



ATRIUM REAL ESTATE INVESTMENT TRUST

Condensed Financial Statements

First Quarter Ended 31 March 2019

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ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at 31.03.2019 RM	(Audited) As at 31.12.2018 RM
ASSETS		
Non-current asset		
Investment properties	278,163,655	278,000,000
Current assets		
Trade and other receivables	17,047,655	6,634,550
Deposits with licensed financial institution	-	1,900,000
Bank balance	1,710,196	1,049,904
	<u>18,757,851</u>	<u>9,584,454</u>
TOTAL ASSETS	<u>296,921,506</u>	<u>287,584,454</u>
LIABILITIES		
Non-current liabilities		
Trade and other payables	4,342,447	4,342,447
Borrowings	33,231,131	33,231,130
	<u>37,573,578</u>	<u>37,573,577</u>
Current liabilities		
Trade and other payables	7,987,317	4,977,954
Provision for income distribution	1,705,214	-
Borrowings	68,830,000	62,430,000
	<u>78,522,531</u>	<u>67,407,954</u>
TOTAL LIABILITIES	<u>116,096,109</u>	<u>104,981,531</u>
NET ASSET VALUE ("NAV")	<u>180,825,397</u>	<u>182,602,923</u>
FINANCED BY:		
UNITHOLDERS' FUNDS		
Unitholders' capital	119,351,580	119,351,580
Undistributed income	61,473,817	63,251,343
TOTAL UNITHOLDERS' FUNDS	<u>180,825,397</u>	<u>182,602,923</u>
NUMBERS OF UNITS IN CIRCULATION (UNITS)	<u>121,801,000</u>	<u>121,801,000</u>
NAV PER UNIT (RM)		
- before proposed distribution	1.4986	1.4992
- after proposed distribution (Note 1)	1.4846	1.4782

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

(Note 1 - Being Net Asset Value Per Unit after reflecting realised income to be distributed as first interim income distribution for 2019 of 1.40 sen per unit payable on 22 April 2019.)

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2019 RM	Preceding Year Corresponding Quarter 31.03.2018 RM	Current Year to Date 31.03.2019 RM	Preceding Year to Date 31.03.2018 RM
Gross revenue	4,913,161	4,396,599	4,913,161	4,396,599
Property operating expenses	(489,734)	(487,213)	(489,734)	(487,213)
Net rental income	4,423,427	3,909,386	4,423,427	3,909,386
Interest income	14,109	47,274	14,109	47,274
Other income				
Total income	4,437,536	3,956,660	4,437,536	3,956,660
Trust expenses				
Manager's fees	(357,545)	(354,005)	(357,545)	(354,005)
Trustee's fees	(35,755)	(26,550)	(35,755)	(26,550)
Auditors' fees	(7,500)	(6,900)	(7,500)	(6,900)
Tax agent's fees	(1,380)	(1,380)	(1,380)	(1,380)
Finance costs	(1,193,085)	(1,003,688)	(1,193,085)	(1,003,688)
Valuation fees	(20,849)	-	(20,849)	-
Administrative expenses	(280,860)	(52,836)	(280,860)	(52,836)
Others	(55,053)	(45,104)	(55,053)	(45,104)
Total Expenses	(1,952,027)	(1,490,463)	(1,952,027)	(1,490,463)
Income before taxation	2,485,509	2,466,197	2,485,509	2,466,197
Taxation	-	-	-	-
Net income/Total comprehensive income for the period	2,485,509	2,466,197	2,485,509	2,466,197

Net income for the period is made up as follows:

-Realised	2,485,509	2,466,197	2,485,509	2,466,197
-Unrealised	-	-	-	-

Earnings per unit (realised) (sen)

- after manager's fees	2.04	2.02	2.04	2.02
- before manager's fees	2.33	2.32	2.33	2.32

Distribution per unit (sen)

- Proposed/Declared	1.40	2.00	1.40	2.00
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The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (UNAUDITED)
For The Period from 01.01.2019 to 31.03.2019

	← Undistributed Income →			
	Unitholders' Capital RM	Realised RM	Unrealised RM	Total RM
At 1 January 2019	119,351,580	3,150,209	60,101,134	182,602,923
Operations for the period from - 1 January 2019 to 31 March 2019				
Net income for the period	-	2,485,509	-	2,485,509
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	2,485,509	-	2,485,509
Unitholders' transactions				
Distributions to unitholders				
- 2018 final	-	(2,557,821)	-	(2,557,821)
- 2019 Interim	-	(1,705,214)	-	(1,705,214)
Decrease in net assets resulting from unitholders' transactions	-	(4,263,035)	-	(4,263,035)
Net assets as at 31 March 2019	119,351,580	1,372,683	60,101,134	180,825,397

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (AUDITED)
For The Period from 01.01.2018 to 31.03.2018

	← Undistributed Income →			
	Unitholders' Capital RM	Realised RM	Unrealised RM	Total RM
At 1 January 2018	119,351,580	2,837,423	58,377,765	180,566,768
Operations for the period from - 1 January 2018 to 31 March 2018				
Net income for the period	-	2,466,197	-	2,466,197
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	2,466,197	-	2,466,197
Unitholders' transactions				
Distributions to unitholders - 2017 Final	-	(2,253,319)	-	(2,253,319)
Decrease in net assets resulting from unitholders' transactions	-	(2,253,319)	-	(2,253,319)
Net assets as at 31 March 2018	<u>119,351,580</u>	<u>3,050,301</u>	<u>58,377,765</u>	<u>180,779,646</u>

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
For The Period from 01.01.2019 to 31.03.2019

	01.01.2019 to 31.03.2019 RM	01.01.2018 to 31.03.2018 RM
<u>Cash Flow From Operating Activities</u>		
Income before taxation	2,485,509	2,466,197
Adjustments for:		
Interest income	(14,109)	(47,274)
Interest expense	1,193,085	1,003,688
Operating income before working capital changes	3,664,485	3,422,611
Increase in trade and other receivables	(10,413,105)	(346,562)
Increase in trade and other payables	3,009,363	538,306
Cash (used in)/generated from operating activities	(3,739,257)	3,614,355
Tax refunded	-	-
Net cash (used in)/generated from operating activities	(3,739,257)	3,614,355
<u>Cash Flow From Investing Activity</u>		
Acquisition of investment property	-	-
Enhancement of investment property	(163,655)	(1,850,635)
Interest income	14,109	47,274
Net cash used in investing activity	(149,545)	(1,803,361)
<u>Cash Flow From Financing Activities</u>		
Interest paid	(1,193,085)	(1,003,688)
Distribution to unitholders	(2,557,821)	(2,253,319)
Borrowings	6,400,000	-
Net cash generated from/(used in) financing activities	2,469,094	(3,257,007)
Net Increase/(Decrease) In Cash And Cash Equivalents	(1,239,708)	(1,446,013)
Cash And Cash Equivalents At The Beginning Of the Period	2,949,904	7,570,707
Cash And Cash Equivalents At The End Of the Period	1,710,196	6,124,694
<u>Cash and cash equivalents</u>		
Cash and bank balances	1,710,196	1,141,718
Deposits with licensed financial institution	-	4,982,976
	<u>1,710,196</u>	<u>6,124,694</u>

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

ATRIUM REAL ESTATE INVESTMENT TRUST
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the Quarter Ended 31 March 2019

Disclosure requirements as per Malaysian Financial Reporting Standards (“MFRS”) 134

A1. Basis of Preparation

The quarterly financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial information of the Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”) for the year ended 31 December 2018.

A2. Audit Report of Preceding Financial Year Ended 31 December 2018

The Auditors Report on the financial statements of the preceding financial year was not qualified.

A3. Seasonality or Cyclicity of Operations

The business operations of Atrium REIT are not materially affected by any seasonal or cyclical factor.

A4. Exceptional or Unusual Items

There were no unusual items to be disclosed for the quarter under review.

A5. Changes in Estimates of Amounts Reported

This is not applicable as no estimates were previously reported.

A6. Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of equity securities during the current financial quarter. The outstanding debt is disclosed in Note B16.

A7. Income Distribution

Atrium REIT paid the final income distribution of 2.10 sen per unit, amounting to RM2,557,821.00 in respect of the quarter ended 31 December 2018 on 28 February 2019.

During the quarter under review, Atrium REIT declared a 1st interim income distribution of 1.40 sen per unit amounting to RM1,705,214 in respect of the realized income of the period from 1 January 2019 to 28 February 2019 to existing unitholders prior to the issuance of the 24,360,200 new units. The 1st interim income distribution was paid on 22 April 2019.

The Trust will not make any further provision for income distribution for the quarter ended 31 March 2019. The undistributed realized income will be carried forward to the next quarter and paid together with the 2nd interim income distribution for cost effectiveness purposes.

A8. Segment Reporting

No segment information is prepared as Atrium REIT's activities are predominantly in one industry segment and occur predominantly in Malaysia.

A9. Valuation of Property, Plant & Equipment

The investment properties are valued based on valuations performed by independent registered valuers.

A10. Material Events

There was no material event as at the latest practicable date from the date of this report except for the following:

- a) The proposed placement of 24,360,200 new Atrium REIT units (representing 20% of the total number of units in Atrium REIT) was carried out in 2 tranches at an issue price of RM1.09 per unit ("Placement Exercise"); 12,430,000 units were listed and quoted on the Main Market of Bursa Securities on 3 April 2019 whilst the balance 11,930,200 units were listed and quoted on the Main Market of Bursa Securities on 5 April 2019.
- b) On 12 February 2019, the Trustees on behalf of Atrium REIT entered into the following agreements:-
 - (i) a put and call option agreement for the option to enter into a conditional sale and purchase agreement and leaseback agreement for the proposed acquisition and leaseback of 2 pieces of leasehold land known as Lot No. 2027 and Plot No. 203, both in Mukim 12, Daerah Barat Daya, Pulau Pinang held under Pajakan Negeri 2850 and H.S.(D) 14852 respectively, together with the factory and all buildings erected thereon for a cash consideration of RM50.0 million ("Proposed Acquisition 1"); and
 - (ii) a conditional sale and purchase agreement for the proposed acquisition of a lease arrangement in respect of a piece of leasehold land known as Lot No. 70812, Mukim 12, Daerah Barat Daya, Pulau Pinang held under Pajakan Negeri 9036 together with the factory and all buildings erected thereon for a cash consideration of RM130.0 million ("Proposed Acquisition 2").

(Proposed Acquisition 1 and Proposed Acquisition 2 will be collectively known as Proposed Acquisitions.)

A11. Changes in the Composition of Atrium REIT

There is no change in composition of Atrium REIT for the current financial quarter.

A12. Changes in Contingent Liabilities

There is no contingent liability to be disclosed.

Additional disclosure requirement as per paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

B1. Manager's Investment Objectives

The Manager's investment objectives are to maximise profits in order to reward Unitholders with a stable distribution of income and to acquire quality assets to achieve long term growth in the Net Asset Value ("NAV") per unit. The Manager has achieved its objective of rewarding Unitholders with stable and attractive return through consistent distribution of income since the listing of the Atrium REIT on 2 April 2007. There was no change in the investment objectives of the Atrium REIT as at the date of this report.

B2. Strategies and Policies

There was no change in strategies and policies employed since the preceding financial year.

B3. Review of Performance

	Current Quarter As at 31 March 2019	Immediate Preceding Quarter As at 31 December 2018
Net asset value (RM)	180,825,397	182,625,655
Units in circulation (units)	121,801,000	121,801,000
Net asset value per unit (RM)		
- before distribution	1.4986	1.4994
- after distribution	1.4846	1.4784
Market price per unit (RM)	1.11	1.11
Highest traded price per unit during the quarter (RM)	1.16	1.16
Lowest traded price per unit during the quarter (RM)	1.10	1.10

Analysis of Changes in Net Asset Value and Net Asset Value/Unit

There is a slight decrease in the Net Asset Value and Net Asset Value/Unit due to provision for interim income distribution during the quarter.

Quarterly Results

For the quarter under review, Atrium REIT's gross revenue increased by 11.7% to RM4,913,161 compared to the last corresponding quarter of RM4,396,599. However, income before taxation (realized) for the quarter only registered a marginal increase of approximately 0.8% as compared to the last corresponding quarter due to higher trust expenses.

Gross revenue increased mainly due to the rental income from Atrium Shah Alam 3. The trust expenses were higher compared to the last corresponding quarter due to the higher finance costs and administrative expenses. The higher finance cost is mainly due to the additional bank borrowings utilised for the upgrading works at Atrium Shah Alam 3 and working capital requirements. The administrative expenses increased mainly due to increase in professional fees, fees paid to Bursa Malaysia and rent-free amortization costs for Atrium Shah Alam 3. The professional fees paid to principal adviser and reporting accountant were for the corporate exercise in relation to the Proposed Acquisitions whilst the fees paid to Bursa Malaysia were for the Placement Exercise and the Proposed Acquisitions.

B4. Comparison with Preceding Quarter

	Current Quarter 01.01.2019 To 31.03.2019 RM	Preceding Quarter 01.10.2018 To 31.12.2018 RM
Gross revenue	4,913,161	4,899,815
Property expenses	(489,734)	(109,047)
Net property income	<u>4,423,427</u>	<u>4,790,768</u>
Interest income	14,109	11,142
Change in fair value of investment properties	-	1,723,369
Other income	-	133,301
Total income	<u>4,437,536</u>	<u>6,658,580</u>
Trust expenses	(1,952,027)	(2,517,835)
Income before taxation	<u>2,485,509</u>	<u>4,140,745</u>
Taxation	-	-
Net income	<u>2,485,509</u>	<u>4,140,745</u>
 Net income for the financial quarter is made up as follows:		
-Realised	2,485,509	2,417,376
-Unrealised	-	1,723,369
	<u>2,485,509</u>	<u>4,141,922</u>

Atrium REIT's net income (realised) for the quarter ended 31 March 2019 is slightly higher compared to the preceding quarter due mainly to the lower trust expenses even though the property operating expenses was much higher and other income lower as compared to the preceding quarter. The other income for the preceding quarter was from the reversal of the impairment loss on trade receivable which was fully recovered.

Trust expenses in the preceding quarter was higher due to the additional provision of impairment loss for trade receivable and stamp duty paid for the additional bank facilities.

B5. Maintenance Costs and Major Capital Expenditure

A total of RM163,655 capital expenditure was incurred for the enhancement of the property of Atrium REIT during the quarter under review.

B6. Prospects

Atrium Shah Alam 2

The tenancy which expired on 31 March 2019 was renewed for another term of 5 years.

Atrium USJ – Block B

The tenancy which expired on 31 December 2018 was renewed for another term of 2 years.

The occupancy rate for the Trust’s portfolio of properties as at 31 March 2019 is 100%. Barring any unforeseen circumstances, the Manager expects the Trust’s portfolio of properties to maintain at 100% occupancy for the remaining period of the financial year.

The Manager will continue to actively identify good assets for new acquisition to improve the yield and to continue focusing on the strategy of having the investment properties leased long-term to reputable tenants.

B7. Portfolio Composition

During the quarter under review, Atrium REIT did not acquire and/or dispose any property. As at 31 March 2019, the portfolio composition of Atrium REIT is as follows:

Investments in Real Estates

Description of property	Tenure of land	Occupancy rate as at 31.03.2019 %	Date of Valuation	Acquisition cost RM'000	Latest valuation RM'000	Net Book Value (A) RM'000	Percentage of (A) over Net Assets Value %
Atrium Shah Alam 1	Freehold	100	24.10.2018	57,200	85,200	85,364	47.2
Atrium Shah Alam 2	Freehold	100	15.11.2018	49,100	77,300	77,300	42.7
Atrium Shah Alam 3	Freehold	100	15.11.2018	21,698	26,100	26,100	14.4
Atrium Puchong	Freehold	100	15.11.2018	38,500	52,100	52,100	28.8
Atrium USJ	Freehold	100	28.09.2018	25,000	37,300	37,300	20.6
				191,498		278,164	

B8. Utilisation of Proceeds Raised from Issuance of New Units

This is not applicable as there are no proceeds raised from any issuance of new units during the current financial quarter.

B9. Status of Corporate Proposal

In conjunction with the Proposed Acquisitions (as disclosed under Section A10 (b) above), Atrium REIT undertook/proposes to undertake the following fund raising exercises:-

- a) Placement Exercise which was completed on 5 April 2019 (please refer to Section A10 (a) above); and
- b) Proposed renounceable rights issue of up to 58,464,480 new units to the unitholders of Atrium REIT on the basis of 2 Rights units for every 5 existing units after the Placement Exercise at an issue price to be determined later (“Proposed Rights Issue”). The listing application in relation to the Proposed Rights Issue has been submitted to Bursa Securities on 12 April 2019 and is pending approval from Bursa.

B10. Material Litigation

There was no material litigation as at the latest practicable date from the date of this report save as disclosed below:

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

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

Biforst Logistics Sdn Bhd ...Defendant

The above legal suit was filed by the Trustees on behalf of the REIT to recover the outstanding rentals, utilities, repairs and maintenance costs and all incidental costs and expenses in relation to the tenancy for Atrium Puchong. However, the parties are in negotiation for an amicable settlement and in the event that the parties are unable to reach a settlement, the Court will proceed with trial.

B11. Soft Commission

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

B12. Revenue Recognition

Rental and interest income are recognized on an accrual basis.

B13. Trade Receivables

	As at 31 March 2019 RM	As at 31 December 2018 RM
Trade receivables		
Third parties	2,280,168	2,292,007
Less: Impairment losses	(1,390,344)	(1,390,344)
Total trade receivables	889,824	901,663
Other receivables, deposits and prepayments	16,157,831	5,732,887
Trade and Other Receivables	17,047,655	6,634,550

The impairment losses related to a debtor that has defaulted in rental payments. The Manager has made full provision for impairment of trade receivable for the long outstanding amount owing by the said debtor in compliance to the latest accounting standards. The Manager has commenced legal proceedings against the said debtor and is of the opinion that the potential recovery of the outstanding impaired amount is good.

Ageing analysis of trade receivables

	Total Due (RM)	0 – 15 days (RM)	16 – 30 days (RM)	31 – 45 days (RM)	> 45 days (RM)
Related Parties	0	0	0	0	0
Non-Related Parties	2,280,168	0	16,666	0	2,263,502
TOTAL	2,280,168	0	16,666	0	2,263,502

B14. Manager's Fees

Pursuant to the Restated Deed dated 24 March 2016 and the Supplementary Deed dated 21 April 2016, the Manager is entitled to receive a fee of up to 1.0% per annum of the Net Asset Value (“NAV”) of the Trust.

For the quarter ended 31 March 2019, the Manager received a fee of 0.8% per annum of the NAV of the Trust.

B15. Trustee's Fees

For the quarter ended 31 March 2019, the Trustee received a fee of 0.08% per annum of the NAV of the Trust.

B16. Borrowings and Debt Securities

	As at 31 March 2019 RM	As at 31 December 2018 RM
<u>Short Term Financing (secured)</u>		
Short Term Revolving Credit	39,600,000	39,600,000
Overdraft	29,230,000	22,830,000
<u>Long Term Financing (secured)</u>		
Term Loan 2	10,765,288	10,765,288
Term Loan 3	18,400,000	18,400,000
Term Loan 4	4,065,843	3,540,091
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	102,061,131	95,135,379
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B17. Taxation

Atrium REIT intends to distribute at least 90% of the distributable income (realised) to unitholders for the financial year 2019, which is exempt from tax pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006. Thus, Atrium REIT is not expected to incur any tax expenses for the financial year and as such, has not provided any tax expense for this current financial quarter.

B18. Distribution to Unitholders

Distributions to unitholders are from the following sources:

	Current Quarter RM	Corresponding Quarter RM	Current Year to Date RM	Corresponding Year to Date RM
Rental income	4,913,161	4,396,599	4,913,161	4,396,599
Interest income	14,109	47,274	14,109	47,274
Other income	=	-	=	-
Total income	4,927,270	4,443,873	4,927,270	4,443,873
Property operating expenses	(489,734)	(487,213)	(489,734)	(487,213)
Trust expenses	(1,952,027)	(1,490,463)	(1,952,027)	(1,490,463)
Total Expenses	(2,441,761)	(1,977,676)	(2,441,761)	(1,977,676)
Realised income before taxation	2,485,509	2,466,197	2,485,509	2,466,197
Taxation	-	-	-	-
Realised income for the period	2,485,509	2,466,197	2,485,509	2,466,197
Undistributed realised income				
- Previous year's	592,388	584,104	592,388	584,104
- Previous quarter's	-	-	-	-
Total realised income available for distribution	3,077,897	3,050,301	3,077,897	3,050,301
Proposed/declared income distribution	(1,705,214)	(2,436,020)	(1,705,214)	(2,436,020)
Balance undistributed realised income	1,372,683	614,281	1,372,683	614,281
Distribution per unit (sen)				
- Proposed/Declared	1.40	2.00	1.40	2.00

B19. Responsibility Statement

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Atrium REIT as at 31 March 2019 and of its financial performance and cash flows for the quarter/ period ended on that date and duly authorised for release by the Board of the Manager on 30 April 2019.

By Order of the Board

WONG SUI EE
Executive Director
Atrium REIT Managers Sdn Bhd
Company No: 710526-V
(As the Manager of Atrium Real Estate Investment Trust)
Kuala Lumpur
Dated: 30 April 2019