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Our Mission

To maximise income in order to reward unitholders with a competitive rate of return for their investments through regular and stable distributions and achieving long-term growth in distributions and Net Asset Value per unit.



Profile of Atrium Real Estate Investment Trust

Atrium REIT is an industrial asset focused real estate investment trust constituted by a Trust Deed entered into on 20 November 2006, amended by the Supplementary Deed dated 25 November 2008 and the Restated Deed dated 24 March 2016 between CIMB Commerce Trustee Berhad (formerly known as BHLB Trustee Berhad) as the Trustee and Atrium REIT Managers Sdn Bhd as the Manager. Atrium REIT was listed on Main Board of Bursa Malaysia Securities Berhad on 2 April 2007

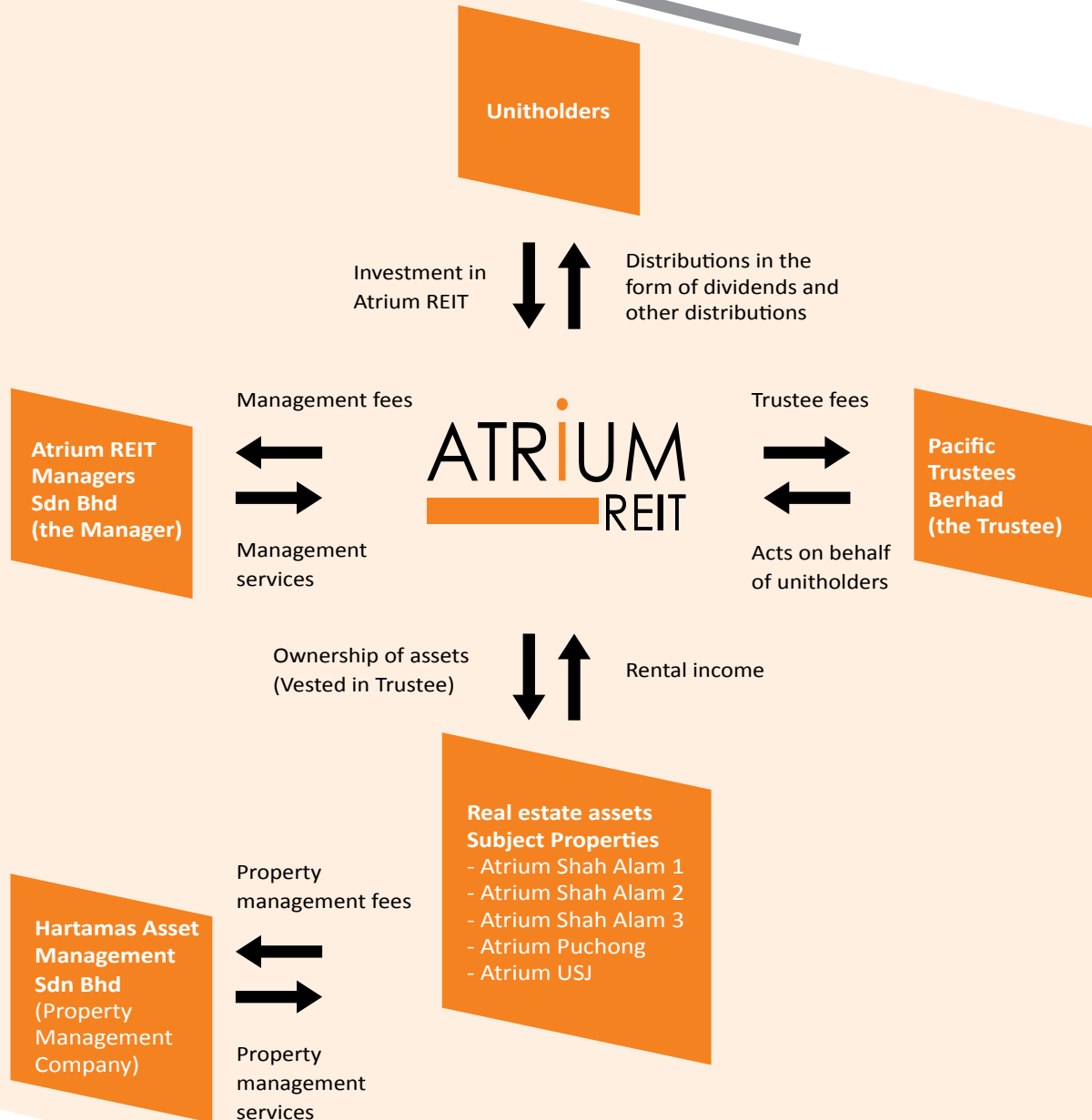
On 21 April 2016, the Manager, CIMB Commerce Trustee Berhad (“Retiring Trustee”) and Pacific Trustees Berhad (“New Trustee”) entered into a Supplementary Deed to effect the change of trustee of Atrium REIT from the Retiring Trustee to the New Trustee. The change of trustee was effected on 6 May 2016 upon the registration and lodgement of the Supplementary Deed with the Securities Commission on 6 May 2016 and 11 May 2016 respectively.

Atrium REIT’s property portfolio consists of five industrial properties located in prime locations in the Klang Valley, namely, Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Shah Alam 3, Atrium Puchong and Atrium USJ.



Structure of Atrium Real Estate Investment Trust

The following diagram illustrates the structure of Atrium REIT and indicates the relationships between Atrium REIT, the Manager, the Property Management Company, the Trustee and the Unitholders:



Profile of the Manager

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

Salient Features of the Fund

Name of fund	: Atrium REIT
Fund category	: Real Estate
Fund type	: Growth and income
Investment objectives	: To maximise income in order to reward unitholders with annual stable distributions of income and to acquire quality assets to achieve long-term growth in the Net Asset Value per unit of the Fund
Fund investment strategy	: Aim to achieve the primary objectives of the Fund by implementing investment and growth strategies such as organic growth strategies, acquisition strategies and financing strategies
Term of the Trust	: Atrium REIT will continue its operation until such time as determined by the Trustee and the Manager as provided under the provision of Clause 19 of the Restated Deed dated 24 March 2016
Approved size of Fund	: 121,801,000 units
Authorised investments	: Invest in real estates, non-real estate-related assets and cash, deposit and money market instruments. At least 75% of Atrium REIT's total assets must be invested in real estate that generates recurrent rental income at all times.
Financial year end	: 31 December
Distribution policy	: At least 90% of the distributable income of Atrium REIT shall be distributed semi-annually or at such other intervals as determined by the Manager in its absolute discretion; in arrears.
Borrowing limitations	: Up to 50% of the total asset value of the Fund at the time the borrowing is incurred.
Revaluation policy	: The properties will be revalued annually pursuant to Malaysian Financial Reporting Standard 140 and Clause 10.02(b)(i) of the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts.
Redemption policy	: Unitholders have no right to request the Fund to repurchase their units while the units are listed
Minimum initial investment	: Minimum of 100 units
Minimum additional investments	: Multiples of 100 units
Investor profile	: Suitable for investors who understand the risks related to the real estate industry and expect to benefit from the periodic distribution of income and long-term growth of the Fund
Quotation	: Main Market of Bursa Malaysia Securities Berhad
Bursa Malaysia Stock Number	: ATRIUM 5130

2018 Financial Highlights

¹
7.30%

Distribution
Yield per
annum

8.10
sen

Distribution
Per Unit
per annum

100%

Occupancy

33.26%

Gearing
level

1.44%

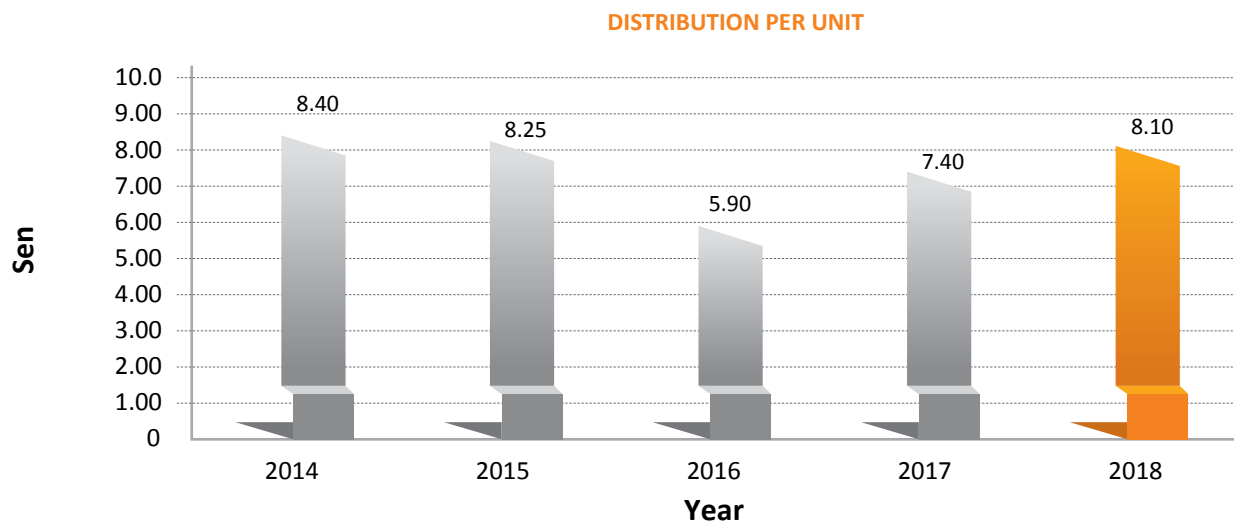
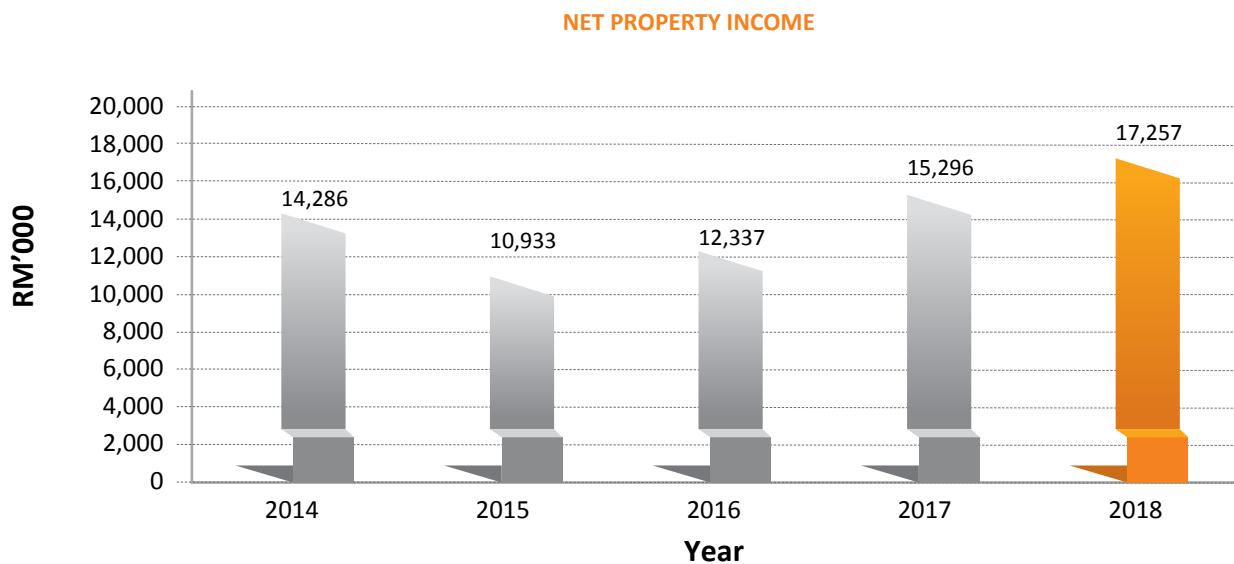
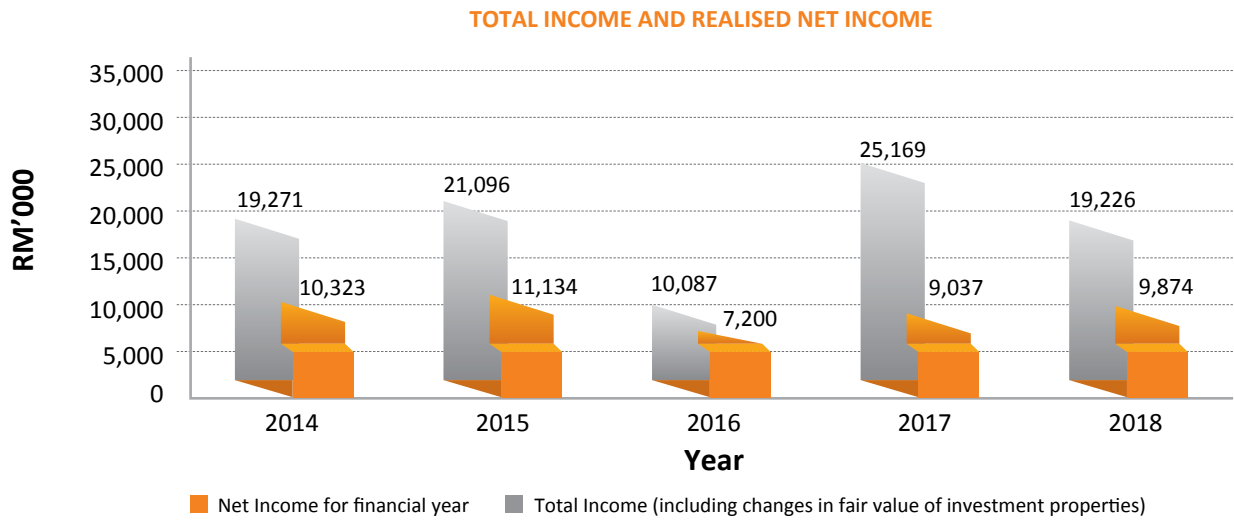
Management
Expense
Ratio

RM
1.48

Net Asset
Value
per unit

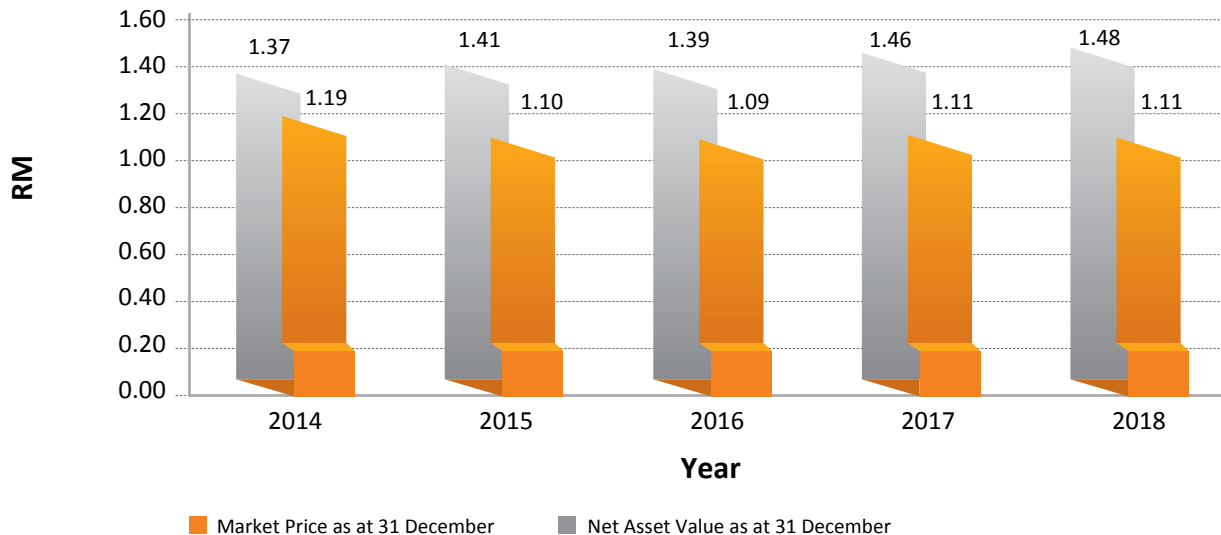
1. Based on closing market price on 31 December 2018 of RM 1.11 per unit

2018 Financial Highlights (cont'd)

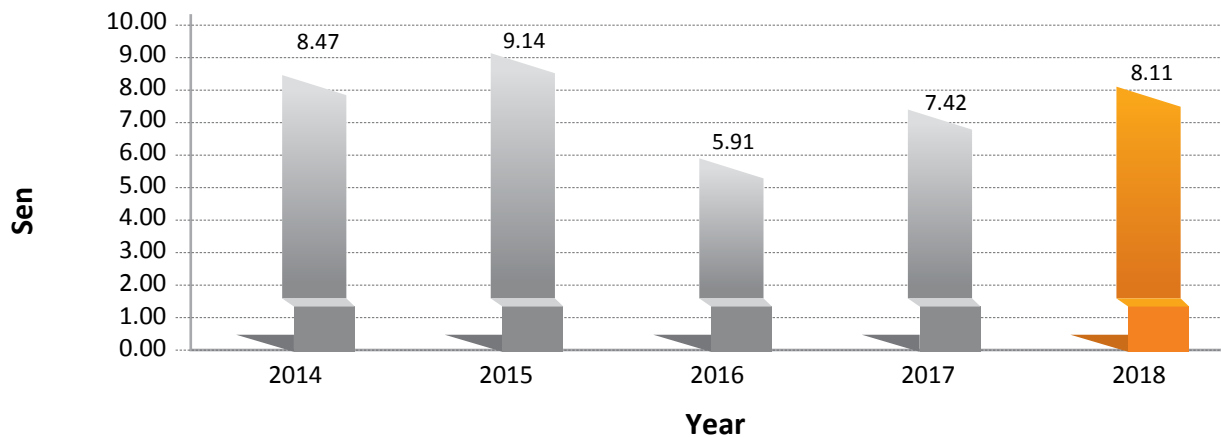


2018 Financial Highlights (cont'd)

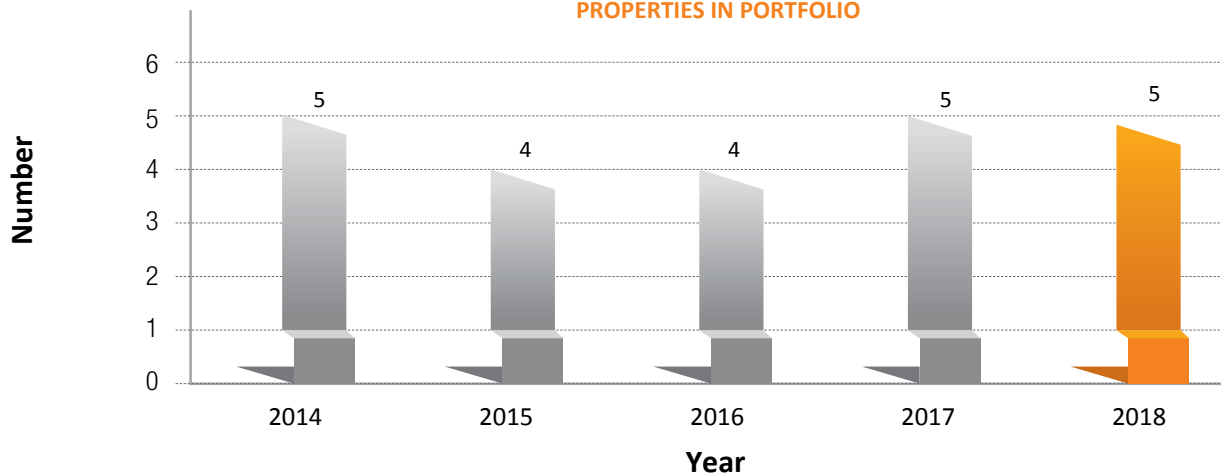
NET ASSET VALUE AND MARKET PRICE PER UNIT



NET INCOME PER UNIT (REALISED)

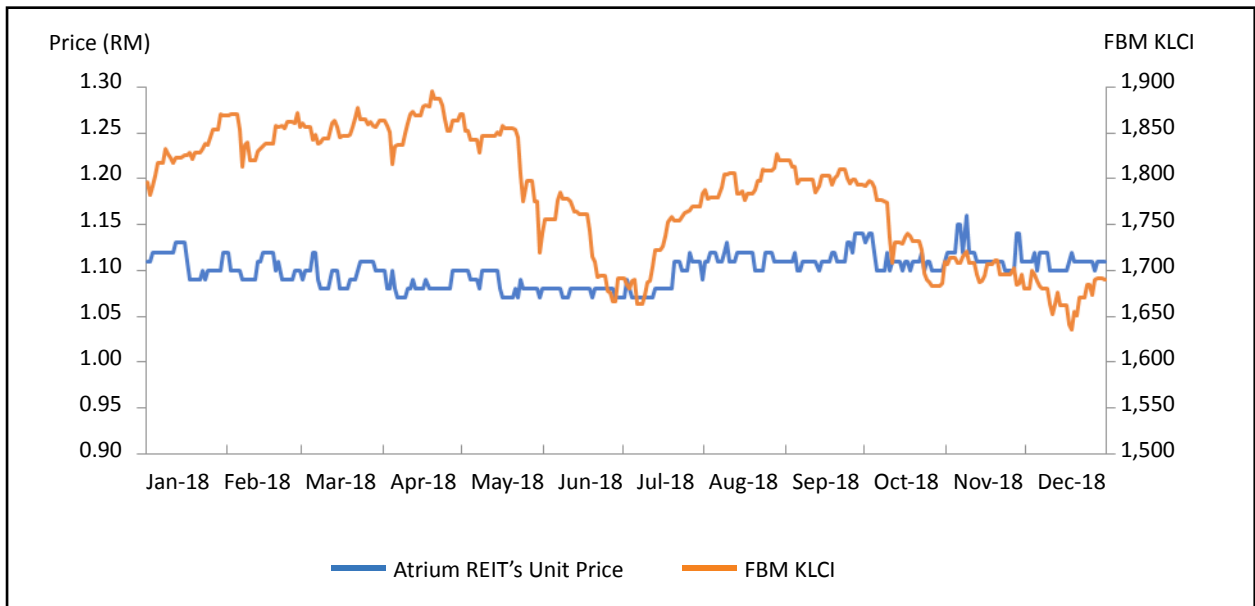


PROPERTIES IN PORTFOLIO

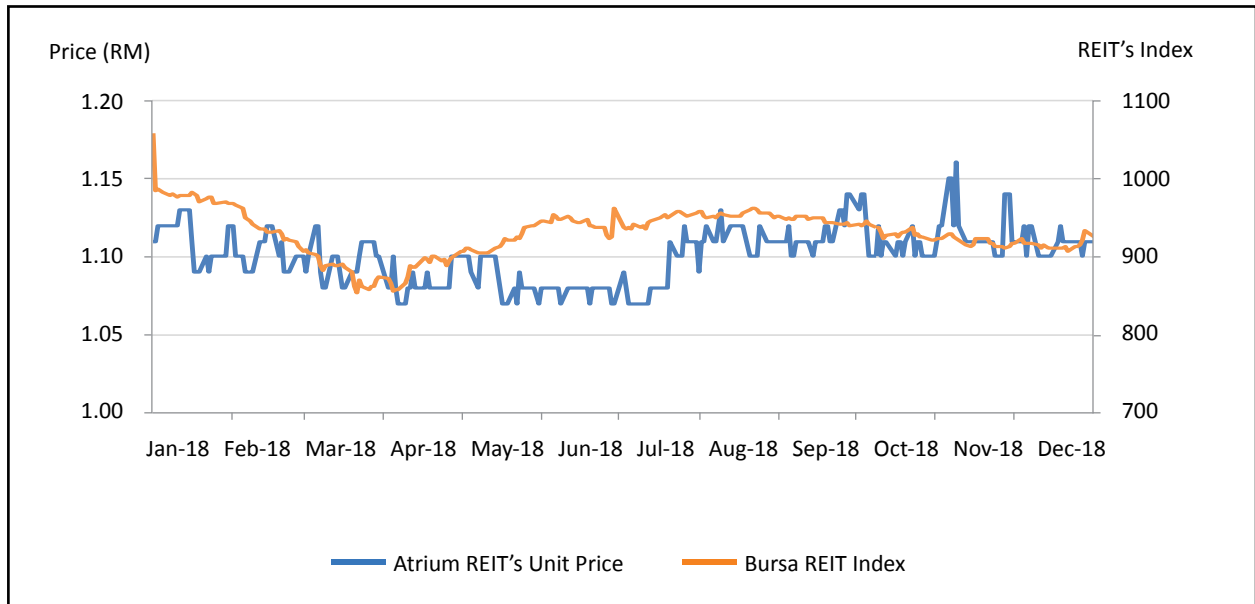


2018 Financial Highlights (cont'd)

ATRIUM REIT'S UNIT PRICE VS FBM KLCI

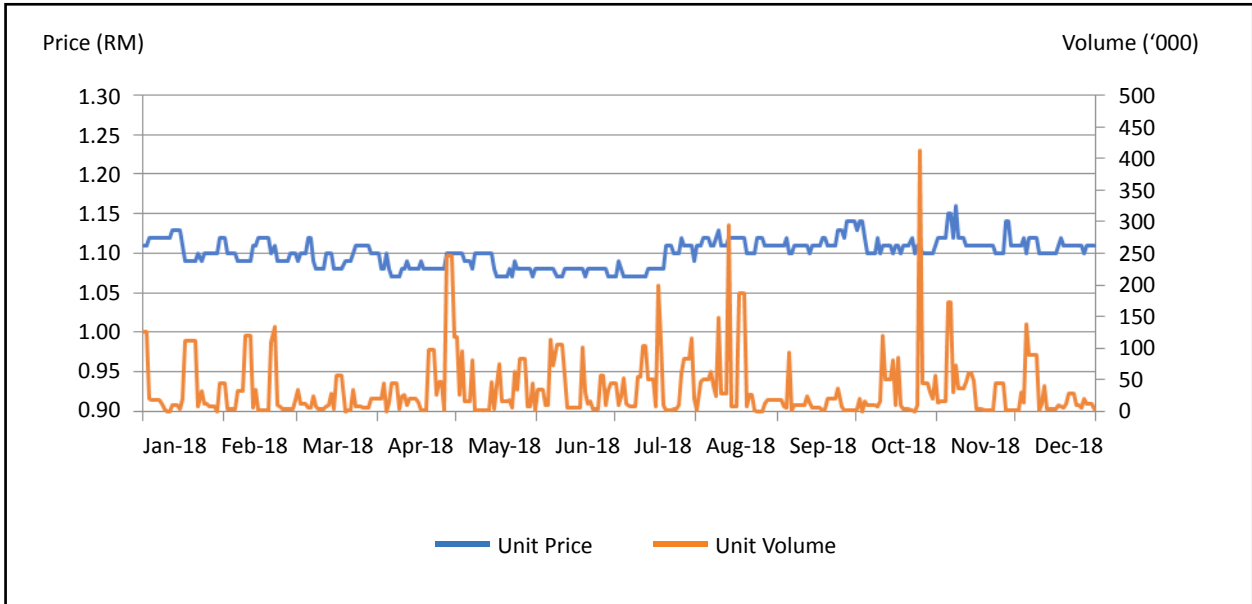


ATRIUM REIT'S UNIT PRICE VS BURSA MALAYSIA REIT INDEX

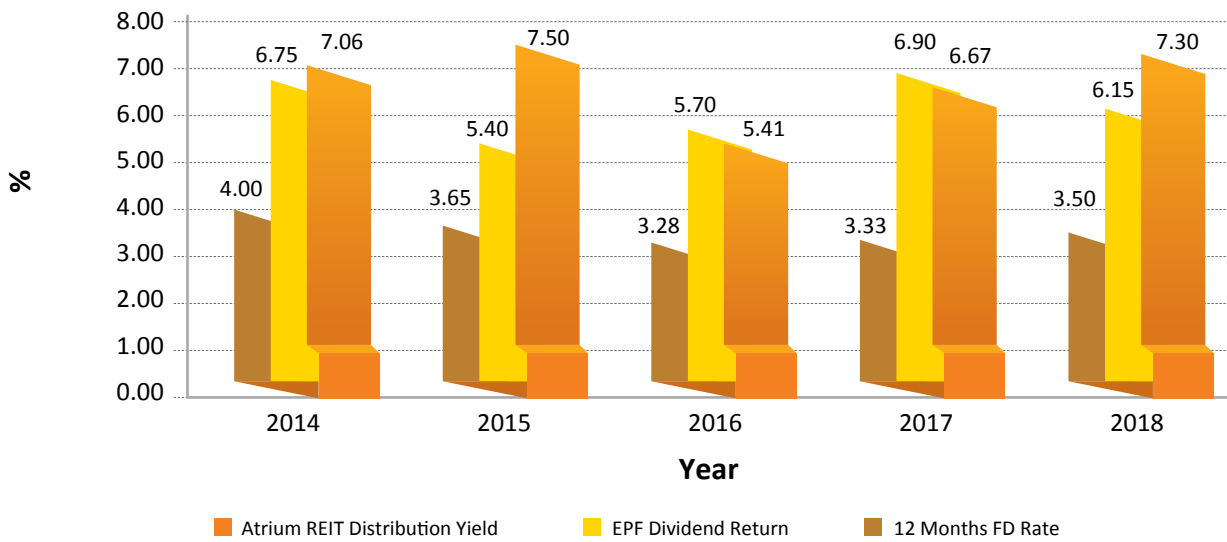


2018 Financial Highlights (cont'd)

UNIT PRICE VS VOLUME



RETURN COMPARATIVES



Performance Data

I) PORTFOLIO COMPOSITION OF THE TRUST

	2014	2015	2016	2017	2018
	%	%	%	%	%
Atrium Shah Alam 1	31	33	34	30	30
Atrium Shah Alam 2	27	27	30	28	28
Atrium Shah Alam 3	-	-	-	8	9
Atrium Puchong	20	21	21	19	19
Atrium Rawang	4	-	-	-	-
Atrium USJ	13	13	14	13	13
	95	94	99	98	99
Deposits with financial institution	5	6	1	2	1
	100	100	100	100	100

II) SUMMARY OF FINANCIAL POSITION, PERFORMANCE AND MARKET PRICE INFORMATION

	2014	2015	2016	2017	2018
Asset under management (RM'000)	226,200	221,900	236,300	268,434	278,000
Total asset value (RM'000)	241,331	238,796	243,004	279,477	287,584
Net asset value (NAV)(RM'000)					
- Before proposed final distribution	168,505	173,272	171,138	180,567	182,603
- After proposed final distribution	166,313	171,689	169,190	178,313	180,045
Total borrowings (RM'000)	65,000	59,600	59,600	88,765	95,661
Gearing (%)	26.93	24.96	24.53	31.76	33.26
Units in circulation ('000)	121,801	121,801	121,801	121,801	121,801
Gross revenue (RM'000)	16,153	12,867	14,522	17,304	18,779
Net property income (RM'000)	14,286	10,933	12,337	15,296	17,257
Net income/(loss) for financial year (RM'000)					
- Realised	10,323	11,134	7,200	9,037	9,874
- Unrealised	4,500	4,291	(2,513)	9,100	1,723
Distribution per unit (sen)	8.40	8.25	5.90	7.40	8.10
Distribution yield (%)					
- based on market price as at 31 December	7.06	7.50	5.41	6.67	7.30
NAV per unit (RM)					
- Before proposed final distribution	1.38	1.42	1.41	1.48	1.50
- After proposed final distribution	1.37	1.41	1.39	1.46	1.48
Market price per unit (RM)					
- as at 31 December	1.19	1.10	1.09	1.11	1.11
- Highest traded for the year	1.33	1.25	1.15	1.21	1.16
- Lowest traded for the year	1.16	1.01	1.05	1.08	1.06
Market Capitalisation (RM'000)	144,943	133,981	132,763	135,199	135,199
Annual total return (%)	(1.40)	(0.06)	1.87	7.58	7.30
- Capital return (%)	(8.46)	(7.56)	(3.54)	0.91	0.00
- Distribution yield (%)	7.06	7.50	5.41	6.67	7.30
Management Expense Ratio (MER) (%)	0.99	1.64	1.60	1.48	1.44

Performance Data (cont'd)

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

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

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

The calculation of MER, which have been verified by the auditors, is based on total fees of Atrium REIT incurred, including the Manager's fees, Trustee's fees, audit fees, tax agent's fees, administrative and other expenses, to the average net asset value of the Trust for the financial year calculated on a daily basis.

III) AVERAGE ANNUAL RETURN FOR ATRIUM REIT

	%
One year	7.30
Three years	5.58
Five years	3.06

Note:

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

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

Chairman's Statement

DEAR UNITHOLDERS,

On behalf of the Board of Directors and management of Atrium REIT Managers Sdn Bhd ("Manager"), it gives me great pleasure to present our Annual Report and audited financial performance for the financial year ended 31st December 2018 (FY2018).



Despite the various challenges and uncertainties faced by the economic and property market environment, Atrium Real Estate Investment Trust ("Atrium REIT" or the "Trust") delivered a commendable result for FY2018, generating creditable and consistent unitholder returns underpinned by a robust financial performance and operational results.

OVERVIEW

Atrium REIT's gross revenue for FY2018 rose 8.52% year-on-year to RM18.78million while net property income recorded a 12.81% increase to RM17.26million. The Trust's improved performance came from positive rental reversion in its existing portfolio and contributions from the newly completed Atrium Shah Alam 3 ("ASA3"). However, the profit for the financial year decreased to RM11.60million mainly due to a lower revaluation gain of RM1.72million as compared to RM9.10million achieved in last financial year.

Distributable income to unitholders rose 9.26% year-on-year to RM9.87million while distribution per unit grew 9.46% to 8.10sen. Based on the Trust's closing unit price of RM1.11 on 31 December 2018, unitholders would have gained a total return of approximately 7.30% even though there was no capital growth in the unit price for FY2018.

Total investment properties grew 3.56% to RM278.00million as at 31 December 2018. The increase was attributable mainly to net fair value gain of RM1.72million in investment properties arising from a revaluation exercise on the Trust's portfolio of properties at the close of FY2018. Consequently, net asset value per unit rose 0.97% to RM1.4782 from RM1.4640 in the previous year.

ENHANCING PORTFOLIO VALUE

The properties in the portfolio are being evaluated constantly for asset enhancement opportunities that would improve the assets' performance and competitiveness. Properties that, in the opinion of the Manager, have been

fully optimised and with limited redevelopment potential will be considered for divestment if the price is right, but only as a last resort. In line with this objective, the Asset Enhancement Initiatives undertaken at Atrium Shah Alam 3 was completed in June 2018 at a total cost of approximately RM9.40million. The property is refurbished to grade A warehouse specifications, with a slight increase in net lettable area to 90,670 sq.ft. to optimise the site's land area. Upon completion, ASA3 is fully rented to an international logistics company.

In FY2018, optimizing the portfolio and achieving 100% occupancy rates were the main focus of the Trust. Proactive approach was adopted across the portfolio where tenants were engaged to extend the tenancy term ahead of tenancy expiries to mitigate leasing risk. During the financial year, the Manager successfully negotiated with the tenants for the renewal of tenancies for Atrium USJ Block B and Atrium Shah Alam 2.

GROWTH OPPORTUNITIES

In line with our portfolio diversification strategy, we actively seek acquisition opportunities of quality industrial properties in dynamic, progressive and competitive states, apart from Selangor and Kuala Lumpur, to further improve portfolio quality and growth potential. Subsequent to FY2018, the Trustees, on behalf of Atrium REIT, entered into a Sale and Purchase Agreement and a Put and Call Option Agreement for the sale and leaseback of 2 properties in the Bayan Lepas Free Industrial Zone from Lumileds Malaysia Sdn Bhd for a total consideration of RM180.00million ("Proposed Acquisition"). The Proposed Acquisitions will increase Atrium REIT's investment properties by 64.75% to RM458.00million and the total net lettable area by 49.12% to 1,482,920 sq. ft., strengthening the Trust's position as a pure play industrial property REIT in this competitive and growing market. With 100% occupancy from a blue chip tenant, the Proposed Acquisition will enhance Atrium REIT's income and tenant profile.

Chairman's Statement (cont'd)

OVERVIEW OF THE ECONOMY

The global economy continued to expand, but at a more moderate pace in the third quarter of 2018. While the US and UK GDP accelerated, most emerging economies recorded more moderate growth. In the advanced economies, labour markets remained supportive of private consumption, as unemployment rates continued to decline amid a steady increase in wage growth. These developments contributed to rising inflationary pressures as reflected by the gradual increase in Consumer Price Indices. Investment activity, however, moderated in the euro area, while in the US, business spending was lifted by the 2017 tax reforms.

Growth in the Asian region trended lower. PR China recorded slower growth, as continued policy driven credit tightening weighed on investment, particularly local government spending on infrastructure. Nevertheless, domestic demand in other Asian economies remained resilient, in part aided by ongoing policy support and higher infrastructure spending.

The Malaysian economy recorded a sustained growth of 4.4% in the third quarter of 2018 (2Q 2018: 4.5%), supported by expansion in domestic demand amid a decline in net exports growth. Private sector expenditure remained the key driver of growth, expanding at a faster pace of 8.5% (2Q 2018: 7.5%), while public sector expenditure turned around to register a positive growth of 1.1% (2Q 2018: -1.4%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.6% (2Q 2018: 0.3%).

(Source: Bank Negara Malaysia)

2019 OUTLOOK

While the leasing environment is likely to remain competitive in the near term, our portfolios remain stable, with the Trust benefitting from full occupancies. Moving forward, we are optimistic on the long-term prospects of logistics properties as demand for prime logistics facilities will continue to benefit from the strong domestic consumption, the rapid expansion of e-commerce and the increasing focus on supply chain efficiency.

CHANGE TO THE BOARD

On behalf of the Board, I would like to take this opportunity to welcome Mr. Chng Boon Huat who joined the board as an Independent Director and Chairman of the Audit Committee. I am confident that his vast expertise and experience will complement and add to the diverse strengths of the Board.

APPRECIATION

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

DATO' DR. IR. MOHAMAD KHIR BIN HARUN

Chairman

Atrium REIT Managers Sdn Bhd

Date : 20 February 2019

Management Discussion and Analysis

MANAGER'S INVESTMENT OBJECTIVES AND STRATEGIES

The Manager's investment objectives are to maximize income in order to reward unitholders annually with a stable distribution of income and to acquire quality assets to achieve long term growth in the Net Asset Value ("NAV") per unit. The Manager has achieved its objective of rewarding unitholders with stable and attractive return through consistent distribution of income for every quarter since the listing of the Trust on 2 April 2007. There was no change in the strategies and policies employed since the preceding financial year.

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

(i) Organic growth strategy

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

(ii) Acquisition strategy

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

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

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

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

(iii) Financing strategy

The Manager will comply with the provisions of the Restated Deed and Supplementary Deed (collectively known as "the Deed") and the Securities Commission Guidelines on Listed Real Estate Investment Trusts ("REITs Guidelines") in relation to the maximum level of permitted borrowings which is currently set at 50% or any other percentage as stipulated by the REITs Guidelines from time to time, of its total asset value.

The Manager intends to use a combination of debt and equity to fund future acquisitions. If it is deemed appropriate and in compliance with the REITs Guidelines, a hedging strategy to manage the risks associated with changes in interest rates relating to its borrowings may be adopted. Borrowings can be in the form of bank borrowings or through the issuance of commercial papers/bonds where Atrium REIT will have to be credit-rated.

(iv) Capital Management Strategy

The Manager understands that an effective capital structure is crucial to the performance of the Trust. In view of this, the Manager has adopted and maintained an appropriate debt-equity structure to meet the Trust's funding needs whilst ensuring that unitholders' returns are sustainable and optimized. The Term Loans ("TL"), Overdraft ("OD") and Short Term Revolving Credit ("STRC") are secured facilities based on floating rates.

Management Discussion and Analysis (cont'd)

INVESTMENT POLICIES AND COMPLIANCE WITH REIT GUIDELINES

(i) Investment limits and restrictions

Atrium REIT's investments may be allocated in the following manner, as prescribed by the REITs Guidelines:

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

(ii) Permissible investments

Atrium REIT may only invest in real estate, single-purpose companies whose principal assets comprise real estate, real estate-related or non-real estate-related assets, cash, deposits, money market instruments, and any other investment which is permissible under the REITs Guidelines or otherwise permitted by the Securities Commission.

Atrium REIT invests primarily in strategically located properties tenanted to logistics companies and manufacturers and will continue to look for opportunities in these types of properties. However, Atrium REIT does not intend to limit itself to industrial properties and may consider other types of properties which meet its investment criteria.

Investment of Atrium REIT

There is no change in the portfolio composition of Atrium REIT for the current financial year. Atrium REIT's composition of investment as at 31 December 2018 is as follows:

	RM ('000)	%
Atrium Shah Alam 1	85,200	30.44
Atrium Shah Alam 2	77,300	27.62
Atrium Shah Alam 3	26,100	9.32
Atrium Puchong	52,100	18.61
Atrium USJ	37,300	13.33
	278,000	99.32
Deposits with financial institutions	1,900	0.68
	279,900	100.00

Management Discussion and Analysis (cont'd)

Review of Performance

	FY2018 RM'000	FY2017 RM'000	Change RM'000	%
Gross Revenue	18,779	17,304	1,475	8.52
Less: Property Expenses	(1,522)	(2,007)	485	24.17
Net Property Income	17,257	15,297	1,960	12.81
Interest and Other income	245	772	(527)	(68.26)
Total Income	17,502	16,069	1,433	8.92
Trust Expenses	(3,382)	(3,289)	(93)	(2.83)
Finance Costs	(4,246)	(3,732)	(514)	(13.77)
Taxation	-	(11)	11	100.00
Net Income (Realised)	9,874	9,037	837	9.26
Change in Fair Value of Investment Properties	1,723	9,100	(7,377)	(81.07)
Total Comprehensive Income	11,597	18,137	(6,540)	(36.06)
Income Distribution	9,866	9,013	853	9.46
Distribution Per Unit (sen)	8.10	7.40	0.70	9.46

Gross Revenue

For FY2018, Atrium REIT's gross revenue increased by 8.52% to RM18.78 million as compared to RM17.30 million achieved in FY2017. The increase in the gross revenue was mainly contributed by rental income from Atrium Shah Alam 3 ("ASA3") and positive rental reversion for the new tenancy at Atrium Puchong which commenced in January 2018. The tenancy in ASA3 commenced in July 2018 with the handing over of vacant possession to the tenant upon completion of the Asset Enhancement Initiatives ("AEI").

Property Expenses

Property expenses for FY2018 were much lower as compared to that for FY2017 where repairs and upgrading works were carried out on the properties.

Net Property Income

Net property income increased by 12.81% year-on-year to RM17.26 million as a result of the improved gross revenue and lower property expenses.

Trust Expenses

For FY2018, the trust expenses were slightly higher due to higher Manager's fees and Trustees' fees as a result of higher NAV.

Finance Costs

Finance costs for FY2018 was higher mainly due to increase in borrowings to finance the AEI as well as increase in interest rates.

Net Income for the financial year

Overall, for the FY2018 the realised net income registered an increase of 9.26% to RM9.87 million. However, the total comprehensive income decreased to RM11.60 million as a result of a lower fair value gain arising from the revaluation of investment properties in FY2018.

Management Discussion and Analysis (cont'd)

Income Distribution

Atrium REIT's portfolio of properties has been consistently delivering stable and competitive rate of return to its unitholders since its listing in 2007. The Board of Directors of the Manager has declared a final income distribution of 2.10 sen per unit in respect of the 4Q FY2018, which shall be payable on 28 February 2019. The final income distribution, coupled with the aggregate interim income distributions during the financial year of 6.00 sen per unit, represents a total distribution per unit ("DPU") of 8.10 sen for FY2018 (FY2017: 7.40 sen). The distribution yield for FY2018 was 7.30% based on the Atrium REIT's closing market price of RM1.11 per unit as at 31 December 2018 (FY2017: 6.67% distribution yield at closing market price of RM 1.11 per unit as at 31 December 2017).

The financial statements for the current financial year have yet to reflect the final income distribution. Such income distribution will be accounted for in the statement of changes in net asset value as distribution to unitholders in the next financial year ending 31 December 2019.

Review of Financial Position

	FY2018 RM'000	FY2017 RM'000	Change %
Asset under Management	278,000	268,434	3.56
Trade and Other Receivables	6,634	3,472	91.07
Other Current Assets	2,950	7,571	(61.04)
Total Assets	287,584	279,477	2.90
Total Borrowings	95,661	88,765	7.77
Net Asset Value	182,603	180,567	1.13
Gearing (%)	33.26	31.76	4.72
Units in Circulation ('000)	121,801	121,801	-
Net Asset Value per unit (RM)			
- Before Income Distribution	1.4992	1.4825	1.13
- After Income Distribution	1.4782	1.4640	0.97
Market Price as at 31 December (RM)	1.11	1.11	-
Market Capitalisation	135,199	135,199	-

Asset Under Management

As at 31 December 2018, Asset Under Management registered a slight increase to RM278.00 million mainly due to the net fair value gain on the revaluation of investment properties carried out at the end of FY2018. There were no new acquisitions or disposals during the financial year and the total number of properties in the portfolio remains at five (5).

Trade and Other Receivables

Trade and other receivables increased significantly due to the 2% earnest deposit paid for the proposed acquisitions of the Lumileds properties in Penang even though there was a slightly higher provision for impairment of the trade receivables for FY2018.

Total Borrowings

The Trust's total borrowings as at 31 December 2018 was RM95.66 million, an increase of RM6.90 million as compared to the total borrowings of RM88.77 million as at 31 December 2017. The increase was mainly due to the drawdown of new term loan facility to finance the AEI carried out at ASA3.

Management Discussion and Analysis (cont'd)

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

	2014	2015	2016	2017	2018
Total Borrowings (RM'000)	65,000	59,600	59,600	88,765	95,661
- STRC (RM'000)	45,000	39,600	39,600	39,600	39,600
- OD (RM'000)	-	-	-	-	22,830
- TL (RM'000)	20,000	20,000	20,000	20,000	-
- TL2 (RM'000)	-	-	-	10,765	10,765
- TL3 (RM'000)	-	-	-	18,400	18,400
- TL4 (RM'000)	-	-	-	-	4,066
Total Asset (RM'000)	241,331	238,796	243,004	279,477	287,584
Gearing (%)	26.93	24.96	24.53	31.76	33.26
Interest Rate (%)	4.10 to 4.67	4.30 to 4.69	4.21 to 4.66	4.30 to 4.57	4.31 to 5.47

Based on its current conservative gearing ratio, Atrium REIT is able to leverage on further borrowings to make opportunistic acquisitions that fit its investment criteria and enhance its returns to unitholders, before reaching the 50% threshold under the REITs Guidelines.

Net Asset Value ("NAV")

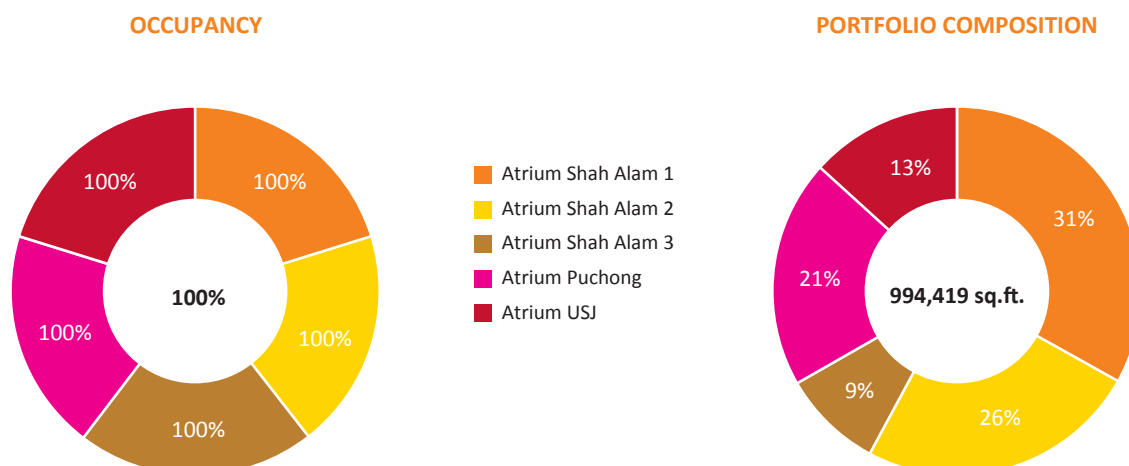
As at 31 December 2018, the NAV and NAV per unit were RM182.60 million and RM1.4992 respectively, an increase of 1.13% as compared to that recorded as at 31 December 2017. This was mainly due to the net fair value gain on revaluation of investment properties carried out at the end of FY2018.

Unit Price and Market Capitalisation

There was no change in the unit price of the REIT as at 31 December 2018 from the unit price of RM1.11 as at 31 December 2017. Based on the unit price of RM1.11, the trading discount to NAV as at 31 December 2018 was 25.96% as compared to the trading discount to NAV as at 31 December 2017 of 25.13%.

PORTFOLIO REVIEW

Leasing Management



Management Discussion and Analysis (cont'd)

The occupancy rate as at 31 December 2018 was 100% as compared to 91% as at 31 December 2017.

	As at 31 December 2018	As at 31 December 2017
Atrium Shah Alam 1	100%	100%
Atrium Shah Alam 2	100%	100%
Atrium Shah Alam 3	100%	0
Atrium Puchong	100%	100%
Atrium USJ	100%	100%
Overall	100%	91%

Asset Enhancement Initiatives ("AEI")

For the year under review, the AEI carried out at ASA3 was completed in June 2018 at a cost of approximately RM9.40 million. The AEI involves mainly piling works to the warehouse floor, construction of a new raised warehouse floor slab, increasing the height of the warehouse, replacement of the roof to the latest roofing system, replacement of the warehouse lightings to a more energy efficient lighting system, installation of additional loading bays and dock-levellers, installation of new fire-fighting system and other miscellaneous works. With the completion of the AEI and handing over the vacant possession of ASA3, the overall portfolio of the Trust achieved a 100% occupancy rate.

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

Tenancy Renewals

As at the date of this report, the respective tenants have confirmed the renewals of 304,418 sq ft out of 366,927 sq ft of space that were/are due for renewal, representing a renewal rate of 82.96%. The renewal rate for Atrium USJ-Block B tenancy is a higher renewal rate while Atrium Shah Alam 2 will be renewed for a lease term of 5 years. The Manager also expects the balance space due for renewal to be renewed in the coming months.

Growth Opportunities

Subsequent to FY2018, the Trustees, on behalf of Atrium REIT, entered into the following agreements with Lumileds Malaysia Sdn Bhd ("Vendor") on 12 February 2019:-

1. a put and call option agreement ("Option Agreement") for the option to enter into a conditional sale and purchase agreement ("SPA 1") ("Option") and leaseback agreement for the proposed acquisition and leaseback of 2 pieces of leasehold land known as Lot No. 2027 and Plot No. 203, both in Mukim 12, Daerah Barat Daya, Pulau Pinang held under Pajakan Negeri 2850 and H.S.(D) 14852 respectively, together with the factory and all buildings erected thereon ("Property 1") from the Vendor for a cash consideration of RM50.00 million ("Proposed Acquisition 1"). The Trustee, on behalf of Atrium REIT, will enter into the SPA 1 and undertake the Proposed Acquisition 1 upon the exercise of the Option under the Option Agreement, which is subject to amongst others, the Certificate of Completion and Compliance ("CCC") and/or Certificate of Fitness for Occupation ("CFO") for Property 1 being obtained by the Vendor; and
2. 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 from the Vendor for a cash consideration of RM130.00 million ("SPA 2") ("Proposed Acquisition 2"). Concurrently with the execution of the SPA 2, the Trustee and Lumileds had also on even date signed in escrow the leaseback agreement whereby the Trustee shall sub-lease Property 2 to the Vendor for a period of 15 years from the completion of SPA 2 ("Completion Date") ("Leaseback Agreement 2"). The Leaseback Agreement 2 shall take effect on the Completion Date.

Management Discussion and Analysis (cont'd)

The Proposed Acquisitions will be financed by bank borrowings and the following proposed fund raising exercises:-

1. proposed placement of up to 24,360,200 new units in Atrium REIT, representing up to 20% of the total number of Units in Atrium REIT of 121,801,000 Units at an issue price to be determined later; and
2. 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 completion of the Proposed Placement at an issue price to be determined later.

The Proposed Acquisitions will increase Atrium REIT's investment properties by 64.75% to RM458.00 million and total net lettable area by 49.12% to 1,482,920 sq. ft., strengthening the Trust's position as a pure play industrial property REIT in this competitive and growing market. With 100% occupancy from a blue chip tenant, the Proposed Acquisitions will enhance Atrium REIT's income and tenant profile.

The Manager will continue to pursue yield-accretive acquisitions with focus on industrial properties that meet our investment criteria as well as value-creating asset-enhancement opportunities although meeting sellers' demands for asset valuation may prove to be challenging. In line with our proactive asset management strategy, we will also continue to explore any divestment opportunities for any properties that have achieved its optimal potential/value and use the proceeds for either new acquisitions or asset enhancement initiatives.

Revaluation of Investment Properties

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

For FY2018, the portfolio registered a net fair value gain on the revaluation of investment properties amounting to RM1.72 million based on the appraised values conducted by an independent registered valuers.

Overall Economic Overview

The global economy continued to expand, but at a more moderate pace in the third quarter of 2018. While the US and UK GDP accelerated, most emerging economies recorded more moderate growth. In the advanced economies, labour markets remained supportive of private consumption, as unemployment rates continued to decline amid a steady increase in wage growth. These developments contributed to rising inflationary pressures as reflected by the gradual increase in Consumer Price Indices. Investment activity, however, moderated in the euro area, while in the US, business spending was lifted by the 2017 tax reforms.

Growth in the Asian region trended lower. PR China recorded slower growth, as continued policy driven credit tightening weighed on investment, particularly local government spending on infrastructure. Nevertheless, domestic demand in other Asian economies remained resilient, in part aided by ongoing policy support and higher infrastructure spending.

Most regional economies recorded slower export growth in the third quarter of 2018. This reflects lower demand from major economies, such as the euro area and PR China. Of significance, demand for E&E products, which had driven shipments from Korea and Chinese Taipei in previous periods, have moderated. Indicators suggest that the impact of the recent trade actions have started to materialise. The Purchasing Managers Index in several economies recorded slowdowns in the new orders and confidence sub-indices. Increasingly, firms noted that prolonged trade tensions would adversely affect input costs and threaten to disrupt their supply chain operations. Trade disruptions are likely to exacerbate the moderating growth momentum currently experienced by most economies.

The Malaysian economy recorded a sustained growth of 4.4% in the third quarter of 2018 (2Q 2018: 4.5%), supported by expansion in domestic demand amid a decline in net exports growth. Private sector expenditure remained the key driver of growth, expanding at a faster pace of 8.5% (2Q 2018: 7.5%), while public sector expenditure turned around to register a positive growth of 1.1% (2Q 2018: -1.4%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.6% (2Q 2018: 0.3%).

Management Discussion and Analysis (cont'd)

Domestic demand expanded at a faster pace during the quarter (6.9%; 2Q 2018: 5.6%), driven by private sector activity. Private consumption growth accelerated to 9.0% (2Q 2018: 8.0%). Household spending was boosted in July and August 2018, following the zerorisation of the Goods and Services Tax (GST) rate, particularly on durable goods such as motor vehicles and furnishings, as well as food and beverages. Continued expansion in income and employment provided key support to household spending.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), declined to 0.5% in the third quarter of 2018 (2Q 2018: 1.3%). The lower inflation mainly reflected the impact from the GST zerorisation. By category, the impact was broad-based and particularly evident for communication services and recreational and cultural services. The percentage of items in the CPI basket that had an inflation of more than 2% declined to 9% in the third quarter (2Q 2018: 18%). This was despite the implementation of the Sales and Services Tax (SST) beginning 1 September 2018. With the small average price increase for SST-taxable items in September, the SST impact on inflation during the quarter has been limited. Core inflation, excluding the impact of consumption tax policy changes, moderated slightly to 1.4% (2Q 2018: 1.5%). Demand-driven inflationary pressures in the economy remained contained in the absence of excessive wage pressure and some degree of spare capacity in the capital stock.

(Source: Bank Negara Malaysia)

Overall Property Market Outlook

The property market recorded a marginal decline in the first half of 2018 in line with a challenging economic and financial situation. A total of 149,889 transactions worth RM67.74 billion were recorded, each showing a decrease of 2.4% and 0.1% compared to the same period last year which recorded 153,526 transactions worth RM67.83 billion. On the demand-side, mixed trends are also seen in the indicators of residential and non-residential property demand. The amount of loans applied for the purchase of residential property decreased by 3.1% as compared to H1 2017 while the approved loan fell by 0.2%. However, the situation differs for non-residential property where loans applied for and approved for this purpose indicate an increase of 14.2% and 6.6% respectively.

Market activity recorded a total of 149,889 transactions valued at RM67.74 billion, down by 2.4% in number and 0.1% in value compared to H1 2017. The residential sub-sector continued to lead the overall market, with a contribution of 62.8% and 46.7% in volume and value respectively. However, this sub-sector recorded a slight decrease of 0.8% and 3.6% in number and value respectively. Commercial and industrial sub-sectors recorded upward movements in volume, increased by 3.5% and 3.8% respectively.

Industrial Property Market Outlook

The industrial sub-sector recorded 2,514 transactions worth RM7.41 billion, an increase of 3.8% and 37.4% in volume and value respectively. Selangor continued to dominate the market, with 33.4% of the market share, followed by Johor and Perak, with 12.7% and 11.9% of the market share respectively.

The industrial overhang continued to increase, recording a total of 1,021 units with a value of RM1.68 billion (H2 2017: 999 units worth RM1.51 billion). The unsold under construction units decreased by 10.3% to 822 units compared to H2 2017. Johor continued to dominate most of the overhang units (50.6%; 517 units). Terraced units formed the bulk of the unsold completed units (40.1%; 409 units). Semi-detached units dominated the unsold under construction (41.8%; 344 units) and unsold not constructed categories (100%; 100 units).

The active participation of key industrial and logistics players, both local and foreign, bodes well for the local industrial property market, aligning with Malaysia's need for better quality warehouses and state-of-the-art factories. In anticipation of the current Government continuing with the e-commerce initiative, demand for larger Class-A warehouse facilities is expected to increase. Automation is also expected to play a major role in these sophisticated warehouses, as the country moves to embrace the Industry 4.0 revolution.

The industrial property sector presents a popular alternative asset class for developers and investors in addition to the traditional residential and commercial (office and retail) markets.

Management Discussion and Analysis (cont'd)

Overall, the growth for Malaysia's industrial property sector continues to be promising. The recent report on Airbus SE's agreement in principle to conduct feasibility study for investment to build a final assembly line in Negeri Sembilan is an encouraging evidence of the positive outlook present in Malaysia's industrial sector.

As a result of increasing land prices and rapid urbanization, established industrial areas in Petaling Jaya such as Sections 13, 19, 51 and 51A, are undergoing transformation with these former industrial sites being redeveloped into mixed-use schemes. An increasing number of industrial units in these areas are also being utilized as showrooms or for other semi-commercial purposes. Based on current observation, there is a gradual relocation of manufacturing firms in these areas to other industrial hubs such as Shah Alam and Klang.

Shah Alam which is home to some of the most prominent industrial precincts in Malaysia, such as the likes of Sections 15, 16, 23, Bukit Jelutong Industrial Park and Hicom Glenmarie Industrial Park, will continue to retain its dominance in the industrial property market as manufacturers continue to set up facilities in the area. This explains why developers such as Exsim Group and Aspen Group are still actively acquiring land banks to develop logistics and industrial properties in the area.

However, from real estate perspective, the office and industrial sectors in the local market are expected to be stable or grow in tandem with the robust exports and active investment activities. Healthy macro environment and employment security should stimulate the residential and retail sectors as consumers would be more comfortable to increase their spending. The challenge however, remains on matching supply with demand.

In general, market prices for vacant industrial land in the Klang Valley remain stable and is on an upward trend. The Petaling district particularly within Petaling Jaya and Shah Alam Northern (Glenmarie Industrial Park) continues to register relatively higher market prices compared with other areas in the Klang Valley due to these locations having good accessibility and connectivity to Port Klang and the city centre as well as being established industrial areas that are strongly sought after by industrialists.

The average market prices and market rentals of the industrial properties remained stable in most areas of the Klang Valley with the exception of industrial properties in the prime areas of Shah Alam, Petaling Jaya and Subang due to the limited supply available within the areas and the location being a vibrant commercial area. Areas within the outskirts/suburbs such as Puchong, Rawang, Sungai Buloh and Kajang/Bangi will continue to gain popularity among industrialists as various infrastructure improvement projects are currently undergoing to enhance the connectivity and accessibility of these locations. Furthermore, the lower land costs will further attract investors/industrialists to set up their operations in these areas, which will then provide a larger labour catchment as the resident population grows.

(Source: Department of Statistics Malaysia, Valuation and Property Services Department, Ministry of Finance Malaysia & RHIZPPJ Research).

Prospect

While the market is expected to remain challenging in the near term as more warehouse spaces enter the market, the Trust's portfolio is expected to remain stable with full occupancies given that all the properties in the portfolio are located in prime industrial areas with good accessibility. Moving forward, the long-term prospects of logistics properties remains good as demand for prime logistics facilities will continue to benefit from the strong domestic consumption, the rapid expansion of e-commerce and the increasing focus on supply chain efficiency. The impact and growth for the industrial sector will be further boosted by the fourth industrial revolution (or Industry 4.0) which is expected to rejuvenate the stagnant industry of industrial estates.

Property Portfolio



Property	: ATRIUM SHAH ALAM 1
Address	: Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor, Malaysia
Title details	: GRN 177482 for Lot No. 38264, Pekan Baru Hicom, District of Petaling, State of Selangor Darul Ehsan.
Property type	: Industrial
Description	: A single storey warehouse and a four storey office building with a total Net Lettable Area measuring approximately 311,736 sq.ft.
Year of completion	: 2005
Land details	: Freehold land measuring approximately 573,124 sq.ft.
Existing use	: Warehouse and office
Parking spaces	: 191 car bays 105 motorcycle bays 30 lorry bays
Date of acquisition	: 2 April 2007
Cost of acquisition	: RM57,200,000
Lessee*	: Marelli Motori Asia Sdn Bhd (original Lessee – Marelli Asia Pacific Sdn Bhd)
Occupancy	: 100%
Lease Period	: 6 years, expiring on 31 May 2021
Major capital expenditure	: Nil
Encumbrances	: The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM39,600,000
Limitation in title/interest	: None
Latest valuation	: RM85,200,000
Date of last valuation	: 24 October 2018
Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
Fair Value adjustment	: RM3,600,000
Net book value	: RM81,600,000
Property Management Company	: Hartamas Asset Management Sdn Bhd

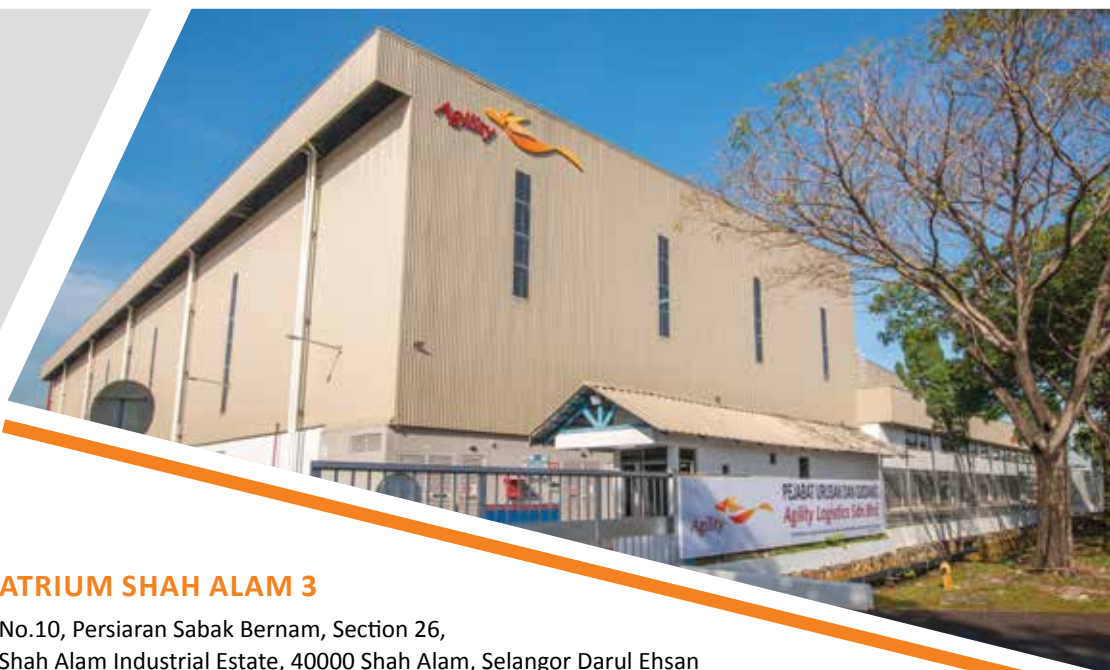
* As part of the restructuring of the Marelli group's business in Malaysia, Marelli Asia Pacific ("MAP") had transferred all their business operations to Marelli Motori Asia ("MMA"). Arising therefrom, MAP had novated and transferred the current Lease Agreement and the Lease together with all rights, interests, benefits, liabilities and obligations therein to MMA.

Property Portfolio (cont'd)



Property	: ATRIUM SHAH ALAM 2
Address	: Lot 7A, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor, Malaysia
Title details	: Lot No. P.T. 90 held under H.S.(D) No. 188265, Pekan Baru Hicom, District of Petaling, State of Selangor Darul Ehsan.
Property type	: Industrial
Description	: A single storey warehouse and a double storey office building with a total Net Lettable Area measuring approximately 259,933 sq.ft.
Year of completion	: 2004
Land details	: Freehold land measuring approximately 522,706 sq.ft.
Existing use	: Warehouse and office
Parking spaces	: 125 car bays 129 motorcycle bays 20 lorry bays
Date of acquisition	: 2 April 2007
Cost of acquisition	: RM49,100,000
Tenant	: Samsung SDS Global SCL Malaysia Sdn Bhd
Occupancy	: 100%
Tenancy Period	: 3 years expiring 31 March 2019
Major capital expenditure	: Nil
Encumbrances	: The property is charged to a financial institution to secure a Term Loan, Overdraft and Bank Guarantee facilities of RM43,100,000
Limitation in title/interest	: None
Latest valuation	: RM77,300,000
Date of last valuation	: 15 November 2018
Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
Fair Value adjustment	: RM1,200,000
Net book value	: RM76,100,000
Property Management Company	: Hartamas Asset Management Sdn Bhd

Property Portfolio (cont'd)



Property	: ATRIUM SHAH ALAM 3
Address	: No.10, Persiaran Sabak Bernam, Section 26, Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan
Title details	: H.S.(D) 63508, PT503, Mukim Damansara, District of Petaling, Selangor Darul Ehsan.
Property type	: Industrial
Description	: A double storey office with annexed single storey warehouse with a total Net Lettable Area measuring approximately 90,670 sq.ft.
Year of completion	: 1990
Land details	: Freehold land measuring approximately 140,078 sq.ft.
Existing use	: Warehouse and office
Parking spaces	: 64 car bays 32 motorcycle bays 8 lorry bays
Date of acquisition	: 16 March 2017
Cost of acquisition	: RM21,698,113
Tenant	: Agility Logistics Sdn Bhd
Occupancy	: 100%
Tenancy Period	: 3 years, expiring on 24 July 2021
Major capital expenditure	: RM7,310,914
Encumbrances	: The property is charged to a financial institution to secure a Term Loan and Bank Guarantee facility of RM 18.7 million
Limitation in title/interest	: None
Latest valuation	: RM26,100,000
Date of last valuation	: 15 November 2018
Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
Fair Value adjustment	: (RM4,245,254)
Net book value	: RM30,345,254
Property Management Company	: Hartamas Asset Management Sdn Bhd

Property Portfolio (cont'd)



Property	: ATRIUM PUCHONG
Address	: No.2 Jalan PPU 1, Taman Perindustrian Puchong Utama, Batu 12 ½ Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia
Title details	: Lot No. 65108 held under Geran No. 44178, Pekan Puchong Perdana, District of Petaling, State of Selangor Darul Ehsan.
Property type	: Industrial
Description	: A single storey warehouse and a four storey office building with a total Net Lettable Area measuring approximately 203,994 sq.ft.
Year of completion	: 2002
Land details	: Freehold land measuring approximately 292,234 sq.ft.
Existing use	: Warehouse and office
Parking spaces	: 129 car bays 110 motorcycle bays 30 lorry bays
Date of acquisition	: 2 April 2007
Cost of acquisition	: RM38,500,000
Tenant	: FM Global Logistics Sdn Bhd
Occupancy	: 100%
Tenancy Period	: 3 years, expiring on 31 January 2021
Major capital expenditure	: RM531,377
Encumbrances	: None
Limitation in title/interest	: None
Latest valuation	: RM52,100,000
Date of last valuation	: 15 November 2018
Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
Fair Value adjustment	: RM568,623
Net book value	: RM51,531,377
Property Management Company	: Hartamas Asset Management Sdn Bhd

Property Portfolio (cont'd)



Property	: ATRIUM USJ
Address	: No.16, Jalan TP 6, Taman Perindustrian UEP, 47620 Subang Jaya, Selangor Darul Ehsan, Malaysia
Title details	: Geran 75650, Lot 46914, Mukim Damansara, Daerah Petaling, Negeri Selangor.
Property type	: Industrial
Description	: A single storey warehouse with annexed double storey office building (Block A), a single storey warehouse (Block B) and a single storey warehouse with annexed double storey office building (Block C); with a total Net Lettable Area measuring approximately 128,086 sq.ft.
Year of completion	: 2008
Land details	: Freehold land measuring approximately 219,422 sq.ft.
Existing use	: Warehouse and office
Parking spaces	: 122 car bays 39 motorcycle bays 5 lorry bays
Date of acquisition	: 22 December 2011
Cost of acquisition	: RM25,000,000
Tenant	: 1) SAF-Holland (Malaysia) Sdn Bhd (Block A) 2) CJ Century Logistics Sdn Bhd (formally known as Century Total Logistics Sdn Bhd (Block B) 3) Skynet Worldwide (M) Sdn Bhd (Block C)
Occupancy	: 100%
Tenancy Period	: Block A - 3 years, expiring on 31 August 2020 Block B - 2 years, expired on 31 December 2018* Block C – 3 years, expiring on 31 July 2019
Major capital expenditure	: Nil
Encumbrances	: The property is charged to a financial institution to secure a Term Loan, Short Term Revolving Credit and Bank Guarantee Facilities of RM31,000,000
Limitation in title/interest	: None
Latest valuation	: RM37,300,000
Date of last valuation	: 28 September 2018
Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
Fair Value adjustment	: RM600,000
Net book value	: RM36,700,000
Property Management Company	: Hartamas Asset Management Sdn Bhd

* Tenant has confirmed renewal for another 2 years upon expiry of the current tenancy.

Profile of Directors

DATO' DR. IR. MOHAMAD KHIR BIN HARUN

Chairman

Malaysian, male, aged 68, was appointed to the Board on 5 October 2009. Dato' Dr. Ir. Mohamad Khir obtained his BSc (Hons) in Electrical Engineering from Brighton Polytechnic in 1973, MSc in Communications Engineering from Brunel University, London in 1978 and PhD in Electrical Engineering from University of Manchester, United Kingdom in 1982. Dato' Dr. Ir. Mohamad Khir has accumulated a vast pool of knowledge on the communications and information industry. Starting his career as a young engineer way back in 1973, Dato' Dr. Ir. Khir had successfully made the transition to a business-savvy technocrat when the Telecom Department was corporatised in 1987. He had risen quickly in his career, taking on wide-ranging responsibilities and was holding the position of Chief, Group business restructuring, the second highest position in Telekom Malaysia or TM, prior to his retirement. He was President of the Senior Officer associations of Telekom Malaysia from 1985 to 1996 where he has initiated programs on executive development and health awareness which were later adopted by the company. He was active in sports having held positions as vice and deputy presidents of the company's sport club from 1982 to 1995. His other experiences in the industry include 5 years in the regulatory bodies as Advisor to the Minister of Energy, Telecommunications and Posts from 1983 to 1985 and then as Advisor to the Chairman of the Malaysian Communications and Multimedia Commission from 2006 to 2008.

WONG SUI EE

Executive Director

Malaysian, female, aged 49, was appointed to the Board on 22 September 2005. Ms. Wong graduated with a Bachelor of Arts majoring in Accounting and Finance from Middlesex University, London, in 1991. She is an Associate member of the Institute of Chartered Accountants in England and Wales (ICAEW) since 1994. Ms. Wong began her career in KPMG, United Kingdom in 1991 as an Auditor. In 1996, she joined Perdana Merchant Bank Berhad as Assistant Vice President for two (2) years. She then joined Glory Blitz Industries Sdn Bhd ("GBISB") and its related companies in 1998. During her 8-year tenure with GBISB and its group of companies, she formed the team to develop built to suit industrial properties in the Klang Valley for the group's multinational clients including CEVA Logistics (formerly known as TNT Logistics), Exel Logistics (now part of the DHL Group), Danzas (now part of the DHL Group), Unilever Malaysia, Silverstone Tyres and others. Currently, she is also on the Board of Directors of Alpha Netrise (M) Sdn Bhd, Ample Cosmos Sdn Bhd and Kilat Idam Sdn Bhd.

CHAN WAN SEONG

Independent Non-Executive Director

Malaysian, male, aged 64, was appointed to the Board on 26 October 2016. Mr. Chan graduated with a Degree in Bachelor of Economics (Hons), majoring in Business Administration from Universiti Malaya in 1977. Mr. Chan's career and working experience in the banking and finance sector span over a period of close to 40 years. Mr. Chan started his career with Malaysian International Merchant Bankers Berhad (Malaysia's first international merchant bank) in 1977 as a Corporate Finance Officer. Subsequently, he joined the then emerging leasing and credit finance industry. He gained further exposure in the banking sector as the Head of the Corporate Banking unit in the Malaysian Head Office of a Singapore banking group. Mr. Chan resumed his career in merchant banking by joining the then Arab-Malaysian Merchant Bank Berhad ("AMMB") (later known as AmMerchant Bank Berhad, and currently known as AmInvestment Bank Berhad) in 1989. He was initially responsible for managing and supervising the expansion of AMMB's regional merchant bank business in East and West Malaysia. In his career with the AmBank Group, Mr. Chan had held various senior positions spanning a wide spectrum of banking services as General Manager, Senior Director, and Executive Vice-President in Corporate Banking, Investment Banking and Wholesale Banking. His job scope encompassed large fund-raising exercises in syndicating conventional loans, as well as Bonds and Equity for public-listed corporations and large private client groups. He also gained all-round exposure in the areas of credit evaluation, loan structuring, risk management, corporate advisory, and high-level merger and acquisition negotiations. His core strengths are derived from his wide business networking, relationship management skills, and multi-product knowledge in the corporate and investment banking space. Upon reaching the age of 62 years, Mr. Chan retired from the AmBank Group in the first quarter of 2016 after enjoying a distinguished career with them for more than 27 years. Currently, he is also the Independent Non-Executive Chairman of the Board of Directors of Wegmans Holdings Berhad.

Profile of Directors (cont'd)

CHNG BOON HUAT

Independent Non-Executive Director

Malaysian, male, aged 59, was appointed to the Board on 1 September 2018 and chairs the Audit Committee. Mr. Chng is a Fellow Member of The Chartered Association of Certified Accountants, United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

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

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

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

HOW HU SON

Independent Non-Executive Director

Malaysian, male, aged 69, was appointed to the Board on 17 November 2006. Mr. How graduated from Brighton Polytechnic, United Kingdom with a Bachelor of Science (Hons) in Civil Engineering in 1975. In 1976, he obtained his Master of Science from Imperial College of Science & Technology, London. He is a member of the Institution of Engineers, Malaysia and is a registered professional Engineer with the Board of Engineers, Malaysia. He began his career in 1977 as a Structural Engineer with Jabatan Kerja Raya for two (2) years. Thereafter, he joined Tahir Wong Sdn Bhd as its Senior Structural Engineer and was subsequently promoted to Senior Associate. During his 14 years in Tahir Wong Sdn Bhd, he was involved in projects such as Subang Parade, the Royal Malaysian Navy Base in Sarawak, Puteri Pan Pacific Hotel, Johor and the Selangor Turf Club. Currently, he is a Director of Pakatan Cergas Sdn Bhd, a consultancy company involved in civil and structural engineering. Some of the projects that he was involved in are the construction of Bukit Ceylon Condominium, CP Tower, Eastin Hotel and Phileo Damansara. He is also a Director of Yong Peng Batu Bata Berhad.

SOONG KWONG HENG

Independent Non-Executive Director

Malaysian, male, aged 69, was appointed to the Board on 17 November 2006. Mr. Soong graduated with a Bachelor of Economics from Universiti Malaya in 1972. Mr. Soong has more than thirty (30) years experience in tax related issues. After his graduation, he began his career in the Department of Inland Revenue Malaysia for three (3) years. In 1975, he joined Chan King Sang & Co. as its Tax Manager for ten (10) years. Subsequently he was a Tax Principal for K. S. Taxation Services Sdn Bhd from 1985 till early 2016. Currently, he sits on the Board of Directors of Global Gain Sdn Bhd.

Profile of Directors (cont'd)

TOR PENG SIE

Independent Non-Executive Director

Malaysian, male, aged 60, was appointed to the Board on 17 November 2006. Mr. Tor graduated with a Bachelor of Science from Campbell University, North Carolina, United States of America in 1982. He is a holder of the Real Estate Agent Licence from the Board of Valuers, Appraisers and Estate Agents Malaysia since 1993. Mr Tor has about thirty (30) years experience in the real estate industry, where he began his career in Rahim & Co. Chartered Surveyor Sdn Bhd in 1984 as a Valuation Executive and was subsequently promoted as a Real Estate Negotiator. In 1988, he worked with The Golden Triangle Real Estate Agents initially as a Real Estate Agent and later became a Director of the said company. In 1999, he joined Pacific Landmark Real Estate Agents. He is currently the Principal of Pacific Landmark Real Estate Agents.

Profile of CEO

CHAN KUM CHONG

Chief Executive Officer

Malaysian, aged 63, was appointed as Chief Executive Officer on 1 April 2010. Mr. Chan graduated from Portsmouth Polytechnic (now known as University of Portsmouth) in 1980 with a Bachelor of Science in Quantity Surveying. Mr. Chan began his career as a Graduate Quantity Surveyor with a consultant quantity surveying firm, Juru Ukur Bahan Malaysia Sdn. Bhd. assisting the senior quantity surveyor in pre and post contract administration in the completion of Menara Maybank, redevelopment of Subang International Airport, Telekom Training Centre, amongst others. Mr. Chan then joined TTDI Development Sdn.Bhd. in 1984 and has successfully managed and completed housing schemes in Taman Tun Dr. Ismail, Taman TTDI Jaya, Desa Pandan and Desa Bakti. In June 1995, he was assigned to oversee the operation of the in-house construction company, Panelex Sdn.Bhd. as General Manager - Operation. He then joined Syarikat T. D. Sdn. Bhd. in 1999 as a Project Director looking after several building and turnkey projects. Thereafter, he joined Vistanet (M) Sdn.Bhd. in 2002, an in-house construction company of Mayland Properties Sdn. Bhd., to manage all their in-house construction projects with Gross Development Values in excess of RM300 million, comprising of service apartments, shop offices and a shopping complex. In October 2003 he joined Score Option Sdn. Bhd. as a Project Director, managing a 200 acres development in Puchong comprising a mixed residential and commercial development, a J.V. project with Glomac Alliance Sdn.Bhd., a subsidiary of Glomac Berhad. In 2005, he joined EC Alamjaya Sdn. Bhd. as its Chief Executive Officer to oversee a shopping complex and hotel development totaling RM100million.

Other Directorship of Public Companies

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

Family Relationship with Director and/or Major Unitholder

Mr. Chan is the brother of Mr. Chan Kam Tuck, who is a major unitholder of the Atrium REIT. Save as disclosed, Mr. Chan does not have any family relationship with any director and/or major unitholder of the Atrium REIT.

Conflict of Interest

Save for Mr. Chan's interest in Atrium REIT (as disclosed under Unitholdings of Directors and Related Parties in the notes to the financial statements), no conflict of interest has arisen during the financial year under review.

Conviction of Offences

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

Profile of Key Senior Management

CHAN KUM CHEONG

Chief Operating Officer

Malaysian, male, aged 59, was appointed as Chief Operating Officer on 1 August 2012. Mr. Chan graduated from University Of Swansea, Wales, United Kingdom with a Bachelor of Science (Hons) in Civil Engineering. Mr. Chan began his career as a Design Engineer with Tahir Wong Consultant from 1982 to 1989, participating in the design of high rise and low rise buildings, foundation design and factories. Mr. Chan then joined Syarikat T.D Sdn Bhd and Glory Blitz Industries Sdn Bhd as a Project Director in charge of implementing construction/design coordination works for industrial warehouses in excess of 20,000m² build-up. He was also involved in construction of wide variety of projects including basement substructure works and elevated platform at K.L Sentral, construction and development of the family owned Cheras Commercial Centre comprising of 19 units of 7 storey shops cum hotel, several turnkey factories for multinational companies at Glenmarie and Rawang and construction and development of Mid Valley Development (Phase 1) works. Mr. Chan is the brother of Mr. Chan Kum Chong who is the Chief Executive Officer of the Manager.

Other Directorship of Public Companies

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

Family Relationship with Director and/or Major Unitholder

Mr. Chan is the brother of Mr. Chan Kam Tuck, who is a major unitholder of the Atrium REIT. Save as disclosed, Mr. Chan does not have any family relationship with any director and/or major unitholder of the Atrium REIT.

Conflict of Interest

Save for Mr. Chan's unitholding in Atrium REIT of 400,000 units (2017: 400,000 units), no conflict of interest has arisen during the financial year under review.

Conviction of Offences

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

LEE HOOI HOONG

Chief Financial Officer

Malaysian, male, aged 51, joined the Company as the Chief Financial Officer on 1 October 2007. He is a graduate of The Chartered Association of Certified Accountants, United Kingdom and was admitted as a Fellow of the Association on 1 November 2002. He has more than 24 years of experience in the areas of financial accounting and management. He commenced his career in the auditing profession in 1992. In 1994, he joined Lion Suzuki Motor Sdn Bhd as an Assistant Accountant and rapidly moved up the rank to Assistant General Manager where in the course of 13 years he oversaw the finance and administration, marketing operations, parts and service, human resources and IT department of the company.

Other Directorship of Public Companies

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

Family Relationship with Director and/or Major Unitholder

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

Conflict of Interest

Save for Mr. Lee's unitholding in Atrium REIT of 5,000 units (2017: 5,000 units), no conflict of interest has arisen during the financial year under review.

Conviction of Offences

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

Board of Directors and Management/ Corporate Directory

Board of Directors and Management of the Manager

BOARD OF DIRECTORS

Dato' Dr. Ir. Mohamad Khir Bin Harun

Chairman and Non-Independent Non-Executive Director

Wong Sui Ee

Executive Director

Chan Wan Seong

Independent Non-Executive Director

Chng Boon Huat

Independent Non-Executive Director (*appointed on 1 September 2018*)

Audit Committee Chairman (*appointed on 1 September 2018*)

How Hu Son

Independent Non-Executive Director

Soong Kwong Heng

Independent Non-Executive Director

Audit Committee Member (*appointed on 1 September 2018*)

Tor Peng Sie

Independent Non-Executive Director

Audit Committee Member (*appointed on 1 September 2018*)

COMPANY SECRETARIES

Lim Poh Yen (MAICSA 7009745)

Wong Wai Foong (MAICSA 7001358)

Fong Seah Lih (MAICSA 7062297) (*appointed on 21 March 2018*)

MANAGEMENT

Wong Sui Ee

Executive Director

Chan Kum Chong

Chief Executive Officer

Chan Kum Cheong

Chief Operating Officer

Lee Hooi Hoong

Chief Financial Officer

Corporate Directory

MANAGER

Atrium REIT Managers Sdn Bhd (710526-V)

Principal place of business:

36-2, Jalan 5/101C, Off Jalan Kaskas

Jalan Cheras, 56100 Kuala Lumpur

Tel : 03-9132 2810

Fax : 03-9132 9810

Website : www.atriumreit.com.my

Registered office:

Unit 30-01, Level 30, Tower A

Vertical Business Suite, Avenue 3

Bangsar South, No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Wilayah Persekutuan, Malaysia

Tel : 603 -2783 9191

Fax : 603 -2783 9111

TRUSTEE

Pacific Trustees Berhad (317001-A)

Principal place of business

Unit A-9-8,9th Floor,

Megan Avenue 1,

No.189, Jalan Tun Razak,

Off Persiaran Hampshire,

50400 Kuala Lumpur, Malaysia.

Tel : 03-2166 8830

Fax : 03-2166 3830

AUDITORS

BDO PLT

(LLP0018825-LCA & AF 0206)

Chartered Accountants

PROPERTY MANAGEMENT COMPANY

**Hartamas Asset Management
Sdn Bhd** (905055-U)

Level 13, Block A, Menara Prima,

Jalan PJU 1/37, Dataran Prima,

47301 Petaling Jaya, Selangor

Tel : 03-7839 5555

Fax : 03-7839 5566

PRINCIPAL BANKERS

Malayan Banking Berhad

Public Bank Berhad

REGISTRAR

Tricor Investor & Issuing House

Services Sdn Bhd (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3

Bangsar South, No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Wilayah Persekutuan, Malaysia

Tel : 603 -2783 9299

Fax : 603 -2783 9222

BURSA MALAYSIA STOCK NAME AND CODE

ATRIUM 5130

Corporate Governance Overview Statement

Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust (“Atrium REIT”), has adopted an overall corporate governance framework designed to meet best practice principles. The Manager also recognises that an effective corporate governance culture is critical to its performance and consequently, the success of Atrium REIT, which it manages. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of the unitholders of Atrium REIT.

The following segments describe the Manager’s main corporate governance policies and practices which are guided by the measures recommended in the Securities Commission (“SC”) Guidelines on Listed Real Estate Investment Trusts (“REITs Guidelines”), the Securities Commission Act 1993 (“SCA”), the Capital Market and Services Act 2007 (“CMSA”) the Main Market Listing Requirements (“Listing Requirement”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Malaysian Code on Corporate Governance.

ROLE OF MANAGER

Manager of Atrium REIT

The Manager has general powers of management over the assets of Atrium REIT. The Manager’s main responsibility is to manage Atrium REIT’s assets and liabilities in the best interest of the unitholders.

The primary role of the Manager is to set the strategic direction of Atrium REIT and give recommendations to Pacific Trustees Berhad (“Trustee”), as Trustee of Atrium REIT, on the acquisition, divestment and enhancement of assets of Atrium REIT in accordance with its stated investment strategy.

Amongst others, the general functions, duties and responsibilities of the Manager include the following:

- (a) to carry out the activities in relation to the management of Atrium REIT and its portfolio of assets in accordance with the provisions of the Restated Deed dated 24 March 2016 and amended by the Supplementary Deed dated 21 April 2016 (collectively known as “the Deed”);
- (b) to use its best endeavours to ensure that the business of Atrium REIT is carried out and conducted in a proper and efficient manner and to conduct all transactions with or for Atrium REIT at arm’s length and on normal commercial terms;
- (c) to issue the annual report of Atrium REIT to the unitholders within two (2) months of its financial year end;
- (d) to attend to all enquiries from the unitholders, tenants, media, government bodies, etc;
- (e) to supervise the Property Manager which provides property management services in relation to Atrium REIT’s properties pursuant to the property management services agreement; and
- (f) to ensure that Atrium REIT is in compliance with the applicable provisions of the REITs Guidelines, SCA, CMSA, Listing Requirements of Bursa Securities, and any other applicable laws.

Atrium REIT is externally managed by the Manager and accordingly, Atrium REIT has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Atrium REIT.

Atrium REIT Managers Sdn Bhd is the appointed Manager of Atrium REIT in accordance with the terms of the Deed which outlines the circumstances under which the Manager can be retired.

Corporate Governance Overview Statement (cont'd)

DIRECTORS OF THE MANAGER ("the Board")

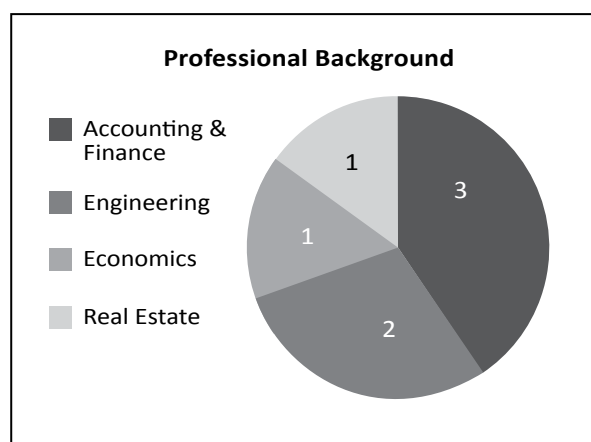
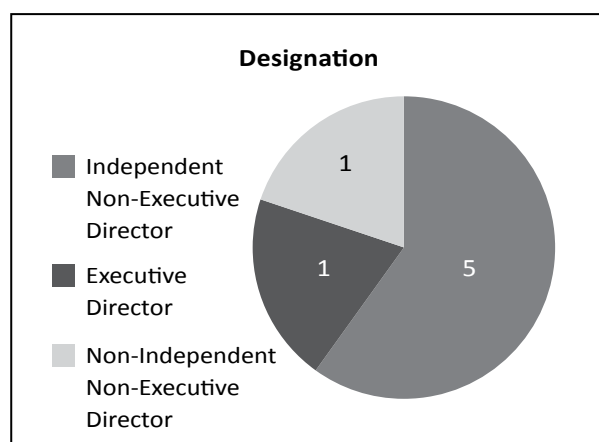
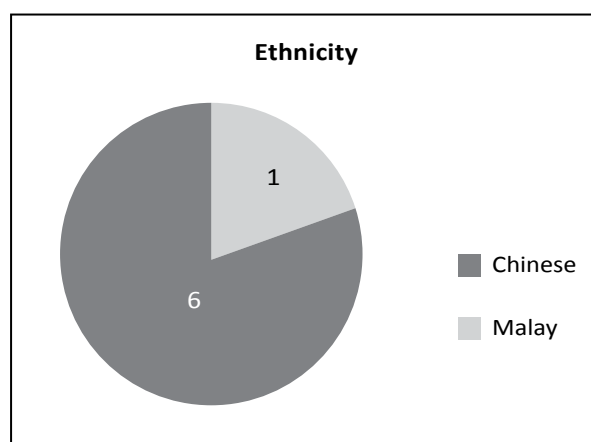
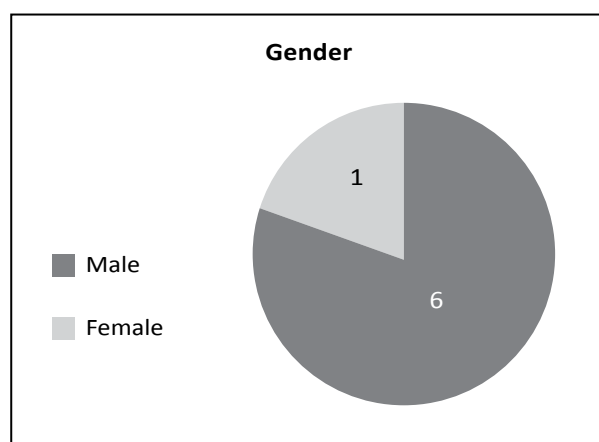
The Board

The Board is entrusted with the responsibility of overall management and corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Board is also responsible for charting the strategic direction, development and control of the Manager and has adopted the primary responsibilities as listed in the REIT Guidelines as well as the roles and duties set out in the REIT Guidelines, which facilitate the discharge of the Directors' stewardship responsibilities.

Board Composition

The Board presently consists of seven (7) members comprising one (1) Non-Independent Non-Executive Director, one (1) Executive Director and five (5) Independent Non-Executive Directors. The diverse background of the members who come from various fields such as engineering, financial, real estate and management provide a broad spectrum of skills, experience and invaluable perspectives to overseeing the management of the Manager. The profiles of the members of the Board are provided in pages 29 to 31 of the Annual Report.

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



Corporate Governance Overview Statement (cont'd)

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

The Chairman of the Board is responsible for the conduct of the Board and ensures that the Board's discussions are conducted in such a way that all views are taken into account and discussed at length before a decision is made. The Executive Director and the Chief Executive Officer, supported by the management team are responsible for running the business on a day-to-day basis, organizational effectiveness and implementation of the Board's policies, strategies and decisions as planned and in accordance with the Deed and REIT Guidelines. This clear separation of roles between the Chairman and the Chief Executive Officer, provides a healthy, independent and professional relationship between the Board and Management.

The Board focuses mainly on strategy, financial performance and critical business issues, including:-

- The strategic business plans
- Key financial performance indicators
- Principal risks and their management
- Succession planning for senior management
- Investors and unitholders relations programmes
- Systems of internal control

Independent Non-Executive Directors have the responsibility to ensure that the strategies proposed by the Executive Director, Chief Executive Officer and management are fully discussed and examined, taking account of the long term interest, not only of the unitholders, but also of employees, customers, suppliers, environment and the many communities in which Atrium REIT conducts its business.

Board Meetings

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

The Board met five (5) times during the financial year ended 31 December 2018. The number of meetings attended by each Director is as follows:

Directors	Designation	Attendance
Dato' Dr Ir Mohamad Khir Bin Harun	Non-Independent Non-Executive Chairman	5/5
Wong Sui Ee	Executive Director	5/5
Chan Wan Seong	Independent Non-Executive Director	4/5
Chng Boon Huat (appointed on 1 September 2018)	Independent Non-Executive Director	2/2
How Hu Son	Independent Non-Executive Director	5/5
Tor Peng Sie	Independent Non-Executive Director	5/5
Soong Kwong Heng	Independent Non-Executive Director	5/5

Access to and Supply of Information and Advice

All Board members are supplied with information on a timely manner in order to discharge their responsibilities. The Agenda together with the full set of Board papers containing information relevant to the Board meeting are circulated to the Directors at least five (5) business days in advance of Board meetings, which is sufficient time for the Directors to review and seek clarification where necessary prior to the meeting being held and this process enables the Directors to make better and informed decisions.

Corporate Governance Overview Statement (cont'd)

There is a schedule of matters reserved specifically for the Board's decision, including the approval of the Manager's strategic plans and budgets for both the Manager and Atrium REIT which includes acquisition and disposal of major assets, major investments, review and approve the key policies, procedures and authority limits.

All Directors have access to the advice and services of the Company Secretary and has the right to seek independent professional advice when necessary in discharging their duties, making acquisition decisions and complying with relevant legislations and regulations.

Appointments to the Board

The Executive Director makes recommendations on the requirement and suitability of candidates nominated for appointment to the Board and the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is balanced with representation from the relevant sectors of industry to provide optimal inputs to address the issues affecting the Manager and Atrium REIT.

During the year, the Board appointed an additional Independent Non-Executive Director, Mr. Chng Boon Huat with accounting and corporate governance experience to lead the Audit Committee, pursuant to the new governance requirements for REITS as issued by Bursa Securities on 2 April 2018.

Directors' Remuneration

The objective of the remuneration policy is to attract, retain and motivate the Directors to successfully carry out the Manager's and Atrium REIT's missions and objectives. The Board believes that the remuneration should be sufficient to attract, retain and motivate the Directors of the necessary caliber, expertise and experience to manage the Manager's and Atrium REIT's operations.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of Atrium REIT as at 31 December 2018 and of its financial performance, the changes in net asset value and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Audit Committee

The Board has established an effective and independent Audit Committee ("AC") on 1 September 2018. The members of AC comprising fully Independent Non-Executive Directors and the Chairman of the AC is not the Chairman of the Board. With the present Board structure and practice, the AC is able to objectively review Atrium REIT's financial statements, the Manager's internal control system and risk management framework, and report its findings and recommendations to the Board.

Relationship with Auditors

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

Corporate Governance Overview Statement (cont'd)

AUDIT AND NON-AUDIT FEE

The amount of audit and non-audit fees paid or payable to the external auditors for the financial year ended 31 December 2018 are as follows:-

	RM
Audit	30,000
Non audit	30,000

Risk Management and Internal Control

The Board acknowledges its responsibility for the Manager's system of internal controls which covers financial control, operational and compliance controls as well as risk management.

The Statement of Risk Management and Internal Control furnished on pages 41 to 44 of the Annual Report provides an overview of the state of control within the Manager.

RELATED PARTY TRANSACTIONS

The Manager will comply with all requirements as laid out in the REIT Guidelines, the Deed and the Listing Requirements.

The Manager has established procedures that will ensure that all related party transactions undertaken are made on terms which are the best available for the REIT and which are no less favourable to the REIT than an arm's length transaction between third parties.

The Audit Committee ("AC") together with the management reviews the related party transactions to ensure compliance with the internal control procedures, relevant provisions of the Deed, REITs Guidelines and the Listing Requirements. The review includes examination of the nature of the transaction and the supporting documents, or such other data deemed necessary by the AC. If a member of the AC has an interest in a transaction, he is to disclose and abstain from participating in the review and the recommendation process in relation to the transaction.

WHISTLE BLOWING POLICY

The Board has put in place procedures to provide employees of the Manager with defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to Atrium REIT or the Manager, and for the independent investigation of any reports by employees and appropriate follow up action.

The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

COMMUNICATION WITH UNITHOLDERS AND INVESTORS

The Board acknowledges and appreciates the importance of regular communication with the unitholders and investors to ensure that they are well informed of the activities and performance of Atrium REIT. The communication channels are via annual reports, quarterly financial reports and the various disclosures and announcements on the Bursa Securities' website.

Corporate Governance Overview Statement (cont'd)

Another principal avenue of communication with its unitholders is Atrium REIT's AGM, which provides a useful platform for the unitholders to engage directly with the Board, the Manager, the Trustee and the External Auditors. At the last AGM, the Company had given Notice of Sixth AGM more than twenty-eight (28) days prior to the meeting and all Board members attended the said AGM. The Chairman also provided sufficient time and opportunities for the unitholders to seek clarifications from the Chairman, Board members and management on all issues pertaining to the Trust's business and performance.

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

OTHER INFORMATION

Sanction and / or Penalties

There was no public sanction and / or penalty imposed on the Trust and the Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 December 2018.

Family Relationship with any Director and/or Major Unitholder

None of the Directors of the Manager has any family relationship with any other Directors or major unitholders.

MATERIAL LITIGATION

There is no material litigation pending since the issuance of the last annual report up to the date of this report.

CHANGES IN THE STATE OF AFFAIRS

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

Conflict of Interest

Save for the Directors of the Manager's interest in Atrium REIT (as disclosed under Directors' Interest in the Manager's Report), no conflict of interest has arisen during the financial year under review.

Convictions for Offences

None of the Directors of the Manager have been convicted for offences within the past 5 years.

Material Contracts

There were no material contracts entered by the Trust that involved the Directors of the Manager or substantial unitholders of the Trust during the financial year under review.

Directors' Training

The Directors are encouraged to attend briefings and seminars to keep abreast with the latest developments in the industry. During the year, the Directors attended various courses/seminars related to their responsibilities and developments in the industry. Among courses / seminars attended includes Mandatory Accreditation Programme, Post GE14: Malaysia Capital Market Outlook and Direction, Sun Tzu's Art of War for traders and investor series: Warren Buffett vs Sun Tzu and 1MDB: Its Impact on Malaysia Economy.

Statement of Risk Management and Internal Control

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

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

INTERNAL CONTROL

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

Key Features of the Internal Control System Established

- **Organisation Structure and Authorisation Procedures**
The Manager maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Manager’s Senior Management and staff. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures for the Manager’s various operations.
- **Company Policies and Procedures**
The Manager has documented policies and procedures that are being reviewed and updated on regular basis to ensure consistency in maintaining the efficiency and effectiveness of the business activities of the Manager and Atrium REIT at all times.
- **Financial and Operational Review**
Board meetings are held on a regular basis to discuss and review the business planning, budgeting, financial and operational performances. Monthly management accounts and quarterly financial statements of the Manager and Atrium REIT containing key financial results, operational performance results and comparisons of performance against budget are presented to the Board for review, consideration and approval.
- **Business Planning and Budgeting Review**
The Board plays an active role in discussing and reviewing the business plans, strategies, performance and challenges faced by the Manager and Atrium REIT.

RISK MANAGEMENT

The Board has established a risk management framework to identify, assess, communicate, monitor as well as continual review of risks and effectiveness of risk mitigation strategies and controls, in order to protect unitholders’ interests and value. The Manager operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved. Responsibility of managing risks lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The risk management function is undertaken by the Risk Management Committee, chaired by the Chief Executive Officer, reports its findings to the AC. The AC will review the business risks of Atrium REIT and will act upon any comments or recommendations from the Internal Auditors. In assessing business risks, the AC considers the economic environment and risks relevant to the property industry.

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

The management of some of the significant business risks faced by the Manager and Atrium REIT for the financial year ended 2018 ("FY2018") are as follows:

Capital and Liquidity Risk

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

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

Credit Risk

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

Acquisition and Investment Risk

The Manager evaluates the proposed investment from financial, legal and technical aspects prior to recommending to the Board. The Manager manages such risk by evaluating potential acquisitions against approved investment criteria. Upon approval from the Board, a due diligence will be conducted prior to acquisition. There were no acquisitions or divestments of real estate assets during the financial year, save for the acceptance on 1 November 2018 of the Letter of Offer by Lumileds Malaysia Sdn Bhd dated 11 October 2018 for the Proposed Acquisitions.

Valuation Risk

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

Market Risk

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

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

Operation Risk

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

Regulatory and Compliance Risk

As the Manager is licensed under Capital Markets & Services Act 2007 ("CMSA"), it needs to comply strictly with the requirements of the CMSA as well as Securities Commission's ("SC") REITs Guidelines. During the year, SC and Bursa Securities issued the revised SC REITs Guidelines and the amended Listing Requirements affecting REITs respectively. In this respect, a review was carried out by the internal auditor to ensure that the Trust and the Manager complied with all the regulatory requirements.

INTERNAL AUDIT FUNCTION

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

The costs of the internal audit function which was outsourced to PKF Advisory Sdn Bhd amounted to RM11,000, excluding Services Tax and disbursements (2017: RM9,900, excluding Goods & Services Tax and disbursements).

The scope of the internal audit function for FY2018 comprised of the following:

- | | |
|---------------------------|---|
| a. Fixed Asset Management | <ul style="list-style-type: none"> • Ensure policies and procedures addressing fixed asset activities have been developed and documented; • Ascertain if acquisition and disposal of fixed assets are processed in accordance with fixed assets guidelines; • Ascertain if fixed assets in the organisation are adequately insured; and • Ensure timely submission of quarterly property management report and building inspection report by Property Manager |
| b. REIT Compliance Review | <ul style="list-style-type: none"> • To ensure the Company/Trust is complying to the Listed REIT Guidelines issued by Securities Commission Malaysia on 15 March 2018 ("REIT Guidelines"). • Section 15, 16, 17 and 18 of the REIT Guidelines were excluded for the purpose of this review as Atrium REIT was not established as an Islamic Real Estate Investment Trust. • Section 12 of the REIT Guidelines was also excluded as Atrium REIT was listed on 2 April 2007. |

Based on the test nature of the work and limitation in scope, the state of internal control is evaluated as satisfactory and the Internal Auditors have not detected any significant control weaknesses, non-compliances or possible fraudulent activities.

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

CONCLUSION

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

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

REVIEWED BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2018 Annual Report of Atrium REIT.

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

This Statement on Risk Management and Internal Control was made in accordance with the approval of the Board on 20 February 2019.

Audit Committee Report

An Audit Committee of Directors (“AC”) was established on 1 September 2018 to assist the Board of Directors of the Manager (“Board”) in fulfilling its responsibilities to oversee the Company’s and Atrium REIT’s operations in the areas of financial reporting process, risk management and internal control framework, suitability and independence of external auditors, and an effective internal audit function with the main objective of protecting the interests of unitholders.

COMPOSITION

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

Chng Boon Huat (<i>appointed on 1 September 2018</i>)	Chairman
Soong Kwong Heng (<i>appointed on 1 September 2018</i>)	Member
Tor Peng Sie (<i>appointed on 1 September 2018</i>)	Member

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

TERMS OF REFERENCE

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

1. Rights and Authority

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

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

2. Duties

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

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

Audit Committee Report (cont'd)

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

MEETINGS

The AC shall meet at quarterly intervals or such other intervals as the AC shall decide. The quorum necessary for the transaction of the business of the AC shall be two (2) members. For FY2018, the AC had one (1) meeting (as it was only established on 1 September 2018) without the presence of other Directors and employees, except at the invitation of the AC. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") were invited to the AC meeting to facilitate communication and to provide clarification on issues relating to financial statements and business operations.

The attendance of the AC members for the one (1) AC meeting held for FY2018 was as follows:-

Member	Designation	Number of AC Meeting	Percentage of Attendance (%)
Chng Boon Huat	Independent Non-Executive Director	1	100
Soong Kwong Heng	Independent Non-Executive Director	1	100
Tor Peng Sie	Independent Non-Executive Director	1	100

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES

As the AC was only established on 1 September 2018, the AC's activities for FY2018 in respect of its meeting held on 25 October 2018, comprised the following:-

- a) Reviewed and recommended the Terms of Reference of the AC to the Board for approval.
- b) Reviewed and approved the Internal Control System of Atrium REIT.
- c) Reviewed the quarterly results and income distributions of Atrium REIT to ensure compliance with the Malaysia Financial Reporting Standards (MFRS) 134 Interim Financial Reporting, Part A and Part D of Appendix 9B of the Main Market Listing Requirements and the relevant approved accounting standards so as to give a true and fair view of the quarterly results.

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

- d) Reviewed the scope, functions and internal audit plan of the internal audit function. The AC also decided that the scope of the internal audit function for FY 2018 would include the following areas:
 - i. Fixed assets management; and
 - ii. Compliance with Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts
- e) Reviewed and discussed with the External Auditors on the Audit Planning for FY2018 in respect of the following areas:
 - i. Engagement and reporting responsibilities;
 - ii. External Auditor's audit approach;
 - iii. Materiality and performance materiality;
 - iv. Areas of significant auditor attention;
 - v. Engagement team; and
 - vi. Reporting, deliverables and audit fees.
- f) Reviewed and endorsed all related party transactions entered into by Atrium REIT.
- g) Reported to the Board on matters and issues discussed during the AC meetings, together with applicable recommendations for approvals.

INTERNAL AUDIT FUNCTION

The internal audit function of the Manager which is outsourced to an independent internal audit firm, PKF Advisory Sdn Bhd (Internal Auditors) reports to the AC. The AC in ensuring that its responsibilities are fully discharged in accordance with the International Standards for the Professional Practice of Internal Auditing, reviews the audit plan, adequacy of scope and resources of the internal audit function as well as the competency and experience of the outsourced Internal Auditors. The audit findings of the Internal Auditors together with its recommendations and the Manager's action plans will be deliberated on during AC meetings. The recommendations made by the Internal Auditors once approved by the AC, will be implemented accordingly by the Manager. The Board will be updated on the results of the internal audit review of the Manager's internal control system.

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

Sustainability Statement

PURPOSE

Sustainability Vision: To build trust and stronger relationship with both external and internal stakeholders, which at the same time leads to process improvements through sustainability elements in its business operations and in current and future practices.

The Business: To maximise income in order to reward unitholders with a competitive rate of return for their investments through regular and stable distributions, and achieving long-term growth in distributions, and achieving long-term growth in distributions and Net Asset Value per Unit.

SCOPE

Our sustainability report covers the economic, environmental and social impacts of all Atrium’s properties.

We have made an effort to report on all issues that are material to Atrium, and this report should be read together with our Annual Report 2018. The report contains qualitative and quantitative results for all indicators presented.

REPORTING PERIOD

The scope of this Sustainability Report refers to the period of 1 January 2018 to 31 December 2018, unless specified otherwise.

OUR APPROACH

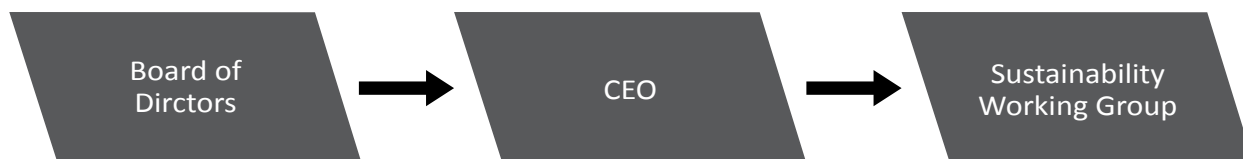
This is Atrium REIT’s Sustainability Report, covering responsibilities to stakeholders and commitments to transparency and accountability.

It is aimed at communicating the Group’s performance on economic, environmental, and social issues, in recognising the importance of wider engagement with stakeholders in sustainability management. This Sustainability Report is written in accordance with and guided by:

- Bursa Malaysia Main Market Listing Requirements, The Sustainability Reporting Guide.

GOVERNANCE STRUCTURE

As guided by the Group’s corporate governance principles, the Board is committed to ensure economic, social, and environmental issues of our stakeholders are managed with sustainability in mind.



Sustainability Statement (cont'd)

Board of Directors responsibility:

- Reviews and approves the Sustainability Report
- Aligning corporate and division priorities, tolerances and strategies

The CEO is responsible for:

- Reviewing and monitoring effectiveness of sustainability treatment measures
- Making the appropriate recommendation to the Board on sustainability management matters

The Sustainability Committee is responsible for:

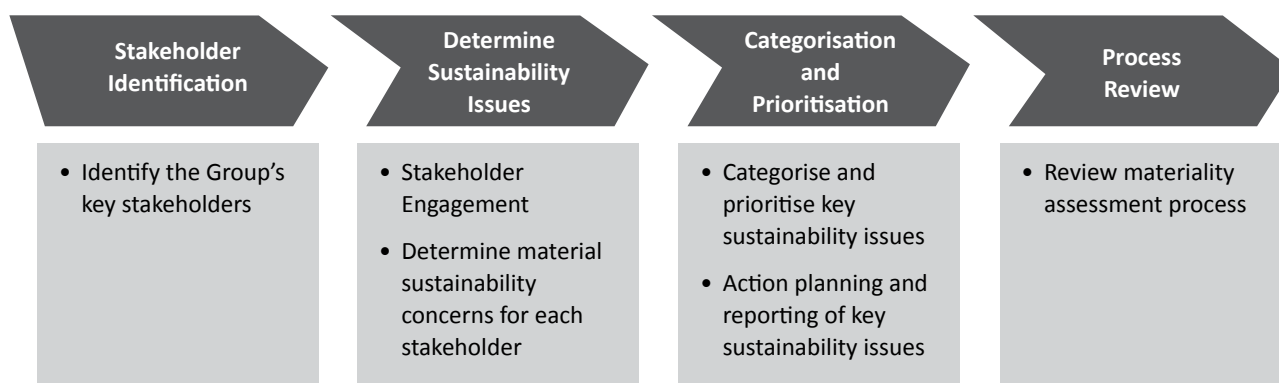
- Materiality Assessment;
- Identification and Monitoring of Initiatives and Actions;
- Execution of Initiatives and Actions; and
- Report

MATERIALITY ASSESSMENT

Our first materiality assessment was conducted under the guidance of independent sustainability consultants with participation and contributions from key personnel from respective departments.

While the materiality assessment did not involve any external stakeholders, key personnel took into consideration both internal and external perspectives during the material matters prioritisation process.

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



OUR STAKEHOLDERS

Core to the success of our business is our ability to develop strong and meaningful relationships with all our stakeholders. We have put in place various communication channels designed to allow us to regularly engage with our stakeholders so that we can better understand their needs and interests.

Sustainability Statement (cont'd)

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

No	Key takeholders	Methods of Engagement	Frequency of Engagement	Action
1	Tenants/ Property Manager	<ul style="list-style-type: none"> • One on one meetings • Joint inspection with property managers 	<ul style="list-style-type: none"> • When required • Bi-annual inspections 	<ul style="list-style-type: none"> • Scheduled Maintenance of buildings • Prompt notification • Property Manager reports
2	Unitholders or investors	<ul style="list-style-type: none"> • Annual General Meeting • Unitholders' meeting 	<ul style="list-style-type: none"> • Yearly • Quarterly Reporting • Annual Reporting • When required 	<ul style="list-style-type: none"> • Presenting the performance and corporate governance of the company as well as compliance to regulatory bodies.
3	Employees	<ul style="list-style-type: none"> • Employee appraisal • Festive celebrations 	<ul style="list-style-type: none"> • Yearly • When required 	<ul style="list-style-type: none"> • To provide fair and equal opportunities • To ensure employee development and progression
4	Neighbouring businesses and Surrounding Communities	<ul style="list-style-type: none"> • Volunteerism 	<ul style="list-style-type: none"> • Annually 	<ul style="list-style-type: none"> • To give back to the community in which we operate and improve the welfare of families in need

FOSTERING STRONG RELATIONSHIPS

As we have embarked on Atrium's journey, we have focused our attention in fostering strong relationships, with tenants, unitholders and property manager.

The quality of existing assets and its services must be maintained at the highest level to ensure tenant satisfaction and retention. Periodic meetings are conducted with tenants to determine their satisfactions levels. Also, bi-annual visits are performed together with the property manager to ensure that the Manager is meeting the expectation of Atrium REIT's tenants.

Relationship with unitholders are maintained via the updates provided during the Annual General Meeting (AGM) as well as periodic meetings as and when they are required for further updates.

In maintaining and fostering the abovementioned relationships, we ensure it is highly sustainable with regards to the REIT's going concern.

HEALTH AND SAFETY

Atrium's management will ensure that every reasonable precaution will be taken to ensure health and safety of our employees and of those engaged in business activities on our properties. No job is regarded to be so urgent that health and safety is compromised.

The Property Manager (Hartamas Asset Management Sdn Bhd – HAMSB) conducts bi-annual building inspections with representatives from the Manager and the tenants to highlight the status and condition of maintenance of facilities within the properties.

Dedicated personnel are allocated by the Property Manager to each property to encourage proper action in attending to tenant related matters.

Sustainability Statement (cont'd)

To date, Atrium REIT has carried out the following Asset Enhancement Initiatives (AEI) to generate better yields, maintain occupancy, and create a better operating business environment for our tenants as well as to enhance property condition and value.

ATRIUM SHAH ALAM 3

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

- Constructing a new raised warehouse floor slab and installing loading bays and dock levelers for the ease and speed in loading and unloading of good; and
- Raising the warehouse height so that the tenant could install pallet racking system to fully utilise the vertical storage space.
- Replacing the warehouse lightings to a more energy efficient lighting system.

ENVIRONMENT

In conjunction with being more environmental friendly, Atrium has placed reminders at water outlet areas, electrical switches, and print stations to communicate the importance of conservation and the management's direction, tone and view on minimizing the impact to the environment.

We constantly remind our employees to save paper and always print on both sides. Email footers have been enhanced to include "think before you print" reminders.

The additional AEI that has been undertaken by Atrium to be sustainable environmentally are as follows:

- Changing the entire warehouse to the T-5 lighting system that is more energy efficient and cooler compare to the traditional highbay lighting system; and
- Changing the roof to dual clip system to reduce potential water leakages as well as providing better insulation to reduce overall heat in the warehouse.

By undergoing these AEIs Atrium has reduced the wastage of energy and water, hence in line with leading an environmentally sustainable vision.

Sustainability Statement (cont'd)

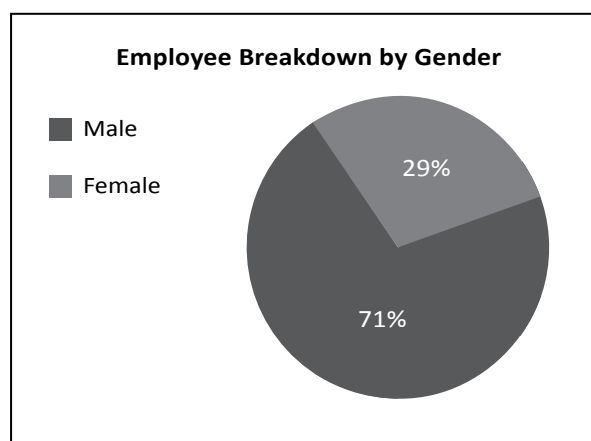
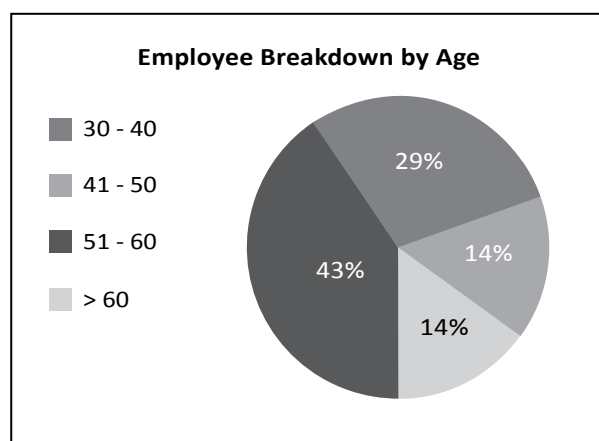
HUMAN CAPITAL MANAGEMENT

We will continue to focus on driving the career development, productivity, and opportunities of our talents. We recognise that continuous development of all talents is the impetus behind our business operations.

In this age of disruption and intensive change, we believe a diverse workforce is essential to achieving our goals. The diversity of our people promotes productivity and innovation. Diversity allows us to better respond in the most strategic and effective manner to increasing demands and expectations of our various stakeholders.

Our employment policies and practices abide by the Employment Act 1995 and other legal statutory provisions. In creating a safe working environment, Atrium strives to actively engage all employees and ensure their physical and mental well-being. One of the ways we do so is by organising employee engagement activities throughout the year to foster greater cohesion amongst our staff. An example of the activities that have been held is shown as below.

In conjunction with these efforts, we are proud to declare 100% employee retention rate for 2018 (2017:100%).



BUSINESS ETHICS AND EMPLOYEE CONDUCT

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

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

Financial Statements

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Manager's Report

Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust"), is pleased to present the Manager's Report together with the audited financial statements of Atrium REIT for the financial year ended 31 December 2018 ("FY2018").

ABOUT THE MANAGER

Atrium REIT Managers Sdn Bhd ("Manager") was established in 2005 and is a subsidiary of Glory Blitz Industries Sdn Bhd. The Manager's Board of Directors and key personnel comprise experienced individuals in their respective fields of expertise.

PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year.

THE TRUST AND ITS PRINCIPAL ACTIVITY

Atrium REIT was established by a Trust Deed entered into on 20 November 2006 and amended by the Supplementary Deed dated 25 November 2008 and Restated Deed dated 24 March 2016 between the Manager and CIMB Commerce Trustee Berhad (previously known as BHLB Trustee Berhad). Atrium REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 2 April 2007.

On 21 April 2016, the Manager, CIMB Commerce Trustee Berhad ("Retiring Trustee") and Pacific Trustees Berhad ("New Trustee") entered into a Supplementary Deed to effect the change of trustee of Atrium REIT from the Retiring Trustee to the New Trustee. The change of trustee was effected on 6 May 2016 upon the registration and lodgement of the Supplementary Deed with the Securities Commission on 6 May 2016 and 11 May 2016 respectively.

The principal activity of Atrium REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. The investment portfolio of Atrium REIT as at 31 December 2018 comprise Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Shah Alam 3, Atrium Puchong and Atrium USJ (collectively called the "Properties"). These Properties are located at prime industrial sites in the Klang Valley and tenanted by subsidiaries of multinational companies and established local companies.

MANAGER'S INVESTMENT OBJECTIVES AND STRATEGIES

Pursuant to the Deed, for the financial year ended 31 December 2018, the Manager received a fee of 0.8% per annum of the Net Asset Value of the Trust even though the Manager is entitled to a fee of up to 1.0% per annum of the Net Asset Value of the Trust.

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

DIRECTORS OF THE MANAGER

The names of the Directors of the Manager who served on the Board since the date of last report are:

Dato' Dr Ir Mohamad Khir Bin Harun (Chairman)
 Wong Sui Ee
 Chan Wan Seong
 Chng Boon Huat (appointed on 1 September 2018)
 Tor Peng Sie
 How Hu Son
 Soong Kwong Heng

Manager's Report (cont'd)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party with the object or objects of enabling the Directors to acquire benefits by means of acquisition of units in or debentures of Atrium REIT or any other body corporate.

Since the establishment of the Trust, no Director has received or become entitled to receive any benefits by reason of a contract made by the Manager for Atrium REIT or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' unitholdings in the Atrium REIT, the interests of Directors of the Manager in office at the end of the financial year ended 31 December 2018 are as follows:

	At 1 January 2018	Bought	Sold	At 31 December 2018
Direct Interest				
Dato' Dr Ir Mohamad Khir Bin Harun	-	-	-	-
Wong Sui Ee	373,000	-	-	373,000
Chan Wan Seong	-	-	-	-
Chng Boon Huat	-	-	-	-
Tor Peng Sie	100,000	-	-	100,000
How Hu Son	100,000	-	-	100,000
Soong Kwong Heng	55,000	-	-	55,000

OTHER STATUTORY INFORMATION

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

- (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

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

Manager's Report (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

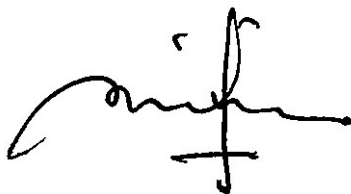
In the opinion of the Manager:

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

As at the date of this report:

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

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



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



.....
Wong Sui Ee

Kuala Lumpur, Malaysia
Date: 20 February 2019

Statement By Directors Of The Manager

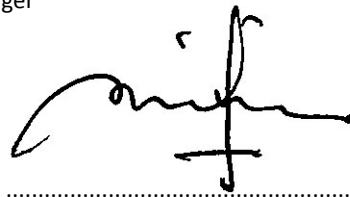
In the opinion of the Directors of Atrium REIT Managers Sdn. Bhd. ("the Manager"), the financial statements set out on pages 63 to 92 have been drawn up in accordance with the provisions of the Restated Deed dated 24 March 2016 and the Supplementary Deed dated 21 April 2016, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust") as at 31 December 2018 and of the financial performance and cash flows of the Trust for the financial year then ended.

On behalf of the Manager,

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



.....
Wong Sui Ee



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

Kuala Lumpur
20 February 2019

Statutory Declaration

I, Wong Sui Ee, being the Director of the Manager, Atrium REIT Managers Sdn. Bhd. primarily responsible for the financial management of Atrium Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 63 to 92 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

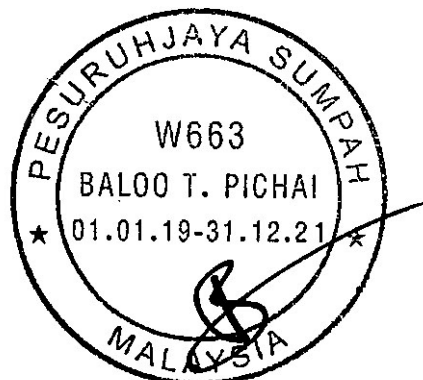
Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur in the Federal)
Territory this)
20 February 2019)



.....
Wong Sui Ee

Before me:-

Commissioner for Oaths



102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

Trustee's Report

We, Pacific Trustees Berhad, have acted as Trustee of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust") for the financial year ended 31 December 2018. In our opinion and to the best of our knowledge:

- (a) Atrium REIT Managers Sdn. Bhd. ("the Manager") has managed Atrium REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Restated Deed dated 24 March 2016 and the Supplementary Trust Deed dated 21 April 2016 (collectively referred to as "the Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 (as amended from time to time) and other applicable laws for the financial year ended 31 December 2018;
- (b) the procedures and processes employed by the Manager to value and price the units of Atrium REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements; and

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2018 are in line with and are reflective of the objectives of Atrium REIT. Distributions that have been paid or proposed for the financial year ended 31 December 2018 are as follows:

- (1) First interim income distribution of 2.00 sen paid on 31 May 2018.
- (2) Second interim income distribution of 2.00 sen paid on 30 August 2018.
- (3) Third interim income distribution of 2.00 sen paid on 30 November 2018.
- (4) Proposed fourth and final income distribution of 2.10 sen payable on 28 February 2019.

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



.....
Razak Bin Ahmad
Chief Executive Officer

Kuala Lumpur, Malaysia
20 February 2019

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust"), which comprise the statement of financial position as at 31 December 2018 of Atrium REIT, and statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows of Atrium REIT for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 92.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Atrium REIT as at 31 December 2018, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Trust in accordance with *the By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Trust for the current year. These matters were addressed in the context of our audit of the financial statements of the Trust as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Valuation of investment properties

With reference to Note 4 of the financial statements, the Trust's investment properties were carried at RM278,000,000 as at 31 December 2018.

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

Audit response

Our audit procedures included the following:

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

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

Key Audit Matters (Cont'd)

(b) *Impairment of trade receivables*

Gross trade receivables of the Trust as at 31 December 2018 were RM2,292,007 as disclosed in Note 6 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward looking information, significant increase in credit risk, and estimated cash flows recoverable in worst-case scenarios.

Audit response

Our audit procedures included the following:

- (i) Recomputed the probability of default using historical data and forward looking information adjustment applied by the Trust;
- (ii) Recomputed the correlation coefficient between the macroeconomic indicators used by the Trust an historical losses to determine the appropriateness of the forward-looking information used by the Trust;
- (iii) Inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses;
- (iv) Assessed actual loss events subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management; and
- (v) Challenged management on the basis for determining cash flow recoverable in worst-case scenario

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Trust is responsible for the other information. The other information comprises of all information included in the annual report, but does not include the financial statements of the Trust and our auditors' report thereon.

Our opinion on the financial statements of the Trust does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Trust, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Trust or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

In preparing the financial statements of the Trust, the Directors of the Manager are responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Manager either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Trust as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Trust, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Trust.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- (d) Conclude on the appropriateness of the Directors of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Trust to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Trust or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Trust, including the disclosures, and whether the financial statements of the Trust represent the underlying transactions and events in a manner that achieves fair presentation.

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

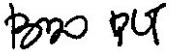
We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Trust for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Other Matters

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



BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Kuala Lumpur
20 February 2019



Lee Wee Hoong
03316/07/2019 J
Chartered Accountant

Statement Of Financial Position

As At 31 December 2018

	NOTE	2018 RM	2017 RM
ASSETS			
Non-current asset			
Investment properties	4	278,000,000	268,434,340
Current assets			
Trade and other receivables	6	6,634,550	3,471,819
Deposits with licensed banks	7	1,900,000	4,447,911
Bank balances	7	1,049,904	3,122,796
		9,584,454	11,042,526
TOTAL ASSETS		287,584,454	279,476,866
LIABILITIES			
Non-current liabilities			
Trade and other payables	8	4,342,447	5,641,933
Borrowings	9	33,231,130	29,165,288
		37,573,577	34,807,221
Current liabilities			
Trade and other payables	8	4,977,954	4,502,877
Borrowings	9	62,430,000	59,600,000
		67,407,954	64,102,877
TOTAL LIABILITIES		104,981,531	98,910,098
NET ASSET VALUE ("NAV")		182,602,923	180,566,768
FINANCED BY:			
UNITHOLDERS' FUNDS			
Unitholders' capital	10	119,351,580	119,351,580
Undistributed income		63,251,343	61,215,188
TOTAL UNITHOLDERS' FUNDS		182,602,923	180,566,768
NUMBER OF UNITS IN CIRCULATION	10	121,801,000	121,801,000
NAV PER UNIT (RM)			
Before income distribution ¹		1.4992	1.4825
After income distribution ²		1.4782	1.4640

¹ Before the proposed final income distribution of 2.10 sen per unit (2017: 1.85 sen per unit)

² After the proposed final income distribution of 2.10 sen per unit (2017: 1.85 sen per unit)

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

Statement Of Profit Or Loss And Other Comprehensive Income For The Financial Year Ended 31 December 2018

	NOTE	2018 RM	2017 RM
Gross revenue	12	18,778,845	17,303,652
Property operating expenses	13	(1,521,941)	(2,007,189)
Net property income		17,256,904	15,296,463
Interest income		111,322	171,055
Other income		134,115	601,307
Changes in fair value of investment properties	4	1,723,369	9,100,000
Total income		19,225,710	25,168,825
Manager's fees	14	(1,444,809)	(1,368,448)
Trustee's fees	15	(128,134)	(110,634)
Auditors' fee		(30,000)	(28,000)
Impairment losses on trade receivables	6	(774,698)	(748,947)
Tax agent's fee		(6,000)	(5,700)
Finance costs	16	(4,245,695)	(3,732,096)
Valuation fees		(45,670)	(90,340)
Administrative expenses		(727,776)	(668,448)
Others		(225,394)	(268,479)
Total expenses		(7,628,176)	(7,021,092)
Profit before tax		11,597,534	18,147,733
Tax expense	17	-	(10,672)
Profit for the financial year		11,597,534	18,137,061
Other comprehensive income for the financial year, net of tax		-	-
Total comprehensive income for the financial year		11,597,534	18,137,061
Profit for the financial year is made up as follows:			
Realised		9,874,165	9,037,061
Unrealised - changes in fair value of investment properties		1,723,369	9,100,000
		11,597,534	18,137,061
Earnings per unit (sen)	18		
Before Manager's fees		10.71	16.01
After Manager's fees		9.52	14.89

Statement Of Profit Or Loss And Other Comprehensive Income (cont'd) For The Financial Year Ended 31 December 2018

	NOTE	2018 RM	2017 RM
Net income distributions*	19		
First interim income distribution of 2.00 sen paid on 31 May 2018 (2017: 1.85 sen paid on 31 May 2017)		2,436,020	2,253,318
Second interim income distribution of 2.00 sen paid on 30 August 2018 (2017: 1.85 sen paid on 30 August 2017)		2,436,020	2,253,318
Third interim income distribution of 2.00 sen paid on 30 November 2018 (2017: 1.85 sen paid on 30 November 2017)		2,436,020	2,253,319
Proposed final income distribution of 2.10 sen payable on 28 February 2019 (2017: 1.85 sen paid on 16 March 2018)		2,557,821	2,253,319
		<u>9,865,881</u>	<u>9,013,274</u>
Income distribution per unit*			
First interim income distribution		2.00	1.85
Second interim income distribution		2.00	1.85
Third interim income distribution		2.00	1.85
Proposed final income distribution		2.10	1.85
		<u>8.10</u>	<u>7.40</u>

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

	Withholding tax rate	
	2018	2017
Resident corporate	Nil [^]	Nil [^]
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

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

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

Statement Of Changes In Net Asset Value For The Financial Year Ended 31 December 2018

	Unitholders' capital RM	--- Undistributed income ---		Unitholders' fund RM
		Realised RM	Unrealised RM	
At 1 January 2018	119,351,580	2,837,423	58,377,765	180,566,768
Total comprehensive income				
Profit for the financial year	-	9,874,165	1,723,369	11,597,534
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income, representing the increase in net assets resulting from operations	-	9,874,165	1,723,369	11,597,534
Unitholders' transactions				
Distributions to unitholders:				
- 2018 interim	-	(7,308,060)	-	(7,308,060)
- 2017 final	-	(2,253,319)	-	(2,253,319)
Decrease in net assets resulting from unitholders' transactions	-	(9,561,379)	-	(9,561,379)
At 31 December 2018	119,351,580	3,150,209	60,101,134	182,602,923
At 1 January 2017	119,351,580	2,509,133	49,277,765	171,138,478
Total comprehensive income				
Profit for the financial year	-	9,037,061	9,100,000	18,137,061
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income, representing the increase in net assets resulting from operations	-	9,037,061	9,100,000	18,137,061
Unitholders' transactions				
Distributions to unitholders:				
- 2017 interim	-	(6,759,955)	-	(6,759,955)
- 2016 final	-	(1,948,816)	-	(1,948,816)
Decrease in net assets resulting from unitholders' transactions	-	(8,708,771)	-	(8,708,771)
At 31 December 2017	119,351,580	2,837,423	58,377,765	180,566,768

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

Statement Of Cash Flows

For The Financial Year Ended 31 December 2018

	NOTE	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		11,597,534	18,147,733
Adjustments for:			
Changes in fair value of investment properties	4	(1,723,369)	(9,100,000)
Finance costs	16	4,245,695	3,732,096
Interest income		(111,322)	(171,055)
Impairment loss on trade receivables	6	774,698	748,947
Reversal of impairment loss on trade receivables	6	(133,301)	-
Operating income before changes in working capital		14,649,935	13,357,721
(Increase)/Decrease in trade and other receivables		(3,804,128)	162,842
Decrease in trade and other payables		(824,409)	(2,120,820)
Cash generated from operations		10,021,398	11,399,743
Tax refunded		-	101,751
Net cash from operating activities		10,021,398	11,501,494
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of an investment property	4	-	(3,298,113)
Enhancement of investment properties	4	(7,842,291)	(1,336,227)
Interest received		111,322	171,055
Net cash used in investing activities		(7,730,969)	(4,463,285)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	16	(4,245,695)	(3,732,096)
Distributions paid to unitholders			
- Current year		(7,308,060)	(6,759,955)
- Previous year		(2,253,319)	(1,948,816)
Drawdowns of bank loans		26,895,842	10,765,288
Repayments of bank loans		(20,000,000)	-
Net cash used in financing activities		(6,911,232)	(1,675,579)
Net (decrease)/increase in cash and cash equivalents		(4,620,803)	5,362,630
Cash and cash equivalents at beginning of financial year		7,570,707	2,208,077
Cash and cash equivalents at end of financial year	7	2,949,904	7,570,707
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:			
Deposits with licensed banks (not more than three months)		1,900,000	4,447,911
Bank balances		1,049,904	3,122,796
	7	2,949,904	7,570,707

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

Notes To The Financial Statements

31 December 2018

1. CORPORATE INFORMATION

Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”) is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 20 November 2006 and the Supplementary Trust Deed dated 25 November 2008 and the Restated Deed dated 24 March 2016 between CIMB Commerce Trustee Berhad as the Trustee and Atrium REIT Managers Sdn. Bhd. as the Manager. Atrium REIT is listed on the Main Market of Bursa Malaysia Securities Berhad.

On 21 April 2016, the Manager, CIMB Commerce Trustee Berhad (“Retiring Trustee”) and Pacific Trustees Berhad (“New Trustee”) entered into a Supplementary Deed to effect the change of trustee of Atrium REIT from the Retiring Trustee to the New Trustee. The change of trustee was effected on 6 May 2016 upon the registration and lodgement of the Supplementary Deed with the Securities Commission on 6 May 2016 and 11 May 2016 respectively.

The principal place of business of the Trust is located at 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur.

The principal activity of Atrium REIT is investment in real estate and real estate-related assets used whether directly or indirectly through the ownership of single-purpose companies which wholly own real estate. There has been no significant change in the nature of the principal activity during the financial year.

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution by the Board of Directors of the Manager, Atrium REIT Managers Sdn. Bhd., on 20 February 2019.

2. TERM OF THE TRUST

Atrium REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 19 of the Supplementary Deed dated 21 April 2016.

3. BASIS OF PREPARATION

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

The financial statements of the Trust have been prepared under the historical cost convention, except as otherwise stated in the financial statements and on a going concern basis.

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 27.1 to the financial statements.

The Trust applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The Trust has net current liabilities of RM57,823,500 as at 31 December 2018.

Notes To The Financial Statements (cont'd)

31 December 2018

3. BASIS OF PREPARATION (CONT'D)

The following matter has been considered by the Directors of the Manager in determining the appropriateness of the going concern basis in the preparation of the financial statements of the Trust:

- RM62,430,000 relates to borrowings in which are secured by the investment properties as mentioned in Note 4 to the financial statements.

4. INVESTMENT PROPERTIES

	2018 RM	2017 RM
A. At fair value		
As at 1 January	245,400,000	236,300,000
Enhancement of investment properties	7,842,291	-
Changes in fair value	1,723,369	9,100,000
Transferred from asset undergo asset enhancement initiatives	23,034,340	-
	<u>278,000,000</u>	<u>245,400,000</u>
As at 31 December	<u>278,000,000</u>	<u>245,400,000</u>
B. Asset undergo asset enhancement initiatives		
As at 1 January	23,034,340	-
Acquisition of an investment property	-	21,698,113
Capitalised expenditure	-	1,336,227
Transferred to investment properties	(23,034,340)	-
	<u>-</u>	<u>23,034,340</u>
As at 31 December	<u>-</u>	<u>23,034,340</u>
Investment properties comprised:		
Land and buildings	<u>278,000,000</u>	<u>268,434,340</u>

- (a) Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Trust. Investment properties are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at reporting date. Fair value is arrived at and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in fair value of investment properties are included in profit or loss in the year which they arise.
- (b) Investment properties with an aggregate carrying amount of RM225,900,000 (2017: RM217,434,340) are charged to a financial institution for banking facilities granted to the Trust as disclosed in Note 9 to the financial statements.

Notes To The Financial Statements (cont'd)

31 December 2018

4. INVESTMENT PROPERTIES

- (c) In previous financial year, the Trust acquired an investment property, Shah Alam 3 for purchase consideration of RM21,698,113 which was financed through drawdown of borrowings.

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

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

- (d) Asset undergo asset enhancement initiatives related to the purchase consideration, incidental cost incurred on acquisition of Shah Alam 3 and construction cost capitalised, which shall be transferred to investment property to be measured at fair value upon it is available for rental.
- (e) Fair value is determined in accordance with the Restated Deed dated 24 March 2016 and Supplementary Deed dated 21 April 2016 (collectively referred to as the "Deed") and the Securities Commission's Guidelines on Real Estate Investment Trusts which require the investment properties to be valued by independent qualified valuers. In determining the fair value, the valuers used valuation techniques which involve certain estimates.

Fair value information

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

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between significant unobservable inputs and fair value, is detailed in the table below:

Valuation technique used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Investment method involves capitalisation of the net annual income stream that is expected to be received from the property after deducting the annual outgoing and other operating expenses incidental to the property with allowance for void by using an appropriate market derived discount rate	<ul style="list-style-type: none"> - Allowance for void of 10% (2017: 5% to 15%) - Term yield rate of 6.50% (2017: 6.0%) - Reversionary yield rate of 6.50% (2017: 6.50%) - Discount rate of 6.00% to 6.50% (2017: 6.75%) 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> - Allowance for void was lower/(higher) - Term yield rate was higher/(lower) - Reversionary yield rate was higher/(lower) - Discount rate was lower/(higher)

Direct operating expenses arising from investment properties generating rental income during the financial year are as disclosed in Note 13 to the financial statements.

Notes To The Financial Statements (cont'd)

31 December 2018

4. INVESTMENT PROPERTIES (CONT'D)

2018

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

The properties were valued by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent firm of professional valuers registered with the Board of Valuers, Appraisers & Estate Agents Malaysia, using investment method of valuation.

* The properties are charged to financial institutions for banking facilities granted to the Trust.

Notes To The Financial Statements (cont'd)

31 December 2018

4. INVESTMENT PROPERTIES (CONT'D)

2017

Description of property	Tenure of land	Location	Existing use	Occupancy rate as at 31 December 2017		Date of valuation	Fair value as at 31 December 2017 RM	Cost of investment as at 31 December 2017 RM	Percentage of fair value over net asset value as at 31 December 2017 %
				%					
Atrium Shah Alam 1*	Freehold	Shah Alam	Industrial	100		23.11.2017	81,600,000	59,031,514	45.2%
Atrium Shah Alam 2*	Freehold	Shah Alam	Industrial	100		14.11.2017	76,100,000	64,490,721	42.1%
Atrium Puchong	Freehold	Puchong	Industrial	100		14.11.2017	51,000,000	38,500,000	28.2%
Atrium USJ*	Freehold	Subang	Industrial	100		21.11.2017	36,700,000	25,000,000	20.3%
							245,400,000	187,022,235	

The properties were valued by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent firm of professional valuers registered with the Board of Valuers, Appraisers & Estate Agents Malaysia, using investment method of valuation.

* The properties are charged to financial institutions for banking facilities granted to the Trust.

Notes To The Financial Statements (cont'd)

31 December 2018

5. FINANCIAL INSTRUMENT

(a) Capital Management

The primary objective of the Directors of the Manager is to ensure that the Trust would be able to continue as a going concern while maximising the returns to unitholders through a balance of issuance of new units and loan financing. The overall strategy of the Manager remains unchanged from that in the previous financial year.

The Manager manages the capital structure of the Trust and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Manager may adjust the income distribution to unitholders or issue new units. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

The Directors of the Manager would also comply with the provisions of the Deed and all applicable rules and guidelines prescribed by the Securities Commission relating to the financing of the Trust.

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

	2018 RM	2017 RM
Total borrowings	<u>95,661,130</u>	<u>88,765,288</u>
Total assets	<u>287,584,454</u>	<u>279,476,866</u>
Gearing ratio	<u>33.26%</u>	<u>31.76%</u>

(b) Methods and assumption used to estimate fair value.

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

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

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

The carrying amounts of the current position of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

Notes To The Financial Statements (cont'd)

31 December 2018

5. FINANCIAL INSTRUMENT (CONT'D)

(c) Fair value hierarchy

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

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

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

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

6. TRADE AND OTHER RECEIVABLES

	2018 RM	2017 RM
Trade receivables		
Third parties	2,292,007	3,257,208
Less: Impairment losses	(1,390,344)	(748,947)
	<hr/>	<hr/>
Total trade receivables	901,663	2,508,261
Other receivables		
Other receivables	649,930	319,515
Deposits	4,982,790	557,820
	<hr/>	<hr/>
	5,632,720	877,335
Loans and receivables	6,534,383	3,385,596
Prepayments	100,167	86,223
	<hr/>	<hr/>
	<u>6,634,550</u>	<u>3,471,819</u>

Notes To The Financial Statements (cont'd)

31 December 2018

6. TRADE AND OTHER RECEIVABLES (CONT'D)

- (a) Loans and receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Trust is 30 days (2017: 30 days). They are recognised at their original invoices amounts which represent their fair values on initial recognition.
- (c) The deposits mainly consist of earnest deposit paid for the acquisition of investment properties in Penang which amounted to RM3,600,000. Details of the purchase of the investment properties are disclosed in Note 25 to the financial statements.
- (d) The ageing analysis of the Trust's gross receivables (before deducting allowance for impairment loss) is as follows :

	Total RM	Impaired RM	Neither past due nor impaired RM	Past due not impaired				
				<30 days RM	31-60 days RM	61-90 days RM	90-120 days RM	>120 days RM
31 December 2018								
Trade receivables	2,292,007	1,390,344	6,610	6,136	-	-	-	888,917
31 December 2017								
Trade receivables	3,257,208	748,947	294,295	291,915	291,915	291,915	293,569	1,044,652

Notes To The Financial Statements (cont'd)

31 December 2018

6. TRADE AND OTHER RECEIVABLES (CONT'D)

(e) Credit risk

(i) Receivables that are neither past due nor impaired

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

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

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

(ii) Receivables that are impaired

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

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

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

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

	Lifetime ECL allowance RM	Specific allowance RM
2018		
At 1 January	-	748,947
Charge for the year	-	744,698
Reversal for the year	-	(133,301)
	<hr/>	<hr/>
At 31 December	-	1,390,344
	<hr/> <hr/>	<hr/> <hr/>
2017		
At 1 January	-	-
Charge for the year	-	748,947
Reversal for the year	-	-
	<hr/>	<hr/>
At 31 December	-	748,947
	<hr/> <hr/>	<hr/> <hr/>

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

Notes To The Financial Statements (cont'd)

31 December 2018

6. TRADE AND OTHER RECEIVABLES (CONT'D)

(e) Credit risk (Cont'd)

(ii) Receivables that are impaired (Cont'd)

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

	2018 RM	2017 RM
At nominal amounts	1,390,344	748,947
Less: Allowance for impairment loss	<u>(1,390,344)</u>	<u>(748,947)</u>
At 31 December	<u><u>-</u></u>	<u><u>-</u></u>

The Trust's allowance for impairment loss on trade receivables during the current financial year increased by RM641,397 (2017: RM748,947) arises mainly from a single customer.

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

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

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

	2018 RM	2017 RM
Maximum exposure, net of impairment	901,662	2,508,261
Collateral obtained	<u>1,061,406</u>	<u>1,129,780</u>
Net exposure to credit risk	<u><u>-</u></u>	<u><u>1,378,481</u></u>

The above collaterals are rental deposits received from tenants.

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

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

7. BANK BALANCES AND DEPOSITS WITH LICENSED BANKS

	2018 RM	2017 RM
Bank balances	1,049,904	3,122,796
Deposits with licensed banks (not more than three months)	<u>1,900,000</u>	<u>4,447,911</u>
	<u><u>2,949,904</u></u>	<u><u>7,570,707</u></u>

(a) Deposits with licensed banks of the Trust have an average maturity period of 90 days (2017: 90 days).

(b) The deposits are placed with a licensed bank at weighted average interest rate of 2.85% (2017: 2.90%) per annum.

Notes To The Financial Statements (cont'd)

31 December 2018

7. BANK BALANCES AND DEPOSITS WITH LICENSED BANKS (CONT'D)

- (c) The Directors of the Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance the Trust's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission Guidelines on Real Estate Investment Trusts concerning limits on total borrowings.
- (d) The bank balances and deposits with licensed banks are denominated RM.
- (e) In respect of interest-earning financial assets, the following table sets out the carrying amounts and the remaining maturities of the Trust's financial instrument that is exposed to interest rate risk:

	Within 1 year RM	One to five years RM	Total RM
2018			
Fixed rate			
Deposits with licensed banks	1,900,000	-	1,900,000
2017			
Fixed rate			
Deposits with licensed banks	4,447,911	-	4,447,911

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

8. TRADE AND OTHER PAYABLES

	2018 RM	2017 RM
Non-current liabilities		
Tenants' deposits	4,342,447	5,641,933
Current liabilities		
Trade payables	961,230	128,073
Other payables and accrued expenses	1,022,013	3,686,324
Tenants' deposits	2,994,711	688,480
	<u>4,977,954</u>	<u>4,502,877</u>
	<u>9,320,401</u>	<u>10,144,810</u>

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Trust is 30 days (2017: 30 days).
- (c) Included in other payables and accrued expenses are amount owing to the Manager of RM123,917 (2017: RM123,442) which is unsecured, interest free and payable monthly in arrears.

Notes To The Financial Statements (cont'd)

31 December 2018

8. TRADE AND OTHER PAYABLES (CONT'D)

- (d) Trade and other payables are denominated in RM.
- (e) The table below summarises the maturity profile of the Trust's liabilities at the end of each reporting period based on contractual undiscounted repayment obligations.

2018	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Trade and other payables	1,983,243	-	-	1,983,243
Tenants' deposits	2,994,711	4,342,447	-	7,337,158
<hr/>				
2017				
Financial liabilities				
Trade and other payables	3,814,397	-	-	3,814,397
Tenants' deposits	688,480	5,641,933	-	6,330,413
<hr/>				

9. BORROWINGS

	2018 RM	2017 RM
<u>Short Term Financing</u>		
Short Term Revolving Credit ("STRC")	39,600,000	39,600,000
Term Loan I	-	20,000,000
Bank Overdraft	22,830,000	-
	62,430,000	59,600,000
<u>Long Term Financing</u>		
Term Loan II	10,765,288	10,765,288
Term Loan III	18,400,000	18,400,000
Term Loan IV	4,065,842	-
	33,231,130	29,165,288
	95,661,130	88,765,288

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Trust for similar financial instruments. The borrowings are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Notes To The Financial Statements (cont'd)

31 December 2018

9. BORROWINGS (CONT'D)

- (c) The STRC facility is secured by a first party legal charge over an investment property, Atrium Shah Alam 1 as disclosed in Note 4 to the financial statements. This financing facility is renewable on a yearly basis and subject to the bank's review.

The STRC facility bears interest at rates ranging from 4.31% to 4.56% (2017: 4.21% to 4.51%) per annum during the financial year.

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

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

- (e) In the previous financial year, the term loan I bore interest rate at cost of funds plus 0.725% (2017: cost of funds plus 0.725%) per annum and was repayable in one lump sum in October 2018.

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

The term loan II bears interest rate at cost of funds plus 0.725% (2017: 0.725%) per annum and is repayable in one lump sum in 2022.

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

The term loan III bears interest rate at cost of funds plus 0.725% (2017: 0.725%) per annum and is repayable in one lump sum in 2027.

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

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

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

- (f) At the end of the reporting period, RM39.6 million (2017: RM39.6 million) of the Short Term Revolving Credit ("STRC") would be maturing in the next twelve months based on the carrying amount reflected in the financial statements. There would be no roll over risk for the STRC since the Trust is not in breach of any covenants that would trigger an event of default which would affect the bank's assessment to renew the facilities. There was no history of non-renewal of the STRC with the latest Deed Agreement with the Bank and Pacific Trustees Berhad on 20 June 2017.

- (g) All borrowings are denominated in RM.

Notes To The Financial Statements (cont'd)

31 December 2018

9. BORROWINGS (CONT'D)

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

2018	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Bank Overdraft	24,078,801	-	-	24,078,801
Term loans	1,596,756	16,211,175	25,974,164	43,782,095
Short Term Revolving Credit	41,405,760	-	-	41,405,760
	67,081,317	16,211,175	25,974,164	109,266,656
2017				
Financial liabilities				
Term loans	22,083,062	15,666,608	22,023,880	59,773,550
Short Term Revolving Credit	41,306,760	-	-	41,306,760
	63,389,822	15,666,608	22,023,880	101,080,310

- (i) The following table sets out the carrying amounts as at the end of each reporting period and the remaining maturities of the borrowings of the Trust that are exposed to interest rate risk:

2018	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Floating rates				
Bank Overdraft	22,830,000	-	-	22,830,000
Term loans	-	10,765,288	22,465,842	33,231,130
Short Term Revolving Credit	39,600,000	-	-	39,600,000
	62,430,000	10,765,288	22,465,842	95,661,130
2017				
Floating rates				
Term loan	20,000,000	10,765,288	18,400,000	49,165,288
Short Term Revolving Credit	39,600,000	-	-	39,600,000
	59,600,000	10,765,288	18,400,000	88,765,288

Notes To The Financial Statements (cont'd)

31 December 2018

9. BORROWINGS (CONT'D)

- (j) Interest rate risk

Sensitivity analysis for interest rate risk

As at 31 December 2018, if interest rates at the date had been 10 basis points lower or higher with all other variables held constant, post-tax net income for the financial year would have been RM72,702 (2017: RM67,462) higher or lower, arising mainly as a result of lower or higher interest expense on variable borrowings and interest income from deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

10. UNITHOLDERS' CAPITAL

	Number of units		Value	
	2018	2017	RM 2018	RM 2017
Issued and fully paid-up	<u>121,801,000</u>	<u>121,801,000</u>	<u>119,351,580</u>	<u>119,351,580</u>

11. UNITHOLDINGS OF DIRECTORS AND RELATED PARTIES

- (a) As at the end of each reporting period, the Manager, Directors of the Manager and related parties who held units in Atrium REIT are as follows:

2018	Number of unit held	Percentage of total units %	Market
			value RM
Direct unitholdings in Atrium REIT	750,800	0.62	833,388
Atrium REIT Manager Sdn. Bhd.			
Directors of the Manager:			
Wong Sui Ee	373,000	0.31	414,030
Tor Peng Sie	100,000	0.08	111,000
How Hu Son	100,000	0.08	111,000
Soong Kwong Heng	55,000	0.05	61,050
Related parties of the Manager:			
Glory Blitz Industries Sdn. Bhd.	10,024,800	8.23	11,127,528
Sparkle Skyline Sdn. Bhd.	4,258,900	3.50	4,727,379
Chan Kam Tuck ⁽ⁱ⁾	30,281,400	24.86	33,612,354
Chan Kum Chong	70,000	0.06	77,700

Notes To The Financial Statements (cont'd)

31 December 2018

11. UNITHOLDINGS OF DIRECTORS AND RELATED PARTIES (CONT'D)

- (a) As at the end of each reporting period, the Manager, Directors of the Manager and related parties who held units in Atrium REIT are as follows (Cont'd):

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

- (i) Unitholdings under Chan Kam Tuck is made up of his individual holding of 10,281,400 (2017: 10,281,400) units and his deemed holding of 20,000,000 (2017: 20,000,000) units under a trust where he is a beneficiary.
- (b) The market value is determined by using the closing market price of the Trust as at 31 December 2018 of RM1.11 (2017: RM1.11).

12. GROSS REVENUE

Gross rental revenue represents rental income received from the rental of investment properties. Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

13. PROPERTY OPERATING EXPENSES

	2018 RM	2017 RM
Property management fees	265,371	245,814
Assessment and quit rent	543,844	534,186
Repair and maintenance	369,896	855,732
Insurance	268,217	249,381
Other operating expenses	74,613	122,076
	<u>1,521,941</u>	<u>2,007,189</u>

Property management fees are recognised on an accrual basis.

Notes To The Financial Statements (cont'd)

31 December 2018

14. MANAGER'S FEES

- (a) The Manager's fees are recognised on an accrual basis using the applicable formula.
- (b) Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1.0% per annum of the Net Asset Value of Atrium REIT. The Manager's fee is payable in arrears, calculated and accrued daily. However, the Manager has only been charging its fees at the rate of 0.8% (2017: 0.8%) per annum of the Net Asset Value.

15. TRUSTEE'S FEES

- (a) The Trustee's fees are recognised on an accrual basis using the applicable formula.
- (b) Pursuant to the Deed, the Trustee is entitled to receive a fee of up to a maximum of 0.4% per annum of the Net Asset Value of the Trust, subject to a minimum fee of RM40,000 per annum. The Trustee's fee is payable in arrears, calculated and accrued daily. However, the Trustee has only been charging its fees at the rates ranging from 0.06% to 0.08% (2017: 0.06%) per annum of the Net Asset Value.

16. FINANCE COSTS

	2018 RM	2017 RM
Interest expense on:		
- short term revolving credit facility	1,779,082	1,706,467
- term loans	2,399,809	2,025,629
- bank overdraft	66,804	-
	<u>4,245,695</u>	<u>3,732,096</u>

17. TAX EXPENSE

	2018 RM	2017 RM
Current tax expense based on profit for the financial year	-	-
Real property gains tax		
- Under provision of RPGT in prior years	-	10,672
	<u>-</u>	<u>10,672</u>

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profit for the fiscal year.

Notes To The Financial Statements (cont'd)

31 December 2018

17. TAX EXPENSE (CONT'D)

- (b) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Trust is as follows:

	2018 RM	2017 RM
Profit before tax	11,597,534	18,147,733
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	2,783,408	4,355,456
Tax effects in respect of:		
Non-deductible expenses	206,584	2,473,920
Effect of changes in fair value of investment properties not subject to tax	(413,609)	(2,184,000)
Effect of income exempted from tax	(2,576,383)	(4,645,376)
	-	-
Under provision of RPGT in prior year	-	10,672
	-	10,672

Pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006, provided that 90% or more of the total income of the Trust is distributed to its unitholders in the basis period for a year of assessment, the total income of the Trust for that year of assessment shall be exempted from tax.

The Trust distributed approximately 99.9% (2017: 99.7%) of the realised and distributable income and thus, its total income for the year is exempted from tax.

- (c) Taxation of Unitholders

Pursuant to Section 109D(2) of Income Tax Act, 1967 under the Finance Act, 2006, provided that 90% or more of the Trust's total taxable income is distributed by the Trust, distribution to unit holders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

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

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

18. EARNINGS PER UNIT

- (a) The earnings per unit before Manager's fee of 10.71 sen (2017: 16.01 sen) is calculated by dividing the profit after tax but before deduction of manager's fees for the financial year of RM13,042,343 (2017: RM19,505,509) and by the number of units in circulation during the financial year of 121,801,000 (2017: 121,801,000).
- (b) The earnings per unit after Manager's fee of 9.52 sen (2017: 14.89 sen) has been calculated based on profit after tax of RM11,597,534 (2017: RM18,137,061) for the financial year and on the number of units in circulation during the financial year of 121,801,000 (2017: 121,801,000).

Notes To The Financial Statements (cont'd)

31 December 2018

19. NET INCOME DISTRIBUTIONS

Distributions to unitholders are from the following sources:

	2018 RM	2017 RM
Net rental income	17,256,904	15,296,463
Interest income	111,322	171,055
Other income	134,115	601,307
	<u>17,502,341</u>	<u>16,068,825</u>
Less: Expenses	(7,628,176)	(7,021,092)
	<u>9,874,165</u>	<u>9,047,733</u>
Net income before tax	9,874,165	9,047,733
Tax expenses	-	(10,672)
	<u>9,874,165</u>	<u>9,037,061</u>
Less: Income distributed	(7,308,060)	(6,759,955)
Less: Proposed final income distribution	(2,557,821)	(2,253,319)
	<u>8,284</u>	<u>23,788</u>
Balance undistributed income	<u>8,284</u>	<u>23,788</u>

All distributions of income are from realised distributable income.

20. PORTFOLIO TURNOVER RATIO

	2018	2017
Portfolio Turnover Ratio ("PTR") (times)	<u>-</u>	<u>0.13</u>

PTR is the ratio of the average of total acquisitions and total disposals of investments in Atrium REIT for the financial year ended 31 December 2018 to the average net asset value of the Trust for the financial year calculated on a daily basis.

Since the basis of calculating PTR may vary among real estate investment trusts, comparison of PTR of Atrium REIT with other real estate investment trusts may not be an accurate comparison.

21. MANAGEMENT EXPENSE RATIO

	2018	2017
Management expense ratio ("MER") (%)	<u>1.44</u>	<u>1.48</u>

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

Since the basis of calculating MER may vary among real estate investment trusts, comparison of MER of Atrium REIT with other real estate investment trusts may not be an accurate comparison.

Notes To The Financial Statements (cont'd)

31 December 2018

22. TRANSACTION WITH BROKER/DEALERS

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

23. OPERATING SEGMENT

As the principal activity of Atrium REIT is to invest in properties, which all are located in Malaysia with the primary objective to derive rental income, there are no risk and returns distinguishable between business and geographical segments.

The Directors of the Manager assesses the performance of the operating segments based on various factors, including but not limited to, a measure of profit or loss before tax.

The following are major customers with revenue equal or more than ten percent (10%) of the Trust's revenue:

	2018 RM	2017 RM
Customer A	6,284,598	6,284,598
Customer B	5,136,000	5,136,000
Customer C	-	3,304,703
Customer D	<u>3,794,288</u>	<u>-</u>

24. COMMITMENTS

(a) Operating lease commitments

Atrium REIT as lessor

Atrium REIT leases out its investment properties under operating leases. The aggregate future minimum lease receivables under non-cancellable lease arrangements as at the end of each reporting period are as follows:

	2018 RM	2017 RM
Not later than one (1) year	14,893,143	19,153,703
Later than one (1) year and not later than five (5) years	<u>17,002,526</u>	<u>28,042,096</u>
	<u>31,895,669</u>	<u>47,195,799</u>

(b) Capital commitments

	2018 RM	2017 RM
Capital expenditure in respect of addition of investment properties:		
Approved and contracted for	-	9,650,000
Approved and not contracted for	<u>176,400,000</u>	<u>-</u>

Notes To The Financial Statements (cont'd)

31 December 2018

25. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In November 2018, the Trust accepted the letter of offer by Lumileds Malaysia Sdn. Bhd. ("Lumileds") for the following:

- (a) Proposed acquisition and leaseback of a piece of leasehold land known as Lot No. 2027 and Plot No. 203, Mukim 12, Daerah Barat Daya, Pulau Pinang held under Pajakan Negeri 2850 and H.S.(D) 14852 respectively, together with the factory and all buildings erected thereon from Lumileds for a cash consideration of RM50.0 million.
- (b) Proposed acquisition of a lease and leaseback 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 from Lumileds for a cash consideration of RM130.0 million.

26. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

In relation to the proposed acquisitions, in February 2019, the Trust entered into the following agreements with the Lumileds Malaysia Sdn. Bhd. ("Lumileds"):

- (a) A put and call option agreement ("Option Agreement") for the option to enter into a conditional sale and purchase agreement ("SPA 1") ("Option") and leaseback agreement for the proposed acquisition and leaseback of 2 pieces of leasehold land known as Lot No. 2027 and Plot No. 203, both in Mukim 12, Daerah Barat Daya, Pulau Pinang held under Pajakan Negeri 2850 and H.S.(D) 14852 respectively, together with the factory and all buildings erected thereon ("Property 1") from Lumileds for a cash consideration of RM50.0 million ("Proposed Acquisition 1"). The Trust will enter into the SPA 1 and undertake the Proposed Acquisition 1 upon the exercise of the Option under the Option Agreement, which is subject to the Certificate of Completion and Compliance ("CCC") and/or Certificate of Fitness for Occupation ("CFO") for Property 1 being obtained by Lumileds; and
- (b) A conditional sale and purchase agreement for the proposed acquisition of a lease arrangement in respect of a piece of leasehold land known as Lot No. 70812, Mukim 12, Daerah Barat Daya, Pulau Pinang held under Pajakan Negeri 9036 ("Lease") together with the factory and all buildings erected thereon ("Property 2") from Lumileds for a cash consideration of RM130.0 million ("SPA 2") ("Proposed Acquisition 2"). The Trust and Lumileds had also on even date signed in escrow the leaseback agreement whereby the Trustee shall sub-lease Property 2 to Lumileds for a period of 15 years from the completion of SPA 2 ("Completion Date") ("Leaseback Agreement 2").

In conjunction with the Proposed Acquisitions, the Board also proposes to undertake the following fund raising exercises:

- (a) Proposed placement of up to 24,360,200 new Units in Atrium REIT, representing up to 20% of the total number of Units in Atrium REIT of 121,801,000 units at an issue price to be determined later; and
- (b) Proposed renounceable rights issue of up to 58,464,480 new Rights Units to the unitholders of Atrium REIT on the basis of 2 Rights Units for every 5 existing units after the completion of the Proposed Placement at an issue price to be determined later.

Notes To The Financial Statements (cont'd)

31 December 2018

27. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

27.1 New MFRSs adopted during the financial year

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

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Trust. The adoption of MFRS 9 by the Trust is described in the following sections.

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Trust applied MFRS 9 prospectively with an initial application date of 1 January 2018. The Trust has not restated the comparative information which continues to be reported under MFRS 139.

(i) Classification of financial assets and financial liabilities

The Trust classify their financial assets into the following measurement categories depending on the business model of the Trust for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

Notes To The Financial Statements (cont'd)

31 December 2018

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

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

(a) MFRS 9 *Financial Instruments* (Cont'd)

(i) Classification of financial assets and financial liabilities (Cont'd)

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

The adoption of MFRS 9 in terms of classification and measurement does not result in a significant difference.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Trust by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Trust to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Trust expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

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

Impairment for receivables from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Notes To The Financial Statements (cont'd)

31 December 2018

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

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

(a) MFRS 9 *Financial Instruments* (Cont'd)

(ii) Impairment of financial assets (Cont'd)

The adoption of MFRS 9 in relation to impairment does not have a significant difference, as management is of view of that sufficient credit losses has been placed for credit impaired receivables, while non-credit impaired receivables are sufficiently covered by collaterals received.

27.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

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

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

Notes To The Financial Statements (cont'd)

31 December 2018

28 FINANCIAL REPORTING UPDATES

28.1 IFRIC Tentative Agenda Decision - Over time transfer of constructed good

The IFRS Interpretations Committee ('IFRIC') received a submission about the capitalisation of borrowing costs in relation to the construction of a residential multi-unit real estate development.

The submission inquires whether the entity has a qualifying asset as defined in IAS 23 Borrowing Costs and identified 3 different views:

- A. Capitalise borrowing costs on only the unsold units;
- B. Capitalise borrowing costs on neither the unsold nor the sold units; and
- C. Capitalise borrowing costs on both the sold and unsold units.

IFRIC concluded in November 2018 that the entity applies View B because:

- i. Any receivable and contract asset that the entity recognises is not a qualifying asset.
- ii. Any inventory (work-in-progress) for unsold units under construction that the entity recognises is also not a qualifying asset because the unsold units are ready for its intended use or sale.

The deadline for submitting comment letters was 6 February 2019, before the IFRIC meeting in March 2019.

If the tentative agenda decision is finalised in its current form, any consequential adjustments would be reflected in the future financial statements.

Analysis of Unitholdings As At 14 February 2019

SIZE OF HOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	17	0.67	500	0.00
100 - 1,000	533	21.05	390,800	0.32
1,001 - 10,000	1,164	45.97	6,297,400	5.17
10,001 - 100,000	695	27.45	24,338,600	19.98
100,001 to less than 5% of issued units	120	4.74	51,392,300	42.20
5% and above of issued units	3	0.12	39,381,400	32.33
TOTAL :	2,532	100.00	121,801,000	100.00

THIRTY (30) LARGEST UNITHOLDERS AS AT 14 FEBRUARY 2019

Name	No. of units	%
1) CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB COMMERCE TRUSTEE BERHAD (BTR2031)	20,000,000	16.42
2) CHAN KAM TUCK	10,000,000	8.21
3) PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GLORY BLITZ INDUSTRIES SDN BHD (TCS)	9,100,000	7.47
4) SOH KING NENG & SONS SDN BHD	3,683,190	3.02
5) SPARKLE SKYLINE SDN BHD	3,258,900	2.68
6) SOH KAM ENG	2,376,810	1.95
7) STEPHEN EDWARD BLACKBURN	1,830,100	1.50
8) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (LIFE PAR FD)	1,521,000	1.25
9) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (SHH FD)	1,443,900	1.18
10) CHRISTINA CHONG YOKE LENG	1,231,000	1.01
11) CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR CHEUNG SIU WA (PB)	1,000,000	0.82
12) CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR KWOK CHIU NAM (PB)	1,000,000	0.82
13) MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SPARKLE SKYLINE SDN BHD (DLR 060-MARGIN)	1,000,000	0.82
14) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (ANN FD)	933,200	0.77
15) SEIK THYE KONG	900,000	0.74
16) LIAN MONG YEE @ LIAN MUNG YEE	863,600	0.71
17) LEONG AH MENG @ LEONG MEE	850,000	0.70
18) GLORY BLITZ INDUSTRIES SDN BHD	841,800	0.69
19) CHAI KOOI IM	826,000	0.68
20) ATRIUM REIT MANAGERS SDN BHD	750,800	0.62
21) TEW PENG HWEE @ TEOH PENG HWEE	680,000	0.56

Analysis of Unitholdings (cont'd)

As At 14 February 2019

Name	No. of units	%
22) AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	641,300	0.53
23) ON THIAM CHAI	640,000	0.53
24) CHOY YOKE CHUN	529,200	0.43
25) RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	522,600	0.43
26) HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAMPAI DEDIKASI SDN BHD	500,000	0.41
27) CHAU MEI LAN	460,000	0.38
28) TASEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR TA INVESTMENT MANAGEMENT BERHAD (CLIENTS)	456,100	0.37
29) GUAN BOON KUAN	430,000	0.35
30) LAW HOCK HUA	429,500	0.35
	68,699,000	56.40

LIST OF SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

Name	No. of units	%
1) CHAN KAM TUCK (Note 1)	30,281,400	24.86
2) GLORY BLITZ INDUSTRIES SDN BHD	10,024,800	8.23
	40,306,200	33.09

Note 1 - Unitholding under Chan Kam Tuck is made up of his individual holding of 10,281,400 units and his deemed holding under a trust where he is the beneficiary.



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

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting ("AGM") of Atrium Real Estate Investment Trust ("Atrium REIT") will be held at Indah Ballroom, Ground Floor, Flamingo Hotel, 5, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan on 30 April 2019, Tuesday at 10.00 a.m. for the following purpose:-

A. ORDINARY BUSINESS

1. To receive the Audited Financial Statements of Atrium REIT for the financial year ended 31 December 2018 together with the Trustee's Report issued by Pacific Trustee Berhad, as Trustee of Atrium REIT and the Manager's Report issued by Atrium REIT Managers Sdn. Bhd., as the Manager of Atrium REIT and the Auditors' Report thereon. **(Please see Note 2)**

B. SPECIAL BUSINESS

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

2. **PROPOSED UNITHOLDERS' MANDATE TO ISSUE AND ALLOT NEW UNITS OF UP TO 20% OF ITS TOTAL NUMBER OF UNITS ISSUED OF ATRIUM REIT** (Ordinary Resolution 1)

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

THAT such approval shall continue to be in force until:

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

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

Notice of the Annual General Meeting (cont'd)

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

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

By Order of the Board

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

WONG WAI FOONG (MAICSA 7001358)

LIM POH YEN (MAICSA 7009745)

FONG SEAH LIH (MAICSA 7062297)

Company Secretary

Kuala Lumpur

28 February 2019

NOTES:-

1. APPOINTMENT OF PROXY

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

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

- (ii) If the unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one proxy in respect of each securities account it holds with units standing to the credit of the securities account.
- (iii) Where a unitholder is an exempt authorised nominee which holds units for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of Section 25A(1) of SICDA.
- (iv) A proxy has the same rights as the unitholder to vote whether on a poll or a show of hands, to speak and to be reckoned in a quorum.
- (v) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation/company, either under its common seal or rubber stamp (if the corporation does not have a common seal) or under the hand of officer or attorney duly authorised.

Notice of the Annual General Meeting (cont'd)

- (vi) The instrument appointing a proxy must be deposited at the office of the Manager at No. 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur not less than twenty-four (24) hours before the time set for the meeting or any adjournment thereof.
- (vii) Only unitholders whose names appear in the Record of Depositors as at 23 April 2019 will be entitled to attend and vote at the meeting or appoint proxy (proxies) to attend and vote on their behalf.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

3. Explanatory Notes on Special Business

Ordinary Resolution 1 - Proposed Mandate

The proposed Ordinary Resolution 1 is a renewal of a general mandate obtained from the unitholders of Atrium REIT at the previous Annual General Meeting and, if passed, will empower the Manager of Atrium REIT to issue New Units of Atrium REIT from time to time provided that the aggregate number of the New Units to be issued, when aggregated with the number of units issued during the preceding 12 months does not exceed 20% of its total number of units issued of Atrium REIT for the time being.

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

As at the date of this Notice, no New Units in Atrium REIT were issued pursuant to the general mandate which was approved at the Sixth Annual General Meeting of Atrium REIT held on 26 April 2018 and which will lapse at the conclusion of the Seventh Annual General Meeting.

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

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ATRIUM REIT

ATRIUM REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

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

No. of units held	CDS Account No.

Contact No. (During office hour) _____

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

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

and / or* (*delete as appropriate)

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

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to attend for me/us on my/our behalf at the Seventh Annual General Meeting of Atrium REIT to be held at Indah Ballroom, Ground Floor, Flamingo Hotel, 5, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan on 30 April 2019, Tuesday at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:

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

Dated this day of 2019

.....
Signature of Unitholder/Common Seal

NOTES :

- A unitholder is entitled to attend and vote at any meeting and is entitled to appoint another person (whether a unitholder or not) as his proxy to attend and vote.
If a unitholder appoints 2 proxies, the appointment will be invalid unless the unitholder specifies the proportions of his holdings to be represented by each proxy.
- If the unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one proxy in respect of each securities account it holds with units standing to the credit of the securities account.
- Where a unitholder is an exempt authorised nominee which holds units for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of Section 25A(1) of SICDA.
- A proxy has the same rights as the unitholder to vote whether on a poll or a show of hands, to speak and to be reckoned in a quorum.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation/company, either under its common seal or rubber stamp (if the corporation does not have a common seal) or under the hand of officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the office of the Manager at No. 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur not less than twenty-four (24) hours before the time set for the meeting or any adjournment thereof.
- Only unitholders whose names appear in the Record of Depositors as at 23 April 2019 will be entitled to attend and vote at the meeting or appoint proxy (proxies) to attend and vote on their behalf.

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STAMP

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

Fold here



ATRIUM REAL ESTATE INVESTMENT TRUST