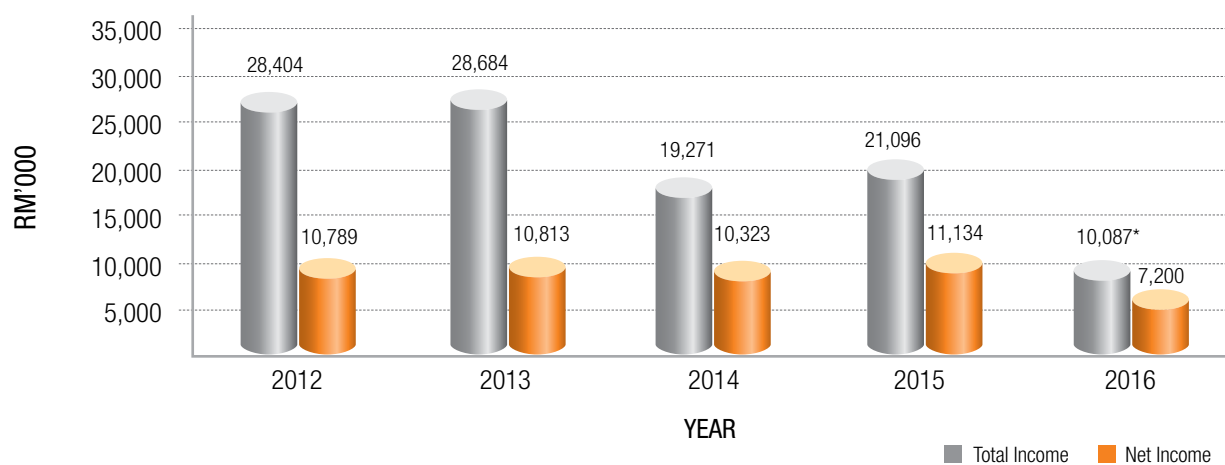
Atrium REIT’s property portfolio consists of four industrial properties located in prime locations in the Klang Valley, namely, Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Puchong and Atrium USJ.

4  Financial Highlights

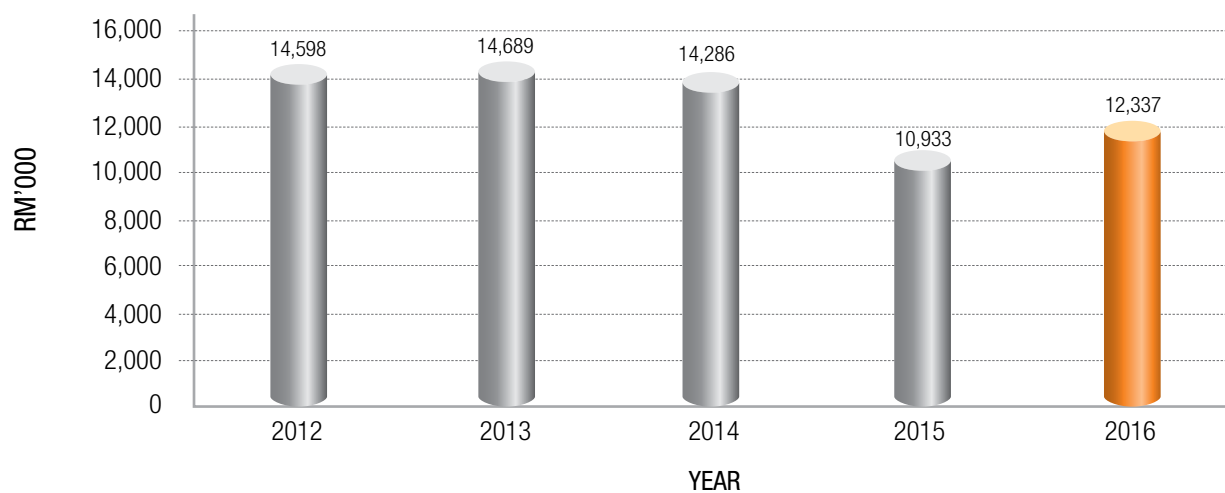


1. Based on closing market price on 31 December 2016 of RM1.09 per unit

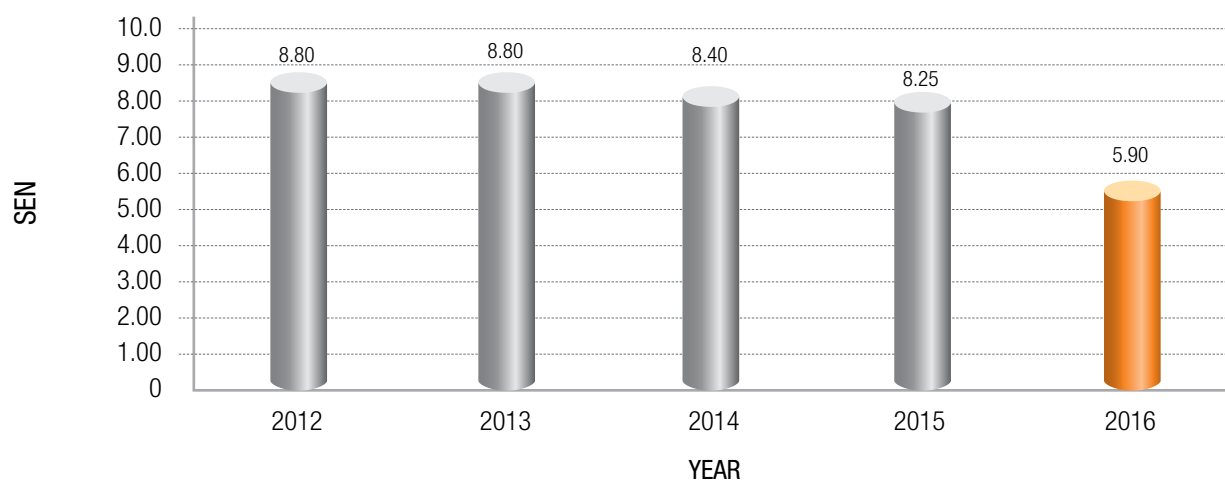
TOTAL INCOME AND REALISED NET INCOME



NET PROPERTY INCOME



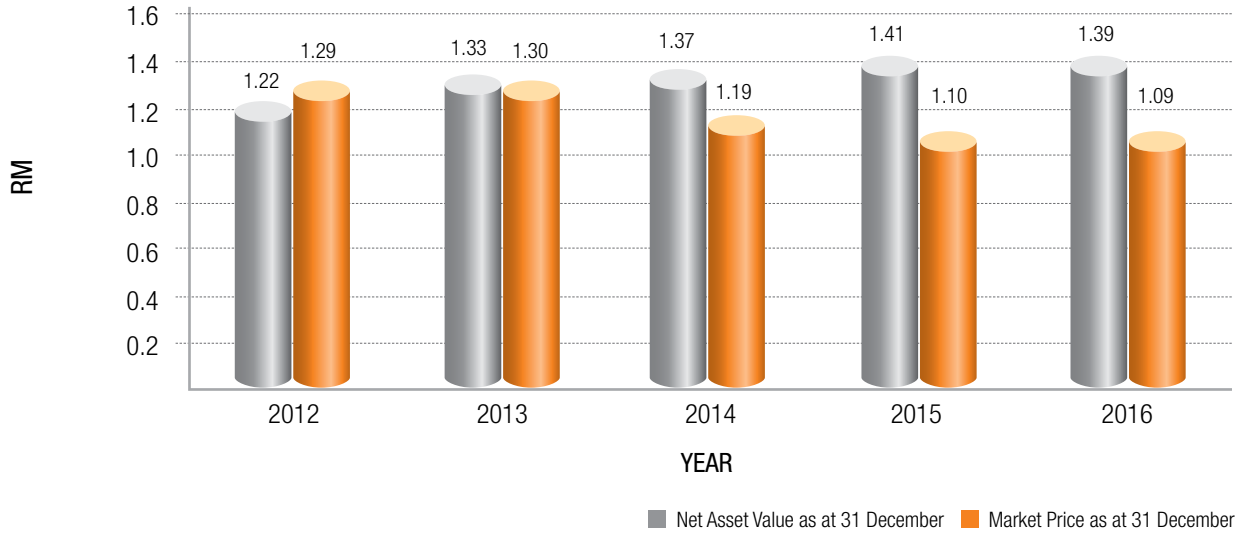
DISTRIBUTION PER UNIT



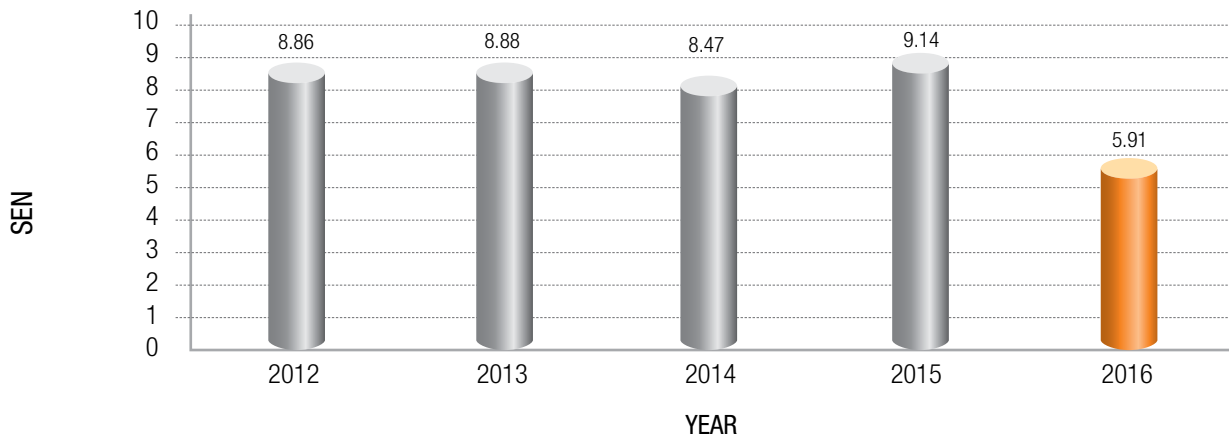
* Inclusive of the net fair value loss of investment properties of RM2,513,398 (2015: Net fair value gain of RM4,291,163)

6  Financial Highlights

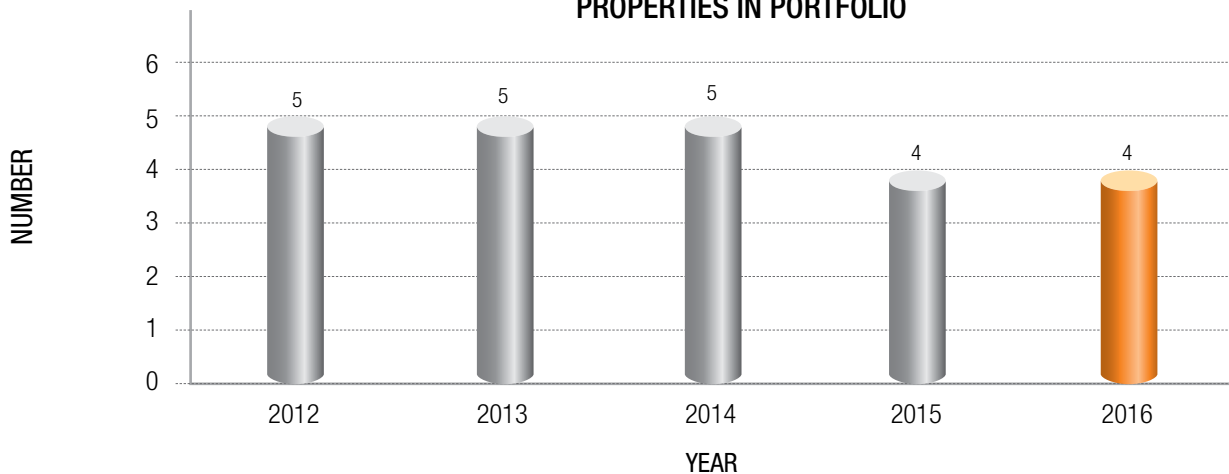
NET ASSET VALUE AND MARKET PRICE PER UNIT



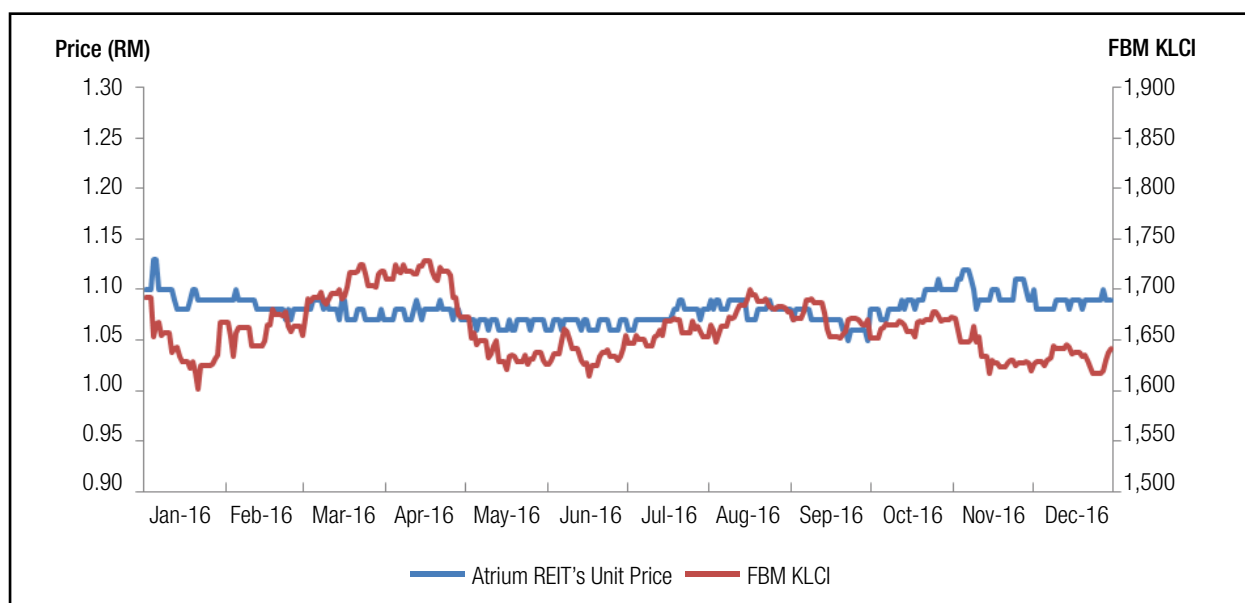
EARNINGS PER UNIT (Realised)



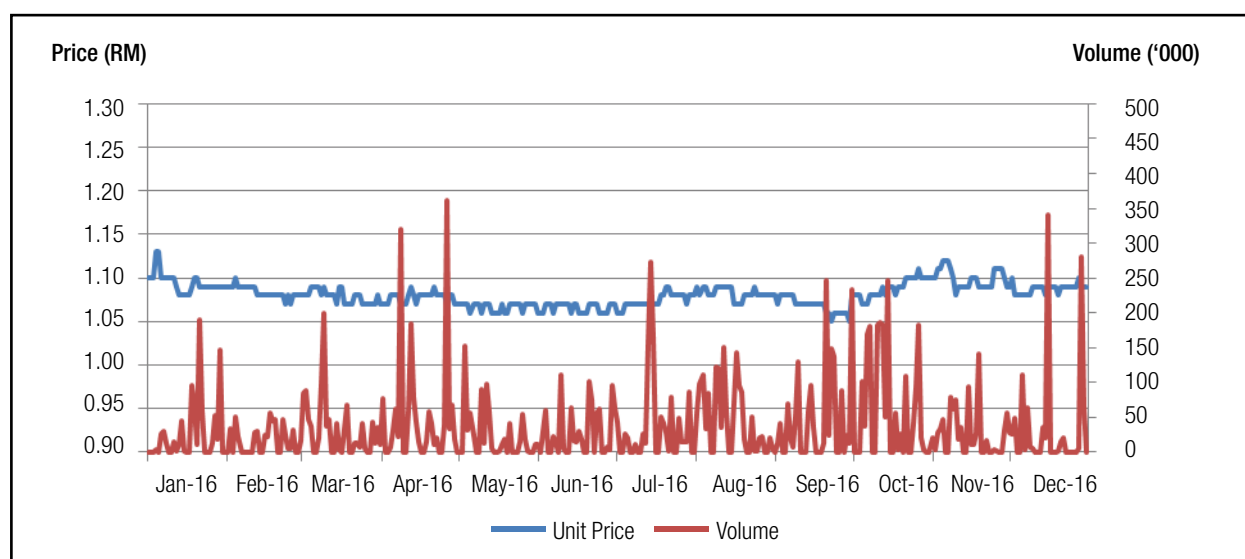
PROPERTIES IN PORTFOLIO



ATRIUM REIT'S UNIT PRICE VS FBM KLCI



UNIT PRICE VS VOLUME



	2016	2015	2014	2013	2012
Asset Under Management (RM'000)	236,300	221,900	226,200	221,700	208,100
Total Borrowings (RM'000)	59,600	59,600	65,000	65,000	65,000
Total Unitholders Funds (RM'000)	171,138	173,272	168,505	164,401	150,706
Market Capitalisation² (RM'000)	132,763	133,981	144,943	158,341	157,123
Unit Price² (RM)	1.09	1.10	1.19	1.30	1.29
Units in Circulation ('000)	121,801	121,801	121,801	121,801	121,801

2. Based on respective closing prices on 31 December

8 Salient Features of the Fund

Name of fund	: Atrium REIT
Fund category	: Real Estate
Fund type	: Growth and income
Investment objectives	: To maximise income in order to reward unitholders with annual stable distributions of income and to acquire quality assets to achieve long-term growth in the Net Asset Value per unit of the Fund
Fund investment strategy	: Aim to achieve the primary objectives of the Fund by implementing investment and growth strategies such as organic growth strategies, acquisition strategies and financing strategies.
Term of the Trust	: Atrium REIT will continue its operation until such time as determined by the Trustee and the Manager as provided under the provision of Clause 19 of the Restated dated 24 March 2016.
Approved size of Fund	: 121,801,000 units
Authorised investments	: - Invest in real estates, single-purpose companies, real estate-related assets, non-real estate-related assets and liquid assets - At least 50% of the total asset value of Atrium REIT must be invested in real estate assets and/or single-purpose companies at all times; and - Investment in non-real estate-related assets and/or cash, deposits and money market instruments must not exceed 25% of Atrium REIT's total asset value.
Financial year end	: 31 December
Distribution policy	: At least 90% of the distributable income of Atrium REIT shall be distributed semi-annually or at such other intervals as determined by the Manager in its absolute discretion; in arrears.
Borrowing limitations	: Up to 50% of the total asset value of the Fund at the time the borrowing is incurred.
Revaluation policy	: The real estates shall be revalued at least once every (3) years from the date of the last valuation (or such other times as required under the Securities Commission Guidelines on REITs), or at any time where the Trustee, the Manager or the independent auditor appointed by Atrium REIT reasonably believes that there has been a significant change in the value of real estates.
Redemption policy	: Unitholders have no right to request the Fund to repurchase their units while the units are listed.
Minimum initial investment	: Minimum of 100 units
Minimum additional investments	: Multiples of 100 units
Investor profile	: Suitable for investors who understand the risks related to the real estate industry and expect to benefit from the periodic distribution of income and long term growth of the Fund.
Board lot	: 100 units per board lot
Quotation	: Main Board of Bursa Malaysia Securities Berhad
Bursa Malaysia Stock Number	: ATRIUM 5130



Dear Unitholders,

On behalf of the Board of Directors of Atrium REIT Managers Sdn Bhd (“Manager”), once again I derive great pleasure in presenting to you the Annual Report of the Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”) for the financial year ended 31 December 2016 (“FY2016”).



Overview

On 21 April 2016, the Manager, CIMB Commerce Trustee Berhad (“Retiring Trustee”) and Pacific Trustees Berhad (“New Trustee”) entered into a Supplementary Deed to effect the change of trustee of Atrium REIT from the Retiring Trustee to the New Trustee. The change took effect with the registration of the Supplementary Deed with the Securities Commission on 6 May 2016. On behalf of the Board of Directors, I would like to thank the Retiring Trustee for all their contribution and support to the Trust and to the Manager and wish them all the best in their future undertakings. I also would like to take the opportunity to welcome the New Trustee on board and look forward to a great partnership to bring the Trust to even greater heights.

During the financial year, Pacific Trustees Berhad, on behalf of Atrium REIT, entered into a Sale and Purchase Agreement with Pacific BBA (Malaysia) Sdn Bhd to acquire a double storey office with annexed two adjoining single storey factories located at No. 17, Persiaran Sabak Bernam, Section 26 Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan at a purchase consideration of RM23.00 Million (inclusive of 6% GST) (“SPA”). The management is targeting to complete the

SPA in the month of February/March 2017. With this acquisition, Atrium REIT added another property in the prime Shah Alam industrial area to its portfolio.

I am pleased to inform the unitholders that the portfolio occupancy for Atrium REIT as at 31 December 2016 is 91.71% (2015:65.23%) with new tenants secured during the financial year for Atrium Shah Alam 2 and Atrium Puchong. The Asset Enhancement Initiatives (“AEI”) undertaken during the year for Atrium Shah Alam 1 and Atrium Shah Alam 2 were also successfully completed, pending the final power upgrade at Atrium Shah Alam 1.

In compliance to the Malaysian Financial Reporting Standard 140, a revaluation was carried out by the Trust on its portfolio of properties at the close of FY2016. Raine & Horne International Zaki + Partners Sdn Bhd, an independent registered valuer appointed to carry out this revaluation exercise, has adopted a combination of valuation methods in their assessments and a net fair value loss on revaluation of RM2.51 million have been duly reflected in the financial statements.

As at 31 December 2016, the total assets of the Trust increased to RM243.00 million while the gearing level decreased

to 24.53% which provides significant debt headroom for future acquisitions.

Financial Performance

For the FY2016, Atrium REIT’s gross revenue of RM14.52 million and net property income of RM12.34 million were 12.86% and 12.84% higher year-on-year respectively. This was mainly due to the rental income from Atrium Puchong which was partly rented out to a local logistics company since 1 October 2015. However, the increase was moderated by the loss of rental at Atrium Shah Alam 2 for the 1Q 2016 due to the implementation of the Asset Enhancement Initiative.

The net income (realised) was 35.33% lower year-on-year due mainly to the one-off gain on disposal of Atrium Rawang recorded in the last financial year whilst increase in property expenses also contributed to the decrease in FY2016. Consequently, the distribution per unit for FY2016 decreased to 5.90 sen per unit which was 28.48% lower year-on-year.

As at 31 December 2016, Atrium REIT’s NAV decreased to RM171.14 million, representing a marginal decrease of 1.23% year-on-year as a result of the net fair value loss on revaluation.

10  **Chairman's Statement**

Operations Review

During the financial year, the Manager successfully secured new tenants for Atrium Shah Alam 2 and also Atrium Puchong. The Trust experienced positive rental reversions for both the new tenancies secured in FY2016, an indication of the quality of the tenants and the properties owned by the Trust.

The AEI at Atrium Shah Alam 2 which commenced in the first quarter of 2016 was successfully completed during the year. The AEI involved mainly the upgrading and refurbishment of the whole warehouse floor slab and roof, replacement of the warehouse lighting system, replacement of the rain water goods, external wall and facade repainting as well as sheet piling works at the rear boundary of the property. The AEI carried out for Atrium Shah Alam 1 was also successfully completed during the year, pending the final upgrade of the incoming power from 3,000amp to 5,000amp. The AEI involved mainly the replacement of one new passenger lift, changing of the whole warehouse lighting system, upgrading of the power supply, installation of additional translucent sheets around the perimeter of the warehouse building, external wall and facade repainting and upgrading of the toilets in the office building.

2017 Outlook

Global growth is expected to weaken to 3.1% in 2016, as a result of a more subdued outlook for advanced economies following the June Brexit and weaker-than-expected growth in the United States. As a result of the above factors, the 2016 growth for advanced economies is expected to weaken to 1.6%. While

the growth in emerging market and developing economies is expected to strengthen slightly in 2016 to 4.2% after five consecutive years of decline, the outlook for these economies is uneven and generally weaker than in the past.

However, the recovery of the global economy is expected to gather some pace in 2017 and beyond, driven primarily by emerging market and developing economies, as conditions in stressed economies gradually normalize. With the rising growth in emerging market and developing economies expected to more than make up for the steady slowdown in growth in China, the global growth in 2017 is projected to increase to 3.4%. Growth in advanced economies is also projected to pick up with a slight increase to 1.8%, reflecting primarily a strengthening of the recovery in the United States and Canada and a rebound in Japan due to the recent fiscal stimulus. However, the growth in the Euro area and the United Kingdom, is projected to be lower due to the macroeconomic repercussions of heightened uncertainty in the aftermath of the June Brexit.

Malaysia's GDP is expected to grow by 4.2% for 2016 with domestic demand continuing to be the main driver of growth while the external sector remains sluggish. For 2017, the GDP growth is expected to increase moderately with growth in the region of 4.5% to 5.5%. While domestic demand will continue to be the engine of growth, export demand is expected to improve further in 2017.

For 2017, the Manager expects the Trust's portfolio of properties to maintain its 100% occupancy. Consequently, the distribution per unit is expected to improve

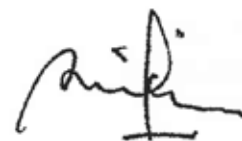
as compared to 2016. The Manager remains committed to the sustainable and measured growth of Atrium REIT in order to continue to deliver stable and attractive returns to its unitholders.

Change to the Board

On behalf of the Board, I would like to take this opportunity to welcome our new Independent Director, Mr. Chan Wan Seong, to the board. With his vast experience and knowledge of the commercial and investment banking industry, he will be invaluable to add considerable depth and vision to the Board.

Appreciation

On behalf of the Board of Directors of Atrium REIT Managers Sdn Bhd, I would like to thank my fellow Board members for their advice and contributions throughout the year, our tenants and business associates, the regulatory authorities, investors and Unitholders, for their strong support. I would also like to thank the management team for the concerted effort and hardwork in 2016 and I look forward to another fruitful year ahead with the continued support of my fellow Board members and our valued stakeholders.



DATO' DR IR MOHAMAD KHIR BIN HARUN
Chairman
Atrium REIT Managers Sdn Bhd
 Date : 23 February 2017

Atrium Shah Alam 1



Property	: Atrium Shah Alam 1
Address	: Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor, Malaysia
Title details	: GRN 177482 (formerly known as H.S.(D) No. 80053) for Lot No. 38264 (formerly known as P.T. 14366), Pekan Baru Hicom (formerly known as Mukim of Damansara), District of Petaling, State of Selangor Darul Ehsan.
Property type	: Industrial
Description	: A single storey warehouse and a four storey office building with a total Net Lettable Area measuring approximately 311,736 sq.ft.
Year of completion	: 2005
Tenure	: Freehold
Existing use	: Warehouse and office
Parking spaces	: 191 car bays, 105 motorcycle bays, 30 lorry bays
Date of acquisition	: 2 April 2007
Cost of acquisition	: RM57,200,000
Lessee	: Marelli Asia Pacific Sdn Bhd
Occupancy	: 100%
Lease Period	: 6 years, expiring on 31 May 2021
Major capital expenditure	: RM1,522,677
Encumbrances	: The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM39.6 million
Limitation in title/interest	: None
Latest valuation	: RM80,000,000
Date of last valuation	: 28 November 2016
Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
Fair Value adjustment	: (RM522,677)
Net book value	: RM80,522,677

12  Property Portfolio

Atrium Shah Alam 2



Property	: Atrium Shah Alam 2
Address	: Lot 7A, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor, Malaysia
Title details	: Lot No. P.T. 90 held under H.S.(D) No. 188265, Pekan Baru Hicom (formerly Mukim of Damansara), District of Petaling, State of Selangor Darul Ehsan.
Property type	: Industrial
Description	: A single storey warehouse and a double storey office building with a total Net Lettable Area measuring approximately 259,933 sq.ft.
Year of completion	: 2004
Tenure	: Freehold
Existing use	: Warehouse and office
Parking spaces	: 125 car bays, 129 motorcycle bays, 20 lorry bays
Date of acquisition	: 2 April 2007
Cost of acquisition	: RM49,100,000
Tenant	: Samsung SDS Global SCL Malaysia Sdn Bhd
Occupancy	: 71.2%
Tenancy Period	: 3 years expiring 31 March 2019
Major capital expenditure	: RM15,390,721
Encumbrances	: None
Limitation in title/interest	: None
Latest valuation	: RM72,000,000
Date of last valuation	: 28 November 2016
Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
Fair Value adjustment	: (RM6,390,721)
Net book value	: RM78,390,721

Atrium Puchong



Property	: Atrium Puchong
Address	: No.2 Jalan PPU 1, Taman Perindustrian Puchong Utama, Batu 12 ½ Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia
Title details	: Lot No. 65108 held under Geran No. 44178, Pekan Puchong Perdana (formerly Mukim of Petaling), District of Petaling, State of Selangor Darul Ehsan.
Property type	: Industrial
Description	: A single storey warehouse and a four storey office building with a total Net Lettable Area measuring approximately 203,994 sq.ft.
Year of completion	: 2002
Tenure	: Freehold
Existing use	: Warehouse and office
Parking spaces	: 129 car bays, 110 motorcycle bays, 30 lorry bays
Date of acquisition	: 2 April 2007
Cost of acquisition	: RM38,500,000
Tenant	: Biforst Logistics Sdn Bhd
Occupancy	: 100%
Tenancy Period	: 3 years, expiring 31 July 2019
Major capital expenditure	: Nil
Encumbrances	: None
Limitation in title/interest	: None
Latest valuation	: RM50,000,000
Date of last valuation	: 28 November 2016
Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
Fair Value adjustment	: RM1,500,000
Net book value	: RM48,500,000

14  Property Portfolio

Atrium USJ



Property	: Atrium USJ
Address	: No.16, Jalan TP 6, Taman Perindustrian UEP, 47620 Subang Jaya, Selangor Darul Ehsan, Malaysia
Title details	: Geran 75650 Lot 46914 Mukim Damansara, Daerah Petaling, Negeri, Selangor.
Property type	: Industrial
Description	: A single storey warehouse with annexed double storey office building (Block A), a single storey warehouse (Block B) and a single storey warehouse with annexed double storey office building (Block C); with a total Net Lettable Area measuring approximately 128,085 sq.ft.
Year of completion	: 2008
Tenure	: Freehold
Existing use	: Warehouse and office
Parking spaces	: 122 car bays, 39 motorcycle bays, 5 lorry bays
Date of acquisition	: 22 December 2011
Cost of acquisition	: RM25,000,000
Tenant	: 1) SAF-Holland (Malaysia) Sdn Bhd (Block A) 2) Century Total Logistics Sdn Bhd (Block B) 3) Skynet Worldwide (M) Sdn Bhd (Block C)
Occupancy	: 100%
Tenancy Period	: Block A - 3 years, expiring on 31 August 2017 Block B - 2 years, expiring on 31 December 2017 Block C - 3 years, expiring on 31 July 2017
Major capital expenditure	: Nil
Encumbrances	: The property is charged to a financial institution to secure a Term Loan and Bank Guarantee Facilities of RM20,300,000
Limitation in title/interest	: None
Latest valuation	: RM34,300,000
Date of last valuation	: 28 November 2016
Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
Fair Value adjustment	: RM2,900,000
Net book value	: RM31,400,000

Structure of Atrium Real Estate Investment Trust 15

The following diagram illustrates the structure of Atrium REIT and indicates the relationships between Atrium REIT, the Manager, the Property Management Company, the Trustee and the Unitholders:



16 Performance Data

I) Portfolio Composition of the Trust

	2016 %	2015 %	2014 %	2013 %	2012 %
Atrium Shah Alam 1	34	33	31	32	31
Atrium Shah Alam 2	30	27	27	27	26
Atrium Puchong	21	21	20	19	20
Atrium Rawang*	-	-	4	4	4
Atrium USJ	14	13	13	13	13
	99	94	95	95	94
Deposits with financial institution	1	6	5	5	6
	100	100	100	100	100

II) Asset Value, Unit and Market Price information

	2016	2015	2014	2013	2012
Asset under management (RM'000)	236,300	221,900	226,200	221,700	208,100
Total asset value (RM'000)	243,004	238,796	241,331	235,426	221,975
Net asset value (NAV) (RM'000)	171,138	173,272	168,505	164,401	150,706
Units in circulation ('000)	121,801	121,801	121,801	121,801	121,801

NAV per unit – after proposed distribution

- As at 31 December (RM)	1.39	1.41	1.37	1.33	1.22
- Highest NAV for the year (RM)	1.43	1.42	1.37	1.33	1.22
- Lowest NAV for the year (RM)	1.39	1.36	1.33	1.22	1.11

Market price per unit

- As at 31 December (RM)	1.09	1.10	1.19	1.30	1.29
- Highest traded for the year (RM)	1.15	1.25	1.33	1.40	1.30
- Lowest traded for the year (RM)	1.05	1.01	1.16	1.17	1.07

III) Distributions for Last 5 Years

	Distribution		Net Asset Value Per Unit (RM)	
	Per Unit (Sen)	Date	Before Distribution	After Distribution
2012				
1st Quarter	2.20	31 May 12	1.13	1.11
2nd Quarter	2.20	30 Aug 12	1.13	1.11
3rd Quarter	2.20	30 Nov 12	1.13	1.11
4th Quarter	2.20	28 Feb 13	1.24	1.22
2013				
1st Quarter	2.20	31 May 13	1.24	1.22
2nd Quarter	2.20	30 Aug 13	1.24	1.22
3rd Quarter	2.20	29 Nov 13	1.24	1.22
4th Quarter	2.20	28 Feb 14	1.35	1.33

* The disposal of Atrium Rawang was completed in financial year ended 31 December 2015.

III) Distributions for Last 5 Years (continued)

	Distribution		Net Asset Value Per Unit (RM)	
	Per Unit (Sen)	Date	Before Distribution	After Distribution
2014				
1st Quarter	2.20	30 May 14	1.35	1.33
2nd Quarter	2.20	29 Aug 14	1.35	1.33
3rd Quarter	2.20	28 Nov 14	1.35	1.33
4th Quarter	1.80	27 Feb 15	1.38	1.37
2015				
1st Quarter	1.70	29 May 15	1.38	1.37
2nd Quarter	3.60	11 Sep 15	1.41	1.37
3rd Quarter	1.65	27 Nov 15	1.39	1.37
4th Quarter	1.30	29 Feb 16	1.42	1.41
2016				
1st Quarter	1.30	31 May 16	1.42	1.41
2nd Quarter	1.50	6 Sep 16	1.43	1.41
3rd Quarter	1.50	30 Nov 16	1.43	1.41
4th Quarter	1.60	22 Mar 17	1.41	1.39

IV) Performance of the Trust

	2016	2015	2014	2013	2012
Total return (%)	1.92	(0.39)	(1.79)	9.08	26.83
- Capital growth (%)	(3.54)	(7.56)	(8.46)	2.36	19.44
- Income distribution (%)	5.46	7.17	6.67	6.72	7.39
Income distribution per unit (sen)					
- Gross	5.90	8.25	8.40	8.80	8.80
- Net	5.90	8.25	8.40	8.80	8.80
Management expense ratio (%)	1.60	1.64	0.99	0.99	1.00
Portfolio turnover ratio (times)	-	0.05	-	-	-

V) Average Annual Return for Financial Year ended 31 December 2016

	Atrium REIT (%)	KLCI (%)
One year	1.92	(0.70)
Since launch (2 April 2007)	10.49	3.25

Total return is based on the actual gross income distribution and net change in market price at the beginning and end of the financial year, over the average market price of Atrium REIT for the respective financial years/period.

Average Annual Return is computed based on the total return per unit for the period, averaged over the number of years for the period.

The calculation of MER is based on total fees of Atrium REIT incurred, including the Manager's fees, Trustee's fees, audit fees, tax agent's fees, administrative and other expenses, to the average net asset value of the Trust for the financial year calculated on a daily basis.

The calculation of PTR is based on the average of total acquisition and total disposal of investments in Atrium REIT for the financial year to the average net asset value of the Trust for the financial year calculated on a daily basis.

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may fluctuate.

18 Board of Directors and Management/Corporate Directory

Board of Directors and Management of the Manager

Board Of Directors

Dato' Dr Ir Mohamad Khir Bin Harun
Chairman and Non-Independent Non-Executive Director

Wong Sui Ee
Executive Director

Chan Wan Seong
Independent Non-Executive Director
(appointed on 26 October 2016)

How Hu Son
Independent Non-Executive Director

Soong Kwong Heng
Independent Non-Executive Director

Tor Peng Sie
Independent Non-Executive Director

Company Secretaries

Lim Poh Yen (MAICSA 7009745)
Wong Wai Foong (MAICSA 7001358)

Management

Wong Sui Ee
Executive Director

Chan Kum Chong
Chief Executive Officer

Chan Kum Cheong
Chief Operating Officer

Lee Hooi Hoong
Chief Financial Officer

Corporate Directory

MANAGER

Atrium REIT Managers Sdn Bhd (710526-V)

Principal place of business:

36-2, Jalan 5/101C, Off Jalan Kaskas
Jalan Cheras, 56100 Kuala Lumpur
Tel : 03-9132 2810
Fax : 03-9132 9810
Website : www.atriumreit.com.my

Registered office:

Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603 -27839191
Fax : 603 -27839111

TRUSTEE

Pacific Trustees Berhad (317001-A)
Principal place of business
Unit A-9-8, 9th Floor, Megan Avenue 1,
No.189, Jalan Tun Razak,
Off Persiaran Hampshire,
50400 Kuala Lumpur, Malaysia.
Tel : 03-21668830
Fax : 03-21663830

AUDITORS

BDO (AF 0206)
Chartered Accountants

PROPERTY MANAGEMENT COMPANY

Hartamas Asset Management Sdn Bhd (905055-U)
Level 13, Block A, Menara Prima,
Jalan PJU 1/37, Dataran Prima,
47301 Petaling Jaya, Selangor Darul Ehsan
Tel : 03-7839 5555
Fax : 03-7839 5566

PRINCIPAL BANKERS

Malayan Banking Berhad
Public Bank Berhad

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel : 603 -27839299
Fax : 603 -27839222

BURSA MALAYSIA STOCK NAME AND CODE

ATRIUM 5130

DATO' DR IR MOHAMAD KHIR BIN HARUN*Chairman*

Malaysian, male, aged 66, was appointed to the Board on 5 October 2009. Dato' Dr Ir Mohamad Khir obtained his BSc (Hons) in Electrical Engineering from Brighton Polytechnic in 1973, MSc in Communications Engineering from Brunel University, London in 1978 and PhD in Electrical Engineering from University of Manchester, United Kingdom in 1982. Dato' Dr. Ir. Mohamad Khir has accumulated a vast pool of knowledge on the communications and information industry. Starting his career as a young engineer way back in 1973, Dato' Dr Khir had successfully made the transition to a business-savvy technocrat when the Telecom Department was corporatised in 1987. He had risen quickly in his career, taking on wide-ranging responsibilities and was holding the position of Chief, Group business restructuring, the second highest position in Telekom Malaysia or TM, prior to his retirement. He was President of the Senior Officer Associations of Telekom Malaysia from 1985 to 1996 where he has initiated programs on executive development and health awareness which were later adopted by the company. He was active in sports having held positions as vice and deputy presidents of the company's sport club from 1982 to 1995. His other experiences in the industry include 5 years in the regulatory bodies as Advisor to the Minister of Energy, Telecommunications and Posts from 1983 to 1985 and then as Advisor to the Chairman of the Malaysian Communications and Multimedia Commission from 2006 to 2008.

WONG SUI EE*Executive Director*

Malaysian, female, aged 47, was appointed to the Board on 22 September 2005. Ms Wong graduated with a Bachelor of Arts majoring in Accounting and Finance from Middlesex University, London, in 1991. She is an Associate member of the Institute of Chartered Accountants in England and Wales (ICAEW) since 1994. Ms Wong began her career in KPMG, United Kingdom in 1991 as an Auditor. In 1996, she joined Perdana Merchant Bank Berhad as Assistant Vice President for 2 years. She then joined Glory Blitz Industries Sdn Bhd ("GBISB") and its related companies in 1998. During her 8-year tenure with GBISB and its group of companies, she formed the team to develop built to suit industrial properties in the Klang Valley for the group's multinational clients including CEVA Logistics (formerly known as TNT Logistics), Exel Logistics (now part of the DHL Group), Danzas (now part of the DHL Group), Unilever Malaysia, Silverstone Tyres and others. Currently, she is also on the Board of Directors of Alpha Netrise (M) Sdn Bhd, Ample Cosmos Sdn Bhd and Kilat Idam Sdn Bhd.

CHAN WAN SEONG*Independent Non-Executive Director*

Malaysian, male, aged 62, was appointed to the Board on 26 October 2016. Mr. Chan graduated with a Degree in Bachelor of Economics (Hons), majoring in Business Administration from Universiti Malaya in 1977. Mr Chan's career and working experience in the banking and finance sector span over a period of close to 40 years. Mr. Chan started his career with Malaysian International Merchant Bankers Berhad (Malaysia's first international merchant bank) in 1977 as a Corporate Finance Officer. Subsequently, he joined the then emerging leasing and credit finance industry. He gained further exposure in the banking sector as the Head of the Corporate Banking unit in the Malaysian Head Office of a Singapore banking group. Mr. Chan resumed his career in merchant banking by joining the then Arab-Malaysian Merchant Bank Berhad ("AMMB") (later known as AmMerchant Bank Berhad, and currently known as AmInvestment Bank Berhad) in 1989. He was initially responsible for managing and supervising the expansion of AMMB's regional merchant bank business in East and West Malaysia. In his career with the AmBank Group, Mr. Chan has held various senior positions spanning a wide spectrum of banking services as General Manager, Senior Director, and Executive Vice-President in Corporate Banking, Investment Banking and Wholesale Banking. His job scope encompassed large fund-raising exercises in syndicating conventional loans, as well as Bonds and Equity for public-listed corporations and large private client groups. He also gained all-round exposure in the areas of credit evaluation, loan structuring, risk management, corporate advisory, and high-level merger and acquisition negotiations. His core strengths are derived from his wide business networking, relationship management skills, and multi-product knowledge in the corporate and investment banking space. Upon reaching the age of 62 years, Mr. Chan retired from the AmBank Group in the first quarter of 2016 after enjoying a distinguished career with them for more than 27 years.

HOW HU SON*Independent Non-Executive Director*

Malaysian, male, aged 67, was appointed to the Board on 17 November 2006. Mr How graduated from Brighton Polytechnic, United Kingdom with a Bachelor of Science (Hons) in Civil Engineering in 1975. In 1976, he obtained his Master of Science from Imperial College of Science & Technology, London. He is a member of the Institution of Engineers, Malaysia and is a registered professional Engineer with the Board of Engineers, Malaysia. He began his career in 1977 as a Structural Engineer with Jabatan Kerja Raya for 2 years. Thereafter, he joined Tahir Wong Sdn Bhd as its Senior Structural Engineer and was subsequently promoted to Senior Associate. During his 14 years in Tahir Wong Sdn Bhd, he was involved in projects such as Subang Parade, the Royal Malaysian Navy Base in Sarawak, Puteri Pan Pacific Hotel, Johor and the Selangor Turf Club. Currently, he is a Director of Pakatan Cergas Sdn Bhd, a consultancy company involved in civil and structural engineering. Some of the projects that he was involved in are the construction of Bukit Ceylon Condominium, CP Tower, Eastin Hotel and Phileo Damansara. He is also a Director of Yong Peng Batu Bata Berhad.

20 Profile of Directors

SOONG KWONG HENG

Independent Non-Executive Director

Malaysian, male, aged 67, was appointed to the Board on 17 November 2006. Mr. Soong graduated with a Bachelor of Economics from Universiti Malaya in 1972. Mr Soong has more than 30 years experience in tax related issues. After his graduation, he began his career in the Department of Inland Revenue Malaysia for 3 years. In 1975, he joined Chan King Sang & Co. as its Tax Manager for 10 years. Subsequently he was a Tax Principal for K. S. Taxation Services Sdn Bhd from 1985 till early 2016. Currently, he also sits on the Board of Directors of Global Gain Sdn Bhd and Compagnie Du Monde Sdn Bhd.

TOR PENG SIE

Independent Non-Executive Director

Malaysian, male, aged 58, was appointed to the Board on 17 November 2006. Mr Tor graduated with a Bachelor of Science from Campbell University, North Carolina, United States of America in 1982. He is a holder of the Real Estate Agent Licence from the Board of Valuers, Appraisers and Estate Agents Malaysia since 1993. Mr Tor has over 20 years experience in the real estate industry, where he began his career in Rahim & Co. Chartered Surveyor Sdn Bhd in 1984 as a Valuation Executive and was subsequently promoted as a Real Estate Negotiator. In 1988, he worked with The Golden Triangle Real Estate Agents initially as a Real Estate Agent and later became a Director of the said company. In 1999, he joined Pacific Landmark Real Estate Agents. He is currently the Principal of Pacific Landmark Real Estate Agents.

Profile of Chief Executive Officer and Key Senior Management



CHAN KUM CHONG

Chief Executive Officer

Malaysian, male, aged 61, was appointed as Chief Executive Officer on 1 April 2010. Mr. Chan graduated from Portsmouth Polytechnic (now known as University of Portsmouth) in 1980 with a Bachelor of Science in Quantity Surveying. Mr. Chan began his career as a Graduate Quantity Surveyor with a consultant quantity surveying firm, Juru Ukur Bahan Malaysia Sdn. Bhd. assisting the senior quantity surveyor in pre and post contract administration in the completion of Menara Maybank, redevelopment of Subang International Airport, Telekom Training Centre, amongst others. Mr. Chan then joined TTDI Development Sdn.Bhd. in 1984 and has successfully managed and completed housing schemes in Taman Tun Dr. Ismail, Taman TTDI Jaya, Desa Pandan and Desa Bakti. In June 1995, he was assigned to oversee the operation of the in-house construction company, Panelex Sdn.Bhd. as General Manager - Operation. He then joined Syarikat T. D. Sdn. Bhd. in 1999 as a Project Director looking after several building and turnkey projects. Thereafter, he joined Vistanet (M) Sdn.Bhd. in 2002, an in-house construction company of Mayland Properties Sdn. Bhd., to manage all their in-house construction projects with Gross Development Values in excess of RM300 million, comprising of service apartments, shop offices and a shopping complex. In October 2003 he joined Score Option Sdn. Bhd. as a Project Director, managing a 200 acres development in Puchong comprising a mixed residential and commercial development, a J.V. project with Glomac Alliance Sdn.Bhd., a subsidiary of Glomac Berhad. In 2005, he joined EC Alamjaya Sdn. Bhd. as its Chief Executive Officer to oversee a shopping complex and hotel development totalling RM100million.

Other Directorship of Public Companies

Mr. Chan has no other directorship with any public companies.

Family Relationship with Director and/or Major Unitholder

Mr. Chan is the brother of Mr Chan Kam Tuck, who is a major unitholder of the Atrium REIT. Saved as disclosed, Mr Chan does not have any family relationship with any director and/or major unitholder of the Atrium REIT.

Conflict of Interest

Save for Mr Chan's interest in Atrium REIT (as disclosed under Unitholdings of Directors and Related Parties in the notes to the financial statements), no conflict of interest has arisen during the financial year under review.

Conviction of Offences

Mr. Chan has not been convicted of offences within the past 10 years.

CHAN KUM CHEONG

Chief Operating Officer

Malaysian, male, aged 57, was appointed as Chief Operating Officer on 1 August 2012. Mr Chan graduated from University Of Swansea, Wales, United Kingdom with a Bachelor of Science (Hons) in Civil Engineering. Mr. Chan began his career as a Design Engineer with Tahir Wong Consultant from 1982 to 1989, participating in the design of high rise and low rise buildings, foundation design and factories. Mr. Chan then joined Syarikat T.D Sdn Bhd and Glory Blitz Industries Sdn Bhd as a Project Director in charge of implementing construction/design coordination works for industrial warehouses in excess of 20,000m² build-up. He was also involved in construction of wide variety of projects including basement substructure works and elevated platform at K.L Sentral, construction and development of the family owned Cheras Commercial Centre comprising of 19 units of 7 storey shops cum hotel, several turnkey factories for multinational companies at Glenmarie and Rawang and construction and development of Mid Valley Development (Phase 1) works. Mr Chan is the brother of Mr Chan Kum Chong who is the Chief Executive Officer of the Manager.

LEE HOOI HOONG

Chief Financial Officer

Malaysian, male, aged 49, joined the Company as the Chief Financial Officer on 1 October 2007. He is a graduate of the Chartered Association of Certified Accountants, United Kingdom and was admitted as a Fellow of the Association on 1 November 2002. He has more than 23 years of experience in the areas of financial accounting and management. He commenced his career in the auditing profession in 1992. In 1994, he joined Lion Suzuki Motor Sdn Bhd as an Assistant Accountant and rapidly moved up the rank to Assistant General Manager where in the course of 13 years he oversaw the finance and administration, marketing operations, parts and service, human resources and IT department of the company.

22 Statement of Corporate Governance

Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust (“Atrium REIT”), has adopted an overall corporate governance framework designed to meet best practice principles. The Manager also recognises that an effective corporate governance culture is critical to its performance and consequently, the success of Atrium REIT, which it manages. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of the unitholders of Atrium REIT (“Unitholders”).

The following segments describe the Manager’s main corporate governance policies and practices which are guided by the measures recommended in the Securities Commission (“SC”) Guidelines on Real Estate Investment Trusts (“REITs Guidelines”), the Securities Commission Act 1993 (“SCA”), the Capital Market and Services Act 2007 (“CMSA”) the Main Market Listing Requirements (“Listing Requirement”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Malaysian Code on Corporate Governance.

Role of the Manager

Manager of Atrium REIT

The Manager has general powers of management over the assets of Atrium REIT. The Manager’s main responsibility is to manage Atrium REIT’s assets and liabilities in the best interest of the Unitholders.

The primary role of the Manager is to set the strategic direction of Atrium REIT and give recommendations to Pacific Trustees Berhad (CIMB Commerce Trustee Berhad retired on 6 May 2016) (“Trustee”), as Trustee of Atrium REIT, on the acquisition, divestment and enhancement of assets of Atrium REIT in accordance with its stated investment strategy.

Amongst others, the general functions, duties and responsibilities of the Manager include the following:

- (a) to carry out the activities in relation to the management of Atrium REIT and its portfolio of assets in accordance with the provisions of the Restated Deed dated 24 March 2016 and amended by the Supplementary Deed dated 21 April 2016 (collectively known as “the Deed”);
- (b) to use its best endeavours to ensure that the business of Atrium REIT is carried out and conducted in a proper and efficient manner and to conduct all transactions with or for Atrium REIT at arm’s length and on normal commercial terms;
- (c) to issue the annual report of Atrium REIT to the Unitholders within two (2) months of its financial year end;
- (d) to attend to all enquiries from the Unitholders, tenants, media, government bodies, etc;
- (e) to supervise the Property Manager which provides property management services in relation to Atrium REIT’s properties pursuant to the property management services agreement; and
- (f) to ensure that Atrium REIT is in compliance with the applicable provisions of the REITs Guidelines, SCA, CMSA, Listing Requirements of Bursa Securities, and any other applicable laws.

Atrium REIT is externally managed by the Manager and accordingly, Atrium REIT has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Atrium REIT.

Atrium REIT Managers Sdn Bhd is the appointed Manager of Atrium REIT in accordance with the terms of the Deed which outlines the circumstances under which the Manager can be retired.

Directors of the Manager

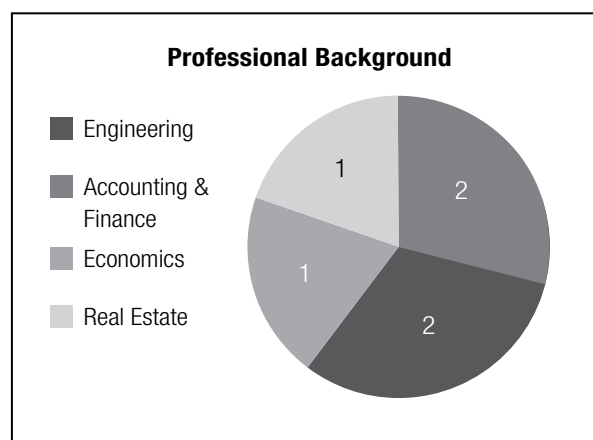
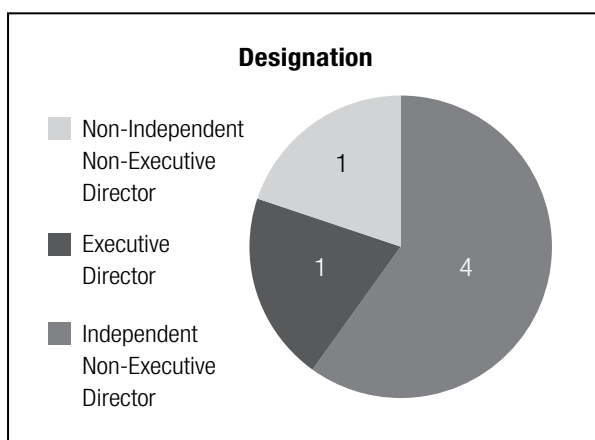
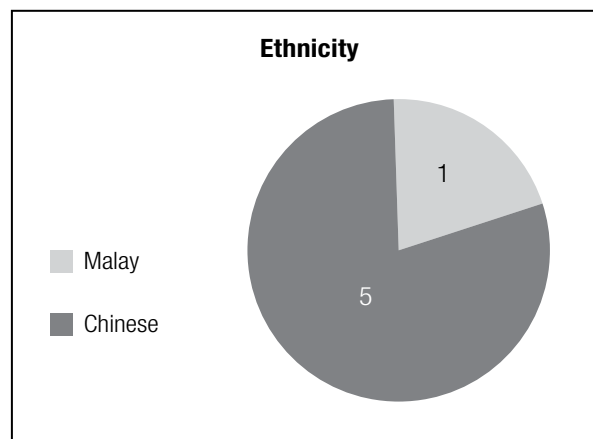
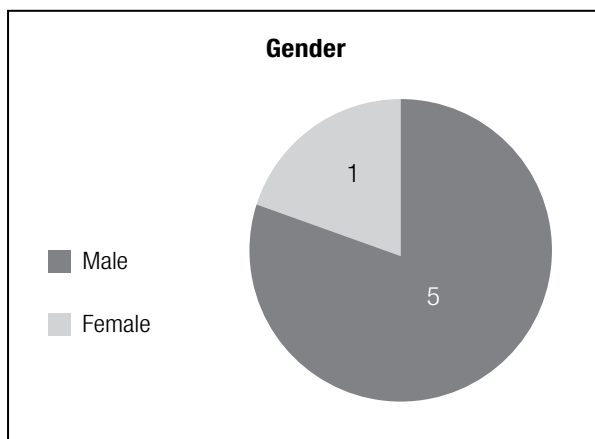
The Board

The Board is entrusted with the responsibility of overall management and corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Board is also responsible for charting the strategic direction, development and control of the Manager and has adopted the primary responsibilities as listed in the REITs Guidelines as well as the roles and duties set out in the REIT Guidelines, which facilitate the discharge of the Directors’ stewardship responsibilities.

Board Composition

The Board presently consists of six (6) members comprising one (1) Non-Independent Non-Executive Director, one (1) Executive Director and four (4) Independent Non-Executive Directors. The diverse background of the members who come from various fields such as engineering, financial, real estate and management provide a broad spectrum of skills, experience and invaluable perspectives to overseeing the management of the Manager. The profiles of the members of the Board are provided in pages 19 to 20 of the Annual Report.

The Board diversity in terms of gender, ethnicity, professional background and experience are illustrated below:



The Board is of the view that its current members who, as a group provide the necessary core competencies is adequate and that the current Board size is appropriate, taking into consideration the nature, size and scope of Atrium REIT's operations.

The Chairman of the Board is responsible for the conduct of the Board and ensures that the Board's discussions are conducted in such a way that all views are taken into account and discussed at length before a decision is made. The Executive Director and the Chief Executive Officer, supported by the management team are responsible for running the business on a day-to-day basis, organizational effectiveness and implementation of the Board's policies, strategies and decisions as planned and in accordance with the Deed, Securities Commission Act and REITs Guidelines. This clear separation of roles between the Chairman and the Chief Executive Officer, provides a healthy, independent and professional relationship between the Board and Management.

The Board focuses mainly on strategy, financial performance and critical business issues, including:-

- The strategic business plans
- Key financial performance indicators
- Principal risks and their management
- Succession planning for senior management
- Investors and unitholders relations programmes
- Systems of internal control

24 Statement of Corporate Governance

Independent Non-Executive Directors have the responsibility to ensure that the strategies proposed by the Executive Director, Chief Executive Officer and management are fully discussed and examined, taking account of the long term interest, not only of the Unitholders, but also of employees, customers, suppliers, environment and the many communities in which Atrium REIT conducts its business.

Board Meetings

Board meetings are scheduled at least four (4) times per annum to review the operations of Atrium REIT and to approve the quarterly and annual financial statements of Atrium REIT. Additional meetings are held as and when urgent issues and important decisions need to be taken between the scheduled meetings.

The Board met four (4) times during the financial year ended 31 December 2016. The number of meetings attended by each Director is as follows:

Directors	Designation	Attendance
Dato' Dr Ir Mohamad Khir Bin Harun	Non-Independent Non-Executive Chairman	4/4
Wong Sui Ee	Executive Director	4/4
How Hu Son	Independent Non-Executive Director	4/4
Tor Peng Sie	Independent Non-Executive Director	4/4
Soong Kwong Heng	Independent Non-Executive Director	3/4
Chan Wan Seong (appointed on 26 October 2016)	Independent Non-Executive Director	NA

Access to and Supply of Information and Advice

All Board members are supplied with information on a timely manner in order to discharge their responsibilities. The Agenda together with the full set of Board papers containing information relevant to the Board meeting are circulated to the Directors prior to the Board meetings. There is sufficient time for the Directors to review and seek clarification where necessary prior to the meeting being held and this process enables the Directors to make better and informed decisions.

There is a schedule of matters reserved specifically for the Board's decision, including the approval of the Manager's strategic plans and budgets for both the Manager and Atrium REIT which includes acquisition and disposal of major assets, major investments, review and approve the key policies, procedures and authority limits.

All Directors have access to the advice and services of the Company Secretary and has the right to seek independent professional advice when necessary in discharging their duties, making acquisition decisions and complying with relevant legislations and regulations.

Appointments to the Board

The Executive Director makes recommendations on the requirement and suitability of candidates nominated for appointment to the Board and the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is balanced with representation from the relevant sectors of industry to provide optimal inputs to address the issues affecting the Manager and Atrium REIT.

Directors' Remuneration

The objective of the remuneration policy is to attract, retain and motivate the Directors to successfully carry out the Manager's and Atrium REIT's missions and objectives. The Board believes that the remuneration should be sufficient to attract, retain and motivate the Directors of the necessary caliber, expertise and experience to manage the Manager's and Atrium REIT's operations.

Accountability and Audit

Financial Reporting

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of Atrium REIT as at 31 December 2016 and of its financial performance, the changes in net asset value and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.



Relationship with Auditors

The Board maintains a transparent relationship throughout their association with the external auditors. The appointment of external auditors, who may be nominated by the Manager, is approved by the Trustee. The auditors appointed must be independent of the Manager and Trustee. The remuneration of the Auditor is similarly approved by the Trustee.

Internal Control

The Board acknowledges its responsibility for the Manager's system of internal controls which covers financial control, operational and compliance controls as well as risk management.

The Statement of Internal Control furnished on pages 27 to 28 of the Annual Report provides an overview of the state of control within the Manager.

Management of Business Risk

Recognising and managing risk is central to the business and to protecting the Unitholders' interests and value. The Manager operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved. Responsibility of managing risks lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The Board meets quarterly or more often, if necessary and reviews the financial performance of the Manager and Atrium REIT against a previously approved budget. The Board will also review the business risks of Atrium REIT and will act upon any comments from the Auditor. In assessing business risk, the Board considers the economic environment and risks relevant to the property industry. The Board reviews management reports and feasibility studies on proposed property acquisition prior to approving the transaction.

Related Party Transactions

The Manager will comply with all requirements as laid out in the REITs Guidelines, the Deed and the Listing Requirements of Bursa Securities.

The Manager has established procedures that will ensure that all related party transactions undertaken are in full compliance to the REIT Guidelines as detailed below:

- (a) on an arm's length basis;
- (b) in the best interests of the Unitholders;
- (c) in relation to a real estate transaction:
 - (i) transacted at a price that is equivalent to the value assessed in the independent valuation report;
 - (ii) consented by the Trustee; and
 - (iii) consistent with the investment objectives and strategies of Atrium REIT; and
- (d) adequately disclosed to the Unitholders.

However, a real estate may be transacted at a price other than as specified in (c) (i) above provided that:

- (a) for acquisitions, the price is not more than 110% of the value assessed in the valuation report referred to in (c) (i) above;
- (b) for disposals, the price is not less than 90% of the value assessed in the valuation report referred to in (c) (i) above; and
- (c) the Trustee provides a written confirmation that the transaction is based on normal commercial terms, at arm's length, and not prejudicial to the Unitholders' interest.

Where the transaction value with related parties in relation to a real estate is equal to or greater than 5% of the total asset value of the fund (after acquisition), the prior approval of the Unitholders by way of an ordinary resolution is required. However, if the transaction value does not exceed 5% of the total asset value of the fund (after acquisition), the Trustee must provide a written confirmation that the transaction is based on normal commercial terms, at arm's length, and not prejudicial to the Unitholders' interests.

26 Statement of Corporate Governance

Whistle Blowing Policy

The Board has put in place procedures to provide employees of the Manager with defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to Atrium REIT or the Manager, and for the independent investigation of any reports by employees and appropriate follow up action.

The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

Communication with Unitholders and Investors

The Board acknowledges and appreciates the importance of regular communication with the Unitholders and investors to ensure that they are well informed of the activities and performance of Atrium REIT. The communication channels are via annual reports, quarterly financial reports and the various disclosures and announcements on the Bursa Securities' website.

Another principal avenue of communication with its Unitholders is Atrium REIT's AGM, which provides a useful platform for the Unitholders to engage directly with the Manager's Board and Management, the Trustee and the Auditor. The Manager is looking forward to solicit feedbacks and views from the Unitholders and answer Unitholders' question on all issues pertaining to Atrium REIT at the AGM. The notice of the AGM and related papers will be forwarded to the Unitholders with adequate time notice before the meeting. All the Unitholders are invited and encouraged to attend Atrium REIT's AGM and to actively participate in the proceedings by posting questions on the proposed resolutions (if any) and to seek clarification on the Trust's business and performance.

Atrium REIT has also established a corporate website, www.atriumreit.com.my, for the Unitholders and the public to access for corporate information and latest business development of Atrium REIT.

Other Information

Family Relationship with any Director and/or Major Unitholder

None of the Directors of the Manager has any family relationship with any other Directors or Major Unitholders.

Conflict of Interest

Save for the Directors of the Manager's interest in Atrium REIT (as disclosed under Directors' Interest in the Manager's Report), no conflict of interest has arisen during the financial year under review.

Convictions for Offences

None of the Directors of the Manager have been convicted for offences within the past 10 years.

Material Contracts

There were no material contracts entered by the Trust that involved the Directors of the Manager or Substantial Unitholders of the Trust during the financial year under review.

Directors' Training

Mr Chan Wan Seong was appointed to the Board on 26 October 2016 and will have to complete the Mandatory Accreditation Programme (MAP) within four (4) months of his appointment pursuant to Clause 2.0 of the Practice Note 5 of the Listing Requirements on Training for Directors.

The Directors are encouraged to attend briefings and seminars to keep abreast with the latest developments in the industry. During the year, the Directors attended various courses/seminars related to their responsibilities and developments in the industry. Among courses / seminars attended includes 2017 Budget and Its Impact on Capital Market, 2017 Global Market Outlook and Investment Strategies, Market Misconduct, Chinese Wall and Prevention of Insider Trading and Company Analysis : The Strategic Position.

The Board of Directors (“the Board”) of Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust (“Atrium REIT”) has voluntarily adopted the best practices in corporate governance by setting up an Internal Audit function, which had been outsourced to an independent professional firm, although it is not compulsory for Atrium REIT to comply with such requirements under the Securities Commission Malaysia Guidelines on Real Estate Investment Trusts (“REITs Guidelines”) and Main Market Listing Requirements (“Listing Requirement”) of Bursa Malaysia Securities Berhad.

The Board has prepared a statement on the state of the Manager’s internal controls for inclusion in this Annual Report for the financial year ended 31 December 2016 (“FY2016”)

Responsibility

The Board acknowledges that it has a responsibility to maintain a sound and effective system of internal control and risk management practices within the Manager in order to meet the business objectives of the Manager. The business objectives, amongst others, is to manage Atrium REIT by achieving its mission, i.e. to maximise income in order to reward Unitholders with a competitive rate of return for their investments through regular and stable distributions and achieving long-term growth in distributions and Net Asset Value per unit.

As there are inherent limitations in any system of internal controls, such systems are designed to reduce rather than eliminate all risks that may impede the achievement of the Manager’s business objectives. Therefore, the internal control system can only provide a reasonable and not absolute assurance against material misstatement or loss.

Key Features of the Internal Control System Established

Control Environment

- **Organisation Structure and Authorisation Procedures**

The Manager maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Manager’s Senior Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Manager’s various operations.

- **Company Policies and Procedures**

The Manager has documented policies and procedures that are to be regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the business activities of the Manager and Atrium REIT at all times.

Monitoring and Review

Management meetings are scheduled to be held on a regular basis to discuss and review the business planning, budgeting, financial and operational performances.

- **Financial and Operational Review**

The monthly management accounts and the quarterly financial statements of the Manager and Atrium REIT containing key financial results, operational performance results and comparisons of performance against budget are presented to the Board for their review, consideration and approval.

- **Business Planning and Budgeting Review**

The Board plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Manager and Atrium REIT.

Internal Audit Function

The fees for the internal audit function outsourced to PKF Advisory Sdn Bhd for FY2016 amounted to RM9,900, excluding Goods and Services Tax and disbursements (FY2015: RM9,900, excluding Goods and Services Tax and disbursements). The outsourced internal auditors are engaged to assist the Board in providing independent assessment of the adequacy, efficiency and effectiveness of the Manager’s internal control systems. The results of their review of the business processes were tabled to the Board at their scheduled meetings. The internal auditors are also tasked to follow up on the status of the implementation of corrective actions to address control weaknesses to ensure that these actions have been satisfactorily implemented.

28 Statement of Internal Control

The scope of the internal audit function for FY2016 entailed the following:

- Review on compliance of Atrium Real Estate Investment Trust with the REITs Guidelines
 - To ensure formalized policies and procedures are in place.
 - To ensure an effective implementation of control activities over the following functions:
 - REITs Guidelines
 - To ensure a clear and effective control exist to promote integrity, document and supervisory control over the said functions.

During the financial year under review, there was no non compliance noted which had a material impact on the Manager's and Atrium REIT's financial performance or operations.

REVIEW OF PERFORMANCE

	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Net Asset Value (RM'000)	171,138	173,272	168,505
Units in circulation ('000)	121,801	121,801	121,801
Net Asset Value per unit (RM)	1.39	1.41	1.37
Market price per unit (RM)	1.09	1.10	1.19
Highest traded price per unit during the year (RM)	1.15	1.25	1.33
Lowest traded price per unit during the year (RM)	1.05	1.01	1.16

COMPARISON OF RESULTS

	FY2016	FY2015	FY2014
Gross Rental Income (RM'000)	14,522	12,867	16,153
Net Income (realised) (RM'000)	7,200	11,134	10,323
Distributable Income (realised) (RM'000)	7,200	10,034	10,323
Income Distribution (RM'000)	7,186	10,049	10,231
Distribution Per Unit (sen)	5.90	8.25	8.40
Distribution Yield (%)			
- based on IPO price (RM1.00)	5.90	8.25	8.40
- based on market price as at 31 December	5.41	7.50	7.06
Management Expense Ratio (%)	1.60	1.64	0.99

For financial year ended 31 December 2016 (FY2016), Atrium REIT recorded total income of RM12.60 million which is significantly lower than the previous corresponding year of RM16.80 million due to a number of reasons:-

- (i) The one-off gain of RM4,258,126 on disposal of Atrium Rawang recorded in financial year ended 31 December 2015 (FY2015).
- (ii) The increase in the property operating expenses and a decrease in interest income as a result of lower funds available also contributed to the lower total income even though the gross revenue increased during the current year.
- (iii) The gross revenue increased in FY2016 due mainly to the full year rental income enjoyed by Atrium Puchong vis-à-vis only a 3 month rental income obtained in 2015 on a net lettable area of approximately 100,000 sq. ft. of the warehouse space in the 4Q 2015. With effect from November 2016, Atrium Puchong was fully rented out to a fast expanding Malaysian logistics group and enjoys 100% occupancy. Despite this, the increase in gross revenue was moderated by the loss of rental at Atrium Shah Alam 2 for the 1Q 2016 due to the implementation of the Asset Enhancement Initiative.

Consequently, the above factors contributed to the net income (realised) for FY2016 being significantly lower than FY2015.

ASSET ENHANCEMENT INITIATIVES (“AEI”)

For the year under review, Atrium REIT carried out the following AEIs to generate better rental yields, maintaining occupancy, create a better operating business environment for our tenants as well as to enhance property condition and value.

Atrium Shah Alam 1

The AEI involving the replacement of one new passenger lift, changing of the whole warehouse lighting system, installation of additional translucent sheets around the perimeter of the warehouse building, external wall and facade repainting and upgrading of the toilets in the office building have been completed during the year under review pending the upgrading of the Phase 2 power supply to 5,000amp which is targeted to be completed by 2Q 2017.

30 Management Discussion and Analysis

Atrium Shah Alam 2

The AEI for the property involving mainly the upgrading of the whole warehouse floor slab and roof, the warehouse lighting system, the rain water goods, external wall and facade repainting as well as sheet piling works at the rear boundary of the property was fully completed in the 3Q 2016.

CAPITAL MANAGEMENT

The Manager understands that an effective capital structure is crucial to the performance of the Trust. In view of this, the Manager has adopted and maintained an appropriate debt-equity structure to meet the Trust's funding needs whilst ensuring that unitholders' returns are sustainable and optimized.

Both the Term Loan ("TL") and Short Term Revolving Credit ("STRC") are secured facilities based on floating rates. The variable rates for the TL and STRC ranged from 4.21% to 4.66 % per annum during FY2016.

Summary of Atrium REIT's current and historical gearing is as shown below:

	2016	2015	2014	2013	2012
Total Borrowings (RM'000)	59,600	59,600	65,000	65,000	65,000
- STRC (RM'000)	39,600	39,600	45,000	45,000	45,000
- TL (RM'000)	20,000	20,000	20,000	20,000	20,000
Total Asset (RM'000)	243,004	238,796	241,331	235,426	221,975
Gearing (%)	24.53	24.96	26.93	27.61	29.28
Interest Rate (%)	4.21 to 4.66	4.30 to 4.69	4.10 to 4.67	4.10 to 4.42	4.09 to 4.43

Based on its current conservative gearing ratio, Atrium REIT is able to leverage on further borrowings to make opportunistic acquisitions that fits its investment criteria which will enhance the returns to unitholders, before reaching the 50% threshold under the REITs Guidelines.

DISTRIBUTION OF INCOME

Atrium REIT's portfolio of properties has been consistently delivering stable and competitive rate of return to its unitholders since its listing in 2007. The Board of Directors of the Manager has declared a final income distribution of 1.60 sen per unit in respect of the 4Q FY2016, which shall be payable on 22 March 2017. The final income distribution, coupled with the aggregate interim income distributions during the financial year of 4.30 sen per unit, represents a total distribution per unit ("DPU") of 5.90 sen for FY2016 (FY2015: 8.25 sen). The distribution yield for FY2016 is 5.41% based on the Atrium REIT's closing market price of RM1.09 per unit as at 31 December 2016 (FY2015: 7.50% distribution yield at closing market price of RM1.10 per unit as at 31 December 2015).

The financial statements for the current financial year do not reflect the final income distribution. Such income distribution will be accounted for in the statement of changes in net asset value as distribution to Unitholders in the next financial year ending 31 December 2017.

The effect of the income distribution in terms of NAV per unit is as follows:

	As at 31 December 2016 RM	As at 31 December 2015 RM
NAV per unit - before distribution	1.4051	1.4226
NAV per unit - after distribution	1.3891	1.4096

BREAKDOWN OF UNITHOLDINGS AS AT 31 DECEMBER 2016

Size Of Holdings	No. of Unitholders	No. of Units
5,000 and below	1,324	3,076,846
5,001 - 10,000	513	4,426,200
10,001 - 50,000	608	15,632,800
50,001 - 500,000	227	32,676,454
500,001 and above	24	65,988,700
TOTAL :	2,696	121,801,000

REVALUATION OF INVESTMENT PROPERTIES

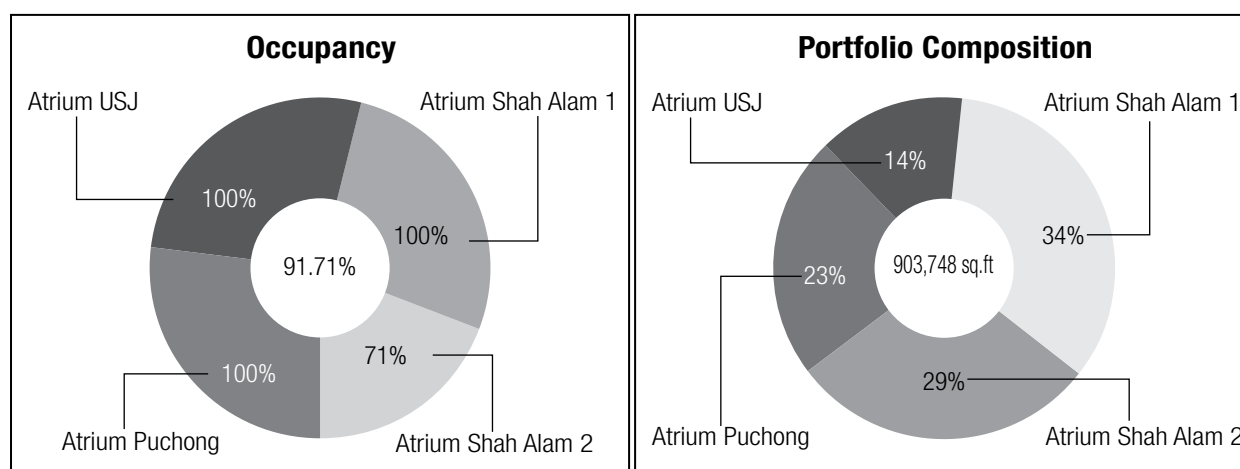
The Manager carried out a year end revaluation of the Trust's investment properties in compliance with the Malaysian Financial Reporting Standard 140.

For FY 2016, the portfolio registered a fair value loss on the revaluation of investment properties amounting to RM2.51 million based on the appraised values conducted by independent registered valuers.

INVESTMENT OF ATRIUM REIT

Atrium REIT's composition of investment as at 31 December 2016 is as follows:

	RM Million	%
Atrium Shah Alam 1	80.00	33.66
Atrium Shah Alam 2	72.00	30.29
Atrium Puchong	50.00	21.04
Atrium USJ	34.30	14.43
	<u>236.30</u>	<u>99.42</u>
Deposits with financial institutions	1.37	0.58
	<u>237.67</u>	<u>100.00</u>

PORTFOLIO REVIEW

For FY2016, Atrium REIT's portfolio of four (4) properties have a total net lettable area of 903,748 sq ft. Atrium REIT's gross revenue increased from RM12.87 million in FY2015 to RM14.52 million in FY2016. The increase in the gross revenue is due mainly to the rental income from Atrium Puchong during the financial year. However, the increase in rental income was moderated by the loss of rental income at Atrium Shah Alam 2 for the 1Q of 2016 due to the implementation of the AEI at the time.

32 Management Discussion and Analysis

With the AEI for Atrium Shah Alam 2 fully completed during the year, the building was handed over to the new tenant in 2 phases, with balance floor space handed over on 1 January 2017. As for Atrium Puchong, a new tenant was secured to take up the whole premises upon expiry of the existing tenancy agreement for approximately 150,000 sq ft of the warehouse space. The new tenancy is for a tenure of 3 years with options to renew for another 3+1 years. Vacant possession was handed over to the new tenant in stages from 1 August 2016 to 31 October 2016. As a result, Atrium REIT experienced net positive rental reversions for both the above mentioned new tenancies secured in FY2016.

The Manager will continue to pursue yield-accretive acquisitions with focus on industrial properties that meet our investment criteria as well as value-creating asset-enhancement opportunities although meeting sellers' demands for asset valuation may prove to be challenging. In line with our proactive asset management strategy, we will also continue to explore any divestment opportunities for any properties that have achieved its optimal potential/value and use the proceeds for either new acquisitions or Asset Enhancement Initiatives.

REVIEW OF THE 2016 PROPERTY MARKET

Overall Economic Overview

In the 3Q 2016, the global economy continued to experience moderate growth with modest economic activity registered in the advanced economies. In Asia, domestic demand remained an important source of growth amid persistent weakness in external demand.

The Malaysian economy expanded by 4.3% in the 3Q 2016 (2Q 2016: 4.0%), underpinned mainly by continued expansion in private sector spending and additional support from net exports. On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.5% (2Q 2016: 0.7%).

Overall, domestic demand grew at a more moderate pace, as the sustained growth in private sector activity was more than offset by the slower growth in public spending. Private consumption grew by 6.4% (2Q 2016: 6.3%), supported by continued wage and employment growth as well as the increase in minimum wage effective 1 July 2016. Private investment registered a growth of 4.7% in the third quarter (2Q 2016: 5.6%), supported primarily by continued capital spending in the services and manufacturing sectors. Growth of public consumption moderated to 3.1% during the quarter (2Q 2016: 6.5%) due to lower spending on supplies and services, which partially offset the higher spending on emoluments. Public investment growth contracted by 3.8% (2Q 2016: 7.5%), attributable mainly to lower spending on fixed assets by the Federal Government.

On the supply side, growth in the 3Q 2016 was supported mainly by the services and manufacturing sectors, while the agriculture sector remained weak. The expansion in the services sector was underpinned primarily by private consumption activity, while growth in the manufacturing sector was supported by export-oriented industries. In the construction sector, growth continued to be driven by civil engineering activity, while the mining sector expanded at a faster pace on account of higher crude oil production. Growth in the agriculture sector, however, remained in contraction, attributable largely to the lagged impact of El Niño on crude palm oil (CPO) yields.

The Monetary Policy Committee (MPC) reduced the Overnight Policy Rate (OPR) by 25 bps to 3.00% p.a. in July 2016 and subsequently kept the policy rate unchanged in September 2016. The adjustment to the OPR was intended to ensure that the degree of monetary accommodativeness remained consistent with the policy stance for the domestic economy to continue on a steady growth path amid stable inflation, supported by continued healthy financial intermediation in the economy. Reflecting the reduction in the OPR, interbank rates trended lower during the quarter and the 3-month KLIBOR decreased from 3.65% to 3.40%. Correspondingly, the weighted average base rate (BR) of commercial banks ended the third quarter lower at 3.60% (end-June 2016: 3.83%). The weighted average lending rate (ALR) on outstanding loans was lower at 5.27% as at end-September 2016, compared to 5.42% at end-June 2016.

Looking ahead, overall global economic conditions will likely continue to be challenging, with subdued growth prospects despite unprecedented easing of monetary conditions in major and regional economies. The pace of expansion in the advanced economies is expected to remain modest, while in Asia, domestic demand will continue to underpin growth. Downside risks remain high, arising from the uncertainties over the timing and outcome of the UK-EU negotiations following the UK's EU referendum, persistence of low energy and commodity prices as well as possible disorderly market conditions arising from policy shifts in major economies. Against this backdrop, international financial market conditions will likely continue to be vulnerable to setbacks and changes in sentiments.

The Malaysian economy is expected to expand by 4.0-4.5% in 2016. Domestic demand, particularly private sector activity will continue to be the key driver of growth. Private consumption is expected to remain supported by wage and employment growth, with additional impetus coming from announced Government measures to increase disposable income. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors. On the external front, export



growth is expected to remain weak following subdued demand from Malaysia's key trading partners. Overall, while domestic conditions remain resilient, uncertainties in the external environment may pose downside risks to Malaysia's growth prospects.

(Source: Bank Negara Malaysia: Quarterly Bulletin –Third Quarter 2016)

Overall Property Market Outlook

In tandem with the Malaysian economy, the property market moderated in the 1H 2016. There were 163,527 transactions recorded worth RM64.60 billion, indicating a decline of 12.3% in volume and 15.7% in value. Residential sub-sector continued to dominate the market, with 62.4% contribution in volume and 50.6% in value. All sub-sectors recorded softening market volume ranging from -34.5% to -5.3% with the exception of agriculture sub-sector which increased by 7.3%. Correspondingly, value of transactions also recorded similar downward pattern.

The property market for 2016 is expected to be soft with further moderation in the second half-year as a result of the challenging economic and financial environment both on the local and global front. With the flagging market sentiments, developers have responded accordingly by holding back new launches. Coupled with the slowdown in construction activity and the increasing numbers of unsold properties, the new launches deferment would allow market to make the necessary adjustments. The market adjustments and corrections by both demand and supply sides are crucial to ensure property market remains sustainable in the long run.

For 2017, despite the uncertainties and challenging market environment, the property market is expected to remain resilient and stable. The market is leaning towards the affordable market segment for the residential sub-sector while the outlook for the high-end condominium segment remains lacklustre, impacted by weak sentiment as potential buyers and investors continue to adopt a "wait-and-see" approach.

The outlook for office sub-sector remain subdued and facing downward pressure with the supply outstripping demand due to a strong supply pipeline and lacklustre absorption as more firms consolidate their workforce and business operations.

Industrial Property Sector Highlights and Outlook

The industrial sub-sector recorded 2,772 transactions worth RM5.63 billion, down by 31.8% in volume and 19.4% in value. Selangor continued to dominate the market, with 26.5% of the nation's volume, followed by Johor and Perak, each with 12.9% and 16.1% market share respectively. The industrial overhang increased to 398 units worth RM420.31 million, up by 53.7% and 73.7% in volume and value respectively. Nevertheless, the overhang remained minimal as compared to other two subsectors, high end condominium and office. On the other hand, the unsold under construction saw a decline from 1,731 units to 1,651 units, down by 4.6% whereas the unsold not constructed increased to 105 units, up by 20.7%. By state, Johor held most of the overhang, with 35.4% share and by type, terraced units formed the bulk of the overhang (56.8%; 226 units). Prices of industrial property were stable across the board. One and a-half storey terraced factory in Petaling District fetched at RM0.95 million to RM2.35 million. In Johor Bahru, one and a-half storey semi-detach factory in Taman Universiti saw a good price increase at RM1.38 million.

(Source: Property Market Report First Half 2016, National Property Information Centre)

With the growth of E-commerce in Malaysia as well as the sustainable domestic consumption, the demand for warehouse space in prime locations is expected to remain strong despite the expected challenging economic environment. Prices and rentals of industrial land and Grade A warehouses in prime and strategic areas with good accessibility and infrastructure that meet the criteria of E-commerce companies are expected to increase due to limited supply although rental uptrend may not be in tandem with prices which have surged significantly over the past few years. This together with rising labours and building material costs contribute to the limited supply of Grade A warehouse in Malaysia as rental yields do not compensate for the high capital investment in the properties.



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UNREALISED UNDISTRIBUTED INCOME**



Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”), is pleased to present the Manager’s Report together with the audited financial statements of Atrium REIT for the financial year ended 31 December 2016 (FY2016).

ABOUT THE MANAGER

Atrium REIT Managers Sdn Bhd (“Manager”) was established in 2005 and is a subsidiary of Glory Blitz Industries Sdn Bhd. The Manager’s Board of Directors and key personnel comprise experienced individuals in their respective fields of expertise.

PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trust. There has been no significant change in the nature of this activity during the financial year.

THE TRUST AND ITS PRINCIPAL ACTIVITY

Atrium REIT was established by a Trust Deed entered into on 20 November 2006 and amended by the Supplementary Deed dated 25 November 2008 and Restated Deed dated 24 March 2016 between the Manager and CIMB Commerce Trustee Berhad (previously known as BHLB Trustee Berhad) Atrium REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 2 April 2007.

On 21 April 2016, the Manager, CIMB Commerce Trustee Berhad (“Retiring Trustee”) and Pacific Trustees Berhad (“New Trustee”) entered into a Supplementary Deed to effect the change of trustee of Atrium REIT from the Retiring Trustee to the New Trustee. The change of trustee was effected on 6 May 2016 upon the registration and lodgement of the Supplementary Deed with the Securities Commission on 6 May 2016 and 11 May 2016 respectively.

The principal activity of Atrium REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. The investment portfolio of Atrium REIT as at 31 December 2016 comprise Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Puchong and Atrium USJ (collectively called the “Properties”). These Properties are located at prime industrial sites in the Klang Valley sites and tenanted by subsidiaries of multinational companies and established local companies.

MANAGER’S INVESTMENT OBJECTIVES AND STRATEGIES

The Manager’s investment objectives are to maximize income in order to reward Unitholders annually with a stable distribution of income and to acquire quality assets to achieve long term growth in the Net Asset Value (“NAV”) per unit. The Manager has achieved its objective of rewarding Unitholders with stable and attractive return through consistent distribution of income for every quarter since the listing of the Trust on 2 April 2007.

The Manager intends to achieve Atrium REIT’s investment objectives through three key strategies:-

(i) Organic growth strategy

The Manager’s strategy involves proactive asset management, maximising tenant retention and creating leasing opportunities and strong budgetary controls to maximize returns.

(ii) Acquisition strategy

The Manager seeks to increase cashflows and yields, together with growth in distribution per unit and NAV per unit through selective acquisitions.

In evaluating acquisition opportunities, the Manager adopts the following investment criteria:

- yield accretive;
- quality and nature of business of tenant;
- tenancy terms and conditions;
- location of property;
- potential capital appreciation;
- land tenure; and
- building designs, specifications, repairs and maintenance.

The Manager intends to hold the properties on a long-term basis. However, as and when appropriate, the Manager may dispose the property and such proceeds may be reinvested in new real estates with better yields and growth potential and/or distributed to Unitholders.

(iii) Financing strategy

The Manager will comply with the provisions of the Restated Deed and Supplementary Deed (collectively known as “the Deed”) and the Securities Commission Guidelines on Real Estate Investment Trusts (“REITs Guidelines”) in relation to the maximum level of permitted borrowings which is currently set at 50% or any other percentage as stipulated by the REITs Guidelines from time to time, of its total asset value.

36 Manager's Report

(iii) Financing strategy (continued)

The Manager intends to use a combination of debt and equity to fund future acquisitions. If it is deemed appropriate and in compliance with the REITs Guidelines, a hedging strategy to manage the risks associated with changes in interest rates relating to its borrowings may be adopted. Borrowings can be in the form of bank borrowings or through the issuance of commercial papers/bonds where Atrium REIT will have to be credit-rated.

INVESTMENT POLICIES AND COMPLIANCE WITH REIT GUIDELINES

(i) Investment limits and restrictions

Atrium REIT's investments may be allocated in the following manner, as prescribed by the REITs Guidelines:

- (a) At least 50% of the total asset value of Atrium REIT must be invested in real estate assets and/or single purpose companies at all times; and
- (b) Investment in non-real estate related assets and/or cash, deposits and money market instruments must not exceed 25% of Atrium REIT's total asset value.

(ii) Authorised investments

Atrium REIT is allowed to invest in real estate, single-purpose companies whose principal assets comprise real estate, real estate-related or non real estate-related assets, cash, deposits, money market instruments and any other investment which is permissible under the REITs Guidelines or otherwise permitted by the Securities Commission.

Atrium REIT invests primarily in strategically located properties tenanted to logistics companies and manufacturers and will continue to look for opportunities in these types of properties. However, Atrium REIT does not intend to limit itself to industrial properties and may consider other types of properties which meet its investment criteria.

DIRECTORS OF THE MANAGER

The names of the Directors of the Manager who served on the Board since the date of last report are:

Dato' Dr Ir Mohamad Khir Bin Harun (Chairman)
 Wong Sui Ee
 Tor Peng Sie
 How Hu Son
 Soong Kwong Heng
 Chan Wan Seong (appointed on 26.10.2016)

Directors' Benefits

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party with the object or objects of enabling the Directors to acquire benefits by means of acquisition of units in or debentures of Atrium REIT or any other body corporate.

Since the establishment of the Trust, no Director has received or become entitled to receive any benefits by reason of a contract made by the Manager for Atrium REIT or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

Directors' Interests

According to the register of Directors' unitholdings in the Atrium REIT, the interests of Directors of the Manager in office at the end of the financial year ended 31 December 2016 are as follows:

	At 1 January 2016	Bought	Sold	At 31 December 2016
Direct Interest				
Dato' Dr Ir Mohamad Khir Bin Harun	-	-	-	-
Wong Sui Ee	363,000	10,000	-	373,000
Tor Peng Sie	100,000	-	-	100,000
How Hu Son	100,000	-	-	100,000
Soong Kwong Heng	55,000	-	-	55,000
Chan Wan Seong	-	-	-	-

MANAGER'S FEES AND COMMISSION

Pursuant to the Deed, for the financial year ended 31 December 2016, the Manager received a fee of 0.8% per annum of the Net Asset Value of the Trust even though the Manager is entitled to a fee of up to 1.0% per annum of the Net Asset Value of the Trust.

During the year, the Manager did not receive any soft commission (i.e. goods and services) from brokers or agents by virtue of transactions conducted by Atrium REIT.

OTHER STATUTORY INFORMATION

Before the Statement of Profit and Loss and Other Comprehensive Income and Statement of Financial Position of the Trust were made out, the Manager took reasonable steps:

- (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
- (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances which would render:

- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Trust; and
- (ii) the values attributed to the current assets in the financial statements of the Trust misleading.

At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Trust misleading or inappropriate.

At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Trust which would render any amount stated in the financial statements misleading.

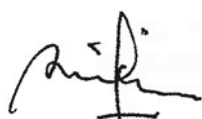
At the date of this report, there does not exist:

- (i) any charge on the assets of the Trust which has arisen since the end of the financial year which secures the liability of any other person; or
- (ii) any contingent liability of the Trust which has arisen since the end of the financial year.

In the opinion of the Directors of the Manager:

- (i) the results of the operations of Atrium REIT during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Trust for the financial year in which this report is made.

Signed on behalf of the Board in accordance with a resolution of the Directors of the Manager.



.....
Dato' Dr Ir Mohamad Khir Bin Harun



.....
Wong Sui Ee

Kuala Lumpur, Malaysia
Date: 23 February 2017

38 Statement by Directors of the Manager

In the opinion of the Directors of Atrium REIT Managers Sdn. Bhd. (“the Manager”), the financial statements set out on pages 43 to 63 have been drawn up in accordance with the provisions of the Restated Deed dated 24 March 2016 and the Supplementary Deed dated 21 April 2016, the Securities Commission’s Guidelines on Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”) as at 31 December 2016 and of the financial performance and cash flows of the Trust for the financial year then ended.

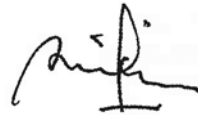
In the opinion of the Directors of the Manager, the information set out in Note 26 to the financial statements on page 64 has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Manager,

Atrium REIT Managers Sdn. Bhd.
in accordance with a resolution of the Directors of the Manager



.....
Wong Sui Ee



.....
Dato' Dr. Ir. Mohamad Khir bin Harun

Kuala Lumpur
Date: 23 February 2017

Statutory Declaration

I, Wong Sui Ee, being the Director of the Manager, Atrium REIT Managers Sdn. Bhd. primarily responsible for the financial management of Atrium Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 43 to 64 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur in the Federal)
Territory this)
Date: 23 February 2017)



.....
Wong Sui Ee

Before me:-

Commissioner for Oaths



NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

We, Pacific Trustees Berhad, have acted as Trustee of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust") for the financial year ended 31 December 2016. In our opinion and to the best of our knowledge:

- a) Atrium REIT Managers Sdn. Bhd. ("the Manager") has managed Atrium REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Restated Deed dated 24 March 2016 and the Supplementary Trust Deed dated 21 April 2016 (collectively referred to as "the Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 (as amended from time to time) and other applicable laws for the financial year ended 31 December 2016;
- b) the procedures and processes employed by the Manager to value and price the units of Atrium REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements; and

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2016 are in line with and are reflective of the objectives of Atrium REIT. Distributions that have been paid or proposed for the financial year ended 31 December 2016 are as follows:

- 1) First interim income distribution of 1.30 sen paid on 31 May 2016.
- 2) Second interim income distribution of 1.50 sen paid on 6 September 2016.
- 3) Third interim income distribution of 1.50 sen paid on 30 November 2016.
- 4) Proposed fourth and final income distribution of 1.60 sen payable on 22 March 2017.

For and on behalf of the Trustee,
Pacific Trustees Berhad (Company No. 317001-A)



.....
Chow Kah Wai
General Manager

Kuala Lumpur, Malaysia
Date: 23 February 2017



Independent Auditors' Report to the Unitholders Of Atrium Real Estate Investment Trust

Opinion

We have audited the financial statements of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust"), which comprise the statement of financial position as at 31 December 2016 of Atrium REIT, and statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows of Atrium REIT for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 63.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Atrium REIT as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ('MFRS') and International Financial Reporting Standards ('IFRS').

Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Trust for the current year. These matters were addressed in the context of our audit of the financial statements of the Trust as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

With reference to Note 4 of the financial statements, the Trust's investment properties were carried at RM236,300,000 as at 31 December 2016.

There were significant judgements and estimates used in relation to the valuation of the Trust's investment properties including allowance for void, term yield rate, reversion yield and discount rate.

Our audit procedures included the following:

- a) assessed and discussed management's process for reviewing and challenging the work of the external valuer.
- b) assessed the competence, independence and integrity of the external valuer.
- c) obtained the external valuation reports and discussed with the external valuer the results of their work.
- d) tested the integrity of the data provided to the external valuer to underlying lease agreements.
- e) benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the allowance for void, term yield rate, reversion yield and discount rate.

Independent Auditors' Report to the Unitholders Of Atrium Real Estate Investment Trust



Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the following:

- a) Financial Highlights;
- b) Chairman Statement;
- c) Management Discussion And Analysis
- d) Statement of Corporate Governance; and
- e) Statement of Internal Control

but does not include the financial statements of the Trust and our auditors' report thereon.

Our opinion on the financial statements of the Trust does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Trust, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Trust or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Directors of the Manager for the Financial Statements

The Directors of Atrium REIT Managers Sdn. Bhd. ("the Manager") of Atrium REIT are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors of the Manager are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Trust, the Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements of the Trust as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Trust, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.



Independent Auditors' Report to the Unitholders Of Atrium Real Estate Investment Trust

Auditors' Responsibility (continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- (d) Conclude on the appropriateness of the Directors of the Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Trust or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Trust, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Trust for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

The supplementary information set out in Note 26 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Manager are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the unitholders of Atrium REIT, as a body and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF : 0206
Chartered Accountants

Ng Soe Kei
2982/08/17 (J)
Chartered Accountant

Kuala Lumpur
Date: 23 February 2017

Statement Of Financial Position

As at 31 December 2016



	NOTE	2016 RM	2015 RM
ASSETS			
Non-current assets			
Investment properties	4	236,300,000	221,900,000
Current assets			
Trade and other receivables	6	4,383,608	1,991,328
Current tax assets		112,423	112,423
Deposits with a licensed bank	7	1,372,338	14,649,240
Cash and bank balances	7	835,739	143,445
		6,704,108	16,896,436
TOTAL ASSETS		243,004,108	238,796,436
LIABILITIES			
Non-current liabilities			
Trade and other payables	8	5,722,030	3,321,551
Borrowings	9	20,000,000	20,000,000
		25,722,030	23,321,551
Current liabilities			
Trade and other payables	8	6,543,600	2,602,563
Borrowings	9	39,600,000	39,600,000
		46,143,600	42,202,563
TOTAL LIABILITIES		71,865,630	65,524,114
NET ASSET VALUE ("NAV")		171,138,478	173,272,322
FINANCED BY:			
UNITHOLDERS' FUNDS			
Unitholders' capital	10	119,351,580	119,351,580
Undistributed income		51,786,898	53,920,742
TOTAL UNITHOLDERS' FUNDS		171,138,478	173,272,322
NUMBER OF UNITS IN CIRCULATION (UNITS)	11	121,801,000	121,801,000
NAV PER UNIT (RM)			
- Before income distribution		1.4051	1.4226
- After income distribution		1.3891	1.4096

The accompanying accounting policies and explanatory information form an integral part of these financial statements.



Statement of Profit or Loss and Other Comprehensive Income for the Financial Year ended 31 December 2016

	NOTE	2016 RM	2015 RM
Gross revenue	12	14,522,023	12,867,216
Property operating expenses	13	(2,185,124)	(1,933,862)
Net rental income		12,336,899	10,933,354
Interest income		198,621	556,197
Gain on disposal of an investment property		-	4,258,126
Other income		64,817	1,057,289
Total income		12,600,337	16,804,966
Trust expenses			
Manager's fees	14	(1,384,599)	(1,355,407)
Trustee's fees	15	(120,497)	(110,127)
Auditors' fee		(26,000)	(23,000)
Tax agent's fee		(5,400)	(5,800)
Finance costs	16	(2,643,479)	(2,712,302)
Valuation fees		(35,472)	(40,000)
Administrative expenses		(1,161,481)	(1,247,180)
Others		(23,000)	(20,069)
Total expenses		(5,399,928)	(5,513,885)
Changes in fair value of investment properties	4	(2,513,398)	4,291,163
Net income before tax		4,687,011	15,582,244
Tax expense	17	-	(157,577)
Net income for the financial year		4,687,011	15,424,667
Other comprehensive income, net of tax		-	-
Total comprehensive income		4,687,011	15,424,667
Net income for the financial year is made up as follows:			
Realised		7,200,409	11,133,504
Unrealised			
- changes in fair value of investment properties		(2,513,398)	4,291,163
		4,687,011	15,424,667
Earnings per unit (sen)	18		
- before Manager's fees		4.98	13.78
- after Manager's fees		3.85	12.66

The accompanying accounting policies and explanatory information form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

for the Financial Year ended 31 December 2016



	NOTE	2016 RM	2015 RM
Net income distributions*	19		
- First interim income distribution of 1.30 sen paid on 31 May 2016 (2015: 1.70 sen paid on 29 May 2015)		1,583,412	2,070,617
- Second interim income distribution of 1.50 sen paid On 6 September 2016 (2015: 3.60 sen paid on 11 September 2015)		1,827,015	4,384,836
- Third interim income distribution of 1.50 sen paid on 30 November 2016 (2015: 1.65 sen paid on 27 November 2015)		1,827,015	2,009,717
- Proposed final income distribution of 1.60 sen payable on 22 March 2017 (2015: 1.30 sen paid on 29 February 2016)		1,948,816	1,583,413
		<u>7,186,258</u>	<u>10,048,583</u>
Income distribution per unit*			
- First interim income distribution		1.30	1.70
- Second interim income distribution		1.50	3.60
- Third interim income distribution		1.50	1.65
- Proposed final income distribution		1.60	1.30
		<u>5.90</u>	<u>8.25</u>

* Withholding tax will be deducted for distributions made for the following categories of unitholders:

	Withholding tax rate	
	2016	2015
Resident corporate	Nil [^]	Nil [^]
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	25%
Non-resident institutional	10%	10%

[^] No withholding tax; tax at prevailing tax rate



Statement of Changes in Net Asset Value

	Unitholders' capital RM	--- Undistributed income ---		Unitholders' fund RM
		Realised RM	Unrealised RM	
At 1 January 2016	119,351,580	2,129,579	51,791,163	173,272,322
Operations for the financial year ended 31 December 2016				
Net income/(loss) for the financial year	-	7,200,409	(2,513,398)	4,687,011
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	7,200,409	(2,513,398)	4,687,011
Unitholders' transactions				
Distributions to unitholders:				
- 2016 interim	-	(5,237,442)	-	(5,237,442)
- 2015 final	-	(1,583,413)	-	(1,583,413)
Decrease in net assets resulting from unitholders' transactions	-	(6,820,855)	-	(6,820,855)
At 31 December 2016	119,351,580	2,509,133	49,277,765	171,138,478
At 1 January 2015	119,351,580	2,753,663	46,400,000	168,505,243
Operations for the financial year ended 31 December 2015				
Net income for the financial year	-	11,133,504	4,291,163	15,424,667
Realisation of unrealised loss upon disposal of an investment property	-	(1,100,000)	1,100,000	-
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	10,033,504	5,391,163	15,424,667
Unitholders' transactions				
Distributions to unitholders:				
- 2015 interim	-	(8,465,170)	-	(8,465,170)
- 2014 final	-	(2,192,418)	-	(2,192,418)
Decrease in net assets resulting from unitholders' transactions	-	(10,657,588)	-	(10,657,588)
At 31 December 2015	119,351,580	2,129,579	51,791,163	173,272,322

The accompanying accounting policies and explanatory information form an integral part of these financial statements.

Statement of Cash Flows

for the Financial Year ended 31 December 2016



	NOTE	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before tax		4,687,011	15,582,244
Adjustments for:			
Changes in fair value of investment properties	4	2,513,398	(4,291,163)
Finance costs	16	2,643,479	2,712,302
Gain on disposal of an investment property		-	(4,258,126)
Interest income		(198,621)	(556,197)
Operating income before changes in working capital		9,645,267	9,189,060
Increase in trade and other receivables		(2,392,280)	(563,986)
Increase/(Decrease) in trade and other payables		6,341,516	(1,902,004)
Cash generated from operations		13,594,503	6,723,070
Tax paid		-	(270,000)
Net cash from operating activities		13,594,503	6,453,070
CASH FLOWS FROM INVESTING ACTIVITIES			
Enhancement of investment properties		(16,913,398)	(308,837)
Interest received		198,621	556,197
Proceeds from disposal of an investment property		-	13,500,000
Net cash (used in)/ from investing activities		(16,714,777)	13,747,360
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	16	(2,643,479)	(2,712,302)
Repayments of Short Term Revolving Credit		-	(5,400,000)
Distributions paid to unitholders			
- Current year		(5,237,442)	(8,465,170)
- Previous year		(1,583,413)	(2,192,418)
Net cash used in financing activities		(9,464,334)	(18,769,890)
Net (decrease)/ increase in cash and cash equivalents		(12,584,608)	1,430,540
Cash and cash equivalents at beginning of financial year		14,792,685	13,362,145
Cash and cash equivalents at end of financial year		2,208,077	14,792,685
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:			
Deposits with a licensed bank (not more than three months)		1,372,338	14,649,240
Cash and bank balances		835,739	143,445
	7	2,208,077	14,792,685

The accompanying accounting policies and explanatory information form an integral part of these financial statements.

48 Notes to the Financial Statements

1. CORPORATE INFORMATION

Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust") is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 20 November 2006 and the Supplementary Trust Deed dated 25 November 2008 and the Restated Deed dated 24 March 2016 between CIMB Commerce Trustee Berhad (formerly known as BHLB Trustee Berhad) as the Trustee and Atrium REIT Managers Sdn Bhd as the Manager. Atrium REIT is listed on the Main Market of Bursa Malaysia Securities Berhad.

On 21 April 2016, the Manager, CIMB Commerce Trustee Berhad ("Retiring Trustee") and Pacific Trustees Berhad ("New Trustee") entered into a Supplementary Deed to effect the change of trustee of Atrium REIT from the Retiring Trustee to the New Trustee. The change of trustee was effected on 6 May 2016 upon the registration and lodgement of the Supplementary Deed with the Securities Commission on 6 May 2016 and 11 May 2016 respectively.

The principal place of business of the Trust is located at 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur.

The principal activity of Atrium REIT is investment in real estate and real estate-related assets used whether directly or indirectly through the ownership of single-purpose companies which wholly own real estate. There has been no significant change in the nature of this activity during the financial year.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors of the Manager, Atrium REIT Managers Sdn. Bhd., on 23 February 2017.

2. TERM OF THE TRUST

Atrium REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 19 of the Restated Deed dated 24 March 2016.

3. BASIS OF PREPARATION

The financial statements of Atrium REIT set out on pages 43 to 63 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"). However, Note 26 to the financial statements set out on page 64 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Trust.

4. INVESTMENT PROPERTIES

	2016 RM	2015 RM
As at 1 January	221,900,000	217,300,000
Enhancement of investment properties	16,913,398	308,837
Changes in fair value	(2,513,398)	4,291,163
	<hr/>	<hr/>
As at 31 December	236,300,000	221,900,000
	<hr/>	<hr/>
Investment properties comprised:		
Land and buildings	236,300,000	221,900,000
	<hr/>	<hr/>



4. INVESTMENT PROPERTIES (continued)

- (a) Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Trust. Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value.
- (b) Investment properties with an aggregate carrying amount of RM 114,300,000 (2015: RM110,400,000) are charged to a financial institution for banking facilities granted to the Trust as disclosed in Note 9 to the financial statements.
- (c) Fair value is determined in accordance with the Restated Deed dated 24 March 2016 and Supplementary Deed dated 21 April 2016 (collectively referred to as the "Deed") and the Securities Commission's Guidelines on Real Estate Investment Trusts which require the investment properties to be valued by independent qualified valuers. In determining the fair value, the valuers used valuation techniques which involve certain estimates.
- (d) Fair value information

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2016 and 31 December 2015.

The fair values of investment properties of the Trust are categorised as Level 3. Level 3 fair values of freehold land and buildings were determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The property valuers provide the fair value of the investment properties portfolios of the Trust annually. Changes in Level 3 fair value are assessed by the Manager annually after obtaining the valuation reports from the independent valuer.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between significant unobservable inputs and fair value, is detailed in the table below:

Valuation technique used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Investment method (refer below)	<ul style="list-style-type: none"> - Allowance for void of 5% to 15% - Term yield rate of 6.5% - Reversionary yield rate of 6.75% - Discount rate of 6.75% 	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> - Allowance for void was lower/(higher) - Term yield rate was higher/ (lower) - Reversionary yield rate was higher/(lower) - Discount rate was lower/ (higher)

The investment method involved capitalisation of the net annual income stream that is expected to be received from the property after deducting the annual outgoings and other operating expenses incidental to the property with allowance for void by using an appropriate market derived capitalisation rate.

Direct operating expenses arising from investment properties generating rental income during the financial year are as disclosed in Note 13 to the financial statements.



Notes to the Financial Statements

4. INVESTMENT PROPERTIES (continued)

2016

Description of property	Tenure of land	Location	Existing use	Occupancy rate as at 31 December 2016 %	Date of valuation	Fair value as at 31 December 2016 RM	Cost of investment as at 31 December 2016 RM	Percentage of fair value over Net Asset Value as at 31 December 2016 %
Atrium Shah Alam 1*	Freehold	Shah Alam	Industrial	100	28.11.2016	80,000,000	59,031,514	46.7
Atrium Shah Alam 2	Freehold	Shah Alam	Industrial	71	28.11.2016	72,000,000	64,490,721	42.1
Atrium Puchong	Freehold	Puchong	Industrial	100	28.11.2016	50,000,000	38,500,000	29.2
Atrium USJ*	Freehold	Subang	Industrial	100	28.11.2016	34,300,000	25,000,000	20.0
						<u>236,300,000</u>	<u>187,022,235</u>	

The properties were valued by Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuers registered with the Board of Valuers, Appraisers & Estate Agents Malaysia, using investment method of valuation.

* The properties are charged to financial institutions for banking facilities granted to the Trust.

4. INVESTMENT PROPERTIES (continued)

2015		Occupancy rate as at 31 December 2015 %		Date of valuation		Fair value as at 31 December 2015 RM		Cost of investment as at 31 December 2015 RM		Percentage of fair value over Net Asset Value as at 31 December 2015 %	
Description of property	Tenure of land	Location	Existing use	31 December 2015 %	Date of valuation	31 December 2015 RM	31 December 2015 RM	31 December 2015 RM	31 December 2015 RM	31 December 2015 %	
Atrium Shah Alam 1 *	Freehold	Shah Alam	Industrial	100	3.12.2015	79,000,000	57,508,837			45.6	
Atrium Shah Alam 2	Freehold	Shah Alam	Industrial	-	3.12.2015	63,000,000	49,100,000			36.4	
Atrium Puchong	Freehold	Puchong	Industrial	73	3.12.2015	48,500,000	38,500,000			28.0	
Atrium USJ*	Freehold	Subang	Industrial	100	3.12.2015	31,400,000	25,000,000			18.1	
						221,900,000	170,108,837				

The properties were valued by First Pacific Valuers Property Consultants Sdn. Bhd., an independent firm of professional valuers registered with the Board of Valuers, Appraisers & Estate Agents Malaysia, using investment method of valuation.

* The properties are charged to financial institutions for banking facilities granted to the Trust.

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5. CAPITAL MANAGEMENT

The primary objective of the Manager is to ensure that the Trust would be able to continue as a going concern while maximising the returns to unitholders through a balance of issuance of new units and loan financing. The overall strategy of the Manager remains unchanged from that in the previous financial year.

The Manager manages the capital structure of the Trust and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Manager may adjust the income distribution to unitholders or issue new units. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

The Manager would also comply with the provisions of the Deed and all applicable rules and guidelines prescribed by the Securities Commission relating to the financing of the Trust.

The Manager monitors capital using a gearing ratio, which is total borrowings divided by total assets of the Trust pursuant to Securities Commission's Guidelines on Real Estate Investment Trusts.

	2016 RM	2015 RM
Total borrowings	59,600,000	59,600,000
Total assets	243,004,108	238,796,436
Gearing ratio	24.53%	24.96%

6. TRADE AND OTHER RECEIVABLES

	2016 RM	2015 RM
Trade receivables	961,695	879,318
Other receivables, deposits and prepayments		
Other receivables	443,847	491,422
Deposits	2,870,820	548,820
	3,314,667	1,040,242
Loans and receivables	4,276,362	1,919,560
Prepayments	107,246	71,768
	4,383,608	1,991,328

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Trust is 30 days (2015: 30 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) Loans and receivables are measured at amortised cost using the effective interest method.
- (c) Trade and other receivables are denominated in Ringgit Malaysia ("RM").

6. TRADE AND OTHER RECEIVABLES (continued)

(d) The ageing analysis of trade receivables of the Trust are as follows:

	2016 RM	2015 RM
Neither past due nor impaired	144,357	394,626
Past due not impaired		
31 to 60 days	116,306	-
61 to 90 days	235,168	-
91 to 120 days	-	7,500
121 to 150 days	-	-
More than 151 days	465,864	477,192
	<u>817,338</u>	<u>484,692</u>
	<u>961,695</u>	<u>879,318</u>

Trade receivables that are neither past due nor impaired as at the end of the reporting period represent existing customers, including related parties, with no defaults in the past.

Receivables that are past due but not impaired

Based on past experience, the Manager believes that no impairment is necessary in respect of these balances. Trade receivables that are past due but not impaired related to receivables with good track record with the Trust and deposit as collateral.

(e) The Trust makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Manager specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(f) Exposure to credit risk

At the end of each reporting period, the maximum exposure of the Trust to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

(g) Included in deposit is amount of RM2,300,000 in relation to proposed acquisition of property as disclosed in Note 24 to the financial statements.

7. CASH AND BANK BALANCES AND DEPOSITS WITH A LICENSED BANK

	2016 RM	2015 RM
Cash and bank balances:		
Cash at banks and on hand	835,739	143,445
Deposits with a licensed bank	<u>1,372,338</u>	<u>14,649,240</u>
Total cash and bank balances	<u>2,208,077</u>	<u>14,792,685</u>

54 Notes to the Financial Statements

7. CASH AND BANK BALANCES AND DEPOSITS WITH A LICENSED BANK (continued)

- (a) The deposits are placed with a licensed bank at weighted average interest rate of 2.93% (2015: 3.15%) per annum.
- (b) The Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance the Trust's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission Guidelines on Real Estate Investment Trusts concerning limits on total borrowings.
- (c) The deposits are denominated in Ringgit Malaysia ("RM").
- (d) In respect of interest-earning financial assets and interest-bearing financial liabilities, the following tables sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the Trust's financial instruments that are exposed to interest rate risk:

2016	Within 1 year RM	One to five years RM	Total RM
Floating rates			
Deposits with a licensed bank	1,372,338	-	1,372,338

2015	Within 1 year RM	One to five years RM	Total RM
Floating rates			
Deposits with a licensed bank	14,649,240	-	14,649,240

8. TRADE AND OTHER PAYABLES

	2016 RM	2015 RM
Non-current liabilities		
Tenants' deposits	5,722,030	3,321,551
Current liabilities		
Trade payables	1,231,079	44,736
Other payables and accrued expenses	5,120,448	2,432,827
Tenants' deposits	192,073	125,000
	6,543,600	2,602,563
	12,265,630	5,924,114

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Trust is 30 days (2015: 30 days).
- (b) Included in other payables and accrued expenses is amount owing to the Manager of RM52,162 (2015: RM121,935) which is unsecured, interest free and payable monthly in arrears.

8. TRADE AND OTHER PAYABLES (continued)

- (c) Tenants' deposits are categorised as Level 3 in the fair value hierarchy.
- (d) Trade and other payables are denominated in Ringgit Malaysia ("RM").
- (e) The table below summarises the maturity profile of the Trust's liabilities at the end of each reporting period based on contractual undiscounted repayment obligations.

2016	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Trade and other payables	6,351,527	-	-	6,351,527
Tenants' deposits	192,073	3,103,448	2,618,582	5,914,103
<hr/>				
2015				
Financial liabilities				
Trade and other payables	2,477,563	-	-	2,477,563
Tenants' deposits	125,000	702,969	2,618,582	3,446,551
<hr/>				

9. BORROWINGS

	2016 RM	2015 RM
<u>Short Term Financing</u>		
Short Term Revolving Credit ("STRC")	39,600,000	39,600,000
<u>Long Term Financing</u>		
Term Loan ("TL")	20,000,000	20,000,000
	<hr/>	<hr/>
	59,600,000	59,600,000
	<hr/>	<hr/>

- (a) The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Trust for similar financial instruments.
- (b) The STRC facility is secured by a first party legal charge over an investment property, Atrium Shah Alam 1 (2015: Atrium Shah Alam 1) as disclosed in Note 4 to the financial statements. This financing facility is renewable on a yearly basis and subject to the bank's review.

The STRC facility bears interest ranging from 4.21% to 4.51% (2015: 4.30% to 4.51%) per annum during the financial year.

56  Notes to the Financial Statements

9. BORROWINGS (continued)

- (c) The term loan bears interest rate at cost of funds plus 0.725% (2015: cost of funds plus 0.725%) per annum and is repayable in one lump sum in October 2018.

The term loan is secured by a first party legal charge over an investment property, Atrium USJ, as disclosed in Note 4 to the financial statements.

- (d) At the end of the reporting period, RM39.6 million (2015: RM39.6 million) of the Trust's borrowings comprising Short Term Revolving Credit ("STRC") would be maturing in the next twelve months based on the carrying amount reflected in the financial statements. There would be no roll over risk for the STRC since the Trust is not in breach of any covenants that would trigger an event of default which would affect the bank's assessment to renew the facilities. There was no history of non-renewal of the STRC with the latest Deed Agreement with the Bank and Pacific Trustees Berhad on 22 December 2016.
- (e) Borrowings are categorised as Level 2 in the fair value hierarchy.
- (f) All borrowings are denominated in Ringgit Malaysia ("RM").
- (g) The table below summarises the maturity profile of the Trust's liabilities at the end of each reporting period based on contractual undiscounted repayment obligations.

2016	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Borrowings	42,273,000	21,300,000	-	63,573,000
2015				
Financial liabilities				
Borrowings	42,260,520	21,705,000	-	63,965,520

9. BORROWINGS (continued)

- (h) In respect of interest-earning financial assets and interest-bearing financial liabilities, the following tables sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the Trust's financial instruments that are exposed to interest rate risk:

	Within 1 year RM	One to five years RM	Total RM
2016			
Floating rates			
Term loan	-	20,000,000	20,000,000
Short Term Revolving Credit	39,600,000	-	39,600,000

2015			
Floating rates			
Term loan	-	20,000,000	20,000,000
Short Term Revolving Credit	39,600,000	-	39,600,000

Sensitivity analysis for interest rate risk

As at 31 December 2016, if interest rates at the date had been 10 basis points lower or higher with all other variables held constant, post-tax net income for the financial year would have been RM45,296 (2015: RM48,428) higher or lower, arising mainly as a result of lower or higher interest expense on variable borrowings and interest income from deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

10. UNITHOLDERS' CAPITAL

	Number of Units	2016 RM	Number of Units	2015 RM
Authorised	<u>121,801,000</u>	<u>121,801,000</u>	<u>121,801,000</u>	<u>121,801,000</u>
Issued and fully paid	<u>121,801,000</u>	<u>119,351,580</u>	<u>121,801,000</u>	<u>119,351,580</u>

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11. UNITHOLDINGS OF DIRECTORS AND RELATED PARTIES

- (a) As at the end of each reporting period, the Manager, Directors of the Manager and related parties who held units in Atrium REIT are as follows:

2016	Number of unit held	Percentage of total units %	Market value RM
Direct unitholdings in Atrium REIT			
Atrium REIT Manager Sdn. Bhd.	750,800	0.62	818,372
Directors of the Manager:			
Wong Sui Ee	373,000	0.31	406,570
Tor Peng Sie	100,000	0.08	109,000
How Hu Son	100,000	0.08	109,000
Soong Kwong Heng	55,000	0.05	59,950
Related parties of the Manager:			
Glory Blitz Industries Sdn. Bhd.	10,024,800	8.23	10,927,032
Sparkle Skyline Sdn. Bhd.	4,258,900	3.50	4,642,201
Chan Kam Tuck ⁽ⁱ⁾	30,281,400	24.86	33,006,726
Chan Kum Chong	70,000	0.06	76,300
2015			
	Number of unit held	Percentage of total units %	Market value RM
Direct unitholdings in Atrium REIT			
Atrium REIT Manager Sdn. Bhd.	750,800	0.62	825,880
Directors of the Manager:			
Wong Sui Ee	363,000	0.30	399,300
Tor Peng Sie	100,000	0.08	110,000
How Hu Son	100,000	0.08	110,000
Soong Kwong Heng	55,000	0.05	60,500
Related parties of the Manager:			
Glory Blitz Industries Sdn. Bhd.	10,024,800	8.23	11,027,280
Sparkle Skyline Sdn. Bhd.	4,258,900	3.50	4,684,790
Chan Kam Tuck ⁽ⁱ⁾	30,241,400	24.83	33,265,540
Chan Kum Chong	70,000	0.06	77,000

- (i) Unitholdings under Chan Kam Tuck is made up of his individual holding of 10,281,400 (2015: 10,241,400) units and his deemed holding of 20,000,000 (2015: 20,000,000) units under a trust where he is a beneficiary.
- (b) The market value is determined by using the closing market price of the Trust as at 31 December 2016 of RM1.09 (2015: RM1.10).



12. GROSS REVENUE

Gross rental revenue represents rental income received from the rental of investment properties. Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

13. PROPERTY OPERATING EXPENSES

	2016 RM	2015 RM
Property management fees	204,540	185,393
Assessment and quit rent	479,772	485,870
Repair and maintenance	1,114,792	863,314
Insurance	252,728	278,118
Other operating expenses	133,292	121,167
	<u>2,185,124</u>	<u>1,933,862</u>

Property management fees are recognised on an accrual basis.

14. MANAGER'S FEES

- (a) The Manager's fees are recognised on an accrual basis using the applicable formula.
- (b) Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1.0% per annum of the Net Asset Value of Atrium REIT. The Manager's fee is payable in arrears, calculated and accrued daily. However, the Manager has only been charging its fees at the rate of 0.8% (2015: 0.8%) per annum of the Net Asset Value.

15. TRUSTEE'S FEES

- (a) The Trustee's fees are recognised on an accrual basis using the applicable formula.
- (b) Pursuant to the Deed, the Trustee is entitled to receive a fee of up to a maximum of 0.4% per annum of the Net Asset Value of the Trust, subject to a minimum fee of RM40,000 per annum. The Trustee's fee is payable in arrears, calculated and accrued daily. However, the Trustee has only been charging its fees at the rate of 0.06% (2015: 0.065%) per annum of the Net Asset Value.

16. FINANCE COSTS

	2016 RM	2015 RM
Interest expense on:		
- short term revolving credit facility	1,729,142	1,781,352
- term loan	914,337	930,950
	<u>2,643,479</u>	<u>2,712,302</u>

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17. TAX EXPENSE

	2016 RM	2015 RM
Income tax expense based on net income for the financial year	-	-
Real property gains tax	-	157,577
	<u>-</u>	<u>157,577</u>

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2015: 25%) of the estimated taxable income for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Trust is as follows:

	2016 RM	2015 RM
Net income before tax	4,687,011	15,582,244
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	1,124,883	3,895,561
Tax effects in respect of:		
Non-deductible expenses	(28,239)	152,163
Effect of changes in fair value of investment properties not subject to tax	603,216	(1,072,791)
Different tax rates arising from gain from real property investments	-	(630,310)
Effect of income exempted from tax	(1,699,860)	(2,187,046)
Tax expense	<u>-</u>	<u>157,577</u>

Pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006, provided that 90% or more of the total income of the Trust is distributed to its unitholders in the basis period for a year of assessment, the total income of the Trust for that year of assessment shall be exempted from tax.

The Trust distributed approximately 99.8% (2015: 90.3%) of the realised and distributable income and thus, its total income for the year is exempted from tax.

18. EARNINGS PER UNIT

- (a) The earnings per unit before Manager's fee of 4.98 sen (2015: 13.78 sen) is calculated by dividing the net income after tax but before deduction of manager's fees for the financial year of RM6,071,610 (2015: RM16,780,074) and by the number of units in circulation during the financial year of 121,801,000 (2015: 121,801,000).
- (b) The earnings per unit after Manager's fee of 3.85 sen (2015: 12.66 sen) has been calculated based on net income after tax of RM4,687,011 (2015: RM15,424,667) for the financial year and on the number of units in circulation during the financial year of 121,801,000 (2015: 121,801,000).

19. NET INCOME DISTRIBUTIONS

Distributions to unitholders are from the following sources:

	2016 RM	2015 RM
Net rental income	12,336,899	10,933,354
Interest income	198,621	556,197
Gain on disposal of an investment property	-	4,258,126
Other income	64,817	1,057,289
	<hr/>	<hr/>
Less: Expenses	12,600,337 (5,399,928)	16,804,966 (5,513,885)
	<hr/>	<hr/>
Less: Income distributed	7,200,409 (5,237,442)	11,291,081 (8,465,170)
Less: Proposed final income distribution	(1,948,816)	(1,583,413)
	<hr/>	<hr/>
Balance undistributed income	<u>14,151</u>	<u>1,242,498</u>

All distributions of income are from realised distributable income.

20. PORTFOLIO TURNOVER RATIO

	2016	2015
Portfolio Turnover Ratio ("PTR") (times)	<u>-</u>	<u>0.05</u>

PTR is the ratio of the average of total acquisitions and total disposals of investments in Atrium REIT for the financial year ended 31 December 2016 to the average net asset value of the Trust for the financial year calculated on a daily basis.

Since the basis of calculating PTR may vary among real estate investment trusts, comparison of PTR of Atrium REIT with other real estate investment trusts may not be an accurate comparison.

21. MANAGEMENT EXPENSE RATIO

	2016	2015
Management expense ratio ("MER")(%)	<u>1.60</u>	<u>1.64</u>

MER is calculated based on total fees of Atrium REIT incurred, including the Manager's fees, Trustee's fees, audit fees, tax agent's fees, administrative and other expenses, to the average net asset value of the Trust for the financial year calculated on a daily basis.

Since the basis of calculating MER may vary among real estate investment trusts, comparison of MER of Atrium REIT with other real estate investment trusts may not be an accurate comparison.

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22. TRANSACTION WITH BROKER/DEALERS

There was no transaction made with brokers/dealers during the financial year.

23. OPERATING SEGMENT

As the principal activity of Atrium REIT is to invest in properties, which all are located in Malaysia with the primary objective to derive rental income, there are no risks and returns distinguishable between business and geographical segments.

The Directors of the Manager assess the performance of the operating segments based on various factors, including but not limited to, a measure of profit or loss before tax.

The following are major customers with revenue equal or more than ten percent (10%) of the Trust's revenue:

	2016 RM	2015 RM
Customer A	6,284,598	3,725,309
Customer B	2,741,400	3,666,015
Customer C	1,852,759	2,006,021
	<u>6,284,598</u>	<u>3,666,015</u>

24. COMMITMENTS

- (a) Operating lease commitments

Atrium REIT as lessor

Atrium REIT leases out its investment properties under operating leases. The aggregate future minimum lease receivables under non-cancellable lease arrangements as at the end of each reporting period are as follows:

	2016 RM	2015 RM
Not later than one (1) year	16,574,794	9,358,020
Later than one (1) year and not later than five (5) years	33,124,822	26,987,884
Later than five (5) years	-	2,618,583
	<u>49,699,616</u>	<u>38,964,487</u>

- (b) Capital commitments

	2016 RM	2015 RM
Capital expenditure in respect of addition of investment properties:		
Approved and contracted for	20,700,000	17,214,872
Approved but not contracted for	-	867,012
	<u>20,700,000</u>	<u>18,081,884</u>



24. COMMITMENTS (continued)

The Trust made an announcement on 4 October 2016 in relation to the proposed acquisition of a double storey office with annexed two adjoining single storey factories located at under No. 17, Persiaran Sabak Bernam, Section 26 Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan at a purchase consideration of Ringgit Malaysia Twenty Three Million (RM23,000,000) (inclusive of 6% goods and services tax) only from Pacific BBA (Malaysia) Sdn Bhd.

25. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

25.1 New MFRSs adopted during the financial year

The Trust adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016

There is no material effect upon the adoption of these Standards and Amendments during the financial year.

25.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2016

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Trust.

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Trust is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

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26. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED UNDISTRIBUTED INCOME

The undistributed income as at the end of each reporting period may be analysed as follows:

	2016	2015
	RM	RM
Total undistributed income of the Trust		
- Realised	2,509,133	2,129,579
- Unrealised	49,277,765	51,791,163
	<u>51,786,898</u>	<u>53,920,742</u>

The unrealised undistributed income relates to the cumulative net change arising from the fair value adjustments to the investment properties.

The supplementary information on realised and unrealised undistributed income has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

Analysis of Unitholdings as at 31 December 2016



SIZE OF HOLDINGS	NO. OF UNITHOLDERS	NO. OF UNITS	%
1 - 99	18	500	0.00
100 - 1,000	509	395,246	0.32
1,001 - 10,000	1,310	7,107,300	5.84
10,001 - 100,000	730	24,892,100	20.44
100,001 to less than 5% of issued units	126	50,305,854	41.30
5% and above of issued units	3	39,100,000	32.10
TOTAL :	2,696	121,801,000	100.00

THIRTY (30) LARGEST UNITHOLDERS AS AT 31 DECEMBER 2016

Name	No. of units	%
1) CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB COMMERCE TRUSTEE BERHAD (BTR2031)	20,000,000	16.42
2) CHAN KAM TUCK	10,000,000	8.21
3) PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR GLORY BLITZ INDUSTRIES SDN BHD (TCS)	9,100,000	7.47
4) SOH KAM ENG	5,810,000	4.77
5) SPARKLE SKYLINE SDN BHD	3,258,900	2.68
6) STEPHEN EDWARD BLACKBURN	2,009,100	1.65
7) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (LIFE PAR FD)	1,521,000	1.25
8) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (SHH FD)	1,443,900	1.19
9) CHRISTINA CHONG YOKE LENG	1,231,000	1.01
10) HLIB NOMINEES (ASING) SDN BHD KWOK CHIU NAM (CCTS)	1,000,000	0.82
11) HLIB NOMINEES (ASING) SDN BHD CHEUNG SIU WA (CCTS)	1,000,000	0.82
12) MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR SPARKLE SKYLINE SDN BHD (DLR 060-MARGIN)	1,000,000	0.82
13) BEVERLY TOWER DEVELOPMENT SDN BHD	940,000	0.77
14) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (ANN FD)	933,200	0.77
15) LIAN MONG YEE @ LIAN MUNG YEE	863,600	0.71
16) GLORY BLITZ INDUSTRIES SDN BHD	841,800	0.69
17) CHAI KOOI IM	826,000	0.68
18) ATRIUM REIT MANAGERS SDN BHD	750,800	0.62
19) LEONG AH MENG @ LEONG MEE	680,000	0.56
20) NG WAI YUAN	625,000	0.51
21) ON THIAM CHAI	600,000	0.49
22) RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR SU MING KEAT	522,600	0.43



Analysis of Unitholdings as at 31 December 2016

Name	No. of units	%
23) TEW PENG HWEE @ TEOH PENG HWEE	519,800	0.43
24) AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	512,000	0.42
25) HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAMPAI DEDIKASI SDN BHD	500,000	0.41
26) CHOY YOKE CHUN	490,000	0.40
27) MAYBANK NOMINEES (TEMPATAN) SDN BHD CHAU MEI LAN	460,000	0.38
28) GUAN BOON KUAN	430,000	0.35
29) PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW HOCK HUA (E-SS2)	418,100	0.34
30) CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR HAMZAH BIN BAKAR (PB)	400,000	0.33
	<hr/> 68,686,800	<hr/> 56.40 <hr/>

LIST OF SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

Name	No. of units	%
1) CHAN KAM TUCK (Note 1)	30,281,400	24.86
2) GLORY BLITZ INDUSTRIES SDN BHD	10,024,800	8.23
	<hr/> 40,306,200 <hr/>	<hr/> 33.09 <hr/>

Note 1-Unitholding under Chan Kam Tuck is made up of his individual holding of 10,281,400 units and his deemed holding under a trust where he is the beneficiary.

ATRIUM REIT

ATRIUM REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)
(Managed by Atrium REIT Managers Sdn. Bhd. (710526-V))

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting (“AGM”) of Atrium Real Estate Investment Trust (“Atrium REIT”) will be held at Cahaya Room, 4th Floor, Flamingo Hotel, 5, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan on Thursday, 27 April 2017 at 10.00 a.m. for the following purpose:-

ORDINARY BUSINESS

To receive the Audited Financial Statements of Atrium REIT for the financial year ended 31 December 2016 together with the Trustee’s Report issued by Pacific Trustees Berhad, as Trustee of Atrium REIT and the Manager’s Report issued by Atrium REIT Managers Sdn. Bhd., as the Manager of Atrium REIT and the Auditors’ Report thereon.

(See Note 2)

By Order of the Board
ATRIUM REIT MANAGERS SDN. BHD. (710526-V)
(as the Manager of Atrium Real Estate Investment Trust)

LIM POH YEN (MAICSA 7009745)
WONG WAI FOONG (MAICSA 7001358)
Company Secretaries

Kuala Lumpur
28 February 2017

NOTES:-

1. APPOINTMENT OF PROXY

- (i) A unitholder is entitled to attend and vote at any meeting and is entitled to appoint another person (whether a unitholder or not) as his proxy to attend and vote.
If a unitholder appoints 2 proxies, the appointment will be invalid unless the unitholder specifies the proportions of his holdings to be represented by each proxy.
- (ii) If the unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with units standing to the credit of the securities account.
- (iii) A proxy has the same rights as the unitholder to vote whether on a poll or a show of hands, to speak and to be reckoned in a quorum.
- (iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation/company, either under its common seal or under the hand of officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the office address of the Manager at No. 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof.
- (vi) Only unitholders whose names appear in the Record of Depositors as at 20 April 2017 will be entitled to attend and vote at the meeting or appoint proxy (proxies) to attend and vote on their behalf.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Audited Financial Statements is meant for discussion only as the approval of the unitholders is not required pursuant to the provision under the Guidelines on Real Estate Investment Trust issued by the Securities Commission Malaysia. Hence, this Agenda is not put forward for voting by the unitholders of Atrium REIT.

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ATRIUM REIT

ATRIUM REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

(Managed by Atrium REIT Managers Sdn. Bhd. (710526-V))

No. of units held	CDS Account No.

Contact No. (During office hour) _____

I/We (name of unitholder as per NRIC/Company Registration Form, in capital letters) NRIC No./ID No./Company No. (new) (old) of.....
(Full address) being a unitholder/unitholders of **ATRIUM REAL ESTATE INVESTMENT TRUST** ("Atrium REIT") hereby appoint * (name of proxy as per NRIC, in capital letters) NRIC No. (new) (old) or failing him/her
 (name of proxy as per NRIC, in capital letters) NRIC No. (new) (old) or failing him/her the Chairman of the Meeting as my/our proxy/proxies to attend for me/us on my/our behalf at the Fifth Annual General Meeting of Atrium REIT to be held at Cahaya Room, 4th Floor, Flamingo Hotel, 5, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan on Thursday, 27 April 2017 at 10.00 a.m. and at any adjournment thereof for considering the business to be transacted at the Meeting.

Dated this day of 2017

For appointment of two proxies, percentage of unitholdings to be represented by the proxies:-

Proxy	No. of units	Percentage (%)
1		
2		
Total		100

.....
 Signature of Unitholder/Common Seal

NOTES :

- A unitholder is entitled to attend and vote at any meeting and is entitled to appoint another person (whether a unitholder or not) as his proxy to attend and vote.
 If a unitholder appoints 2 proxies, the appointment will be invalid unless the unitholder specifies the proportions of his holdings to be represented by each proxy.
- If the unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with units standing to the credit of the securities account.
- A proxy has the same rights as the unitholder to vote whether on a poll or a show of hands, to speak and to be reckoned in a quorum.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation/company, either under its common seal or under the hand of officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the office address of the Manager at No. 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof.
- Only unitholders whose names appear in the Record of Depositors as at 20 April 2017 will be entitled to attend and vote at the meeting or appoint proxy (proxies) to attend and vote on their behalf.

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STAMP

The Manager of
ATRIUM REAL ESTATE INVESTMENT TRUST
No. 36-2, Jalan 5/101C
Off Jalan Kaskas, Jalan Cheras
56100 Kuala Lumpur

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ATRIUM REAL ESTATE INVESTMENT TRUST