



ANNUAL REPORT
2017

2017 contents

2. Our Mission
3. Profile of Atrium Real Estate Investment Trust
4. Financial Highlights
9. Salient Features of the Fund
10. Chairman's Statement
13. Management Discussion & Analysis
19. Property Portfolio
24. Structure of Atrium Real Estate Investment Trust
25. Performance Data
28. Corporate Information
29. Profile of Directors
31. Profile of Chief Executive Officer and Key Senior Management
33. Statement of Corporate Governance
39. Statement of Internal Control
41. Sustainability Statement
45. Financial Statements
 - Manager's Report
 - Statement by Directors of the Manager
 - Statutory Declaration
 - Trustee's Report
 - Independent Auditors' Report
 - Statement of Financial Position
 - Statement of Profit or Loss and Other Comprehensive Income
 - Statement of Changes in Net Asset Value
 - Statement of Cash Flows
 - Notes to the Financial Statements
82. Analysis of Unitholdings
84. Notice of the Sixth Annual General Meeting

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.



PROFILE OF ATRIUM REAL ESTATE INVESTMENT TRUST

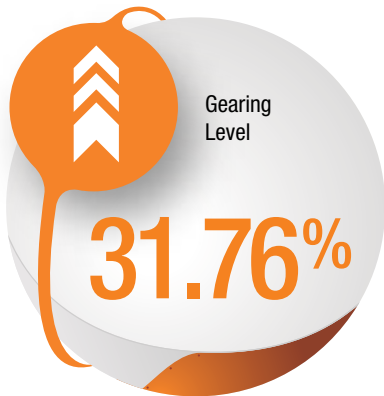
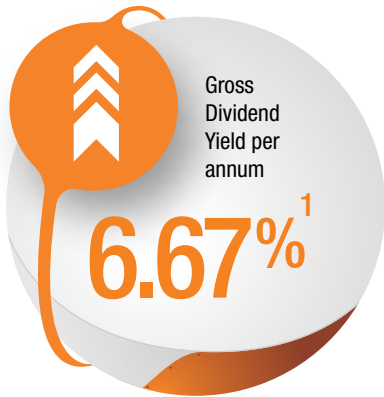
Atrium REIT is an industrial asset-focused real estate investment trust constituted by a Trust Deed entered into on 20 November 2006, amended by the Supplementary Deed dated 25 November 2008, and the Restated Deed dated 24 March 2016 between CIMB Commerce Trustee Berhad (formerly known as BHLB Trustee 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 Atrium REIT’s trustee 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 five industrial properties located in prime locations in the Klang Valley, namely; Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Shah Alam 3, Atrium Puchong and Atrium USJ.



FINANCIAL HIGHLIGHTS

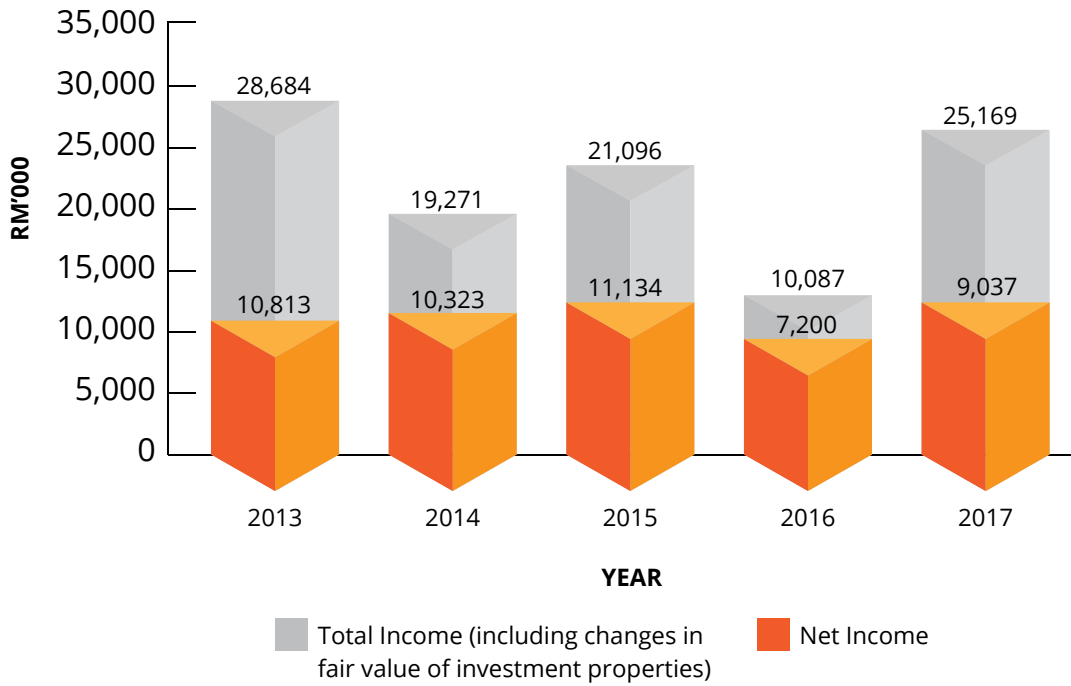


1. Based on closing market price on 31 December 2017 of RM1.11 per unit

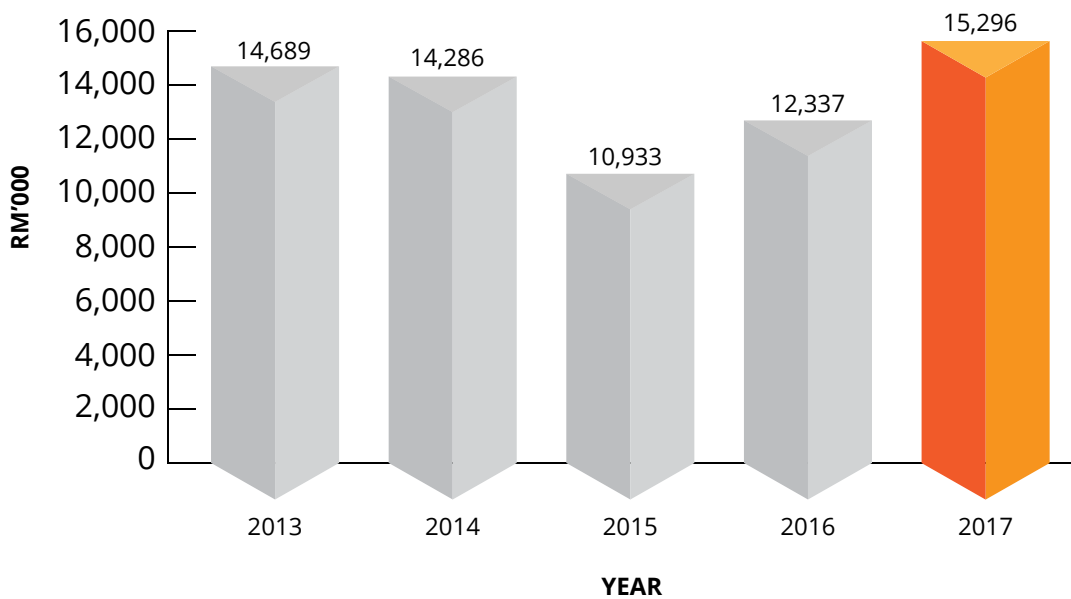


FINANCIAL HIGHLIGHTS (CONT'D)

TOTAL INCOME AND REALISED NET INCOME

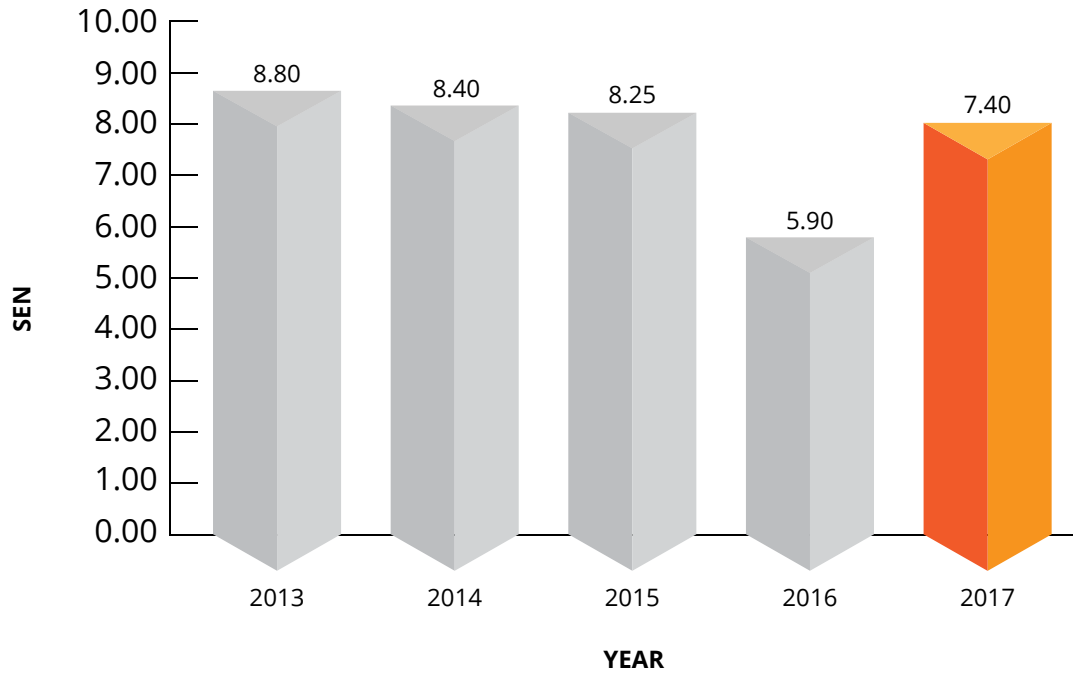


NET PROPERTY INCOME

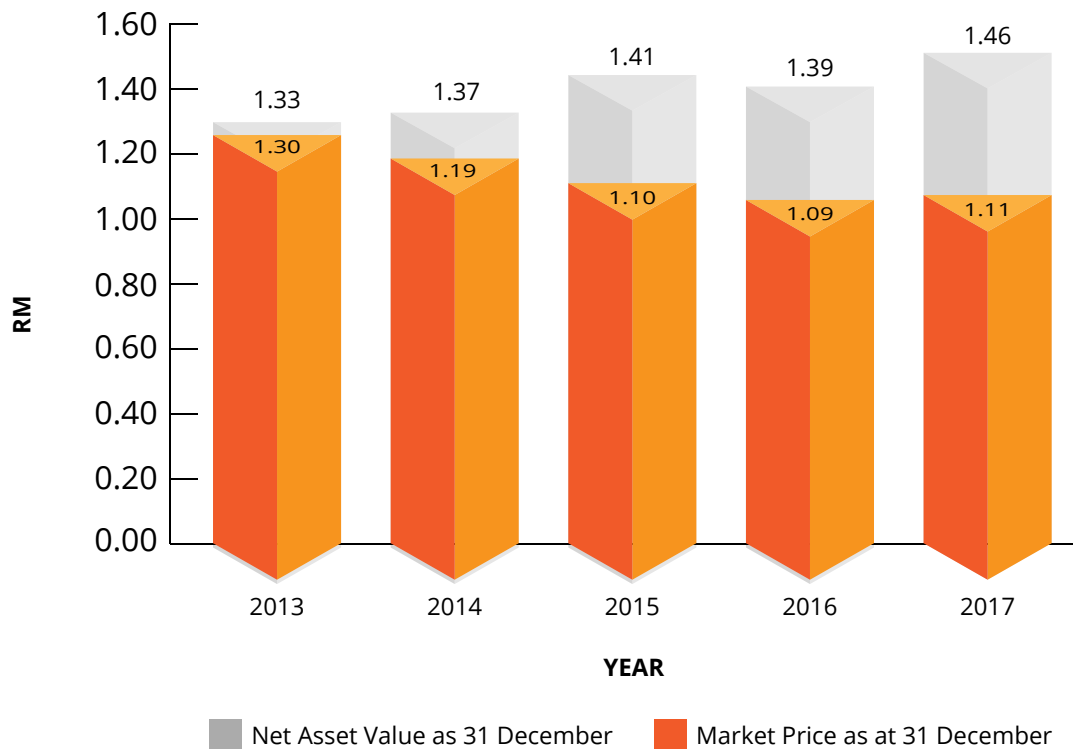


FINANCIAL HIGHLIGHTS (CONT'D)

DISTRIBUTION PER UNIT



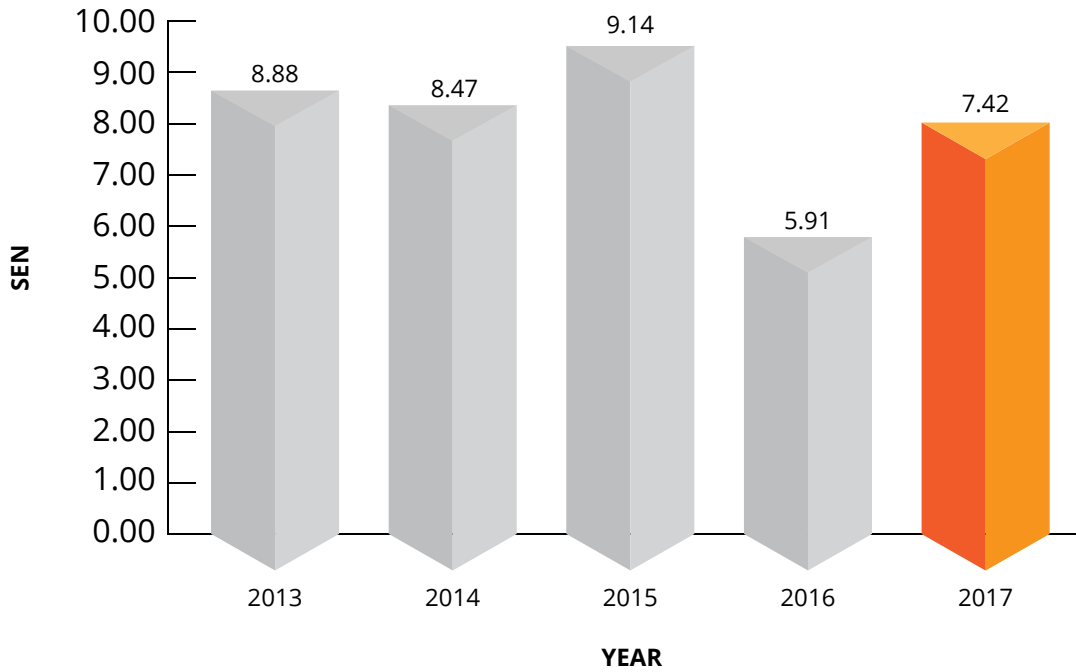
NET ASSET VALUE AND MARKET PRICE PER UNIT



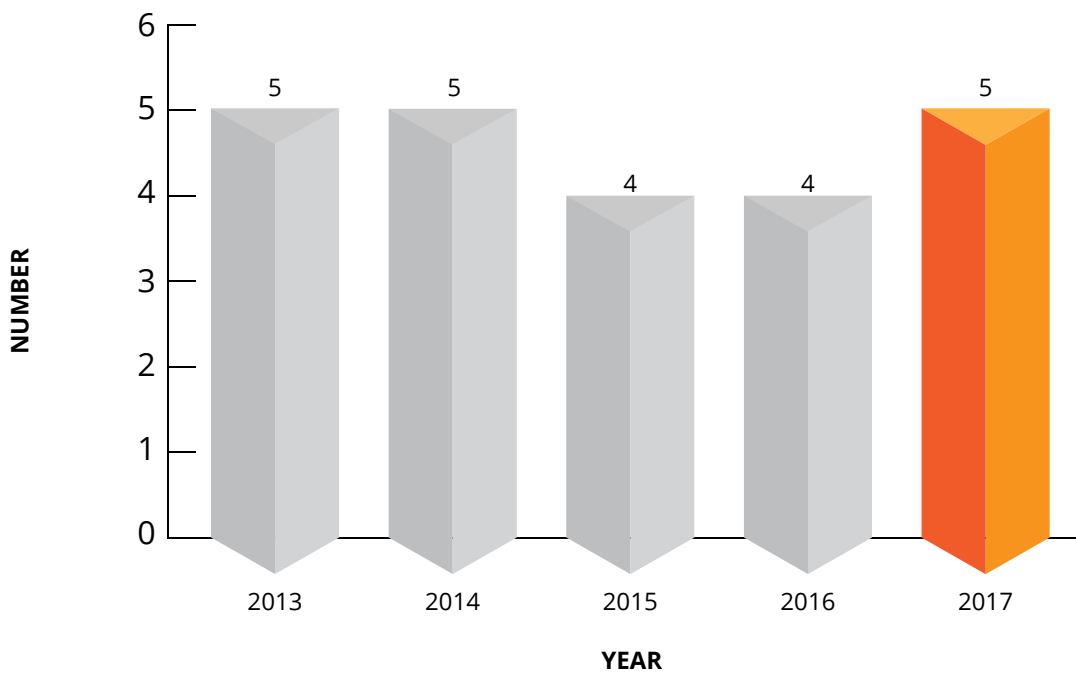
■ Net Asset Value as 31 December ■ Market Price as at 31 December

FINANCIAL HIGHLIGHTS (CONT'D)

EARNINGS PER UNIT (Realised)



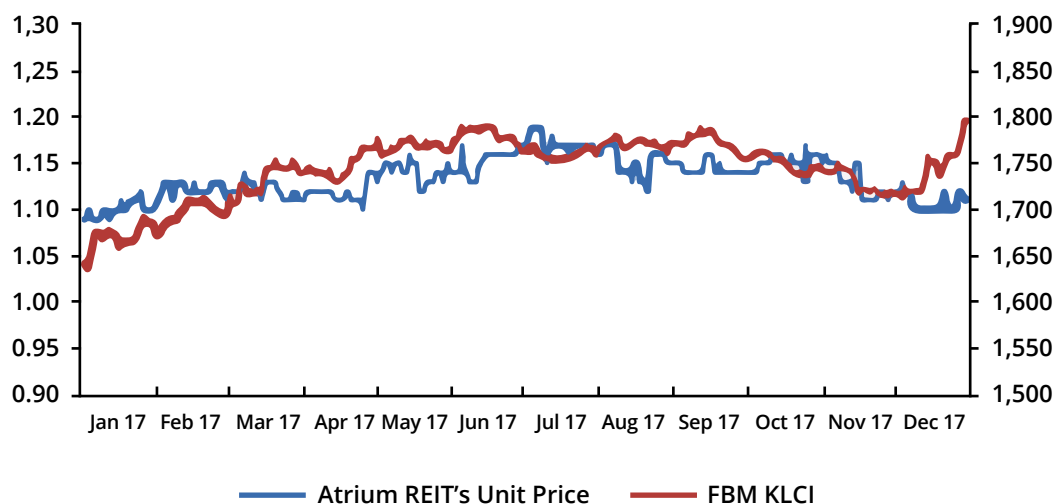
PROPERTIES IN PORTFOLIO



FINANCIAL HIGHLIGHTS (CONT'D)

ATRIUM REIT'S UNIT PRICE VS FBM KLCI

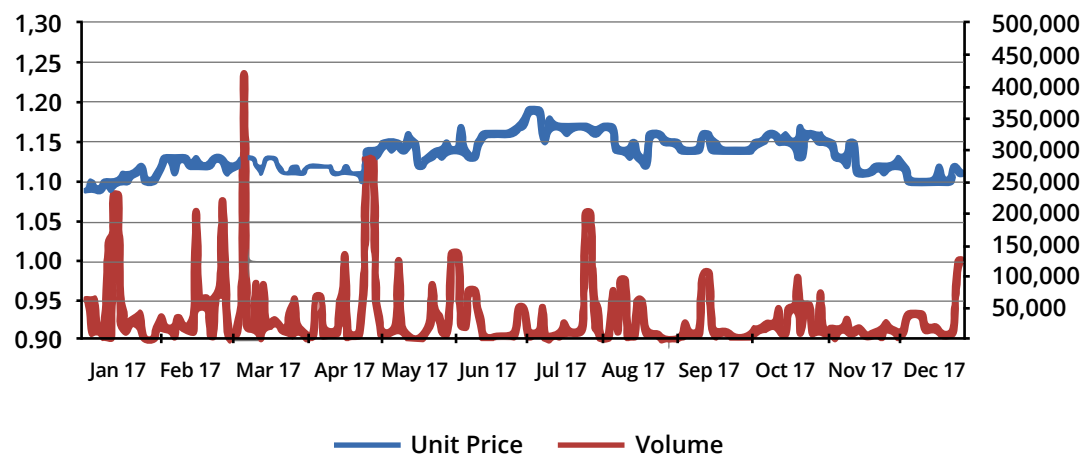
PRICE (RM)



UNIT PRICE VS VOLUME

PRICE (RM)

VOLUME



| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---------|---------|---------|---------|---------|
| Asset Under Management (RM'000) | 268,434 | 236,300 | 221,900 | 226,200 | 221,700 |
| Total Borrowings (RM'000) | 88,765 | 59,600 | 59,600 | 65,000 | 65,000 |
| Total Unitholders Funds (RM'000) | 180,567 | 171,138 | 173,272 | 168,505 | 164,401 |
| Market Capitalisation ² (RM'000) | 135,199 | 132,763 | 133,981 | 144,943 | 158,341 |
| Unit Price ² (RM) | 1.11 | 1.09 | 1.10 | 1.19 | 1.30 |
| Units in Circulation ('000) | 121,801 | 121,801 | 121,801 | 121,801 | 121,801 |

2. Based on respective closing prices on 31 December

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 Deed dated 24 March 2016 |
| Approved size of Fund | : 121,801,000 units |
| Authorised investments | : <ul style="list-style-type: none"> - 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 three (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 |

CHAIRMAN'S STATEMENT



Dear Unitholders,

On behalf of the Board of Directors of Atrium REIT Managers Sdn Bhd ("Manager"), it gives me great privilege to present our Annual Report and audited financial performance for the financial year ended 31st December 2017 ("FY2017"). It has been a year where Atrium REIT had persevered and strived to sustain through internal and external challenges. It is my pleasure to announce that Atrium REIT took these challenges head-on and had risen above them.

Overview

In a year of economic challenges, the Malaysian real estate industry was impacted by the subdued property industry outlook, depreciation of the Ringgit, higher cost of goods and services, and stringent lending policies; all of which had direct and indirect effect on Atrium REIT's business. Despite the above challenges, Atrium REIT managed to complete the Sale and Purchase Agreement entered into by Pacific Trustees Berhad, on behalf of Atrium REIT with Pacific BBA (Malaysia) Sdn Bhd to acquire a double-storey office with annexed two adjoining single storey factories located at No. 10, Persiaran Sabak Bernam, Section 26 Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan (known as Atrium Shah Alam 3) at a purchase consideration of RM23 million (inclusive of 6% GST).

The portfolio occupancy for Atrium REIT was slightly down at 90.99% as at 31 December 2017 compared to 91.71% in 2016 as a result of the Asset Enhancement Initiatives ("AEI") undertaken during the year for Atrium Shah Alam 3 which necessitated the property to be vacant. The AEI was undertaken to meet the requirements of the new tenant - an international logistics company - and is targeted to be completed and handed over to the new tenant in 2Q 2018. Atrium REIT's portfolio is expected to achieve 100% occupancy pursuant to this.

In compliance with the Malaysian Financial Reporting Standard 140, an independent valuer; Raine & Horne International Zaki + Partners Sdn Bhd ("RHIZ"), was appointed to carry out a revaluation exercise on the Trust's portfolio of properties at the close of FY2017. In appraising the fair value of the Trust's portfolio of properties, RHIZ has adopted a combination of valuation methods in their assessments. A net fair value gain on revaluation of RM9.10 million have been duly reflected in the financial statements.

The total assets and gearing of the Trust for FY2017 increased to RM279.48 million and 31.76% respectively. There is still significant debt headroom for future acquisitions at the current gearing level.

“A RM9.10 million net fair value gain on revaluation was achieved while total assets of the Trust increased to RM279.48 million in FY2017”

CHAIRMAN'S STATEMENT (CONT'D)

Financial Performance

For FY2017, Atrium REIT achieved a gross revenue and net property income of RM17.30 million and RM15.30 million respectively, which were 19.15% and 23.99% higher year-on-year respectively. The improvement was mainly attributable to the rental income from Atrium Shah Alam 2 and Atrium Puchong that were fully rented out in FY2017 as compared to partial tenancies in FY2016.

As the result of the increase in gross revenue and other income, the net income (realised) was 25.51% higher year-on-year despite an increase in the trust expenses, which is mainly due to higher finance costs from additional loans secured for the acquisition of Atrium Shah Alam 3 and AEI undertaken for Atrium Shah Alam 2. A one-off impairment loss on trade receivables also contributed to the higher trust expenses. With the higher net income (realised), the distribution per unit ("DPU") for FY2017 increased to 7.40 sen per unit which was 25.42% higher year-on-year.

As at 31 December 2017, Atrium REIT's NAV increased to RM180.57 million, representing a marginal increase of 5.51% year-on-year as a result of the net fair value gain on revaluation.

“Atrium REIT's NAV increased to RM180.57 million, representing a marginal increase of 5.51 % year-on-year”

Operations Review

During the financial year, the Manager successfully renewed the tenancies for Atrium USJ Block A, B and C at the same or higher rentals, while Atrium Puchong's tenancy was extended with replacement of the existing tenant with a new tenant effective from January 2018. The Trust experienced slight positive rental reversions through new tenancies renewal/extensions in FY2017. This, together with the yearly overall net fair value gain on revaluation since its listing are good indications of the quality of tenants and properties owned by the Trust.

With the scarcity of prime industrial properties available in the market, AEIs will continue to be one of the key areas of focus to maximize the potential returns from our existing portfolio. As such, the AEI at Atrium Shah Alam 3, which commenced in Q4 2017 is expected to be fully completed by Q2 2018. The AEI mainly involved piling works to the whole warehouse floor, constructing a new raised warehouse floor slab, increasing the height of the warehouse, replacing the existing roof with the latest roofing system, replacing warehouse lighting to a more energy efficient lighting system, installing additional loading bays and dock-levellers, installing new firefighting system, and other miscellaneous works.

CHAIRMAN'S STATEMENT (CONT'D)

2018 Outlook

Market conditions continue to evolve rapidly but our challenge is to not only keep pace but to anticipate, move ahead of market trends and to take advantage of any opportunity that may arise. We also need to adjust our portfolio to meet the ever-changing demands of our existing and potential customers.

In addition, several events and trends such as geopolitical tensions, 'Brexit', and the US foreign and trade policies under the Trump administration have created uncertainties in the global markets and these are expected to affect economic conditions and business operations in small and open economies like Malaysia. We need to be more vigilant and nimble in order to adapt and grow in these uncertain times as well as to continue to hone our competitiveness.

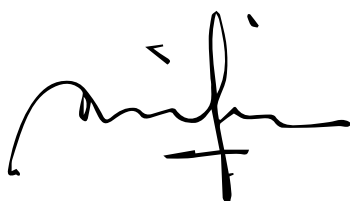
The recovery of global economy gathered some pace, as expected, in 2017 and continues to gather steam, driven primarily by emerging markets and developing economies.

With completion of the AEs, the Manager expects the Trust's portfolio of properties to achieve 100% occupancy. Consequently, the distribution per unit in 2018 is expected to improve as compared to 2017. For 2018, we will continue to optimize returns to ensure a steady stream of income and sustainable growth for unitholders in the longer term.

“With completion of the AEs the Manager expects the Trust's portfolio of properties to achieve 100% occupancy”

Appreciation

On behalf of the Board of Directors of Atrium REIT Managers Sdn Bhd, I would like to thank all our colleagues of the Manager for their dedication and hard work in delivering these results. Finally, we would like to express our thanks to our stakeholders including unitholders, customers, and business partners for your continuous support. As we endeavor to uphold the trust that our stakeholders placed in us, I look forward to another fruitful year ahead.



DATO' DR IR MOHAMAD KHIR BIN HARUN
Chairman
Atrium REIT Managers Sdn Bhd

Date : 12 February 2018

MANAGEMENT DISCUSSION & ANALYSIS

Review of Performance

| | As at 31 December 2017 | As at 31 December 2016 | As at 31 December 2015 |
|--|------------------------------|------------------------------|------------------------------|
| Net Asset Value (RM'000) | 180,567 | 171,138 | 173,272 |
| Units in circulation ('000) | 121,801 | 121,801 | 121,801 |
| Net Asset Value per unit (RM) | 1.46 | 1.39 | 1.41 |
| Market price per unit (RM) | 1.11 | 1.09 | 1.10 |
| Highest traded price per unit during the year (RM) | 1.21 | 1.15 | 1.25 |
| Lowest traded price per unit during the year (RM) | 1.08 | 1.05 | 1.01 |

Comparison of Results

| | FY2017 | FY2016 | FY2015 |
|---|--------|--------|--------|
| Gross Rental Income (RM'000) | 17,304 | 14,522 | 12,867 |
| Net Income (RM'000) | 18,137 | 4,687 | 15,425 |
| Net Income (realised) (RM'000) | 9,037 | 7,200 | 11,134 |
| Distributable Income (realised) (RM'000) | 9,037 | 7,200 | 10,034 |
| Income Distribution (RM'000) | 9,013 | 7,186 | 10,049 |
| Distribution Per Unit (sen) | 7.40 | 5.90 | 8.25 |
| Distribution Yield (%) | | | |
| - based on IPO price (RM1.00) | 7.40 | 5.90 | 8.25 |
| - based on market price as at 31 December | 6.67 | 5.41 | 7.50 |
| Management Expense Ratio (%) | 1.48 | 1.60 | 1.64 |

For FY2017, Atrium REIT recorded net income of RM18.14 million, significantly higher than the previous corresponding year of RM4.69 million due to a number of reasons :-

- (i) increase in gross revenue as a result of the additional rental incomes from Atrium Shah Alam 2 and Atrium Puchong which were fully rented from 1 January 2017.
- (ii) the net fair value gain on revaluation of RM9.10 million and an increase in other income from the disposal of scrap metal from Atrium Shah Alam 3 AEI for the current financial year.

However, the increase in net income was moderated by an increase in trust expenses arising from an increase in finance costs and a one-off impairment loss on trade receivables. The finance costs increased due to the additional loans secured for the acquisition of Atrium Shah Alam 3 and the AEIs at Atrium Shah Alam 2 and 3. The impairment loss on trade receivables are for rentals that are past due. Whilst an impairment has been made to the trade receivables, the Manager is of the opinion that it is highly probable that the full amount outstanding including those impaired will be collectable. While the existing tenant for Atrium Puchong has given a notice of early termination of its tenancy, a replacement tenant has been secured in its place. The new tenancy commences in January 2018.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

Asset Enhancement Initiatives ("AEI")

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

Atrium Shah Alam 3

The AEI involves mainly piling works to the whole warehouse floor, constructing a new raised warehouse floor slab, increasing the height of the warehouse, replacing the existing roof with the latest roofing system, replacing warehouse lighting to a more energy efficient lighting system, installing additional loading bays and dock-levellers, installing new firefighting system, and other miscellaneous works. The AEI commenced in the 4Q 2017 and is targeted to be fully completed by the 2Q 2018 at a total contract sum of approximately RM9.65 million, excluding Goods and Services Tax.

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 Loans ("TL") and Short Term Revolving Credit ("STRC") are secured facilities based on floating rates. The variable rates for the TL and STRC ranged from 4.30% to 4.57% per annum during FY2017.

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

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Borrowings (RM'000) | 88,765 | 59,600 | 59,600 | 65,000 | 65,000 |
| - STRC (RM'000) | 39,600 | 39,600 | 39,600 | 45,000 | 45,000 |
| - TL (RM'000) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| - TL2 (RM'000) | 10,765 | - | - | - | - |
| - TL3 (RM'000) | 18,400 | - | - | - | - |
| Total Asset (RM'000) | 279,477 | 243,004 | 238,796 | 241,331 | 235,426 |
| Gearing (%) | 31.76 | 24.53 | 24.96 | 26.93 | 27.61 |
| Interest Rate (%) | 4.30 to 4.57 | 4.21 to 4.66 | 4.30 to 4.69 | 4.10 to 4.67 | 4.10 to 4.42 |

Based on its current conservative gearing ratio, Atrium REIT is able to leverage on further borrowings to make opportunistic acquisitions that fit its investment criteria and 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 1.85 sen per unit in respect of the 4Q FY2017, which shall be payable on 16 March 2018. The final income distribution, coupled with aggregate interim income distributions during the financial year of 5.55 sen per unit, represents a total distribution per unit ("DPU") of 7.40 sen for FY2017 (FY2016: 5.90 sen). The distribution yield for FY2017 is 6.67% based on Atrium REIT's closing market price of RM1.11 per unit as at 31 December 2017 (FY2016: 5.41% distribution yield at closing market price of RM 1.09 per unit as at 31 December 2016).

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 2018.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

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

| | As at 31 December 2017 RM | As at 31 December 2016 RM |
|------------------------------------|------------------------------------|------------------------------------|
| NAV per unit - before distribution | 1.4825 | 1.4051 |
| NAV per unit - after distribution | 1.4640 | 1.3891 |

Breakdown of Unitholdings as at 31 December 2017

| Size Of Holdings | No. of Unitholders | % | No. of Units | % |
|-------------------|--------------------|---------------|--------------------|---------------|
| 5,000 and below | 1,224 | 48.86 | 2,781,646 | 2.28 |
| 5,001 - 10,000 | 470 | 18.76 | 4,058,000 | 3.33 |
| 10,001 - 50,000 | 551 | 22.00 | 14,087,400 | 11.57 |
| 50,001 - 500,000 | 235 | 9.38 | 33,934,354 | 27.86 |
| 500,001 and above | 25 | 1.00 | 66,939,600 | 54.96 |
| TOTAL : | 2,505 | 100.00 | 121,801,000 | 100.00 |

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 FY2017, the portfolio registered a fair value gain on the revaluation of investment properties amounting to RM9.10 million based on the appraised values conducted by independent registered valuers.

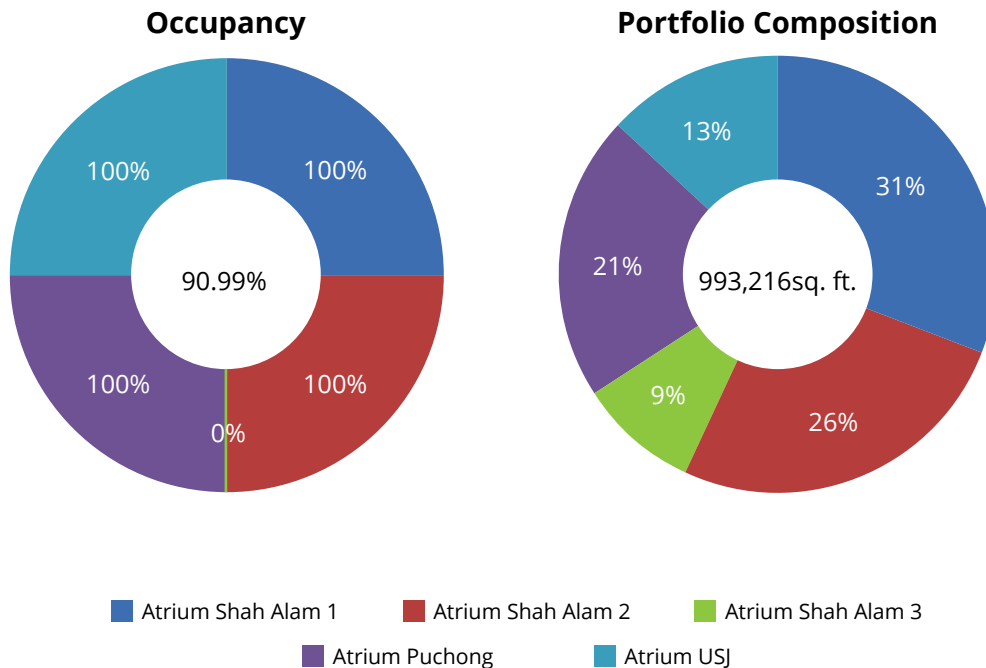
Investment of Atrium REIT

Atrium REIT's composition of investment as at 31 December 2017 is as follows:

| | RM ('000) | % |
|--------------------------------------|----------------|---------------|
| Atrium Shah Alam 1 | 81,600 | 29.90 |
| Atrium Shah Alam 2 | 76,100 | 27.89 |
| Atrium Shah Alam 3 | 23,034 | 8.44 |
| Atrium Puchong | 51,000 | 18.69 |
| Atrium USJ | 36,700 | 13.45 |
| | <hr/> | |
| | 268,434 | 98.37 |
| Deposits with financial institutions | 4,448 | 1.63 |
| | <hr/> | |
| | 272,882 | 100.00 |

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

Portfolio Review



During the FY2017, the Trust completed the acquisition of a double-storey office with annexed two adjoining single-storey factories located at No. 10, Persiaran Sabak Bernam, Section 26 Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan ("Atrium Shah Alam 3"). With the acquisition of Atrium Shah Alam 3, Atrium REIT's properties portfolio increased to 5, with a total net lettable area of approximately 993,216 sq ft.

For FY2017, the gross revenue for Atrium REIT increased by 19.15% to RM17.30 million from RM14.52 million in FY2016. The increase in gross revenue is due to the rental income from Atrium Shah Alam 2 and Atrium Puchong which were fully rented from January 2017.

Atrium Shah Alam 3

An international logistics company was secured as a new tenant. Consequently, the property has to be upgraded to meet the requirements of the new tenant. The Manager, with the approval of the Trustee, commenced an Asset Enhancement Initiative ("AEI") to upgrade the property to a Grade A logistics warehouse. The AEI involve mainly piling works to the whole warehouse floor, constructing a new raised warehouse floor slab, increasing the height of the warehouse, replacing the existing roof with the latest roofing system, replacing warehouse lighting to a more energy-efficient lighting system, installing additional loading bays and dock-levellers, installing new firefighting system, and other miscellaneous works. The AEI started in the 4Q 2017 and is targeted to be fully completed by the 2Q 2018 at a total contract sum of approximately RM9.65 million, excluding Goods and Services Tax.

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 2017 PROPERTY MARKET

Overall Economic Overview

Global economic activities continued to expand in the 3Q 2017. High-frequency indicators such as the global purchasing manager indices (PMI) and industrial production in the advanced economies and most major countries in Asia registered further improvements. This reaffirms that economic growth is becoming increasingly more entrenched across countries. Third quarter GDP releases showed sustained growth in advanced economies, supported by private consumption and investment. This continued to provide support to global demand, as imports from advanced economies expanded further. Domestic demand in PR China remained supportive of growth and global trade, albeit at a marginally more moderate pace. As a result, Asia continued to benefit from these favourable external developments, augmenting the strength in domestic demand.

The Malaysian economy grew at a faster pace of 6.2% in the 3Q 2017. Growth continued to be driven by domestic demand, particularly private sector spending. From the supply side, the improvement was broadly based across all sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.8% (2Q 2017: 1.3%). Headline inflation moderated to 3.8% due mainly to lower transport inflation. Domestic financial stability was preserved. Overall volatility in the domestic financial markets remained low amid improved domestic sentiments. Asset quality and profitability of domestic financial institutions remained healthy. Businesses and households continued to demonstrate sound debt servicing capacity. Liquidity was sufficient to support financial intermediation and meet real economic activity needs with eligible borrowers having continued access to financing. Going forward, the Malaysian economy is expected to register higher growth in 2017. Given the continued strong performance in the 3Q 2017, the Malaysian economy is on-course to register growth that is close to the upper range of the official projection of 5.2 – 5.7% in 2017. Domestic demand is expected to support this expansion. On the external front, exports will continue to benefit from the favourable global demand conditions. Headline inflation is expected to average at the upper end of the forecast range of 3 – 4% for 2017 as a whole.

(source: Bank Negara Malaysia)

Overall Property Market Outlook

The property market continued to soften in the 1H 2017. There were more than 153,000 transactions worth RM67.82 billion, recording a decline of 6% in volume but value increased by 5% compared to the first half of 2016. Nevertheless, the rate of contraction has reduced, indicating that property market is gradually adjusting to the changing market landscape. Residential sub-sector continued to drive the overall market with 61.8% market share and 48.4% in value. Affordable houses continued to be in demand with more than 83% of the residential transactions within RM300,000 and below. In a challenging market condition, the number of new residential launches reduced to 28,397 units, down by 9.1% compared to 31,257 units in H1 2016. Sales performance was low at 23.9%. Most of the launches was in the RM400,000 to RM500,000 price range with sales performance of 28.9%. Slow market absorption led to the increase in residential overhang totaling 20,867 units worth RM12.26 billion. The overhang volume and value increased by 40% against the preceding half of 2016, predominantly priced between RM500,000 and RM1,000,000. Majority was condominium/apartment. On the construction front, more housing starts were recorded and as a result it was up by 16% to 67,662 units compared to the 1H2016. On the contrary, completions and new planned supply reduced to 43,132 units and 43,133 units respectively, down by 18.1% and 14.3%. In the office and retail sectors, occupancy rate stood above 80%. However, unoccupied space remained high. The private office unoccupied space stood at 3.40 million square meter with W.P. Kuala Lumpur recording the highest unoccupied space of more than 1.62 million square meter, followed by Selangor with 0.87 million square meter. The retail sector recorded more than 2.79 million square meter of unoccupied space, up slightly by 2.6% against the preceding half. Selangor and Pulau Pinang recorded higher unoccupied space of more than 0.50 million square meter.

(Source: Ministry of Finance)

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

The property market is expected to perform better in 2018 in tandem with the stronger economic indicators and consumer sentiment. Nevertheless, the near-term outlook remains cautious with the oversupply and incoming supply of commercial and retail properties.

Industrial Property Sector Highlights and Outlook

The industrial sub-sector recorded 2,421 transactions worth RM5.39 billion, down by 12.8% in volume and 4.2% in value. Selangor continued to dominate the market, with 29.9% of the nation's volume, followed by Johor and Perak, each with 15.2% and 9.6% market share respectively.

The industrial overhang increased to 872 units worth RM1.20 billion, up by 3.6% and 7.9% in volume and value respectively. Despite the increase, the overhang situation remained manageable. On a better note, the unsold under construction units and not constructed units declined to 873 and 26, down by 24.3% and 55.9% respectively. By state, Johor held most of the overhang, with 41.1% share and by type, terraced units formed the bulk of the overhang (47.4%; 413 units).

The industrial sub-sector's construction continued to scale down. Completions, starts, and new planned supply were down by 74.6% (1,166 units), 51.8% (261 units) and 64.3% (224 units) respectively. As at end-June 2017, there were nearly 112,000 existing industrial units with slightly more than 6,000 units in the incoming supply and more than 7,200 units in the planned supply. Prices of industrial property showed a mixed performance. Single-storey terraced factory in Petaling District fetched between RM562,500 and RM680,000, down by nearly 10% in Taman Perindustrian Subang Mewah. On a better note, double-storey terrace factory in Prime Subang Light Industrial saw a price increase of 8.3% to RM915,000. In Johor, one and a-half-storey terrace factory in Taman Perindustrian Cemerlang fetched a stable price of RM900,000 whilst one and a-half-storey detach factory in Indahpura Industrial Park was sold for RM1.66 million to RM2.30 million, up by 16.7%.

(source: Property Market Report First Half 2017, National Property Information Centre)

The demand for warehouse space in prime locations with good accessibilities is expected to remain stable, despite the expected challenging economic environment, with the continued growth of E-commerce in Malaysia as well as sustainable domestic consumption. Prices and rentals of industrial land and Grade A warehouses in prime and strategic areas with good accessibilities and infrastructure that meet the criteria of E-commerce companies are expected to remain stable although the supply of such warehouse spaces is expected to increase in the near future.

PROPERTY PORTFOLIO



| | |
|------------------------------|---|
| Property | : Atrium Shah Alam 1 |
| Address | : Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam , Selangor, Malaysia |
| Title details | : GRN 177482 for Lot No. 38264, Pekan Baru Hicom, 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 |
| Land details | : Freehold land measuring approximately 573,124 sq.ft. |
| 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 | : RM 57,200,000 |
| Lessee | : Marelli Asia Pacific Sdn Bhd |
| Occupancy | : 100% |
| Lease Period | : 6 years, expiring on 31 May 2021 |
| Major capital expenditure | : Nil |
| Encumbrances | : The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM 39,600,000 |
| Limitation in title/interest | : None |
| Latest valuation | : RM 81,600,000 |
| Date of last valuation | : 23 November 2017 |
| Valuer | : Raine & Horne International Zaki + Partners Sdn Bhd |
| Fair Value adjustment | : RM 1,600,000 |
| Net book value | : RM 80,000,000 |

PROPERTY PORTFOLIO (CONT'D)



| | |
|------------------------------|---|
| 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, 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 |
| Land details | : Freehold land measuring approximately 522,720 sq.ft. |
| 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 | : RM 49,100,000 |
| Tenant | : Samsung SDS Global SCL Malaysia Sdn Bhd |
| Occupancy | : 100% |
| Tenancy Period | : 3 years expiring 31 March 2019 |
| Major capital expenditure | : Nil |
| Encumbrances | : The property is charged to a financial institution to secure a Term Loan and Bank Guarantee facilities of RM 13,100,000 |
| Limitation in title/interest | : None |
| Latest valuation | : RM 76,100,000 |
| Date of last valuation | : 14 November 2017 |
| Valuer | : Raine & Horne International Zaki +Partners Sdn Bhd |
| Fair Value adjustment | : RM 4,100,000 |
| Net book value | : RM 72,000,000 |

PROPERTY PORTFOLIO (CONT'D)



| | |
|------------------------------|--|
| Property | : Atrium Shah Alam 3 |
| Address | : No.10, Persiaran Sabak Bernam, Section 26, Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan |
| Title details | : H.S.(D) 63508, PT503, Mukim Damansara, District of Petaling, Selangor Darul Ehsan. |
| Property type | : Industrial |
| Description | : A double-storey office with annexed two adjoining single-storey factories with a total Net Lettable Area measuring approximately 89,468 sq.ft. |
| Year of completion | : 1990 |
| Land details | : Freehold land measuring approximately 140,078 sq.ft. |
| Existing use | : Warehouse and office |
| Parking spaces | : 64 car bays 32 motorcycle bays 8 lorry bays |
| Date of acquisition | : 16 March 2017 |
| Cost of acquisition | : RM 21,698,113 |
| Tenant* | : NA |
| Occupancy | : Nil |
| Tenancy Period* | : NA |
| Major capital expenditure | : RM 1,336,227 |
| Encumbrances | : The property is charged to a financial institution to secure Term Loan and Bank Guarantee facilities of RM 23,500,000 |
| Limitation in title/interest | : None |
| Latest valuation | : NA |
| Date of last valuation | : NA |
| Valuer | : NA |
| Fair Value adjustment | : NA |
| Net book value | : RM 23,034,340 |

* Agility Logistics Sdn Bhd has been secured as the tenant for a tenure of 2 years. Tenancy is expected to commence in 2Q 2018 upon completion of the Asset Enhancement Initiative.

PROPERTY PORTFOLIO (CONT'D)



| | |
|------------------------------|---|
| 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, 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 |
| Land details | : Freehold land measuring approximately 292,234 sq.ft. |
| 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 | : RM 38,500,000 |
| 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 | : RM 51,000,000 |
| Date of last valuation | : 14 November 2017 |
| Valuer | : Raine & Horne International Zaki +Partners Sdn Bhd |
| Fair Value adjustment | : RM 1,000,000 |
| Net book value | : RM 50,000,000 |

* FM Global Logistics Sdn Bhd has been secured to replace the existing tenant with effect from January 2018 for a tenure of 3 years.

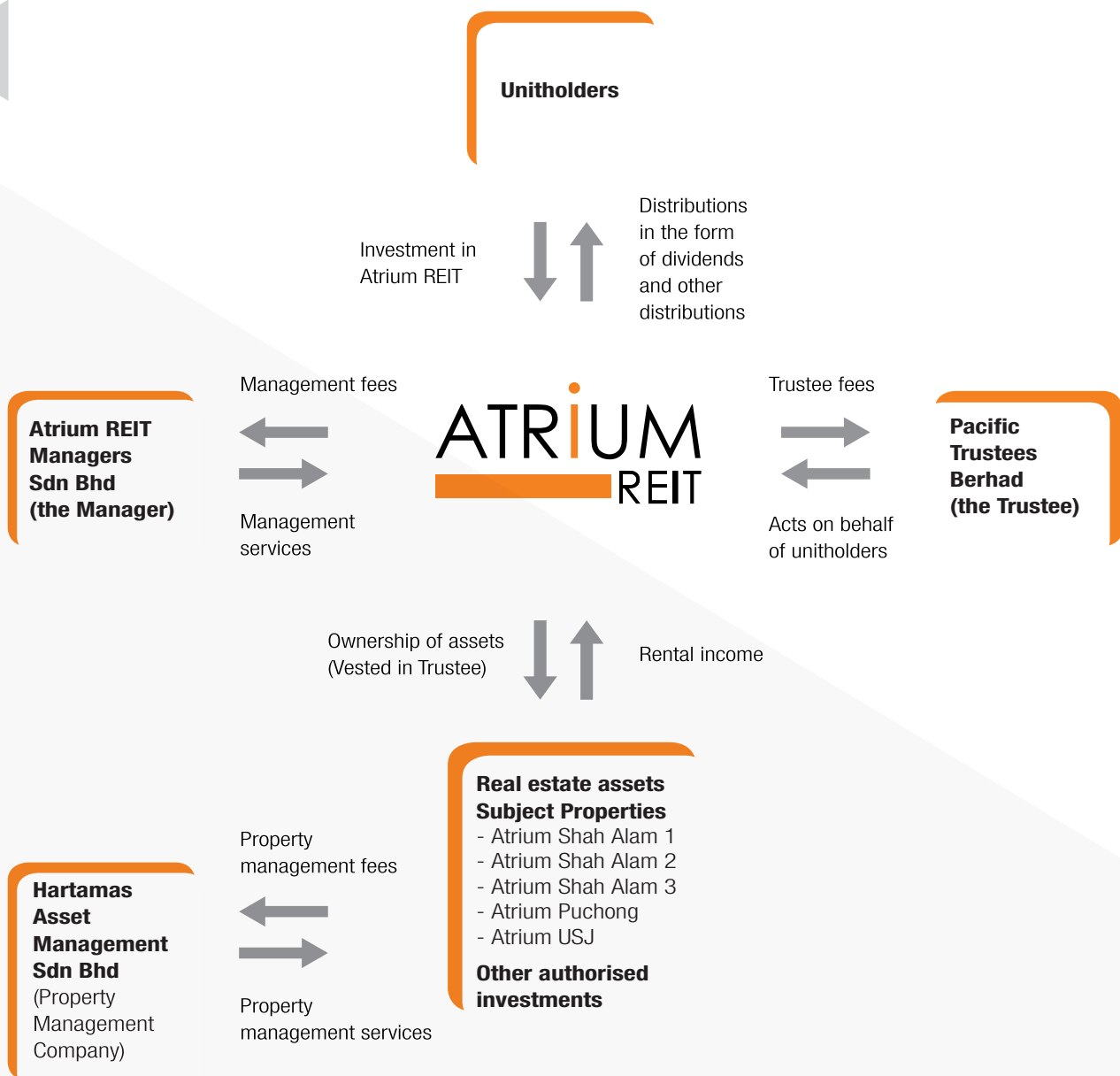
PROPERTY PORTFOLIO (CONT'D)



| | |
|------------------------------|---|
| Property | : Atrium USJ |
| Address | : No.16, Jalan TP 6, Taman Perindustrian UEP , 47620 Subang Jaya, Selangor, 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 |
| Land details | : Freehold land measuring approximately 219,422 sq.ft. |
| 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 | : RM 25,000,000 |
| 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 2020 Block B - 2 years, expiring on 31 December 2017 Block C - 2 years, expiring on 31 July 2019 |
| 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 | : RM 36,700,000 |
| Date of last valuation | : 21 November 2017 |
| Valuer | : Raine & Horne International Zaki +Partners Sdn Bhd |
| Fair Value adjustment | : RM 2,400,000 |
| Net book value | : RM 34,300,000 |

STRUCTURE OF ATRIUM REAL ESTATE INVESTMENT TRUST

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:



PERFORMANCE DATA

I) Portfolio Composition of the Trust

| | 2017 % | 2016 % | 2015 % | 2014 % | 2013 % |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Atrium Shah Alam 1 | 30 | 34 | 33 | 31 | 32 |
| Atrium Shah Alam 2 | 28 | 30 | 27 | 27 | 27 |
| Atrium Shah Alam 3 | 8 | - | - | - | - |
| Atrium Puchong | 19 | 21 | 21 | 20 | 19 |
| Atrium Rawang | - | - | - | 4 | 4 |
| Atrium USJ | 13 | 14 | 13 | 13 | 13 |
| | 98 | 99 | 94 | 95 | 95 |
| Deposits with financial institution | 2 | 1 | 6 | 5 | 5 |
| | 100 | 100 | 100 | 100 | 100 |

II) Asset Value, Unit and Market Price information

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------|---------|---------|---------|---------|
| Asset under management (RM'000) | 268,434 | 236,300 | 221,900 | 226,200 | 221,700 |
| Total asset value (RM'000) | 279,477 | 243,004 | 238,796 | 241,331 | 235,426 |
| Net asset value (NAV)(RM'000) | 180,567 | 171,138 | 173,272 | 168,505 | 164,401 |
| 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) | 1.46 | 1.39 | 1.41 | 1.37 | 1.33 |
| - Highest NAV for the year (RM) | 1.48 | 1.43 | 1.42 | 1.37 | 1.33 |
| - Lowest NAV for the year (RM) | 1.40 | 1.39 | 1.36 | 1.33 | 1.22 |
| Market price per unit | | | | | |
| - As at 31 December (RM) | 1.11 | 1.09 | 1.10 | 1.19 | 1.30 |
| - Highest traded for the year (RM) | 1.21 | 1.15 | 1.25 | 1.33 | 1.40 |
| - Lowest traded for the year (RM) | 1.08 | 1.05 | 1.01 | 1.16 | 1.17 |

PERFORMANCE DATA (CONT'D)

III) Distributions for Last 5 Years

| | Distribution | | Net Asset Value Per Unit (RM) | |
|-------------|----------------|------------|-------------------------------|--------------------|
| | Per Unit (Sen) | Date | Before Distribution | After Distribution |
| 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 |
| 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 Sept 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 | 06 Sept 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 |
| 2017 | | | | |
| 1st Quarter | 1.85 | 31 May 17 | 1.41 | 1.39 |
| 2nd Quarter | 1.85 | 30 Aug 17 | 1.41 | 1.39 |
| 3rd Quarter | 1.85 | 30 Nov 17 | 1.41 | 1.39 |
| 4th Quarter | 1.85 | 16 Mar 18 | 1.48 | 1.46 |

PERFORMANCE DATA (CONT'D)

IV) Performance of the Trust

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------------------------|------|--------|--------|--------|------|
| Total return (%) | 7.46 | 1.92 | (0.39) | (1.79) | 9.08 |
| - Capital growth (%) | 0.91 | (3.54) | (7.56) | (8.46) | 2.36 |
| - Income distribution (%) | 6.55 | 5.46 | 7.17 | 6.67 | 6.72 |
| Income distribution per unit (sen) | | | | | |
| - Gross | 7.40 | 5.90 | 8.25 | 8.40 | 8.80 |
| - Net | 7.40 | 5.90 | 8.25 | 8.40 | 8.80 |
| Management expense ratio (%) | 1.48 | 1.60 | 1.64 | 0.99 | 0.99 |
| Portfolio turnover ratio (times) | 0.13 | - | 0.05 | - | - |

V) Average Annual Return For Financial Year Ended 31 December 2017

| | Atrium REIT (%) | KLCI (%) |
|-----------------------------|-----------------|----------|
| One year | 7.46 | 9.86 |
| Since launch (2 April 2007) | 10.20 | 4.11 |

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.

CORPORATE INFORMATION



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

How Hu Son

Independent Non-Executive Director

Soong Kwong Heng

Independent Non-Executive Director

Tor Peng Sie

Independent Non-Executive Director

COMPANY SECRETARY

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, Wilayah Persekutuan

Malaysia

Tel: 03-2783 9191 Fax: 03-2783 9111

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 No: 03-2166 8830 Fax No: 03-2166 3830

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

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: 03-2783 9299 Fax: 03-2783 9222

BURSA MALAYSIA STOCK NAME AND CODE

ATRIUM 5130

PROFILE OF DIRECTORS

DATO' DR IR MOHAMAD KHIR BIN HARUN *Chairman*

Nationality : Malaysian
Age : 67 years old
Date Appointed : 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 in 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 five (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*

Nationality : Malaysian
Age : 48 years old
Date Appointed : 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 two (2) years. She then joined Glory Blitz Industries Sdn Bhd ("GBISB") and its related companies in 1998. During her eight (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), Danzasmal (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.

HOW HU SON *Independent Non-Executive Director*

Nationality : Malaysian
Age : 68 years old
Date Appointed : 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 two (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.

PROFILE OF DIRECTORS (CONT'D)

CHAN WAN SEONG *Independent Non-Executive Director*

Nationality : Malaysian
Age : 63 years old
Date Appointed : 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 spans 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 had 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. He was appointed the Independent Non-Executive Chairman of Wegmans Holdings Berhad on 29 May 2017.

SOONG KWONG HENG *Independent Non-Executive Director*

Nationality : Malaysian
Age : 68 years old
Date Appointed : 17 November 2006

Mr. Soong graduated with a Bachelor of Economics from Universiti Malaya in 1972. Mr Soong has more than thirty (30) years experience in tax related issues. After his graduation, he began his career in the Department of Inland Revenue Malaysia for three (3) years. In 1975, he joined Chan King Sang & Co. as its Tax Manager for ten (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*

Nationality : Malaysian
Age : 59 years old
Date Appointed : 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 twenty (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*

Nationality : Malaysian
Age : 62 years old
Date Appointed : 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 and 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 operations 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 RM100 million.

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. Save 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.

PROFILE OF CHIEF EXECUTIVE OFFICER AND KEY SENIOR MANAGEMENT (CONT'D)

CHAN KUM CHEONG *Chief Operating Officer*

Nationality : Malaysian
Age : 58 years old
Date Appointed : 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 a wide variety of projects including basement substructure works and elevated platform at KL 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 HOUI HOONG *Chief Financial Officer*

Nationality : Malaysian
Age : 50 years old
Date Appointed : 1 October 2007

A graduate of The Chartered Association of Certified Accountants, United Kingdom, Mr. Lee Hooi Hoong 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 ranks to become 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.

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 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 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 ("Trustee"), as Trustee of Atrium REIT, on acquisitions, divestments 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 unitholders within two (2) months of its financial year end;
- (d) to attend to all enquiries from unitholders, tenants, media, government bodies, and 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

DIRECTORS OF THE MANAGER

The Board

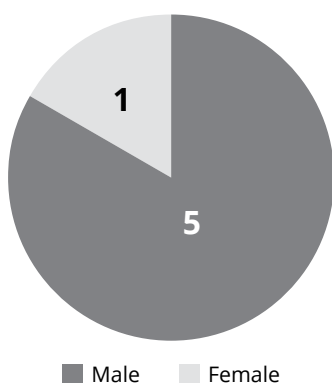
The Board is entrusted with the responsibility of overall management and corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Board is also responsible for charting the strategic direction, development, and control of the Manager and has adopted the primary responsibilities as listed in the REIT 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

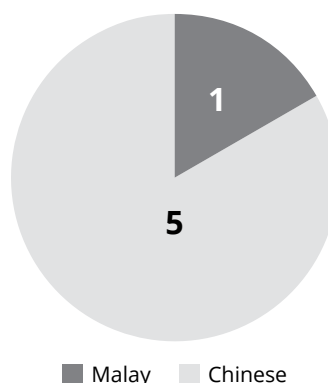
The Board presently consists of six (6) members comprising of one (1) Non-Independent Non-Executive Director, one (1) Executive Director and four (4) Independent Non-Executive Directors. The diverse background of the members who come from various fields such as engineering, financial, real estate and management provide a broad spectrum of skills, experience, and invaluable perspectives to overseeing the management of the Manager. The profiles of members of the Board are provided in pages 29 to 30 of the Annual Report.

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

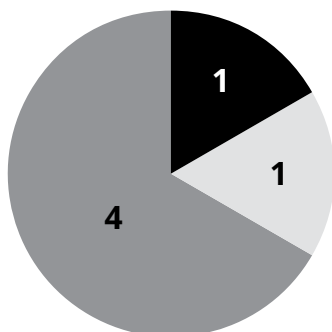
Gender



Ethnicity



Designation



Professional Background



■ Independent Non-Executive Director
■ Executive Director
■ Non-Independent Non-Executive Director

■ Accounting & Finance
■ Engineering
■ Economics
■ Real Estate

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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 and REIT 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:-

- 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

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 into account the long-term interest of not only 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 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 2017. 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 | Independent Non-Executive Director | 3/4 |

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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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 approval of 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 2017 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 39 to 40 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. The responsibility of managing risks lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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 risks, 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 REIT 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 Item (c) (i) above provided that:

- (a) for acquisitions, the price is not more than 110% of the value assessed in the independent valuation report referred to in Item (c) (i) above;
- (b) for disposals, the price is not less than 90% of the value assessed in the independent valuation report referred to in Item (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.

WHISTLEBLOWING 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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' questions 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 posing 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 unitholders and public to access 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 ten (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

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 the courses / seminars attended include :

- China's One Belt, One Road (OBOR) Initiative: The Rise of East Asia and Pacific
- World Market Outlook, Investment Opportunities and Challenges
- CG Breakfast Series entitled: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World
- CG Breakfast Series Entitled: "Leading Change @ The Brain".

STATEMENT OF INTERNAL CONTROL

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 (“REIT 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 2017 (“FY2017”).

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, which is 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.

System of internal controls that has its set of inherent limitations is 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

- **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 and staff. It sets out the roles and responsibilities, appropriate authority limits, and review and approval procedures for the Manager’s various operations.

- **Company Policies and Procedures**

The Manager has documented policies and procedures that are reviewed and updated regularly to ensure consistency in maintaining the efficiency and effectiveness of the business activities of the Manager and Atrium REIT at all times.

- **Financial and Operational Review**

Board meetings are held on a regular basis to discuss and review the business planning, budgeting, financial and operational performances. The Manager and Atrium REIT’s monthly management accounts and quarterly financial statements containing key financial results, operational performance results and comparisons of performance against budget are presented to the Board for review, consideration, and approval.

- **Business Planning and Budgeting Review**

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

STATEMENT OF INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION

The fees for internal audit function outsourced to PKF Advisory Sdn Bhd for FY2017 amounted to RM9,900, excluding Goods and Services Tax and disbursements (FY2016: RM9,900, excluding 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 business processes review were tabled to the Board at their scheduled meetings.

The scope of the internal audit function for FY2017 comprised of the following:

- Review on Sales, Fixed Asset, Procurement, and Payment
 - a) To ensure formalized policies and procedures are in place.
 - b) To ensure an effective implementation of control activities over the following functions:
 - Sales
 - Fixed asset management
 - Procurement and payment function
 - c) To ensure a clear and effective control exists to promote integrity, document and supervisory control over the said functions.

Based on the test nature of the work and limitation in scope, the state of internal control is evaluated as satisfactory but does not represent an absolute conclusion that fraud does not exist.

During the financial year under review, no significant control weaknesses and possible fraudulent activities were detected, which had a material impact on the Manager's and Atrium REIT's financial performance or operations.

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY JOURNEY

On behalf of Atrium REIT, the Manager recognises the impact its operations has on economic, environmental, and social factors. With the introduction of Sustainability Reporting, we view this as an opportunity for building trust and stronger relationship with both internal and external stakeholders, which at the same time leads to process improvements through embedding sustainability elements in its business operations and in current and future practices.

The Manager has identified key personnel to help drive the sustainability initiatives. As such, a Sustainability Working Group at the management level has been set up to spearhead sustainability efforts within the Company.

HOW WE IDENTIFIED OUR SUSTAINABILITY THEMES

We worked closely with all our internal and selected external stakeholders to determine sustainability risks and opportunities with particular focus given to economic, environmental, and social risk factors.

We understand that each stakeholder has different requirements and concerns, therefore we engaged our stakeholders in various ways to further understand their concerns, interests, and obstacles. Thereafter, we take necessary actions to address these issues which are summarised in the following table:

| Stakeholder | Goals | Engagement | Stakeholder Concerns | Action |
|-------------|--|---|--|--|
| Tenants | <ul style="list-style-type: none"> Fostering strong relationship | <ul style="list-style-type: none"> One on one meetings Bi-annual visits (joint inspection) | <ul style="list-style-type: none"> Maintenance of building Prompt response | <ul style="list-style-type: none"> Scheduled maintenance of buildings Prompt notification Dedicated property manager |
| Unitholders | <ul style="list-style-type: none"> Providing transparent and up-to-date disclosure of information | <ul style="list-style-type: none"> Annual General Meeting Unitholders' meeting (as and when required) | <ul style="list-style-type: none"> Transparency of dealings Real time information on material disclosure | <ul style="list-style-type: none"> Adopting the most current corporate governance guidelines, adherence, and compliance to the SC REIT Guidelines, Bursa Malaysia Main Market Listing Requirements, and the Malaysian Financial Reporting Standards |
| Employees | <ul style="list-style-type: none"> Providing an environment with equal work opportunities | <ul style="list-style-type: none"> Festive celebrations | <ul style="list-style-type: none"> Opportunity to interact within the organisation Conducive working environment | <ul style="list-style-type: none"> Consistent and effective implementation of staff activities to establish trust and loyalty |

Resulting from this, our key themes and mottos of Sustainability were identified and are as follows:

- Fostering Strong Relationship with Tenants
- Human Capital Management
- Health and Safety
- Electricity, Water, and Paper Conservation

SUSTAINABILITY STATEMENT (CONT'D)

A. ECONOMIC

Fostering Strong Relationship with Tenants

Asset Enhancement Initiatives ("AEI")

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

Atrium Shah Alam 3

The AEI of upgrading the facility from an old factory to a Grade A logistics warehouse involve the followings :

- constructing a new raised warehouse floor and installing loading bays and dock levellers for the ease and speed in loading and unloading of goods;
- raising the warehouse height so that the tenant could install pallet racking system to fully utilise the vertical storage space;
- changing the entire warehouse lighting system to the T-5 lighting system that is more energy efficient and cooler compared to the traditional highbay lighting system; and
- changing the roof to dual layer clip system to reduce potential water leakages as well as providing better insulation to reduce overall heat in the warehouse.

B. ENVIRONMENT

As a property owner, Atrium REIT has minimal involvement in sustainability initiatives within the tenants operations at their property. Nonetheless, we have put in place initiatives surrounding environmental sustainability within the Manager's office.

Electricity, Water and Paper Conservation

We have placed reminder posters at water outlet areas, electrical switches, and print stations of our office with the aim of communicating the importance of conservation and the management's direction, tone and views on minimising our impact to the environment.

We constantly remind our employees to save paper and always print on both sides. Email footers have been enhanced to include "think before you print" reminders. Paper usage can be tracked, however it is not strictly monitored at present.

C. SOCIAL

Human Capital Management

The success of our operations lies with our people. The Manager has put in place robust talent management strategies to attract, cultivate and retain talent with the right skill set to support our continuous growth. We encourage a more open culture among employees across all levels within the Manager. We are proud to declare 100% employee retention rate for 2017 (2016: 100%). All employment policies and practices in place strictly abide by the Employment Act 1955 and other legal statutory provisions.

SUSTAINABILITY STATEMENT (CONT'D)

Health and Safety

Atrium REIT acknowledges the significance of safeguarding the health and safety of its employees, as well as the tenants in its properties. Bi-annual building inspections are conducted by the Property Manager (Hartamas Asset Management Sdn Bhd - HAMSB) with representatives from the Manager and tenants to highlight the status and condition of maintenance of facilities within the properties. Dedicated personnel are allocated by the Property Manager for every property to encourage prompt action in attending to tenant related matters.

Business Ethics and Employee Conduct

Atrium REIT instills trust in investors and other stakeholders through its accountability and integrity and upholds strict standards of ethical business conduct by establishing, reviewing, and communicating policies and procedures to new and existing employees through mandatory induction programmes and trainings. These policies are summarised in the table below:

| Code of Ethics and Conducts | Fraud Policy | IT Policy | Whistleblowing Policy |
|--|---|--|---|
| <p>Outlining specific conduct requirements for the following:</p> <ul style="list-style-type: none">• General business ethics• Conflict of interest• Confidentiality information• Gifts and entertainment | <p>Facilitates the development of controls, which will aid in detection and prevention of fraud</p> | <p>Facilitates and supports authorised access to Company's information</p> | <p>The policy sets forth the conditions and procedures for investigations of allegations of corruption, fraud, and misconduct</p> |

PLANS FOR FY2018

As for FY2018, formalising the governance and reporting structure at management and board level to continue embedding sustainability efforts within our processes and reporting, defining areas of responsibilities revolving Sustainability, and identifying Key Performance Indicators within each theme is our top priority.

We believe that a move towards embedding sustainability in the company is only possible with a supportive culture and strong leadership. It is the leaders within an organisation such as Board members and the Chief Executive Officer, who need to provide strong stewardship towards incorporating sustainability into an organisation's business strategies and applying a sustainability lens to business decisions while pushing the focus beyond compliance.

This page is intentionally left blank

Financial Statements

| CONTENTS | PAGE |
|--|-------------|
| Manager's Report | 46 |
| Statement by Directors of the Manager | 50 |
| Statutory Declaration | 50 |
| Trustee's Report | 51 |
| Independent Auditors' Report | 52 |
| Statement of Financial Position | 56 |
| Statement of Profit or Loss and Other Comprehensive Income | 57 |
| Statement of Changes in Net Asset Value | 59 |
| Statement of Cash Flows | 61 |
| Notes to the Financial Statements | 62 |

MANAGER'S REPORT

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 2017 ("FY2017").

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 trusts. 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 2017 comprise Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Shah Alam 3, Atrium Puchong and Atrium USJ (collectively called the "Properties"). These Properties are located at prime industrial sites in the Klang Valley 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.

MANAGER'S REPORT (CONT'D)

MANAGER'S INVESTMENT OBJECTIVES AND STRATEGIES (CONT'D)

(ii) Acquisition strategy (cont'd)

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.

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.

MANAGER'S REPORT (CONT'D)

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

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 2017 are as follows:

| | At 1 January 2017 | Bought | Sold | At 31 December 2017 |
|------------------------------------|-------------------------|--------|------|---------------------------|
| Direct Interest | | | | |
| Dato' Dr Ir Mohamad Khir Bin Harun | - | - | - | - |
| Wong Sui Ee | 373,000 | - | - | 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 2017, 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.

MANAGER'S REPORT (CONT'D)

OTHER STATUTORY INFORMATION

Before the financial statements 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 have satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; 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.

From the end of the financial year to the date of this report, the Manager is not aware of any circumstances:

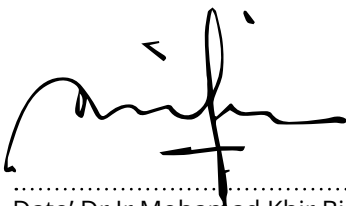
- (i) which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Trust inadequate to any substantial extent;
- (ii) which would render the values attributed to current assets in the financial statements of the Trust misleading; and
- (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Trust misleading or inappropriate.

In the opinion of the Manager:

- (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Trust for the financial year in which this report is made; and
- (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial year which would or may affect the ability of the Trust to meet its obligations as and when they fall due.

As at the date of this report:

- (i) There are no charges on the assets of the Trust which have arisen since the end of the financial year to secure the liabilities of any other person.
- (ii) There are no contingent liabilities of the Trust which have arisen since the end of the financial year.



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



.....
Wong Sui Ee

Kuala Lumpur, Malaysia
Date: 12 February 2018

STATEMENT BY DIRECTORS OF THE MANAGER

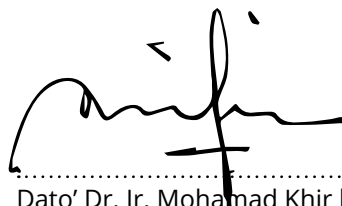
In the opinion of the Directors of Atrium REIT Managers Sdn Bhd ("the Manager"), the financial statements set out on pages 56 to 81 have been drawn up in accordance with the provisions of the Restated Deed dated 24 March 2016 and the Supplementary Deed dated 21 April 2016, the Securities Commission's 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 2017 and of the financial performance and cash flows of the Trust for the financial year then ended.

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
12 February 2018

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 56 to 81 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)
12 February 2018)



Wong Sui Ee

Before me:-

Commissioner for Oaths



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

TRUSTEE'S REPORT

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 2017. 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 2017;
- 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 2017 are in line with and reflective of the objectives of Atrium REIT. Distributions that have been paid or proposed for the financial year ended 31 December 2017 are as follows:

- 1) First interim income distribution of 1.85 sen paid on 31 May 2017.
- 2) Second interim income distribution of 1.85 sen paid on 30 August 2017.
- 3) Third interim income distribution of 1.85 sen paid on 30 November 2017.
- 4) Proposed fourth and final income distribution of 1.85 sen payable on 16 March 2018.

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



.....
Razak Bin Ahmad
Chief Executive Officer

Kuala Lumpur, Malaysia
12 February 2018

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF ATRIUM REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

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 2017 of Atrium REIT, statement of profit or loss and other comprehensive income, statement of changes in net asset value, 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 56 to 81.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Atrium REIT as at 31 December 2017, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs') and International Financial Reporting Standards ('IFRSs').

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 Trust 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, we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF ATRIUM REAL ESTATE INVESTMENT TRUST (CONT'D)

(Established in Malaysia)

Valuation of Investment Properties

With reference to Note 4 of the financial statements, the Trust's investment properties were carried at RM268,434,340 as at 31 December 2017.

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 the work of the independent valuer.
- b) assessed the competency, independence, and integrity of the independent valuer.
- c) obtained the independent valuation reports and discussed with the independent valuer the results of their work.
- d) tested the integrity of the data provided to the independent 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.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Trust is responsible for the other information. The other information comprises of all information included in the annual report, 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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF ATRIUM REAL ESTATE INVESTMENT TRUST (CONT'D)

(Established in Malaysia)

Responsibilities of the Directors of the Manager for the Financial Statements

The Directors of the Manager are responsible for the preparation of financial statements that give a true and fair view in accordance with MFRSs and IFRSs. 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 of the Manager are responsible for assessing the ability of the Trust 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 of the Manager either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Financial Statements

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 ISAs 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 ISAs, 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.
- (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 Manager 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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF ATRIUM REAL ESTATE INVESTMENT TRUST (CONT'D)

(Established in Malaysia)

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 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

Kuala Lumpur

12 February 2018



.....
Ng Soe Kei

02982/08/2019 J

Chartered Accountant

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

| | NOTE | 2017 RM | 2016 RM |
|---|------|--------------------|--------------------|
| ASSETS | | | |
| Non-current asset | | | |
| Investment properties | 4 | 268,434,340 | 236,300,000 |
| Current assets | | | |
| Trade and other receivables | 6 | 3,471,819 | 4,383,608 |
| Current tax assets | | - | 112,423 |
| Deposits with licensed banks | 7 | 4,447,911 | 1,372,338 |
| Bank balances | 7 | 3,122,796 | 835,739 |
| | | 11,042,526 | 6,704,108 |
| TOTAL ASSETS | | 279,476,866 | 243,004,108 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Trade and other payables | 8 | 5,641,933 | 5,722,030 |
| Borrowings | 9 | 29,165,288 | 20,000,000 |
| | | 34,807,221 | 25,722,030 |
| Current liabilities | | | |
| Trade and other payables | 8 | 4,502,877 | 6,543,600 |
| Borrowings | 9 | 59,600,000 | 39,600,000 |
| | | 64,102,877 | 46,143,600 |
| TOTAL LIABILITIES | | 98,910,098 | 71,865,630 |
| NET ASSET VALUE ("NAV") | | 180,566,768 | 171,138,478 |
| FINANCED BY: | | | |
| UNITHOLDERS' FUNDS | | | |
| Unitholders' capital | 10 | 119,351,580 | 119,351,580 |
| Undistributed income | | 61,215,188 | 51,786,898 |
| TOTAL UNITHOLDERS' FUNDS | | 180,566,768 | 171,138,478 |
| NUMBER OF UNITS IN CIRCULATION (UNITS) | 11 | 121,801,000 | 121,801,000 |
| NAV PER UNIT (RM) | | | |
| - Before income distribution | | 1.4825 | 1.4051 |
| - After income distribution | | 1.4640 | 1.3891 |

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 2017

| | NOTE | 2017 RM | 2016 RM |
|---|------|-------------|-------------|
| Gross revenue | 12 | 17,303,652 | 14,522,023 |
| Property operating expenses | 13 | (2,007,189) | (2,185,124) |
| Net rental income | | 15,296,463 | 12,336,899 |
| Interest income | | 171,055 | 198,621 |
| Other income | | 601,307 | 64,817 |
| Total income | | 16,068,825 | 12,600,337 |
| Trust expenses | | | |
| Manager's fees | 14 | (1,368,448) | (1,384,599) |
| Trustee's fees | 15 | (110,634) | (120,497) |
| Auditors' fee | | (28,000) | (26,000) |
| Impairment losses on trade receivables | 6 | (748,947) | - |
| Tax agent's fee | | (5,700) | (5,400) |
| Finance costs | 16 | (3,732,096) | (2,643,479) |
| Valuation fees | | (90,340) | (35,472) |
| Administrative expenses | | (668,448) | (1,161,481) |
| Others | | (268,479) | (23,000) |
| Total expenses | | (7,021,092) | (5,399,928) |
| Changes in fair value of investment properties | 4 | 9,100,000 | (2,513,398) |
| Net income before tax | | 18,147,733 | 4,687,011 |
| Tax expense | 17 | (10,672) | - |
| Net income for the financial year | | 18,137,061 | 4,687,011 |
| Other comprehensive income, net of tax | | - | - |
| Total comprehensive income | | 18,137,061 | 4,687,011 |
| Net income for the financial year is made up as follows: | | | |
| Realised | | 9,037,061 | 7,200,409 |
| Unrealised | | 9,100,000 | (2,513,398) |
| | | 18,137,061 | 4,687,011 |
| Earnings per unit (sen) | 18 | | |
| - before Manager's fees | | 16.01 | 4.98 |
| - after Manager's fees | | 14.89 | 3.85 |

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | NOTE | 2017 RM | 2016 RM |
|--|------|------------------|------------------|
| Net income distributions* | 19 | | |
| - First interim income distribution of 1.85 sen paid on 31 May 2017 (2016: 1.30 sen paid on 31 May 2016) | | 2,253,318 | 1,583,412 |
| - Second interim income distribution of 1.85 sen paid on 30 August 2017 (2016: 1.50 sen paid on 6 September 2016) | | 2,253,318 | 1,827,015 |
| - Third interim income distribution of 1.85 sen paid on 30 November 2017 (2016: 1.50 sen paid on 30 November 2016) | | 2,253,319 | 1,827,015 |
| - Proposed final income distribution of 1.85 sen payable on 16 March 2018 (2016: 1.60 sen paid on 22 March 2017) | | 2,253,319 | 1,948,816 |
| | | 9,013,274 | 7,186,258 |
| Income distribution per unit* | | | |
| - First interim income distribution | | 1.85 | 1.30 |
| - Second interim income distribution | | 1.85 | 1.50 |
| - Third interim income distribution | | 1.85 | 1.50 |
| - Proposed final income distribution | | 1.85 | 1.60 |
| | | 7.40 | 5.90 |

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

| | Withholding tax rate | |
|----------------------------|----------------------|------------------|
| | 2017 | 2016 |
| Resident corporate | Nil [^] | Nil [^] |
| Resident non-corporate | 10% | 10% |
| Non-resident individual | 10% | 10% |
| Non-resident corporate | 24% | 24% |
| Non-resident institutional | 10% | 10% |

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

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

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Unitholders' capital RM | <--- Undistributed income ---> | | Unitholders' fund RM |
|---|----------------------------|--------------------------------|------------------|-------------------------|
| | | Realised RM | Unrealised RM | |
| At 1 January 2017 | 119,351,580 | 2,509,133 | 49,277,765 | 171,138,478 |
| Operations for the financial year ended 31 December 2017 | | | | |
| Net income for the financial year | - | 9,037,061 | 9,100,000 | 18,137,061 |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive income | - | 9,037,061 | 9,100,000 | 18,137,061 |
| Unitholders' transactions | | | | |
| Distributions to unitholders: | | | | |
| - 2017 interim | - | (6,759,955) | - | (6,759,955) |
| - 2016 final | - | (1,948,816) | - | (1,948,816) |
| Decrease in net assets resulting from unitholders' transactions | - | (8,708,771) | - | (8,708,771) |
| At 31 December 2017 | 119,351,580 | 2,837,423 | 58,377,765 | 180,566,768 |

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

STATEMENT OF CHANGES IN NET ASSET VALUE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | <--- Undistributed income ---> | | | Unitholders' fund RM |
|---|--------------------------------|----------------|------------------|-------------------------|
| | Unitholders' capital 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 |

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 2017

| | NOTE | 2017 RM | 2016 RM |
|--|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income before tax | | 18,147,733 | 4,687,011 |
| Adjustments for: | | | |
| Changes in fair value of investment properties | 4 | (9,100,000) | 2,513,398 |
| Finance costs | 16 | 3,732,096 | 2,643,479 |
| Interest income | | (171,055) | (198,621) |
| Impairment loss on trade receivables | | 748,947 | - |
| Operating income before changes in working capital | | 13,357,721 | 9,645,267 |
| Decrease/(Increase) in trade and other receivables | | 162,842 | (2,392,280) |
| (Decrease)/Increase in trade and other payables | | (2,120,820) | 6,341,516 |
| Cash generated from operations | | 11,399,743 | 13,594,503 |
| Tax refunded | | 101,751 | - |
| Net cash from operating activities | | 11,501,494 | 13,594,503 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of an investment property | 4 | (3,298,113) | - |
| Enhancement of investment properties | 4 | (1,336,227) | (16,913,398) |
| Interest received | | 171,055 | 198,621 |
| Net cash used in investing activities | | (4,463,285) | (16,714,777) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid | 16 | (3,732,096) | (2,643,479) |
| Distributions paid to unitholders | | | |
| -Current year | | (6,759,955) | (5,237,442) |
| -Previous year | | (1,948,816) | (1,583,413) |
| Drawdowns of bank loans | | 10,765,288 | - |
| Net cash used in financing activities | | 1,675,579 | (9,464,334) |
| Net increase/(decrease) in cash and cash equivalents | | 5,362,630 | (12,584,608) |
| Cash and cash equivalents at beginning of financial year | | 2,208,077 | 14,792,685 |
| Cash and cash equivalents at end of financial year | | <u>7,570,707</u> | <u>2,208,077</u> |
| 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 licensed banks (not more than three months) | | 4,447,911 | 1,372,338 |
| Bank balances | | 3,122,796 | 835,739 |
| | 7 | <u>7,570,707</u> | <u>2,208,077</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 Atrium REIT trustee 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 12 February 2018.

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 56 to 81 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs') and International Financial Reporting Standards ('IFRSs').

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. INVESTMENT PROPERTIES

| | 2017 RM | 2016 RM |
|---|--------------------|--------------------|
| A. At fair value | | |
| As at 1 January | 236,300,000 | 221,900,000 |
| Enhancement of investment properties | - | 16,913,398 |
| Changes in fair value | 9,100,000 | (2,513,398) |
| As at 31 December | <u>245,400,000</u> | <u>236,300,000</u> |
| B. Asset undergo asset enhancement initiatives | | |
| As at 1 January | - | - |
| Acquisition of an investment property | 21,698,113 | - |
| Capitalised expenditure | 1,336,227 | - |
| As at 31 December | <u>23,034,340</u> | <u>-</u> |
| Investment properties comprised: | | |
| Land and buildings | <u>268,434,340</u> | <u>236,300,000</u> |

- (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. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at reporting date. Fair value is arrived at and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in fair value of investment properties are included in profit or loss in the year which they arise.
- (b) Investment properties with an aggregate carrying amount of RM217,434,340 (2016: RM186,300,000) are charged to a financial institution for banking facilities granted to the Trust as disclosed in Note 9(c) to the financial statements.
- (c) During the current financial year, the Trust acquired an investment property, Shah Alam 3 for purchase consideration of RM21,698,113 which was financed through drawdown of borrowings.

The Trust made the following cash payments to acquire Shah Alam 3:

| | 2017 RM |
|---|------------------|
| Purchase of investment properties | 21,698,113 |
| Financed by bank borrowings | (18,400,000) |
| Cash payment for acquisition of investment properties | <u>3,298,113</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. INVESTMENT PROPERTIES (continued)

- (d) For asset undergoing asset enhancement initiatives, the purchase consideration, incidental costs incurred on acquisition of Shah Alam 3 and construction costs capitalised shall be transferred to investment property to be measured at fair value upon it becoming available for rental.
- (e) 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.

Fair value information

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 appropriately 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 involves 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 discount rate | - Allowance for void of 5% to 15% (2016: 5% to 15%) - Term yield rate of 6% (2016: 6.5%) - Reversionary yield rate of 6.50% (2016: 6.75%) - Discount rate of 6.75% (2016: 6.75%) | The estimated fair value would increase/(decrease) if: - Allowance for void was lower/(higher) - Term yield rate was higher/(lower) - Reversionary yield rate was higher/(lower) - Discount rate was lower/(higher) |

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

31 DECEMBER 2017

4. INVESTMENT PROPERTIES (continued)

2017

| Description of property | Tenure of land | Location | Existing use | Occupancy rate as at 31 December % | | Date of valuation | Fair value as at 31 December RM | Cost of investment as at 31 December RM | Percentage of fair value over Net Asset Value as at 31 December % |
|-------------------------|----------------|-----------|--------------|------------------------------------|---------------|--------------------|---------------------------------|---|---|
| | | | | December % | 31 December % | | | | |
| Atrium Shah Alam 1* | Freehold | Shah Alam | Industrial | 100 | 23.11.2017 | 81,600,000 | 59,031,514 | 45.2% | |
| Atrium Shah Alam 2* | Freehold | Shah Alam | Industrial | 100 | 14.11.2017 | 76,100,000 | 64,490,721 | 42.1% | |
| Atrium Puchong | Freehold | Puchong | Industrial | 100 | 14.11.2017 | 51,000,000 | 38,500,000 | 28.2% | |
| Atrium USJ* | Freehold | Subang | Industrial | 100 | 21.11.2017 | 36,700,000 | 25,000,000 | 20.3% | |
| | | | | | | <u>245,400,000</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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. INVESTMENT PROPERTIES (continued)

2016

| Description of property | Tenure of land | Location | Existing use | Occupancy rate as at 31 December % | Date of valuation | Fair value as at 31 December RM | Cost of investment as at 31 December RM | Percentage of fair value over Net Asset Value as at 31 December % |
|-------------------------|----------------|-----------|--------------|------------------------------------|-------------------|---------------------------------|---|---|
| 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 2017 and 31 December 2016.

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.

| | 2017 RM | 2016 RM |
|------------------|--------------------|--------------------|
| Total borrowings | 88,765,288 | 59,600,000 |
| Total assets | 279,476,866 | 243,004,108 |
| Gearing ratio | 31.76% | 24.53% |

6. TRADE AND OTHER RECEIVABLES

| | 2017 RM | 2016 RM |
|--|--------------------|--------------------|
| Trade receivables | | |
| Third parties | 3,257,208 | 961,695 |
| Less: Impairment losses | (748,947) | - |
| Total trade receivables | 2,508,261 | 961,695 |
| Other receivables, deposits and prepayments | | |
| Other receivables | 319,515 | 443,847 |
| Deposits | 557,820 | 2,870,820 |
| | 877,335 | 3,314,667 |
| Loans and receivables | 3,385,596 | 4,276,362 |
| Prepayments | 86,223 | 107,246 |
| | 3,471,819 | 4,383,608 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. TRADE AND OTHER RECEIVABLES (continued)

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Trust is 30 days (2016: 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 RM.
- (d) The ageing analysis of trade receivables of the Trust are as follows:

| | 2017 RM | 2016 RM |
|-------------------------------|------------------|----------------|
| Neither past due nor impaired | 294,295 | 144,357 |
| Past due not impaired | | |
| 31 to 60 days | 291,915 | 116,306 |
| 61 to 90 days | 291,915 | 235,168 |
| 91 to 120 days | 291,915 | - |
| 121 to 150 days | 293,569 | - |
| More than 151 days | 1,044,652 | 465,864 |
| Past due and impaired | 2,213,966 | 817,338 |
| | 748,947 | - |
| | <u>3,257,208</u> | <u>961,695</u> |

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

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.

Included in the past due but not impaired is an amount of RM2,213,966 of which the Directors of the Manager opined that it is highly probable of recovering as this long outstanding amount is partly secured against rental deposit as well as receipts which have been forthcoming as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. TRADE AND OTHER RECEIVABLES (continued)

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

Receivable that is past due and impaired

The trade receivable that is past due and impaired at the reporting date and the movement of the allowance account used to record the impairment is as follows:

| | 2017 RM | 2016 RM |
|-------------------------|------------------|------------|
| Trade receivable, gross | 2,962,913 | - |
| Less: Impairment loss | (748,947) | - |
| | <u>2,213,966</u> | <u>-</u> |

(e) Reconciliation of movement in impairment loss of trade receivable is as follows:

| | 2017 RM | 2016 RM |
|-------------------------------|----------------|------------|
| At 1 January | - | - |
| Charge for the financial year | 748,947 | - |
| | <u>748,947</u> | <u>-</u> |

Trade receivable that is individually determined to be impaired at the end of each reporting period relate to debtor that exhibit significant financial difficulties and has defaulted on payments. This receivable is not secured by any collateral or credit enhancements.

(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 deposits was an amount of RM2,300,000 in relation to proposed acquisition of property and has now been capitalised as investment properties as disclosed in Note 4 to the financial statements.

7. BANK BALANCES AND DEPOSITS WITH LICENSED BANKS

| | 2017 RM | 2016 RM |
|---|------------------|------------------|
| Bank balances | 3,122,796 | 835,739 |
| Deposits with licensed banks (not more than three months) | 4,447,911 | 1,372,338 |
| | <u>7,570,707</u> | <u>2,208,077</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

- (a) The deposits are placed with a licensed bank at weighted average interest rate of 2.90% (2016: 2.93%) 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 RM.
- (d) In respect of interest-earning financial assets, the following table sets out the carrying amounts and the remaining maturities of the Trust's financial instrument that is exposed to interest rate risk:

| | Within 1 year RM | One to five years RM | Total RM |
|------------------------------|------------------------|----------------------------|-------------|
| 2017 | | | |
| Floating rate | | | |
| Deposits with licensed banks | 4,447,911 | - | 4,447,911 |
| 2016 | | | |
| Floating rate | | | |
| Deposits with licensed banks | 1,372,338 | - | 1,372,338 |

8. TRADE AND OTHER PAYABLES

| | 2017 RM | 2016 RM |
|-------------------------------------|------------|------------|
| Non-current liabilities | | |
| Tenants' deposits | 5,641,933 | 5,722,030 |
| Current liabilities | | |
| Trade payables | 128,073 | 1,231,079 |
| Other payables and accrued expenses | 3,686,324 | 5,120,448 |
| Tenants' deposits | 688,480 | 192,073 |
| | 4,502,877 | 6,543,600 |
| | 10,144,810 | 12,265,630 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

8. TRADE AND OTHER PAYABLES (continued)

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Trust is 30 days (2016: 30 days).
- (b) Included in other payables and accrued expenses are amount owing to the Manager of RM123,442 (2016: RM52,162) which is unsecured, interest-free, and payable monthly in arrears.
- (c) Tenants' deposits are categorised as Level 3 in the fair value hierarchy.
- (d) Trade and other payables are denominated in 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.

| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|------------------------------|--|----------------------------|--------------------------|-------------|
| 2017 | | | | |
| Financial liabilities | | | | |
| Trade and other payables | 3,814,397 | - | - | 3,814,397 |
| Tenants' deposits | 688,480 | 5,641,933 | - | 6,330,413 |
| 2016 | | | | |
| 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 |

9. BORROWINGS

| | 2017 RM | 2016 RM |
|--------------------------------------|------------|------------|
| <u>Short Term Financing</u> | | |
| Short Term Revolving Credit ("STRC") | 39,600,000 | 39,600,000 |
| Term Loan I | 20,000,000 | - |
| | 59,600,000 | 39,600,000 |
| <u>Long Term Financing</u> | | |
| Term Loan I | - | 20,000,000 |
| Term Loan II | 10,765,288 | - |
| Term Loan III | 18,400,000 | - |
| | 29,165,288 | 20,000,000 |
| | 88,765,288 | 59,600,000 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

9. BORROWINGS (continued)

- (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 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 4.30% to 4.51% (2016: 4.21% to 4.51%) per annum during the financial year.

- (c) The term loan I bears interest rate at cost of funds plus 0.725% (2016: cost of funds plus 0.725%) per annum and is repayable in one lump sum in November 2018.

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

The term loan II bears interest rate at cost of funds plus 0.725% (2016: Nil) per annum and is repayable in one lump sum in 2022.

The term loan II is secured by a first party legal charge over an investment property, Shah Alam 2, as disclosed in Note 4 to the financial statements.

The term loan III bears interest rate at cost of funds plus 0.725% (2016: Nil) per annum and is repayable in one lump sum in 2027.

The term loan III is secured by a first party legal charge over an investment property, Atrium Shah Alam 3, as disclosed in Note 4 to the financial statements.

- (d) At the end of the reporting period, RM39.6 million (2016: RM39.6 million) of the 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 20 June 2017.
- (e) Borrowings are categorised as Level 2 in the fair value hierarchy.
- (f) All borrowings are denominated in RM.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

9. BORROWINGS (continued)

(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.

| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|------------------------------|--|----------------------------|--------------------------|-------------|
| 2017 | | | | |
| Financial liabilities | | | | |
| Term loans | 22,083,062 | 15,666,608 | 22,023,880 | 59,773,550 |
| Short Term Revolving Credit | 41,306,760 | - | - | 41,306,760 |
| 2016 | | | | |
| Financial liabilities | | | | |
| Term loans | - | 20,931,000 | - | 20,931,000 |
| Short Term Revolving Credit | 41,302,800 | - | - | 41,302,800 |

In respect of interest-bearing financial liabilities, the following tables sets out the carrying amounts, 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 | Over five years RM | Total RM |
|-----------------------------|------------------------|----------------------------|--------------------------|-------------|
| 2017 | | | | |
| Floating rates | | | | |
| Term loans | 20,000,000 | 10,765,288 | 18,400,000 | 49,165,288 |
| Short Term Revolving Credit | 39,600,000 | - | - | 39,600,000 |
| 2016 | | | | |
| Floating rates | | | | |
| Term loan | - | 20,000,000 | - | 20,000,000 |
| Short Term Revolving Credit | 39,600,000 | - | - | 39,600,000 |

(h) Interest rate risk

Sensitivity analysis for interest rate risk

As at 31 December 2017, 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 RM67,462 (2016: RM45,296) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

10. UNITHOLDERS' CAPITAL

| | Number of units | | Value | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 RM | 2016 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-up | <u>121,801,000</u> | <u>121,801,000</u> | <u>119,351,580</u> | <u>119,351,580</u> |

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:

| 2017 | Number of units held | Percentage of total units % | Market |
|---|-------------------------|--------------------------------------|-------------|
| | | | value RM |
| Direct unitholdings in Atrium REIT | | | |
| Atrium REIT Manager Sdn Bhd | 750,800 | 0.62 | 833,388 |
| Directors of the Manager: | | | |
| Wong Sui Ee | 373,000 | 0.31 | 414,030 |
| Tor Peng Sie | 100,000 | 0.08 | 111,000 |
| How Hu Son | 100,000 | 0.08 | 111,000 |
| Soong Kwong Heng | 55,000 | 0.05 | 61,050 |
| Related parties of the Manager: | | | |
| Glory Blitz Industries Sdn Bhd | 10,024,800 | 8.23 | 11,127,528 |
| Sparkle Skyline Sdn Bhd | 4,258,900 | 3.50 | 4,727,379 |
| Chan Kam Tuck (i) | 30,281,400 | 24.86 | 33,612,354 |
| Chan Kum Chong | 70,000 | 0.06 | 77,700 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

11. UNITHOLDINGS OF DIRECTORS AND RELATED PARTIES (continued)

- (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 units 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 |

- (i) Unitholdings under Chan Kam Tuck is made up of his individual holding of 10,281,400 (2016: 10,281,400) units and his deemed holding of 20,000,000 (2016: 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 2017 of RM1.11 (2016: RM1.09).

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

| | 2017 RM | 2016 RM |
|--------------------------|------------------|------------------|
| Property management fees | 245,814 | 204,540 |
| Assessment and quit rent | 534,186 | 479,772 |
| Repair and maintenance | 855,732 | 1,114,792 |
| Insurance | 249,381 | 252,728 |
| Other operating expenses | 122,076 | 133,292 |
| | <u>2,007,189</u> | <u>2,185,124</u> |

Property management fees are recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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% (2016: 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% (2016: 0.06%) per annum of the Net Asset Value.

16. FINANCE COSTS

| | 2017 RM | 2016 RM |
|--|------------------|------------------|
| Interest expense on: | | |
| - short term revolving credit facility | 1,706,467 | 1,729,142 |
| - term loans | 2,025,629 | 914,337 |
| | <u>3,732,096</u> | <u>2,643,479</u> |

17. TAX EXPENSE

| | 2017 RM | 2016 RM |
|---|---------------|------------|
| Income tax expense based on net income for the financial year | - | - |
| Real property gains tax | | |
| - Under provision of RPGT in prior years | 10,672 | - |
| | <u>10,672</u> | <u>-</u> |

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2016: 24%) of the estimated taxable income for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

17. TAX EXPENSE (continued)

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:

| | 2017 RM | 2016 RM |
|--|-------------|-------------|
| Net income before tax | 18,147,733 | 4,687,011 |
| Tax at Malaysian statutory tax rate of 24% (2016: 24%) | 4,355,456 | 1,124,883 |
| Tax effects in respect of: | | |
| Non-deductible expenses | 2,473,920 | - |
| Effect of changes in fair value of investment properties not subject to tax | (2,184,000) | 603,216 |
| Effect of income exempted from tax | (4,645,376) | (1,728,099) |
| | - | - |
| Under provision of RPGT in prior year | 10,672 | - |
| | 10,672 | - |

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 99.7% (2016: 99.8%) 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 16.01 sen (2016: 4.98 sen) is calculated by dividing the net income after tax but before deduction of manager's fees for the financial year of RM19,505,509 (2016: RM6,071,610) and by the number of units in circulation during the financial year of 121,801,000 (2016: 121,801,000).
- (b) The earnings per unit after Manager's fee of 14.89 sen (2016: 3.85 sen) has been calculated based on net income after tax of RM18,137,061 (2016: RM4,687,011) for the financial year and on the number of units in circulation during the financial year of 121,801,000 (2016: 121,801,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

19. NET INCOME DISTRIBUTIONS

Distributions to unitholders are from the following sources:

| | 2017 | 2016 |
|--|-------------|-------------|
| | RM | RM |
| Net rental income | 15,296,463 | 12,336,899 |
| Interest income | 171,055 | 198,621 |
| Other income | 601,307 | 64,817 |
| | <hr/> | <hr/> |
| Less: Expenses | 16,068,825 | 12,600,337 |
| | (7,021,092) | (5,399,928) |
| | <hr/> | <hr/> |
| Net income before tax | 9,047,733 | 7,200,409 |
| Taxation | (10,672) | - |
| | <hr/> | <hr/> |
| Net income after tax | 9,037,061 | 7,200,409 |
| Less: Income distributed | (6,759,955) | (5,237,442) |
| Less: Proposed final income distribution | (2,253,319) | (1,948,816) |
| | <hr/> | <hr/> |
| Balance undistributed income | 23,787 | 14,151 |

All distributions of income are from realised distributable income.

20. PORTFOLIO TURNOVER RATIO

| | 2017 | 2016 |
|--|-------------|-------------|
| Portfolio Turnover Ratio ("PTR") (times) | 0.13 | - |

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 2017 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

| | 2017 | 2016 |
|--------------------------------------|-------------|-------------|
| Management expense ratio ("MER") (%) | 1.48 | 1.60 |

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 assesses 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:

| | 2017 RM | 2016 RM |
|------------|------------|------------|
| Customer A | 6,284,598 | 6,284,598 |
| Customer B | 5,136,000 | 2,741,400 |
| Customer C | 3,304,703 | 1,852,759 |

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:

| | 2017 RM | 2016 RM |
|---|-------------------|-------------------|
| Not later than one (1) year | 19,153,703 | 16,574,794 |
| Later than one (1) year but not later than five (5) years | 28,042,096 | 33,124,822 |
| Later than five (5) years | - | - |
| | <u>47,195,799</u> | <u>49,699,616</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

24. COMMITMENTS (continued)

(b) Capital commitments

| | 2017 RM | 2016 RM |
|---|------------------|-------------------|
| Capital expenditure in respect of addition of investment properties: Approved and contracted for | <u>9,650,000</u> | <u>20,700,000</u> |

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 |
|--|----------------|
| 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 |
| Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i> | 1 January 2017 |

Adoption of the above Standards did not have any material effect on the financial performance or position of the Trust.

25.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

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

| Title | Effective Date |
|--|----------------|
| Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i> | 1 January 2018 |
| MFRS 15 <i>Revenue from Contracts with Customers Clarification to MFRS 15</i> | 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 |
| Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i> | 1 January 2018 |
| IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |
| Amendments to MFRS 140 <i>Transfers of Investment Property</i> | 1 January 2018 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

25. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

25.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

| Title | Effective Date |
|---|---------------------------------|
| Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i> | See MFRS 4 Paragraphs 46 and 48 |
| MFRS 16 <i>Leases</i> | 1 January 2019 |
| IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> | 1 January 2019 |
| Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> | 1 January 2019 |
| Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i> | 1 January 2019 |
| Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i> | 1 January 2019 |
| Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i> | 1 January 2019 |
| Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i> | 1 January 2019 |
| Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i> | 1 January 2019 |
| MFRS 17 <i>Insurance Contracts</i> | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Deferred |

The Trust does not expect the adoption of the above Standards to have a significant impact on the financial statements.

ANALYSIS OF UNITHOLDINGS

AS AT 24 JANUARY 2018

SIZE OF HOLDINGS AS AT 24 JANUARY 2018

| | NO. OF UNITHOLDERS | % | NO. OF UNITS | % |
|---|--------------------|---------------|--------------------|---------------|
| 1 - 99 | 17 | 0.68 | 500 | 0.00 |
| 100 - 1,000 | 491 | 19.62 | 372,046 | 0.31 |
| 1,001 - 10,000 | 1,183 | 47.26 | 6,473,600 | 5.31 |
| 10,001 - 100,000 | 681 | 27.21 | 23,696,400 | 19.46 |
| 100,001 to less than 5% of issued units | 128 | 5.11 | 52,158,454 | 42.82 |
| 5% and above of issued units | 3 | 0.12 | 39,100,000 | 32.10 |
| TOTAL : | 2,503 | 100.00 | 121,801,000 | 100.00 |

THIRTY (30) LARGEST UNITHOLDERS AS AT 24 JANUARY 2018

| | 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 PLEGGED SECURITIES ACCOUNT FOR GLORY BLITZ INDUSTRIES SDN BHD (TCS) | 9,100,000 | 7.47 |
| 4) | SOH KAM ENG | 6,060,000 | 4.98 |
| 5) | SPARKLE SKYLINE SDN BHD | 3,258,900 | 2.68 |
| 6) | STEPHEN EDWARD BLACKBURN | 1,830,100 | 1.50 |
| 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 | 1.18 |
| 9) | CHRISTINA CHONG YOKE LENG | 1,231,000 | 1.01 |
| 10) | CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR CHEUNG SIU WA (PR) | 1,000,000 | 0.82 |
| 11) | CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR KWOK CHIU NAM (PR) | 1,000,000 | 0.82 |
| 12) | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEGGED 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 |

ANALYSIS OF UNITHOLDINGS (CONT'D)

AS AT 24 JANUARY 2018

| | Name | No. of units | % |
|-----|---|---------------------|--------------|
| 18) | LEONG AH MENG @ LEONG MEE | 788,000 | 0.65 |
| 19) | ATRIUM REIT MANAGERS SDN BHD | 750,800 | 0.62 |
| 20) | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG WAI YUAN (8077425) | 733,000 | 0.60 |
| 21) | ON THIAM CHAI | 640,000 | 0.53 |
| 22) | PUA SOON | 600,000 | 0.49 |
| 23) | TEW PENG HWEE @ TEOH PENG HWEE | 583,700 | 0.48 |
| 24) | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT | 522,600 | 0.43 |
| 25) | AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS) | 512,000 | 0.42 |
| 26) | HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAMPAI DEDIKASI SDN BHD | 500,000 | 0.41 |
| 27) | CHOY YOKE CHUN | 490,000 | 0.40 |
| 28) | KEW SENG CHONG | 475,000 | 0.39 |
| 29) | CHAU MEI LAN | 460,000 | 0.38 |
| 30) | GUAN BOON KUAN | 430,000 | 0.35 |
| | | <u>69,334,600</u> | <u>56.92</u> |

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 | <u>10,024,800</u> | <u>8.23</u> |
| | | <u>40,306,200</u> | <u>33.09</u> |

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

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting (“AGM”) of Atrium Real Estate Investment Trust (“Atrium REIT”) will be held at Indah Ballroom, Ground Floor, Flamingo Hotel, 5, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan on Thursday, 26 April 2018 at 10.00 a.m. for the following purpose:-

A. ORDINARY BUSINESS

1. To receive the Audited Financial Statements of Atrium REIT for the financial year ended 31 December 2017 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. (Please see Note 2)

B. SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:-

2. **PROPOSED UNITHOLDERS’ MANDATE TO ISSUE AND ALLOT NEW UNITS OF UP TO 20% OF THE APPROVED FUND SIZE OF ATRIUM REIT PURSUANT TO CLAUSE 14.03 OF THE GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS ISSUED BY SECURITIES COMMISSION MALAYSIA (“REIT GUIDELINES”)** (Ordinary Resolution 1)

“THAT pursuant to the REIT Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and subject to the approvals from all relevant regulatory authorities and/or parties, where required, the Directors of Atrium REIT Managers Sdn Bhd, the Manager of Atrium REIT (“the Manager”), be and are hereby authorised to issue and allot new units in Atrium REIT (“New Units”) from time to time to such persons and for such purposes as the Directors of the Manager may in their absolute discretion deem fit and in the best interest of Atrium REIT, provided that the aggregate number of New Units to be issued pursuant to this resolution, when aggregated with the number of units in Atrium REIT issued during the preceding 12 months, must not exceed 20% of the approved fund size of Atrium REIT for the time being (“Proposed Mandate”). (Please see Note 3)

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the unitholders at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next Annual General Meeting of the unitholders is required by law to be held; or
- (iii) revoked or varied by resolution passed by the unitholders in a unitholders’ meeting, whichever is the earlier.

THAT the New Units to be issued pursuant to the Proposed Mandate shall, upon issuance and allotment, rank *pari passu* in all respects with the existing units of Atrium REIT, except that the New Units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions that may be declared prior to the date of allotment of such New Units.

THAT the Directors of the Manager and Pacific Trustees Berhad (“the Trustee”), acting for and on behalf of Atrium REIT, be and are hereby authorised to give effect to the Proposed Mandate with full powers to assent to any condition, modification, variation and/or amendment as they may deem fit in the best interest of Atrium REIT and/or as may be imposed by the relevant authorities.

AND THAT the Directors of the Manager and the Trustee, acting for and on behalf of Atrium REIT, be and are hereby authorised to take all necessary steps and do all such acts, deeds and things as they may deem necessary or expedient to implement, finalise and to give full effect to the Proposed Mandate.”

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING (CONT'D)

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 2018

Notes:-

1. *Notes on 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.*
- (ii) *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.*
- (iii) *If the unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), 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.*
- (iv) *Where a unitholder is an exempt authorised nominee which holds units for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of Section 25A(1) of SICDA.*
- (v) *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.*
- (vi) *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 rubber stamp (if the corporation does not have a common seal) or under the hand of officer or attorney duly authorised.*
- (vii) *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.*
- (viii) *Only unitholders whose names appear in the Record of Depositors as at 20 April 2018 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 2017*

The Audited Financial Statements is meant for discussion only as the approval of the unitholders is not required pursuant to Paragraph 15.33A(b) of REIT Guidelines. Hence, this Agenda is not put forward for voting by the unitholders of Atrium REIT.

3. *Explanatory Notes on Special Business*

i. *Ordinary Resolution 1 - Proposed Mandate*

The proposed Ordinary Resolution 1, if passed, will give a new mandate to the Manager of Atrium REIT to issue New Units of Atrium REIT from time to time provided that the aggregate number of the New Units to be issued, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the approved fund size of Atrium REIT for the time being.

The Proposed Mandate, unless revoked or varied at a unitholders' Meeting, will expire at the conclusion of the next Annual General Meeting of Atrium REIT.

The Proposed Mandate will allow the Manager the flexibility to issue and allot New Units to raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of Atrium REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed Mandate, delays and further costs involved in convening separate general meetings to approve such issue of units to raise funds can be avoided.

No general mandate under Clause 14.03 of the REIT Guidelines was sought by the Manager of Atrium REIT at the Fifth Annual General Meeting of Atrium REIT held on 27 April 2017.

This page is intentionally left blank

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 hours) _____

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 Sixth Annual General Meeting of Atrium REIT to be held at Indah Ballroom, Ground Floor, Flamingo Hotel, 5, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan on Thursday, 26 April 2018 at 10.00 a.m. and at any adjournment thereof for considering the business to be transacted at the Meeting.

Dated this day of 2018

| 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 :

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. Only unitholders whose names appear in the Record of Depositors as at 20 April 2018 will be entitled to attend and vote at the meeting or appoint proxy (proxies) to attend and vote on their behalf.



Fold here

STAMP

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

Fold here



ATRIUM REAL ESTATE INVESTMENT TRUST