



ANNUAL REPORT 2019



ATRIUM
REIT



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Our Mission

To maximise income in order to reward unitholders with a competitive rate of return for their investment 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

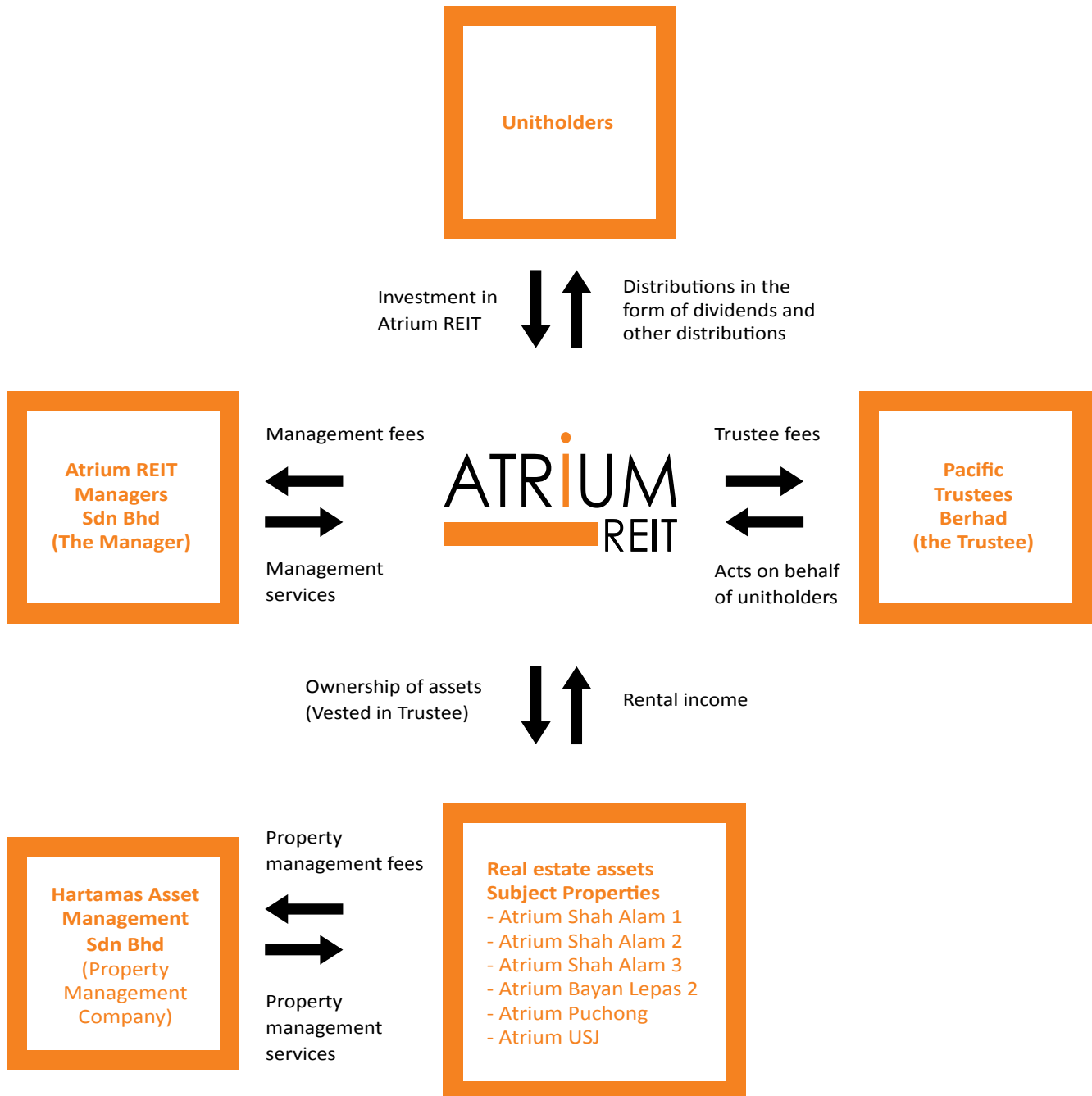
Atrium REIT is an industrial asset focused real estate investment trust constituted by a Trust Deed entered into, on 20 November 2006, amended by the First Supplementary Deed dated 25 November 2008 and the Restated Deed dated 24 March 2016 between CIMB Commerce Trustee Berhad (formerly known as BHLB Trustee Berhad) as the Trustee and Atrium REIT Managers Sdn Bhd as the Manager (collectively known as “First Deed”).

On 21 April 2016, the Manager, CIMB Commerce Trustee Berhad (“Retiring Trustee”) and Pacific Trustees Berhad (“New Trustee”) entered into a Second Supplementary Deed to effect the change of trustee of Atrium REIT from the Retiring Trustee to the New Trustee. The First Deed and the Second Supplementary Deed will be further amended by a Second Restated Deed dated 17 December 2019 (“Second Deed”) entered into between the Manager and Pacific Trustees Berhad, as the Trustee of Atrium REIT. The Second Restated Deed is necessary to comply with the latest requirements under the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts and Bursa Malaysia’s Main Market Listing Requirements. The Second Restated Deed has been submitted to the Securities Commission for review and approval.



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:



Profile of the Manager

Atrium REIT Managers Sdn Bhd is the Manager for Atrium REIT and is responsible for the administration and management of Atrium REIT. The Manager is also responsible for the implementation of the REIT's investment and business strategies. The Manager was incorporated in Malaysia on 22 September 2005 and is subsidiary of Glory Blitz Industries Sdn Bhd.

Salient Features of the Fund

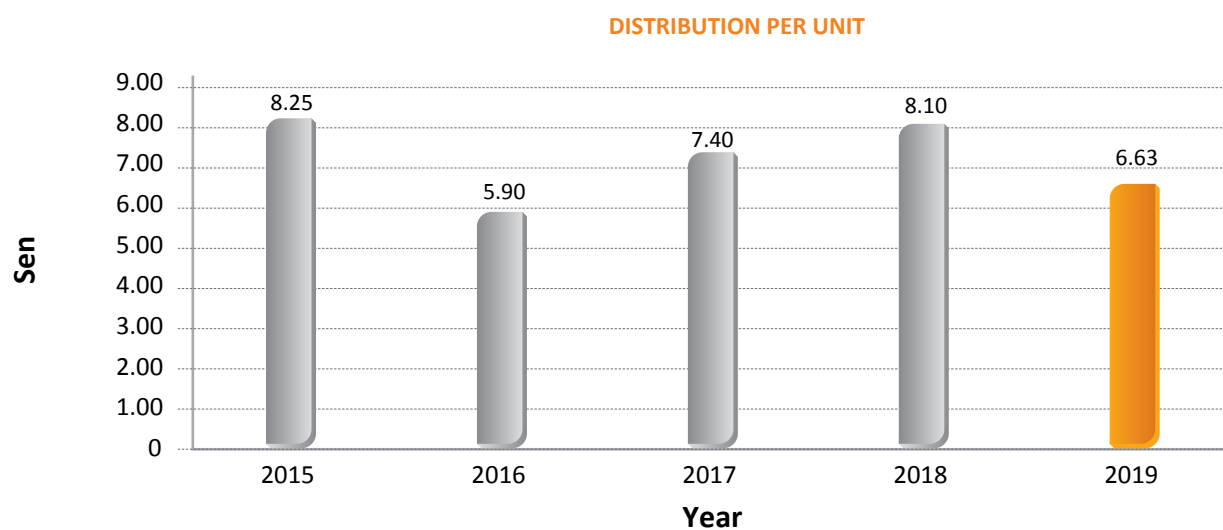
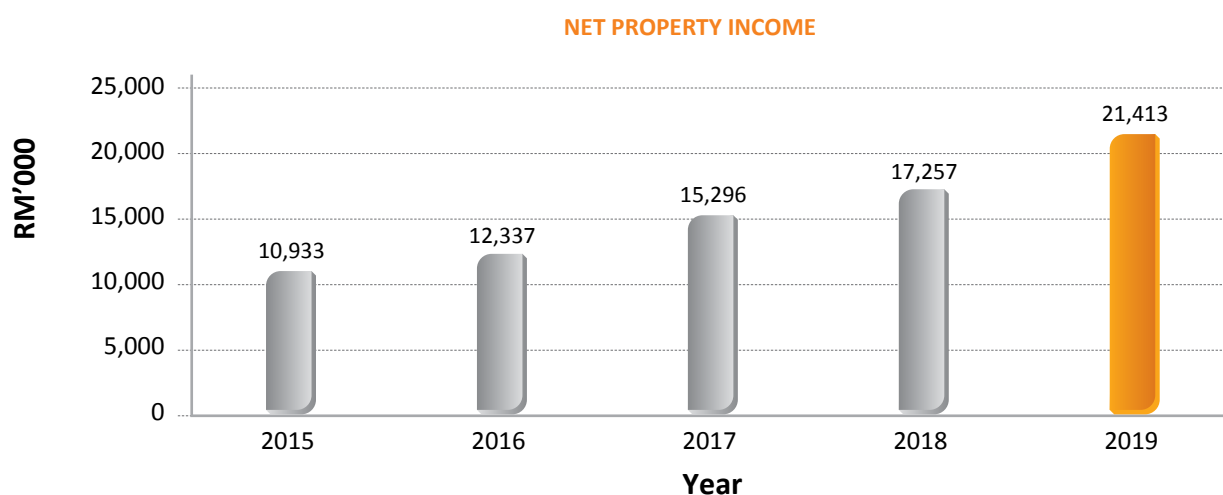
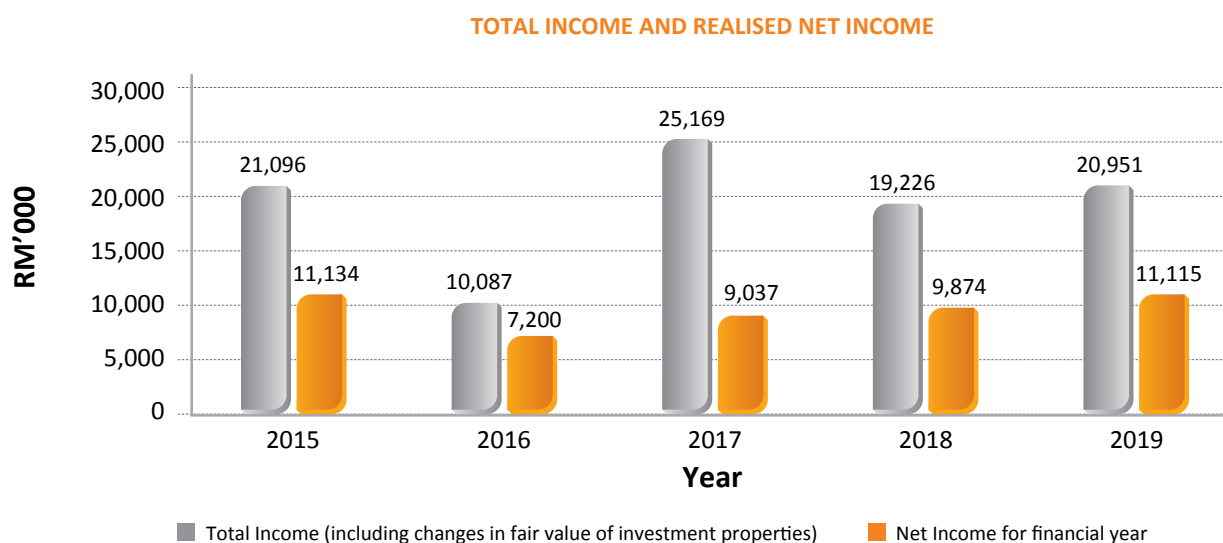
Name of fund	: Atrium REIT
Fund category	: Real Estate
Fund type	: Growth and income
Investment objectives	: To maximise income in order to reward unitholders with annual stable distributions of income and to acquire quality assets to achieve long-term growth in the Net Asset Value per unit of the Fund
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
Size of Fund	: 204,625,680 units
Authorised investments	: Invest in real estate, non-real estate-related assets and cash, deposit and money market instruments. At least 75% of Atrium REIT's total assets must be invested in real estate that generates recurrent rental income at all times.
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 properties will be revalued annually pursuant to Malaysian Financial Reporting Standard 140 and Clause 10.02(b)(i) of the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts.
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
Quotation	: Main Market of Bursa Malaysia Securities Berhad
Bursa Malaysia Stock Number	: ATRIUM 5130

2019 Financial Highlights



1. Based on closing market price on 31 December 2019 of RM 1.04 per unit

2019 Financial Highlights (cont'd)

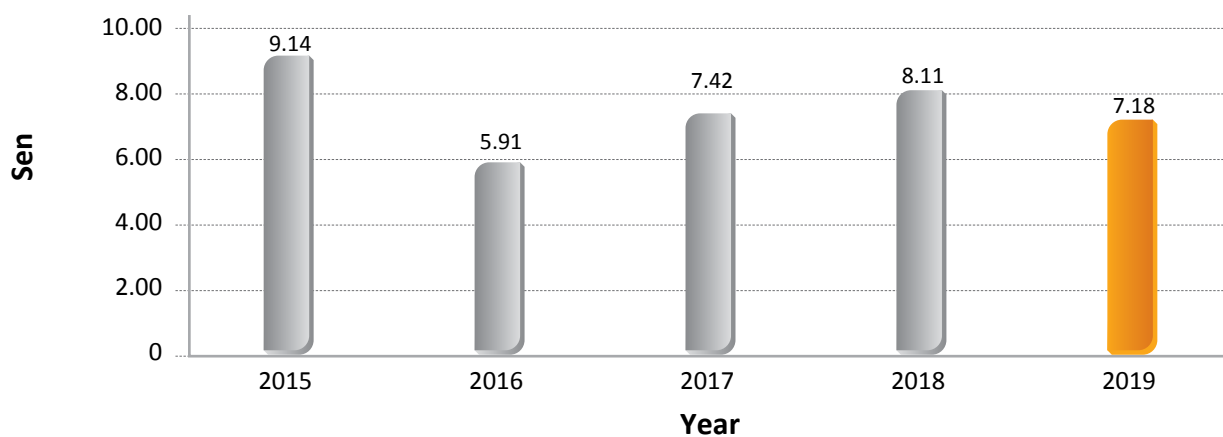


2019 Financial Highlights (cont'd)

NET ASSET VALUE AND MARKET PRICE PER UNIT

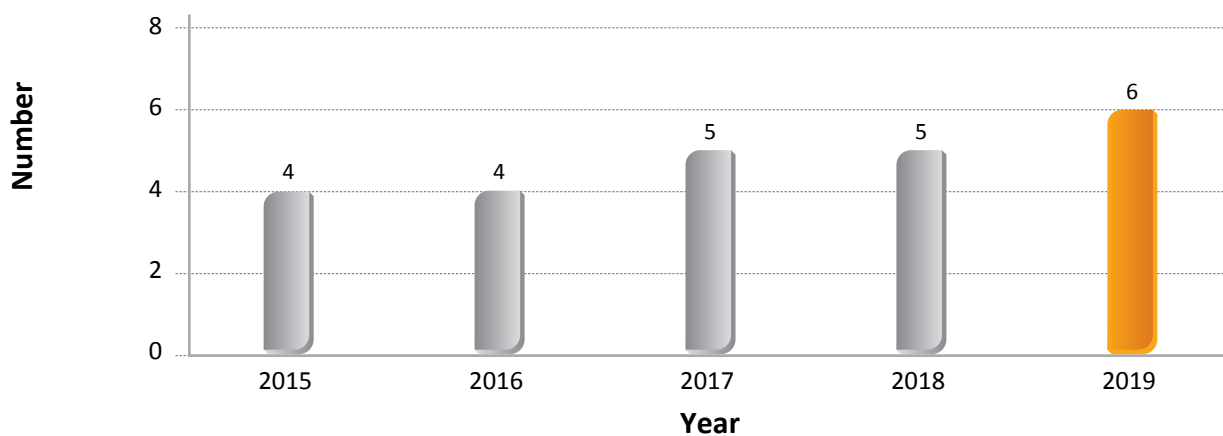


NET INCOME PER UNIT (Realised)



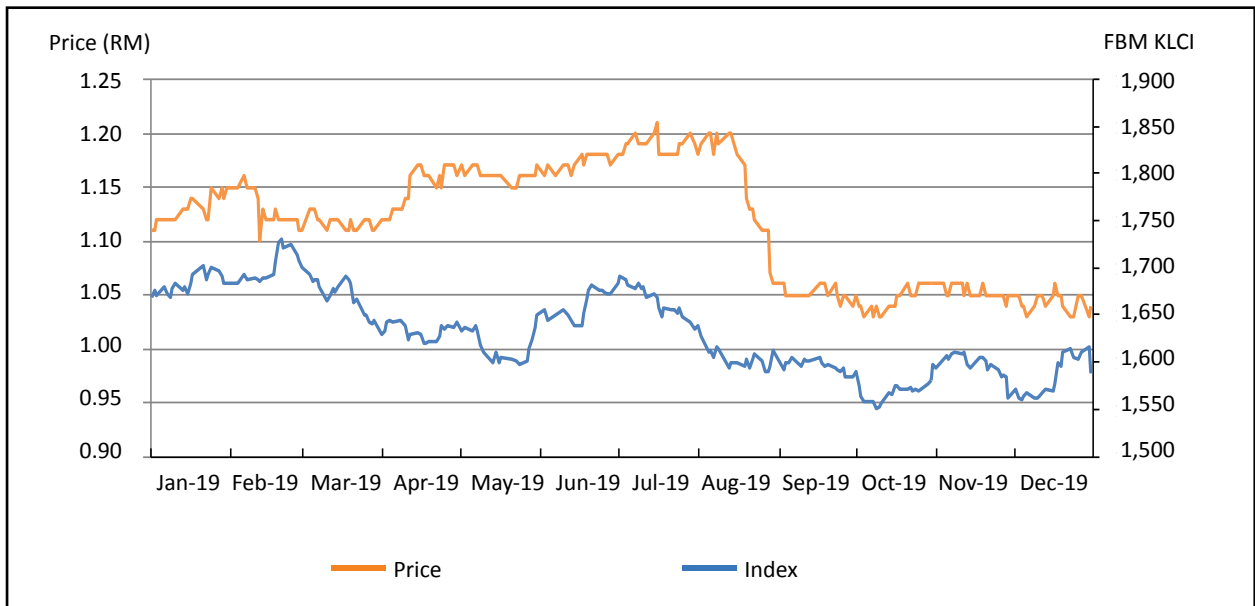
Note: The net income per unit (realised) for 2019 is calculated based on the weighted average number of units in issue

PROPERTIES IN PORTFOLIO

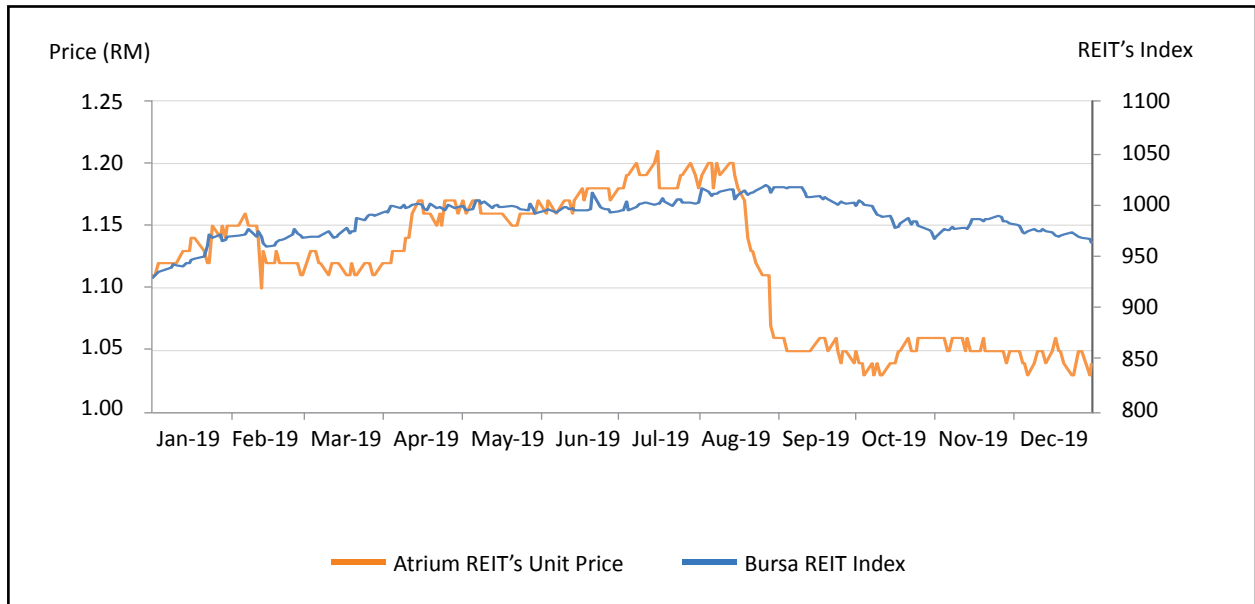


2019 Financial Highlights (cont'd)

ATRIUM REIT'S UNIT PRICE VS FBM KLCI

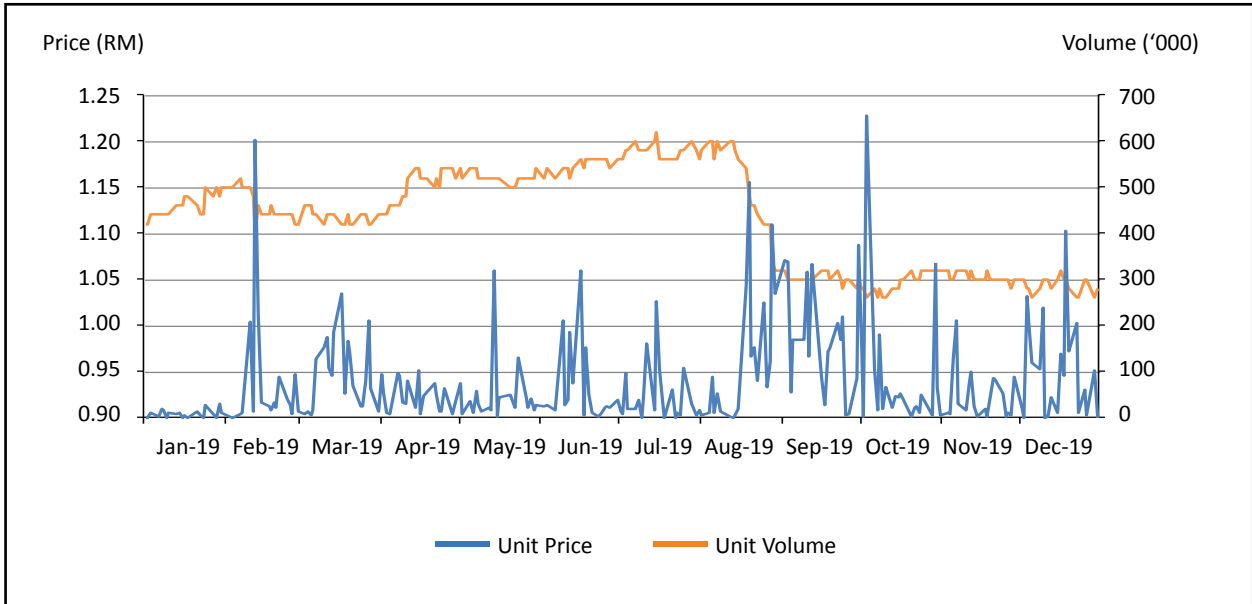


ATRIUM REIT'S UNIT PRICE VS BURSA MALAYSIA REIT INDEX

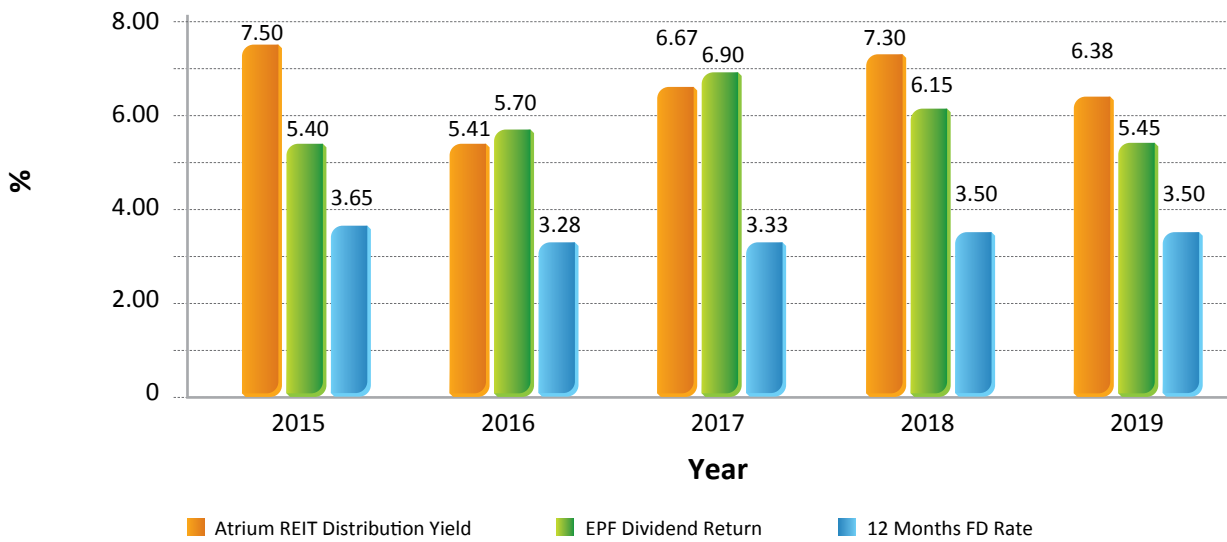


2019 Financial Highlights (cont'd)

UNIT PRICE VS VOLUME



RETURN COMPARATIVES



Performance Data

I) PORTFOLIO COMPOSITION OF THE TRUST

	2015	2016	2017	2018	2019
	%	%	%	%	%
Atrium Shah Alam 1	33	34	30	30	20
Atrium Shah Alam 2	27	30	28	28	17
Atrium Shah Alam 3	-	-	8	9	7
Atrium Bayan Lepas 2	-	-	-	-	27
Atrium Puchong	21	21	19	19	12
Atrium USJ	13	14	13	13	8
	94	99	98	99	91
Deposits with financial institution	6	1	2	1	9
	100	100	100	100	100

II) SUMMARY OF PERFORMANCE

	2015	2016	2017	2018	2019
Gross revenue (RM'000)	12,867	14,522	17,304	18,779	22,961
Net property income (RM'000)	10,933	12,337	15,296	17,257	21,413
Net income/(loss) for financial year (RM'000)					
- Realised	11,134	7,200	9,037	9,874	11,115
- Unrealised	4,291	(2,513)	9,100	1,723	(7,625)
Distribution per unit (sen)	8.25	5.90	7.40	8.10	6.63
Distribution yield (%)					
- based on market price as at 31 December	7.50	5.41	6.67	7.30	6.38
Annual total return (%)	(0.06)	1.87	7.58	7.30	0.07
- Capital return (%)	(7.56)	(3.54)	0.91	0.00	(6.31)
- Distribution yield (%)	7.50	5.41	6.67	7.30	6.38
Management Expense Ratio (MER) (%)	1.64	1.60	1.48	1.44	2.19

Capital Return is computed based on the net change in market price at the beginning and end of the financial year over the market price at the beginning of the respective financial year.

Distribution Yield is computed based on the total income distribution for the financial year over the market price at the end of the respective financial year.

Total Return is the total of Capital Return and Distribution Yield.

The calculation of MER, which have been verified by the auditors, 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 Atrium REIT for the financial year calculated on a daily basis.

Performance Data (cont'd)

III) ASSET VALUE, UNIT AND MARKET PRICE INFORMATION

	2015	2016	2017	2018	2019
Asset under management (RM'000)	221,900	236,300	268,434	278,000	410,300
Total asset value (RM'000)	238,796	243,004	279,477	287,584	464,113
Net asset value (NAV)(RM'000)					
- Before proposed final distribution	173,272	171,138	180,567	182,603	261,639
- After proposed final distribution	171,689	169,190	178,313	180,045	257,076
Total borrowings (RM'000)	59,600	59,600	88,765	95,661	181,974
Gearing (%)	24.96	24.53	31.76	33.26	39.21
Units in circulation ('000)	121,801	121,801	121,801	121,801	204,625
NAV per unit – after proposed distribution					
- As at 31 December (RM)	1.41	1.39	1.46	1.48	1.26
- Highest NAV for the year (RM)	1.42	1.43	1.48	1.50	1.51
- Lowest NAV for the year (RM)	1.36	1.39	1.40	1.47	1.26
Market price per unit					
- as at 31 December (RM)	1.10	1.09	1.11	1.11	1.04
- Highest traded for the year (RM)	1.25	1.15	1.21	1.16	1.27
- Lowest traded for the year (RM)	1.01	1.05	1.08	1.06	1.02
Market Capitalisation (RM'000)	133,981	132,763	135,199	135,199	212,811

Performance Data

IV) DISTRIBUTIONS FOR LAST 5 YEARS

	Distribution		Net Asset Value Per Unit (RM)	
	Per Unit (Sen)	Date	Before Distribution	After Distribution
2015				
1st Quarter	1.70	29 May 15	1.38	1.37
2nd Quarter	3.60	11 Sep 15	1.41	1.37
3rd Quarter	1.65	27 Nov 15	1.39	1.37
4th Quarter	1.30	29 Feb 16	1.42	1.41
2016				
1st Quarter	1.30	31 May 16	1.42	1.41
2nd Quarter	1.50	6 Sep 16	1.43	1.41
3rd Quarter	1.50	30 Nov 16	1.43	1.41
4th Quarter	1.60	22 Mar 17	1.41	1.39
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
2018				
1st Quarter	2.00	31 May 18	1.48	1.46
2nd Quarter	2.00	30 Aug 18	1.49	1.49
3rd Quarter	2.00	30 Nov 18	1.49	1.47
4th Quarter	2.10	28 Feb 19	1.50	1.48
2019				
1st Quarter	1.40	22 Apr 19	1.50	1.48
2nd Quarter	2.00	8 Aug 19	1.43	1.41
3rd Quarter	1.00	29 Nov 19	1.30	1.29
4th Quarter	2.23	9 Mar 20	1.28	1.26

V) AVERAGE ANNUAL RETURN FOR ATRIUM REIT

	%
One year	0.07
Three years	4.98
Five years	3.35

Note:

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

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

Chairman's Statement



Dear Unitholders,

On behalf of the Board of Directors and management of Atrium REIT Managers Sdn Bhd ("the Manager"), it gives me great pleasure to present our Annual Report and audited financial performance for the financial year ended 31st December 2019 (FY2019).

Atrium Real Estate Investment Trust ("Atrium REIT") delivered another solid result for FY2019, generating consistent unitholder returns underpinned by a robust financial performance and operational results.

OVERVIEW

I am proud to announce that during the year, we completed the acquisition of Atrium Bayan Lepas 2 ("ABL 2") (formerly known as Lumileds Plant 2), increasing the total investment properties value by 47.59% to RM410.30 million, with a total net lettable area of over 1.29 million sq. ft.. Atrium REIT successfully completed 2 fund raising exercises, namely placement of 24,360,200 new units and renounceable rights issue of 58,464,480 rights units to part finance the acquisition of ABL 2 and the proposed acquisition of Lumileds Plant 1.

Atrium REIT recorded a higher gross revenue and net property income for FY2019 with the completion of the acquisition of ABL 2 in the 4th quarter of 2019. Gross revenue rose 22.3% year-on-year to RM23.00 million while net property income increased to RM21.41 million from RM17.26 million. Atrium REIT's performance was also improved by the positive rental reversion in its existing portfolio and full year contribution from Atrium Shah Alam 3.

Consequently, the distributable income for FY2019 rose 12.57% year-on-year to RM11.12 million as compared to RM9.87 million for FY2018. However, distribution per unit declined by 18.15% to 6.63 sen as a result of the enlarged unitholders capital. Based on Atrium REIT's closing unit price of RM1.04 on 31 December 2019, unitholders would have achieved a distribution yield of about 6.38%.

On 7 October 2019, Atrium REIT issued RM87.00 million in Unrated Medium Term Notes ("MTN") via its wholly owned subsidiary Atrium REIT Capital Sdn Bhd, a company incorporated specifically to facilitate the establishment of a RM999.00 million in nominal value MTN programme. The proceeds were used to part finance the acquisition of ABL 2.

ENHANCING PORTFOLIO VALUE

The properties in the portfolio are being evaluated constantly for asset enhancement opportunities that would improve the assets' performance and competitiveness. Properties that, in the opinion of the Manager, have been fully optimised and with limited redevelopment potential will be considered for divestment if the price is right, but only as a last resort.

Moving forward, optimizing and growing the portfolio will continue to be the main focus of Atrium REIT. Proactive approach was adopted across the portfolio where tenants were engaged to extend the tenancy term well ahead of tenancy expiries to mitigate leasing risk. During the financial year, the Manager successfully renewed the tenancies for Atrium Shah Alam 2 and Atrium USJ Block C.

Chairman's Statement (cont'd)

OUTLOOK OF THE ECONOMY

The global economy is expanding at a more moderate pace, with the slowdown becoming more synchronised across both the advanced and emerging economies. Going forward, geopolitical tensions, policy uncertainty and unresolved trade disputes could exacerbate financial market volatility and further weigh on the global growth outlook. Monetary easing and other policy measures are expected to provide some support to growth.

Growth of the Malaysian economy is expected to be within projections in 2019 and the pace sustained going into 2020. Growth is expected to remain anchored by firm private sector expenditure subject to downside risks, mainly stemming from uncertainties in global economic and financial conditions as well as weakness in commodity related sectors. Headline inflation in 2020 is expected to average higher but remain modest. The trajectory will, however, be dependent on global oil and commodity price developments. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.

(Source: Bank Negara Malaysia)

PROSPECT

The industrial property sector is expected to remain active and robust with the launch of Industry 4WRD last year and the Government's aim to make Malaysia the Industry 4.0 hub in South East Asia. The growth of the e-commerce and the increasing focus on supply chain efficiency are also expected to sustain the demand for properties in this sector. We are optimistic on the long-term prospects of the REIT's portfolio as all the properties in the portfolio are high grade facilities located in prime industrial parks with good accessibilities and infrastructures.

Our portfolio focus has always been in the Klang Valley but we have diversified geographically with the recent acquisition of the ABL 2 in the Bayan Lepas Free Industrial Zone, Penang. We intend to continue growing our portfolio beyond the Klang Valley particularly in the state of Penang and Johor. This geographical diversification is aimed at capturing the growth in these regional industrial hubs. As at the date of this report, we have executed 2 sale and purchase agreements to acquire Lumileds Plant 1 factory in Bayan Lepas, Penang and an industrial property in Section 16 Shah Alam, Selangor, for a total consideration of RM95.00 million ("Proposed Acquisitions"). The Proposed Acquisitions are expected to be completed in the 1st half of 2020.

The Proposed Acquisitions will increase Atrium REIT's investment properties by 23.15% to RM505.30 million and net lettable area by 27.64% to 1.65 million sq. ft., strengthening Atrium REIT's position as a pure play industrial property REIT in this competitive and growing market.

COVID-19 OUTBREAK

The prospects for the global economy look increasingly uncertain with the outbreak of the novel coronavirus (Covid-19) in China. This is not surprising given that the Chinese economy accounts for an estimated one-third of global growth.

Bank Negara Malaysia at its recent 4th quarter briefing stated that it expects the Malaysian economy to remain supported by private sector activity in 2020 but concerns are the impact of the Covid-19 in the 1st quarter. The outbreak which has claimed over 1,000 lives will impact the tourism industry, including spending on hotels, retail transport and restaurants. The virus would also impact "to a smaller" extent, the manufacturing sector due to the closure of factories in China. The overall impact of the virus on the Malaysian economy will, however, depend on the duration and spread of the outbreak as well as policy responses by authorities.

AWARD

I am proud to note the acknowledgement of the Management's efforts by The Edge Malaysia, with Atrium REIT being named as the winner in The Edge Malaysia Centurion Club 2019 Corporate Awards – "Highest Returns to Shareholders over Three Years" category.

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, I would also like to express my gratitude and thanks to our stakeholders including unitholders, customers, and business partners for your continuous support. With a growing portfolio of high-grade properties, solid financial position and the proposed acquisitions in the pipeline, I am optimistic that Atrium REIT is well-positioned to deliver sustainable results and growth in the years to come.

DATO' DR. IR. MOHAMAD KHIR BIN HARUN

Chairman

Atrium REIT Managers Sdn Bhd

Date : 11 February 2020

Management Discussion and Analysis

MANAGER'S INVESTMENT OBJECTIVES AND STRATEGIES

The Manager's investment objectives are to maximise income in order to reward unitholders annually with a stable distribution of income and to acquire quality assets to achieve long term growth in 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 Atrium REIT on 2 April 2007. There was no change in the strategies and policies employed since the preceding financial year.

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

(i) Organic growth strategy

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

(ii) Acquisition strategy

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

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

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

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

(iii) Financing strategy

The Manager will comply with the provisions of the Restated Deed and Supplementary Deed (collectively known as "the Deed") and the Securities Commission Guidelines on Listed 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.

(iv) Capital Management Strategy

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

Management Discussion and Analysis (cont'd)

(iv) Capital Management Strategy (cont'd)

Atrium REIT had established an Unrated Medium Term Notes (“MTN”) Programme of up to RM999.00 million in nominal value (“MTN Programme”) during FY2019. The MTN Programme was undertaken by Atrium REIT Capital Sdn Bhd, a special-purpose vehicle specifically established for this purpose. On 7 October 2019, RM87.00 million MTN with a 10-year tenure (“Tranche 2”), was issued to part finance the acquisition of Atrium Bayan Lepas 2 (“ABL 2”).

The Term Loans (“TL”), Overdraft (“OD”), Short Term Revolving Credit (“STRC”) and MTN are secured facilities based on floating rates.

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 75% of the total asset value of Atrium REIT must be invested in real estate assets that generates recurrent rental income at all times; and
- (b) The aggregate investments in property development activities and real estate under construction must not exceed 15% of the REIT’s total asset value. For avoidance of doubt, such investments cannot be accounted towards meeting the requirement under (a) above.

(ii) Permissible investments

Atrium REIT may only 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.

Investment of Atrium REIT

Save and except for the completion of ABL 2 (formerly known as Lumileds Plant 2) acquisition, there is no change in the portfolio composition of Atrium REIT for the current financial year. Atrium REIT’s composition of investment as at 31 December 2019 is as follows:

	RM ('000)	%
Atrium Shah Alam 1	90,800	20.18
Atrium Shah Alam 2	78,600	17.47
Atrium Shah Alam 3	29,500	6.56
Atrium Bayan Lepas 2	120,000	26.67
Atrium Puchong	53,200	11.82
Atrium USJ	38,200	8.49
	410,300	91.19
Deposits with financial institutions	39,643	8.81
	449,943	100.00

Management Discussion and Analysis (cont'd)

Review of Performance

	FY2019 RM'000	FY2018 RM'000	Change RM'000	%
Gross Revenue	22,961	18,779	4,182	22.3
Less: Property Expenses	(1,548)	(1,522)	(26)	(1.7)
Net Property Income	21,413	17,257	4,156	24.1
Interest and Other income	529	245	284	115.9
Change in Fair Value of Investment Properties	(991)	1,723	(2,714)	(157.5)
Total Income	20,951	19,225	1,726	9.0
Trust Expenses	(4,768)	(3,382)	(1,386)	(41.0)
Finance Costs	(5,453)	(4,246)	(1,207)	(28.4)
Taxation	(7,240)	-	(7,240)	(100.0)
Profit for the Financial Year	3,490	11,597	(8,107)	(69.9)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the Financial Year	3,490	11,597	(8,107)	(69.9)
Profit for the Financial Year is made up as follows:				
- Realised	11,115	9,874	1,241	12.6
- Unrealised	(7,625)	1,723	(9,348)	(542.5)
	3,490	11,597	(8,107)	(69.9)
Income Distribution (RM'000)	11,238	9,866	1,372	13.9
Distribution Per Unit (sen)	6.63	8.10	(1.47)	(18.1)

Gross Revenue

Gross revenue increased by 22.3% to RM22.96 million in FY2019 as compared to RM18.78 million achieved in FY2018. The increase was due mainly to the full year rental income from Atrium Shah Alam 3 and the commencement of ABL 2 lease in October 2019, upon the completion of the acquisition. Included in FY2019 gross revenue was the rental income accounted for on a straight line basis over the lease term of an ongoing lease in compliance with the requirements of MFRS 16 which amounted to RM0.61 million (FY2018: Nil).

Property Expenses

The property expenses for FY2019 were only marginally higher than those of FY2018 even though Atrium REIT's portfolio of properties increased to 6 with the completion of the acquisition of ABL 2 during the financial year. The marginal increase in the property expenses was mainly because the leaseback with tenant for ABL 2 was on a triple net lease structure.

Net Property Income

The net property income increased by 24.1% year on year as a result of the increase in gross revenue.

Trust Expenses

Trust expenses for FY2019 were significantly higher as a result of the higher Manager's fees and administrative expenses. The increase in Manager's fees was due to the higher Net Asset Value as a result of the issuance of new units from the cash placement and rights issue exercise. Administrative expenses increased substantially due to the regulatory fees, professional fees and service taxes incurred for the corporate exercise and the proposed acquisitions, upfront fee/subscription fee for a new term loan/Tranche 2, stamp duty for new bank facility and commitment fees for bank facilities.

Management Discussion and Analysis (cont'd)

Finance Costs

Finance costs for FY2019 was higher mainly due to the issuance of Tranche 2 to finance the acquisition of ABL2.

Profit for the financial year

Atrium REIT achieved a significantly lower profit for FY2019 as a result of the recognition of unrealised losses during the year. The unrealised losses for FY2019 were in respect of deferred taxation and net fair value loss on revaluation of the investment properties which amounted to RM7.24 million and RM0.99 million respectively

Income Distribution

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 2.23 sen per unit in respect of the 4th quarter of FY2019, which shall be payable on 9 March 2020. The final income distribution, coupled with the aggregate interim income distributions during the financial year of 4.40 sen per unit, represents a total distribution per unit of 6.63 sen for FY2019 (FY2018: 8.10 sen). The distribution yield for FY2019 was 6.38% based on the Atrium REIT's closing market price of RM1.04 per unit as at 31 December 2019 (FY2018: 7.30% distribution yield at closing market price of RM 1.11 per unit as at 31 December 2018).

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 financial year ending 31 December 2020.

Review of Financial Position

	FY2019 RM'000	FY2018 RM'000	Change %
Asset under Management	410,300	278,000	47.6
Trade and Other Receivables	13,479	6,635	103.1
Other Current Assets	40,334	2,950	1,267.3
Total Assets	464,113	287,584	61.4
Total Borrowings	181,974	95,661	90.2
Net Asset Value	261,639	182,603	43.3
Gearing (%)	39.21	33.26	17.9
Units in Circulation ('000)	204,626	121,801	68.0
Net Asset Value per unit (RM)			
- Before Income Distribution	1.2786	1.4992	(14.7)
- After Income Distribution	1.2563	1.4782	(15.0)
Market Price as at 31 December (RM)	1.04	1.11	(6.3)
Market Capitalisation	212,811	135,199	57.4

Asset Under Management

As at 31 December 2019, asset under management registered a significant increase to RM410.30 million with the completion of the acquisition of ABL 2 during the financial year even though there was a net fair value loss on the revaluation of investment properties carried out at the end of FY2019. The total number of properties in the portfolio increased to 6 following the acquisition of ABL 2.

Management Discussion and Analysis (cont'd)

Trade and Other Receivables

The increase in trade and other receivables was mainly due to the 10% deposit paid for the proposed acquisitions of the Lumileds Plant 1 in Penang and the industrial property in Section 16 Shah Alam which amounted to RM5.00 million and RM4.50 million respectively.

Total Borrowings

Atrium REIT's total borrowings as at 31 December 2019 increased to RM181.97 million from RM95.66 million as at 31 December 2018 with the issuance of Tranche 2.

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

	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)
Total Borrowings	59,600	59,600	88,765	95,661	181,974
Current					
- STRC	39,600	39,600	39,600	39,600	39,600
- OD	-	-	-	22,830	2,143
Non-current					
- TL	20,000	20,000	20,000	-	-
- TL2	-	-	10,765	10,765	10,765
- TL3	-	-	18,400	18,400	18,400
- TL4	-	-	-	4,066	4,066
- MBB TL	-	-	-	-	20,000
- MTN – Tranche 2	-	-	-	-	87,000
Total Asset	238,796	243,004	279,477	287,584	464,113
Gearing (%)	24.96	24.53	31.76	33.26	39.21
Interest Rate (%)	4.30 to 4.69	4.21 to 4.66	4.30 to 4.57	4.31 to 5.47	4.28 to 5.47

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 its returns to unitholders, before reaching the 50% threshold under the REITs Guidelines.

Unitholders Capital

At the 6th Annual General Meeting of Atrium REIT held on 26 April 2018, the Manager obtained approval amongst others, the authority to allot and issue new units of up to 20% of the approved fund size of Atrium REIT to facilitate fund raising via a placement exercise ("Placement") The Placement was successfully implemented and completed with the issuance and listing of 24,360,200 new units at RM1.09 per unit, representing a 1.80% discount to the 5-day VWAP of Atrium units up to and including 26 March 2019 of RM1.11 per unit. A portion of the net proceeds raised from the Placement was used to part finance the acquisition ABL 2 whilst the balance has been earmarked to part finance the acquisition of Lumileds Plant 1.

Management Discussion and Analysis (cont'd)

Unitholders Capital (cont'd)

At the General Meeting of Atrium REIT held on 3 June 2019, the Manager obtained approval amongst others, the authority to allot and issue new units of up to 58,464,480 units by way of a renounceable rights issue on the basis of 2 rights units for every 5 existing units in Atrium REIT ("Rights Issue"). The Rights Issue were fully subscribed at RM1.02 per unit, representing a 10.53% discount to theoretical ex-price of RM1.14 per unit based on the 5-day VWAP of Atrium units up to and including 15 August 2019 of RM1.19 per unit. On 30 September 2019, the Rights Issue were successfully listed on the Main Market of Bursa Securities, marking the completion of the Rights Issue. A portion of the net proceeds raised from the Rights Issue was used to part finance the acquisition ABL 2 whilst the balance has been earmarked for the extension of ABL 2's lease tenure.

Atrium REIT's fund size increased from 121,801,000 units to 204,625,680 units with the completion of the Placement and Rights Issue.

Net Asset Value ("NAV")

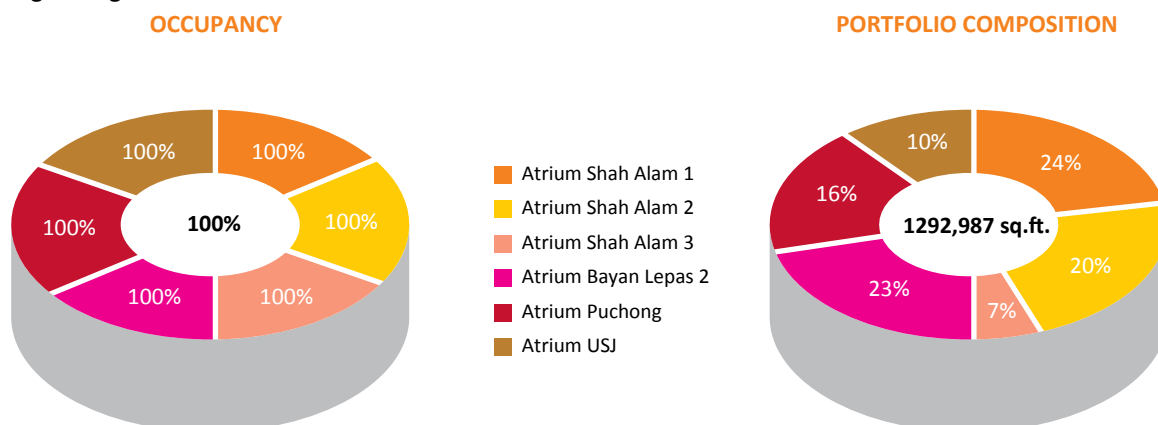
As at 31 December 2019, the NAV was RM261.64 million, a significant increase of 43.28% as compared to that recorded as at 31 December 2018 due mainly to the issuance of new units under the Placement Rights Issue during the financial year.

Unit Price and Market Capitalisation

The market capitalization of Atrium REIT as at 31 December 2019 was 57.41% higher to that recorded as at 31 December 2018 due mainly to the enlarged fund size as a result of the issuance of new units during the financial year. Based on the unit price of RM1.04, the trading price discount to NAV as at 31 December 2019 was 18.66%.

PORTFOLIO REVIEW

Leasing Management



Atrium REIT completed the acquisition of ABL 2 for a purchase consideration of RM130.00 million in FY2019. The lease for 15 years commenced upon the completion of the acquisition and immediately contributed to Atrium REIT's FYE2019 revenue. The acquisition is expected to provide stable and consistent revenue to ensure sustainable growth in Atrium REIT's distribution per unit.

Consequently, the value of the portfolio as at 31 December 2019 increased by 47.59% to RM410.30 million, from RM278.00 million as at 31 December 2018.

Management Discussion and Analysis (cont'd)

PORTFOLIO REVIEW

Atrium REIT's properties portfolio maintained its 100% occupancy rate for FY2019.

	As at 31 December 2018	As at 31 December 2019
Atrium Shah Alam 1	100%	100%
Atrium Shah Alam 2	100%	100%
Atrium Shah Alam 3	100%	100%
Atrium Bayan Lepas 2*	-	100%
Atrium Puchong	100%	100%
Atrium USJ	100%	100%
Overall	100%	100%

* Acquisition completed on 7 October 2019

Revaluation of Investment Properties

The Manager carried out a year end revaluation of Atrium REIT's investment properties in compliance with Paragraph 10.02(b)(i) of the Listed REITs Guidelines and the Malaysian Financial Reporting Standard 140.

For FY2019, the portfolio registered a net fair value loss on the revaluation of investment properties amounting to RM0.99 million based on the appraised values conducted by an independent registered valuers.

A summary of the fair value gains/(loss) of each investment property for FY2019 is as follow

	Net Book Value before Revaluation (RM'000)	Appraised Value (RM'000)	Fair Value Gain/ (Loss) (RM'000)
Atrium Shah Alam 1	86,067	90,800	4,733
Atrium Shah Alam 2	77,300	78,600	1,300
Atrium Shah Alam 3	27,271	29,500	2,229
Atrium Bayan Lepas 2	131,240	120,000	(11,240)
Atrium Puchong	52,113	53,200	1,087
Atrium USJ	37,300	38,200	900
Total	411,291	410,300	(991)

Asset Enhancement Initiatives ("AEI")

The properties in the portfolio are being evaluated constantly for asset enhancement opportunities that would improve and optimize the assets' performance and competitiveness in order to generate better rental yields, maintaining occupancy, create a better operating business environment for our tenants as well as to enhance property condition and value.

Tenancy Renewals

The tenancies for Atrium Shah Alam 2 and Atrium USJ Block C which expired in March 2019 and July 2019 respectively were fully renewed, representing a renewal rate of 100%.

Management Discussion and Analysis (cont'd)

Growth Opportunities

During FY2019, the Trustees, on behalf of Atrium REIT, entered into the following agreements which have yet to be completed as at 31 December 2019:-

1. a conditional sale and purchase agreement on 11 November 2019 for the proposed acquisition of 2 pieces of leasehold land known as Lot No. 2027 and Plot No. 203, both in Mukim 12, Daerah Barat Daya, Pulau Pinang held under Pajakan Negeri 2850 and H.S.(D) 14852 respectively, together with the factory and all buildings erected thereon from the Lumileds Malaysia Sdn Bhd for a cash consideration of RM50.0 million. Concurrently with the execution of the sale and purchase agreement, the Trustee and Lumileds had also on even date signed in escrow the leaseback agreement whereby the Trustee shall lease the property to Lumileds for a period of 15 years and shall take effect from the completion of the sale and purchase agreement. This proposed acquisition will be financed by bank borrowings and the funds raised from the placement exercise; and
2. a conditional sale and purchase agreement on 27 December 2019 for the proposed acquisition of 2 pieces of leasehold land held under H.S. (D) 172494 and H.S. (D) 167421, Town of Shah Alam, Mukim of Damansara, District of Petaling and State of Selangor Darul Ehsan together with all buildings erected thereon from Permodalan Nasional Berhad for a cash consideration of RM45.0 million. This proposed acquisition will be financed by bank borrowings and internally generated funds.

The above proposed acquisitions will increase Atrium REIT's investment properties by 23.15% to RM505.30 million and total net lettable area by 27.64% to 1.65million sq. ft., strengthening Atrium REIT's position as a pure play industrial property REIT in this competitive and growing market.

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.

Overall Economic Overview

The global economy expanded at a more moderate pace in the 3rd quarter of 2019. In the US, growth moderated as investment weakened on the back of waning fiscal support, moderating industrial production and increased business uncertainty from its trade dispute with PR China. Whilst private consumption remained resilient, labour market conditions showed signs of softness, with wage and employment growth beginning to slow.

Economic activity in the euro area continued to moderate, as investment and external demand indicators remained weak. Private consumption also moderated, driven by softer labour conditions and spillovers from Germany's manufacturing slowdown to other euro area countries.

The regional economies continue to be confronted by headwinds from the global trade slowdown, which further weighed on external demand. The growth moderation in PR China was due to softer private expenditure, driven partly by spillovers from persistent weakness in exports. Meanwhile, policy stimulus provided support to public investments. Growth in Singapore moderated to its slowest level since the Global Financial Crisis, due to weaker exports, which also affected private consumption.

Growth in the Malaysian economy moderated to 4.4% in the 3rd quarter of 2019 (2Q 2019: 4.9%), primarily attributed to lower growth in key sectors and a decline in the mining and construction activities. On the demand side, most domestic demand components and net exports registered slower growth momentum. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9%.

For the quarter, headline inflation averaged higher mainly reflecting the lapse in the impact from the Goods and Services Tax (GST) zeroisation between June and August 2018. Core inflation, excluding the impact of consumption tax policy changes, was steady at 1.5%.

Management Discussion and Analysis (cont'd)

Economic Outlook

Global growth is expected to moderate in 2019 and marginally improve in 2020, amid continued headwinds from weak global trade and softer domestic demand in major economies. However, the outlook for 2020 is fragile and predicated upon faster growth in vulnerable emerging market economies, which is subject to uncertainty. The US economy is projected to moderate, due mainly to waning investment activity. Private consumption growth is expected to weaken, as labour market conditions soften.

In the euro area, sustained weaknesses in Germany's manufacturing sector could exert adverse spillovers to the rest of the euro area, amplified by moderating global demand. In PR China and the regional economies, although growth prospects are weighed by weak external demand, supportive domestic policies are expected to buffer the growth moderation. The balance of risk to the global outlook remains tilted to the downside, emanating mainly from a continued escalation in trade tensions and intensification of geopolitical developments.

The Malaysian economy expanded by 4.3% in 2019. Going into 2020, growth, particularly in the 1st quarter of the year, will be affected by the coronavirus outbreak. The impact will be felt largely in tourism-related sectors, and to a certain extent, in the manufacturing sector through disruptions within the global supply chain and the unexpected slowdown in PR China. The overall impact on the Malaysian economy will, however, depend on the duration and spread of outbreak as well as policy responses by authorities.

For the year as a whole, growth will be supported by household spending, underpinned by continued income and employment growth amid modest price pressures. Investment is projected to record a modest recovery, supported by the realisation of approved private investment projects in recent periods, and higher public sector capital spending, particularly in the transport-related segment. Meanwhile, the external sector is expected to benefit from the gradual recovery in global growth and trade.

The growth momentum is subject to high near-term downside risks. The most significant would be the prolonged impact of the coronavirus. In addition, uncertainties remain in global economic and financial conditions. On the domestic front, risks emanate mainly from weakness in the commodities sector and delays in project implementation.

Headline inflation is expected to be higher but remain modest in 2020. The trajectory of headline inflation will be dependent on global oil and commodity price developments and the timing of the lifting of the domestic retail fuel price ceilings. Underlying inflation is expected to be broadly stable, reflecting the continued expansion in economic activity and the absence of strong demand pressures.

(source: Bank Negara Malaysia Quarterly Bulletin)

Overall Property Market Outlook

The property market recorded a marginal increase in the first half of 2019 (H1 2019) as compared to the same period last year (H1 2018). A total of 160,172 transactions worth RM68.30 billion were recorded in H1 2019, an increase of 6.9% in volume and 0.8% in value as compared to H1 2018 which recorded 149,862 transactions worth RM67.74 billion. Residential property continued to support the overall property sector with 62.4% market share, followed by agriculture property with 21.6% share.

The Malaysian property market is expected to remain resilient in the coming half-year, underpinned by the strong GDP growth in the second quarter at 4.9% and several government-driven initiatives to further support the market activities in the housing sector. Affordable housing and finding the right solutions to the property overhang continue to be the main agenda of the government. The launching of the National Housing Policy 2.0 (2018 – 2025) and the incentives introduced in Home Ownership Campaign 2019 ("HOC"), which has been extended to 31 December 2019 are expected to help improve home ownership among Malaysians and residential overhang situation in the coming half-year.

The expected strong GDP growth, coupled with the lower borrowing cost, the HOC and other housing incentives for the first time house buyers, new rate for Real Property Gains Tax on the disposal of properties after five years and the increase in Stamp Duty rates from 3% to 4% for transfers of properties valued above RM1 million are anticipated to have direct and indirect impact on the property sector. Given time, the property sector will undergo market adjustments and corrections accordingly

Management Discussion and Analysis (cont'd)

Industrial Property Market Outlook

Overall

The industrial sub-sector recorded 3,137 transactions worth RM7.02 billion in the first half of 2019. Compared to the same period last year, the market volume increased by 24.8% in volume but declined by 5.3% in value. Selangor continued to dominate the market, with 34.4% of the nation's volume, followed by Johor and Sarawak, each with 16.8% and 8.3% market share respectively.

Against H2 2018, the industrial overhang decreased to 1,047 units worth RM1.65 billion, down by 11.5% and 16.7% in volume and value respectively. On a similar trend, the unsold under construction and not constructed declined to 799 units and 30 units, down by 1.6% and 83.0% respectively.

On the construction front, the industrial subsector saw a mixed movement. Completions were down by 3.5% to 302 units, whilst starts and new planned supply increased by 4.3% (417 units) and 15.4% (344 units) respectively. As at end June 2019, there were slightly more than 116,000 existing industrial units, slightly more than 4,500 units in the incoming supply and slightly more than 7,000 units in the planned supply.

Prices of industrial property showed a mixed performance. Single storey terraced factory in Petaling District of Selangor fetched between RM610,000 and RM900,000; down by 10.0% at RM880,000. Similar properties in Bandar Baru Sri Damansara and Taman Industri Puchong Perdana were down by 13.0% at RM738,000 whilst those in Temasya Industrial Park were up by 3.0% at RM610,000. Two storey terraced factory in Bukit Serdang Light Industrial Park saw a price increase of 13.0% at RM1.7 million to RM1.88 million. Vacant industrial lot in Serenia City, Sepang were sold between RM1,109 p.s.m. and RM1,131 p.s.m., up by 6.5%. In Johor Bahru, one and a-half storey terrace factory in Taman Perindustrian Cemerlang and Bandar Baru Seri Alam were sold for RM1 million and RM470,000– RM500,000, up by 6.1% and 4.0% respectively, whilst similar properties in Taman Scientex and Bandar Baru Permas Jaya were sold for RM625,000 and RM680,000, declined by 12.0% and 2.9% respectively.

(Source: Valuation and Property Services Department, Ministry of Finance Malaysia).

Klang Valley Industrial Property Market Outlook

The Logistics and Trade Facilitation Masterplan (2015 -2020), which is in its second phase (2017 - 2019) of implementation, will elevate Malaysia's position as a regional player. Notable projects and initiatives that have been unveiled include the proposed development of the Pulau Carey Port-Industrial City Project, the East Coast Rail Link (ECRL), the Digital Free Trade Zone (DFTZ) and the Regional e-commerce and Logistics Hub at KLIA Aeropolis. The logistics industry plays a pivotal role in supporting the manufacturing sector's supply chain by facilitating the flows of goods. Underpinned by increasing global e-commerce trade and consumer spending, logistics services are poised for growth and this will translate to higher demand for logistics and warehousing space.

In 2018, Malaysia recorded e-commerce sales of circa RM12.53 billion, this translates to e-commerce sales per capita at circa RM384. The compound annual growth rate (CAGR) of e-commerce sales between 2018 and 2023 is projected to be 13.9% (Source: China E-Business Research Centre and Statista and Transport Intelligence).

During the 1H of 2019, 366 manufacturing projects with a total investment value of RM33.1 billion were approved by Malaysian Investment Development Authority (MIDA) (1H2018: 288 manufacturing projects with RM19.0 billion). The USA topped with investments of RM11.7 billion, followed by China (RM4.8 billion) and Singapore (RM3.2 billion). The existing supply of industrial space designated for logistics and warehousing use in Klang Valley totalled circa 41 million sq ft as of 2018 with more than half of the space found in the localities of Shah Alam, Bukit Jelutong, Bukit Raja and Port Klang. The strategic locations of these areas surrounded by matured neighbourhoods with well-connected infrastructure coupled with their proximity to Port Klang are key catalysts.

Management Discussion and Analysis (cont'd)

Klang Valley Industrial Property Market Outlook (cont'd)

Moving forward, the exponential growth in Malaysia's e-commerce sector will likely provide a strong tailwind for businesses of logistics companies, which will, in turn, increase the demand of warehousing space. With an increasing number of manufacturers/industrialists adopting an asset-light model to allocate more capital for the operations of their businesses, this has led to a growing demand for built-to-suit facilities on long lease options to optimise costs. Sime Darby Property Bhd together with Mitsui & Co Ltd and Mitsubishi Estate Co Ltd have unveiled the first two tenants of their RM500 million Bandar Bukit Raja Industrial Gateway (BBRIG), namely global logistics service provider Leschaco (M) Sdn Bhd and consumer electronics chain stores Senheng Electric (KL) Sdn Bhd. The properties will be built to match the tenants' business requirements in realising the efficiency of their operations.

The growth trajectory of Selangor's industrial property market is expected to continue as a result of the state's robust manufacturing sector coupled with the positive trend in the logistics segment. The expansionary Budget 2020 supports the growth of the logistics sector with the Federal Government allocating RM50 million for the repair and maintenance of roads leading to Port Klang. The plans to elevate Port Klang as a regional maritime centre and cargo logistics hub combining manufacturing, distribution, cargo consolidation, bunkering as well as ship repair further favour the state's industrial sector.

The on-going East Coast Rail Link (ECRL) which aims to connect Port Klang on the Straits of Melaka to Kota Bahru on the South China Sea, would be a boon for the logistics sector as freight and shipping time will be reduced significantly. Time efficiency plays an important role in logistics and supply chain management, and as such, key infrastructure investments will continue to draw the attention of investors and industrial players. On the global front, the on-going US-China trade war is widely expected to impede growth and weigh down on export-oriented countries such as Malaysia. Nonetheless, the trade dispute also creates opportunities for trade and investment diversions to Malaysia, as American and Chinese companies look to move some of their manufacturing out of China to escape tit-for-tat tariffs imposed on each other's products. Southeast Asian manufacturing countries including Vietnam and Malaysia stand ready to benefit from this supply chain reconfiguration. Moving into 2020, the outlook for the industrial sector remains promising.

Penang Industrial Property Market Outlook

Penang garnered RM13.2 billion in total proposed capital investments from 113 projects in the manufacturing sector for the first nine months of 2019 or a 23.0% share of the RM57.67 billion for the whole country. Foreign investments comprise 90.5% or RM12 billion with domestic investments at a low RM1.26 billion. In Year 2018, Penang received RMS.78 billion comprising 64.0% and 36.0% in foreign and domestic investments respectively. With the on-going US-China trade war, Penang sets to gain as seen from Sanmina's relocation of production lines back to Penang from China as well as the observation of increased market activity for both sale and leasing in the state's industrial sector. Sanmina Corporation, a US-based electronics manufacturing services provider which took over the production business of Motorola Solutions in Bayan Lepas in 2016, is relocating the production of Motorola's products back to Penang.

Tashin Holdings Bhd, which already operates in Seberang Perai, has announced new investment of RM25.5 million to build a new factory for wire mesh production and also to upgrade its steel processing line. Hotayi Electronic (M) Sdn Bhd, a Taiwanese firm which has been operating in Penang since 1992, has opened a new 350,000 sq ft facility in Batu Kawan to expand its production lines at a reinvestment of RM1 billion. It is understood that the new plant "adopts the concept of Industry 4.0 and incorporates energy conservation features to reduce its carbon footprint."

National Instruments, currently in Batu Maung on the island, announced expansion plans of US\$ 40 million (RM170 million) which will include building a second new plant of 160,000 sq ft over 6 acres of land with scheduled completion in 2022. Smith + Nephew, a UK-based orthopaedic implant manufacturer, will be setting up a 250,000 sq ft plant in Batu Kawan with construction works to commence early 2020 and shipping out of products before end of 2022. This is its first facility in South-East Asia and is expected to generate more than 800 jobs over the next five years.

Management Discussion and Analysis (cont'd)

Penang Industrial Property Market Outlook (cont'd)

General market sentiments are still in the doldrums as the economy has yet to pick-up. Despite achieving a record RM13.2 billion in total approved investments in the manufacturing sector for the first nine months of 2019, Penang's economy is not enjoying any buoyant optimism. However, the industrial sector is still holding out quite well. The remarkable garnering of RM13.2 billion in total proposed investments from 113 projects in the manufacturing sector in the first 9 months of the year has set the right mood for this sector resulting in increased market activity, for both sale and leasing. Future demand and outlook remains optimistic.

(Source: Knight Frank Research)

Prospect

Atrium REIT's portfolio is expected to remain stable given that all the properties in the portfolio are high grade properties located in mature and prime industrial areas with good accessibilities and infrastructure. Moving forward, with the launching of Industry 4WRD, the government is targeting to make Malaysia an Industry 4.0 Hub in South-East Asia, paving the way for the country to be the primary destination for investment. The impact and growth as a result of Industry 4WRD is expected to further boost the industrial property market particularly in Klang Valley, Penang and Johor

Property Portfolio

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	: Factory and office
Parking spaces	: 191 car bays 105 motorcycle bays 30 lorry bays
Date of acquisition	: 2 April 2007
Cost of acquisition	: RM57,200,000
Lessee	: Marelli Motori Asia Sdn Bhd
Occupancy	: 100%
Lease period	: 6 years, expiring on 31 May 2021
Major capital expenditure	: RM867,230
Encumbrances	: The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM39.6 million
Latest valuation	: RM90,800,000
Date of last valuation	: 31 October 2019
Valuer	: First Pacific Valuers Property Consultants Sdn Bhd
Property Management Company	: Hartamas Asset Management Sdn Bhd

Property Portfolio (cont'd)



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 522,706 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	: RM49,100,000
Tenant	: Samsung SDS Global SCL Malaysia Sdn Bhd
Occupancy	: 100%
Lease period	: 5 years expiring 31 March 2024
Major capital expenditure	: Nil
Encumbrances	: The property is charged to a financial institution to secure a Term Loan, Overdraft and Bank Guarantee facilities of RM43.1 million
Latest valuation	: RM78,600,000
Date of last valuation	: 31 October 2019
Valuer	: First Pacific Valuers Property Consultants Sdn Bhd
Property Management Company	: Hartamas Asset Management Sdn Bhd

Property Portfolio (cont'd)

ATRIUM SHAH ALAM 3



Address	: No.10, Persiaran Sabak Bernam, Section 26, Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia
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 single storey warehouse with a total Net Lettable Area measuring approximately 90,670 sq.ft.
Year of completion	: 1990 2018 (Asset Enhancement Initiative)
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	: RM21,698,113
Tenant	: Agility Logistics Sdn Bhd
Occupancy	: 100%
Tenancy period	: 3 years, expiring on 24 July 2021
Major capital expenditure	: RM1,171,349
Encumbrances	: The property is charged to a financial institution to secure Term Loans and Bank Guarantee facilities of RM23.5 million
Latest valuation	: RM29,500,000
Date of last valuation	: 1 November 2019
Valuer	: First Pacific Valuers Property Consultants Sdn Bhd
Property Management Company	: Hartamas Asset Management Sdn Bhd

Property Portfolio (cont'd)



ATRIUM BAYAN LEPAS 2

Address	: Plot 401, Lintang Bayan Lepas 8, Kawasan Perindustrian Bayan Lepas Fasa 4, 11900 Bayan Lepas, Penang, Malaysia
Title details	: Lot 70812 held under Title No. PN 9036, Mukim 12, Daerah Barat Daya, Pulau Pinang.
Property type	: Industrial
Description	: A double-storey factory building and other ancillary buildings with a total Net Lettable Area measuring approximately 298,569 sq.ft.
Year of completion	: 2012
Land details	: 60-year lease expiring on 7 May 2072; measuring approximately 514,730 sq.ft.
Existing use	: Factory and office
Parking spaces	: 527 car bays 366 motorcycle bays 6 lorry bays
Date of acquisition	: 7 October 2019
Cost of acquisition	: RM131,240,048
Tenant	: Lumileds Malaysia Sdn Bhd
Occupancy	: 100%
Lease period	: 15 years, expiring on 6 October 2034
Major capital expenditure	: Nil
Encumbrances	: The property is charged to a financial institution to secure an Unrated Medium Term Notes facility of RM87.0 million
Latest valuation	: RM120,000,000
Date of last valuation	: 30 August 2019
Valuer	: Knight Frank Malaysia Sdn Bhd
Property Management Company	: Hartamas Asset Management Sdn Bhd

Property Portfolio (cont'd)

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	: RM38,500,000
Tenant	: FM Global Logistics Sdn Bhd
Occupancy	: 100%
Tenancy period	: 3 years, expiring on 31 January 2021
Major capital expenditure	: RM12,528
Encumbrances	: The property is charged to a financial institution to secure a Revolving Credit facility of RM25.0 million
Latest valuation	: RM53,200,000
Date of last valuation	: 4 November 2019
Valuer	: First Pacific Valuers Property Consultants Sdn Bhd
Property Management Company	: Hartamas Asset Management Sdn Bhd

Property Portfolio (cont'd)



**ATRIUM
USJ**

Address	: No.16, Jalan TP 6, Taman Perindustrian UEP, 47620 Subang Jaya, Selangor Darul Ehsan, Malaysia
Title details	: Geran 75650, Lot 46914, Mukim Damansara, Daerah Petaling, Negeri Selangor.
Property type	: Industrial
Description	: A single storey warehouse with annexed double storey office building (Block A), a single storey warehouse (Block B) and a single storey warehouse with annexed double storey office building (Block C); with a total Net Lettable Area measuring approximately 128,086 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	: RM25,000,000
Tenant	: 1) SAF-Holland (Malaysia) Sdn Bhd (Block A) 2) CJ Century 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, expired on 31 December 2020 Block C - 3 years, expiring on 31 July 2022
Major capital expenditure	: Nil
Encumbrances	: The property is charged to a financial institution to secure a Term Loan and Bank Guarantee Facilities of RM21.0 million
Latest valuation	: RM38,200,000
Date of last valuation	: 4 November 2019
Valuer	: First Pacific Valuers Property Consultants Sdn Bhd
Property Management Company	: Hartamas Asset Management Sdn Bhd

Profile of Directors

DATO' DR. IR. MOHAMAD KHIR BIN HARUN

Chairman

Malaysian, male, aged 69, was appointed to the Board on 5 October 2009. Dato' Dr Ir Mohamad Khir obtained his BSc (Hons) in Electrical Engineering from Brighton Polytechnic in 1973, MSc in Communications Engineering from Brunel University, London in 1978 and PhD in Electrical Engineering from University of Manchester, United Kingdom in 1982.

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

WONG SUI EE

Executive Director

Malaysian, female, aged 50, was appointed to the Board on 22 September 2005. Ms Wong graduated with a Bachelor of Arts majoring in Accounting and Finance from Middlesex University, London, in 1991. She is an Associate member of the Institute of Chartered Accountants in England and Wales (ICAEW) since 1994.

Ms Wong began her career in KPMG, United Kingdom in 1991 as an Auditor. In 1996, she joined Perdana Merchant Bank Berhad as Assistant Vice President for two (2) years. She then joined Glory Blitz Industries Sdn Bhd ("GBISB") and its related companies in 1998. During her 8-year tenure with GBISB and its group of companies, she formed the team to develop built to suit industrial properties in the Klang Valley for the group's multinational clients including CEVA Logistics (formerly known as TNT Logistics), Exel Logistics (now part of the DHL Group), Danzas (now part of the DHL Group), Unilever Malaysia, Silverstone Tyres and others. Currently, she is also on the Board of Directors of Alpha Netrise (M) Sdn Bhd, Ample Cosmos Sdn Bhd and Kilat Idam Sdn Bhd.

CHAN WAN SEONG

Independent Non-Executive Director

Malaysian, male, aged 65, was appointed to the Board on 26 October 2016. Mr. Chan graduated with a Degree in Bachelor of Economics (Hons), majoring in Business Administration from Universiti Malaya in 1977. Mr Chan's career and working experience in the banking and finance sector span over a period of close to 40 years. Mr. Chan started his career with Malaysian International Merchant Bankers Berhad (Malaysia's first international merchant bank) in 1977 as a Corporate Finance Officer. Subsequently, he joined the then emerging leasing and credit finance industry. He gained further exposure in the banking sector as the Head of the Corporate Banking unit in the Malaysian Head Office of a Singapore banking group.

Mr. Chan resumed his career in merchant banking by joining the then Arab-Malaysian Merchant Bank Berhad ("AMMB") (later known as AmMerchant Bank Berhad, and currently known as AmInvestment Bank Berhad) in 1989. He was initially responsible for managing and supervising the expansion of AMMB's regional merchant bank business in East and West Malaysia. In his career with the AmBank Group, Mr. Chan 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.

Profile of Directors (cont'd)

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. Currently, he is also the Independent Non-Executive Chairman of the Board of Directors of Wegmans Holdings Berhad.

CHNG BOON HUAT

Independent Non-Executive Director and Chairman of Audit Committee

Malaysian, male, aged 60, was appointed to the Board on 1 September 2018. Mr. Chng is a Fellow Member of The Chartered Association of Certified Accountants, United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

Mr Chng began his career at Messrs Hew & Co (now known as Mazars PLT) from 1983 to 1987 and later joined Perlis Plantation Berhad (now known as PPB Group Berhad) as an Assistant Accountant. Subsequently in 1988, he joined The Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Berhad (Bursa)) in the Regulation Division to assume the various regulatory roles of the capital market.

Prior to leaving Bursa in 2013, he was the Head of Corporate Surveillance, responsible for the corporate surveillance functions of companies listed on Bursa Malaysia Securities Berhad. During his 25 years in Bursa, he has gained in-depth experience in various functions at Bursa including equity market supervision, research and development studies, compliance, investigation and enforcement of Listing Requirements, as well as to advocate good corporate governance practices such as risks management and internal control systems to companies listed on Bursa Malaysia Securities Berhad. While in Bursa, he has served as member of various working groups of Malaysian Accounting Standards Board, MIA and Companies Commission of Malaysia. He also served as a member of the Adjudication Committee of the National Annual Corporate Report Awards ("NACRA Award") from 2006 to 2013 and is currently appointed as an adviser to the NACRA Award Adjudication Committee, a position he held since 2014.

He is presently the Director, Corporate Advisory of Tricor Corporate Services Sdn Bhd, an Independent Non-Executive Director of Gagasan Nadi Cergas Berhad and also a Director of Christian Dior Fashion (Malaysia) Sdn Bhd.

HOW HU SON

Independent Non-Executive Director

Malaysian, male, aged 70, was appointed to the Board on 17 November 2006. Mr How graduated from Brighton Polytechnic, United Kingdom with a Bachelor of Science (Hons) in Civil Engineering in 1975. In 1976, he obtained his Master of Science from Imperial College of Science & Technology, London. He is a member of the Institution of Engineers, Malaysia and is a registered professional Engineer with the Board of Engineers, Malaysia.

He began his career in 1977 as a Structural Engineer with Jabatan Kerja Raya for 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.

SOONG KWONG HENG

Independent Non-Executive Director and Member of Audit Committee

Malaysian, male, aged 70, was appointed to the Board on 17 November 2006. Mr. Soong graduated with a Bachelor of Economics from Universiti Malaya in 1972. Mr Soong has more than 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 sits on the Board of Directors of Global Gain Sdn Bhd.

Profile of Directors (cont'd)

TOR PENG SIE

Independent Non-Executive Director and Member of Audit committee

Malaysian, male, aged 61, was appointed to the Board on 17 November 2006. Mr Tor graduated with a Bachelor of Science from Campbell University, North Carolina, United States of America in 1982. He is a holder of the Real Estate Agent Licence from the Board of Valuers, Appraisers and Estate Agents Malaysia since 1993. Mr Tor has about thirty (30) 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 CEO

CHAN KUM CHONG

Chief Executive Officer

Malaysian, aged 64, was appointed as Chief Executive Officer on 1 April 2010. Mr. Chan graduated from Portsmouth Polytechnic (now known as University of Portsmouth) in 1980 with a Bachelor of Science in Quantity Surveying. Mr. Chan began his career as a Graduate Quantity Surveyor with a consultant quantity surveying firm, Juru Ukur Bahan Malaysia Sdn Bhd assisting the senior quantity surveyor in pre and post contract administration in the completion of Menara Maybank, redevelopment of Subang International Airport, Telekom Training Centre, amongst others. Mr. Chan then joined TTDI Development Sdn Bhd in 1984 and has successfully managed and completed housing schemes in Taman Tun Dr. Ismail, Taman TTDI Jaya, Desa Pandan and Desa Bakti. In June 1995, he was assigned to oversee the operation of the in-house construction company, Panelex Sdn Bhd as General Manager - Operation. He then joined Syarikat T. D. Sdn Bhd in 1999 as a Project Director looking after several building and turnkey projects. Thereafter, he joined Vistanet (M) Sdn Bhd in 2002, an in-house construction company of Mayland Properties Sdn Bhd, to manage all their in-house construction projects with Gross Development Values in excess of RM300 million, comprising of service apartments, shop offices and a shopping complex. In October 2003 he joined Score Option Sdn Bhd as a Project Director, managing a 200 acres development in Puchong comprising a mixed residential and commercial development, a J.V. project with Glomac Alliance Sdn Bhd, a subsidiary of Glomac Berhad. In 2005, he joined EC Alamjaya Sdn Bhd as its Chief Executive Officer to oversee a shopping complex and hotel development totaling 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 5 years.

Profile of Key Senior Management

CHAN KUM CHEONG

Chief Operating Officer

Malaysian, male, aged 60, was appointed as Chief Operating Officer on 1 August 2012. Mr. Chan graduated from University of Swansea, Wales, United Kingdom with a Bachelor of Science (Hons) in Civil Engineering. Mr. Chan began his career as a Design Engineer with Tahir Wong Consultant from 1982 to 1989, participating in the design of high rise and low rise buildings, foundation design and factories. Mr. Chan then joined Syarikat T.D Sdn Bhd and Glory Blitz Industries Sdn Bhd as a Project Director in charge of implementing construction/design coordination works for industrial warehouses in excess of 20,000 sq. mt. build-up. He was also involved in construction of wide variety of projects including basement substructure works and elevated platform at K.L. Sentral, construction and development of the family owned Cheras Commercial Centre comprising of 19 units of 7 storey shops cum hotel, several turnkey factories for multinational companies at Glenmarie and Rawang and construction and development of Mid Valley Development (Phase 1) works. Mr. Chan is the brother of Mr. Chan Kum Chong who is the Chief Executive Officer of the Manager.

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 unitholding in Atrium REIT of 560,000 units (2018: 400,000 units), 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 5 years.

LEE HOOI HOONG

Chief Financial Officer

Malaysian, male, aged 52, joined the Company as the Chief Financial Officer on 1 October 2007. He is a graduate of The Chartered Association of Certified Accountants, United Kingdom and was admitted as a Fellow of the Association on 1 November 2002. He has more than 25 years of experience in the areas of financial accounting and management. He commenced his career in the auditing profession in 1992. In 1994, he joined Lion Suzuki Motor Sdn Bhd as an Assistant Accountant and rapidly moved up the rank to Assistant General Manager where in the course of 13 years he oversaw the finance and administration, marketing operations, parts and service, human resources and IT department of the company.

Other Directorship of Public Companies

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

Family Relationship with Director and/or Major Unitholder

Mr. Lee does not have any family relationship with any director and/or major unitholder of the Atrium REIT.

Conflict of Interest

Save for Mr. Lee's unitholding in Atrium REIT of 7,000 units (2018: 5,000 units), no conflict of interest has arisen during the financial year under review.

Conviction of Offences

Mr. Lee has not been convicted of offences within the past 5 years.

Board of Directors and Management/ Corporate Directory

Board of Directors and Management of the Manager

BOARD OF DIRECTORS

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

Wong Sui Ee
Executive Director

Chan Wan Seong
Independent Non-Executive Director

Chng Boon Huat
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

AUDIT COMMITTEE

Chng Boon Huat (Chairman)
Soong Kwong Heng
Tor Peng Sie

COMPANY SECRETARIES

Wong Wai Foong (MAICSA 7001358)
Fong Seah Lih (MAICSA 7062297)

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
(200501028391) (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 : 603 -2783 9191
Fax : 603 -2783 9111

TRUSTEE

Pacific Trustees Berhad
(199401031319) (317001-A)
Principal place of business
Unit A-9-8,9th Floor, Megan Avenue 1,
No.189, Jalan Tun Razak,
Off Persiaran Hampshire,
50400 Kuala Lumpur, Malaysia.
Tel : 03-2166 8830
Fax : 03-2166 3830

AUDITORS

BDO PLT
(LLP0018825-LCA & AF 0206)
Chartered Accountants

PROPERTY MANAGEMENT COMPANY

Hartamas Asset Management Sdn Bhd
(201001021285) (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

**Tricolor Investor & Issuing House
Services Sdn Bhd**
(197101000970) (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel : 603 -2783 9299
Fax : 603 -2783 9222

BURSA MALAYSIA STOCK NAME AND CODE

ATRIUM 5130

Corporate Governance Overview Statement

Atrium REIT Managers Sdn Bhd (“the Manager”), the Manager of Atrium Real Estate Investment Trust (“Atrium REIT”), has committed to apply most of the principles and best practices of good corporate governance practices in the overall management of Atrium REIT, as recommended in the Malaysia Code on Corporate Governance (“MCCG”).

The Manager recognises that an effective corporate governance culture is critical to achieve Atrium REIT’s performance and its continuing success. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of the unitholders of Atrium REIT.

In adopting the corporate governance principles and practices, the Manager was guided by the measures as set out in the Guidelines on Listed Real Estate Investment Trusts as issued by the Securities Commission (“REITs Guidelines”), the MCCG and the Main Market Listing Requirements (“Listing Requirement”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This Corporate Governance Statement which provides an overview of the application of the principles set out in the MCCG is made pursuant to paragraph 15.25(3) of the Listing Requirements of Bursa Securities.

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 the acquisition, divestment and enhancement of the property 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 all transactions are to be undertaken on an arm’s length basis and on normal commercial terms;
- (c) to issue the annual report of Atrium REIT to the unitholders within two (2) months of its financial year end;
- (d) to attend to all enquiries from the unitholders, tenants, media, government bodies; etc;
- (e) to supervise the Property Manager which provides property management services in relation to Atrium REIT’s properties pursuant to the property management services agreement; and
- (f) to ensure Atrium REIT is in compliance with the applicable provisions of the REITs Guidelines, Listing Requirements of Bursa Securities and any other applicable laws.

Atrium REIT is 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.

Atrium REIT Managers Sdn Bhd is the appointed Manager of Atrium REIT in accordance with the terms of the Deed.

Corporate Governance Overview Statement (cont'd)

DIRECTORS OF THE MANAGER ("the Board")

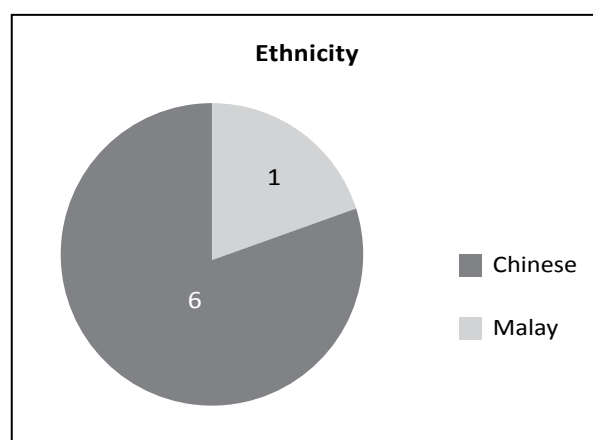
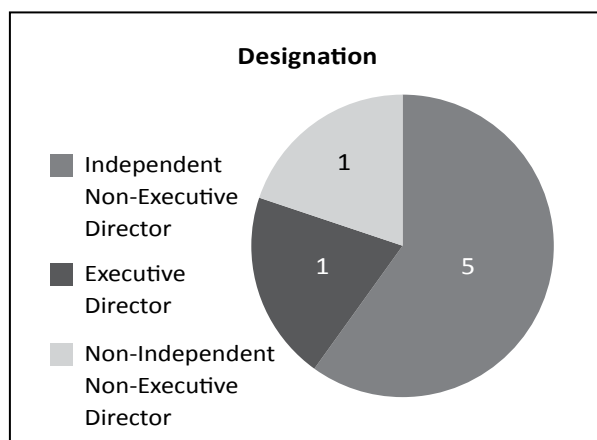
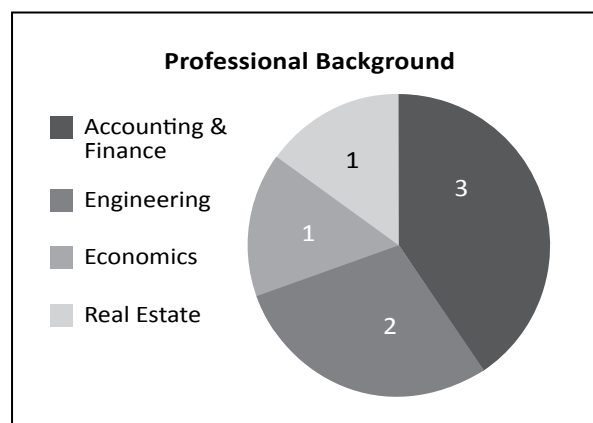
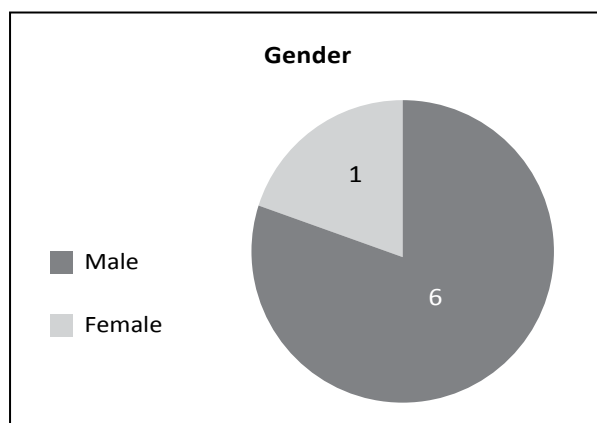
The Board

The Board is responsible to oversee the competence of the management and promote good corporate governance culture of the Manager while establishing goals for the management and monitoring the achievement of these goals. The Board is also responsible to ensure that the strategic plan of the Manager supports the long-term value creation of Atrium REIT and has adopted the primary responsibilities 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 seven (7) members comprising one (1) Non-Independent Non-Executive Director, one (1) Executive Director and five (5) 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 oversee the management of the Manager. The profiles of the members of the Board are provided on pages 34 to 36 of the Annual Report.

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



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

Corporate Governance Overview Statement (cont'd)

Board Composition (cont'd)

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, such as:-

- Strategic business plans,
- Key financial performance indicators and budgets,
- Succession planning for senior management,
- Investors and unitholders relations programmes, and
- Risk management and internal control systems.

Independent Non-Executive Directors have the responsibility to ensure that strategic and corporate plans proposed by the Management are reviewed and challenged before being approved by the Board, after taking into account of Atrium REIT's long term interest, not only of the unitholders, but also of employees, customers, suppliers, and other stakeholders in which Atrium REIT conducts its business.

Board Meetings

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

The Board met four (4) times during the financial year ended 31 December 2019. 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	3/4
Wong Sui Ee	Executive Director	4/4
Chan Wan Seong	Independent Non-Executive Director	4/4
Chng Boon Huat	Independent Non-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	4/4

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 at least five (5) business days in advance of Board meetings, which is sufficient time for the Directors to review and seek clarification where necessary prior to the meeting being held and this process enables the Directors to make better and informed decisions.

There is a schedule of matters reserved specifically for the Board, including the approval of strategic plans and budgets for both the Manager and Atrium REIT, acquisition and disposal of major assets or investments, 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.

Corporate Governance Overview Statement (cont'd)

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 remuneration of the Directors and all employees of the Manager are paid by the Manager and not by Atrium REIT. Nevertheless, the Board recognizes that 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 strategy 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 2019 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.

Audit Committee

The Board has established an effective and independent Audit Committee ("AC") where the members of the AC comprised fully Independent Non-Executive Directors whilst the Chairman of the AC is not the Chairman of the Board. With the present Board structure and practice, the AC is able to objectively review Atrium REIT's financial statements, the Manager's internal control systems and risk management framework, and report its findings and recommendations to the Board.

Relationship with Auditors

The Board maintains a transparent relationship throughout their association with the external auditors. The assessment on suitability (including experience of the firm and its staff assigned to conduct the audit and its resources), independence and objectivity of external auditors will be carried out by the AC. After due assessment, the AC will recommend to the Board the re-appointment of the external auditors as well as its remuneration, for its onward recommendation to the Trustee for approval.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable (excluding government taxes and out of pocket expenses) to the external auditors for the financial year ended 31 December 2019 are as follows:-

	RM
Audit	32,000
Non audit	25,000

Corporate Governance Overview Statement (cont'd)

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound risk management and internal control systems, to safeguard the investments of the unitholders and the assets of Atrium REIT. The Board has delegated to the AC to review the effectiveness of the Manager's risk management and internal control framework, which covers financial control, operational and regulatory compliance.

The Board has also received assurances from the Chief Executive Officer and the Chief Financial Officer that the risk management framework and internal controls system of Atrium REIT are operating adequately and effectively, to manage significant risks.

The Statement of Risk Management and Internal Control furnished on pages 47 of the Annual Report provides an overview of the state of control within the Manager.

RELATED PARTY TRANSACTIONS

The Manager commits to comply with all requirements in relation to related party transactions, as laid out in the REIT Guidelines, the Deed and the Listing Requirements.

The Manager has established policy and procedures to monitor, track and identify all related party transactions in a timely and orderly manner. The procedures are sufficient to ensure that all related party transactions are conducted on an arm's length basis, and on transaction prices and terms not more favourable to the related parties than generally available to third parties.

The AC together with the management reviews all the related party transactions to ensure compliance with the related party procedures, relevant provisions of the Deed, REITs Guidelines and the Listing Requirements. The review includes examination of the nature of the transaction and such other information as requested by the AC. If a member of the AC has an interest in a transaction, he is to disclose and abstain from participating in the review and the recommendation process in relation to the transaction.

During the FY19, the Trustees on behalf of Atrium REIT, entered into a conditional sale and purchase agreement to acquire parcels of land with building(s) erected thereon held under H.S. (D) 172494 and H.S. (D) 167421, Town of Shah Alam, Mukim of Damansara, District of Petaling and State of Selangor Darul Ehsan ("Property") from Permodalan Nasional Berhad ("PNB") ("Proposed Acquisition").

Pacific Landmark Real Estate Agent ("Pacific"), which was appointed by PNB to facilitate the disposal of the Property, is owned by Mr. Tor Peng Sie, an independent director of the Manager. Therefore, the commission to be derived by Pacific upon the completion of the Proposed Acquisition is deemed a related party transaction pursuant to the Listing Requirements of Bursa Securities.

Mr. Tor Peng Sie had accordingly abstained during the Board's deliberations and voting on the Proposed Acquisition and will continue to abstain from all Board deliberations and voting on matters relating to the Proposed Acquisition.

WHISTLE BLOWING POLICY

The Board has put in place a whistle blowing policy to provide employees of the Manager or member of the public, with defined and accessible channels to report genuine concerns in relation to fraud, corruption, dishonest practices or breach of legal obligation in relation to Atrium REIT or the Manager. The policy also include procedures of investigating whistle blowing reports.

The aim of the whistle blowing policy is to encourage the reporting of such concerns in good faith, where the identity of the whistle-blower will be protected and kept confidential, and without the risk of reprisal.

The whistle blowing policy is available on Atrium REIT's website.

Corporate Governance Overview Statement (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 Annual General Meeting ("AGM"), which provides a useful platform for the unitholders to engage directly with the Board, the Manager, the Trustee and the External Auditors. At the last AGM, the Company had given the Notice of Seventh AGM more than twenty-eight (28) days prior to the meeting and the Board members attended the said AGM. The Chairman also provided sufficient time and opportunities for the unitholders to seek clarifications from the Chairman, Board members and management on all issues pertaining to Atrium REIT's business and performance.

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

OTHER INFORMATION

Sanction and/or Penalty

There was no public sanction and/or penalty imposed on Atrium REIT, the Manager and the Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 December 2019.

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.

Material Litigation

There is no material litigation pending since the issuance of the last annual report up to the date of this report except as disclosed below:

Kuala Lumpur High Court
(Civil Division)
Suit No: WA-22NCvC-780-11/2018

Pacific Trustees Berhad
(acting as Trustee on behalf of Atrium REIT) ...Plaintiff

Biforst Logistics Sdn Bhd ...Defendant

The above legal suit was filed by the Trustees on behalf of Atrium REIT to recover the outstanding rentals, utilities, repairs and maintenance costs and all incidental costs and expenses in relation to the tenancy for Atrium Puchong.

Changes in the State of Affairs

There was no change in the state of affairs of Atrium REIT during the financial year under review.

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.

Corporate Governance Overview Statement (cont'd)

Convictions for Offences

None of the Directors of the Manager have been convicted for offences (other than traffic offences) within the past 5 years.

Material Contracts

Save as disclosed above, there were no material contracts entered by Atrium REIT that involved the Directors of the Manager or Substantial Unitholders of Atrium REIT 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. Details of the courses / seminars attended by the Board are as follows:

- The Legend of Huawei and Xiaomi;
- World Market Outlook and Sector Analysis; and
- MRMA-APREA Malaysia REIT Forum 2019

Statement of Risk Management and Internal Control

The Board of Directors (“the Board”) of Atrium REIT Managers Sdn Bhd, the Manager (“the Manager”) of Atrium Real Estate Investment Trust (“Atrium REIT”) is committed to maintain a sound and effective risk management and internal control system and for reviewing the adequacy and effectiveness of the system. The Board recognises that the system is designed to manage rather than eliminate, the risks of not adhering to the Manager’s policies and business objectives within the risk tolerance established by the Board and the Manager. Therefore, the system provides reasonable but not absolute assurance against the occurrence of any material misstatement, loss, fraud or breaches of laws and rules.

The Board has outsourced the review of the Manager’s internal control and risk management processes to an independent internal auditor firm (Internal Auditors) which reports the results of the review to the Audit Committee (“AC”).

INTERNAL CONTROL

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

Key Features of the Internal Control System Established

- **Organisation Structure and Authorisation Procedures**

The Manager maintains a formal organisation structure with delegation of responsibilities and accountability within the Manager’s Senior Management and staff. It sets out the roles and responsibilities, authority limits, review and approval procedures for the Manager’s various operations.

- **Company Policies and Procedures**

The Manager has documented policies and procedures that are being reviewed and updated 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 quarterly basis to discuss and review the business planning, budgeting, financial and operational performances. The quarterly financial statements of the Manager and Atrium REIT containing key financial results, operational performance results and comparisons of performance against budget are presented to the Board for review, consideration and approval.

- **Business Planning and Budgeting Review**

The Board discusses and reviews the business plan, strategies, performance and challenges faced by the Manager and Atrium REIT.

RISK MANAGEMENT

The Board has established a risk management framework for identifying, evaluating, monitoring and reporting of risks. The responsibilities of the Board include reviewing the risk management framework and ensure that the risks are managed within the tolerable limits set. The Board has delegated its role in the review process to the AC.

Responsibility of management include identifying risks that are relevant to Atrium REIT and the achievement of its objectives and strategies, as well as monitoring the risk management framework in accordance with Atrium REIT’s strategies and risk appetite.

Statement of Risk Management and Internal Control (cont'd)

RISK MANAGEMENT (cont'd)

The risk management function is undertaken by the Risk Management Committee, chaired by the Chief Executive Officer, reports its findings to the AC. The AC reviews the effectiveness of the risk management framework annually and ensure that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from the review. In assessing business risks, the AC also considers the economic, environment and social impact relating to the property investment industry.

The management of the significant risks faced by the Manager and Atrium REIT for the FY2019 are as follows:

Capital and Liquidity Risk

The Trust's capital and liquidity management objectives are to safeguard the Trust's ability to continue as a going concern with sufficient liquidity to meet its business needs and financial obligations, including paying of dividends, interests and loan repayment, and maintain an efficient capital structure in order to maximise returns to the unitholders. To meet the above objectives, the liquidity management strategies include:

- (i) Effective cash flow and treasury management.
- (ii) Ongoing financial monitoring.
- (iii) Regular review of loan covenants to ensure compliance.
- (iv) Maintaining good bankers and investors relations.

Credit Risk

Credit risk arises as a result of economic slowdown and rising costs which affect the ability of tenants to pay their rent. To mitigate Atrium REIT's credit risk exposure, the Manager maintains a policy of collecting security deposits from all tenants which act as collateral. The Manager also performs due diligence to assess the prospect/tenants' ability to meet the rental payments prior to commencing the tenancies. The Manager has implemented credit control measures such as close follow-up on rental arrears with tenants and maintaining good tenant relations to ensure timely rental collections.

Acquisition and Investment Risk

The Manager evaluates proposed investment from financial, legal and technical aspects prior to recommending to the Board. The Manager manages such risk by evaluating potential acquisitions against the approved investment criteria. Upon approval from the Board, a due diligence will be conducted prior to any acquisition. During the year, the Trust acquired Atrium Bayan Lepas 2 and entered into Sale and Purchase Agreements for the proposed acquisition of 2 industrial properties in Bayan Lepas, Penang and Shah Alam, Selangor. There was no divestments of real estate assets during the financial year.

Valuation Risk

The primary method in the valuation of Atrium REIT's properties is the Investment Approach whilst the Cost and Comparison Approach is used as a check. The main parameters for the Investment Approach for valuation are the rental rates, occupancy rates and also operational cost. To ensure that the valuation of properties is sustainable so that Atrium REIT's asset value, profitability and gearing will not be affected, all the above factors will be monitored by the Manager to ensure that they are not compromised. Strategies such as building strong relationship with tenants and increasing tenant mix are implemented to mitigate this risk.

Market Risk

The increase demand for warehouse space is expected to increase with the boom in the e-commerce. It is inevitable that with the increase in demand, new investors and competitors will enter the market to supply this increase in demand; putting pressure on rental rates when the supply starts to outstrip the demand. The Manager expects the market to remain challenging but is confident that the occupancy and rental rate of Atrium REIT's portfolio will remain stable. Some of the strategies implemented to mitigate the risk of over-supply and stiff competition includes upgrading service level and property facilities to meet tenants' requirements.

Statement of Risk Management and Internal Control (cont'd)

Operation Risk

All the buildings structures, mechanical and electrical installations and fire-fighting system need to be monitored consistently to ensure that the buildings remain in good tenable condition. There are inherent risks whereby the building structures, mechanical and electrical components and the fire-fighting system can be faulty and or damaged through wear and tear and or negligence. The Manager mitigates the risk by carrying out half-yearly building inspection with the Property Manager and the tenants to ensure that proper planned maintenance is undertaken accordingly to maintain the buildings in good tenable condition. Provision for sinking fund for maintenance and replacements due to normal wear and tear is provided monthly for to address operations requirement.

Regulatory and Compliance Risk

As the Manager is licensed under Capital Markets & Services Act 2007 (“CMSA”), it is imperative to comply strictly with the requirements of the CMSA as well as Securities Commission’s (“SC”) REITs Guidelines. In this respect, a review was carried out by the Internal Auditors to ensure that the Trust and the Manager complied with all the regulatory requirements including the obligations of the Main Market Listing Requirements relating to REITs.

Cyber and Succession Risks

During the financial year, the AC has identified cyber and succession risks as the new risks for the Manager, and has requested the management to include these risks in the Atrium REIT’s Risk Management Framework in next financial year 2020.

INTERNAL AUDIT FUNCTION

The main objective of the audit reviews is to assess the adequacy and effectiveness of the Manager’s system of internal control and its risk management. The internal audit plan will be reviewed and approved annually by the AC, taking into account the changing business and risk environment as well as feedback from the Manager. The internal audit findings of the Internal Auditors together with its recommendations and the Manager’s action plans will be deliberated on during AC meetings. The recommendations proposed by the Internal Auditors once approved by the AC, will be implemented accordingly by the Manager. The Board will be updated on the results and recommendations of the internal audit review of the Manager’s internal control system.

The costs of the internal audit function which was outsourced to PKF Advisory Sdn Bhd amounted to RM13,000, excluding Services Tax and disbursements (2018: RM11,000, excluding Services Tax and disbursements).

The scope of the internal audit function for FY2019 comprised the following compliance reviews:

- a) Securities Commission’s Listed REIT Guidelines and
- b) Bursa Securities’ Main Market Listing Requirements relating to REITs.

Based on the internal audit methodology conducted by the Internal Auditors, the state of internal control is evaluated as satisfactory and the Internal Auditors has not detected any significant control weaknesses, non-compliances and/or fraudulent activities.

CONCLUSION

The Board is of the view that the Manager’s system of internal control and risk management for the year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard Atrium REIT’s assets, as well as Unitholders’ investments, and the interests of customers, regulators, employees and other stakeholders.

The Board has received assurance from Chief Executive Officer and Chief Financial Officer that, to the best of their knowledge, the Manager’s system of internal control and risk management are operating adequately and effectively, in all material aspects, in relation to managing the operations of Atrium REIT.

Statement of Risk Management and Internal Control (cont'd)

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors, BDO have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of Atrium REIT for the financial year ended 31 December 2019. Their review was conducted in accordance with Assurance Practice Guide 3 ("AAPG 3") Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants ("MIA"). AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of Atrium REIT's risk management and internal control system. AAPG 3 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

This Statement on Risk Management and Internal Control was made in accordance with the approval of the Board on 11 February 2020.

Audit Committee Report

The Board of Directors of the Manager is pleased to present the Audit Committee Report for the financial year ended 31 December 2019.

The Audit Committee (“AC”) was established to assist the Board of Directors of the Manager (“the Board”) in fulfilling its responsibilities to review, assess and oversee Atrium REIT’s operations in the areas of financial reporting process, risk management and internal control framework, suitability and independence of external auditors, and an effective internal audit function with the main objective of protecting the interests of Unitholders.

COMPOSITION

The AC comprises three (3) members, all of whom are Independent Non-Executive Directors. The AC members of the Manager as at the date of this report are as follows:

Chng Boon Huat	Chairman
Soong Kwong Heng	Member
Tor Peng Sie	Member

The Board is of the view that the AC members have the relevant expertise to discharge the functions of an AC. The AC has a set of terms of reference defining its scope of authority, in relation to its management of Atrium REIT.

TERMS OF REFERENCE

The AC is governed by the terms of reference as listed below:-

1. Rights and Authority

The AC shall have the following rights and authority as empowered by the Board:

- 1.1 to investigate any activities within its term of reference;
- 1.2 full, free and unrestricted access to any financial information pertaining to the Manager and Atrium REIT;
- 1.3 direct communication channels with the external and internal auditors, as well as all employees of the Manager; and
- 1.4 to obtain external independent professional advice as necessary.

2. Duties

The AC shall undertake the following duties and report to the Board:-

- 2.1 to review quarterly results and year-end financial statements of Atrium REIT and the Company before submission to the Board for approval, focusing particularly on:
 - a) the going concern assumption;
 - b) any changes in or implementation of major accounting policies and practices;
 - c) significant issues arising from the audit including financial reporting issues, significant and unusual events or transactions, and how these matters are addressed;
 - d) compliance with accounting standards, regulatory and other legal requirements; and
 - e) any major judgmental matters.
- 2.2 to recommend for Board’s approval, the nomination and appointment (if any), re-appointment of external auditors and their audit fee;
- 2.3 to discuss the underlying reasons relating to resignation or dismissal of the external auditors, if any;
- 2.4 to discuss with the external auditors, prior to the commencement of audit, their audit plan, and to ensure an effective co-ordination of audit where internal audit is involved;
- 2.5 to review with the external auditors, their evaluation of system of internal controls, their management letter and the management’s responses;
- 2.6 to review the assistance given by employees of the Company to the external auditors;

Audit Committee Report (cont'd)

2. Duties (cont'd)

- 2.7 to conduct an annual assessment on the suitability, objectivity and independence of the external auditors;
- 2.8 to ensure that the internal audit function is independent and reports directly to the AC and the said internal audit function shall have direct access to the Chairman of the AC on all internal audit matters pertaining to Atrium REIT or the Manager;
- 2.9 to approve the budget for the internal audit function including the proposed internal audit fees;
- 2.10 to evaluate the performance and independence of the internal auditor (independent professional firm) including any matter concerning their appointment or termination;
- 2.11 to review the internal audit function, including the following:
- adequacy of the audit scope, functions, competency and resources of the internal audit function;
 - internal audit plan including its work programme and activities;
 - internal audit reports pertaining to the effectiveness of internal control, risk management and governance processes including compliance with the operational manuals, Securities Commission's Guidelines on Real Estate Investment Trusts and Bursa Malaysia Securities Berhad's Listing Requirements; and
 - major findings of internal audit report and management's response, and ensure that appropriate actions are taken based on the recommendations of the internal auditor.
- 2.12 to review any related party transactions and situations where a conflict of interest may arise with the Company, including any transaction, procedure or course of conduct that raises questions of management integrity;
- 2.13 to review all financial information to be provided to the regulators and/or to the public;
- 2.14 to report promptly to Bursa Securities Berhad on any matter reported which has not been satisfactorily resolved by the Board which will result in the breach of the Listing Requirements of Bursa Securities;
- 2.15 to review whistle-blowing policy;
- 2.16 to review and recommend to the Board for approval the following statements for inclusion in Atrium REIT's Annual Report:
- Audit Committee Report;
 - Corporate Governance Overview Statement;
 - Statement on the Board of Directors' responsibility for the preparation of the annual audited financial statements; and
 - Statement of Risk Management and Internal Control.
- 2.17 to consider other matters as may be directed by the Board from time to time.

MEETINGS

The AC shall meet at quarterly intervals or such other intervals as the AC shall decide. The quorum necessary for the transaction of the business of the AC shall be two (2) members. For FY2019, the AC had four (4) meetings without the presence of other Directors and employees, except at the invitation of the AC. The Chief Financial Officer ("CFO") was invited to the AC meeting to facilitate communication and to provide clarification on issues relating to financial statements and business operations.

The attendance of the AC members for the meetings held for FY2019 was as follows:-

Member	Designation	Number of AC Meeting	Attendance	Percentage of Attendance (%)
Chng Boon Huat	Independent Non-Executive Director	4	4	100
Soong Kwong Heng	Independent Non-Executive Director	4	4	100
Tor Peng Sie	Independent Non-Executive Director	4	4	100

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES

The AC's activities for FY2019 comprised the following:-

- a) Reviewed and approved the Risk Management framework of Atrium REIT.
- b) Reviewed and approved the Internal Control System of Atrium REIT.
- c) Reviewed all the quarterly financial reports and income distributions of Atrium REIT, and to ensure the quarterly reports are in compliance with the Malaysia Financial Reporting Standards (MFRS) 134 Interim Financial Reporting, Part A and Part D of Appendix 9B of the Main Market Listing Requirements and the relevant approved accounting standards so as to give a true and fair view of the quarterly results.

The AC subsequently made its recommendations to the Board of the Manager for approval before releasing the quarterly reports and income distributions to Bursa Securities Berhad.

- d) Reviewed and discussed the audited financial statements of Atrium REIT for the financial year ended 31 December 2018, with the External Auditors prior to recommending the audited financial statements to the Board for approval. The audited financial statements included in the Annual Report, were issued to Unitholders at the end of February 2019.
- e) Reviewed the scope, functions and internal audit plan of the internal audit function. The AC also decided that the scope of the internal audit function for FY2019 would include the following areas:
 - i) Compliance with Bursa's Main Market Listing Requirements; and
 - ii) Compliance with Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts
- f) On 29 October 2019, the AC reviewed and discussed with the External Auditors on the Audit Planning for FY2019, in respect of the following areas:
 - i) Engagement and reporting responsibilities;
 - ii) External Auditor's audit approach;
 - iii) Materiality and performance materiality;
 - iv) Areas of significant auditor attention;
 - v) Engagement team; and
 - vi) Reporting, deliverables and audit fees.
- g) On 24 January 2020, the AC had a private session with the External Auditors, to discuss various audit issues and concerns that the External Auditors wished to highlight to the AC. The AC was informed that the External Auditors had received good cooperation from the Management and they were able to access all the necessary information to carry out their functions effectively.
- h) Reviewed on a quarterly basis, all related party transactions entered into by Atrium REIT.
- i) Reported to the Board on matters and issues discussed during the AC meetings, together with applicable recommendations for approvals.

INTERNAL AUDIT FUNCTION

The internal audit function of the Manager which is outsourced to an independent internal audit firm, PKR Advisory Sdn Bhd (Internal Auditors) reports to the AC. The AC in ensuring that its responsibilities are fully discharged in accordance with the International Standards for the Professional Practice of Internal Auditing, reviews the audit plan, adequacy of scope and resources of the internal audit function as well as the competency and experience of the outsourced Internal Auditors.

The audit findings of the Internal Auditors together with its recommendations and the Manager's action plans will be deliberated on during the AC meetings. The recommendations made by the Internal Auditors once approved by the AC, will be implemented accordingly by the Manager. The Board will be updated on the results of the internal audit review of the Manager's internal control system.

Detailed information of internal audit activities are disclosed in the Statement on Risk Management and Internal Control whereas information on the assessment of the effectiveness and independence of the internal audit function are provided in the Corporate Governance Overview Statement.

Sustainability Statement

INTRODUCTION

“Atrium Real Estate Investment Trust (hereinafter referred to as “Atrium REIT”) is a Malaysian-based industrial asset-focused unit trust established with the objective 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”.

Atrium REIT’s investment portfolio comprises of six (“6”) industrial properties located at prime industrial sites mainly in the Klang Valley and Penang, which are tenanted by subsidiaries of multinational companies and established local companies.

As the Manager of Atrium REIT, Atrium REIT Managers Sdn Bhd (“Manager”) is entrusted with the management and administration of Atrium REIT, including the implementation of Atrium REIT’s investment objectives and strategies. We also work in tandem with the appointed Property Manager, Hartamas Asset Management Sdn Bhd (“Property Manager”), for real estate assets within the portfolio of Atrium REIT, besides other stakeholders, to address material sustainability matters.

SCOPE AND BOUNDARY

Our Sustainability Statement has been written in accordance with and guided by Bursa Malaysia Securities Berhad’s Main Market Listing Requirements and, the Sustainability Reporting Guide and Toolkits. This statement covers the sustainability journey of Atrium REIT, a publicly listed REIT on the Main Market of Bursa Malaysia Securities Berhad, from 1st January 2019 to 31st December 2019 (“FY2019”). The statement considers all the material environmental, social and governance (“ESG”) risks and opportunities that impact Atrium REIT’s and its Manager’s business operations.

In view that Atrium REIT does not have any employees, information reported in relation to employees are made reference to the employees of the Manager. Environmental and social indicators reported are generated from all the real estate assets owned by Atrium REIT as well as the initiatives undertaken by the Manager’s in the course of its daily business operations.

PURPOSE

As we embarked on the journey of preparing our Sustainability Statement for YA2019, for our third consecutive year, we have come to appreciate that building a strong foundation of corporate citizenship is of utmost importance by striking a balance between financial results through good governance, social engagement and environmental stewardship.

Our above purpose is reflected through our Sustainability Vision:-

Sustainability Vision

“Atrium REIT endeavors to build trust and stronger relationships with both external and internal stakeholders, with the aim of materializing process improvements through sustainability elements in its business operations, including in current and future practices.”

Whilst we strive to achieve and materialise sustainability, we appreciate our Investors and Unitholders who took the risk related to the real estate industry and invested in Atrium REIT, with the following Business Mission:-

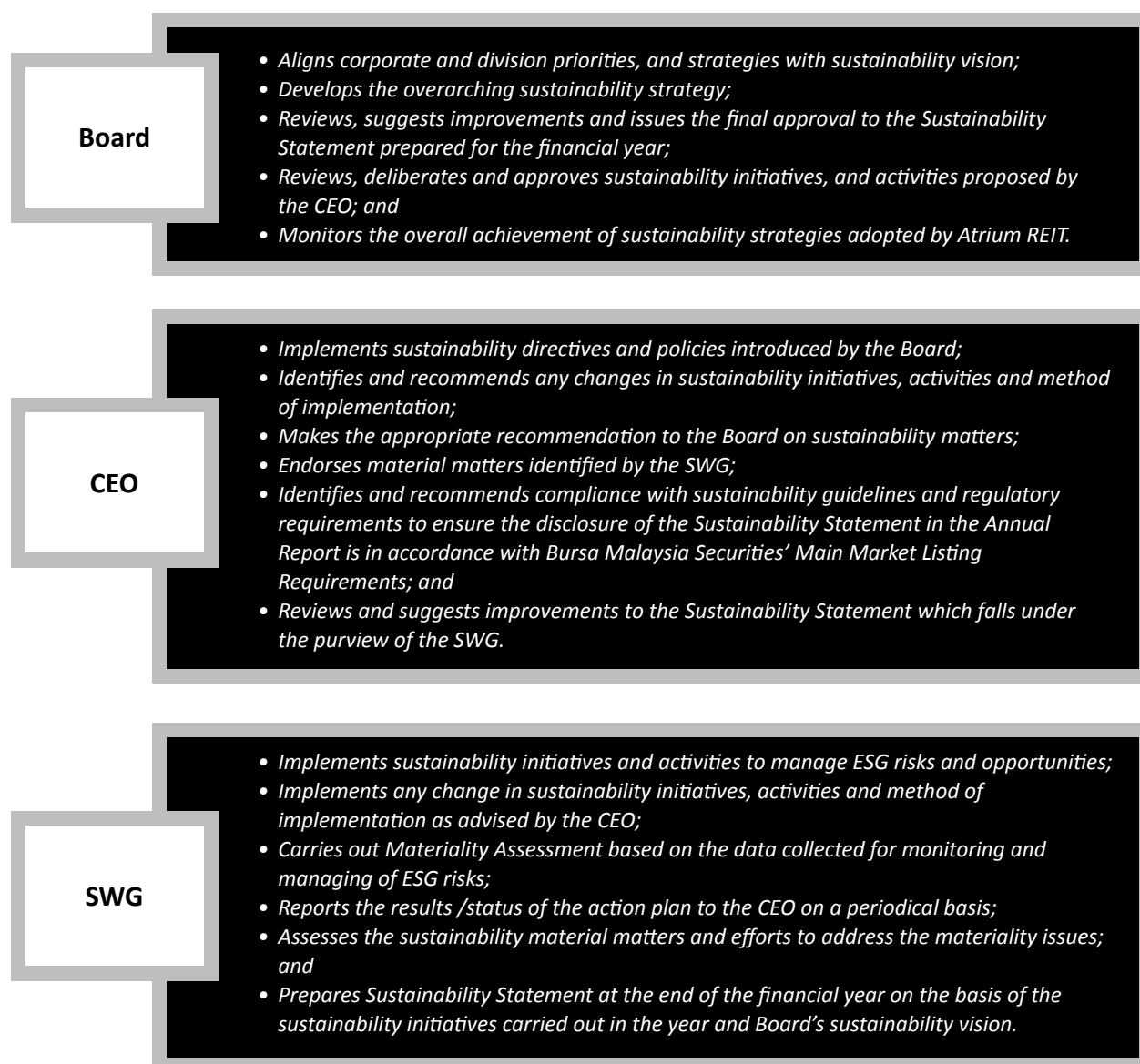
Business Mission

“Atrium REIT endeavors to maximize 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.”

Sustainability Statement (cont'd)

GOVERNANCE STRUCTURE

Atrium REIT practises a three-tier reporting structure with regards to sustainability governance. With the Board of Directors (“Board”) at the apex, sustainability strategies and initiatives of Atrium REIT are headed by the Chief Executive Officer (“CEO”) and supported by the Sustainability Working Group (“SWG”). The roles and responsibilities of each tier of the governance structure is as follows:-



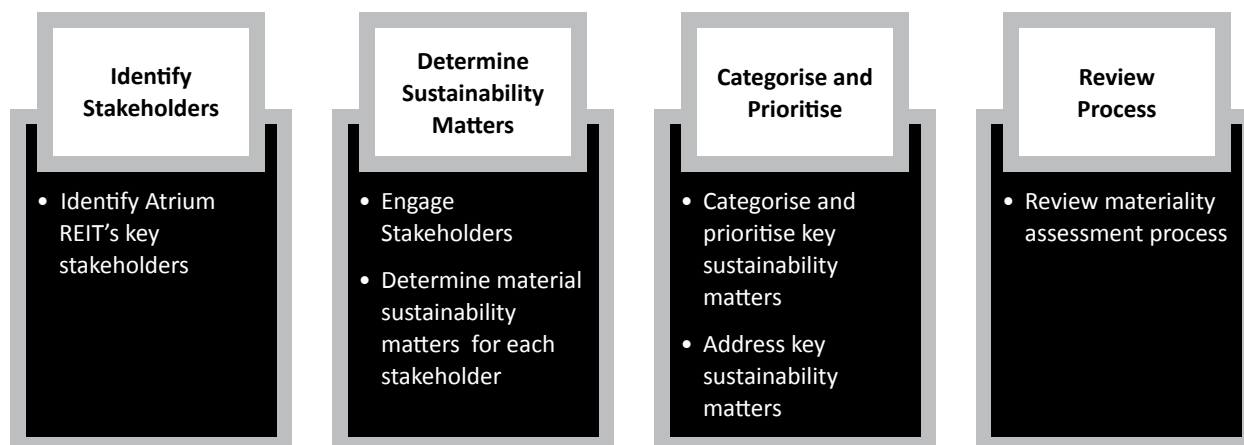
MATERIALITY ASSESSMENT

In tandem with our Sustainability Vision, Atrium REIT always ensures both the internal and external stakeholder’s perspectives are taken into consideration in identifying and addressing key sustainability matters which are material to Atrium REIT as well as the Manager’s business operations.

Sustainability Statement (cont'd)

MATERIALITY ASSESSMENT (cont'd)

The materiality assessment process adopts a four-step approach as outlined below:



OUR STAKEHOLDERS

We have always taken great pride in our ability to develop strong, meaningful and long-lasting relationships with our diverse group of stakeholders, who have supported us to-date. Through our stakeholder management process, various communication channels has been designed to allow us to regularly engage with our stakeholders to keep abreast of their needs and interests.

A summary of our key stakeholders and how we engage them through the year, is presented below:

No	Key Stakeholders	Key Expectations	Engagement Channel	Frequency	Addressing Expectations
1	Unitholders/ Investors	<ul style="list-style-type: none"> Stable and sustainable distribution of income; Financial performance; Corporate governance; Investor relationship management; Timely and transparent reporting; and Prudent risk management. 	<ul style="list-style-type: none"> Annual general meeting; Unitholders' meeting; Annual report; Interim financial announcements; Corporate announcements; Meetings with analyst, fund managers and investors; and Website. 	<ul style="list-style-type: none"> Yearly Yearly or when required Yearly Quarterly reporting On-going On-going On-going 	<ul style="list-style-type: none"> Voluntary disclosures on earnings outlook, business strategies and segmental outlook on a quarterly basis to facilitate the investment community in making informed investment decisions; Immediate communication on material developments through meetings, announcements, media and website releases; and Robust risk management framework with periodic evaluations to encompass the latest potential risks identified with corresponding mitigation action plans.
2	Trustee	<ul style="list-style-type: none"> Annual return; Financial performance; and Sustainable growth and fund stability. 	<ul style="list-style-type: none"> Annual general meeting; Extraordinary general meeting; and Website. 	<ul style="list-style-type: none"> Yearly Yearly On-going 	

Sustainability Statement (cont'd)

OUR STAKEHOLDERS (cont'd)

No	Key Stakeholders	Key Expectations	Engagement Channel	Frequency	Addressing Expectations
3	Tenants	<ul style="list-style-type: none"> • Tenant engagement and support; • Business activity and ethics; and • Conducive operating environment. 	<ul style="list-style-type: none"> • Contract agreement; • One-on-one meetings; • Direct and immediate communication (i.e. through telephonic discussions and emails); and • Joint inspection with property managers. 	<ul style="list-style-type: none"> • On-going • On-going • On-going • Bi-annual inspections 	<ul style="list-style-type: none"> • All requests and feedbacks are reviewed and attended to in a timely manner by the Manager; • Adherence to best practices, highest standards of business integrity and commitment to integrity pact; • Affirm operational health and safety practices; and • Continuous endeavors in improving quality of building for tenant satisfaction.
4	Suppliers, Contractors & Service Providers	<ul style="list-style-type: none"> • Fair treatment; and • Transparent procurement process. 	<ul style="list-style-type: none"> • Contract agreement; • One-on-one meetings; and • Direct and immediate communication (i.e. through telephonic discussions and emails). 	<ul style="list-style-type: none"> • On-going • On-going • On-going 	<ul style="list-style-type: none"> • Professional and transparent procurement policies and procedures.
5	Board of Directors & Employees	<ul style="list-style-type: none"> • Fair remuneration; • Career development; • Work-life balance; • Staff wellbeing; • Employee benefits; and • Safe and conducive workplace. 	<ul style="list-style-type: none"> • Training and development; and • Festive celebrations. 	<ul style="list-style-type: none"> • On-going • On-going 	<ul style="list-style-type: none"> • Benchmarking against market remuneration packages and practices; • Constant engagement with employees to understand their professional needs and requirements; • Organising training and development initiatives for employees for their career development; and • Organising social events for the mental wellbeing of employees.
6	Regulatory Authorities	<ul style="list-style-type: none"> • Regulatory compliance; and • Keeping abreast with policy and regulatory changes. 	<ul style="list-style-type: none"> • Attending talks and conferences organised by regulators. 	<ul style="list-style-type: none"> • On-going 	<ul style="list-style-type: none"> • Adherence and compliance to all legislations and guidelines.

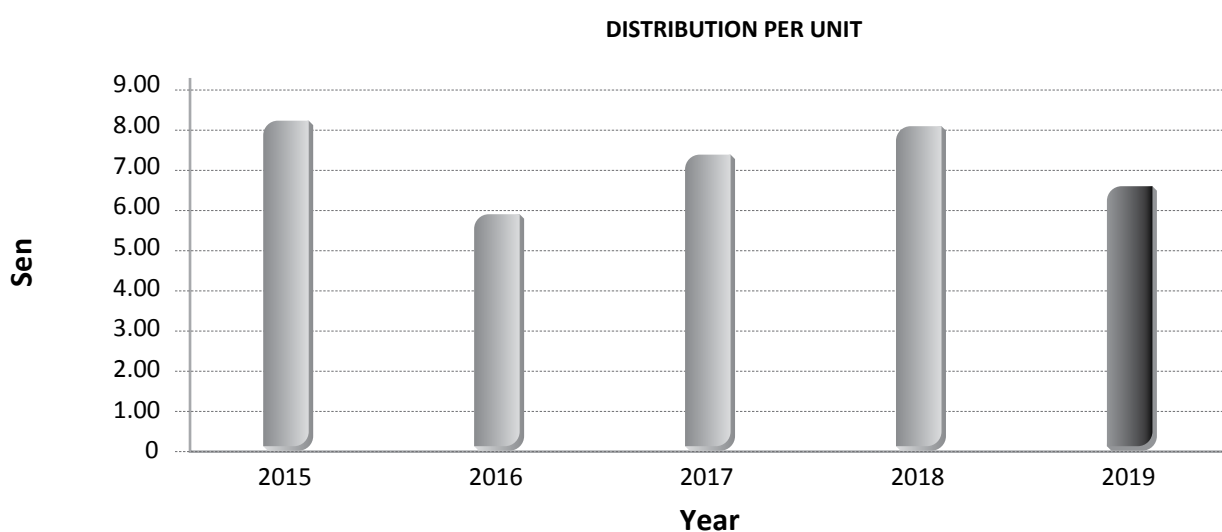
Sustainability Statement (cont'd)

BUSINESS EXCELLENCE & STABILITY

In line with our business mission, Atrium REIT endeavors to maintain regular and stable distributions as well as to achieve long term growth in the Net Asset Value of Atrium REIT through good corporate governance practices, prudent financial management and sustainable management practices.

For a REIT that is essentially industrial-asset focused, we have successfully established ourselves in this market over the last 12 years by providing annual stable distributions to our Unitholders. Staying relevant in the niche and dynamic market has contributed to the success of Atrium REIT.

An illustration of the distribution per unit provided by Atrium REIT to its Unitholders over the last five (5) years, is presented below:-



To continue staying competitive in the REIT industry, Atrium REIT has been actively growing its total asset value by undertaking land acquisitions for Greenfield projects as well as Asset Enhancement Initiatives (“AEIs”), to meet tenants’ increasing demands.

We consider this investment necessary in promoting our business’ viability, feasibility and sustainability by catering to our tenant’s needs.

FOSTERING STRONG RELATIONSHIPS

Core to our business success is our ability to foster and nourish strong long-lasting relationships with our diverse group of stakeholders, through active stakeholder management processes.

Over the years, we have embarked on various AEIs for our real estate assets to provide enhanced value to our stakeholders. Continuous improvements on the quality of our assets and services are also carried out to ensure optimal tenant satisfaction and retention.

In addition to the above, bi-annual visits are also performed together with the Property Manager to ensure that the Manager is meeting the expectations of Atrium REIT’s tenants, besides addressing the latter’s concerns through telephonic and email communications.

Relationship with Unitholders, investors and trustees are maintained via the updates provided during the Annual General Meeting (“AGM”) as well as periodic meetings as and when they are required for further updates.

Sustainability Statement (cont'd)

HEALTH AND SAFETY

Given the nature of our business model, we believe that the safety and conduciveness of our real estate assets is an integral part of our business operations. Consequently, our long term success depends primarily on the safety of our tenants and their respective employees.

As a stepping stone, we ensure all our tenanted premises has been issued with Certificate of Compliance and Completion ("CCC") and/or Certificate of Fitness of Occupation ("CFO"). This is to ensure our real estate assets have met all statutory requirements with regards to health and safety aspects and is ready to be occupied.

Subsequent to the above, a bi-annual joint inspection of the properties would also be conducted by the Property Manager, in the presence of the Manager and tenants, to ascertain the general condition of the buildings, identify any defects or deterioration, assess the integrity of the safety feature, identify areas of improvements and, assess the mechanical and electrical ("M&E") systems.

Notwithstanding the above, our properties are equipped with basic firefighting systems and lighting protection systems to prevent any calamity from happening, thus creating a safe working environment for our tenants and their employees.

Whilst the onus of maintenance of properties is with the respective tenant, Atrium REIT would undertake the following responsibilities, in addition to the bi-annual inspection, as part of its commitment to providing a safe and conducive working environment to its tenants:-

- The provision of security services for multi-tenanted premises; and
- The hiring of certified charge men to assess the safety and maintenance of electrical wiring and installations, upon tenant's request. Contractors would be hired as well to perform monthly checking of incoming power supply and to attend to any power outage at all premises.

ENVIRONMENT

Various initiatives and efforts have been embarked on to cultivate an eco-friendly environment.

Besides adopting a cultural approach to promote sustainability, the following features are installed in our real estate assets in an effort to contribute towards long-term environmental stewardship:-

No.	Sustainability Feature	Benefit
1	T-5 lighting system at all real estate assets	A more energy efficient and cooler lighting system compared to the traditional highbay lighting system.
2	Vertical translucent sheets at the wall intervals of all real estate assets	An energy efficient roofing system that allows natural light into the building.

MALAYSIA FOR MALAYSIAN

As a Malaysian-rooted entity, we have a team of Senior Management comprising of 100% Malaysians, who possess appropriate qualifications, skillsets and experience to operate the REIT based on Malaysia's socio-economic condition, cultural diversity and values.

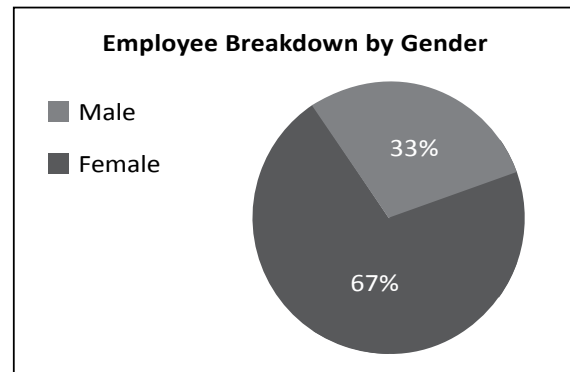
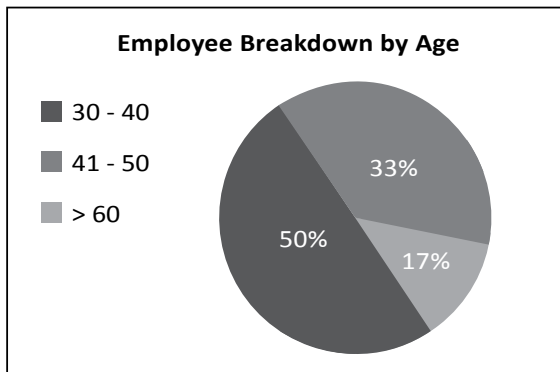
HUMAN CAPITAL MANAGEMENT

We continue to focus on driving the career development, productivity, and opportunities of our talents as we reckoned that our talents are the impetus behind our business operations.

Sustainability Statement (cont'd)

DIVERSITY AND EQUAL OPPORTUNITIES

In this age of disruption and intensive change, we continue to believe that a diverse workforce and inclusive workplace is essential to achieving our goals. The diversity of our people promotes productivity and innovation. Diversity allows us to strategically and effectively respond to increasing demands and expectations of our various stakeholders.



As shown by the chart above, it is apparent that we are trying to make a paradigm shift from a male dominated organisation to one that encourages more female involvement, as demonstrated in the 33% female employee composition.

By moving away from gender stereotyping, Atrium REIT has been benefiting from different points of view, ideas and market insights. A multiplicity of perspectives sparks creativity and innovation, and encourages the organisation to spot and seize new opportunities in today's fast-changing business world.

On the other hand, 50% of our employees falls within the age bracket of 30 to 50 years'. We ensure our employees are employed solely based on their merits and capabilities to avoid nepotism and discriminatory employment practices, whilst promoting a culturally diverse and knowledgeable workforce.

BOARD COMPOSITION

To continue staying relevant in today's dynamic business environment, Board diversity is no longer a checklist requirement to be filled to appease the regulatory bodies. Instead, Board diversity is now a necessity given the complex issues today's boards are facing.

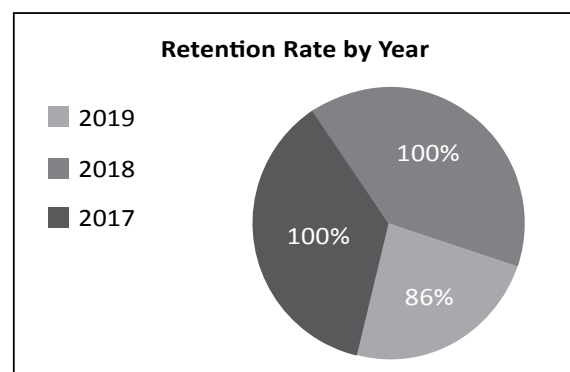
Atrium REIT realises that a boardroom filled with multiple perspectives lets creativity rule and does not make room for groupthink.

Hence, Atrium REIT has a diverse Board, in the best of its capacity at the moment, in terms of gender, ethnicity and professional background as explained in pages 34 to 36 of the Annual Report. This thus encourages comprehensive oversight and promotes better decision making process, based on robust discussions and deliberations.

TURNOVER RATE

As shown by the chart on the right, our retention rates fell by 14% in FY2019, with our Commercial Director leaving our team.

Despite the drop in retention rate, we wish to highlight that our employment policies and practices abide by the Employment Act 1995 and other legal statutory provisions. We also wish to assure our stakeholders that our business practices are in compliance with the Malaysian Minimum Wage Order 2018 and we shall continue to comply with the same order throughout our operations.



Sustainability Statement

TURNOVER RATE (cont'd)

Likewise, we ensure our employees are fairly compensated with remuneration packages that are competitive within the domestic REIT industry as we acknowledge the fact that fair remuneration contributes to higher employee satisfaction and talent retention, besides having a positive impact on the employees' efficiency and performance.

EMPLOYEE ENGAGEMENT

Various events such as lunches and gatherings are organised throughout the year for the employees of Atrium REIT to foster greater cohesion and promote camaraderie amongst the employees.

TRAINING & DEVELOPMENT

We always encourage continuous development of our talents to nurture their capabilities and enhance personal skills through attending training and development programmes.

For FY2019, the Manager had sponsored three ("3") courses which were attended by its Senior Management team. These courses discussed the latest economic outlooks for global markets, business model and recent performance of the manufacturing industry as well as explored the latest developments in the Malaysian REIT market and the benefits and strategies of realising the value of assets through a REIT.

BUSINESS ETHICS AND EMPLOYEE CONDUCT

As we embark on Atrium REIT's sustainability journey, we stay firm with the belief that good governance is critical for an organisation to achieve long term business sustainability and excellence.

REGULATORY COMPLIANCE

A strong sense of compliance culture has been integrated within our business by observing legal and regulatory requirements, and internal procedures. To ensure our business activities are in compliance with the regulatory guidelines and requirements, a compliance review on the following was conducted by an outsourced Internal Auditor, and found to be satisfactory:

- a) Securities Commission Malaysia's Guidelines on Listed REITs and
- b) Bursa Malaysia Securities Berhad's Main Market Listing Requirements relating to REITs.

BUSINESS ETHICS AND CORPORATE POLICIES

Atrium REIT's employees are also regularly updated on all corporate policies and guidelines adopted by the Manager through various channels including mandatory induction programmes (for new employees) and trainings.

Our commitment to embrace good business ethics is reflected in the implementation of the following corporate policies:-

Code of Ethics and Conducts	Fraud Policy	IT Policy	Whistleblowing Policy
Outlines specific conduct requirements including the following : <ul style="list-style-type: none"> • General business ethics • Conflict of interest • Confidentiality information • Gifts and entertainment 	Facilitates the development of controls, which will aid in detection and prevention of fraud.	Facilitates and supports authorised access to Company's information.	Facilitates investigations of allegations of corruption, fraud, and misconduct, besides protecting against possible reprisals or victimisation from disclosures made in good faith.

Financial Statements

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Manager's Report

Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust ("Atrium REIT"), is pleased to present the Manager's Report together with the audited financial statements of Atrium REIT for the financial year ended 31 December 2019 ("FY2019").

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 providing management and administrative services to real estate investment trusts. There has been no significant change in the nature of this activity during the financial year.

ATRIUM REIT AND ITS PRINCIPAL ACTIVITY

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 First 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 (collective known as "First Deed").

On 21 April 2016, the Manager, CIMB Commerce Trustee Berhad ("Retiring Trustee") and Pacific Trustees Berhad ("New Trustee") entered into a Second Supplementary Deed to effect the change of trustee of Atrium REIT from the Retiring Trustee to the New Trustee. The First Deed and the Second Supplementary Deed will be further amended by a Second Restated Deed dated 17 December 2019 ("Second Deed") entered into between the Manager and Pacific Trustees Berhad, as the Trustee of Atrium REIT. The Second Restated Deed is necessary to comply with the latest requirements under the Securities Commission's Guidelines on Listed Real Estate Investment Trusts and Bursa Malaysia's Main Market Listing Requirements. The Second Restated Deed has been submitted to the Securities Commission for review and approval.

Atrium REIT was listed on Main Board of Bursa Malaysia Securities Berhad on 2 April 2007.

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 2019 comprise Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Shah Alam 3, Atrium Bayan Lepas 2, Atrium Puchong and Atrium USJ (collectively called the "Properties"). These Properties are located at prime industrial sites in the Klang Valley and Penang and are tenanted by multinational companies and established local companies.

MANAGER'S FEES AND COMMISSION

In accordance with the First Deed, for the financial year ended 31 December 2019, the Manager received a fee of 0.8% per annum of the Net Asset Value of Atrium REIT even though the Manager is entitled to a fee of up to 1.0% per annum of the Net Asset Value of Atrium REIT.

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)

DIRECTORS OF THE MANAGER

The Directors of the Manager who held office during the financial year and up to the date of this report are as follows:

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

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 Atrium REIT, 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 2019 are as follows:

	At 1 January 2019	Bought	Sold	At 31 December 2019
Direct interests				
Dato' Dr Ir Mohamad Khir Bin Harun	-	-	-	-
Wong Sui Ee	373,000	149,200	-	522,200
Chan Wan Seong	-	-	-	-
Chng Boon Huat	-	-	-	-
Tor Peng Sie	100,000	40,000	-	140,000
How Hu Son	100,000	-	-	100,000
Soong Kwong Heng	55,000	22,000	-	77,000

Manager's Report (cont'd)

OTHER STATUTORY INFORMATION

Before the financial statements of Atrium REIT were made out, the Manager took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were 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 other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable value.

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 Atrium REIT inadequate to any material extent;
- (ii) which would render the values attributed to current assets in the financial statements of Atrium REIT misleading; and
- (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of Atrium REIT misleading or inappropriate.

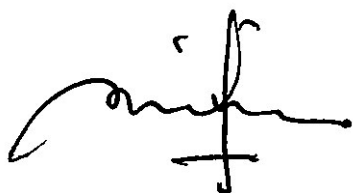
In the opinion of the Manager:

- (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 Atrium REIT 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 Atrium REIT 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 Atrium REIT 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 Atrium REIT which have arisen since the end of the financial year.

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



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



.....
Wong Sui Ee

Kuala Lumpur, Malaysia
Date: 11 February 2020

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 71 to 100 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 as at 31 December 2019 and of the financial performance and cash flows for the financial year then ended.

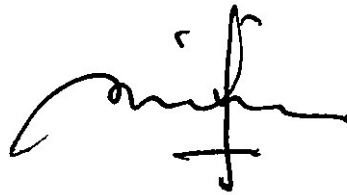
On behalf of the Manager,

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



.....
Wong Sui Ee

Kuala Lumpur
11 February 2020



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

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 71 to 100 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)
11 February 2020)



.....
Wong Sui Ee

Before me:-

Commissioner for Oaths



SUITE 9.03, TINGKAT 9
MENARA RAJA LAUT
NO. 288 JALAN RAJA LAUT
50350 KUALA LUMPUR

Trustee's Report

We, Pacific Trustees Berhad, have acted as Trustee of Atrium Real Estate Investment Trust ("Atrium REIT") for the financial year ended 31 December 2019. 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 2019;
- 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 2019 are in line with and are reflective of the objectives of Atrium REIT. Distributions that have been paid or proposed for the financial year ended 31 December 2019 are as follows:

- 1) First interim income distribution of 1.40 sen paid on 22 April 2019.
- 2) Second interim income distribution of 2.00 sen paid on 8 August 2019.
- 3) Third interim income distribution of 1.00 sen paid on 29 November 2019.
- 4) Proposed fourth and final income distribution of 2.23 sen payable on 9 March 2020.



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

Razak Bin Ahmad
 Chief Executive Officer

Kuala Lumpur, Malaysia
 11 February 2020

Independent Auditors' Report To The Unitholders Of Atrium Real Estate Investment Trust (Established in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atrium Real Estate Investment Trust ("Atrium REIT"), which comprise the statement of financial position as at 31 December 2019, and statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 71 to 100.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Atrium REIT as at 31 December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

Basis for 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 Atrium REIT 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 Atrium REIT for the current year. These matters were addressed in the context of our audit of the financial statements of Atrium REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

With reference to Note 4 of the financial statements, Atrium REIT's investment properties were carried at RM410,300,000 as at 31 December 2019.

There were significant judgements and estimates used in relation to the valuation of Atrium REIT's investment properties including allowance for void, term yield rates, reversionary yield rates and discount rates.

Audit response

Our audit procedures included the following:

- (i) assessed and discussed with management of their process for reviewing the work of the independent valuers.
- (ii) assessed the competency, independence and integrity of the independent valuers.
- (iii) obtained the independent valuation reports and discussed with the independent valuers the results of their work.
- (iv) tested the integrity of the data provided to the independent valuers to underlying lease agreements.
- (v) benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the allowance for void, term yield rates, reversionary yield rates and discount rates.

Independent Auditors' Report To The Unitholders Of Atrium Real Estate Investment Trust (cont'd) (Established in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of Atrium REIT 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 Atrium REIT and our auditors' report thereon.

Our opinion on the financial statements of Atrium REIT 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 Atrium REIT, 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 Atrium REIT or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibility of the Directors of the Manager and Trustee for the Financial Statements

The Directors of the Manager are responsible for the preparation of financial statements of Atrium REIT that give a true and fair view in accordance with MFRSs, IFRSs and the Securities Commission's Guidelines on Real Estate Investment Trusts. 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 of Atrium REIT that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Directors of the Manager maintain proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

In preparing the financial statements of Atrium REIT, the Directors of the Manager are responsible for assessing the ability of Atrium REIT 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 Atrium REIT 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 Atrium REIT 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 Atrium REIT, 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 internal control of Atrium REIT.

Independent Auditors' Report To The Unitholders Of Atrium Real Estate Investment Trust (cont'd) (Established in Malaysia)

Auditors' Responsibility for the Audit of the Financial Statements (continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- (d) Conclude on the appropriateness of the Directors of the Manager's 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 ability of Atrium REIT 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 Atrium REIT 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 Atrium REIT to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of Atrium REIT, including the disclosures, and whether the financial statements of Atrium REIT represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Atrium REIT to express an opinion on the financial statements of Atrium REIT. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

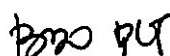
We communicate with the Directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Atrium REIT 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 in accordance with the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants



Lee Wee Hoong
03316/07/2021 J
Chartered Accountant

Kuala Lumpur
11 February 2020

Statement Of Financial Position

As At 31 December 2019

	NOTE	2019 RM	2018 RM
ASSETS			
Non-current asset			
Investment properties	4	410,300,000	278,000,000
Current assets			
Trade and other receivables	6	13,479,037	6,634,550
Deposits with a licensed bank	7	39,642,506	1,900,000
Bank balances	7	691,180	1,049,904
		53,812,723	9,584,454
TOTAL ASSETS		464,112,723	287,584,454
LIABILITIES			
Non-current liabilities			
Trade and other payables	8	10,763,665	4,342,447
Borrowings	9	140,231,130	33,231,130
Deferred tax liability	10	7,240,113	-
		158,234,908	37,573,577
Current liabilities			
Trade and other payables	8	2,496,496	4,977,954
Borrowings	9	41,742,594	62,430,000
		44,239,090	67,407,954
TOTAL LIABILITIES		202,473,998	104,981,531
NET ASSET VALUE ("NAV")		261,638,725	182,602,923
FINANCED BY:			
UNITHOLDERS' FUNDS			
Unitholders' capital	11	204,129,835	119,351,580
Undistributed income		57,508,890	63,251,343
TOTAL UNITHOLDERS' FUNDS		261,638,725	182,602,923
NUMBER OF UNITS IN CIRCULATION	11	204,625,680	121,801,000
NAV PER UNIT (RM)			
Before income distribution ¹		1.2786	1.4992
After income distribution ²		1.2563	1.4782

¹ Before the proposed final income distribution of 2.23 sen per unit (2018: 2.10 sen per unit)

² After the proposed final income distribution of 2.23 sen per unit (2018: 2.10 sen per unit)

The accompanying notes form an integral part of the financial statements.

Statement Of Profit Or Loss And Other Comprehensive Income For The Financial Year Ended 31 December 2019

	NOTE	2019 RM	2018 RM
Gross revenue	13	22,961,353	18,778,845
Property operating expenses	14	(1,548,352)	(1,521,941)
Net property income		21,413,001	17,256,904
Interest income		529,327	111,322
Other income		-	134,115
Changes in fair value of investment properties	4	-	1,723,369
Total income		21,942,328	19,225,710
Manager's fees	15	(1,768,098)	(1,444,809)
Trustee's fees	16	(176,810)	(128,134)
Auditors' fee		(30,000)	(30,000)
Impairment losses on trade receivables	6	-	(774,698)
Tax agent's fee		(6,500)	(6,000)
Finance costs	17	(5,453,098)	(4,245,695)
Valuation fees		(82,206)	(45,670)
Administrative expenses		(2,465,155)	(727,776)
Others		(239,130)	(225,394)
Changes in fair value of investment properties	4	(991,155)	-
Total expenses		(11,212,152)	(7,628,176)
Profit before tax		10,730,176	11,597,534
Tax expense	18	(7,240,113)	-
Profit for the financial year		3,490,063	11,597,534
Other comprehensive income for the financial year, net of tax net of tax		-	-
Total comprehensive income for the financial year		3,490,063	11,597,534
Profit for the financial year is made up as follows:			
Realised		11,115,370	9,874,165
Unrealised - changes in fair value of investment properties, deferred tax expense and lease receivables.		(7,625,307)	1,723,369
		3,490,063	11,597,534
Earnings per unit (sen)			
Before Manager's fees	19	3.40	10.71
After Manager's fees	19	2.25	9.52

Statement Of Profit Or Loss And Other Comprehensive Income (cont'd) For The Financial Year Ended 31 December 2019

	NOTE	2019 RM	2018 RM
Net income distributions*			
First interim income distribution of 1.40 sen paid on 22 April 2019 (2018: 2.00 sen paid on 31 May 2018)		1,705,214	2,436,020
Second interim income distribution of 2.00 sen paid on 8 August 2019 (2018: 2.00 sen paid on 30 August 2018)		2,923,224	2,436,020
Third interim income distribution of 1.00 sen paid on 29 November 2019 (2018: 2.00 sen paid on 30 November 2018)		2,046,257	2,436,020
Proposed final income distribution of 2.23 sen payable on 9 March 2020 (2018: 2.10 sen paid on 28 February 2019)		4,563,153	2,557,821
	20	<u>11,237,848</u>	<u>9,865,881</u>
Income distribution per unit*			
First interim income distribution		1.40	2.00
Second interim income distribution		2.00	2.00
Third interim income distribution		1.00	2.00
Proposed final income distribution		2.23	2.10
		<u>6.63</u>	<u>8.10</u>

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

	Withholding tax rate	
	2019	2018
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 notes form an integral part of the financial statements.

Statement Of Changes In Net Asset Value For The Financial Year Ended 31 December 2019

	Note	--- Undistributed income ---			Unitholders' fund RM
		Unitholders' capital RM	Realised RM	Unrealised RM	
At 1 January 2019		119,351,580	3,150,209	60,101,134	182,602,923
Total comprehensive income					
Profit for the financial year		-	11,115,370	(7,625,307)	3,490,063
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income, representing the increase in net assets resulting from operations		-	11,115,370	(7,625,307)	3,490,063
Unitholders' transactions					
Units issued pursuant to:					
- placements	11	26,552,618	-	-	26,552,618
- right issues	11	59,633,770	-	-	59,633,770
Share issue expenses	11	(1,408,133)	-	-	(1,408,133)
Distributions to unitholders:					
- 2019 interim		-	(6,674,695)	-	(6,674,695)
- 2018 final		-	(2,557,821)	-	(2,557,821)
Increase in net assets resulting from unitholders' transactions		84,778,255	(9,232,516)	-	75,545,739
At 31 December 2019		204,129,835	5,033,063	52,475,827	261,638,725
At 1 January 2018		119,351,580	2,837,423	58,377,765	180,566,768
Total comprehensive income					
Profit for the financial year		-	9,874,165	1,723,369	11,597,534
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income, representing the increase in net assets resulting from operations		-	9,874,165	1,723,369	11,597,534
Unitholders' transactions					
Distributions to unitholders:					
- 2018 interim		-	(7,308,060)	-	(7,308,060)
- 2017 final		-	(2,253,319)	-	(2,253,319)
Decrease in net assets resulting from unitholders' transactions		-	(9,561,379)	-	(9,561,379)
At 31 December 2018		119,351,580	3,150,209	60,101,134	182,602,923

The accompanying notes form an integral part of the financial statements.

Statement Of Cash Flows

For The Financial Year Ended 31 December 2019

	NOTE	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		10,730,176	11,597,534
Adjustments for:			
Changes in fair value of investment properties	4	991,155	(1,723,369)
Finance costs	17	5,453,098	4,245,695
Interest income		(529,327)	(111,322)
Impairment losses on trade receivables	6	-	774,698
Reversal of impairment losses on trade receivables	6	-	(133,301)
Operating income before changes in working capital		16,645,102	14,649,935
Increase in trade and other receivables		(9,444,487)	(3,804,128)
Increase/(Decrease) in trade and other payables		3,939,760	(824,409)
Cash generated from operations, representing net cash from operating activities		11,140,375	10,021,398
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of an investment property	4(c)	(41,640,048)	-
Enhancement of investment properties	4	(2,051,107)	(7,842,291)
Interest received		529,327	111,322
Net cash used in investing activities		(43,161,828)	(7,730,969)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		20,000,000	4,065,842
Distributions paid to unitholders			
- Current year		(6,674,695)	(7,308,060)
- Previous year		(2,557,821)	(2,253,319)
Interest paid	17	(5,453,098)	(4,245,695)
Issuance of new units	11	84,778,255	-
Repayment of borrowings		-	(20,000,000)
Net cash from/(used) in financing activities		90,092,641	(29,741,232)
Net increase/(decrease) in cash and cash equivalents		58,071,188	(27,450,803)
Cash and cash equivalents at beginning of financial year		(19,880,096)	7,570,707
Cash and cash equivalents at end of financial year		38,191,092	(19,880,096)
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)	7	39,642,506	1,900,000
Bank balances	7	691,180	1,049,904
Bank overdraft	9	(2,142,594)	(22,830,000)
		38,191,092	(19,880,096)

The accompanying notes form an integral part of the financial statements.

Notes To The Financial Statements

31 December 2019

1. GENERAL INFORMATION

Atrium Real Estate Investment Trust (“Atrium REIT”) 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 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 and Pacific Trustees Berhad entered into a Supplementary Deed to effect the change of trustee of Atrium REIT from CIMB Commerce Trustee Berhad to Pacific Trustees Berhad (“the 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 Atrium REIT 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 the principal activity during the financial year.

The financial statements as at and for the financial year ended 31 December 2019 comprise the Atrium REIT and its wholly-owned special purpose company, Atrium REIT Capital Sdn. Bhd., company incorporated in Malaysia, of which the principal activity are to raise financing for and on behalf of Atrium REIT.

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution by the Board of Directors of the Manager on 11 February 2020.

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 Supplementary Deed dated 21 April 2016.

3. BASIS OF PREPARATION

The financial statements of Atrium REIT have been prepared in accordance with the provisions of the Deed, the Securities Commission’s Guidelines on Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”).

The financial statements of Atrium REIT have been prepared under the historical cost convention, except as otherwise stated in the financial statements.

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of Atrium REIT.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 28.1 to the financial statements.

Atrium REIT applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

Notes To The Financial Statements (cont'd)

31 December 2019

4. INVESTMENT PROPERTIES

	2019 RM	2018 RM
Investment properties comprised:		
Freehold land and buildings	290,300,000	278,000,000
Leasehold land	43,161,530	-
Leasehold building	76,838,470	-
	<u>410,300,000</u>	<u>278,000,000</u>
A. At fair value		
As at 1 January	278,000,000	245,400,000
Additions	131,240,048	-
Enhancement of investment properties	2,051,107	7,842,291
Changes in fair value	(991,155)	1,723,369
Transferred from asset undergo asset enhancement initiatives	-	23,034,340
	<u>410,300,000</u>	<u>278,000,000</u>
B. Asset undergo asset enhancement initiatives		
As at 1 January	-	23,034,340
Transferred to investment properties	-	(23,034,340)
	<u>-</u>	<u>-</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 Atrium REIT. 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 RM357,100,000 (2018: RM225,900,000) are charged to a financial institution for banking facilities granted to Atrium REIT as disclosed in Note 9 to the financial statements.
- (c) During the current financial year, Atrium REIT acquired an investment property, Atrium Bayan Lepas 2 at an acquisition cost of RM131,240,048 which was financed through drawdown of borrowings.

Atrium REIT made the following cash payments to acquire Atrium Bayan Lepas 2:

	2019 RM
Purchase of investment property	131,240,048
Financed by bank borrowings	(87,000,000)
Earnest deposit paid in 2018	(2,600,000)
	<u>41,640,048</u>
Cash payment for acquisition of investment property	<u>41,640,048</u>

Notes To The Financial Statements (cont'd)

31 December 2019

4. INVESTMENT PROPERTIES (CONT'D)

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

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 outgoing and other operating expenses incidental to the property with allowance for void by using an appropriate market derived discount rate	<ul style="list-style-type: none"> - Allowance for void of 10% (2018: 10%) - Term yield rate of 6.25% to 9.00% (2018: 6.50%) Reversionary yield rate of 6.50% to 8.00% (2018: 6.50%) - Discount rate of 6.25% to 9.00% (2018: 6.00 to 6.50%) 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> - Allowance for void was lower/ (higher) - Term yield rate was higher/ (lower) - Reversionary yield rate was higher/(lower) - Discount rate was lower/ (higher)

Direct operating expenses arising from investment properties generating rental income during the financial year are as disclosed in Note 14 to the financial statements.

Notes To The Financial Statements (cont'd)

31 December 2019

4. INVESTMENT PROPERTIES (CONT'D)

2019

Description of property	Tenure of land	Location	Existing use	Occupancy rate as at 31 December 2019 %	Date of valuation	Fair value as at 31 December 2019 RM	Cost of investment as at 31 December 2019 RM	Percentage of fair value over net asset value as at 31 December 2019 %
Atrium Shah Alam 1*	Freehold	Shah Alam	Industrial	100	31.10.2019	90,800,000 [^]	59,898,744	34.7
Atrium Shah Alam 2*	Freehold	Shah Alam	Industrial	100	31.10.2019	78,600,000 [^]	64,490,721	30.0
Atrium Shah Alam 3*	Freehold	Shah Alam	Industrial	100	1.11.2019	29,500,000 [^]	31,516,603	11.3
Atrium Puchong	Freehold	Puchong	Industrial	100	4.11.2019	53,200,000 [^]	39,043,905	20.3
Atrium USJ*	Freehold	Subang	Industrial	100	4.11.2019	38,200,000 [^]	25,000,000	14.6
Atrium Bayan Lepas 2*	Leasehold ^{\$}	Bayan Lepas	Industrial	100	30.8.2019	120,000,000 [#]	131,240,048	45.9
						410,300,000	351,190,021	

The properties were valued by First Pacific Valuers Property Consultants Sdn. Bhd. and Knight Frank Malaysia Sdn. Bhd., independent firms 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 Atrium REIT.

[^] Based on valuation carried out by an independent professional valuer, First Pacific Valuers Property Consultants Sdn. Bhd..

[#] Based on valuation carried out by an independent professional valuer, Knight Frank Malaysia Sdn. Bhd..

^{\$} As at 31 December 2019, the remaining lease term is 22 years. The Manager is in process of applying for extension of the lease term subject to the State Authority's consent.

Notes To The Financial Statements (cont'd)

31 December 2019

4. INVESTMENT PROPERTIES (CONT'D)

2018

Description of property	Tenure of land	Location	Existing use	Occupancy rate as at 31 December 2018		Date of valuation	Fair value as at 31 December 2018 RM	Cost of investment as at 31 December 2018 RM	Percentage of fair value over net asset value as at 31 December 2018 %
				%					
Atrium Shah Alam 1 *	Freehold	Shah Alam	Industrial	100		24.10.2018	85,200,000	59,031,514	46.7
Atrium Shah Alam 2 *	Freehold	Shah Alam	Industrial	100		15.11.2018	77,300,000	64,490,721	42.3
Atrium Shah Alam 3 *	Freehold	Shah Alam	Industrial	100		15.11.2018	26,100,000	30,345,254	14.3
Atrium Puchong	Freehold	Puchong	Industrial	100		15.11.2018	52,100,000	39,031,377	28.5
Atrium USJ*	Freehold	Subang	Industrial	100		28.09.2018	37,300,000	25,000,000	20.4
							278,000,000	217,898,866	

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 Atrium RELT.

Notes To The Financial Statements (cont'd)

31 December 2019

5. INVESTMENT IN A SUBSIDIARY

- (a) In May 2019, Pacific Trustees Berhad on behalf of Atrium REIT incorporated a wholly owned subsidiary, namely Atrium REIT Capital Sdn. Bhd. ("AREIT Capital"). The intended business activity of AREIT Capital is for the specific purpose of carrying out the function of a special purpose vehicle to issue securities or mid-term notes on such terms as may be deemed appropriate by the Directors which proceeds from such securities are to be paid to third parties for the benefit of Atrium REIT. AREIT Capital's share capital as at 31 December 2019 was RM1.00 comprising 1 ordinary share. The key personnel of AREIT Capital is the same as Atrium REIT. All the administration and operating expenses are borne by Atrium REIT.
- (b) Investment in a subsidiary, which is eliminated on consolidation, is stated at cost less impairment losses, if any.
- (c) The details of the subsidiary, which is incorporated in Malaysia, are as follows:

Name of company	Effective interest in equity		Principal activities
	2019	2018	
Atrium REIT Capital Sdn. Bhd.	100%	0%	To carry out the function of a special purpose vehicle to obtain and/or procure financing for and on behalf of Atrium Real Estate Investment Trust, a real estate investment trust listed on the Main Market of Bursa Malaysia Securities Berhad.

The equity of the subsidiary, representing 1 share issued of RM1.00 is held by Pacific Trustees Berhad.

6. TRADE AND OTHER RECEIVABLES

	2019 RM	2018 RM
Trade receivables		
Third parties	2,234,824	2,292,007
Less: Impairment losses	(1,390,344)	(1,390,344)
Total trade receivables	844,480	901,663
Other receivables		
Other receivables	1,209,404	649,930
Deposits	10,720,662	4,982,790
	11,930,066	5,632,720
Total receivables	12,774,546	6,534,383
Prepayments	704,491	100,167
	13,479,037	6,634,550

Notes To The Financial Statements (cont'd)

31 December 2019

6. TRADE AND OTHER RECEIVABLES (CONT'D)

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by Atrium REIT is 30 days (2018: 30 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.
- (c) Including in deposits are earnest deposits paid for the acquisitions of investment properties which amounted to RM9,500,000 (2018: RM3,600,000). Details of the purchase of the investment properties are disclosed in Note 27 to the financial statements.
- (d) The ageing analysis of Atrium REIT's gross trade receivables (before deducting allowance for impairment losses) is as follows:

2019	Gross carrying amount RM	Total allowance RM	Net carrying amount RM
Current	-	-	-
31 to 60 days	-	-	-
61 to 90 days	-	-	-
More than 91 days	-	-	-
More than 120 days	2,234,824	(1,390,344)	844,480
	<u>2,234,824</u>	<u>(1,390,344)</u>	<u>844,480</u>
	<u>2,234,824</u>	<u>(1,390,344)</u>	<u>844,480</u>
2018	Gross carrying amount RM	Total allowance RM	Net carrying amount RM
Current	6,610	-	6,610
31 to 60 days	6,136	-	6,136
61 to 90 days	-	-	-
More than 91 days	-	-	-
More than 120 days	2,279,261	(1,390,344)	888,917
	<u>2,285,397</u>	<u>(1,390,344)</u>	<u>895,053</u>
	<u>2,292,007</u>	<u>(1,390,344)</u>	<u>901,663</u>

Notes To The Financial Statements (cont'd)

31 December 2019

6. TRADE AND OTHER RECEIVABLES (CONT'D)

(e) Credit risk

(i) Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with Atrium REIT. Atrium REIT's trade receivables credit term is 30 days.

None of Atrium REIT's receivables that are neither past due nor impaired have been renegotiated during the current and previous financial years.

Atrium REIT have no significant concentration of credit risk that may arise from exposure to a single clearing participant or counterparty.

(ii) Receivables that are impaired

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within trust expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment. Estimated cash flows recoverable in worst-case scenarios are based on the fair value of the collateral.

It requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward looking information, and estimated cash flows recoverable in worst-case scenarios.

The movement of the allowance for impairment losses on trade receivables is as follows:

	Lifetime ECL allowance RM	Specific allowance RM
2019		
At 1 January/31 December	-	1,390,344
2018		
At 1 January	-	748,947
Charge for the year	-	774,698
Reversal for the year	-	(133,301)
At 31 December	-	1,390,344

Lifetime ECL is negligible as the management is in view that the losses, if any can be offset against the rental deposits received from tenants as disclosed in Note 6(g) to the financial statements.

Notes To The Financial Statements (cont'd)

31 December 2019

6. TRADE AND OTHER RECEIVABLES (CONT'D)

(e) Credit risk (Cont'd)

(ii) Receivables that are neither past due nor impaired (Cont'd)

Receivables that are individually determined to be impaired at the financial year end relate to trade receivables who are in significant financial difficulties and have defaulted on payments. The nominal amounts of receivables that specific allowances for impairment loss are provided for are as follows:

	2019 RM	2018 RM
At nominal amounts	2,234,824	2,292,007
Less: Allowance for impairment loss	<u>(1,390,344)</u>	<u>(1,390,344)</u>
	844,480	901,663
Less: Collateral obtained	<u>(844,480)</u>	<u>(1,061,406)</u>
As 31 December	<u><u>-</u></u>	<u><u>-</u></u>

In previous financial year, Atrium REIT's allowance for impairment losses on trade receivables increased by RM641,397 arose mainly from a single customer.

Trade receivables are secured by collateral as disclosed in Note 6(g) to the financial statements.

(f) Trade and other receivables are denominated in RM.

(g) As at the end reporting period, the credit risks exposures and concentration relating to trade receivables of Atrium REIT are summarised in the table below:

	2019 RM	2018 RM
Maximum exposure, net of impairment	844,480	901,663
Collateral obtained	<u>844,480</u>	<u>1,061,406</u>
Net exposure to credit risk	<u><u>-</u></u>	<u><u>-</u></u>

The above collaterals are rental deposits received from tenants.

During the financial year, Atrium REIT did not renegotiate the terms of any trade receivables.

(h) No expected credit loss is recognised arising from other receivables as it is negligible.

Notes To The Financial Statements (cont'd)

31 December 2019

7. BANK BALANCES AND DEPOSITS WITH A LICENSED BANK

	2019 RM	2018 RM
Bank balances	691,180	1,049,904
Deposits with a licensed bank (not more than three months)	39,642,506	1,900,000
	<u>40,333,686</u>	<u>2,949,904</u>

- (a) Deposits with a licensed bank of Atrium REIT have an average maturity period of 90 days (2018: 90 days).
- (b) The deposits are placed with a licensed bank at weighted average interest rate of 3.32% (2018: 2.85%) per annum.
- (c) The Directors of the Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance Atrium REIT'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.
- (d) The bank balances and deposits with a licensed bank are denominated RM.
- (e) In respect of interest-earning financial assets, the following table sets out the carrying amounts and the remaining maturities of Atrium REIT's financial instrument that is exposed to interest rate risk:

	Within 1 year RM	One to five years RM	Total RM
2019			
Fixed rate			
Deposits with licensed banks	39,642,506	-	39,642,506
	<u>39,642,506</u>	<u>-</u>	<u>39,642,506</u>
2018			
Fixed rate			
Deposits with licensed banks	1,900,000	-	1,900,000
	<u>1,900,000</u>	<u>-</u>	<u>1,900,000</u>

- (f) No expected credit losses were recognised arising from the deposits with a financial institution because the probability of default by the financial institution was negligible.

Notes To The Financial Statements (cont'd)

31 December 2019

8. TRADE AND OTHER PAYABLES

	2019 RM	2018 RM
Non-current liabilities		
Tenants' deposits	10,763,665	4,342,447
Current liabilities		
Trade payables	323,916	961,230
Other payables and accrued expenses	837,583	1,022,013
Tenants' deposits	1,334,997	2,994,711
	<u>2,496,496</u>	<u>4,977,954</u>
	<u>13,260,161</u>	<u>9,320,401</u>

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to Atrium REIT is 30 days (2018: 30 days).
- (c) Included in other payables and accrued expenses is amount owing to the Manager of RM195,270 (2018: RM123,917) which is unsecured, interest free and payable monthly in arrears.
- (d) Trade and other payables are denominated in RM.
- (e) The table below summarises the maturity profile of Atrium REIT's trade and other payables at the end of each reporting period based on contractual undiscounted repayment obligations:

2019	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Trade and other payables	1,161,499	-	-	1,161,499
Tenants' deposits	1,334,997	6,285,130	4,478,535	12,098,662
<hr/>				
2018				
Financial liabilities				
Trade and other payables	1,983,243	-	-	1,983,243
Tenants' deposits	2,994,711	4,342,447	-	7,337,158
<hr/>				

Notes To The Financial Statements (cont'd)

31 December 2019

9. BORROWINGS

	2019 RM	2018 RM
<u>Short Term Financing</u>		
Short Term Revolving Credit ("STRC")	39,600,000	39,600,000
Bank Overdraft	2,142,594	22,830,000
	41,742,594	62,430,000
<u>Long Term Financing</u>		
Term Loan II	10,765,288	10,765,288
Term Loan III	18,400,000	18,400,000
Term Loan IV	4,065,842	4,065,842
Maybank Term Loan	20,000,000	-
Medium Term Note ("MTN") - Tranche 2	87,000,000	-
	<u>140,231,130</u>	<u>33,231,130</u>
	<u>181,973,724</u>	<u>95,661,130</u>

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to Atrium REIT for similar financial instruments. The borrowings are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (c) 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 at rates ranging from 4.28% to 4.56% (2018: 4.31% to 4.56%) per annum during the financial year.

- (d) The bank overdraft facility is secured by a first party legal charge over an investment property, Atrium USJ as disclosed in Note 4 to the financial statements. This financing facility is subject to the bank's review.

The bank overdraft facility bears interest at 5.47% (2018: 5.47%) per annum during the financial year.

Notes To The Financial Statements (cont'd)

31 December 2019

9. BORROWINGS (CONT'D)

- (e) The term loan II bears interest rate at cost of funds plus 0.725% (2018: 0.725%) 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% (2018: 0.725%) 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.

The term loan IV bears interest rate at cost of funds plus 0.725% (2018: 0.725%) per annum and is repayable in one lump sum in 2027.

The term loan IV 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.

The Maybank term loan bears interest rate at cost of funds plus 0.8% per annum and is repayable in one lump sum in 2024.

The Maybank term loan is secured by a first and second party legal charge over investment properties, Atrium USJ and Atrium Shah Alam 1, as disclosed in Note 4 to the financial statements.

- (f) On 18 September 2019, the Manager announced on the Main Market of Bursa Securities that AREIT Capital, a special purpose vehicle wholly-owned by Atrium REIT via Pacific Trustees Berhad (acting in its capacity as trustee for Atrium REIT), had lodged a MTN Programme with the Securities Commission pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the Securities Commission. The MTN Programme has a tenure of ten (10) years from the date of issuance of MTN under the MTN Programme.

On 7 October 2019, AREIT Capital issued the first tranche MTN ("MTN - Tranche 2") amounting to RM87.0 million which was advanced to Atrium REIT to part finance their purchase of Property 2 in Penang. The MTN - Tranche 2 has a tenure of 10 years ("Legal Maturity") effective from 7 October 2019. The MTN - Tranche 2 bears interest rate at cost of funds plus 0.80% per annum and is repayable in one lump sum in 2029.

The MTN - Tranche 2 is secured against, among others, the following:

- (i) Third party (1st) legal charge under the provisions of the National Land Code 1965 over the sub-lease (expiring on 10 February 2041) ("Property 2") registered in the name of Pacific Trustees Berhad for Atrium REIT ("Chargor") and granted by Penang Development Corporation ("Lessor") over the land held under issue document of title Pajakan Negeri 9036, Lot 70812, Mukim 12, Daerah Barat Daya, Negeri Pulau Pinang together with a 2 storey detached factory and annexed 2 storey office erected thereon and bearing assessment address Plot 401, Lintang Bayan Lepas, Penang and registered in the name of Penang State Government.
- (ii) A third (3rd) party Deed of Assignment to be executed by the Chargor in favour of the Public Investment Bank Berhad ("PIVB") assigning all of its rights and title, interests and benefits under the sale and purchase agreement and the sale and purchase agreement in respect of the Property 2. The form and substance of the sale and purchase agreement and the lease agreement must be acceptable to the Public Bank Berhad ("Bank") and PIVB.

Notes To The Financial Statements (cont'd)

31 December 2019

9. BORROWINGS (CONT'D)

- (f) The MTN - Tranche 2 is secured against, among others, the following (Cont'd):
- (iii) An irrevocable Power of Attorney from the Chargor to enable PIVB to deal with Property 2 and whereas necessary, including the power to sign and register as Attorney and to apply for the consent of the relevant State Authorities to charge the Property 2 in the favour of PIVB.
 - (iv) Third party legal assignment of lease/tenancy agreement entered between the Chargor and the tenant and/or any other future tenant(s) as maybe agreed by the Bank in respect of the Property 2.
 - (v) A third (3rd) party legal Assignment and Charge to be executed by the Chargor in favour of PIVB charging by way of a first fixed charge the rental proceeds account and all monies standing to the credit of the rental proceeds account and assigning all the rights and title, interests and benefits to the rental proceeds account as well as to monies standing to the credit of the rental proceeds account.
- The Chargor shall credit and/or cause to credit into the rental proceeds account all rental proceeds and deposit monies derived from the Property 2.
- The rental proceeds account(s) is/are to be opened by the Chargor with the Bank and operated by the Chargor in the case where no event of default has occurred and is subsisting or by the Security Agent in the case where event of default has occurred and is subsisting.
- (vi) Third party legal assignment of the rights, interest, titles and benefits in all relevant insurance policies/ takaful contracts in respect of Property 2.
 - (vii) Letter of Undertaking from each of Chargor and REIT Manager, in respect of Property 2, to obtain approval for sub-lease extension within (9) months from the completion of the acquisition of Property 2 in accordance with Securities Commissions Malaysia's approval/waiver of compliance with Section 8.10 (d) of the Guidelines on Listed Real Estate Investment Trust.
 - (viii) First party legal assignment by the Issuer over the Financing agreement entered/to be entered between the Issuer and Chargor in relation to the advances to be made by the Issuer to Atrium REIT, which advances are funded by the proceeds arising from the issuance of Tranche 2.
- (g) At the end of the reporting period, RM39.6 million (2018: RM39.6 million) of the 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 Atrium REIT 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 renewal granted by the Bank vide it's letter dated 20 January 2020.
- (h) All borrowings are denominated in RM.

Notes To The Financial Statements (cont'd)

31 December 2019

9. BORROWINGS (CONT'D)

- (i) The table below summarises the maturity profile of the borrowings of Atrium REIT at the end of each reporting period based on contractual undiscounted repayment obligations:

2019	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Bank Overdraft	2,259,794	-	-	2,259,794
Term loans	2,457,098	39,632,838	23,790,158	65,880,094
Medium Term Note	4,080,300	20,401,500	102,641,150	127,122,950
Short Term Revolving Credit	41,350,320	-	-	41,350,320
	50,147,512	60,034,338	126,431,308	236,613,158
2018				
Financial liabilities				
Bank Overdraft	24,078,801	-	-	24,078,801
Term loans	1,596,756	16,211,175	25,974,164	43,782,095
Short Term Revolving Credit	41,405,760	-	-	41,405,760
	67,081,317	16,211,175	25,974,164	109,266,656

The following table sets out the carrying amounts as at the end of each reporting period and the remaining maturities of the borrowings of Atrium REIT that are exposed to interest rate risk:

2019	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Floating rates				
Bank Overdraft	2,142,594	-	-	2,142,594
Term loans	-	30,765,288	22,465,842	53,231,130
Medium Term Note	-	-	87,000,000	87,000,000
Short Term Revolving Credit	39,600,000	-	-	39,600,000
	41,742,594	30,765,288	109,465,842	181,973,724
2018				
Floating rates				
Bank Overdraft	22,830,000	-	-	22,830,000
Term loans	-	10,765,288	22,465,842	33,231,130
Short Term Revolving Credit	39,600,000	-	-	39,600,000
	62,430,000	10,765,288	22,465,842	95,661,130

Notes To The Financial Statements (cont'd)

31 December 2019

9. BORROWINGS (CONT'D)

(k) Interest rate risk

Sensitivity analysis for interest rate risk

As at 31 December 2019, 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 RM138,300 (2018: RM72,702) higher or lower, arising mainly as a result of lower or higher interest expense on variable borrowings and interest income from deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

10. DEFERRED TAX LIABILITY

	2019 RM	2018 RM
Balance as at 1 January	-	-
Recognised in profit and loss (Note 18)	7,240,113	-
	<hr/>	<hr/>
Balance as at 31 December	<u>7,240,113</u>	<u>-</u>

The deferred tax liability relates to fair value gain of freehold land and buildings component within the investment properties which is expected to be recovered through sale.

Where investment properties are carried at fair value as disclosed in Note 4 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying values at the reporting date unless the property is held with the objective to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

11. UNITHOLDERS' CAPITAL

	Number of units		Value	
	2019	2018	RM 2019	RM 2018
Issued and fully paid-up				
Balance as at 1 January	121,801,000	121,801,000	119,351,580	119,351,580
Issuance of units pursuant to:				
- placements	24,360,200	-	26,552,618	-
- right issues	58,464,480	-	59,633,770	-
Share issue expenses	-	-	(1,408,133)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December	<u>204,625,680</u>	<u>121,801,000</u>	<u>204,129,835</u>	<u>119,351,580</u>

Notes To The Financial Statements (cont'd)

31 December 2019

12. 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:

2019	Number of unit held	Percentage of total units %	Market value RM
Direct unitholdings in Atrium REIT			
Atrium REIT Manager Sdn. Bhd.	1,271,100	0.62%	1,321,944
Directors of the Manager:			
Wong Sui Ee	522,200	0.26%	543,088
Tor Peng Sie	140,000	0.07%	145,600
How Hu Son	100,000	0.05%	104,000
Soong Kwong Heng	77,000	0.04%	80,080
Related parties of the Manager:			
Glory Blitz Industries Sdn. Bhd.	14,146,720	6.91%	14,712,589
Sparkle Skyline Sdn. Bhd.	5,962,460	2.91%	6,200,958
Chan Kam Tuck ⁽ⁱ⁾	42,393,960	20.72%	44,089,718
Chan Kum Chong	70,000	0.03%	72,800
2018			
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

⁽ⁱ⁾ Unitholdings under Chan Kam Tuck is made up of his individual holding of 10,393,960 (2018: 10,281,400) units and his deemed holding of 32,000,000 (2018: 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 Atrium REIT as at 31 December 2019 of RM1.04 (2018: RM1.11).

Notes To The Financial Statements (cont'd)

31 December 2019

13. 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.

14. PROPERTY OPERATING EXPENSES

	2019 RM	2018 RM
Property management fees	317,268	265,371
Assessment and quit rent	543,844	543,844
Repair and maintenance	328,986	369,896
Insurance	283,337	268,217
Other operating expenses	74,917	74,613
	<u>1,548,352</u>	<u>1,521,941</u>

Property management fees are recognised on an accrual basis.

15. 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% (2018: 0.8%) per annum of the Net Asset Value.

16. 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 Atrium REIT, 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 0.08% (2018: 0.06% to 0.08%) per annum of the Net Asset Value.

17. FINANCE COSTS

	2019 RM	2018 RM
Interest expense on:		
- short term revolving credit facility	1,752,295	1,779,082
- term loans	2,180,961	2,399,809
- bank overdraft	493,252	66,804
- medium term note	952,815	-
- advances	73,775	-
	<u>5,453,098</u>	<u>4,245,695</u>

Notes To The Financial Statements (cont'd)

31 December 2019

18. TAX EXPENSE

	2019 RM	2018 RM
Deferred tax (Note 10):		
Relating to origination of temporary differences	7,240,113	-

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the fiscal year.
- (b) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of Atrium REIT is as follows:

	2019 RM	2018 RM
Profit before tax	10,730,176	11,597,534
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	2,575,242	2,783,408
Tax effects in respect of:		
Non-deductible expenses	709,670	206,584
Effect of changes in fair value of investment properties not subject to tax	-	(413,609)
Effect of income exempted from tax	(3,284,912)	(2,576,383)
Deferred real property gains tax on investment properties	7,240,113	-
	7,240,113	-

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 Atrium REIT is distributed to its unitholders in the basis period for a year of assessment, the total income of Atrium REIT for that year of assessment shall be exempted from tax.

Atrium REIT will not incur any tax expense during the financial year as it will distribute approximately 101.1% (2018: 99.9%) of its realised income available for distribution for the financial year ended 31 December 2019 which translates to more than 90% of its total taxable income.

(c) Taxation of Unitholders

Pursuant to Section 109D(2) of Malaysian Income Tax Act 1967, where 90% or more of Atrium REIT's total taxable income is distributed by Atrium REIT, distributions to unitholders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Tax rate
Individuals and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24%.

Notes To The Financial Statements (cont'd)

31 December 2019

19. EARNINGS PER UNIT

- (a) The earnings per unit before Manager's fee of 3.40 sen (2018: 10.71 sen) is calculated by dividing the profit after tax but before deduction of manager's fees for the financial year of RM5,258,161 (2018: RM13,042,343) and by the weighted average number of units in circulation during the financial year of 154,852,153 (2018: 121,801,000).
- (b) The earnings per unit after Manager's fee of 2.25 sen (2018: 9.52 sen) has been calculated based on profit after tax of RM3,490,063 (2018: RM11,597,534) for the financial year and on the weighted average number of units in circulation during the financial year of 154,852,153 (2018: 121,801,000).

20. NET INCOME DISTRIBUTIONS

Distributions to unitholders are from the following sources:

	2019 RM	2018 RM
Net rental income	20,807,040	17,256,904
Interest income	529,327	111,322
Other income	-	134,115
	<hr/>	<hr/>
	21,336,367	17,502,341
Less: Expenses	<hr/> (10,220,997)	<hr/> (7,628,176)
Net income before tax	11,115,370	9,874,165
Tax expenses	<hr/> -	<hr/> -
Net income after tax	11,115,370	9,874,165
Add: Brought forward undistributed income available for distribution	592,388	584,104
Less: Income distributed	(6,674,695)	(7,308,060)
Less: Proposed final income distribution	(4,563,153)	(2,557,821)
	<hr/>	<hr/>
Balance undistributed income	<u>469,910</u>	<u>592,388</u>

All distributions of income are from realised distributable income.

21. TRANSACTION WITH BROKER/DEALERS

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

Notes To The Financial Statements (cont'd)

31 December 2019

22. PORTFOLIO TURNOVER RATIO

	2019	2018
Portfolio Turnover Ratio ("PTR") (times)	<u>0.60</u>	<u>-</u>

PTR is the ratio of the average of total acquisitions and total disposals of investments in Atrium REIT for the financial year ended 31 December 2019 to the average net asset value of Atrium REIT 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.

23. MANAGEMENT EXPENSE RATIO

	2019	2018
Management expense ratio ("MER") (%)	<u>2.19</u>	<u>1.44</u>

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

24. 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 risk 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 Atrium REIT's revenue:

	2019 RM	2018 RM
Customer A	6,284,598	6,284,598
Customer B	5,136,000	5,136,000
Customer C	3,794,288	3,794,288
Customer D	<u>3,293,082</u>	<u>-</u>

Notes To The Financial Statements (cont'd)

31 December 2019

25. 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:

	2019 RM	2018 RM
Not later than one (1) year	30,290,997	14,377,444
Later than one (1) year and not later than five (5) years	75,943,491	15,713,858
Later than five (5) year	94,944,942	-
	<u>201,179,430</u>	<u>30,091,302</u>

(b) Capital commitments

	2019 RM	2018 RM
Capital expenditure in respect of addition of investment properties:		
- Approved and contracted for	85,500,000	-
- Approved and not contracted for	-	176,400,000
	<u>85,500,000</u>	<u>176,400,000</u>

26. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Directors of the Manager is to ensure that Atrium REIT 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 Atrium REIT 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 2019 and 31 December 2018.

The Directors of 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 Atrium REIT.

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

	2019 RM	2018 RM
Total borrowings	<u>181,973,724</u>	<u>95,661,130</u>
Total assets	<u>464,112,723</u>	<u>287,584,454</u>
Gearing ratio	<u>39.21%</u>	<u>33.26%</u>

Notes To The Financial Statements (cont'd)

31 December 2019

26. FINANCIAL INSTRUMENTS (CONT'D)

(b) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

(c) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) In February 2019, Atrium REIT entered into the following agreements with the Lumileds Malaysia Sdn. Bhd. ("Lumileds"):

- i. A put and call option agreement ("Option Agreement") for the option to enter into a conditional sale and purchase agreement ("SPA 1") ("Option") and leaseback agreement for the proposed acquisition and leaseback of 2 pieces of leasehold land known as Lot No. 2027 and Plot No. 203, both in Mukim 12, Daerah Barat Daya, Pulau Pinang held under Pajakan Negeri 2850 and H.S.(D) 14852 respectively, together with the factory and all buildings erected thereon ("Property 1") from Lumileds for a cash consideration of RM50.0 million ("Proposed Acquisition 1"). Atrium REIT will enter into the SPA 1 and undertake the Proposed Acquisition 1 upon the exercise of the Option under the Option Agreement, which is subject to the Certificate of Completion and Compliance ("CCC") and/or Certificate of Fitness for Occupation ("CFO") for Property 1 being obtained by Lumileds. In November 2019, Atrium REIT entered into SPA 1 with Lumileds to acquire Property 1. Upon execution of SPA 1, Atrium REIT has paid the balance deposit representing 8% of purchase consideration amounting to RM4.0 million to Lumileds. The balance purchase price (representing 90% of purchase consideration) of RM45.0 million shall be payable within 2 months from the date of SPA 1 becomes unconditional. Concurrently with the execution of SPA 1, Atrium REIT and Lumileds will also enter and sign in escrow the leaseback agreement. The leaseback agreement will commence upon the completion date of SPA 1 for a term of 15 years on a triple net basis. The rental sum will be subject to yearly increase of 3% during the term of the leaseback. As at the reporting date, the Proposed Acquisition 1 is not completed.; and

Notes To The Financial Statements (cont'd)

31 December 2019

27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(a) In February 2019, Atrium REIT entered into the following agreements with the Lumileds Malaysia Sdn. Bhd. ("Lumileds") (Cont'd):

- ii. A conditional sale and purchase agreement for the proposed acquisition of a lease arrangement in respect of a piece of leasehold land known as Lot No. 70812, Mukim 12, Daerah Barat Daya, Pulau Pinang held under Pajakan Negeri 9036 ("Lease") together with the factory and all buildings erected thereon ("Property 2") from Lumileds for a cash consideration of RM130.0 million ("SPA 2") ("Proposed Acquisition 2"). Atrium REIT and Lumileds had also on even date signed in escrow the leaseback agreement whereby the Trustee shall sub-lease Property 2 to Lumileds for a period of 15 years from the completion of SPA 2 ("Completion Date") ("Leaseback Agreement 2"). The Proposed Acquisition 2 was completed in October 2019.

In conjunction with the Acquisitions, the Board undertook the following fund raising exercises:

- i. Placement of up to 24,360,200 new Units in Atrium REIT, representing up to 20% of the total number of Units in Atrium REIT of 121,801,000 units at RM1.09 per unit which was completed in April 2019; and
 - ii. Renounceable rights issue of up to 58,464,480 new Rights Units to the unitholders of Atrium REIT on the basis of 2 Rights Units for every 5 existing units after the completion of the Proposed Placement at RM1.02 per unit which was completed in September 2019.
- (b) In December 2019, Atrium REIT entered into the following agreements with the Permodalan Nasional Berhad ("PNB"):

A conditional sale and purchase agreement ("SPA") for the proposed acquisition of 2 parcels of leasehold land known as Lot 7, Persiaran Raja Muda, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan held under H.S. (D) 172494 and H.S. (D) 167421 respectively, together with all buildings erected thereon from PNB for a cash consideration of RM45.0 million. Upon execution of SPA, Atrium REIT has paid the deposit representing 10% of purchase consideration amounting to RM4.5 million to PNB during the financial year. As at the reporting date, the proposed acquisition is not completed.

28. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

28.1 New MFRSs adopted during the financial year

Atrium REIT adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
MFRS 16 Leases	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
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

Adoption of the above Standards did not have any material effect on the financial performance or position of Atrium REIT except for the adoption of MFRS 16 as described in the following sections.

Notes To The Financial Statements (cont'd)

31 December 2019

28. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

28.1 New MFRSs adopted during the financial year (Cont'd)

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which Atrium REIT is the lessor.

Atrium REIT applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is not restated.

28.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

29. FINANCIAL REPORTING UPDATES

29.1 IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group anticipates an increase in lease liabilities and corresponding right-of-use assets arising from the reassessment of the lease term of existing leasing arrangements due to this final agenda decision.

The Group is in the process of implementing the requirements of this final agenda decision and the impact upon adoption is expected to be recognised during the financial year ending 31 December 2020.

Analysis of Unitholdings

As At 19 FEBRUARY 2020

SIZE OF HOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	20	0.70	660	0.00
100 - 1,000	504	17.72	357,400	0.17
1,001 - 10,000	1,288	45.29	6,549,120	3.20
10,001 - 100,000	840	29.54	28,678,460	14.02
100,001 to less than 5% of issued units	190	6.68	132,300,040	64.66
5% and above of issued units	2	0.07	36,740,000	17.95
TOTAL :	2,844	100.00	204,625,680	100.00

THIRTY (30) LARGEST UNITHOLDERS AS AT 19 FEBRUARY 2020

Name	No. of units	%
1) PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KAM TUCK (TCS)	24,000,000	11.73
2) PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GLORY BLITZ INDUSTRIES SDN BHD (TCS)	12,740,000	6.23
3) CHAN KAM TUCK	9,993,960	4.88
4) UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA DYNAMIC ABSOLUTE MANDATE	8,449,120	4.13
5) CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB COMMERCE TRUSTEE BERHAD (BTR2031)	7,000,000	3.42
6) HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (LIFE PAR)	6,272,280	3.06
7) CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	6,130,320	3.00
8) SOH KING NENG & SONS SDN BHD	5,156,466	2.52
9) SPARKLE SKYLINE SDN BHD	4,562,460	2.23
10) HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED BCF)	3,780,000	1.85
11) TASEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR TA INVESTMENT MANAGEMENT BERHAD (CLIENTS)	3,674,800	1.80
12) SOH KAM ENG	3,429,314	1.68
13) HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED MF)	2,800,000	1.37
14) MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA SAI MEN	2,625,400	1.28
15) STEPHEN EDWARD BLACKBURN	1,940,100	0.95
16) LAW HOCK HUA	1,718,000	0.84
17) SEIK THYE KONG	1,650,000	0.81
18) LIAN MONG YEE @ LIAN MUNG YEE	1,449,000	0.71
19) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (LIFE PAR FD)	1,421,000	0.69
20) GLORY BLITZ INDUSTRIES SDN BHD	1,400,420	0.68

Analysis of Unitholdings (cont'd)

As At 19 FEBRUARY 2020

Name	No. of units	%
21) CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR KWOK CHIU NAM (PBCL-0G0700)	1,400,000	0.68
22) CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR CHEUNG SIU WA (PBCL-0G0706)	1,400,000	0.68
23) HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KAM TUCK	1,400,000	0.68
24) MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SPARKLE SKYLINE SDN BHD (DLR 060-MARGIN)	1,400,000	0.68
25) CHRISTINA CHONG YOKE LENG	1,331,000	0.65
26) ATRIUM REIT MANAGERS SDN BHD	1,271,100	0.62
27) HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED OP)	1,260,000	0.62
28) HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED FLF)	1,260,000	0.62
29) LAW HOCK HUA	1,214,940	0.59
30) CHAI KOOI IM	1,157,000	0.57
	123,286,680	60.25

LIST OF SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

Name	Direct Interest	%	Deemed Interest	%
1. Chan Kam Tuck	42,393,960	20.72	-	-
2. Hong Leong Assurance Berhad	15,372,280	7.51	-	-
3. HLA Holdings Sdn Bhd ⁽¹⁾	-	-	15,372,280	7.51
4. Mitsui Sumitomo Insurance Company, Limited ⁽¹⁾	-	-	15,372,280	7.51
5. Hong Leong Financial Group Berhad ⁽²⁾	-	-	15,372,280	7.51
6. Guoco Group Limited ⁽³⁾	-	-	15,372,280	7.51
7. GuoLine Overseas Limited ⁽³⁾	-	-	15,372,280	7.51
8. GuoLine Capital Assets Limited ⁽³⁾	-	-	15,372,280	7.51
9. Hong Leong Company (Malaysia) Berhad ⁽³⁾	-	-	15,372,280	7.51
10. Tan Sri Quek Leng Chan ⁽⁴⁾	-	-	15,372,280	7.51
11. HL Holdings Sdn Bhd ⁽⁴⁾	-	-	15,372,280	7.51
12. Hong Leong Investment Holdings Pte. Ltd. ⁽⁴⁾	-	-	15,372,280	7.51
13. Hong Realty (Private) Limited ⁽⁴⁾	-	-	15,372,280	7.51
14. Kwek Holdings Pte Ltd ⁽⁴⁾	-	-	15,372,280	7.51
15. Kwek Leng Beng ⁽⁴⁾	-	-	15,372,280	7.51
16. Davos Investment Holdings Private Limited ⁽⁴⁾	-	-	15,372,280	7.51
17. Kwek Leng Kee ⁽⁴⁾	-	-	15,372,280	7.51
18. Glory Blitz Industries Sdn Bhd	14,266,620	6.97	-	-

⁽¹⁾ Deemed interest by virtue of their interest in Hong Leong Assurance Berhad.

⁽²⁾ Deemed interest by virtue of their interest in HLA Holdings Sdn Bhd.

⁽³⁾ Deemed interest by virtue of their interest in Hong Leong Financial Group Berhad.

⁽⁴⁾ Deemed interest by virtue of their interest in Hong Leong Company (Malaysia) Berhad.



ATRIUM REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

(Managed by Atrium REIT Managers Sdn. Bhd. (200501028391) (710526-V))

NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth 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 30 April 2020, Thursday 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 2019 together with the Trustee's Report issued by Pacific Trustee 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 ITS TOTAL NUMBER OF UNITS ISSUED OF ATRIUM REIT** (Ordinary Resolution 1)

"THAT pursuant to the 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, does not exceed 20% of its total number of units issued 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.

Notice of the Annual General Meeting (cont'd)

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.”

By Order of the Board

ATRIUM REIT MANAGERS SDN. BHD. (200501028391) (710526-V)
(as the Manager of Atrium Real Estate Investment Trust)

WONG WAI FOONG (MAICSA 7001358)
FONG SEAH LIH (MAICSA 7062297)
Company Secretary

Kuala Lumpur
28 February 2020

NOTES:-

1. APPOINTMENT OF PROXY

- (i) A unitholder is entitled to attend and vote at any meeting and is entitled to appoint another person (whether a unitholder or not) as his proxy to attend and vote.

If a unitholder appoints 2 proxies, the appointment will be invalid unless the unitholder specifies the proportions of his holdings to be represented by each proxy.

- (ii) If the unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“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.

- (iii) 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.

- (iv) 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.

- (v) 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.

Notice of the Annual General Meeting (cont'd)

- (vi) The instrument appointing a proxy must be deposited at the office 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.
- (vii) Only unitholders whose names appear in the Record of Depositors as at 23 April 2020 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 2019

The Audited Financial Statements is meant for discussion only as the approval of the unitholders is not required pursuant to Paragraph 13.18(b) of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia. Hence, this Agenda is not put forward for voting by the unitholders of Atrium REIT.

3. Explanatory Notes on Special Business

Ordinary Resolution 1 - Proposed Mandate

The proposed Ordinary Resolution 1 is a renewal of a general mandate obtained from the unitholders of Atrium REIT at the previous Annual General Meeting and, if passed, will empower 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 does not exceed 20% of its total number of units issued 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.

As at the date of this Notice, no New Units in Atrium REIT were issued pursuant to the general mandate which was approved at the Seventh Annual General Meeting of Atrium REIT held on 30 April 2019 and which will lapse at the conclusion of the Eighth Annual General Meeting.

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.

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ATRIUM REIT

ATRIUM REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

(Managed by Atrium REIT Managers Sdn. Bhd. (200501028391) (710526-V))

No. of units held	CDS Account No.

Contact No. (During office hour) _____

I/We (name of unitholder as per NRIC/Company Registration Form, in capital letters) being a unitholder/unitholders of **ATRIUM REAL ESTATE INVESTMENT TRUST** ("Atrium REIT") hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/*her/*them, the Chairman of the Meeting as *my/our *proxy/proxies to attend for *me/us on *my/our behalf at the Eighth Annual General Meeting of the 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, 30 April 2020 at 10.00 a.m., and at any adjournment thereof, and to vote as indicated below:-

Special Business		FOR	AGAINST
Ordinary Resolution 1	Proposed Unitholders' Mandate to issue and allot new units of up to 20% of its total number of units issued of Atrium REIT		

Dated this day of 2020

.....
Signature of Unitholder/Common Seal**NOTES :**

- A unitholder is entitled to attend and vote at any meeting and is entitled to appoint another person (whether a unitholder or not) as his proxy to attend and vote.
If a unitholder appoints 2 proxies, the appointment will be invalid unless the unitholder specifies the proportions of his holdings to be represented by each proxy.
- If the unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("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.
- 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.
- A proxy has the same rights as the unitholder to vote whether on a poll or a show of hands, to speak and to be reckoned in a quorum.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation/company, either under its common seal or rubber stamp (if the corporation does not have a common seal) or under the hand of officer or attorney duly authorised.

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
REIT

ATRIUM REAL ESTATE INVESTMENT TRUST