ATRIUM REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)
(Managed by Atrium REIT Managers Sdn Bhd 200501028391 (710526-V))

NOTES IN RESPECT OF THE QUESTION-AND-ANSWER SESSION AT THE THIRTEENTH ANNUAL GENERAL MEETING ("AGM") OF ATRIUM REAL ESTATE INVESTMENT TRUST ("ATRIUM REIT") DULY HELD AT CAHAYA ROOM, 4TH FLOOR, FLAMINGO HOTEL, 5, TASIK AMPANG, JALAN HULU KELANG, 68000 AMPANG, SELANGOR DARUL EHSAN ON TUESDAY, 29 APRIL 2025 AT 10.00 A.M.

<u>Questions & Answers</u>

Unitholder (Mr Law Hock Hua)	Q1:	Why weren't the borrowing costs for Atrium Shah Alam 4 (ASA4) fully capitalised, even though they were incurred during development?
Mr Mark Lee Hooi Hoong (The Acting Chief Executive Officer cum Chief Financial Officer of the Manager) ("The Acting CEO cum CFO")	A1:	The Auditors did not allow capitalisation because the purpose of the loan was for acquisition, not construction. Under accounting standards, only borrowing costs that are directly attributable to the construction of a qualifying asset can be capitalised. This position was reviewed and agreed upon by both Management and Auditors.
Unitholder (Mr Law Hock Hua)	Q2:	Why is Atrium REIT prioritising expansion over maintaining a high DPU and share price? Wouldn't full utilizing of the 50% gearing limit be a better strategy?
The Acting CEO cum CFO & Mr Chng Boon Huat (Independent Director)	A2:	While DPU and share price are important, sustainable growth is crucial for long-term returns. Expansion increases the asset base, allowing for greater borrowing capacity. However, we maintain a gearing buffer (typically around 5%) to avoid breaching the SC's 50% limit due to unforeseen downside changes in market value of investment properties from asset revaluations or market shifts. Debt remains our preferred funding method, and we will only consider placements when debt funding is not feasible. The decline in DPU was temporary, and distributions have since rebounded.
Unitholder (Mr Law Hock Hua)	Q3:	If the gearing approaches 50%, can the Manager seek approval from the SC to exceed the 50% limit?
Mr Chng Boon Huat (Independent Director)	A3:	No, SC will not approve any application for a breach of the gearing limit as the limit is a hard cap. The REIT may be subject to reprimand and /or fine by the SC if the limit is breached. In addition, the SC will require the REIT to rectify the breach as soon as possible.

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Unitholder (Mr Law Hock Hua)	Q4:	Has Atrium REIT breached the SC guideline that limits construction to 15% of total asset value?
Mr Chng Boon Huat (Independent Director)	A4: A4: (cont'd)	No. According to SC Guidance (Para 8.18), only the development cost is considered and the book value of the existing property is excluded when calculating the 15% limit. Therefore, Atrium REIT has not breached the 15% limit for the AEI carried out at ASA4. .
Unitholder (Mr Low Hock Hua)	Q5:	Are the SC guidelines on fee structures for the Managers and external property managers fair to investors? Can these guidelines be challenged?
The Acting CEO cum CFO	A5:	Manager fees are defined in the trust deed, not set by SC guidelines. The trust deed terms were approved during the IPO. As for external property managers, this is a regulatory requirement under current law. The Malaysian REIT Managers Association ("MRMA") has been engaging the SC to remove this requirement, but any changes require legislative amendments, which takes time.
Unitholder (Mr Law Hock Hua)	Q6:	Why has Atrium REIT acquired leasehold properties, such as ASA4 and ASA5, despite its original focus on freehold assets? Some of these, such as ASA4, are currently valued below their cost of investments. Isn't this a concern, especially considering the limited reusability of specialised warehouses?
The Acting CEO cum CFO	A6:	Our primary focus is on industrial properties, not exclusively logistics or freehold assets. While freehold is preferred, location and strategic fit take precedence. Leasehold assets in prime areas such as Shah Alam meet our criteria better than some available freehold options. ASA4's valuation followed SC guidelines, using the investment (income) method, which considers net income and capitalisation rates. Although other methods may yield higher values, they are not applicable for

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Questions & Answers

		REITs. ASA4 also includes step-up rentals aligned with its long-term income growth.
Unitholder (Mr Law Hock Hua)	Q6 (cont'd):	We support diversification from industrial property but urge the REIT to avoid investing into unrelated sectors, such as supermarkets, which could affect investor confidence.
The Acting CEO cum CFO	A6 (cont'd):	We appreciate the feedback. Our focus remains on industrial properties. All acquisitions are based on location, tenant quality, and long-term value, with industrial use remaining central.
Unitholder (Mr Law Hock Hua)	Q8:	You mentioned the "investment method" for valuation—is this the same as the income method? Does this mean the income is low?
The Acting CEO cum CFO	A8:	Yes, the investment method is synonymous with the income method. It does not imply low income. ASA4's rental is at market rate with scheduled increases. Alternative valuation methods might yield higher figures but are not permitted under REIT regulations.
Mr Chng Boon Huat (Independent Director)	A8 (cont'd):	ASA4 is leased to a high-quality tenant under a long-term lease with step-ups. We prioritise securing reliable tenants over short-term yield maximisation, as this ensures sustainable income and reduces vacancy risk.
Ms Wong Sui Ee (Executive Director)	A8 (cont'd):	Our policy is to set rentals at the lower end of the market rates to retain quality tenants in prime locations. This strategy supports long-term occupancy and holds an advantage over newer properties offering aggressive terms.
The Acting CEO cum CFO	A8 (cont'd):	Our tenant retention rate is strong. Tenants typically leave due to space constraints or business cessation, not because of better rental terms elsewhere. This reflects the effectiveness of our leasing management strategy.

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Unitholder (Mr Law Hock Hua)	Q9:	Why was a rent-free period granted to ASA4's tenant? Doesn't this impact unitholder return?
Mr Chan Wan Seong (Independent Director)	A9:	Rent-free periods are a strategic incentive to secure long-term and high-quality tenants. While they reduce initial income, they support lease stability, tenant retention, and long-term DPU growth. Our approach balances yield with sustainability and risk management.
Unitholder (Mr Law Hock Hua)	Q10:	I understand you're not targeting exactly 50% gearing, but are instead leaving a buffer. If property values rise,
	Q10: (cont'd)	gearing may drop to 45–47%, and if they fall, you could consider applying to the SC as previously suggested. Regarding rental, I acknowledge that securing a quality tenant is a positive move. However, given the significant rent-free period in 2024, returns remain low. Investors are still expecting distribution to return to 9.75 sen per unit, which has yet to be achieved. For ASA5, can you share the rental income and how the interest cost (said to be RM2 million annually) is categorised?
Mr Chng Boon Huat (Independent Director)	A10:	When evaluating an acquisition, our focus is on income accretion – specifically whether the asset enhances earnings after accounting for financing and operating costs. If the AEI results in net income growth, we support it.
The Acting CEO cum CFO	A10 (cont'd):	For clarity, the annual interest cost is around RM1 million, not RM2 million. The acquisition of ASA5 was finance using 80% debt and 20% internal funds. The cost of the debt funding is around 4.4%–4.5%. The interest costs for financing the acquisition is categorized as operating expenses.