



ATRIUM REAL ESTATE INVESTMENT TRUST

Condensed Financial Statements

Second Quarter Ended 30 June 2016

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ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at 30.06.2016 RM	(Audited) As at 31.12.2015 RM
ASSETS		
Non-current asset		
Investment properties	232,057,523	221,900,000
Current assets		
Trade and other receivables	2,525,363	2,103,751
Deposits with licensed financial institution	4,763,238	14,649,240
Bank balance	325,857	143,445
	<u>7,614,458</u>	<u>16,896,436</u>
TOTAL ASSETS	<u>239,671,981</u>	<u>238,796,436</u>
LIABILITIES		
Non-current liabilities		
Trade and other payables	5,033,550	3,321,551
Borrowings	20,000,000	20,000,000
	<u>25,033,550</u>	<u>23,321,551</u>
Current liabilities		
Trade and other payables	1,440,827	2,602,563
Borrowings	39,600,000	39,600,000
	<u>41,040,826</u>	<u>42,202,563</u>
TOTAL LIABILITIES	<u>66,074,377</u>	<u>62,524,114</u>
NET ASSET VALUE (“NAV”)	<u>173,597,604</u>	<u>173,272,322</u>
FINANCED BY:		
UNITHOLDERS’ FUNDS		
Unitholders’ capital	119,351,580	119,351,580
Undistributed income	54,246,024	53,920,742
TOTAL UNITHOLDERS’ FUNDS	<u>173,597,604</u>	<u>173,272,322</u>
NUMBERS OF UNITS IN CIRCULATION (UNITS)	<u>121,801,000</u>	<u>121,801,000</u>
NAV PER UNIT (RM)		
- before proposed distribution	1.4253	1.4226
- after proposed distribution (Note 1)	1.4103	1.4096

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements.

(Note 1 - Being Net Asset Value Per Unit after reflecting realised income to be distributed as second interim income distribution for 2016 of 1.50 sen per unit payable on 6 September 2016.)

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2016 RM	Preceding Year Corresponding Quarter 30.06.2015 RM	Current Year to Date 30.06.2016 RM	Preceding Year to Date 30.06.2015 RM
Gross revenue	3,693,018	3,094,804	6,752,289	6,640,951
Property operating expenses	(464,335)	(470,458)	(903,600)	(941,557)
Net rental income	3,228,683	2,624,346	5,848,689	5,699,394
Interest income	48,075	141,573	174,658	255,990
Gain on disposal of investment property	-	4,258,126	-	4,258,126
Other income	-	7,289	-	31,652
Total income	3,276,758	7,031,334	6,023,347	10,245,162
Trust expenses				
Manager's fees	(345,074)	(343,049)	(688,190)	(674,135)
Trustee's fees	(30,388)	(27,873)	(58,266)	(54,773)
Auditors' fees	(5,700)	(5,250)	(11,400)	(10,500)
Tax agent's fees	(1,330)	(1,200)	(2,650)	(2,400)
Finance costs	(667,878)	(666,451)	(1,341,796)	(1,359,503)
Administrative expenses	(370,471)	(358,809)	(431,201)	(394,981)
Others	-	(2,070)	2,264	(20,069)
Total Expenses	(1,420,841)	(1,404,702)	(2,531,239)	(2,516,361)
Income before taxation	1,855,917	5,626,632	3,492,108	7,728,801
Taxation	-	(157,577)	-	(157,577)
Net income/Total comprehensive income for the period	1,855,917	5,469,055	3,492,108	7,571,224

Net income for the period is made up as follows:

-Realised	1,855,917	5,469,055	3,492,108	7,571,224
-Unrealised	-	-	-	-

Earnings per unit (sen)

- after manager's fees	1.52	4.49	2.87	6.22
- before manager's fees	1.81	4.77	3.43	6.77

Distribution per unit (sen)

- Interim : paid	1.30	1.70	1.30	1.70
: proposed	1.50	3.60	1.50	3.60

The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements.

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (UNAUDITED)
For The Period from 01.01.2016 to 30.06.2016

	← Undistributed Income →			
	Unitholders' Capital RM	Realised RM	Unrealised RM	Total RM
Net assets as at 1 January 2016	119,351,580	2,129,579	51,791,163	173,272,322
Operations for the period from - 1 January 2016 to 30 June 2016				
Net income for the period	-	3,492,108	-	3,492,108
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	3,492,108	-	3,492,108
Unitholders' transactions				
Distributions to unitholders				
- 2015 Final	-	(1,583,413)	-	(1,583,413)
- 2016 Interim	-	(1,583,413)	-	(1,583,413)
Decrease in net assets resulting from unitholders' transactions	-	(3,166,826)	-	(3,166,826)
Net assets as at 30 June 2016	<u>119,351,580</u>	<u>2,454,861</u>	<u>51,791,163</u>	<u>173,597,604</u>

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (AUDITED)
For The Period from 01.01.2015 to 30.06.2015

	← Undistributed Income →			
	Unitholders' Capital RM	Realised RM	Unrealised RM	Total RM
Net assets as at 1 January 2015	119,351,580	2,753,663	46,400,000	168,505,243
Operations for the period from - 1 January 2015 to 30 June 2015				
Net income for the period	-	7,571,224	-	7,571,224
Realisation of unrealised loss	-	(1,100,000)	1,100,000	-
Other comprehensive income, net of tax	-	-	-	-
Increase in net assets resulting from operations	-	6,471,224	1,100,000	7,571,224
Unitholders' transactions				
Distributions to unitholders				
- 2014 Final	-	(2,192,418)	-	(2,192,418)
- 2015 Interim	-	(2,070,617)	-	(2,070,617)
Decrease in net assets resulting from unitholders' transactions	-	(4,263,035)	-	(4,263,035)
Net assets as at 30 June 2015	<u>119,351,580</u>	<u>4,961,852</u>	<u>47,500,000</u>	<u>171,813,432</u>

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements.

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
For The Period from 01.01.2016 to 30.06.2016

	Current Year to Date 30.06.2016 RM	Preceding Year to Date 30.06.2015 RM
<u>Cash Flow From Operating Activities</u>		
Income before taxation	3,492,108	7,728,801
Adjustments for:		
Interest income	(174,658)	(255,990)
Interest expense	1,341,796	1,359,503
Gain on disposal of investment property	-	(4,258,126)
Operating income before working capital changes	4,659,246	4,574,188
Increase in trade and other receivables	(421,612)	(292,993)
Increase in trade and other payables	550,263	194,653
Cash generated from operating activities	4,787,897	4,475,848
Tax paid	-	(157,577)
Net cash generated from operating activities	4,787,897	4,318,271
<u>Cash Flow From Investing Activity</u>		
Enhancement of investment property	(10,157,523)	-
Interest income	174,658	255,990
Proceeds from disposal of investment property	-	13,158,126
Net cash (used)/generated in/ from investing activities	(9,982,865)	13,414,116
<u>Cash Flow From Financing Activities</u>		
Interest paid	(1,341,796)	(1,359,503)
Distribution to unitholders	(3,166,826)	(4,263,035)
Repayment of STRC	-	(5,400,000)
Net cash used in financing activities	(4,508,622)	(11,022,538)
Net Increase In Cash And Cash Equivalents	(9,703,590)	6,709,849
Cash And Cash Equivalents At The Beginning Of the Period	14,792,685	13,362,145
Cash And Cash Equivalents At The End Of the Period	5,089,095	20,071,994
<u>Cash and cash equivalents</u>		
Cash and bank balances	325,857	431,455
Deposits with licensed financial institution	4,763,238	19,640,539
	<u>5,089,095</u>	<u>20,071,994</u>

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements.

ATRIUM REAL ESTATE INVESTMENT TRUST
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For The Quarter Ended 30 June 2016

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

A1. Basis of Preparation

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

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial information of the Atrium Real Estate Investment Trust (“Atrium REIT”) for the year ended 31 December 2015.

A2. Audit Report of Preceding Financial Year Ended 31 December 2015

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

A3. Seasonality or Cyclicity of Operations

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

A4. Exceptional or Unusual Items

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

A5. Changes in Estimates of Amounts Reported

This is not applicable as no estimates were previously reported.

A6. Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of equity securities during the current financial quarter. The outstanding debt is disclosed in Note B15.

A7. Income Distribution

During the quarter under review, the Atrium REIT paid an interim income distribution of 1.30 sen per unit, amounting to RM1,583,413 in respect of the quarter ended 31 March 2016 on 31 May 2016. Based on the second quarter’s results ended 30 June 2016, there will be an interim distribution of 1.50 sen per unit, amounting to RM1,827,015 to be distributed on the 6 September 2016.

A8. Segment Reporting

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

A9. Valuation of Property, Plant & Equipment

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

A10. Material Events

There was no material event subsequent to the end of the current financial quarter.

A11. Changes in the Composition of Atrium REIT

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

A12. Changes in Contingent Liabilities

There is no contingent liability to be disclosed.

A13. Supplementary Information on Realised and Unrealised Income

The Undistributed Income as at the end of the reporting period may be analysed as follows:

	As at 30 June 2016 RM	As at 31 December 2015 RM
<u>Realised</u>		
Distributable undistributed income	2,454,861	2,129,579
<u>Unrealised</u>		
Cumulative net changes arising from the fair value adjustments to the investment properties	51,791,163	51,791,163
	54,246,024	53,920,742

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

B1. Manager's Investment Objectives

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

B2. Strategies and Policies

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

B3. Review of Performance

	Current Quarter As at 30 June 2016	Immediate Preceding Quarter As at 31 March 2016
Net asset value (RM)	173,597,604	173,325,100
Units in circulation (units)	121,801,000	121,801,000
Net asset value per unit (RM)	1.4253	1.4230
Market price per unit (RM)	1.07	1.08
Highest traded price per unit during the quarter (RM)	1.09	1.13
Lowest traded price per unit during the quarter (RM)	1.06	1.07

Quarterly Results

For the quarter ended 30 June 2016, Atrium REIT recorded total income of RM3,276,758 which is 53.4% lower than the last corresponding quarter of RM7,031,334. Income before taxation for the quarter of RM1,855,917 represents a decrease of 67.0% compared to RM RM5,626,632 achieved in the last corresponding quarter.

The total income and income before taxation (realised) for the quarter under review decreased significantly due mainly to the one-off gain in the disposal of Atrium Rawang in the last corresponding quarter even though there was an increase in gross revenue. The increase in gross revenue is due mainly to the better lease terms for Atrium Shah Alam 1 and reduction in the rental void by renting part of Atrium Puchong to a local logistics company.

B4. Comparison with Preceding Quarter

	Current Quarter 01.04.2016 To 30.06.2016 RM	Preceding Quarter 01.01.2016 To 31.03.2016 RM
Gross revenue	3,693,018	3,059,272
Property expenses	(464,335)	(439,266)
Net property income	<u>3,228,683</u>	<u>2,620,006</u>
Interest income	48,075	126,583
Other income	-	-
Total income	<u>3,276,758</u>	<u>2,746,589</u>
Trust expenses	(1,420,841)	(1,110,398)
Income before taxation	<u>1,855,917</u>	<u>1,636,191</u>
Taxation	-	-
Net income	<u>1,855,917</u>	<u>1,636,191</u>
Net income for the financial quarter is made up as follows:		
-Realised	1,855,917	1,636,191
-Unrealised	-	-
	<u>1,855,917</u>	<u>1,636,191</u>

Atrium REIT's Net Income for the quarter ended 30 June 2016 is slightly higher compared to the preceding quarter due to the increase in gross revenue even though there was a decrease in interest income and an increase in Trust expenses. Gross revenue increased due to the rental income from the tenancy for Atrium Shah Alam 2 which commenced on 1 April 2016.

The Trust expenses increased mainly due to the payment of the real estate agent's fees for the new tenancy of Atrium Shah Alam 2.

B5. Maintenance Costs and Major Capital Expenditure

A total of RM5,415,779 capital expenditure was incurred for the enhancement of the properties of Atrium REIT during the quarter under review. The Asset Enhancement Initiatives undertaken at Atrium Shah Alam 2 was completed at the end of July 2016.

B6. Prospects

Atrium Puchong ("AP")

The existing tenant has confirmed that they will be extending the tenancy for existing space for another 4 months, commencing on 1 July 2016 to 31 October 2016. The parties are in the midst of finalizing the tenancy documents for execution.

The Manager expects the rental void in Atrium Shah Alam 2 for Q1 2016 and partial void in Atrium Puchong to affect the financial performance of the REIT for the financial year ended 2016 but will endeavor to lessen the impact by working with agents and existing tenants to source for new tenant in order to minimize the rental void in AP.

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

B7. Portfolio Composition

There was no change to the total numbers of properties held by the Atrium REIT since the last reporting period. As at 30 June 2016, the portfolio composition of Atrium REIT is as follow:

Investments in Real Estates

Description of property	Tenure of land	Occupancy rate as at 30.06.2016 %	Date of Valuation	Acquisition cost RM'000	Latest valuation RM'000	Net Book Value (A) RM'000	Percentage of (A) over Net Assets Value %
Atrium Shah Alam 1	Freehold	100	03.12.2015	57,200	79,000	79,920	46.0
Atrium Shah Alam 2	Freehold	71	03.12.2015	49,100	63,000	72,237	41.6
Atrium Puchong	Freehold	73	03.12.2015	38,500	48,500	48,500	27.9
Atrium USJ	Freehold	100	03.12.2015	25,000	31,400	31,400	18.1
				179,800	221,900	232,057	

B8. Utilisation of Proceeds Raised from Issuance of New Units

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

B9. Corporate Development

There was no corporate proposal announced during the current financial quarter.

B10. Material Litigation

There was no material litigation as at the latest practicable date from the date of this report.

B11. Soft Commission

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

B12. Revenue Recognition

Rental and interest income are recognized on an accrual basis.

B13. Manager's Fees

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

For the quarter ended 30 June 2016, the Manager received a fee of 0.8% per annum of the NAV of the Trust.

B14. Trustee's Fees

For the quarter ended 30 June 2016, the Trustee received a fee of 0.060% per annum of the NAV of the Trust.

B15. Borrowings and Debt Securities

	As at 30 June 2016 RM	As at 31 December 2015 RM
<u>Short Term Financing</u>		
Short Term Revolving Credit ("STRC") - secured	39,600,000	39,600,000
<u>Long Term Financing</u>		
Term Loan ("TL") - secured	20,000,000	20,000,000
	<hr/> 59,600,000	<hr/> 59,600,000

The STRC facility is secured by way of a first party legal charge over Atrium Shah Alam 1. This financing facility is renewable on a yearly basis subject to the Bank's review. The interest rate for the STRC facility is 4.45% per annum for the quarter under review.

The interest rate for the TL facility is 4.595% per annum for the quarter under review. The TL facility is secured by all monies First Party charge over Atrium USJ. This financing facility has a maturity of 7 years from the date of first drawdown and will be repaid in full via a bullet repayment at maturity.

B16. Unitholdings of Directors and their Related Parties

As at 30.06.2016	Number of units held	Percentage of total units %	Market value RM
Direct unit holdings in Atrium REIT			
Atrium REIT Managers Sdn Bhd	750,800	0.62	803,356
Directors of the Manager:			
Dato' Dr Ir Mohamad Khir Bin Harun	-	-	-
Wong Sui Ee	373,000	0.31	399,110
Tor Peng Sie	100,000	0.08	107,000
How Hu Son	100,000	0.08	107,000
Soong Kwong Heng	55,000	0.05	58,850
Glory Blitz Industries Sdn Bhd	10,024,800	8.23	10,726,536
Sparkle Skyline Sdn Bhd	4,258,900	3.50	4,557,023
Chan Kam Tuck (note 1)	30,281,400	24.86	32,401,098
Chan Kum Chong	70,000	0.06	74,900

The market value is determined by multiplying the number of units with the closing market price of RM1.07 per unit.

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.

B17. Taxation

Atrium REIT intends to distribute at least 90% of the distributable income (realised) to unitholders for the financial year 2016, which is exempt from tax pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006. Thus, Atrium REIT should not incur any tax expenses for the financial year and has not provided any tax expense for this current financial quarter.

B18. Distribution to Unitholders

Distributions to unitholders are from the following sources:

	01.01.2016 To 30.06.2016 RM	01.01.2015 To 30.06.2015 RM
Net rental income	5,848,689	5,699,394
Interest income	174,658	255,990
Gain on disposal of investment property	-	4,258,126
Other income	-	31,652
	<hr/>	<hr/>
Total Income	6,023,347	10,245,162
Less: Expenses	(2,531,239)	(2,516,361)
	<hr/>	<hr/>
Income before taxation	3,492,108	7,728,801
Taxation	-	(157,577)
	<hr/>	<hr/>
Net income	3,492,108	7,571,224
Less: Income distributed	(1,583,413)	(2,070,617)
Less: Proposed second interim distribution	(1,827,015)	(4,384,836)
	<hr/>	<hr/>
Balance undistributed income	81,680	1,115,771
	<hr/>	<hr/>
Distribution per unit (sen)		
- First interim distribution paid on 31 May 2016 (2015: paid on 29 May 2015)	1.30	1.70
- Second interim distribution payable on 6 September 2016 (2015: paid on 11 September 2015)	1.50	3.60

For the financial quarter ended 30 June 2016, the Board of Directors of the Manager has declared a second interim income distribution of 1.50 sen per unit to be paid on 6 September 2016 to the unitholders registered in the Record of Depositors on 17 August 2016.

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

- Resident individual (withholding tax at 10%)
- Non Resident individual (withholding tax at 10%)
- Resident institutional investors (withholding tax at 10%)
- Non-resident institutional investors (withholding tax at 10%)
- Resident companies (No withholding tax. Subject to corporate tax at prevailing rate)
- Non-resident companies (withholding tax at 24% for Year of Assessment 2016)

B19. Responsibility Statement

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of the Atrium

REIT as at 30 June 2016 and of its financial performance and cash flows for the quarter/ period ended on that date and duly authorised for release by the Board of the Manager on 2 August 2016.

By Order of the Board

WONG SUI EE
Executive Director
Atrium REIT Managers Sdn Bhd
Company No: 710526-V
(As the Manager of Atrium Real Estate Investment Trust)
Kuala Lumpur
Dated: 2 August 2016