

**THIS CIRCULAR TO THE UNITHOLDERS OF ATRIUM REAL ESTATE INVESTMENT TRUST (“ATRIUM REIT”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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**ATRIUM REAL ESTATE INVESTMENT TRUST**

(a real estate investment trust constituted under the laws of Malaysia)

**CIRCULAR TO UNITHOLDERS IN RELATION TO THE FOLLOWING:-**

**PART A**

**PROPOSED ACQUISITION BY PACIFIC TRUSTEES BERHAD, ACTING AS THE TRUSTEE OF ATRIUM REIT, OF A LEASEHOLD LAND HELD UNDER TITLE NO. H.S.(D) 324738, PT -, TEMPAT INDUSTRIAL SITE AT BATU TIGA, MUKIM DAMANSARA, DAERAH PETALING, NEGERI SELANGOR DARUL EHSAN MEASURING 24,295.208 SQUARE METRES TOGETHER WITH ALL THE BUILDINGS AND STRUCTURES ERECTED THEREON FROM A RELATED PARTY, AMAZING BLITZ SDN BHD, FOR A TOTAL CASH CONSIDERATION OF RM41.00 MILLION (“PROPOSED ACQUISITION”)**

**PART B**

**INDEPENDENT ADVICE LETTER FROM STRATEGIC CAPITAL ADVISORY SDN BHD TO THE NON-INTERESTED UNITHOLDERS OF ATRIUM REIT IN RELATION TO THE PROPOSED ACQUISITION**

**AND**

**NOTICE OF GENERAL MEETING OF UNITHOLDERS**

*Principal Adviser for Part A*

*Independent Adviser for Part B*

**UOBKayHian**



**UOB KAY HIAN SECURITIES (M) SDN BHD**

(Registration No.: 199001003423 (194990-K))  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**STRATEGIC CAPITAL ADVISORY SDN BHD**

(Registration No.: 199901003253 (478153-U))  
(Investment Advisers – Corporate Finance CMSL/A0124/2007)  
(Licensed by Securities Commission Malaysia)

The Notice of General Meeting of unitholders of Atrium REIT (“**Unitholders’ Meeting**”), of which will be conducted on a virtual basis through live streaming and online remote voting using Remote Participation and Voting facilities (“**RPV**”) from the broadcast venue at Tricor Business Centre, Gemilang Room, Unit 29-02, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Tuesday, 6 February 2024 at 11.00 a.m., or any adjournment thereof, together with the accompanying Form of Proxy are enclosed herein.

You are encouraged to participate, speak (in the form of real time submission of typed texts) and vote remotely at the Unitholders’ Meeting using the RPV. A unitholder entitled to attend, speak and vote at the Unitholders’ Meeting is entitled to appoint a proxy or proxies to participate, speak and vote on his/her behalf. In such event, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the office of Atrium REIT Managers Sdn Bhd (being the manager of Atrium REIT) 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 stipulated for holding the Unitholders’ Meeting as indicated below, otherwise the instrument of proxy should not be treated as valid. The lodging of the Form of Proxy will not preclude you from participating, speaking and voting remotely at the Unitholders’ Meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Sunday, 4 February 2024 at 11.00 a.m.  
Date and time of the Unitholders’ Meeting : Tuesday, 6 February 2024 at 11.00 a.m.

This Circular is dated 16 January 2024

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

- “ABSB” or the “Vendor” : Amazing Blitz Sdn Bhd (Registration No.: 202201007469 (1453166-V))
- “Act” : Companies Act 2016
- “AEI” : The asset enhancement initiatives to upgrade Atrium Shah Alam 4 from an existing factory cum office building to a double-storey ramp up warehouse, which was completed on 5 October 2023. A total capital expenditure of approximately RM81.0 million was incurred for the AEI
- “Atrium REIT” : Atrium Real Estate Investment Trust, a real estate investment trust established under the Deed
- “Atrium REIT Unit(s)” or “Unit(s)” : An undivided interest in Atrium REIT as constituted by the Deed
- “Atrium Shah Alam 4” : An existing double-storey warehouse with a mezzanine office and a sub-basement car park located at Lot 7, Persiaran Raja Muda, Section 16, 40200 Shah Alam, Selangor Darul Ehsan
- “Balance Deposit” : The balance of the deposit of RM3,280,000 (constituting 8.0% of the Purchase Consideration), which was paid by the Purchaser to the Vendor upon the execution of the SPA on 2 November 2023
- “Balance Purchase Consideration” : The balance of RM36,900,000 (constituting 90.0% of the Purchase Consideration), which is payable by the Purchaser to the Vendor within the Completion Period or the Extended Completion Period
- “Board” : The Board of Directors of the Manager
- “Bursa Securities” : Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
- “CCC” : Certificate of completion and compliance
- “CFO” : Certificate of fitness for occupation
- “Circular” : This circular to the Unitholders dated 16 January 2024
- “Completion Period” : A period within 3 months from the date on which the SPA becomes unconditional (i.e. the date on which the last of the conditions precedent of the SPA is fulfilled)
- “Deed” : The second restated deed dated 17 December 2019 entered into between the Trustee and the Manager, constituting Atrium REIT
- “Digi” : Digi Telecommunications Sdn Bhd (Registration No.: 199001009711 (201283-M)), a wholly-owned subsidiary of CelcomDigi Berhad (formerly known as Digi.Com Berhad), a company listed on the Main Market of Bursa Securities
- “Director(s)” : The director(s) of the Manager having the meaning given in Section 2(1) of the Capital Markets and Services Act 2007

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**DEFINITIONS (Cont'd)**

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“DPU”	:	Distribution per Unit
“Earnest Deposit”	:	An earnest deposit amounting to RM820,000 (constituting 2.0% of the Purchase Consideration), which was paid on 21 September 2023 by the Purchaser to the Vendor upon the issuance of the letter of offer by the Manager on behalf of the Purchaser to purchase the Subject Property
“EPU”	:	Earnings per Unit
“Existing Digi Tenancy Agreement”	:	Tenancy agreement dated 9 November 2021 entered into between Network Foods Industries and Digi for the rental of the Telco Tower (as defined in <b>Section 2.2</b> of this Circular) at a monthly rental of RM6,300 with the tenancy period of 3 years commencing from 1 February 2021 until 31 January 2024
“Existing Factory A Tenancy”	:	The occupation of Factory A (as defined in <b>Section 2.2</b> of this Circular) by Network Foods Industries (pursuant to the terms of the Previous SPA) and no rental charges for such tenancy for a period of 9 months commencing from 1 September 2023 until 31 May 2024 (being the last date that Network Foods Industries will vacate Factory A)
“Extended Completion Period”	:	An extension of 2 months from the day immediately after the last day of the Completion Period
“FYE”	:	Financial year ended/ending, as the case may be
“Interested Executive”	Chief	: Chan Kum Chong, the chief executive officer of the Manager who is deemed interested in the Proposed Acquisition
“Interested Unitholder”	Major	: Chan Kam Tuck, the major unitholder of Atrium REIT who is deemed interested in the Proposed Acquisition
“Interested Parties”	:	Collectively, the Interested Major Unitholder and the Interested Chief Executive
“Laurelcap” or “Independent Valuer”	:	Laurelcap Sdn Bhd (Registration No.: 200801005326 (806610-U)), the independent valuer appointed by the Trustee, on behalf of Atrium REIT, to carry out the valuation on the Subject Property pursuant to the Proposed Acquisition
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	29 December 2023, being the latest practicable date prior to the date of this Circular
“Manager”	:	Atrium REIT Managers Sdn Bhd (Registration No.: 200501028391 (710526-V)), being the Manager for Atrium REIT
“NA”	:	Not available
“NAV”	:	Net asset value
“Network Foods Industries”	:	Network Foods Industries Sdn Bhd (Registration No.: 197101000634 (10970-X)), an indirect wholly-owned subsidiary of Pan Malaysia Corporation Berhad, a company listed on the Main Market of Bursa Securities

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**DEFINITIONS (Cont'd)**

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“New Tenant”	:	Potential tenant of the Subject Property to be identified by the Manager
“Previous Acquisition”	:	The acquisition of the Subject Property by ABSB from Network Foods Industries via the Previous SPA for a total cash consideration of RM41.00 million, which was announced on Bursa Securities on 7 November 2022 by Pan Malaysia Corporation Berhad and was completed on 30 August 2023
“Previous SPA”	:	Sale and purchase agreement dated 7 November 2022 entered into between Network Foods Industries and ABSB for the Previous Acquisition
“Proposed Acquisition”	:	Proposed acquisition by the Trustee, on behalf of Atrium REIT, of the Subject Property from a related party, ABSB, for the Purchase Consideration
“Purchase Consideration”	:	The total cash consideration of RM41.00 million for the Proposed Acquisition
“REIT”	:	Real estate investment trust
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“SCA” or “Independent Adviser”	:	Strategic Capital Advisory Sdn Bhd (Registration No.: 199901003253 (478153-U))
“SPA”	:	Conditional sale and purchase agreement dated 2 November 2023 entered into between the Trustee and ABSB in relation to the Proposed Acquisition
“Subject Property”	:	A leasehold land held under title no. H.S.(D) 324738, PT -, Tempat Industrial Site at Batu Tiga, Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan measuring 24,295.208 sq m together with all the buildings and structures erected thereon
“Trustee” or the “Purchaser”	:	Pacific Trustees Berhad (Registration No.: 199401031319 (317001-A)), being the trustee of Atrium REIT
“Unitholder(s)”	:	The holder(s) of Atrium REIT Units
“Unitholders’ Meeting”	:	General meeting of the Unitholders
“UOBKH” or “Principal Adviser”	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No.: 199001003423 (194990-K))
“Valuation Certificate”	:	The valuation certificate of the Subject Property dated 3 November 2023 prepared by the Independent Valuer, enclosed as <b>Appendix II</b> of this Circular
“Valuation Report”	:	The valuation report of the Subject Property dated 3 November 2023 prepared by the Independent Valuer
<b>Unit of measurement</b>		
“sq m”	:	Square metres

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**DEFINITIONS (Cont'd)**

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All references to “we”, “us”, “our” and “ourselves” are to Atrium REIT or the Manager. All references to “you” in this Circular are to the Unitholders. Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified. Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our plans and objectives will be achieved.

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**PART A**

**LETTER TO THE UNITHOLDERS OF ATRIUM REIT IN  
RELATION TO THE PROPOSED ACQUISITION**



## EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Acquisition. You are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Acquisition before voting at the forthcoming Unitholders' Meeting.

Key information	Description	Reference to Part A of the Circular															
<b>Summary of the Proposed Acquisition</b>	The Proposed Acquisition entails the acquisition of the Subject Property by the Trustee, on behalf of Atrium REIT, from ABSB, a related party, for the Purchase Consideration of RM41.00 million, subject to the terms and conditions of the SPA.	<b>Section 2</b>															
<b>Basis and justification of determining the Purchase Consideration</b>	<p>The Purchase Consideration of RM41.00 million was arrived at on a "willing-buyer and willing-seller" basis, after taking into consideration the following:-</p> <ul style="list-style-type: none"> <li>(i) the market value of the Subject Property of RM41,500,000 as appraised by the Independent Valuer based on the date of inspection on 3 October 2023;</li> <li>(ii) the rationale for the Proposed Acquisition as set out in <b>Part A, Section 3</b> of this Circular; and</li> <li>(iii) the prospects of the Subject Property as set out in <b>Part A, Section 4.3</b> of this Circular.</li> </ul>	<b>Section 2.4</b>															
<b>Mode of settlement</b>	<p>Pursuant to the terms of the SPA, the Purchase Consideration is to be satisfied entirely in cash in the following manner:-</p> <table border="1" data-bbox="459 1064 1214 1641"> <thead> <tr> <th>Payment term</th> <th>Timing of settlement</th> <th>Purchase Consideration (RM)</th> </tr> </thead> <tbody> <tr> <td>2.0% of the Purchase Consideration as Earnest Deposit</td> <td>The Earnest Deposit was paid by the Purchaser to the Vendor on 21 September 2023</td> <td>820,000</td> </tr> <tr> <td>8.0% of the Purchase Consideration as Balance Deposit</td> <td>The Balance Deposit was paid by the Purchaser to the Vendor upon the execution of the SPA on 2 November 2023</td> <td>3,280,000</td> </tr> <tr> <td>90.0% of the Purchase Consideration as Balance Purchase Consideration</td> <td>The Balance Purchase Consideration shall be paid by the Purchaser to the Vendor's solicitors as stakeholders within the Completion Period or the Extended Completion Period<sup>(1)</sup></td> <td>36,900,000</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>41,000,000</b></td> </tr> </tbody> </table> <p><b>Note:-</b></p> <p>(1) <i>The Purchaser is subject to a late payment interest of 8.0% per annum on the unpaid Purchase Consideration in the event any part of the Balance Purchase Consideration is paid after 1 month from the Completion Period.</i></p>	Payment term	Timing of settlement	Purchase Consideration (RM)	2.0% of the Purchase Consideration as Earnest Deposit	The Earnest Deposit was paid by the Purchaser to the Vendor on 21 September 2023	820,000	8.0% of the Purchase Consideration as Balance Deposit	The Balance Deposit was paid by the Purchaser to the Vendor upon the execution of the SPA on 2 November 2023	3,280,000	90.0% of the Purchase Consideration as Balance Purchase Consideration	The Balance Purchase Consideration shall be paid by the Purchaser to the Vendor's solicitors as stakeholders within the Completion Period or the Extended Completion Period <sup>(1)</sup>	36,900,000	<b>Total</b>		<b>41,000,000</b>	<b>Section 2.5</b>
Payment term	Timing of settlement	Purchase Consideration (RM)															
2.0% of the Purchase Consideration as Earnest Deposit	The Earnest Deposit was paid by the Purchaser to the Vendor on 21 September 2023	820,000															
8.0% of the Purchase Consideration as Balance Deposit	The Balance Deposit was paid by the Purchaser to the Vendor upon the execution of the SPA on 2 November 2023	3,280,000															
90.0% of the Purchase Consideration as Balance Purchase Consideration	The Balance Purchase Consideration shall be paid by the Purchaser to the Vendor's solicitors as stakeholders within the Completion Period or the Extended Completion Period <sup>(1)</sup>	36,900,000															
<b>Total</b>		<b>41,000,000</b>															

**EXECUTIVE SUMMARY (Cont'd)**

Key information	Description	Reference to Part A of the Circular
<b>Rationale and justification for the Proposed Acquisition</b>	<p>The Proposed Acquisition is in line with Atrium REIT's overall strategy to expand its presence as an industrial REIT, taking into consideration the following factors:-</p> <ul style="list-style-type: none"> <li>(i) the Proposed Acquisition aligns with Atrium REIT's investment objectives and growth strategy to expand its existing portfolio of investment properties;</li> <li>(ii) the Manager expects the Subject Property to be income-generating and fully occupied upon the completion of the Proposed Acquisition and expects the rental from the New Tenant to contribute positively to the earnings of Atrium REIT; and</li> <li>(iii) the Proposed Acquisition enhances the size of Atrium REIT's property portfolio and further strengthen Atrium REIT's position as a sizeable industrial REIT in Malaysia.</li> </ul>	<b>Section 3</b>
<b>Risk factors</b>	<p>The potential risk factors in relation to the Proposed Acquisition are as follows:-</p> <ul style="list-style-type: none"> <li>(i) acquisition risk;</li> <li>(ii) tenancy risk;</li> <li>(iii) completion risk;</li> <li>(iv) financing and interest rate risk; and</li> <li>(v) compulsory acquisition by the Government of Malaysia.</li> </ul>	<b>Section 5</b>
<b>Approvals required</b>	<p>The Proposed Acquisition is subject to the approval of the non-interested Unitholders at the forthcoming Unitholders' Meeting.</p>	<b>Section 9</b>
<b>Conditionality of the Proposed Acquisition</b>	<p>The Proposed Acquisition is not conditional upon any other corporate exercises undertaken or to be undertaken by Atrium REIT.</p>	<b>Section 9</b>
<b>Interest of Directors, major shareholders, chief executive of the Manager, major Unitholders of Atrium REIT and/or persons connected with them</b>	<p>Save for the Interested Major Unitholder and Interested Chief Executive, none of the Directors, major shareholders and chief executive of the Manager, major Unitholders of Atrium REIT and/or any persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition.</p> <p>The Proposed Acquisition is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Major Unitholder and the Interested Chief Executive.</p>	<b>Section 10</b>
<b>Directors' statement</b>	<p>The Board, after having considered all aspects of the Proposed Acquisition, including but not limited to the salient terms of the SPA, basis and justification of determining the Purchase Consideration, the appraised market value of the Subject Property, rationale for the Proposed Acquisition, risk factors, the financial effects of the Proposed Acquisition and the evaluation of the Independent Adviser on the Proposed Acquisition, is of the view that the Proposed Acquisition is in the best interest of Atrium REIT.</p> <p>Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.</p>	<b>Section 11</b>



**ATRIUM REIT MANAGERS SDN BHD**

(Registration No.: 200501028391 (710526-V))  
(Incorporated in Malaysia)

**Registered Office**

Unit 30-01, Level 30, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

16 January 2024

**Board of Directors**

Dato' Dr Ir Mohamad Khir Bin Harun	<i>(Chairman and Non-Independent Non-Executive Director)</i>
Wong Sui Ee	<i>(Executive Director)</i>
Foong Wai Leng	<i>(Executive Director)</i>
Chan Wan Seong	<i>(Independent Non-Executive Director)</i>
Chng Boon Huat	<i>(Independent Non-Executive Director)</i>
Ho Hock Heng	<i>(Independent Non-Executive Director)</i>

**To: The Unitholders of Atrium REIT**

Dear Sir/Madam,

**PROPOSED ACQUISITION**

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**1. INTRODUCTION**

On 2 November 2023, UOBKH had, on behalf of the Board, announced that the Trustee, for and on behalf of Atrium REIT, had on even date entered into the SPA with ABSB, a related party, for the Proposed Acquisition.

For information purposes, ABSB had previously acquired the Subject Property from Network Foods Industries via the Previous SPA for a total cash consideration of RM41.00 million (which is equivalent to the Purchase Consideration under the Proposed Acquisition). The Previous Acquisition was announced on Bursa Securities on 7 November 2022 by Pan Malaysia Corporation Berhad and completed on 30 August 2023.

The Subject Property is located directly beside Atrium REIT's existing property, Atrium Shah Alam 4, which is rented to an established multinational logistics company, DHL Properties (Malaysia) Sdn Bhd. As the Subject Property is strategically located within a prime and mature industrial estate which is familiar to the Manager, the Manager believes that the Proposed Acquisition will both complement and enhance the property portfolio of Atrium REIT. Further details on the rationale for the Proposed Acquisition are set out in **Part A, Section 3** of this Circular.

In view of the interest of the Interested Major Unitholder and the Interested Chief Executive in the Proposed Acquisition (further details of which are disclosed in **Part A, Section 10** of this Circular), the Proposed Acquisition is hence deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, SCA has been appointed on 26 September 2023 as the independent adviser to advise the Board and non-interested Unitholders on the Proposed Acquisition.

Further details of the Proposed Acquisition are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING. THE NOTICE OF THE FORTHCOMING UNITHOLDERS' MEETING AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

## 2. DETAILS OF THE PROPOSED ACQUISITION

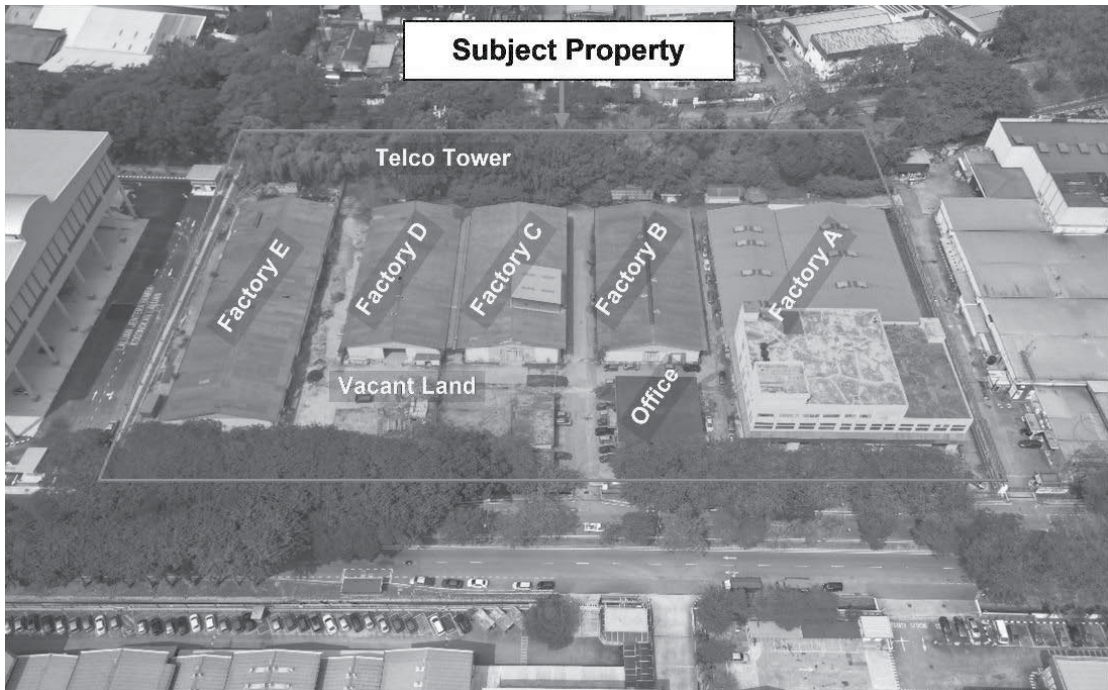
### 2.1 Background information on the Proposed Acquisition

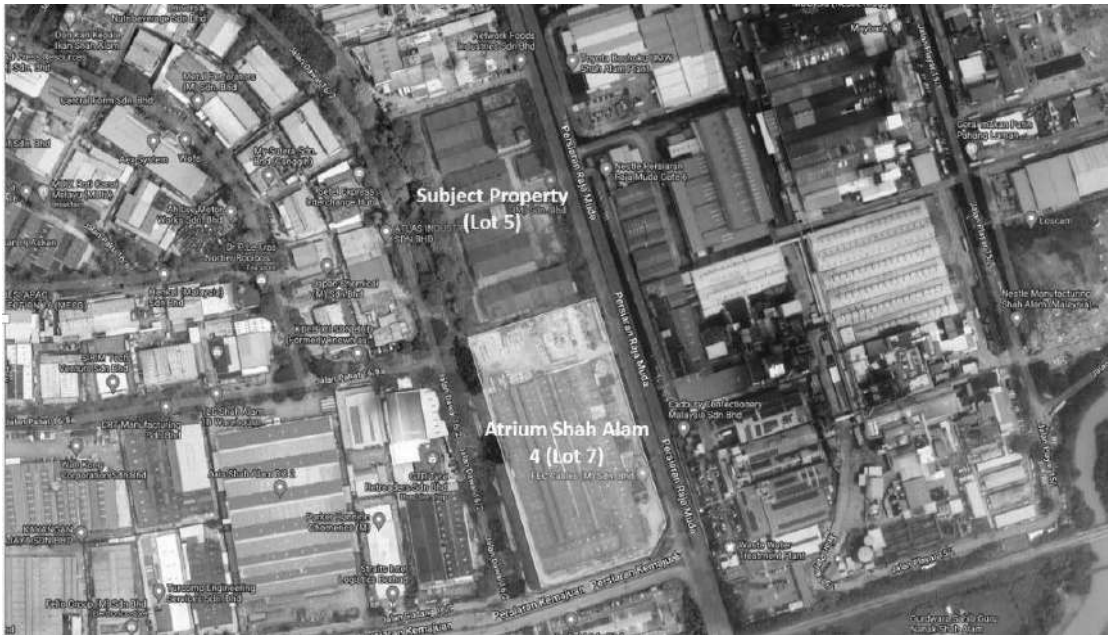
The Proposed Acquisition entails the acquisition of the Subject Property by the Trustee, on behalf of Atrium REIT, from ABSB for the Purchase Consideration of RM41.00 million, subject to the terms and conditions of the SPA. The Subject Property will be acquired free from all encumbrances and on an "as is, where is" basis, and subject to all conditions of title (whether expressed or implied).

The salient terms of the SPA are set out in **Appendix I** of this Circular.

### 2.2 Information on the Subject Property

The Subject Property is located in Shah Alam, Selangor Darul Ehsan, with a land size of 24,295.208 sq m. The Subject Property is strategically located within a prime and mature industrial estate in Shah Alam, Selangor Darul Ehsan, and surrounded by a mixture of residential, commercial and industrial developments such as apartments, condominiums, serviced apartments, terraced houses, semi-detached houses, detached houses, shop-offices, terraced factories, semi-detached factories and detached factories. The Subject Property is situated near a notable landmark (i.e. I-City Shah Alam).





(Aerial view of the Subject Property)

Further information on the Subject Property is set out below:-

<b>Title particulars</b>	:	H.S.(D) 324738, PT -, Tempat Industrial Site at Batu Tiga, Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan																							
<b>Postal address</b>	:	Lot 5, Persiaran Raja Muda, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan																							
<b>Land area</b>	:	24,295.208 sq m (approximately 6.004 acres)																							
<b>Tenure</b>	:	Leasehold for a period of 99 years expiring on 13 November 2068																							
<b>Description of the buildings</b>	:	(i) single-storey factory cum 3-storey office building ("Factory A"); (ii) single-storey factory ("Factory B"); (iii) single-storey factory ("Factory C"); (iv) single-storey factory ("Factory D"); (v) single-storey factory ("Factory E"); and (vi) double-storey office building ("Office")																							
<b>Age of buildings</b>	:	<table border="1"> <thead> <tr> <th>Buildings</th> <th>Date of CFO/CCC</th> <th>Age of building</th> </tr> </thead> <tbody> <tr> <td>Factory A</td> <td>2 September 1988 / 2 March 2018<sup>(1)</sup></td> <td>35 years</td> </tr> <tr> <td>Factory B</td> <td>NA<sup>(2)</sup></td> <td>more than 35 years</td> </tr> <tr> <td>Factory C</td> <td>NA<sup>(2)</sup></td> <td>more than 35 years</td> </tr> <tr> <td>Factory D</td> <td>NA<sup>(2)</sup></td> <td>more than 35 years</td> </tr> <tr> <td>Factory E</td> <td>NA<sup>(2)</sup></td> <td>more than 35 years</td> </tr> <tr> <td>Office</td> <td>NA<sup>(2)</sup></td> <td>more than 35 years</td> </tr> </tbody> </table>			Buildings	Date of CFO/CCC	Age of building	Factory A	2 September 1988 / 2 March 2018 <sup>(1)</sup>	35 years	Factory B	NA <sup>(2)</sup>	more than 35 years	Factory C	NA <sup>(2)</sup>	more than 35 years	Factory D	NA <sup>(2)</sup>	more than 35 years	Factory E	NA <sup>(2)</sup>	more than 35 years	Office	NA <sup>(2)</sup>	more than 35 years
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Factory E	NA <sup>(2)</sup>	more than 35 years																							
Office	NA <sup>(2)</sup>	more than 35 years																							
<b>Gross floor area</b>	:	6,478.00 sq m <sup>(2)</sup>																							
<b>Registered owner</b>	:	ABSB																							
<b>Category of land use</b>	:	Industri																							
<b>Express conditions</b>	:	Perusahaan																							
<b>Restrictions-in-interest</b>	:	Nil																							
<b>Encumbrances</b>	:	Charged to Public Bank Berhad vide Presentation No. 73203/2023 dated 18 August 2023 <sup>(3)</sup> . The charge relates to the bank borrowings of RM81.80 million secured by the Vendor to part finance the acquisition of the Subject Property and construction costs to build a general warehouse																							
<b>Endorsements</b>	:	Nil																							

<b>Existing use/ Occupation</b>	:	Vacant and unoccupied as at the LPD, save for the following buildings/structure:-  (i) <u>Factory A<sup>(4)</sup></u>  Factory A is occupied by Network Foods Industries.  (ii) <u>Factory D and Factory E<sup>(5)</sup></u>  Factory D and Factory E are occupied by ABSB for storage purposes.  (iii) <u>Telecommunication tower ("Telco Tower")<sup>(6)</sup></u>  The Telco Tower is occupied by Digi.  (iv) <u>Vacant land in front of Factory C and Factory D ("Vacant Land")<sup>(5)</sup></u>  The Vacant Land is occupied by ABSB for storage purposes.
<b>Proposed use<sup>(7)</sup></b>	:	Office and warehouse
<b>Book value as at 30 August 2023<sup>(8)</sup></b>	:	RM41,000,000
<b>Independent valuer</b>	:	Laurelcap
<b>Date of inspection</b>	:	3 October 2023
<b>Method of valuation<sup>(9)</sup></b>	:	Income approach (primary) and cost approach (secondary)
<b>Market value appraised by the Independent Valuer as at the date of inspection</b>	:	RM41,500,000

**Notes:-**

- (1) *Factory A was built in 1988 and has a CFO issued by Majlis Perbandaran Shah Alam (now known as Majlis Bandaraya Shah Alam) on 2 September 1988 via reference no. SA/RS/No.1370. Subsequently, a renovation was done in 2018 via an approved renovation plan bearing reference no. MBSA/BGN/BB/600-B[PB]/SEK 16/0131-2017 ("**Approved Renovation Plan**"), followed by the issuance of a CCC via reference no. LAM/S/No.16016 dated 2 March 2018.*
- (2) *The Independent Valuer has not assigned any market value for Factory B, Factory C, Factory D, Factory E and Office in their valuation of the Subject Property given that those buildings do not have CFO/CCC as at the LPD. The breakdown of the gross floor area of the Subject Property is set out below:-*

<b>Buildings</b>	<b>Gross floor area</b>	
	<b>On site measurements (sq m)</b>	<b>Approved Renovation Plan (sq m)</b>
Factory A	6,423.63	6,478.00
Factory B	1,387.50	NA
Factory C	1,387.50	NA
Factory D	1,387.50	NA
Factory E	2,000.00	NA
Office	800.00	NA
<b>Total</b>	<b>13,386.13</b>	<b>6,478.00</b>

*The negotiations undertaken between the parties to acquire the Subject Property was on an "as is where is" basis. The Vendor is not privy to the rationale of the previous owner (i.e. Network Foods Industries) on the omission of obtaining the CFO/CCC for Factory B, Factory C, Factory D, Factory E and Office. Nevertheless, upon completion of the Proposed Acquisition and securing the New Tenant, the Manager will initiate the necessary actions based on the New Tenant's requirements, which may include addressing the CFO/CCC issues and carry out minor rectification works. Alternatively, if required by the New Tenant, the Manager may demolish these structures to create an open yard space for the New Tenant.*

- (3) The total outstanding loan obtained by the Vendor as at the LPD is RM32.80 million and such loan will be fully settled by the Vendor upon the receipt of the Balance Purchase Consideration. Further details are set out in **Appendix I** of this Circular.
- (4) For information purposes, pursuant to the terms of the Previous SPA, ABSB shall continue to allow Network Foods Industries to rent Factory A without any rental for a period of 9 months commencing from 1 September 2023 until 31 May 2024 ("**Rental Free Obligations**"). As at this juncture, Network Foods Industries does not have any intention to renew the Existing Factory A Tenancy upon the expiry of the said tenancy and as such, Network Foods Industries will vacate Factory A on 31 May 2024 as per the terms of the Previous SPA.
- In accordance with the terms of the SPA, Atrium REIT is required to assume the Rental Free Obligations of ABSB, whereby any new tenancy for Factory A can only commence after 31 May 2024.
- (5) Upon the completion of the Proposed Acquisition, ABSB will vacate Factory D, Factory E and the Vacant Land.
- (6) Pursuant to the Existing Digi Tenancy Agreement, Digi had expressed its intention to renew the Existing Digi Tenancy Agreement expiring on 31 January 2024 and extend the tenancy for a further period of 18 months from the expiry at the same monthly rental of RM6,300 and all other terms of tenancy remain the same as the Existing Digi Tenancy Agreement ("**Renewal Digi Tenancy Agreement**"). ABSB is in the midst of finalising the Renewal Digi Tenancy Agreement with Digi and such agreement shall be novated to Atrium REIT in due course.
- (7) The Manager is currently in the midst of identifying New Tenant to rent the Subject Property upon the completion of the Proposed Acquisition ("**New Tenancy**"). It should be noted that the Manager is currently exploring to rent the Subject Property to a single tenant. However, the Manager may rent the Subject Property to more than 1 tenant depending on the rental rates, rental period and market enquiries for the Subject Property.
- (8) The Vendor had only completed the Previous Acquisition on 30 August 2023.
- (9) The market value for the Subject Property was appraised by the Independent Valuer based on the valuation approaches set out as follows:-

Valuation approaches	Methodology	Appraised market value (RM)
Income approach (primary)	Capitalisation of net annual income that is expected to be generated from the asset after deducting annual expenses incidental to the property with allowance for unoccupancy, using an appropriate market derived capitalisation rate	41,500,000
Cost approach (secondary)	The summation of land value in the area and cost of constructing a similar property on the land, adjusted for depreciation based on physical deterioration, functional obsolescence and economic obsolescence	41,000,000

### 2.3 Information on the Vendor

ABSB is a private limited company duly incorporated in Malaysia under the Act on 1 March 2022 and having its registered office at Lot 6.01, 6<sup>th</sup> Floor, Imbi Plaza, 28 Jalan Imbi, 55100 Kuala Lumpur and place of business at No. 38-2 Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur.

ABSB is primarily involved in property investment, general trading and freight transport by road.

ABSB has a total issued share capital of RM100,000 comprising 100,000 ordinary shares as at the LPD.

The details of the shareholders of ABSB and their respective shareholdings in ABSB as at the LPD are as follows:-

Company/ Name	Place of incorporation/ Nationality	Shareholdings as at the LPD			
		Direct		Indirect	
		No. of shares	%	No. of shares	%
Realco Sdn Bhd	Malaysia	50,000	50.0	-	-
Soh Kam Eng	Malaysian	50,000	50.0	-	-

The details of the directors of ABSB and their respective shareholdings in ABSB as at the LPD are as follows:-

Name	Nationality	Shareholdings as at the LPD			
		Direct		Indirect	
		No. of shares	%	No. of shares	%
Chang Keng Seng	Singaporean	-	-	-	-
Chan Kam Tuck	Malaysian	-	-	(1)50,000	50.0
Soh Kam Eng	Malaysian	50,000	50.0	-	-

**Note:-**

- (1) Deemed interest by virtue of his indirect interest in Realco Sdn Bhd (via his direct shareholdings in Glory Blitz Sdn Bhd and indirect shareholdings in Kilat Idam Sdn Bhd and Magna Diamond Sdn Bhd) pursuant to Section 8 of the Act.

## 2.4 Basis and justification of determining the Purchase Consideration

The Purchase Consideration of RM41.00 million was arrived at on a “willing-buyer and willing-seller” basis, after taking into consideration the following:-

- (i) the market value of the Subject Property of RM41,500,000 as appraised by the Independent Valuer based on the date of inspection of the Subject Property on 3 October 2023. The Purchase Consideration represents a marginal discount of RM500,000 or 1.20% to the appraised market value of the Subject Property;
- (ii) the rationale for the Proposed Acquisition as set out in **Part A, Section 3** of this Circular; and
- (iii) the prospects of the Subject Property as set out in **Part A, Section 4.3** of this Circular.

## 2.5 Mode of settlement

Pursuant to the terms of the SPA, the Purchase Consideration is to be satisfied entirely in cash in the following manner:-

Payment term	Timing of settlement	Purchase Consideration (RM)
2.0% of the Purchase Consideration as Earnest Deposit	The Earnest Deposit was paid by the Purchaser to the Vendor on 21 September 2023	820,000
8.0% of the Purchase Consideration as Balance Deposit	The Balance Deposit was paid by the Purchaser to the Vendor upon the execution of the SPA on 2 November 2023	3,280,000
90.0% of the Purchase Consideration as Balance Purchase Consideration	The Balance Purchase Consideration shall be paid by the Purchaser to the Vendor’s solicitors as stakeholders within the Completion Period or the Extended Completion Period <sup>(1)</sup> . The date of the Balance Purchase Consideration is fully paid by the Purchaser within the Completion Period or the Extended Completion Period, as the case may be, shall be the completion date (“ <b>Completion Date</b> ”)	36,900,000
<b>Total</b>		<b>41,000,000</b>

**Note:-**

- (1) The Purchaser is subject to a late payment interest of 8.0% per annum on the unpaid Purchase Consideration in the event any part of the Balance Purchase Consideration is paid after 1 month from the Completion Period. Further details are set out in **Appendix I** of this Circular.



## 2.6 Source of funding

The Purchase Consideration will be satisfied entirely in cash via a combination of internally generated funds of Atrium REIT and bank borrowings, the proportion of which is as follows:-

Source of funding	RM	%
Internally generated funds of Atrium REIT	8,200,000	20.0
Bank borrowings	(1)32,800,000	80.0
<b>Total</b>	<b>41,000,000</b>	<b>100.0</b>

**Note:-**

- (1) For Unitholders' information, the Manager has submitted an application to a financial institution to obtain the loan amounting to RM32.80 million in 4<sup>th</sup> quarter of 2023 to part finance the Proposed Acquisition. As at the LPD, the application is being processed and pending approval. The Manager envisages that the interest rate on the loan to be at the prevailing rate of approximately 4.75%.

For information purposes, Atrium REIT has a total cash and cash equivalents of approximately RM38.03 million while Atrium REIT's total borrowings stood at approximately RM252.60 million as at the LPD.

## 2.7 Liabilities to be assumed

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the SPA as set out below and as detailed in **Appendix I** of this Circular, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by Atrium REIT arising from the Proposed Acquisition:-

- (i) the Purchase Consideration; and
- (ii) the associated costs relating to the Proposed Acquisition and the liquidated damages, if any, arising from the termination of the Proposed Acquisition.

## 2.8 Additional financial commitment

Save for the Purchase Consideration, there is no additional financial commitment required by Atrium REIT pursuant to the Proposed Acquisition.

Notwithstanding thereof, Atrium REIT may incur minor rectification and refurbishment costs, if required and/or upon the request of the New Tenant to accommodate the specific requirements of the New Tenant ("**Potential Refurbishments**"). However, it is still preliminary at this juncture to ascertain the extent of such Potential Refurbishments and the expected timeline of completion and associated costs given that the Manager is still in the midst of identifying suitable New Tenant. For Unitholders' information, the Manager has allocated up to RM1.0 million (representing approximately 2.44% of the Purchase Consideration) for the Potential Refurbishments, catering to basic and minor rectification and refurbishment to the Subject Property. It should be noted that such costs estimation of the Potential Refurbishments may materially vary from the actual costs incurred due to specific rectifications or asset enhancements requirements which may be imposed by the New Tenant. At this juncture, the Manager is actively engaged in the process of identifying the New Tenant for the Subject Property and as such, is unable to ascertain the actual Potential Refurbishment and associated costs.

## 2.9 Original cost and date of investment by the Vendor

The original cost of investment by the Vendor in the Subject Property is RM41.00 million (excluding transaction costs incurred by the Vendor pursuant to the Previous Acquisition) and the date of investment is 30 August 2023 in view that the Previous Acquisition was completed on even date.

### 3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with Atrium REIT's overall strategy to expand its presence as an industrial REIT, taking into consideration the following factors:-

#### (i) In line with Atrium REIT's investment policy and objective

The Proposed Acquisition aligns with Atrium REIT's investment objectives and growth strategy to expand its existing portfolio of investment properties. The Subject Property is strategically located adjacent to Atrium Shah Alam 4, both of which are within a prime and mature industrial estate in Shah Alam, Selangor Darul Ehsan.

There are 4 industrial properties held by Atrium REIT in Shah Alam as at the LPD, details of which are set out in the table below:-

	Atrium Shah Alam 1	Atrium Shah Alam 2	Atrium Shah Alam 3	Atrium Shah Alam 4
<b>Address</b>	Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan	Lot 7A, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan	No. 10, Persiaran Sabak Bernam, Section 26, Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan	Lot 7, Persiaran Raja Muda, Section 16, 40200 Shah Alam, Selangor Darul Ehsan
<b>Size</b>	53,244.96 sq m (approximately 13.16 acres)	48,560.98 sq m (approximately 12.00 acres)	13,013.67 sq m (approximately 3.22 acres)	31,439.97 sq m (approximately 7.77 acres)
<b>Occupancy rate</b>	100%	100%	100%	NA <sup>(1)</sup>
<b>Aggregate rental income per month</b>	RM1.03 million			NA <sup>(1)</sup>
<b>Rental yield (%)</b>	5.62 to 6.12			NA <sup>(1)</sup>

**Note:-**

(1) The lease with DHL Properties (Malaysia) Sdn Bhd will commence in the 1<sup>st</sup> quarter of 2024.

The Manager aims to maximise income of Atrium REIT to reward the Unitholders with a competitive rate of return for its investment through regular and stable distributions and achieving long-term growth in distributions and NAV per Unit. This is achieved by amongst others, selectively acquiring properties with stable recurring rental income that meet the Manager's investment criteria which are yield accretive or close to yield accretive with the potential for enhancement, such that the Unitholders will be able to enjoy the upside in DPU in the future. Given the number of industrial properties held by Atrium REIT in Shah Alam and the scarcity of industrial properties in the area, the Manager has been able to consistently realise strong rental demand and occupancy for all its industrial properties in Shah Alam. The Manager is of the view that the Subject Property meets its prescribed investment criteria and exhibits the potential for fulfilling the long term yield accretive objectives of Atrium REIT, similar to Atrium Shah Alam 4 which has been rented to a multinational logistics company, DHL Properties (Malaysia) Sdn Bhd.

**(ii) DPU of Atrium REIT is expected to be accretive**

The Manager expects the Subject Property to be income-generating and fully occupied upon the completion of the Proposed Acquisition, taking into consideration, amongst others, the expiry of the Existing Factory A Tenancy, the refurbishments to be undertaken subject to the requirements of the identified New Tenant (if required), the prospects of the Subject Property as set out in **Part A, Section 4.3** of this Circular and the strong rental demand for industrial properties in Shah Alam industrial area. The Manager is actively identifying and assessing the New Tenant by enlisting the services of property agents with expertise in Shah Alam industrial area and expects the rental from the New Tenant to contribute positively to the earnings of Atrium REIT. The said property agents have since marketed the Subject Property to 2 prospective tenants. Notwithstanding thereof, the Manager has not made any assessment on the prospective tenants given that there are no official offers submitted by them while other prospects require warehouse space for immediate use which we are unable to provide in view of the Existing Factory A Tenancy. Network Foods Industries, as at this juncture, has not expressed any intention to renew the Existing Factory A Tenancy upon the expiry of the said tenancy and the Manager does not have any intention to retain ABSB as a tenant of the Subject Property. The Manager plans to rent the Subject Property to a single tenant, depending on the rental rates, rental period and sustainability of the Subject Property. The Manager may, however, rent to more than 1 tenant as the case may be.

**(iii) Enhances the size of Atrium REIT's property portfolio**

Atrium REIT's total asset value is approximately RM629.52 million which consists of 8 properties as at 30 September 2023. Upon completion of the Proposed Acquisition, Atrium REIT's total asset value will increase by approximately 6.51% to approximately RM670.52 million. The increase in the property portfolio size will further strengthen Atrium REIT's position as a sizeable industrial REIT in Malaysia. Assuming the Purchase Consideration is partly funded by bank borrowings (i.e. RM32.80 million), the gearing of Atrium REIT will increase from 40.95% as at 31 December 2022 to 42.52% after the completion of the Proposed Acquisition.

Additionally, the Proposed Acquisition will enlarge Atrium REIT's existing lettable area as at the LPD by approximately 3.83% from approximately 169,207.65 sq m (after taking into consideration the completion of the AEI on Atrium Shah Alam 4 on 5 October 2023) up to approximately 175,685.65 sq m (prior to the refurbishment on the Subject Property subject to the requirements of the identified New Tenant, if required).

Premised on the above, the Manager is of the view that the Proposed Acquisition continues to meet the investment objective of Atrium REIT and fits in with Atrium REIT's rationale of acquiring industrial properties located in strategic locations (i.e. Shah Alam, Penang and Johor) that meets the long term yield accretive objectives of Atrium REIT and to grow its income base and investment portfolio of industrial properties.

## **4. INDUSTRY OVERVIEW AND PROSPECTS**

### **4.1 Overview and outlook of the Malaysian economy**

Despite escalating uncertainties in the global landscape, Malaysia's economy remains resilient. The gross domestic product ("**GDP**") is forecast to expand by approximately 4% in 2023 and between 4% and 5% in 2024. The Government acknowledged the World Bank's forecast that Malaysia's growth will be 4.3% in 2024, which is slightly higher than its initial estimate. This is in line with Malaysia's 2024 growth projection, which will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap ("**NETR**"), New Industrial Master Plan 2030 ("**NIMP 2030**"), and the Mid-Term Review of the Twelfth Malaysia Plan ("**MTR of the Twelfth Plan**").

Furthermore, Malaysia's domestic demand in 2023 continues to be buoyed by expansion in consumption and investment spending. This is also supported by favourable labour market condition and easing inflationary pressures as well as vibrant tourism activities. The surge of private investment is attributed to the multi-year execution of infrastructure ventures and sustained capital investments in the services and manufacturing sectors. The robust activity in private sector expenditure is expected to offset the effects of moderate public spending in 2023.

In 2024, private sector expenditure remains as the main contributor in driving economic activities owing to stronger domestic demand. In addition, Government initiatives to support household spending through cash transfers to targeted groups and the growing social commerce trend are expected to boost private consumption. Meanwhile, private investment is poised to accelerate further driven by improved business environment in consonance with positive response towards Government's strategies and measures in attracting high-tech and high-value investments via the NETR and NIMP 2030.

On the supply side, services and manufacturing sectors continue to be the primary engines of growth in 2023. The services sector performance is driven by tourism subsectors, resulted from higher tourist arrivals and improved consumer spending. However, the manufacturing sector is expected to register a modest growth amid sluggish external demand. Likewise, agriculture sector is projected to expand moderately contributed by the oil palm, other agriculture and livestock subsectors, while the mining sector is anticipated to decline due to lower external demand for liquefied natural gas (LNG). On the other hand, the construction sector is expected to record better performance supported by the acceleration of ongoing infrastructure and utilities projects.

In 2024, the wholesale and retail trade subsector will remain as the key contributor to the services sector, underpinned by the expansion in retail segment through digital transactions. In addition, the domestic-oriented industries are backed by higher output in high growth high value (HGHV) industries which will drive the manufacturing sector, in tandem with the implementation of initiatives under the NETR, NIMP 2030 and MTR of the Twelfth Plan as well as Chemical Industry Roadmap 2030. Agriculture sector remains steady partly attributed by expected increase in oil palm production and crude palm oil (CPO) prices. The mining sector is forecast to recover mainly contributed by the new gas field projects such as Gansar, Jerun and Kasawari. Meanwhile, the construction sector continues to grow supported by growth in all subsectors, partly by the increasing demand in renewable and clean energy as well as decarbonisation, in line with the green economy agenda.

In 2023, exports have contracted in tandem with the global economic and trade slowdown, primarily influenced by China's slower-than-anticipated economic growth and moderate commodity prices. In contrast, the current account surplus is expected to expand, driven by a narrowing deficit in the services and primary income accounts. However, the outlook for 2024 indicates a gradual upswing, attributed to improved global trade and prospects in the commodity sector.

*(Source: Economic Outlook 2024, Ministry of Finance Malaysia)*

## **4.2 Overview and outlook of the property industry in Malaysia**

The Malaysian economy recorded a growth of 7.0% in Q4 2022, supported by the continued expansion in domestic demand, improving labour market conditions, resilient demand for electrical and electronics goods and recovery in tourism activities. The moderation from the high growth of 14.2% in the previous quarter reflects waning support from stimulus measures and low base effect from the negative growth in the third quarter of 2021.

Overall, Malaysia's economy performance boosted to 8.7% in 2022 as compared to 3.1% in 2021 which is the highest annual growth recorded within the period of 22 years (2000: 8.9%). Correspondingly, the property market recorded an increase in 2022 supported by a better performance in all sectors compared to the previous year. In 2022, total transactions volume and value increased by 29.5% and 23.6%, respectively to 389,107 transactions and RM179.07 billion (2021: 300,497 transactions; RM144.87 billion). Total transactions volume in 2022 is the highest volume recorded within the period of 10 years (2012: 427,520 transactions) whilst total transactions value is higher than the previous record high in 2014 (162.97 billion).

The property market recorded a total of 389,107 transactions worth RM179.07 billion for 2022. This indicated an increase of 29.5% in volume and 23.6% in value compared to 2021. Of the total transactions recorded in the review year, 20.7% (80,373) and 76.5% (297,700) were transfers dated 2021 and 2022 respectively while the remaining percentage share was for prior years' transfer. Primary market formed 13.8% (53,698 transactions) of the total transactions (purchase from developers) while secondary market took up the remaining 86.2% (335,409 transactions).

The industrial sub-sector recorded 8,082 transactions worth RM21.16 billion in 2022. Compared to 2021, the market activity increased by 44.5% in volume and 24.8% in value. Selangor continued to dominate the market, with 33.8% of the nation's volume, followed by Johor and Perak, each with 14.0% and 8.1% market share.

The industrial overhang remained manageable. The overhang volume decreased to 880 units worth nearly RM1.15 billion, down by 22.1% volume and 27.6% in value against 2021. On similar note, the unsold under construction decreased to 450 units, down by 31.2%. The unsold not constructed recorded 51 units, more than 22 units recorded in 2021.

*(Source: Property Market Report 2022, Valuation and Property Services Department, Ministry of Finance Malaysia)*

#### **4.3 Prospects of the Subject Property**

The Subject Property is strategically located adjacent to Atrium Shah Alam 4, both of which are within a prime and mature industrial estate with various businesses and multinational firms located within close proximity (namely Nestle Manufacturing (Malaysia) Sdn Bhd, Cadbury Confectionery Malaysia Sdn Bhd, UMW Toyota Motor Sdn Bhd and Scientex Berhad). Given the Subject Property's strategic location, easy accessibility and the Manager's strengths and experience in industrial properties, particularly within Shah Alam, the Manager is of the view that the Subject Property represents a good opportunity for Atrium REIT to expand its existing portfolio of investment properties in Shah Alam, after taking into consideration, amongst others, the relative scarcity and growing demand for industrial properties in the vicinity of the Subject Property. The Manager is confident to secure the New Tenant prior to the completion of the Proposed Acquisition and expects the Subject Property to be rented out by 1 June 2024 subject to the requirements and specifications of the New Tenant.

Premised on the above prospects, the Manager is of the view that the Proposed Acquisition will grow Atrium REIT's asset base and net income base and will contribute positively to the financial and operational growth of Atrium REIT in the future.

#### **5. RISK FACTORS**

The Proposed Acquisition may be subject to certain risk factors inherent in the property market, which Atrium REIT is currently subjected to as an industrial REIT. However, as Atrium REIT is currently predominantly involved in industrial real estates, the Proposed Acquisition will not change the risk profile of Atrium REIT.

The following are some non-exhaustive risk factors that may be inherent to Atrium REIT in relation to the Proposed Acquisition:-

#### **5.1 Acquisition risk**

There is no assurance that the anticipated benefits arising from the Proposed Acquisition will be realised or that the Manager will be able to generate sufficient income and earnings therefrom to offset the Purchase Consideration and its associated costs incurred in the Proposed Acquisition. In addition, any decline in economic conditions may affect the potential benefits to be derived from the Proposed Acquisition. As such, the duration required for the Manager to recoup its investment could also be longer than anticipated.

Nevertheless, Atrium REIT will closely monitor and constantly assess the prevailing economic and market conditions as well as the progress of the anticipated recovery of the industrial real estate market. The Board has also exercised due care in considering the potential risks and benefits associated with the Proposed Acquisition and is optimistic of the potential benefits to be derived from the Proposed Acquisition.

#### **5.2 Tenancy risk**

The inability of the Manager to secure the New Tenant on a timely basis will adversely impact the earnings of Atrium REIT. The loss of rental income during the vacancy period will affect the EPU and DPU of Atrium REIT. The Manager is cognisant of such risk and its financial impact and is in the midst of identifying the New Tenant for the Subject Property. It should also be noted that the Manager has at least 5 months up to 31 May 2024 to secure the New Tenant to rent the Subject Property given that Network Foods Industries will only vacate Factory A on 31 May 2024 as per the terms of the Previous SPA. The Manager is currently exploring to rent the Subject Property to a single tenant. However, the Manager may rent the Subject Property to more than 1 tenant depending on the rental rates, rental period and sustainability of the Subject Property.

The Manager is of the view that Atrium REIT will be able to secure the New Tenant by 31 May 2024 given the Subject Property's strategic location, easy accessibility and the Manager's strengths and experience in industrial properties, particularly within Shah Alam.

#### **5.3 Completion risk**

The Proposed Acquisition is subject to, amongst others, the approval of the Unitholders to be obtained at the forthcoming Unitholders' Meeting as well as the fulfilment of other conditions precedent stipulated in the SPA as disclosed in **Appendix I** of this Circular. In the event any of the conditions precedent is not fulfilled or waived, as the case may be, the Proposed Acquisition may be delayed or terminated, and the potential benefits arising therefrom may not materialise.

In addition, the Proposed Acquisition may be aborted in the event that the SPA is terminated as a result of any breach or default attributable to any of the parties. However, the Manager will take all reasonable steps to ensure all conditions precedent and obligation pursuant to the SPA are satisfied within the stipulated timeframe to ensure the timely completion of the Proposed Acquisition.

#### **5.4 Financing and interest rate risk**

The Proposed Acquisition will be financed by a combination of internally generated funds and bank borrowings. Atrium REIT's ability to obtain external financing and the costs of such financing are dependent on numerous factors, including general economic conditions, interest rates, credit availability from the banks or other lenders, or any restriction imposed by the Government of Malaysia and political, social and economic conditions in Malaysia.

There can be no assurance that the necessary financing will be available in amounts or on terms acceptable to Atrium REIT. In addition, Atrium REIT could potentially be exposed to interest rates fluctuation on such external financing obtained, leading to higher borrowing costs that may adversely affect Atrium REIT's financial performance, as well as its ability to service future loan repayment obligations.

Nevertheless, the Manager will actively review Atrium REIT's debt portfolio, by taking into consideration the level, structure and nature of Atrium REIT borrowings and seeking to adopt cost effective and optimal mix of financing options.

## 5.5 Compulsory acquisition by the Government of Malaysia

The Government of Malaysia has the power to acquire compulsorily any land in Malaysia pursuant to the provisions of applicable legislation including the Land Acquisition Act 1960 for certain purposes. In the event of any compulsory acquisition of property in Malaysia, the amount of compensation to be awarded is based on the fair market value of a property and is assessed on the basis prescribed in the Land Acquisition Act 1960 and other relevant laws or regulations. If the Subject Property is compulsorily acquired by the Government of Malaysia at a point in time when the market value of the Subject Property (where applicable) have decreased, the level of compensation paid to Atrium REIT may be lesser than the Purchase Consideration.

In the event of any compulsory acquisition, Atrium REIT will seek to minimise any potential losses from such transaction, including invoking the relevant provisions of the Land Acquisition Act 1960 in relation to its rights to submit an objection in respect of the compensation, where necessary.

## 6. EFFECTS OF THE PROPOSED ACQUISITION

### 6.1 Unitholders' capital and substantial Unitholders' unitholdings

The Proposed Acquisition will not have any effect on the Unitholders' capital of Atrium REIT and substantial Unitholders' unitholdings in Atrium REIT as the Proposed Acquisition does not involve any issuance of new Atrium REIT Units.

### 6.2 NAV per Unit and gearing

For illustration purposes, the pro forma effects of the Proposed Acquisition on the NAV per Unit and gearing of Atrium REIT based on the audited statement of financial position of Atrium REIT as at 31 December 2022 and on the assumption that the Proposed Acquisition had been effected on that date are as follows:-

	Audited as at 31 December 2022 (RM'000)	Pro forma I	Pro forma II
		<sup>(2)</sup> Subsequent adjustments up to the LPD (RM'000)	After pro forma I and the Proposed Acquisition (RM'000)
Unitholders' capital	274,488	288,438	288,438
Undistributed income	61,311	61,311	<sup>(3)</sup> 60,811
<b>Total Unitholders' funds/NAV</b>	<b>335,799</b>	<b>349,749</b>	<b>349,249</b>
No. of Units in circulation ('000)	255,550	265,550	265,550
<b>NAV per Unit (RM)</b>	<b>1.31</b>	<b>1.32</b>	<b>1.32</b>
Total borrowings (RM'000)	250,831	250,831	<sup>(4)</sup> 283,631
Total asset value (RM'000)	612,600	626,550	<sup>(3)</sup> 667,050
<b>Gearing (%)<sup>(1)</sup></b>	<b>40.95</b>	<b>40.03</b>	<b>42.52</b>

**Notes:-**

(1) Computed based on total borrowings divided by total asset value.

- (2) *After adjusting for the following:-*
- (i) *issuance of 10,000,000 new Units at an issue price of RM1.40 per Unit pursuant to the special issuance of Units to a major Unitholder which was completed on 8 March 2023 (“Special Issuance”) and deducting the expenses of approximately RM0.05 million in relation to the Special Issuance; and*
  - (ii) *the AEI which was financed through the funds raised from the private placement (which was completed on 17 August 2022) and the Special Issuance.*
- (3) *After deducting estimated expenses of approximately RM0.50 million in relation to the Proposed Acquisition.*
- (4) *After taking into consideration the Purchase Consideration which will be partly funded via bank borrowings of approximately RM32.80 million.*

### 6.3 Earnings, EPU and DPU

The Proposed Acquisition is not expected to have a material impact on Atrium REIT’s earnings, EPU and DPU for the FYE 31 December 2024. Nevertheless, barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the future earnings, EPU and DPU of Atrium REIT upon commencement of the New Tenancy, resulting in Atrium REIT realising rental income to be received from the New Tenant.

For illustration purposes, based on the audited consolidated financial statements of Atrium REIT for the FYE 31 December 2022 and assuming that the Proposed Acquisition had been effected on 1 January 2022, being the beginning of the FYE 31 December 2022, the pro forma effects of the Proposed Acquisition on the consolidated earnings and EPU of Atrium REIT are as follows:-

	Audited as at 31 December 2022	Pro forma I	Pro forma II
		<sup>(2)</sup> Subsequent adjustments up to the LPD	After pro forma I and the Proposed Acquisition
Net realised income (RM'000)	18,494	18,494	<sup>(3)</sup> 18,839
No. of Units in circulation ('000)	255,550	265,550	265,550
<b>EPU (sen)<sup>(1)</sup></b>	<b>7.24</b>	<b>6.96</b>	<b>7.09</b>

**Notes:-**

- (1) *Computed based on net realised income divided by number of Units in circulation.*
- (2) *After adjusting for the issuance of 10,000,000 new Units at an issue price of RM1.40 per Unit pursuant to the Special Issuance.*
- (3) *The Manager is currently in negotiation with potential tenants to rent the Subject Property from 1 June 2024 onwards. Hence, for illustration purposes in respect of the potential EPU, the Manager has assumed that Atrium REIT will derive a net realised profit of approximately RM0.34 million from the Subject Property, taking into consideration the following assumptions:-*
- (i) *estimated net property income of approximately RM1.96 million per annum to be derived from the Subject Property based on the market rental rates of comparable properties located within the vicinity of the Subject Property;*
  - (ii) *estimated interest expenses of approximately RM1.56 million in respect of the bank borrowings expected to be secured to fund the Proposed Acquisition at an indicative interest rate of 4.75% per annum; and*
  - (iii) *estimated expenses of approximately RM0.02 million in respect of administrative expenses and fees payable to Trustee and the Manager.*

Notwithstanding the additional interest expense arising from the new bank borrowings, the Proposed Acquisition is expected to contribute positively to the future earnings and distributable income of Atrium REIT after taking into consideration the additional estimated net property income of the Subject Property following the completion of the Proposed Acquisition.



## 7. PERCENTAGE RATIO APPLICABLE TO REIT

The percentage ratio applicable to REIT for the Proposed Acquisition pursuant to Paragraph 10.02(g)(ix) of the Listing Requirements is approximately 6.69%, calculated based on the latest audited consolidated financial statements of Atrium REIT (i.e. FYE 31 December 2022).

## 8. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Manager, in arriving at their views, have sought independent advice from the Independent Adviser for the Proposed Acquisition.

After taking into consideration the evaluation of the Independent Adviser, as well as the relevant aspects of the Proposed Acquisition, including but not limited to, the rationale, basis of arriving at the Purchase Consideration, salient terms of the SPA and the financial effects of the Proposed Acquisition, the Audit Committee of the Manager is of the opinion that the Proposed Acquisition is:-

- (i) in the best interest of Atrium REIT;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested Unitholders.

## 9. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Acquisition is subject to the approval of the non-interested Unitholders at the forthcoming Unitholders' Meeting.

The Proposed Acquisition is not conditional upon any other corporate exercises undertaken or to be undertaken by Atrium REIT.

## 10. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF THE MANAGER, MAJOR UNITHOLDERS OF ATRIUM REIT AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors, major shareholders and chief executive of the Manager, major Unitholders of Atrium REIT and/or any persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition.

Chan Kam Tuck, the Interested Major Unitholder is deemed interested in the Proposed Acquisition by virtue of him being the substantial shareholder of the Manager (via indirect interest of 59.00% through Glory Blitz Industries Sdn Bhd) and a director of the Vendor. In addition, Chan Kum Chong, the Interested Chief Executive is deemed interested in the Proposed Acquisition in view of him being a person connected with Chan Kam Tuck (i.e. brother). The direct and indirect unitholdings of the Interested Parties in Atrium REIT as at the LPD are as follows:-

Name	Unitholdings as at the LPD			
	Direct		Indirect	
	No. of Units	%	No. of Units	%
<b><u>Interested Major Unitholder</u></b>				
Chan Kam Tuck	62,969,160	23.71	-	-
<b><u>Interested Chief Executive</u></b>				
Chan Kum Chong	70,000	0.03	-	-

In view of the interests of the Interested Parties, the Proposed Acquisition is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements.

Accordingly, the Interested Parties will abstain from voting in respect of their respective direct and/or indirect unitholdings in Atrium REIT on the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

In addition, the Interested Parties have also undertaken to ensure that all the persons connected with them will abstain from voting in respect of their direct and/or indirect unitholdings, if any, on the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

#### **11. DIRECTORS' STATEMENT**

The Board, after having considered all aspects of the Proposed Acquisition, including but not limited to the salient terms of the SPA, basis and justification of determining the Purchase Consideration, the appraised market value of the Subject Property, rationale for the Proposed Acquisition, risk factors, the financial effects of the Proposed Acquisition and the evaluation of the Independent Adviser on the Proposed Acquisition, is of the view that the Proposed Acquisition is in the best interest of Atrium REIT.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

#### **12. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Acquisition which is the subject matter of this Circular, the Board confirms that there are no other outstanding corporate exercises announced by Atrium REIT but not yet completed as at the date of this Circular.

#### **13. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Acquisition to be completed by 1<sup>st</sup> half of 2024. The tentative timetable for the implementation of the Proposed Acquisition is set out below:-

<b>Tentative timing</b>	<b>Event</b>
6 February 2024	Unitholders' Meeting
6 February 2024	Fulfilment of conditions precedent in respect of the SPA
June 2024	Completion of the Proposed Acquisition

#### **14. TRANSACTION WITH THE INTERESTED PARTIES FOR THE PRECEDING 12 MONTHS**

Save for the Special Issuance, there are no other transactions entered into by Atrium REIT with the Interested Parties for the preceding 12 months from the date of this Circular.

## **15. UNITHOLDERS' MEETING**

The Unitholders' Meeting, the notice of which is enclosed with this Circular, will be conducted on a virtual basis through live streaming and online voting using the Remote Participation and Voting facilities from the broadcast venue at Tricor Business Centre, Gemilang Room, Unit 29-02, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Tuesday, 6 February 2024 at 11.00 a.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Acquisition.

If the Unitholders are unable to participate and vote at the Unitholders' Meeting, the Unitholders are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at the Manager's office 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 for holding the Unitholders' Meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid. The Form of Proxy should be completed strictly in accordance with the instruction contained therein. The lodging of the Form of Proxy shall not preclude the Unitholders from participating and voting remotely at the Unitholders' Meeting should the Unitholders subsequently wish to do so.

## **16. FURTHER INFORMATION**

Unitholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,  
For and on behalf of the Board of  
**ATRIUM REIT MANAGERS SDN BHD**

**DATO' DR IR MOHAMAD KHIR BIN HARUN**  
Chairman and Non-Independent Non-Executive Director

**PART B**

**INDEPENDENT ADVICE LETTER FROM SCA TO THE NON-  
INTERESTED UNITHOLDERS OF ATRIUM REIT IN  
RELATION TO THE PROPOSED ACQUISITION**

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## EXECUTIVE SUMMARY

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ALL DEFINITIONS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THE WORDS AND EXPRESSIONS PROVIDED IN THE “DEFINITIONS” SECTION OF THE CIRCULAR, EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES OR WHERE OTHERWISE DEFINED IN THIS IAL.

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE PROPOSED ACQUISITION. NON-INTERESTED UNITHOLDERS ARE ADVISED TO READ CAREFULLY THE CONTENTS OF THIS IAL IN ITS ENTIRETY FOR FURTHER INFORMATION AND THE RECOMMENDATIONS FROM SCA, BEING THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSED ACQUISITION. THIS IAL SHOULD ALSO BE READ IN CONJUNCTION WITH PART A OF THE CIRCULAR, INCLUDING THE APPENDICES THEREIN, FOR ANY OTHER RELEVANT INFORMATION BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING UNITHOLDERS’ MEETING.

### 1. INTRODUCTION

On 2 November 2023, UOBKH had, on behalf of the Board, announced that the Trustee, for and on behalf of Atrium REIT, had on even date entered into the SPA with ABSB, a related party, for the Proposed Acquisition.

In view of the interest of the Interested Major Unitholder and the Interested Chief Executive in the Proposed Acquisition as set out in Section 10, Part A of the Circular, the Proposed Acquisition is hence deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

In this respect, the Board had on 26 September 2023 appointed SCA as the Independent Adviser to advise the Board and non-interested Unitholders on the fairness and reasonableness of the terms of the Proposed Acquisition.

The purpose of this IAL is to provide the Board and non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is to the detriment of the non-interested Unitholders as well as to provide a recommendation thereon on the voting of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders’ Meeting.

### 2. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our opinion and recommendation on the Proposed Acquisition, we had taken into consideration the following bases and analysis:

Consideration factors	Section	Our evaluation
(a) Rationale and justification for the Proposed Acquisition	5.1	<p>We note that the Proposed Acquisition is in line with the principal activity and investment objectives of Atrium REIT and is expected to be beneficial to Atrium REIT in view of the following:-</p> <p>1. Location of the Subject Property</p> <p>The Subject Property is strategically located directly beside Atrium Shah Alam 4. It has good accessibility with growing demand for industrial properties in the vicinity of the Subject Property.</p>

Consideration factors	Section	Our evaluation
		<p>2. Pricing</p> <p>The Purchase Consideration of RM41,000,000, represents a discount of RM500,000 or 1.2% to the fair market value of the Subject Property of RM41,500,000 as appraised by the Independent Valuer.</p> <p>The Purchase Consideration for the Proposed Acquisition is also identical to the purchase consideration of the Previous SPA.</p> <p>3. DPU in Atrium REIT is expected to be accretive</p> <p>We note that the Manager is of the view that the Proposed Acquisition is expected to be DPU accretive to Atrium REIT upon the expiry of the Existing Factory A Tenancy, after taking into consideration, amongst others, the refurbishments to be undertaken subject to the requirements of the identified New Tenant (if required).</p> <p>We are of the opinion that the rationale and justifications for the Proposed Acquisition are reasonable and it is not detrimental to the non-interested Unitholders.</p>
<b>(b) Evaluation of the Proposed Acquisition</b>		
(i) Basis and justification of determining the Purchase Consideration	5.2.1	<p>The Purchase Consideration was arrived at on a “willing-buyer and willing-seller” basis after taking into consideration the following, amongst others:-</p> <ul style="list-style-type: none"> <li>(i) the market value of the Subject Property of RM41,500,000 as appraised by the Independent Valuer based on the date of inspection of the Subject Property on 3 October 2023;</li> <li>(ii) the rationale for the Proposed Acquisition as set out in Section 3, Part A of the Circular; and</li> <li>(iii) the prospect of the Subject Property as set out in Section 4.3, Part A of the Circular.</li> </ul> <p>We concurred with the Independent Valuer that the Income Approach (Investment Method) is the most appropriate valuation method in arriving at the market values of the Subject Property considering that the Subject Property is located within an industrial area that is suitable for an investment property as seen by the neighbouring factories occupied by numerous multinational companies, the unexpired lease term of about 45 years for the Subject Property and the abundance asking rentals available in the vicinity of Shah Alam, which are able to form a pattern of values and improve the accuracy in establishing the market value of the Subject Property.</p> <p>The Purchase Consideration is fair and reasonable as it represents a discount of RM500,000 or 1.2% to the fair market value of the Subject Property of RM41,500,000 based on Income Approach (Investment Method) as appraised by the Independent Valuer.</p>

Consideration factors	Section	Our evaluation
		We are of the opinion that the Purchase Consideration is fair and reasonable, and not detrimental to the non-interested Unitholders.
(ii) Salient terms of the SPA	5.2.2	We are of the view that the overall terms and conditions of the SPA are fair and reasonable and not detrimental to the non-interested Unitholders.
(c) Industry overview and prospects	5.3	<p>We note that the real estate sector has shown promising signs of growth and resilience during the third quarter of year 2023, supported by favourable economic landscape. However, amid growing external headwinds, BNM expects the country's economic growth to moderate to between 4.0% and 5.0% in 2023, underpinned by firm domestic demand.</p> <p>The Subject Property is strategically located directly beside Atrium Shah Alam 4. It is approximately 31.00 kilometres and 19.00 kilometres south-east of Kuala Lumpur City Centre and Petaling Jaya City Centre respectively.</p> <p>The prospects of the Subject Property are expected to be positive in view of its strategic location, good accessibility, growing demand for industrial properties in the vicinity of the Subject Property. In addition, the Manager is in the midst of identifying the New Tenant and is expected to secure and rent out the Subject Property by 1 June 2024. Premised on the above, the Manager believes that the Subject Property will add value to the Unitholders in the long run.</p>
(d) Risk factors relating to the Proposed Acquisition	5.4	<p>Atrium REIT is not expected to be exposed to new business risks as a result of the Proposed Acquisition. Additionally, the non-interested Unitholders should also take note of the additional risk factor in relation to the Proposed Acquisition:-</p> <ul style="list-style-type: none"> <li>(i) Additional financial risk;</li> <li>(ii) The Subject Property may face increasing competition from other properties;</li> <li>(iii) Devaluation of Subject Property; and</li> <li>(iv) Risk associated with AEI.</li> </ul> <p>We also wish to highlight that despite efforts and measures taken by Atrium REIT to mitigate the risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of risk factors as stated above and in Section 5, Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of Atrium REIT, its financial performance, financial position or prospects thereon.</p>

Consideration factors	Section	Our evaluation
(e) Financial effects of the Proposed Acquisition	5.5	<p>The financial effects of the Proposed Acquisition are as follows:</p> <ul style="list-style-type: none"> <li>(i) The Proposed Acquisition will not have any effect on the Unitholders' capital of Atrium REIT and substantial Unitholders' unitholdings in Atrium REIT as the Proposed Acquisition does not involve any issuance of Atrium REIT Units.</li> <li>(ii) the Proposed Acquisition will not have any significant impact to Atrium REIT's NAV per unit. However, it will increase Atrium REIT's total borrowings assuming that the Purchase Consideration is partly funded via bank borrowings of RM32,800,000. As a resultant, the gearing will increase from 40.95% to 42.52%.</li> <li>(iii) The Proposed Acquisition is not expected to have a material impact on Atrium REIT's earnings, EPU and DPU for the FYE 31 December 2024.</li> </ul> <p>Nevertheless, barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the future earnings, EPU and DPU of Atrium REIT upon commencement of the New Tenancy, resulting in Atrium REIT realising rental income to be received from the New Tenant.</p> <p>The financial effects of the Proposed Acquisition are not detrimental to the interest of the non-interested Unitholders.</p>

### 3. CONCLUSION AND RECOMMENDATION

Premised on our overall assessment of the Proposed Acquisition, we are of the opinion that the terms of the Proposed Acquisition are **fair and reasonable** and are **not detrimental** to the interests of the non-interested Unitholders.

**Accordingly, we recommend that the non-interested Unitholders to vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.**

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested Unitholder. We recommend that any non-interested Unitholders who require advice in relation to the Proposed Acquisition in the context of their individual investment objectives, financial situation or particular needs, consult their respective stockbrokers, bank managers, accountants, solicitors or other professional advisers.

**NON-INTERESTED UNITHOLDERS ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.**





**Strategic Capital Advisory Sdn Bhd**

(Registration No. 199901003253 (478153-U))

**Investment Advisers – Corporate Finance (CMSL/A0124/2007)  
(Licensed by Securities Commission)**

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Jalan Tasik Permaisuri 1, Bandar Sri Permaisuri,  
56000 Kuala Lumpur  
Our Tel : 603 9171 9600 Our Fax : 603 9173 7600

Date: 16 January 2024

To: The Non-Interested Unitholders of Atrium Real Estate Investment Trust

Dear Sir/Madam,

**Atrium Real Estate Investment Trust (“ATRIUM REIT”)**

**INDEPENDENT ADVICE LETTER (“IAL”) IN RELATION TO THE PROPOSED ACQUISITION**

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*This IAL is prepared for inclusion in the Circular and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the definitions section of the Circular, except where the context otherwise requires or where otherwise defined herein.*

**1. INTRODUCTION**

On 2 November 2023, UOBKH had, on behalf of the Board, announced that the Trustee, for and on behalf of Atrium REIT, had on even date entered into the SPA with ABSB, a related party, for the Proposed Acquisition.

In view of the interest of the Interested Major Unitholder and the Interested Chief Executive in the Proposed Acquisition as set out in Section 10, Part A of the Circular, the Proposed Acquisition is hence deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

In this respect, the Board had on 26 September 2023 appointed SCA as the Independent Adviser to advise the Board and non-interested Unitholders on the fairness and reasonableness of the terms of the Proposed Acquisition.

The purpose of this IAL is to provide the Board and non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is to the detriment of the non-interested Unitholders as well as to provide a recommendation thereon on the voting of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders’ Meeting.

Other than for this intended purpose, this IAL should not be used for any other purpose and/or by any other persons and/or reproduced, wholly or partially, without our express written consent.

**Non-interested Unitholders are advised to read this IAL and Part A of the Circular together with the appendices thereon, and to carefully consider the recommendations contained herein before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders’ Meeting. If you are in doubt about the course of action to be taken, you should consult your stockbroker, bank manager, accountant, solicitor or other professional advisers immediately.**



## **2. DETAILS OF THE PROPOSED ACQUISITION**

The details of the Proposed Acquisition are set out in Section 2, Part A of the Circular and should be read in their entirety.

## **3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF THE MANAGER, MAJOR UNITHOLDERS OF ATRIUM REIT AND/OR PERSONS CONNECTED WITH THEM**

The interests of the Interested Chief Executive, Interested Major Unitholder and/or persons connected to him are set out in Section 10, Part A of the Circular.

The Interested Parties and/or person connected with them will abstain from voting in respect of his direct and/or indirect unitholding in Atrium REIT, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

## **4. LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION**

SCA was not involved in the formulation of the Proposed Acquisition or any deliberation and negotiation on the terms and conditions of the Proposed Acquisition.

The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08 of the Listing Requirements and the Best Practice Guide in relation to the IAL issued by Bursa Securities.

Our role as an Independent Adviser does not extend to expressing an opinion on the commercial merits of the Proposed Acquisition, which is solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. As such, where comments or points of the consideration are included on matters, which may be commercially oriented, these are incidental to our overall financial evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposed Acquisition. SCA's terms of reference as Independent Adviser is limited to expressing our independent evaluation of the Proposed Acquisition which is based on the sources of information as highlighted below.

In rendering our advice, we have taken note of the pertinent issues which we have considered important in enabling us to assess the implication of the Proposed Acquisition, and therefore of general concern to the non-interested Unitholders, as such:

- (i) the scope of SCA's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the Proposed Acquisition and other implications of the said proposal only. Comments or points of the consideration which may be commercially oriented such as the rationale and potential benefits of the Proposed Acquisition are included in our overall evaluation as we deem it necessary to enable the non-interested Unitholders to consider and form their views thereon;
- (ii) SCA's views and advice as contained in this IAL only caters to the non-interested Unitholders at large and not to any non-interested Unitholders individually. Hence, in carrying out our evaluation, we have not given consideration the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual non-interested Unitholder or any specific group of non-interested Unitholders; and



- (iii) we recommend that any individual non-interested Unitholder or group of non-interested Unitholders who is in doubt as to the action to be taken or required advice in relation to the Proposed Acquisition in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately. We shall not be liable for any damage or loss sustained or suffered by any individual Unitholders or any group of Unitholders.

In performing our evaluation, we have relied on the following sources of information:

- (i) Atrium REIT's announcement on 2 November 2023 in relation to the Proposed Acquisition;
- (ii) The SPA;
- (iii) Atrium REIT's annual report for the FYE 31 December 2022 ("**Annual Report**");
- (iv) The Valuation Certificate and Valuation Report;
- (v) Information contained in Part A of the Circular and the appendices attached thereto;
- (vi) Other relevant information furnished to us by the management of the Manager; and
- (vii) Other publicly available information which we deemed relevant.

We have made all reasonable enquiries and have relied on the Board and the Manager to exercise due care to ensure that all information, documents as mentioned above and relevant facts, information and representation for our evaluation of the Proposed Acquisition had been disclosed to us and that such information is accurate, reasonable, complete, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate.

We have not undertaken an independent investigation into the Subject Property and the business of Atrium REIT and are not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. We have also assumed that the Proposed Acquisition will be implemented based on the terms as set out in Appendix I of the Circular, without material waiver or modification.

The Board has, individually and collectively, accepted full responsibility that all material facts, financial and other information essential to our evaluation have been disclosed to us, that they have seen this IAL, and for the accuracy of the information in respect of the Proposed Acquisition (save for those in relation to our evaluation and opinion pertaining to the same) as prepared herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein incomplete, false and/or misleading.

We are satisfied with the disclosures from the Board and the Manager and that sufficient information has been obtained, and to the best of our knowledge and belief, the information is accurate, reasonable, complete, valid and there is no omission of material facts. We have also performed our reasonableness check and where possible, corroborating such information with independent sources. Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time.

Accordingly, our evaluation and recommendation expressed herein do not take into account the information, events and conditions arising after the date hereof. After the despatch of this IAL, should SCA become aware of any significant change affecting the information contained in this IAL or have reasonable grounds to believe that there is material omission in this IAL, we will immediately notify the Unitholders. If circumstances require, a supplementary IAL will be sent accordingly to the Unitholders.



SCA confirms that it is not aware of any conflict-of-interest situation or any circumstances which exist or likely to give rise to a possible conflict of interest situation for SCA to carry out the role as the Independent Adviser in connection with the Proposed Acquisition. SCA also confirms that it has not had any professional relationship with Atrium REIT in the past two (2) years.

SCA is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. SCA has undertaken the role as an independent adviser for corporate exercises in the past two (2) years before the date of this IAL, which include amongst others:-

- (i) the joint ventures between Amverton Prop Sdn Bhd (formerly known as AMJ Construction Sdn Bhd), a wholly-owned subsidiary of HIL Industries Berhad with Unik Sejati Sdn Bhd, Pembinaan Kesentosaan Sdn Bhd and Amverton Carey Golf & Island Resort Sdn Bhd to undertake residential developments on 5 parcels of land located in Mukim Sungai Buloh, Mukim Klang and Mukim Jugra, via 4 conditional joint venture agreements, all dated 20 April 2021, as per our independent advice letter dated 28 December 2021;
- (ii) the acquisition by BKG Development Sdn Bhd, a wholly-owned subsidiary of Chin Hin Group Property Berhad of the entire equity interest in Quaver Sdn Bhd for a cash consideration of RM1.25 million as well as the acceptance by Kayangan Kemas Sdn Bhd, another subsidiary of CHGP, of the letter of award from Ace Logistic Sdn Bhd for the related party project involving the design, construction and completion of a proposed single-storey factory with 3-storey office and hostel at Mukim Labu, Bandar Baru Enstek, Negeri Sembilan for a contract sum of RM57.09 million, as per our independent advice letter dated 15 December 2022;
- (iii) the acquisition by Radiant Globaltech Berhad (“**RGTECH**”) of the remaining 20% equity interest in Grand-Flo Sprivest Sdn Bhd, an 80% owned subsidiary of RGTECH, from Jejaka 7 Capital Sdn Bhd, for a total cash consideration of RM12,605,000, as per our independent advice letter dated 7 June 2023;
- (iv) the acquisition by W T K Holdings Berhad of 70% equity interest in Durafarm Sdn Bhd for a total cash consideration of RM132.20 million, as per our independent advice letter dated 19 October 2023;
- (v) the acquisition by RedPlanet Berhad (“**RedPlanet**”) of 51% equity interest in Azti Technology Sdn Bhd for a purchase consideration of RM7.65 million to be satisfied via a combination of cash consideration of RM5.36 million and share consideration of RM2.29 million via issuance of 10,928,571 new RedPlanet shares at an issue price of RM0.21 per share, as per our independent advice letter dated 1 November 2023; and
- (vi) the acquisition by Chin Hin Group Berhad (“**Chin Hin**”) of 6,218,200 ordinary shares in Ajiya Berhad (“**Ajiya**”) (“**Ajiya Share(s)**”), representing an equity interest of approximately 2.11% in Ajiya for a total cash consideration of approximately RM9.51 million or RM1.53 per Ajiya Share (“**Ajiya Acquisition**”) and the resultant proposed mandatory general offer to acquire all the remaining Ajiya Shares not already own by Chin Hin after the Ajiya Acquisition at an offer price of RM1.53 per Ajiya Share, as per our independent advice letter dated 7 November 2023.

Premised on the foregoing, SCA is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the Board and non-interested Unitholders in relation to the Proposed Acquisition.



## 5. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have considered the following:

- (i) Rationale and justification for the Proposed Acquisition;
- (ii) Evaluation of the Proposed Acquisition:
  - (a) Basis and justification of determining the Purchase Consideration; and
  - (b) Salient terms of the SPA;
- (iii) Industry overview and prospects;
- (iv) Risk factors relating to the Proposed Acquisition; and
- (v) Financial effects of the Proposed Acquisition.

### 5.1 Rationale and justification for the Proposed Acquisition

The rationale and justification for the Proposed Acquisition are as set out in Section 3, Part A of the Circular.

The principal activity of Atrium REIT involves the acquisition of and investment in real estate and real estate-related assets in Malaysia. The investment objective of Atrium REIT is to acquire and invest in industrial properties in Malaysia with a view to provide long-term growth and sustainable distribution of income to Unitholders and to achieve long-term growth in NAV per unit.

As at the LPD, the property portfolio of Atrium REIT comprises eight (8) industrial properties of which four (4) of them are located in Shah Alam, Selangor Darul Ehsan, two (2) in Bayan Lepas, Penang, and one (1) each in Puchong and USJ, Selangor Darul Ehsan, which are summarised as follow for ease of reference.

No.	Property	Address	Description
1.	Atrium Shah Alam 1	Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300, Shah Alam, Selangor Darul Ehsan.	A single-storey warehouse annexed with a four-storey office building.
2.	Atrium Shah Alam 2	Lot 7A, Persiaran Jubli Perak, Seksyen 22, 40300, Shah Alam, Selangor Darul Ehsan.	A single-storey warehouse annexed with a double-storey office building.
3.	Atrium Shah Alam 3	No 10, Persiaran Sabak Bernam, Section 26, Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan.	A single-storey warehouse annexed with a double-storey office.
4.	Atrium Shah Alam 4	Lot 7, Persiaran Raja Muda, Section 16, 40200, Shah Alam, Selangor Darul Ehsan.	A double-storey warehouse with a mezzanine office and a sub-basement carpark.
5.	Atrium Bayan Lepas 1	150F, Block A, Jalan Kampung Jawa, Taman Perindustrian Bayan Lepas, 11900, Bayan Lepas, Penang.	A single-storey warehouse annexed with a double-storey office and other ancillary buildings.
6.	Atrium Bayan Lepas 2	Plot 401, Lintang Bayan Lepas 8, Kawasan Perindustrian Bayan Lepas Fasa 4, Mukim 12, 11900, Penang.	A double-storey factory building and other ancillary buildings.
7.	Atrium Puchong	No 2, Jalan PPU 1, Taman Perindustrian Puchong Utama, Batu 12 ½, Jalan Puchong, 47100, Puchong, Selangor Darul Ehsan.	A single-storey warehouse annexed with a four-storey office building.
8.	Atrium USJ	No 16, Jalan TP 6, Taman Perindustrian UEP, 47620, Subang Jaya, Selangor Darul Ehsan.	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).



All the properties of Atrium REIT are strategically located in prime industrial areas and this has enabled a continuous and stable demand for the properties, of which Atrium REIT continues to enjoy high occupancy rate. Based on Atrium REIT's Annual Report, the total occupancy rate of Atrium REIT was 100% as of 31 December 2022. As set out in Section 3, Part A of the Circular, Atrium Shah Alam 4 (which has recently completed its asset enhancement initiative ("AEI")), will commence the lease with DHL Properties (Malaysia) Sdn Bhd in the 1<sup>st</sup> quarter of 2024.

The Proposed Acquisition is in line with the principal activity and investment objectives of Atrium REIT and is expected to be beneficial to Atrium REIT in view of the following:-

(i) Location of the Subject Property

The Subject Property is strategically located directly beside Atrium Shah Alam 4 which is rented to an established multinational logistics company, namely DHL Properties (Malaysia) Sdn Bhd. It is approximately 31.00 kilometres and 19.00 kilometres south-east of Kuala Lumpur City Centre and Petaling Jaya City Centre respectively. The surrounding area consists of a mixture of residential, commercial and industrial developments such as apartments, condominiums, serviced apartments, terraced houses, semi-detached houses, detached houses, shop-offices, terraced factories, semi-detached factories and detached factories.

(ii) Pricing

Based on our evaluation as set out in Section 5.2.1 of this IAL, the Purchase Consideration of RM41,000,000, represents a discount of RM500,000 or 1.2% to the fair market value of the Subject Property of RM41,500,000 as appraised by the Independent Valuer.

For information, ABSB had previously acquired the Subject Property from Network Foods Industries, an indirect wholly-owned subsidiary of Pan Malaysia Corporation Berhad (a company listed on the Main Market of Bursa Securities), via the Previous SPA, for a total cash consideration of RM41,000,000 (which is equivalent to the Purchase Consideration under the Proposed Acquisition). The Previous Acquisition was announced on Bursa Securities on 7 November 2022 by Pan Malaysia Corporation Berhad and completed on 30 August 2023.

Further, we note that pursuant to the Previous SPA, ABSB shall continue to allow Network Foods Industries to rent Factory A without any rental for a period of nine (9) months commencing from 1 September 2023 until 31 May 2024. As such, Atrium REIT is required to assume the Rental Free Obligations of ABSB, whereby any new tenancy for Factory A can only commence after 31 May 2024. Atrium REIT may incur minor rectification and refurbishment costs, if required and/or upon the request of the New Tenant, which is still preliminary at this juncture.

The Rental Free Obligations are based on the terms of the Previous SPA and we are of the view that it is reasonable for Atrium REIT to assume the Rental Free Obligations of ABSB and to commence any new tenancy for Factory A only after 31 May 2024 as it is a commercial decision to assume the obligations of the Vendor from the Previous SPA. Further, barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by 1<sup>st</sup> half of 2024, hence minimising the financial impact arising from the Rental Free Obligations. Notwithstanding the above and after 1 year from the date of the Previous SPA, the Vendor has maintained the Purchase Consideration for the Proposed Acquisition to be identical to the purchase consideration of the Previous SPA, and any transaction cost incurred by the Vendor in relation to the Previous Acquisition and loss of rental arising from the Rental Free Obligations will not be reimbursed to the Vendor.



- (iii) DPU in Atrium REIT is expected to be accretive

We note that the Manager is of the view that the Proposed Acquisition is expected to be DPU accretive to Atrium REIT upon the expiry of the Existing Factory A Tenancy, after taking into consideration, amongst others, the minor refurbishments to be undertaken subject to the requirements of the identified New Tenant (if required). Network Foods Industries, as at this juncture, has not expressed any intention to renew the Existing Factory A Tenancy upon the expiry of the said tenancy and the Manager does not have any intention to retain ABSB as a tenant of the Subject Property. The Manager plans to rent the Subject Property to a single tenant, depending on the rental rates, rental period and sustainability of the Subject Property. The Manager may, however, rent to more than 1 tenant as the case may be. Based on Atrium REIT's 3<sup>rd</sup> quarter financial results for the financial period ended 30 September 2023 ("FPE 2023"), the total cumulative DPU stood at 5.20 sen per Unit.

The Proposed Acquisition is in line with the Manager's acquisition growth strategy, such as organic growth strategies, acquisition strategies and financing strategies that fit within Atrium REIT's investment strategy to generate stable cash flows with potential for long-term income and capital growth.

This is in line with Atrium REIT's investment objective to provide its Unitholders with stable and growing income and to achieve long-term growth in the NAV per Unit, by expanding its existing portfolio of real estates while maintaining its gearing level under the maximum allowable limit as per the Guidelines on Listed Real Estate Investment Trusts. As set out in Section 5.5 of this IAL, the Proposed Acquisition will increase Atrium REIT's total borrowings assuming that the Purchase Consideration is partly funded via bank borrowings of RM32,800,000. As a result, the gearing will increase from 40.95% to 42.52%. For information, based on the Guidelines on Listed Real Estate Investment Trusts, *"the total borrowings or financing facilities, including borrowings or financing through issuance of debt securities or sukuk, and deferred payment arrangements of a REIT, must not exceed 50% of the total asset value of the REIT at the time the borrowings or financing facilities, or deferred payment arrangements are incurred."*

**Premised on the above, we are of the opinion that the rationale and justifications for the Proposed Acquisition are reasonable. Nevertheless, the non-interested Unitholders should note that the potential benefits arising from the Proposed Acquisition, are subject to certain risk factors as disclosed in Section 5, Part A of the Circular as well as Section 5.4 of this IAL.**

## 5.2 Evaluation of the Proposed Acquisition

### 5.2.1 Basis and justification of determining the Purchase Consideration

The basis and justification of arriving at the Purchase Consideration is set out in Section 2.4, Part A of the Circular.

The Purchase Consideration was arrived at on a "willing-buyer and willing-seller" basis after taking into consideration the following, amongst others:-

- (i) the market value of the Subject Property of RM41,500,000 as appraised by the Independent Valuer based on the date of inspection of the Subject Property on 3 October 2023. The Purchase Consideration represents a marginal discount of RM500,000 or 1.20% to the appraised market value of the Subject Property;
- (ii) the rationale for the Proposed Acquisition as set out in Section 3, Part A of the Circular; and
- (iii) the prospect of the Subject Property as set out in Section 4.3, Part A of the Circular.



We note that the Valuation Report was prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia. We have reviewed the qualifications of the Independent Valuer, scope of engagement, methodologies and assumptions adopted as well as the resultant valuations.

We have made all reasonable enquiries and conducted our own reviews, where possible, with regard to the Valuation Report provided to us, and are satisfied that the methodologies and assumptions provide a reasonable basis for the Independent Valuer in arriving at their valuations. The non-interested Unitholders are advised to read our commentaries below and refer to the Valuation Certificate enclosed in Appendix II of the Circular.

The brief description of the market value of the Subject Property as extracted from the Valuation Report are tabulated below:-

Location	Lot 5, Persiaran Raja Muda, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan held under Title No. HS(D) 324738, PT -, Tempat of Industrial Site at Batu Tiga, Mukim of Damansara, Daerah of Petaling, Negeri of Selangor Darul Ehsan.
Description	The leasehold interest with an unexpired term of approximately 45 years in a piece of industrial land erected with Factory A, Factory B, Factory C, Factory D and Factory E and the Office.

Valuation methodologies	Description	Primary Method	Secondary Method
	Valuation methodology	Income approach - Investment method	Cost approach
	Value (RM)	41,500,000	41,000,000

Valuation date 3 October 2023

The description of the methodologies adopted by the Independent Valuer are as follows:-

Valuation methodology	General description
Cost approach	<p>The cost approach of valuation seeks to determine the value of the property through the summation of the value components of the land, building and fixtures (machinery).</p> <p>In determining the value of the land, the analysed apportionment value attributable to the land is adopted using comparison approach whereby it seeks to determine the value of the land by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Where dissimilarities exist, adjustments are made.</p> <p>In determining the value of the buildings, current estimates on construction costs to erect equivalent buildings are adopted. Appropriate adjustments are then made for factors of obsolescence and existing physical condition of the buildings.</p> <p>The depreciated replacement cost will reflect the remaining portion of the useful economic working life and it is expressed on the basis that the assets are considered value to the business that would ensure their continued use in the foreseeable future, subject to adequate profitability.</p>





Valuation methodology	General description
Income Approach	In the income approach by way of investment method, the market value is derived from an estimate of the market rental, which the Subject Property can reasonably be let for. Outgoings or operating expenses, such as repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is capitalised at an appropriate current market yield to arrive at its indicative market value.

#### Cost approach

The following parameters were used by the Independent Valuer to arrive at the market value:-

#### Land area

The table below contains the Independent Valuer's analysis of the comparable evidence:-

Description	Comparable 1	Comparable 2	Comparable 3
Address	8 (Lot 78659), Jalan Tiang U8/93, Bukit Jelutong, Shah Alam, Selangor Darul Ehsan.	Lot 2771 & 2798, BT 51/2 Jalan Bukit Kemuning, Taman Perindustrian Bukit Kemuning, Shah Alam, Selangor Darul Ehsan.	Lot PT 101875 & Lot 62048, Jalan Mandolin 35/5, Alam Premier Industrial Park, Shah Alam, Selangor Darul Ehsan.
Property type	Vacant industrial land	Vacant industrial land	Vacant industrial land
Land area	8,998.00 sq.m. (96,854.472 sq.ft. or 2.22 acres)	24,282.00 sq.m. (261,371.448 sq.ft. or 6.00 acres)	11,110.00 sq.m. (119,588.040 sq.ft. or 2.75 acres)
Category of land use	Industrial	Industrial	Industrial
Zoning	Industrial	Industrial	Industrial
Tenure	Grant in perpetuity	Grant in perpetuity	Leasehold. Term expiring on 24 March 2103 and 26 March 2103
Vendor	Daisho Food (M) Sdn Bhd	GFRC (Malaysia) Sdn Bhd & Lim Ah Ho +1	Eight Development (M) Sdn Bhd
Transaction date	2 March 2023	23 November 2022	5 August 2021
Consideration	RM23,222,000	RM37,897,200	RM17,340,115
Land per sq.ft.	RM239.76	RM144.99	RM145.00
Source	Jabatan Penilaian Dan Perkhidmatan Harta ("JPPH")	JPPH	JPPH
Total adjustment	-33.00%	-20.00%	-21.00%
Adjusted value per sq.ft.	RM160.64	RM117.15	RM116.84

The basis of the adjustments to derive the adjusted value from the analysis of the comparable is as follows:

Adjustment	Comparable 1	Comparable 2	Comparable 3
Location	0.00%	10.00%	0.00%
Accessibility	5.00%	5.00%	5.00%
Tenure	-35.00%	-35.00%	-28.00%
Shape	0.00%	0.00%	3.00%
Size	-8.00%	0.00%	-6.00%
Frontage	5.00%	0.00%	5.00%
Adjusted land value (per sqf)	-33.00%	-20.00%	-21.00%

For information purposes, adjustment will be made to the comparable asset under the following circumstances:-

- when the Subject Property and the comparable asset have similar circumstances, no adjustment is required;



- b) when the comparable asset is superior to the Subject Property, a negative adjustment is made; and
- c) when the comparable asset is inferior to the Subject Property, a positive adjustment is made.

In view of limited transactions of identical lands within the city of Shah Alam, the Independent Valuer has resorted to adopt the selected comparables and made appropriate adjustments to reflect the differences of the comparables and the land being valued. Taking into consideration of the differences of the subject land and the comparables, the Independent Valuer has adopted Comparable 2 as the most appropriate comparable, of which we concur with the Independent Valuer, due to the following characteristics:-

- a) The comparable was transacted less than 12 months from the date of valuation;
- b) It is the median adjusted price per sqf;
- c) The land area of the Subject Property and the comparable is identical; and
- d) The adjustment variance of the comparable is the least at -20%.

Based on the above, the market value of the subject land derived from the market approach was approximately RM30,637,594.

### Building

In determining the value of the buildings, current estimates on construction costs to construct similar buildings are adopted. Necessary depreciations are then made due to the physical deterioration, functional obsolescence and economical obsolescence. The breakdown of construction costs from various sources are shown below for easy reference.

	Construction costing range	
	Minimum (RM per sqf)	Maximum (RM per sqf)
Average standard offices, high rise	236.44	316.80
Light duty flatted factories	141.21	169.55
Heavy duty flatted factories and warehouses	171.87	205.31
Owner operated factories, low rise	170.01	218.78
Average	179.88	227.61

*Note: The above costs are averages based on fixed price competitive tenders as of 4th Quarter 2021, inclusive of preliminaries (10%) but exclusive of contingencies.*

*(Source: JUMB Arcadis Construction Cost Handbook 2022)*

	Construction costing range	
	Minimum (RM per sqf)	Maximum (RM per sqf)
3-storey offices, owner operated	148.64	187.66
Shop offices	130.99	180.23
Light duty factories	144.93	159.79
Warehouses	172.80	186.73
Average	149.34	178.60

*Note : The above costs are based on analysis of the contract bills of quantities submitted by contractors to Construction Industry Development Board (CIDB) as of 1st Quarter 2022.*

*(Source: Building Cost Information Service Malaysia ("BCISM") Costbook 2022)*

The Independent Valuer has adopted the construction cost of RM190.00 per sqf for the office portion and RM180.00 per sqf for the factory/warehouse portion of Factory A. We are of the opinion that the aforementioned construction costs adopted by the Independent Valuer are reasonable as the costs adopted are within the average of both the construction costing handbook from JUMB Arcadis and BCISM of RM164.61 per sqf to RM203.11 per sqf.



The Independent Valuer has also adopted the depreciation rate of 20% on the total construction cost to arrive at the value of the building. The depreciation rate in the context carries the meaning of obsolescence allowance to reflect the current condition of the building as opposed to the depreciation rate in accounting practices, where the monetary value of an asset decreases over time due to wear and tear or obsolescence, such decrease is measured as depreciation.

The depreciation rate of 20% was derived based on the physical deterioration of Factory A, the economic obsolescence (which is the increase in competitiveness of industrial properties within Klang Valley) as well as the functional obsolescence (losses in utilities caused by an inherent inadequacy in the building design, layout, equipment, space arrangement or capacity to support the intended use of the improvements).

Based on the above, the market value of the subject building derived from the market approach was approximately RM10,379,423. Hence the total market value of the Subject Property based on the cost approach is approximately RM41,017,017 or  $\approx$  RM41,000,000, which are summarised as follows:-

Description		Amount (RM)	
1.	Land value	A	30,637,594
2.	Building value		
	Factory A		
	Office building @ 42,302.52 sq.ft. @ RM190.00 psf		8,037,479
	Factory @ 27,426.67 sq.ft. @ RM180.00 psf		4,936,801
	Total construction cost		12,974,280
	Less: Depreciation @ 20%		(2,594,856)
	Total Building value	B	10,379,424
	<b>Total value (A) + (B)</b>		<b>41,017,018</b>
	<b>Say</b>		<b>41,000,000</b>

#### Income approach - investment method

The key bases and assumptions adopted by the Independent Valuer based on the income approach and our commentaries are as follows:-

Details	Justification
<u>Gross monthly rental</u> Factory A: RM1.50 per sqf Industrial land: RM0.45 per sqf	<p>We are of the view that this assumption is reasonable as it can be supported by the following key factors:-</p> <p>(a) Strategic location</p> <p>The Subject Property is situated along Persiaran Raja Muda within Seksyen 16, Shah Alam, Selangor Darul Ehsan. It is approximately 31.00 kilometres and 19.00 kilometres south-east of Kuala Lumpur City Centre and Petaling Jaya City Centre respectively.</p> <p>In term of accessibility, we note that the Subject Property is easily accessible from Kuala Lumpur City Centre Jalan Syed Putra, continuing onto Federal Highway, exiting onto Persiaran Selangor.</p>



Details	Justification																
	<p>Besides, it is strategically located at the centre of the western portion of Klang Valley and is facilitated by a good network of highways and public transports connecting the Subject Property to other parts of Klang Valley.</p> <p>An additional notable landmark situated adjacent to the Subject Property is Atrium Shah Alam 4 (Lot 7) which was acquired by Atrium REIT in February 2021 and has since undergone an AEI.</p> <p>(b) Competitive rental rate</p> <p>We note that the Independent Valuer has adopted the recent asking rental (with adjustment made in terms of location, accessibility, size, building condition, shape, frontage and unusable area in order to arrive at a common basis for comparison with the Subject Property) prices of factories and industrial lands situated within the neighbourhood which are pertinent to substantiate a value indication for the Subject Property, of which are set out as follows:-</p> <p><u>Factory</u></p> <table border="1"> <thead> <tr> <th>Description</th> <th>Monthly rental</th> </tr> </thead> <tbody> <tr> <td>Factory measuring 24,160 sqf with monthly rental rate of RM45,000 located at Shah Alam, Selangor.</td> <td>RM1.86 per sqf</td> </tr> <tr> <td>Factory measuring 24,700 sqf with monthly rental rate of RM40,000 located at Shah Alam, Selangor.</td> <td>RM1.62 per sqf</td> </tr> <tr> <td>Factory measuring 55,000 sqf with monthly rental rate of RM85,000 located at Seksyen 30, Shah Alam, Selangor.</td> <td>RM1.55 per sqf</td> </tr> </tbody> </table> <p><u>Industrial land</u></p> <table border="1"> <thead> <tr> <th>Description</th> <th>Monthly rental</th> </tr> </thead> <tbody> <tr> <td>Industrial land measuring 87,120 sqf with monthly rental rate of RM60,000 located at Bukit Jelutong, Shah Alam, Selangor.</td> <td>RM0.69 per sqf</td> </tr> <tr> <td>Industrial land measuring 63,598 sqf with monthly rental rate of RM25,000 located at Bukit Kemuning, Shah Alam, Selangor.</td> <td>RM0.39 per sqf</td> </tr> <tr> <td>Industrial land measuring 92,750 sqf with monthly rental rate of RM60,000 located at Seksyen 30, Kota Kemuning, Shah Alam, Selangor.</td> <td>RM0.65 per sqf</td> </tr> </tbody> </table> <p>(Source: Valuation Report)</p>	Description	Monthly rental	Factory measuring 24,160 sqf with monthly rental rate of RM45,000 located at Shah Alam, Selangor.	RM1.86 per sqf	Factory measuring 24,700 sqf with monthly rental rate of RM40,000 located at Shah Alam, Selangor.	RM1.62 per sqf	Factory measuring 55,000 sqf with monthly rental rate of RM85,000 located at Seksyen 30, Shah Alam, Selangor.	RM1.55 per sqf	Description	Monthly rental	Industrial land measuring 87,120 sqf with monthly rental rate of RM60,000 located at Bukit Jelutong, Shah Alam, Selangor.	RM0.69 per sqf	Industrial land measuring 63,598 sqf with monthly rental rate of RM25,000 located at Bukit Kemuning, Shah Alam, Selangor.	RM0.39 per sqf	Industrial land measuring 92,750 sqf with monthly rental rate of RM60,000 located at Seksyen 30, Kota Kemuning, Shah Alam, Selangor.	RM0.65 per sqf
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Industrial land measuring 92,750 sqf with monthly rental rate of RM60,000 located at Seksyen 30, Kota Kemuning, Shah Alam, Selangor.	RM0.65 per sqf																



Details	Justification
	<p>Despite the fact that Factory A has completed the renovation in year 2018, the Independent Valuer has adopted the lower gross monthly rental rate as compared to the comparable monthly rental rate mainly due to economies of scale whereby the floor area for Factory A is larger as compared to comparable factories listed in the table above; whereas for industrial land, the gross monthly rental rate adopted is within the comparable monthly rental rate as shown in the tables above. For information, the Independent Valuer has not assigned any market value for Factory B, Factory C, Factory D, Factory E and Office in their valuation of the Subject Property given that those buildings do not have CFO/CCC as at the LPD.</p> <p>We are of the view that non-possession of CFO/ CCC by Factories B to E, and Office, its structure can be demolished by the Manager to create an open yard space to the New Tenant, if required, and the rental rate is expected to be within the range of the rental rate of industrial land as stated in the table above.</p> <p>Further, minor rectification and refurbishment can also be done on the Subject Property, if required and/or upon the request of the New Tenant to accommodate the specific requirements of the New Tenant.</p>
Void @ 5%	<p>A void allowance is provided to reflect vacancy periods between rent review which include the rent free and fitting out period.</p> <p>We note that the Trustee will be acquiring the Subject Property, of which Factory A is currently being occupied by Network Foods Industries based on the Existing Factory A Tenancy.</p> <p>Further, the Rental Free Obligations is for 9 months commencing from 1 September 2023 to 31 May 2024.</p> <p>During this period and up to the completion of the Proposed Acquisition, Atrium REIT will have sufficient time to source for tenant(s) to occupy the Subject Property. We also note that the Manager is actively identifying and assessing the New Tenant by enlisting the services of property agents with expertise in the Shah Alam industrial area. The said property agents have since marketed the Subject Property to two (2) prospective tenants to rent the Subject Property.</p>



Details	Justification															
	<p>However, the Manager has not made any assessment on the prospective tenants given there are no official offers submitted by them while other prospects require warehouse space for immediate use which the Manager is unable to provide in view of the Existing Factory A Tenancy.</p> <p>In addition, the Manager has also allocated up to RM1.0 million for minor rectification and refurbishment costs, if required and/or upon the request of the New Tenant to accommodate the specific requirements of the New Tenant. Such minor rectification and refurbishment works should be able to complete within a shorter period of time as compared to the full AEI. However, it is still preliminary at this juncture to ascertain the extent of the aforementioned costs and the expected timeline of completion and associated costs given that the Manager is still in the midst of identifying suitable New Tenant. Alternatively, if required by the New Tenant, the Manager may demolish these structures to create an open yard space for the New Tenant.</p> <p>Premised on the above, we are of the view that the long-term void allowance of 5% adopted by the Independent Valuer is reasonable.</p>															
<p><u>Outgoings</u></p> <p>Factory : 15.00% of gross rental            Industrial Land : 5.00% of gross rental            Telco Tower : 1.00% of gross rental</p>	<p>We are of the view that the basis for the outgoings adopted by the Independent Valuer is reasonable.</p> <p>The outgoings adopted is from analysing the annual taxes and payables like quit rent, assessment and fire insurance to represent a percentage of their respective gross rental.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #cccccc;">Component</th> <th style="background-color: #cccccc;">% of gross annual rental</th> <th style="background-color: #cccccc;">% adopted</th> </tr> </thead> <tbody> <tr> <td>Factory (Quit rent, assessment and fire insurance)</td> <td style="text-align: center;">12.63%</td> <td style="text-align: center;">15.00%</td> </tr> <tr> <td>Industrial land (Quit rent)</td> <td style="text-align: center;">5.17%</td> <td style="text-align: center;">5.00%</td> </tr> <tr> <td>Telco tower (Quit rent)</td> <td style="text-align: center;">0.66%</td> <td style="text-align: center;">1.00%</td> </tr> <tr> <td>Average</td> <td style="text-align: center;">9.00%</td> <td style="text-align: center;">10.21%</td> </tr> </tbody> </table> <p>We further note that the rate adopted is in line with the market rate of 10% to 20% of industrial property's gross annual rental.</p>	Component	% of gross annual rental	% adopted	Factory (Quit rent, assessment and fire insurance)	12.63%	15.00%	Industrial land (Quit rent)	5.17%	5.00%	Telco tower (Quit rent)	0.66%	1.00%	Average	9.00%	10.21%
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Details	Justification																				
<p><u>Yield</u></p> <p>Factory : 7.50%</p> <p>Industrial Land : 2.00%</p> <p>Telco Tower : 2.00% (+0.25% per term)</p>	<p>In arriving at the yield rate, the Independent Valuer had conducted a yield analysis based on past and recent transactions of comparable properties, which are set out as follows:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">REITs</th> <th style="text-align: center;">Annual Reports 2022</th> </tr> </thead> <tbody> <tr> <td>Sunway REIT (Shah Alam 1)</td> <td style="text-align: center;">6.80%</td> </tr> <tr> <td>Axis REIT (logistic warehouse) (Manufacturing facilities)</td> <td style="text-align: center;">7.90%</td> </tr> <tr> <td>Atrium REIT</td> <td style="text-align: center;">7.44%</td> </tr> <tr> <td>Average</td> <td style="text-align: center;">7.51%</td> </tr> </tbody> </table> <p>The Independent Valuer has also adopted the yield for industrial land at a nominal amount of 2.00% whilst the Telco Tower occupy a portion of the land thus the yield adopted is the same as that of industrial land.</p> <p>In evaluating the reasonableness of the yield of 7.50% for factory, we have performed a comparative analysis by comparing the yield used of 7.50% against the weighted average cost of capital (“WACC”) of selected listed companies in Bursa Securities that are in the real estate investment trust with majority of its investments are in the industrial sector, which are set out as below:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Comparable companies</th> <th style="text-align: center;">WACC</th> </tr> </thead> <tbody> <tr> <td>Atrium REIT</td> <td style="text-align: center;">7.27%</td> </tr> <tr> <td>Axis REIT</td> <td style="text-align: center;">7.35%</td> </tr> <tr> <td>AME REIT</td> <td style="text-align: center;">7.71%</td> </tr> <tr> <td>Average</td> <td style="text-align: center;">7.44%</td> </tr> </tbody> </table> <p><i>(Source: S&amp;P Capital IQ based on 3 November 2023)</i></p> <p>Based on the above, the yield of 7.50% is reasonable based on the current condition of the Subject Property and it is not detrimental to the non-interested Unitholders as the yield adopted are higher than the WACC of Axis REIT as well as Atrium REIT itself.</p> <p>Further, in evaluating the reasonableness of the yield of 2.00% for industrial land and the Telco Tower, we have benchmark against the historical inflation rate in Malaysia since year 2000 up to 2022 as property prices tend to grow slower as inflation gets more under control. Based on the data extracted from World Bank (<a href="http://www.worlddata.info/asia/malaysia/inflation-rates">www. worlddata.info /asia/ malaysia/ inflation-rates</a>), the historical inflation rate ranges from negative 1.14% to 5.44 % with an average of 2.08%.</p> <p>Premised on the above, we are of the view that the yields adopted by the Independent Valuer are reasonable.</p>	REITs	Annual Reports 2022	Sunway REIT (Shah Alam 1)	6.80%	Axis REIT (logistic warehouse) (Manufacturing facilities)	7.90%	Atrium REIT	7.44%	Average	7.51%	Comparable companies	WACC	Atrium REIT	7.27%	Axis REIT	7.35%	AME REIT	7.71%	Average	7.44%
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Details	Justification
<p><u>Discount rate</u></p> <p>0.25% higher than their respective yield</p>	<p>In arriving at the discount rate, the Independent Valuer has adopted an additional 25 basis point on top of the respective yield as shown above, taking into consideration risk commonly associated with this particular asset class.</p> <p>We are of the view that the discount rate adopted by the Independent Valuer is reasonable based on our discussion set out above.</p>

We concurred with the Independent Valuer that the Income Approach (Investment Method) is the most appropriate valuation method in arriving at the market values of the Subject Property considering that the Subject Property is located within an industrial area that is suitable for an investment property as seen by the neighbouring factories occupied by numerous multinational companies, the unexpired lease term of about 45 years for the Subject Property and the abundance asking rentals available in the vicinity of Shah Alam, which are able to form a pattern of values and improve the accuracy in establishing the market value of the Subject Property.

As such, we are of the view that the Purchase Consideration is fair and reasonable as it represents a discount of RM500,000 or 1.2% to the fair market value of the Subject Property of RM41,500,000 as appraised by the Independent Valuer.

Notwithstanding the above, ABSB had previously acquired the Subject Property from Network Foods Industries, an indirect wholly-owned subsidiary of Pan Malaysia Corporation Berhad (a company listed on the Main Market of Bursa Securities, via the Previous SPA, for a total cash consideration of RM41,000,000 (which is equivalent to the Purchase Consideration under the Proposed Acquisition). The Previous Acquisition was announced on Bursa Securities on 7 November 2022 and completed on 30 August 2023.

After considering the above, opinion of the Board, the prospect and outlook of Atrium REIT, we are of the opinion that the Purchase Consideration is fair, reasonable and not detrimental to the non-interested Unitholders.

Notwithstanding the above, non-interested Unitholders should note that the market price of the Subject Property may be affected by various factors, including but not limited to, liquidity risk (i.e. the process of selling and buying property can be time consuming). The Independent Valuer's valuations do not account for the effort, time, marketability, buyer demand, uncertainty relating to a property sale and potential transaction costs that would be required to dispose of the assets and realise the intrinsic value of the Subject Property.

### 5.2.2 Salient terms of the SPA

The salient terms of the SPA are as disclosed in Appendix I of the Circular. Non-interested Unitholders are advised to read Appendix I of the Circular in the entirety.

Our comments on the salient terms of the SPA are as follows:-

Salient terms	SCA Comments
<p>1. <u>Sale and purchase</u></p> <p>Pursuant to the SPA, the Purchaser will acquire the Subject Property together with the Vendor's rights, title and interests in the Subject Property free from charges, liens, prohibitory orders, restraints, caveats and encumbrances but subject to all conditions express or implied on the original issue document of title to the Subject Property on an "as is where is" basis in its present state and condition as at the date of the SPA with legal possession and subject to the fulfilment of the terms of the Previous SPA.</p>	<p>These terms are reasonable as it serves to protect the interest of Atrium REIT as it sets out the obligation of the Vendors in relation to the Proposed Acquisition.</p>





	Salient terms	SCA Comments
2.	<p><u>Conditions Precedent</u></p> <p>The completion of the sale and purchase of the Subject Property shall be subject to the prior fulfilment of the following:-</p> <ul style="list-style-type: none"> <li>(i) the Vendor having obtained all necessary approvals and consents (if applicable) for the disposal of the Subject Property to the Purchaser;</li> <li>(ii) the Purchaser having obtained all necessary approvals and consents for the charge of the Subject Property at its own cost and expense;</li> <li>(iii) the approval of the Unitholders being obtained at an Unitholders' Meeting for the purchase of the Subject Property;</li> <li>(iv) the approval from the board of directors of the Purchaser being obtained for the purchase of the Subject Property;</li> <li>(v) the approval from the Board being obtained for the purchase of the Subject Property; and</li> <li>(vi) the approval from the other relevant authorities being obtained for the purchase of the Subject Property, where applicable.</li> </ul>	<p>The terms (i) and (ii) are reasonable as the Vendor and the Purchaser are required to obtain all necessary approvals and consent from the relevant parties in order to give effect to the Proposed Acquisition.</p> <p>These terms are reasonable as the approval from the Unitholders is required to be in compliance with the Listing Requirements. The Listing Requirements also requires the Interested Parties to abstain from voting on the resolution in respect of the Proposed Acquisition.</p>
3.	<p><u>Purchase Consideration and Payment Terms</u></p> <p>The Purchase Consideration shall be satisfied by the Purchaser in the following manner:-</p> <ul style="list-style-type: none"> <li>(i) the Earnest Deposit paid to the Vendor prior to the execution of the SPA;</li> <li>(ii) the Balance Deposit being payable to the Vendor upon the execution of the SPA;</li> <li>(iii) the Balance Purchase Consideration firstly payable to the existing chargee of the Subject Property for the sum required for the existing chargee to discharge and release the Subject Property from its security interest (“Redemption Sum”) within the Completion Period; and</li> <li>(iv) 90.0% of the Purchase Consideration, after the deduction of Redemption Sum, to be paid to the Vendor’s solicitors on the Completion Date (if any).</li> </ul> <p>In the event the Purchaser is unable to pay the Balance Purchase Consideration or any part thereof on or before the expiry of the Completion Period, the Vendor shall automatically grant a 2 months extension to the initial Completion Period (“Extended Completion Period”) to the Purchaser subject to the Purchaser paying interest for the late payment on the outstanding Balance Purchase Consideration or any part thereof at the rate of 8.0% per annum calculated from the day next after the end of the 1st month of the Extended Completion Period to the date of full payment of the outstanding Balance Purchase Consideration (excluding the actual date of payment) based on a 365 day year on the actual number of days elapsed, such interest to be payable together with the Balance Purchase Consideration or any part thereof.</p> <p>For the avoidance of doubt, no late payment interest is payable by the Purchaser if the Balance Purchase Consideration is paid within the first 30 days of the Extended Completion Period.</p>	<p>These terms are reasonable as it sets out the payment obligation of the Trustee up to the Completion Date.</p> <p>The 10% deposits are reasonable as its on par with common deposits rate for property transactions.</p> <p>This term is reasonable as it sets out the obligation of the Purchaser in relation to the full settlement of the Balance Purchase Consideration. The penalty clause of 8% per annum is fair and reasonable as it is common when it involves property transaction.</p>



	Salient terms	SCA Comments
	<p>The Vendor agrees that payments made to the existing chargee of the Subject Property and/or the Vendor's solicitors to hold as stakeholder by the Purchaser and/or the Purchaser's financier shall be deemed that payments made to and received by the Vendor towards the account of the Purchase Consideration and all other monies due and payable by the Purchaser under the SPA.</p>	
4.	<p><u>Existing Tenancy Agreement</u></p> <p>The parties of the SPA hereto agree that in the event if the Existing Digi Tenancy Agreement is still subsisting on the date of delivery of legal possession of the Subject Property, the Existing Digi Tenancy Agreement shall be novated from the Vendor to the Purchaser on the date of delivery of legal possession of the Subject Property and the existing tenancy deposits, utilities deposit and/or any increase in the deposits thereof in furtherance of the Existing Digi Tenancy Agreement ("<b>Tenancy Deposit</b>") as detailed out in the Existing Digi Tenancy Agreement, which is deposited with the Vendor shall be transferred to the Purchaser on the date of delivery of legal possession of the Subject Property.</p> <p>The Vendor and the Purchaser further agree that the Purchaser shall grant the right to occupy Factory A to Network Foods Industries until 31 May 2024 without any rental pursuant to the Rental Free Obligations.</p>	<p>We note that the novation of the Existing Digi Tenancy Agreement allows Atrium REIT to continue renting the Telco Tower to Digi without having to renegotiate new terms.</p> <p>We further note that Digi had expressed its intention to renew the Existing Digi Tenancy Agreement expiring on 31 January 2024 and extend the tenancy for a further period of 18 months from the expiry at the same monthly rental of RM6,300 and all other terms of tenancy remain the same as the Existing Digi Tenancy Agreement ("<b>Renewal Digi Tenancy Agreement</b>"). ABSB is in the midst of finalising the Renewal Digi Tenancy Agreement with Digi and such agreement shall be novated to Atrium REIT in due course.</p> <p>We also note that pursuant to the Previous SPA, ABSB shall continue to allow Network Foods Industries to rent Factory A without any rental for a period of 9 months commencing from 1 September 2023 until 31 May 2024.</p> <p>As such, Atrium REIT is required to assume the Rental Free Obligations of ABSB, whereby any new tenancy for Factory A can only commence after 31 May 2024. As stated in Section 5.1 of this IAL, the Rental Free Obligations are based on the terms of the Previous SPA and we are of the view that it is reasonable for Atrium REIT to assume the Rental Free Obligations of ABSB and to commence any new tenancy only after 31 May 2024 as it is a commercial decision to assume the obligations of the Vendor from the Previous SPA.</p>



	Salient terms	SCA Comments
5.	<p><u>Representations and Warranties</u></p> <p>The Vendor have given specific representations and warranties relating to, amongst others, their capacities, the Subject Property and the tenancies granted in respect of the Subject Property.</p> <p>If any event or circumstance, which arises or becomes known to the Purchaser on or before the Completion Date, is inconsistent with any of the representations and warranties by the Vendor, the Purchaser may give a written notice to the Vendor to remedy the same within 14 business days from the receipt of the notice. If the Vendor fails to remedy the same, the Purchaser shall be entitled to either pursue an action for specific performance of the SPA or elect to terminate the SPA.</p>	<p>This term is reasonable and not detrimental to the non-interested Unitholders as it serves to protect the interest of Atrium REIT as it states the Vendor's obligation in order to complete the Proposed Acquisition and it allows the Trustee to terminate the SPA in the event that the Vendor fails to remedy any inconsistency with the representations and warranties provided by the Vendor.</p>
6.	<p><u>Default</u></p> <p>(i) Vendor's right to terminate</p> <p>If the Purchaser fails to pay the Purchase Consideration in accordance with the terms of the SPA, commits any material breach of or fails to perform or observe any material representation, terms or conditions or covenants in the SPA or is found to be subject to any winding up proceedings (whether compulsorily or voluntarily), the Vendor is entitled to terminate the SPA by notice in writing to the Purchaser if the Purchaser fails or refuses to remedy the breach or the matter within 14 business days of receipt of a notice from the Vendor.</p> <p>The consequences shall ensue:-</p> <p>(a) the Earnest Deposit and Balance Deposit shall be forfeited by the Vendor absolutely as agreed liquidated damages; and</p> <p>(b) the Vendor shall refund to the Purchaser all other monies previously paid by the Purchaser towards account of the Purchase Consideration free of interest (if such monies had been paid to the Vendor).</p> <p>(ii) Purchaser's right to terminate</p> <p>On or before the Completion Date, if the Vendor, without any act of default or omission or blameworthy conduct on the part of the Purchaser:-</p> <p>(a) fails to complete the sale and purchase of the Subject Property in accordance with the terms set out in the SPA; or</p> <p>(b) the Vendor is found to be subject to any winding up proceedings (whether compulsorily or voluntarily); or</p> <p>(c) commits any material breach of or fails to perform or observe any material representation, terms or conditions or covenants in the SPA on its part to perform or observe, or refuse to proceed with the sale of the Subject Property in the manner set out in the SPA,</p>	<p>The default clauses are reasonable and will allow the Non-Defaulting Party the avenue to terminate the agreement as well as safeguard the interest of the Non-Defaulting Party in the event that any of the terms and conditions cannot be satisfied or waived.</p>



	Salient terms	SCA Comments
	<p>of which written notice has been given to the Vendor by the Purchaser and the Vendor shall fail or refuse to remedy such breach within 14 business days of receipt of a notice from the Purchaser, the Purchaser shall be entitled to either pursue an action for specific performance of the SPA or elect to terminate the SPA.</p> <p>In the event the Purchaser elects to terminate the SPA, the Purchaser is entitled to seek refund of all monies paid under the SPA together with a further sum equivalent to the sum of the Earnest Deposit and Balance Deposit as agreed liquidated damages (“<b>Election Monies</b>”) and the Vendor shall pay to the Purchaser the Election Monies within 14 business days from the date of receipt of a written notice of termination from the Purchaser.</p>	
7.	<p><u>Vendor’s entitlement</u></p> <p>The Vendor and Network Foods Industries shall be entitled to dismantle and remove only its moveable items from the Subject Property including but not limited to office fixtures and fittings, office equipment, inventory, racking systems, etc, on the date of delivery of legal possession of the Subject Property and the end of the Existing Factory A Tenancy, respectively.</p> <p>For avoidance of doubt, all electrical systems and installations such as switchboards, distribution boards, transformers, cables and wirings, shall not be removed.</p>	<p>This term is customary in transaction of similar nature and hence is deemed reasonable.</p>

Premised on the above, we are of the view that the abovementioned salient terms of the SPA are fair and reasonable and not detrimental to the non-interested Unitholders.

### 5.3 Industry overview and prospects

We take note of the industry overview and prospects as disclosed in Section 4, Part A of the Circular.

#### Overview and prospects of the Malaysian Economy

Malaysia’s economy expanded 3.3% in the third quarter of 2023 (“**3Q23**”) from a year earlier as resilient domestic demand offset continued export weakness. The gross domestic product (“**GDP**”) growth beat the 3% median average forecast of a Reuters survey of economists and was better than the 2.9% growth recorded in the previous quarter. Over the first three quarters of 2023, Malaysia’s economy grew 3.9%.

During the recent quarter, household spending remained supported by continued growth in employment and wages while investment activity was underpinned by the progress of multi-year projects and capacity expansion by firms. Exports remained soft on weak external demand, although this was partially offset by a recovery in inbound tourism.

On the supply side, the services, construction and agriculture sectors remained supportive of growth. This was partly offset by the decline in production in the manufacturing sector given the weakness in demand for electrical and electronic (E&E) products and lower production of refined petroleum products.

*(Source: Bank Negara Malaysia Quarterly Bulletin 3Q23 released on 17 November 2023)*



Malaysia's economy is expected to grow 4% to 5% next year, amid moderate global growth in 2023 and 2024. This follows slow expansion in advanced economies, volatile financial markets due to tightening monetary policy, prolonged geopolitical tensions, and increasing climatic changes.

Malaysia's expected growth is envisaged to be broad-based, led by the services sector, as intermediate and final services groups are anticipated to rise further, driven by sustained domestic consumption and improved export activities. Additionally, on the demand side, growth is expected to be buoyed by strong private sector expenditure and improving global demand. Consumer spending is also envisaged to be robust, supported by improved labour market conditions.

Recovery in external demand is anticipated to boost export performance, leading to a larger trade surplus. This surplus is attributed to higher export receipts from the goods account, which will cushion the net outflows from transport and other services accounts. Thus, the current account is projected to post a surplus of RM62.2 billion or 3.2% of gross national income.

The increased external uncertainties will pose risks to economic growth. Notwithstanding these challenges, the economy continues to reap the benefits of policies and initiatives undertaken over the years to enhance resilience and competitiveness. Further, the overall economy is projected to expand moderately in the second half of the year as external demand is expected to remain low, with a high base effect from the previous year.

Domestic demand will continue to drive growth, and therefore, the GDP is anticipated to register a growth of 4% in 2023. On the income front, encouraging economic growth projected in 2024 will stimulate higher income for the workforce. With the strengthening of its existing initiatives by adopting advanced technology in production activities and enhancing productivity through continuous improvement in retraining and upskilling may also contribute to higher income for workers. Hence, the labour income share is expected to improve further in moving towards the Ekonomi Madani aspiration to achieve a 45% share of GDP in the long-term period.

*(Source: Economic Outlook 2024 released on 13 October 2023: Ministry of Finance)*

### **Overview of industrial properties in Klang Valley**

The Klang Valley industrial property segment has seen its fortunes blossom, thanks to the pandemic, which pushed the demand for such properties higher than expected. While generally not considered attractive to investors, this important subsector has been part of the Malaysian real estate landscape for decades.

With renewed interest in Shah Alam as a centre of industrial development for Selangor, demand for and prices of industrial land increased and investors had to look at further and cheaper locations in the Klang Valley such as Bukit Raja, Banting, Rawang and Sungai Buloh. The most clustered industrial estates are in Shah Alam's Seksyen 15, 16, 22, 23, 31 and 32. These are considered the oldest and most mature industrial areas in Selangor.

Although the industrial sector is a very small subsector of the overall property market, with existing stock at only 46,316 units in the first half of 2021, the manufacturing sector contributes about 24% to the national gross domestic product and the industrial/manufacturing sector employs about one (1) million workers.

Further, the pandemic-induced lockdowns have changed the consumption patterns of consumers, who embraced e-commerce during the Movement Control Order ("MCO"), resulting in strong demand for warehouse and logistics properties. The changing consumption patterns to e-commerce have not only driven logistics and warehouse demand but also the expansion of Industry 4.0 and smart factories.



During the MCO period, many manufacturers showed interest in artificial intelligence, technologies, investments in robotics and 5G connectivity systems as these would generate a more efficient operational workflow, reduce costs and experience fewer risks amid lockdowns.

With the growth of the local and regional economies, demand for industrial space is imminent. Generally, the industrial sector will be driven by the growth in e-commerce, generating demand for space in warehousing in particular. Going by the trend in the industrial sector and changing consumer trends.

Malaysia's march towards becoming an industrialised nation means the industrial property segment has a bright future. With the Regional Comprehensive Economic Partnership agreement set up to create the world's largest free trade zone and investment opportunities in the 15 participating Asia-Pacific countries – of which Malaysia is a member – this will create extensive market access and relocation of investments to the Asia-Pacific region.

*(Source: City & Country, The Edge Malaysia Weekly on 30 January 2023 to 5 February 2023)*

### **Prospects of the Subject Property**

The Subject Property is strategically located directly beside Atrium Shah Alam 4. It is approximately 31.00 kilometres and 19.00 kilometres south-east of Kuala Lumpur City Centre and Petaling Jaya City Centre respectively.

Further, the Subject Property is strategically located at the centre of the western portion of Klang Valley and is facilitated by a good network of highways and public transports connecting the Subject Property to other parts of Klang Valley. Some of the notable highways around the Subject Property are Federal Highway, New Klang Valley Expressway (NKVE), Kemuning - Shah Alam Highway (LKSA), Shah Alam Expressway (KESAS) and North-South Expressway Central Link (ELITE). In addition to the above, the Subject Property is also situated in close proximity to two (2) KTM Stations and two (2) upcoming LRT 3 Stations.

Further, the SACC Mall, Wisma MBSA, Shah Alam Convention Centre and UTC Selangor are located approximately 4.50 kilometres north-east whilst I-City is sited about 5.50 kilometres north-west of the Subject Property's site respectively.

Located across the frontage road, the factories are occupied by multinational companies like Nestle Manufacturing (Malaysia) Sdn Bhd, Cadbury Confectionery Malaysia Sdn Bhd, UMW Toyota Motor Sdn Bhd and Scientex Berhad.

The prospects of the Subject Property are expected to be positive in view of its strategic location, good accessibility, growing demand for industrial properties in the vicinity of the Subject Property. In addition, the Manager is in the midst of identifying the New Tenant and is expected to secure and rent out the Subject Property by 1 June 2024. Premised on the above, the Manager believes that the Subject Property will add value to the Unitholders in the long run.

**Premised on the above, we are of the view that the prospects of Atrium REIT following the Proposed Acquisition will be favourable and barring unforeseen circumstances, is poised to improve its financial performance in the future.**

**Nonetheless, we wish to also highlight that the Proposed Acquisition is subject to risks and uncertainties which are not within Atrium REIT's control such as change in Government policies, pandemic risk, adverse changes in economic condition and changes in financing conditions. The occurrence of any of such events may materially impact the businesses and may adversely affect Atrium REIT's revenue and profitability to be derived from the businesses.**



There shall also be no guarantee that the anticipated benefits from the Proposed Acquisition as set out Section 3, Part A of the Circular will be realised by Atrium REIT in the foreseeable future.

#### 5.4 Risk factors relating to the Proposed Acquisition

We take note of the risk factors as disclosed in Section 5, Part A of the Circular.

Atrium REIT is not expected to be exposed to new business risks as a result of the Proposed Acquisition. Additionally, the non-interested Unitholders should also take note of the additional risk factor in relation to the Proposed Acquisition.

##### Additional financial risk

Atrium REIT will increase its debt level as the Proposed Acquisition is expected to be funded through a combination of internally-generated funds and bank borrowings.

Such increase in bank borrowings will increase the financial risks of Atrium REIT as it will be required to service and incur higher interest expense, whilst ensuring that it also generates sufficient cash flow to repay the bank borrowings in due course. Any future adverse fluctuation in interest rates may also adversely impact Atrium REIT.

As illustrated under Section 6.2, Part A of the Circular, the net borrowings of Atrium REIT is expected to increase from RM250,831,130 to RM283,631,130 following the completion of the Proposed Acquisition, with net gearing ratio increasing from 40.95% to 42.52%.

##### The Subject Property may face increasing competition from other properties

The Subject Property is located in an area where other competing properties are present and older properties maybe be upgraded or enhanced which may compete with the Subject Property. The appeal and attractiveness of the Subject Property may decrease in the future, especially when other industrial properties are built and/or surrounding properties undergo upgrading and the Subject Property fails to keep pace. Further, with the current age of the building and factory and the non-possession of CFO/ CCC by Factories B to E and Office, there can be no assurance that the Subject Property will be able to compete effectively with other industrial properties in the vicinity to source for New Tenant.

The Subject Property is currently tenanted by Network Foods Industries and the Manager will have to continue to actively seek for New Tenant to maximise its occupancy rate upon the expiry of the Rental Free Obligations period. However, the ability of the Manager to achieve this is subject to factors such as the competitive environment and economic conditions. There can be no assurance that the Manager is able to maximise the occupancy rate of the Subject Property.

If, in the future, competing properties are more successful in attracting and retaining tenants, the income from the Subject Property could be reduced, thereby adversely affecting Atrium REIT's cash flow and the amount of funds available for distribution to the Unitholders.

##### Devaluation of the Subject Property

Property valuation (including the valuation conducted by the Independent Valuer in connection with the Proposed Acquisition) generally include a subjective evaluation of certain factors relating to the relevant properties, such as their relative market position, competitive strength and physical conditions.

General property prices, including that of commercial property, are subject to the volatilities of the property market and there can be no assurance that Atrium REIT will not be required to make downward revaluation of the Subject Property in the future.



Any fall in the gross revenue or net property income derived from the Subject Property may result in downward revaluation.

Atrium REIT is required to measure the investment properties at fair value at each reporting date. The changes in fair value may have an adverse effect on Atrium REIT's financial results in the financial year where there is a significant decrease in the valuation of Atrium REIT's investment properties, which will result in revaluation losses that will be charged to its statement of comprehensive income.

#### Risk associated with AEI

The Subject Property may need to undergo renovation or asset enhancement works from time to time to retain its competitiveness and may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may develop from time to time. The costs of maintaining the Subject Property and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages.

The Manager will work together with the Subject Property's manager to identify and plan for future asset enhancement or rectification works in respect of the Subject Property to minimise disruption to the operations of the Subject Property. While the Manager and the Subject Property's manager will endeavour to keep any disruptions caused by such renovation works or maintenance or repairs to a minimum, the operations of the Subject Property may still suffer some disruption.

Further, there can be no assurance that the renovation or asset enhancement works will be able to achieve their intended return or benefit as the Subject Property may still be unable to attract new tenants or retain existing tenants, and significant costs may have been incurred by Atrium REIT in the course of such renovation or asset enhancement works.

We also wish to highlight that despite efforts and measures taken by Atrium REIT to mitigate the risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of risk factors as stated above and in Section 5, Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of Atrium REIT, its financial performance, financial position or prospects thereon.

In evaluating the Proposed Acquisition, non-interested Unitholders should carefully consider the said risk factors and their respective mitigating factors before voting on the resolution pertaining to the Proposed Acquisition at the forthcoming Unitholders' Meeting. Non-interested Unitholders should also note that the risk factors mentioned therein are not meant to be exhaustive.

#### **5.5 Financial effects of the Proposed Acquisition**

The financial effects of the Proposed Acquisition as disclosed in Section 6, Part A of the Circular are as follows:-

**(i) Unitholders' capital and substantial Unitholders' unitholdings**

The Proposed Acquisition will not have any effect on the Unitholders' capital of Atrium REIT and substantial Unitholders' unitholdings in Atrium REIT as the Proposed Acquisition does not involve any issuance of Atrium REIT Units.

**(ii) NAV per Unit and gearing**

For illustration purposes only, the pro forma effects of the Proposed Acquisition on the NAV per Unit and gearing of Atrium REIT based on the audited statement of financial position of Atrium REIT as at 31 December 2022 and on the assumption that the Proposed Acquisition had been effected on that date are as follows:-





	(I)	(II)	
	Audited as at 31 December 2022 (RM'000)	Subsequent adjustment up to LPD [2] (RM'000)	After (I) and the Proposed Acquisition (RM'000)
Total Unitholders' funds/ NAV	335,799	349,749	349,249 [3]
Borrowings	250,831	250,831	283,631 [4]
Gearing (%) [1]	40.95	40.03	42.52
NAV per unit (RM)	1.31	1.32	1.32

Notes:

[1] Computed based on total borrowings divided by total asset value.

[2] After adjusting for the following:-

- (i) issuance of 10,000,000 new Units at an issue price of RM1.40 per Unit pursuant to the special issuance of Units to a major Unitholder, ("Special Issuance") which was completed on 8 March 2023 and deducting the expenses of approximately RM50,000 in relation to the Special Issuance; and
- (ii) the AEI which was financed through the funds raised from the private placement (which was completed on 17 August 2022) and the Special Issuance.

[3] After deducting estimated expenses of approximately RM500,000 in relation to the Proposed Acquisition.

[4] After taking into consideration the Purchase Consideration will be partly funded via bank borrowings of RM32,800,000.

We have taken note that the Proposed Acquisition will increase Atrium REIT's total borrowings assuming that the Purchase Consideration is partly funded via bank borrowings of RM32,800,000. As a resultant, the gearing will increase from 40.95% to 42.52%.

### (iii) Earnings, EPU and DPU

The Proposed Acquisition is not expected to have a material impact on Atrium REIT's earnings, EPU and DPU for the FYE 31 December 2024.

Nevertheless, barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the future earnings, EPU and DPU of Atrium REIT upon commencement of the New Tenancy, resulting in Atrium REIT realising rental income to be received from the New Tenant.

Based on the above, we are of the opinion that the effects of the Proposed Acquisition are fair and reasonable and not to the detriment of the non-interested Unitholders.



## 6. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and have set out our evaluation in Section 2 through Section 5 of this IAL. We summarised the potential advantages and disadvantages of the Proposed Acquisition as follows:

Potential Advantages	Potential Disadvantages
<p>The Subject Property is located directly beside Atrium REIT's existing property, Atrium Shah Alam 4, both of which are within a prime and mature industrial estate with various businesses and multinational firms located within close proximity which is tenanted to an established multinational logistics company.</p>	<p>Apart from Factory A, the current buildings have reached the end of their economic life cycle in view of the poor state of decorative repair and maintenance of Factory B, Factory C, Factory D, Factory E and Office, as well as the irretrievable approved building plans and CFO/CCC.</p> <p>As such, Atrium REIT may incur minor rectification and refurbishment costs, which the Manager has allocated up to RM1.0 million (representing approximately 2.44% of the Purchase Consideration), if required and/or upon the request of the New Tenant to accommodate the specific requirements of the New Tenant.</p> <p>As discussed, we are of the view that non-possession of CFO/ CCC by Factories B to E and Office, its structure can be demolished by the Manager to create an open yard space to the New Tenant, if required, and the rental rate is expected to be within the range of the rental rate of industrial land, which in turn will also generate rental income to Atrium REIT.</p>
<p>Purchase Consideration represents a discount of RM500,000 or 1.2% to the fair market value of the Subject Property of RM41,500,00 as appraised by the Independent Valuer. The Purchase Consideration is also similar to the purchase consideration of the Previous SPA, without any transaction cost incurred and the loss of rental arising from the Rental Free Obligations being reimbursed to the Vendor.</p>	<p>As Proposed Acquisition is expected to be completed by the 1<sup>st</sup> half of 2024, Atrium REIT is therefore required to assume the Rental Free Obligations of ABSB, whereby any new tenancy for Factory A can only commence after 31 May 2024 in accordance to the terms of the SPA. The Manager anticipates to complete the Proposed Acquisition by June 2024, hence, minimising the exposure of the Rental Free Obligations of ABSB to Atrium REIT.</p>

Premised on the above, we are of the view that the potential advantages outweigh the potential disadvantages.

We have taken cognisance of the rationale and justification, financial evaluation, effects and risk factors of the Proposed Acquisition. Based on our evaluation and comments on the Proposed Acquisition, we are of the opinion that the Proposed Acquisition is **fair and reasonable** and are **not detrimental** to the non-interested Unitholders.

**Accordingly, we recommend that the non-interested Unitholders to vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.**



Before arriving at the decision to vote on the resolution pertaining to the Proposed Acquisition, it is pertinent that the non-interested Unitholders to consider the issues and implications raised in this IAL as well as other considerations as set out in Part A of the Circular carefully and the Directors' statement and recommendation in respect to the Proposed Acquisition as set out in Section 11, Part A of the Circular.

Yours faithfully,  
For and on behalf of  
**STRATEGIC CAPITAL ADVISORY SDN. BHD.**

**NG WOON LIT**  
Director  
Investment Representative  
eCMSRL/B5412/2015

**TAN DAI LIANG, CFA**  
Director  
Investment Representative  
eCMSRL/B6239/2015

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**SALIENT TERMS OF THE SPA**

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The salient terms of the SPA are as follows:-

**1. SALE AND PURCHASE**

Pursuant to the SPA, the Purchaser will acquire the Subject Property together with the Vendor's rights, title and interests in the Subject Property free from charges, liens, prohibitory orders, restraints, caveats and encumbrances but subject to all conditions express or implied on the original issue document of title to the Subject Property on an "as is where is" basis in its present state and condition as at the date of the SPA with legal possession and subject to the fulfilment of the terms of the Previous SPA.

**2. CONDITIONS PRECEDENT**

The completion of the sale and purchase of the Subject Property shall be subject to the prior fulfilment of the following:-

- (i) the Vendor having obtained all necessary approvals and consents (if applicable) for the disposal of the Subject Property to the Purchaser;
- (ii) the Purchaser having obtained all necessary approvals and consents for the charge of the Subject Property at its own cost and expense;
- (iii) the approval of the Unitholders being obtained at an Unitholders' Meeting for the purchase of the Subject Property;
- (iv) the approval from the board of directors of the Purchaser being obtained for the purchase of the Subject Property;
- (v) the approval from the Board being obtained for the purchase of the Subject Property; and
- (vi) the approval from the other relevant authorities being obtained for the purchase of the Subject Property, where applicable.

**3. PURCHASE CONSIDERATION AND PAYMENT TERMS**

The Purchase Consideration shall be satisfied by the Purchaser in the following manner:-

- (i) the Earnest Deposit paid to the Vendor prior to the execution of the SPA;
- (ii) the Balance Deposit being payable to the Vendor upon the execution of the SPA;
- (iii) the Balance Purchase Consideration firstly payable to the existing chargee of the Subject Property for the sum required for the existing chargee to discharge and release the Subject Property from its security interest ("**Redemption Sum**") within the Completion Period; and
- (iv) 90.0% of the Purchase Consideration, after the deduction of Redemption Sum, to be paid to the Vendor's solicitors on the Completion Date (if any).

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**SALIENT TERMS OF THE SPA (Cont'd)**

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In the event the Purchaser is unable to pay the Balance Purchase Consideration or any part thereof on or before the expiry of the Completion Period, the Vendor shall automatically grant the Extended Completion Period to the Purchaser subject to the Purchaser paying interest for the late payment on the outstanding Balance Purchase Consideration or any part thereof at the rate of 8.0% per annum calculated from the day next after the end of the 1<sup>st</sup> month of the Extended Completion Period to the date of full payment of the outstanding Balance Purchase Consideration (excluding the actual date of payment) based on a 365 day year on the actual number of days elapsed, such interest to be payable together with the Balance Purchase Consideration or any part thereof. For the avoidance of doubt, no late payment interest is payable by the Purchaser if the Balance Purchase Consideration is paid within the first 30 days of the Extended Completion Period.

The Vendor agrees that payments made to the existing chargee of the Subject Property and/or the Vendor's solicitors to hold as stakeholder by the Purchaser and/or the Purchaser's financier shall be deemed that payments made to and received by the Vendor towards the account of the Purchase Consideration and all other monies due and payable by the Purchaser under the SPA.

**4. EXISTING TENANCY AGREEMENT**

The parties of the SPA hereto agree that in the event the Existing Digi Tenancy Agreement is still subsisting on the date of delivery of legal possession of the Subject Property, the Existing Digi Tenancy Agreement shall be novated from the Vendor to the Purchaser on the date of delivery of legal possession of the Subject Property and the existing tenancy deposits, utilities deposit and/or any increase in the deposits thereof in furtherance of the Existing Digi Tenancy Agreement ("**Tenancy Deposit**") as detailed out in the Existing Digi Tenancy Agreement, which is deposited with the Vendor shall be transferred to the Purchaser on the date of delivery of legal possession of the Subject Property.

The Vendor and the Purchaser further agree that the Purchaser shall grant the right to occupy Factory A to Network Foods Industries until 31 May 2024 without any rental pursuant to the Rental Free Obligations.

**5. REPRESENTATIONS AND WARRANTIES**

The Vendor have given specific representations and warranties relating to, amongst others, their capacities, the Subject Property and the tenancies granted in respect of the Subject Property.

If any event or circumstance, which arises or becomes known to the Purchaser on or before the Completion Date, is inconsistent with any of the representations and warranties by the Vendor, the Purchaser may give a written notice to the Vendor to remedy the same within 14 business days from the receipt of the notice. If the Vendor fails to remedy the same, the Purchaser shall be entitled to either pursue an action for specific performance of the SPA or elect to terminate the SPA.

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**SALIENT TERMS OF THE SPA (Cont'd)**

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**6. DEFAULT****(i) Vendor's right to terminate**

If the Purchaser fails to pay the Purchase Consideration in accordance with the terms of the SPA, commits any material breach of or fails to perform or observe any material representation, terms or conditions or covenants in the SPA or is found to be subject to any winding up proceedings (whether compulsorily or voluntarily), the Vendor is entitled to terminate the SPA by notice in writing to the Purchaser if the Purchaser fails or refuses to remedy the breach or the matter within 14 business days of receipt of a notice from the Vendor.

The consequences shall ensue:-

- (a) the Earnest Deposit and Balance Deposit shall be forfeited by the Vendor absolutely as agreed liquidated damages; and
- (b) the Vendor shall refund to the Purchaser all other monies previously paid by the Purchaser towards account of the Purchase Consideration free of interest (if such monies had been paid to the Vendor).

**(ii) Purchaser's right to terminate**

On or before the Completion Date, if the Vendor, without any act of default or omission or blameworthy conduct on the part of the Purchaser:-

- (a) fails to complete the sale and purchase of the Subject Property in accordance with the terms set out in the SPA; or
- (b) the Vendor is found to be subject to any winding up proceedings (whether compulsorily or voluntarily); or
- (c) commits any material breach of or fails to perform or observe any material representation, terms or conditions or covenants in the SPA on its part to perform or observe, or refuse to proceed with the sale of the Subject Property in the manner set out in the SPA,

of which written notice has been given to the Vendor by the Purchaser and the Vendor shall fail or refuse to remedy such breach within 14 business days of receipt of a notice from the Purchaser, the Purchaser shall be entitled to either pursue an action for specific performance of the SPA or elect to terminate the SPA.

In the event the Purchaser elects to terminate the SPA, the Purchaser is entitled to seek refund of all monies paid under the SPA together with a further sum equivalent to the sum of the Earnest Deposit and Balance Deposit as agreed liquidated damages ("**Election Monies**") and the Vendor shall pay to the Purchaser the Election Monies within 14 business days from the date of receipt of a written notice of termination from the Purchaser.

**7. VENDOR'S ENTITLEMENT**

The Vendor and Network Foods Industries shall be entitled to dismantle and remove only its moveable items from the Subject Property including but not limited to office fixtures and fittings, office equipment, inventory, racking systems, etc, on the date of delivery of legal possession of the Subject Property and the end of the Existing Factory A Tenancy, respectively.

For avoidance of doubt, all electrical systems and installations such as switchboards, distribution boards, transformers, cables and wirings, shall not be removed.

## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY



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## VALUATION CERTIFICATE

Date : 3 November 2023  
Our Ref No. : LC/VAL/23/015577/NG-CV

## PRIVATE &amp; CONFIDENTIAL

**BOARD OF DIRECTORS  
PACIFIC TRUSTEES BERHAD  
(ACTING AS TRUSTEE FOR ATRIUM REAL ESTATE INVESTMENT TRUST)**

Unit A-9-8, 9th Floor, Megan Avenue 1  
No. 189, Jalan Tun Razak  
Off Persiaran Hampshire  
50400 Kuala Lumpur

## Laurelcap Sdn. Bhd.

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Selangor Darul Ehsan, MALAYSIA.

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+603-5638 0233

www.laurelcap.com.my

laurelcap@laurelcap.com.my

Dear Sirs,

**VALUATION CERTIFICATE OF AN INDUSTRIAL COMPLEX ERECTED WITH A SINGLE STOREY FACTORY CUM THREE (3) STOREY OFFICE BUILDING, FOUR (4) SINGLE STOREY FACTORIES AND A DOUBLE STOREY OFFICE BUILDING, TOTALLING SIX (6) BUILDINGS, BEARING POSTAL ADDRESS LOT 5, PERSIARAN RAJA MUDA, SEKSYEN 16, 40200 SHAH ALAM, SELANGOR DARUL EHSAN HELD UNDER TITLE NO. HS(D) 324738, PT -, TEMPAT OF INDUSTRIAL SITE AT BATU TIGA, MUKIM OF DAMANSARA, DAERAH OF PETALING, STATE OF SELANGOR DARUL EHSAN (HEREINAFTER REFERRED TO AS THE "SUBJECT PROPERTY")**

We refer to the instructions by **Pacific Trustees Berhad** ("Trustee"), acting as the trustee of **Atrium Real Estate Investment Trust** ("Atrium REIT") to provide an opinion on the **Market Value** of the abovementioned **Subject Property** for the purpose of submission to Bursa Malaysia Securities Berhad ("**Bursa Securities**") and for inclusion in the circular to shareholders in respect of the proposed acquisition by the Trustee, acting on behalf of Atrium REIT, of the Subject Property from a related party, Amazing Blitz Sdn Bhd ("**ABS**") for a total cash consideration of RM 41,000,000.

The Subject Property was inspected on 3 October 2023. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. 3 October 2023.

The Valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards ("**MVS**") issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia and with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined by the MVS to be "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The Valuation Certificate should be read in conjunction with the full Report (Ref Nos: LC/VAL/23/015577/NG) prepared by Laurelcap Sdn Bhd for submission to Bursa Securities which detailed the basis under which the valuations have been prepared.



- Registered Valuers
- Property Managers
- Estate Agents
- Development Consultants
- Project Managers
- Researchers



## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)

**IDENTIFICATION OF THE SUBJECT PROPERTY**

<b>Subject Property</b>																																			
<b>Address:</b>	Lot 5, Persiaran Raja Muda, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan																																		
<b>Type of Property:</b>	An industrial complex erected with a single storey factory cum three (3) storey office building ("Factory A"), four (4) single storey factories ("Factory B", "Factory C", "Factory D" and "Factory E" respectively) and a double storey office building ("Office")																																		
<b>Date of Inspection:</b>	3 October 2023																																		
<b>Date of Valuation:</b>	3 October 2023																																		
<b>Title Particulars:</b>	<table border="0"> <tr> <td><b>Title No.</b></td> <td>HSD 324738</td> </tr> <tr> <td><b>Lot No.</b></td> <td>PT -</td> </tr> <tr> <td><b>Land Area (sq.m.)</b></td> <td>24,295.208 sq.m.</td> </tr> <tr> <td><b>Land Area (sq.ft.)</b></td> <td>261,513.619 sq.ft.</td> </tr> <tr> <td><b>Land Area (acres)</b></td> <td>6.004 acres</td> </tr> <tr> <td><b>Tempat</b></td> <td>Industrial Site at Batu Tiga</td> </tr> <tr> <td><b>Mukim</b></td> <td>Mukim Damansara</td> </tr> <tr> <td><b>District</b></td> <td>Petaling</td> </tr> <tr> <td><b>State</b></td> <td>Selangor Darul Ehsan</td> </tr> <tr> <td><b>Tenure</b></td> <td>Leasehold for 99 years. Term expiring on 13 November 2068. Leaving an unexpired term of approximately 45 years as at the date of valuation.</td> </tr> <tr> <td><b>Quit Rent</b></td> <td>RM 72,968.00 per annum</td> </tr> <tr> <td><b>Category of Land Use</b></td> <td>"Industri"</td> </tr> <tr> <td><b>Express Condition</b></td> <td>"Perusahaan"</td> </tr> <tr> <td><b>Restriction of Interest</b></td> <td>"Tiada"</td> </tr> <tr> <td><b>Registered Owner(s)</b></td> <td>ABSB (1/1 share)</td> </tr> <tr> <td><b>Charge/Encumbrances</b></td> <td>One charge to Public Bank Berhad vide Presentation No. 73203/2023 dated on 18 August 2023</td> </tr> <tr> <td><b>Endorsements</b></td> <td>Nil</td> </tr> </table>	<b>Title No.</b>	HSD 324738	<b>Lot No.</b>	PT -	<b>Land Area (sq.m.)</b>	24,295.208 sq.m.	<b>Land Area (sq.ft.)</b>	261,513.619 sq.ft.	<b>Land Area (acres)</b>	6.004 acres	<b>Tempat</b>	Industrial Site at Batu Tiga	<b>Mukim</b>	Mukim Damansara	<b>District</b>	Petaling	<b>State</b>	Selangor Darul Ehsan	<b>Tenure</b>	Leasehold for 99 years. Term expiring on 13 November 2068. Leaving an unexpired term of approximately 45 years as at the date of valuation.	<b>Quit Rent</b>	RM 72,968.00 per annum	<b>Category of Land Use</b>	"Industri"	<b>Express Condition</b>	"Perusahaan"	<b>Restriction of Interest</b>	"Tiada"	<b>Registered Owner(s)</b>	ABSB (1/1 share)	<b>Charge/Encumbrances</b>	One charge to Public Bank Berhad vide Presentation No. 73203/2023 dated on 18 August 2023	<b>Endorsements</b>	Nil
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<b>Land Area:</b>	24,295.208 sq.m. or 261,513.619 sq.ft. or 6.004 acres																																		
<b>Location:</b>	<p>The Subject Property is situated along Persiaran Raja Muda within Seksyen 16, Shah Alam, Selangor Darul Ehsan. It is approximately 31.00 kilometres and 19.00 kilometres south-east of Kuala Lumpur City Centre and Petaling Jaya City Centre respectively. The Subject Property is easily accessible from Kuala Lumpur City Centre via Jalan Imbi, turning off onto Jalan Istana, thereonto Jalan Syed Putra, continuing onto Federal Highway, exiting onto Persiaran Selangor, Jalan Relau 16/1, Jalan Dawai 16/2, Persiaran Kemajuan and finally onto Persiaran Raja Muda to where the Subject Property is located.</p> <p>The Subject Property is strategically located at the centre of the western portion of Klang Valley and is facilitated by a good network of highways and public transports connecting the Subject Property to other parts of Klang Valley. Some of the notable highways around the Subject Property are Federal Highway, New Klang Valley Expressway (NKVE), Kemuning – Shah Alam Highway (LKSA), Shah Alam Expressway (KESAS) and North–South Expressway Central Link (ELITE). In addition to the above, the Subject Property is also situated in close proximity to two (2) KTM Stations and two (2) upcoming LRT 3 Stations.</p> <p>An additional notable landmark situated adjacent to the Subject Property is Atrium Shah Alam 4 (Lot 7) which was acquired by Atrium REIT in February 2021 and has since undergone an Asset Enhancement Initiative.</p>																																		



## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)

**Laurel Cap**

Trust | Integrity | Expertise

<b>Subject Property</b>																																																															
<b>Description of the Property:</b>	<p>The Subject Property comprises an individually designed industrial complex erected with Factory A, Factory B, Factory C, Factory D, Factory E &amp; Office, totalling six (6) buildings. The physical terrain of the site is generally flat and levelled with the frontage road of Persiaran Raja Muda. The site boundaries are demarcated by chain link fencing whilst the entrance is secured with a sliding metal gate and a guard house.</p> <p>The factories are constructed of steel portal framework with reinforced concrete floors, supporting steel trusses, rafters and laid over with a pitched metal deck roof whilst the offices are constructed of reinforced concrete framework with in-fill plastered brick walls, reinforced concrete floors and laid over with a reinforced concrete roof or pitched metal deck roof.</p> <p>During the course of our inspection, Factory A is in a good state of decorative repair and maintenance whilst Factory B, Factory C, Factory D, Factory E &amp; Office are in a poor state of decorative repair and maintenance. We have also noted that the Office has been burnt and no repair works has been made since.</p> <p>The gross floor area ("GFA") of the buildings were extracted from the Approved Renovation Plan prepared by Messrs William J. Chu Architect, and was cross checked with on-site measurements conducted by us in accordance with the "Uniform Method Of Measurements Of Buildings" Section 8.2.2 (f) by the Royal Institution of Surveyors Malaysia (RISM) as required by the Malaysian Valuation Standards (Standard 8 – Inspection and Referencing of property).</p>																																																														
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	<p>Due to the absence of proper documentations and after taking into account the existing condition of Factory B, Factory C, Factory D, Factory E and Office at the date of inspection, we have arrived at the conclusion to only consider Factory A in arriving at the Market Value of the Subject Property.</p> <p>We have noted that the GFA of Factory A measured on-site compared to the Approved Renovation Plan only has a difference of 0.85%. The difference is within the allowable margin of error thus, for the purpose of this valuation exercise we have adopted the GFA as per the Approved Renovation Plan as shown above.</p>																																																														

## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)



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<b>Subject Property</b>																																					
<b>Building Certification:</b>	<p>Factory A was built in year 1988 and has obtained a Certificate of Fitness for Occupation ("CFO") issued by Majlis Perbandaran Shah Alam (now known as Majlis Bandaraya Shah Alam ("MBSA") via Ref No. SA/RS/No.1370 on 2 September 1988.</p> <p>Subsequently, a renovation was completed in year 2018 via Approved Renovation Plan bearing Ref No. MBSA/BGN/BB/600-B[PBJ]/SEK 16/0131-2017, followed by a Certificate of Completion and Compliance ("CCC") via Ref No. LAM/S/No. 16016 dated on 2 March 2018.</p> <p>Conversely, the approved building plan and CFO/CCC for Factory B, Factory C, Factory D, Factory E &amp; Office were not made available to us at the date of valuation. Further enquiries with Atrium REIT Managers Sdn Bhd, being the management company of Atrium REIT ("Manager") revealed that the documentations for the abovementioned buildings were not provided by the previous owners and the Manager has not sighted any related documentations. Verbal enquiries with MBSA revealed that these documentations were not in their possession.</p> <p>The buildings have reached the end of their economic life cycle in view of the deplorable state of Factory B, Factory C, Factory D, Factory E and Office, as well as the irretrievable approved building plans and CFO/CCC. Hence, the value of these buildings is deemed to be diminished entirely. We do not envisage any potential purchaser would take these buildings into their offer consideration. As a result, we have disregarded the value of all of these buildings in arriving at the Market Value of the Subject Property.</p>																																				
<b>Age of Building as at Date of Valuation:</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Buildings</th> <th style="text-align: left;">Approximate Age</th> </tr> </thead> <tbody> <tr> <td>Factory A</td> <td>35 years old as per CFO</td> </tr> <tr> <td>Factory B</td> <td>More than 35 years old</td> </tr> <tr> <td>Factory C</td> <td>More than 35 years old</td> </tr> <tr> <td>Factory D</td> <td>More than 35 years old</td> </tr> <tr> <td>Factory E</td> <td>More than 35 years old</td> </tr> <tr> <td>Office</td> <td>More than 35 years old</td> </tr> </tbody> </table>	Buildings	Approximate Age	Factory A	35 years old as per CFO	Factory B	More than 35 years old	Factory C	More than 35 years old	Factory D	More than 35 years old	Factory E	More than 35 years old	Office	More than 35 years old																						
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<b>Occupancy Status:</b>	<p>Factory A is occupied by Network Foods Industries Sdn Bhd ("NFI"). There is no tenancy with regard to the occupation by NFI pursuant to the terms of the previous sale and purchase agreement dated 7 November 2022, entered into between NFI (as the vendor) and ABSB (as the purchaser) for the disposal of the Subject Property for a total cash consideration of RM 41.00 million, where the purchaser (ABSB) shall grant the vendor (NFI) a license to occupy Factory A without any rental for a period of 9 months from the date of vacant possession ("VP Date"). Further checking on the announcements on Bursa Securities' website revealed that the VP Date falls on 30 August 2023 hence the 9 months period ends on 31 May 2024.</p> <p>Factory D, Factory E and vacant land are occupied by ABSB for storage purposes.</p> <p>Sited on the south-western portion of the Subject Property is a telecommunication tower ("Telco Tower") occupying approximately 1,800.00 sq.ft. The Telco Tower is operated by Digi Telecommunications Sdn Bhd ("Digi").</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Area</th> <th style="text-align: left;">Occupants</th> <th style="text-align: left;">Monthly rental</th> <th style="text-align: left;">Duration</th> </tr> </thead> <tbody> <tr> <td>Factory A</td> <td>NFI</td> <td>N/A</td> <td>01/09/2023 - 31/05/2024</td> </tr> <tr> <td>Factory B</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Factory C</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Factory D</td> <td>ABSB</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Factory E</td> <td>ABSB</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Office</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Telco Tower</td> <td>Digi</td> <td>RM 6,300.00</td> <td>01/02/2021 - 31/01/2024</td> </tr> <tr> <td>Vacant land</td> <td>ABSB</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table>	Area	Occupants	Monthly rental	Duration	Factory A	NFI	N/A	01/09/2023 - 31/05/2024	Factory B	N/A	N/A	N/A	Factory C	N/A	N/A	N/A	Factory D	ABSB	N/A	N/A	Factory E	ABSB	N/A	N/A	Office	N/A	N/A	N/A	Telco Tower	Digi	RM 6,300.00	01/02/2021 - 31/01/2024	Vacant land	ABSB	N/A	N/A
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<b>Planning Details:</b>	The Subject Property is located within an area designated for industrial use.																																				

## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)



## Subject Property

**METHOD OF VALUATION**

In arriving at the Market Value of the Subject Property, we have adopted the **Cost Approach** and **Income Approach** by way of "Investment Method".

**Cost Approach**

The Cost Approach of Valuation seeks to determine the value of the property through the summation of the value components of the land, building and fixtures. In determining the value of the land, the analysed apportionment value attributable to the land is adopted using Comparison Approach whereby it seeks to determine the value of the land by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Where dissimilarities exist, adjustments are made. In determining the value of the buildings, current estimates on construction costs to erect equivalent buildings are adopted. Appropriate adjustments are then made for factors of obsolescence and existing physical condition of the buildings.

**Income Approach by way of "Investment Method"**

The Market Value is derived from an estimate of the Market Rental, which the Subject Property can reasonably be let for. Outgoings or operating expenses, such as repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is capitalised at an appropriate current market yield to arrive at its indicative Market Value.

**METHOD OF VALUATION****Cost Approach (Land Value)**

Recent transactions of vacant industrial land of similar nature within the neighbourhood which are pertinent to substantiate a value indication for the Subject Property are reviewed and these sales are listed below.

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
<b>Source</b>	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)
<b>Description</b>	Vacant industrial land	Vacant industrial land	Vacant industrial land
<b>Address</b>	8 (Lot 78659), Jalan Tiang U8/93, Bukit Jelutong, Shah Alam, Selangor Darul Ehsan	Lot 2771 & 2798, BT 51/2, Jalan Bukit Kemuning, Taman Perindustrian Bukit Kemuning, Shah Alam, Selangor Darul Ehsan	Lot PT 101875 & Lot 62048, Jalan Mandolin 35/5, Alam Premier Industrial Park, Shah Alam, Selangor Darul Ehsan
<b>Transaction Date</b>	02/03/2023	23/11/2022	05/08/2021
<b>Vendor</b>	Daisho Food (M) Sdn Bhd	GFRC (Malaysia) Sdn Bhd & Lim Ah Ho +1	Eight Development (M) Sdn Bhd
<b>Purchaser</b>	Swap Logistics Distribution Sdn Bhd	Joven Electric Co. Sdn Bhd	GF Equipment Rental Sdn Bhd
<b>Tenure</b>	Grant in perpetuity	Grant in perpetuity	Leasehold. Term expiring on 26 & 24 March 2103 respectively. Leaving an unexpired term of approximately 82 years as at the date of transaction.
<b>Land Area</b>	8,998.00 sq.m. (96,854.472 sq.ft. or 2.22 acres)	24,282.00 sq.m. (261,371.448 sq.ft. or 6.00 acres)	11,110.00 sq.m. (119,588.040 sq.ft. or 2.75 acres)
<b>Consideration</b>	RM 23,222,000.00	RM 37,897,200.00	RM 17,340,115.00
<b>Analysis</b>	<b>RM 239.76 psf</b>	<b>RM 144.99 psf</b>	<b>RM 145.00 psf</b>
<b>Adjustments</b>	General adjustments are made for time and various factors inclusive of location, accessibility, tenure, size, frontage, shape and other factors.		
<b>Adjusted Price psf</b>	<b>RM 160.64 psf</b>	<b>RM 117.15 psf</b>	<b>RM 116.84 psf</b>

## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)



We have applied the Comparison Approach in deriving the industrial land value for the Cost Approach by identifying three relevant land transactions within the vicinity, and have made adjustments for time and various factors inclusive of location, accessibility, tenure, size, shape, frontage, terrain and zoning.

It is noted that the approximate industrial land prices of Comparables 1, 2, and 3, were hovering between RM 144.99 psf and RM 239.76 psf. Adjustments were made to reflect the differences between the Subject Property and the Comparables to arrive at a final adjusted price of RM 116.84 psf to RM 160.64 psf. The total adjustments between the comparable ranges from -33% to -20%. We have noted on the quantum of the adjustments which is mainly attributed to the location and tenure, due to limited transactions of identical lands within the city of Shah Alam.

Taking into consideration of the differences of the Subject Property and the comparables, we have adopted Comparable 2 as the most appropriate comparable due to the following characteristics:-

- The comparable was transacted less than 12 months from the date of valuation;
- It is the median adjusted price psf;
- The land area of the Subject Property and the comparable is identical; and
- The adjustment variance of the comparable is the least at -20%.

From the above analysis, we have adopted a price psf after adjustments of **RM 117.15 psf**. We then arrive at a land value of **RM 30,637,593.61**.

**Cost Approach (Building Value)**

In determining the value of the buildings, current estimates on construction costs to construct similar buildings are adopted. Necessary depreciations are then made due to the physical deterioration, functional obsolescence and economical obsolescence.

	Sources	Construction Costing Range	
		Minimum (RM)	Maximum (RM)
<b>JUBM &amp; Arcadis Construction Cost Handbook 2022</b>	Average Standard Offices, High Rise	2,545.00/ sq.m. (236.44/ sq.ft.)	3,410.00/ sq.m. (316.80/ sq.ft.)
	Light Duty Flatted Factories	1,520.00/ sq.m. (141.21/ sq.ft.)	1,825.00/ sq.m. (169.55/ sq.ft.)
	Heavy Duty Flatted Factories and Warehouses	1,850.00/ sq.m. (171.87/ sq.ft.)	2,210.00/ sq.m. (205.31/ sq.ft.)
	Owner Operated Factories, Low Rise	1,830.00/ sq.m. (170.01/ sq.ft.)	2,355.00/ sq.m. (218.78/ sq.ft.)

Note : The above costs are based on average fixed price competitive tenders as of 4<sup>th</sup> Quarter 2021, inclusive of preliminaries (10%) but exclusive of contingencies.

	Sources	Construction Costing Range	
		Minimum (RM)	Maximum (RM)
<b>BCISM Costbook 2022</b>	3-Storey Offices, Owner Operated	1,600.00/ sq.m. (148.64/ sq.ft.)	2,020.00/ sq.m. (187.66/ sq.ft.)
	Shop Offices	1,410.00/ sq.m. (130.99/ sq.ft.)	1,940.00/ sq.m. (180.23/ sq.ft.)
	Light Duty Factories	1,560.00/ sq.m. (144.93/ sq.ft.)	1,720.00/ sq.m. (159.79 sq.ft.)
	Warehouses	1,860.00/ sq.m. (172.80/ sq.ft.)	2,010.00/ sq.m. (186.73/ sq.ft.)

Note : The above costs are based on analysis of the contract bills of quantities submitted by contractors to Construction Industry Development Board (CIDB) as of 1<sup>st</sup> Quarter 2022.

From the above analysis, we have adopted a construction cost of **RM 190.00 psf** for the office portion and **RM 180.00 psf** for the factory/warehouse portion of Factory A. A total depreciated rate of 20% is made on the total construction cost to arrive at the building value.

## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)

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A summary of the Cost Approach is shown below for easy reference.

Description	Total
<b>Part 1 : Land Value</b>	
<b>Total Land Value</b>	<b>RM 30,637,593.61</b>
<b>Part 2 : Building Value</b>	
<b>Factory A</b>	
Office Building @ 42,302.52 sq. ft. @ RM 190.00 psf	RM 8,037,478.80
Factory @ 27,426.67 sq. ft. @ RM 180.00 psf	RM 4,936,800.60
Total Construction Cost	RM 12,974,279.40
Less : Depreciation @ 20%	RM 2,594,855.88
<b>Total Building Value</b>	<b>RM 10,379,423.52</b>
<b>Part 3 : Market Value</b>	
Total Land Value + Total Building Value	RM 41,017,017.13
<b>SAY</b>	<b>RM 41,000,000.00</b>

**Income Approach by way of "Investment Method"**

Recent asking rental prices of factories and industrial lands situated within the neighbourhood which are pertinent to substantiate a value indication for the Subject Property are reviewed and listed below.

**Factory**

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	iProperty.com.my	iProperty.com.my	iProperty.com.my
Address	Shah Alam, Selangor Darul Ehsan	Shah Alam, Selangor Darul Ehsan	Seksyen 30, Shah Alam, Selangor Darul Ehsan
Posted Date	07/10/2023	06/10/2023	06/10/2023
Built-up Area	2,244.52 sq.m. (24,160.00 sq.ft.)	2,294.69 sq.m. (24,700.00 sq.ft.)	5,109.62 sq.m. (55,000.00 sq.ft.)
Monthly Rental	RM 45,000.00	RM 40,000.00	RM 85,000.00
Analysis	<b>RM 1.86 psf</b>	<b>RM 1.62 psf</b>	<b>RM 1.55 psf</b>
Adjustments	General adjustments are made for location, accessibility, size, building condition, shape, frontage and other factors.		
Adjusted Rental	<b>RM 1.58 psf</b>	<b>RM 1.38 psf</b>	<b>RM 1.55 psf</b>

**Industrial Land**

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	iProperty.com.my	iProperty.com.my	iProperty.com.my
Address	Bukit Jelutong, Shah Alam, Selangor Darul Ehsan	Bukit Kemuning, Shah Alam, Selangor Darul Ehsan	Kota Kemuning, Seksyen 30, Shah Alam, Selangor Darul Ehsan
Posted Date	04/10/2023	08/10/2023	04/10/2023
Land Area	2.00 acres (87,120.00 sq.ft.)	1.46 acres (63,597.60 sq.ft.)	2.13 acres (92,750.00 sq.ft.)
Monthly Rental	RM 60,000.00	RM 25,000.00	RM 60,000.00
Analysis	<b>RM 0.69 psf</b>	<b>RM 0.39 psf</b>	<b>RM 0.65 psf</b>
Adjustments	General adjustments are made for location, accessibility, size, building condition, shape, frontage and other factors.		
Adjusted Rental	<b>RM 0.52 psf</b>	<b>RM 0.31 psf</b>	<b>RM 0.49 psf</b>

## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)



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The key parameters adopted in the computation of Income Approach are tabulated below.

No.	Key Parameters																
1.	Gross monthly rental	<p>The gross monthly rental rate was derived from rentals of similar properties within the surrounding neighbourhood. From our compilation, adjustments have been made for location, accessibility, size, building condition, shape, frontage and unusable area to arrive at a common basis for comparison with the Subject Property.</p> <p>The monthly rental rate adopted for different property types are shown below for easy reference:-</p> <p>Factory : RM 1.50 psf Industrial Land : RM 0.45 psf</p>															
2.	Void	<p><b>5%</b></p> <p>We have taken into consideration of void allowance in arriving the Market Value of the Subject Property for the possible future vacancies and rent-free periods. Based on industry standards, the time taken to rent out industrial spaces of this kind is about two (2) months. However, the tenancy period of factories usually ranges from two (2) to three (3) years per review. In addition, the tenant is required to provide a two (2) to three (3) months' written notice to the landlord nearing the end of the tenancy to inform on the renewal of the tenancy. By taking two (2) months vacancy period over thirty-six (36) months of rental period, we arrive at 5.55%. Hence, adopting a 5% rate to represent a void period in this instance is fair and reasonable.</p>															
3.	Outgoings	<p><b>Factory : 15.00% of gross rental</b> <b>Industrial Land : 5.00% of gross rental</b> <b>Telco Tower : 1.00% of gross rental</b></p> <p>The outgoings adopted is from analysing the annual taxes and payables like quit rent, assessment and fire insurance to represent a percentage of their respective gross rental.</p> <table border="1"> <thead> <tr> <th>Components</th> <th>% of Gross Annual Rental</th> <th>% Adopted</th> </tr> </thead> <tbody> <tr> <td>Factory (Quit Rent, Assessment and Fire Insurance)</td> <td>12.63%</td> <td>15.00%</td> </tr> <tr> <td>Industrial Land (Quit Rent)</td> <td>5.17%</td> <td>5.00%</td> </tr> <tr> <td>Telco Tower (Quit Rent)</td> <td>0.66%</td> <td>1.00%</td> </tr> <tr> <td>Average</td> <td>9.00%</td> <td>10.21%</td> </tr> </tbody> </table> <p>This is in line with the market rate of 10% to 20% of industrial property's gross annual rental.</p>	Components	% of Gross Annual Rental	% Adopted	Factory (Quit Rent, Assessment and Fire Insurance)	12.63%	15.00%	Industrial Land (Quit Rent)	5.17%	5.00%	Telco Tower (Quit Rent)	0.66%	1.00%	Average	9.00%	10.21%
Components	% of Gross Annual Rental	% Adopted															
Factory (Quit Rent, Assessment and Fire Insurance)	12.63%	15.00%															
Industrial Land (Quit Rent)	5.17%	5.00%															
Telco Tower (Quit Rent)	0.66%	1.00%															
Average	9.00%	10.21%															

## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)



No.	Key Parameters													
4.	Yield	<b>Factory : 7.50%</b> <b>Industrial Land : 2.00%</b> <b>Telco Tower : 2.00% (+0.25% per term)</b>												
<p>The yield adopted was derived from analysing REITs with industrial properties.</p> <table border="1"> <thead> <tr> <th>REITs</th> <th>Annual Report 2022</th> </tr> </thead> <tbody> <tr> <td>Sunway REIT Shah Alam 1</td> <td>6.80%</td> </tr> <tr> <td>Axis REIT Logistics Warehouse Manufacturing Facilities</td> <td>7.90%</td> </tr> <tr> <td>Atrium REIT</td> <td>7.44%</td> </tr> <tr> <td>Average</td> <td>7.51%</td> </tr> <tr> <td><b>Adopt</b></td> <td><b>7.50%</b></td> </tr> </tbody> </table> <p>The yield adopted for industrial land is at a nominal amount of 2.00% whilst the Telco Tower occupy a portion of the land thus the yield adopted is the same as that of industrial land.</p>			REITs	Annual Report 2022	Sunway REIT Shah Alam 1	6.80%	Axis REIT Logistics Warehouse Manufacturing Facilities	7.90%	Atrium REIT	7.44%	Average	7.51%	<b>Adopt</b>	<b>7.50%</b>
REITs	Annual Report 2022													
Sunway REIT Shah Alam 1	6.80%													
Axis REIT Logistics Warehouse Manufacturing Facilities	7.90%													
Atrium REIT	7.44%													
Average	7.51%													
<b>Adopt</b>	<b>7.50%</b>													
5.	Present Value (Discount Rate)	<b>0.25% higher than their respective yield</b>  We have allowed for an additional 25 basis points on top of their respective yield as a measurement of risk commonly associated with this particular asset class.												

A summary of the Investment Method is tabulated below for easy reference.

Description	Market Value
<b>Factory A</b>	
Gross Annual Rental	RM 1,255,125.42
Less : Annual Outgoings (15%)	RM (188,268.81)
Less : Void (5%)	RM (62,756.27)
Net Annual Rental	RM 1,004,100.34
Years Purchase ("YP") Dual Rate @ 7.50% yield @ 4.00% Risk Free Rate @ 24% Tax @ 44.485 years	11.608945563
Present Value ("PV") @ 7.75% yield @ 0.660 years	0.951909617
<b>Factory A Value</b>	<b>RM 11,095,978.42</b>
<b>Land</b>	
Gross Annual Rental	RM 1,022,262.77
Less : Annual Outgoings (5%)	RM (51,113.14)
Less : Void (5%)	RM (51,113.14)
Net Annual Rental	RM 920,036.49
YP Dual Rate @ 2.00% yield @ 4.00% Risk Free Rate @ 24% Tax @ 45.145 years	32.470433713
<b>Land Value</b>	<b>RM 29,873,983.86</b>

## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)



Description	Total
<b>Telco Tower</b>	
<b>Term 1</b>	
Gross Annual Rental	RM 75,600.00
Less : Annual Outgoings (1%)	RM (756.00)
Net Annual Rental	RM 74,844.00
YP @ 2.00% yield @ 0.329 years	0.324465286
Term 1 Value	RM 24,284.28
<b>Term 2</b>	
Gross Annual Rental	RM 79,380.00
Less : Annual Outgoings (1%)	RM (793.80)
Net Annual Rental	RM 78,586.20
YP @ 2.25% yield @ 3.003 years	2.872431197
PV @ 2.50% yield @ 0.329 years	0.991914744
Term 2 Value	RM 223,908.34
Reversion (Vacant Land)	
Gross Annual Rental	RM 9,720.00
Less : Annual Outgoings (5%)	RM (486.00)
Less : Void (5%)	RM (486.00)
Net Annual Rental	RM 8,748.00
YP Dual Rate @ 2.50% yield @ 4.00% Risk Free Rate @ 24% Tax @ 41.814 years	26.548360001
PV @ 2.75% yield @ 3.332 years	0.913584559
Reversionary Value	RM 212,175.49
<b>Telco Tower Value (Term 1 + Term 2 + Reversion)</b>	<b>RM 460,368.11</b>
Market Value (Factory A Value + Land Value + Telco Tower Value)	RM 41,430,330.39
<b>SAY</b>	<b>RM 41,500,000.00</b>

**RECONCILIATION OF VALUES**

Method of Valuation		Derivation of Value
Primary Method	Income Approach by way of "Investment Method"	RM 41,500,000.00
Secondary Method	Cost Approach	RM 41,000,000.00
<p>From the above approaches, we have concluded that the best approach in arriving at the Market Value of the Subject Property is the Income Approach. This approach is the most suitable in this instance due to the following:-</p> <ol style="list-style-type: none"> <li>The Subject Property is located within an industrial area that is suitable for an investment property as seen by the neighbouring factories occupied by numerous multinational companies;</li> <li>The unexpired lease term of the Subject Property is about 45 years; and</li> <li>The abundance asking rentals available in the vicinity of Shah Alam, which in return helps us to form a pattern of values and enable us to improve the accuracy in establishing the Market Value of the Subject Property.</li> </ol> <p>On hind sight, the Cost Approach is only suitable to serve as a secondary approach (cross check), due to the following:-</p> <ol style="list-style-type: none"> <li>There is a lack of industrial land transaction within Shah Alam as most industrial areas are fully developed; and</li> <li>The tenure of the transactions available in the vicinity are either grant in perpetuity or has more than 80 years remaining.</li> </ol> <p>As such, the information available may skew or cause inaccuracy in deriving the Market Value of the Subject Property thus we have adopted the value derived using the Income Approach.</p>		



## VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (Cont'd)

**Laurel Cap**

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**VALUATION CONCLUSION**

Having taken into consideration all the relevant and pertinent factors, we are of the opinion that the **Market Value** of the leasehold interest with an unexpired term of approximately 45 years in an industrial complex erected with a single storey factory cum three (3) storey office building, four (4) single storey factories and a double storey office building, totalling six (6) buildings, bearing postal address Lot 5, Persiaran Raja Muda, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan held under Title No. HS(D) 324738, PT -, Tempat of Industrial Site at Batu Tiga, Mukim of Damansara, Daerah of Petaling, State of Selangor Darul Ehsan in its existing physical conditions with legal possession and subject to its title being free from encumbrances, good, marketable and registerable as of **3 October 2023** is:-

**Market Value - RM 41,500,000.00 (Ringgit Malaysia : Forty One Million Five Hundred Thousand Only)**

The above Report and Valuation has been carried out by Sr Stanley Toh Kim Seng,  
For and on behalf of Laurelcap Sdn. Bhd.



**Sr STANLEY TOH KIM SENG**  
BSc (Hons) Estate Management,  
MRISM, MRICS, MPEPS, MMIPFM, ICVS, MBVAM  
Registered Valuer (V-927)

*Note : This Report was peer reviewed by Mr Tan San Yew (Peer Reviewer) (V-607) from Laurelcap (HQ) Sdn Bhd.*

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**FURTHER INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by our Board, and they individually and collectively accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false and misleading statements, or other facts whereby the omission of which would make any statements or information in this Circular false or misleading.

**2. CONSENT****2.1 UOBKH**

UOBKH, being the Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

**2.2 SCA**

SCA, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

**2.3 Laurelcap**

Laurelcap, being the Independent Valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Valuation Certificate and all references thereto in the form and context in which they appear in this Circular.

**3. DECLARATION OF CONFLICT OF INTERESTS****3.1 UOBKH**

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to Atrium REIT for the Proposed Acquisition.

**3.2 SCA**

SCA has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Independent Adviser for the Proposed Acquisition.

**3.3 Laurelcap**

Laurelcap has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Independent Valuer for the Subject Property.

**4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, the Vendor confirmed that to the best of its knowledge, there are no material litigations, claims and/or arbitration involving the Subject Property, and the Vendor confirmed that to the best of its knowledge, there are no proceedings, pending or threatened, involving the Subject Property.

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**FURTHER INFORMATION (Cont'd)**


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**5. MATERIAL COMMITMENTS**

Save as disclosed below, as at the LPD, our Board, after making all reasonable enquiries, is not aware of any material commitments incurred or known to be incurred by Atrium REIT, which upon becoming enforceable, may have a material impact on the financial results or position of Atrium REIT:-

	RM'000
<b>Approved and contracted for:-</b>	
Capital expenditure in respect of the AEI for Atrium Shah Alam 4 which was completed in October 2023*	5,057

**Note:-**

\* *Only relates to the awarded contracted sum and excludes other miscellaneous construction related payments (such as payments to the relevant authorities for the approvals, permits and licenses in relation to the AEI).*

**6. CONTINGENT LIABILITIES**

As at the LPD, there are no contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact on the financial results or position of Atrium REIT.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Manager at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur during the normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming Unitholders' Meeting:-

- (i) the Deed;
- (ii) the SPA;
- (iii) the Valuation Report together with the Valuation Certificate;
- (iv) the audited consolidated financial statements of Atrium REIT for the past 2 financial years up to the FYE 31 December 2022;
- (v) the unaudited results of Atrium REIT for the 9-month financial period ended 30 September 2023; and
- (vi) the letters of consent and declaration of conflict of interest referred to in **Sections 2 and 3** of this **Appendix III**.



**ATRIUM REAL ESTATE INVESTMENT TRUST**  
(a real estate investment trust constituted under the laws of Malaysia)

**NOTICE OF GENERAL MEETING OF UNITHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** the General Meeting of the unitholders of Atrium Real Estate Investment Trust (“**Atrium REIT**”) (“**Unitholder(s)**”) (“**Unitholders’ Meeting**”) will be conducted on a virtual basis through live streaming and online remote voting using Remote Participation and Voting (“**RPV**”) facilities from the broadcast venue at Tricor Business Centre, Gemilang Room, Unit 29-02, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur (“**Broadcast Venue**”) on Tuesday, 6 February 2024 at 11.00 a.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the following resolution:-

**ORDINARY RESOLUTION**

**PROPOSED ACQUISITION BY PACIFIC TRUSTEES BERHAD (“TRUSTEE”), ACTING AS THE TRUSTEE OF ATRIUM REIT, OF A LEASEHOLD LAND HELD UNDER TITLE NO. H.S.(D) 324738, PT -, TEMPAT INDUSTRIAL SITE AT BATU TIGA, MUKIM DAMANSARA, DAERAH PETALING, NEGERI SELANGOR DARUL EHSAN MEASURING 24,295.208 SQUARE METRES TOGETHER WITH ALL THE BUILDINGS AND STRUCTURES ERECTED THEREON FROM A RELATED PARTY, AMAZING BLITZ SDN BHD (“ABSB”), FOR A TOTAL CASH CONSIDERATION OF RM41.00 MILLION (“PROPOSED ACQUISITION”)**

“**THAT**, subject to the approvals of all relevant authorities and/or parties (if required) being obtained, approval be and is hereby given to the Trustee, for and on behalf of Atrium REIT, to undertake the Proposed Acquisition (details of which are set out in the circular to the Unitholders dated 16 January 2024 (“**Circular**”)) in accordance with the terms and conditions as stipulated in the conditional sale and purchase agreement dated 2 November 2023 entered into between the Trustee and ABSB (salient terms of which are set out in **Appendix I** of the Circular) (“**SPA**”), and on such other terms and conditions as the parties to the SPA may mutually agree upon in writing or which are imposed by the relevant authorities;

**AND THAT** approval be and is hereby given to the Board of Directors of Atrium REIT Managers Sdn Bhd (“**Manager**”) (“**Board**”) and the Trustee, on behalf of Atrium REIT, to give effect to the Proposed Acquisition with full powers and authority to:-

- (i) enter into any arrangement, transaction, agreement and/or undertaking and to execute, sign and deliver for and on behalf of Atrium REIT, all such agreements, instruments, documents and/or deeds as the Board may from time to time deem necessary, expedient or appropriate for or in connection with the Proposed Acquisition;
- (ii) assent and/or give effect to any condition, variation, modification, addition and/or amendment in respect of the Proposed Acquisition and/or any provision, term and condition thereof as may be required or permitted by any relevant authorities and to deal with matters relating thereto and/or as the Board may in its absolute discretion deem necessary, expedient or appropriate for or in connection with the Proposed Acquisition in the best interest of Atrium REIT; and
- (iii) take all such steps and do all such acts, deeds and things including giving undertakings as the Board may from time to time deem necessary, expedient or appropriate in order to implement, finalise, give full effect to and complete all transactions contemplated under the Proposed Acquisition.”

By order of the Board  
**ATRIUM REIT MANAGERS SDN BHD (Registration No.: 200501028391 (710526-V))**  
(as the Manager of Atrium Real Estate Investment Trust)

**WONG WAI FOONG (MAICSA 7001358) (SSM PC No.: 202008001472)**  
**FONG SEAH LIH (MAICSA 7062297) (SSM PC No.: 202008000973)**  
**Company Secretaries**

Kuala Lumpur  
16 January 2024

**Notes:-**

**1. IMPORTANT NOTICE**

The Broadcast Venue is strictly for the purpose of complying with Paragraph 13.20 of the Guidelines on Listed Real Estate Investment Trusts. Unitholders **will not be allowed** to attend this Unitholders' Meeting in person at the Broadcast Venue on the day of the Unitholders' Meeting.

The Unitholders are only allowed to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at this Unitholders' Meeting via RPV provided by Tricor Investor & Issuing House Services Sdn Bhd via its **TIIH Online** website at <https://tiih.online>.

**Please read these Notes carefully and follow the procedures in the Administrative Guide for the Unitholders' Meeting which will be made available on Atrium REIT's website at <https://ir2.chartnexus.com/atriumreit/unitholders-meeting.php> in order to participate remotely via RPV.**

2. For the purpose of determining who shall be entitled to participate in this Unitholders' Meeting via RPV, Atrium REIT shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to Atrium REIT, the **Record of Depositors as at 29 January 2024**. Only a Unitholder whose name appears on the Record of Depositors shall be entitled to participate in this Unitholders' Meeting via RPV.
3. A Unitholder who is entitled to participate in this Unitholders' Meeting via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a Unitholder of Atrium REIT.
4. A Unitholder who is entitled to participate at the Unitholders' Meeting may appoint not more than two (2) proxies to participate instead of the Unitholder at the Unitholders' Meeting.
5. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
6. Where a Unitholder is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint at least one (1) proxy in respect of each securities account it holds in ordinary units of Atrium REIT standing to the credit of the said securities account.
7. Where a Unitholder is an exempt authorised nominee which holds ordinary units in Atrium REIT 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 Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. Where a Unitholder appoints more than one (1) proxy, the proportion of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
9. A Unitholder who has appointed a proxy or attorney or authorised representative to participate at the Unitholders' Meeting via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the Unitholders' Meeting.
10. The appointment of a proxy may be made in a hard copy form and the Form of 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. All Form of Proxy submitted must be received by Atrium REIT not less than forty-eight (48) hours before the time appointed for holding the Unitholders' Meeting or adjourned general meeting at which the person named in the appointment proposes to vote.
11. Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.
12. Last date and time for lodging the Form of Proxy is **Sunday, 4 February 2024 at 11.00 a.m.**
13. Any authority pursuant to which such an appointment is made by a power of attorney 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 appointed for holding the Unitholders' Meeting or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
14. For a corporate Unitholder who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative at the office of the Manager at No. 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur. The certificate of appointment of authorised representative should be executed in the following manner:-
  - (i) If the corporate Unitholder has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate Unitholder.
  - (ii) If the corporate Unitholder does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate Unitholder (if any) and executed by:-
    - (a) at least two (2) authorised officers, of whom one shall be a director; or
    - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

# ATRIUM REIT

## ATRIUM REAL ESTATE INVESTMENT TRUST (a real estate investment trust constituted under the laws of Malaysia)

### FORM OF PROXY

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 Unitholdings	
		No. of Units	%
Address			

and (if more than one (1) proxy)

Full Name (in Block)	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
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 General Meeting of Unitholders of Atrium REIT ("**Unitholders' Meeting**") which will be conducted on a virtual basis through live streaming and online remote voting using Remote Participation and Voting facilities ("**RPV**") from the broadcast venue at Tricor Business Centre, Gemilang Room, Unit 29-02, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") on Tuesday, 6 February 2024 at 11.00 a.m., and at any adjournment thereof, and to vote as indicated below:-

No.	Ordinary Resolution	FOR	AGAINST
1.	<b>PROPOSED ACQUISITION</b>		

\* *Delete if not applicable*

Dated this ..... day of ..... 2024

.....  
Signature of Unitholder/Common Seal

\* Manner of execution:-

- (i) *If you are an individual unitholder, please sign where indicated.*
- (ii) *If you are a corporate unitholder which has a common seal, this Form of Proxy should be executed under seal in accordance with the constitution of your corporation.*
- (iii) *If you are a corporate unitholder which does not have a common seal, this Form of Proxy should be affixed with the rubber stamp of your company (if any) and executed by:-*
  - (a) *at least two (2) authorised officers, of whom one shall be a director; or*
  - (b) *any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*



**Notes:-**

**1. IMPORTANT NOTICE**

The Broadcast Venue is strictly for the purpose of complying with Paragraph 13.20 of the Guidelines on Listed Real Estate Investment Trusts. Unitholders **will not be allowed** to attend this Unitholders' Meeting in person at the Broadcast Venue on the day of the Unitholders' Meeting.

The Unitholders are only allowed to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at this Unitholders' Meeting via RPV provided by Tricor Investor & Issuing House Services Sdn Bhd via its **TIIH Online** website at <https://tiih.online>.

**Please read these Notes carefully and follow the procedures in the Administrative Guide for the Unitholders' Meeting which will be made available on Atrium REIT's website at <https://ir2.chartnexus.com/atriumreit/unitholders-meeting.php> in order to participate remotely via RPV.**

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3. A unitholder who is entitled to participate in this Unitholders' Meeting via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a Unitholder of Atrium REIT.
4. A unitholder of Atrium REIT who is entitled to participate at the Unitholders' Meeting may appoint not more than two (2) proxies to participate instead of the unitholder at the Unitholders' Meeting.
5. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
6. Where a unitholder of Atrium REIT is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint at least one (1) proxy in respect of each securities account it holds in ordinary units of Atrium REIT standing to the credit of the said securities account.
7. Where a unitholder of Atrium REIT is an exempt authorised nominee which holds ordinary units in Atrium REIT 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 Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. Where a unitholder appoints more than one (1) proxy, the proportion of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
9. A unitholder who has appointed a proxy or attorney or authorised representative to participate at the Unitholders' Meeting via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the Unitholders' Meeting.
10. The appointment of a proxy may be made in a hard copy form and the Form of Proxy must be deposited at the office of the Atrium REIT Managers Sdn Bhd ("**Manager**") at No. 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur. All Form of Proxy submitted must be received by Atrium REIT not less than forty-eight (48) hours before the time appointed for holding the Unitholders' Meeting or adjourned general meeting at which the person named in the appointment proposes to vote.
11. Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.
12. Last date and time for lodging the Form of Proxy is **Sunday, 4 February 2024 at 11.00 a.m.**
13. Any authority pursuant to which such an appointment is made by a power of attorney 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 appointed for holding the Unitholders' Meeting or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
14. For a corporate unitholder who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative at the office of the Manager at No. 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur. The certificate of appointment of authorised representative should be executed in the following manner:-
  - (i) If the corporate unitholder has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate unitholder.
  - (ii) If the corporate unitholder does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate unitholder (if any) and executed by:-
    - (a) at least two (2) authorised officers, of whom one shall be a director; or
    - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

Fold this flap for sealing

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AFFIX  
STAMP

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

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