

GENERAL ANNOUNCEMENT

Date : 04/10/2016

Announced

Type : Announcement

Subject : TRANSCATIONS (CHAPTER 10 OF LISTING REQUIREMENTS)
NON RELATED PARTY TRANSACTIONS

Contents : The Board of Directors ("Board") of Atrium REIT Managers Sdn Bhd ("the Manager"), the Manager of Atrium REIT, wishes to announce that the Trustee of Atrium REIT, Pacific Trustee Berhad ("PTB" or "Purchaser"), has today, entered into a Sale and Purchase Agreement ("SPA") in respect of a double storey office with annexed two adjoining single storey factories located at No. 17, Persiaran Sabak Bernam, Section 26 Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan from Pacific BBA (Malaysia) Sdn Bhd (Company No. 207788-D) ("PBM" OR "The Vendor") at a purchase consideration of Ringgit Malaysia Twenty Three Million (RM23,000,000.00) only ("Proposed Acquisition").

The details of the Proposed Acquisition are contained in the attachment below.

This announcement is dated 4 October 2016.

ATRIUM REAL ESTATE INVESTMENT TRUST (“ATRIUM REIT”)

PROPOSED ACQUISITION BY ATRIUM REIT OF ALL THAT PIECE OF FREEHOLD LAND HELD UNDER HS(D) 63508, PT 503, MUKIM OF DAMANSARA, DISTRICT OF PETALING, STATE OF SELANGOR MEASURING APPROXIMATELY 13,013 SQUARE METRES (140,078 SQUARE FEET) TOGETHER WITH A DOUBLE STOREY OFFICE WITH ANNEXED TWO ADJOINING SINGLE STOREY FACTORIES ERECTED THEREON (“THE PROPERTY”) FOR A PURCHASE CONSIDERATION OF RINGGIT MALAYSIA TWENTY THREE MILLION (RM23,000,000.00) ONLY FROM PACIFIC BBA (MALAYSIA) SDN BHD (COMPANY NO. 207788-D) (“PBM” OR “THE VENDOR”) (“PROPOSED ACQUISITION”)

INTRODUCTION

The Board of Directors (“Board”) of Atrium REIT Managers Sdn Bhd (“the Manager”), the Manager of Atrium REIT, wishes to announce that the Trustee of Atrium REIT, Pacific Trustee Berhad (“PTB” or “Purchaser”), has today, entered into a Sale and Purchase Agreement (“SPA”) in respect of the Proposed Acquisition on behalf of Atrium REIT.

1. DETAILS OF THE PROPOSED ACQUISITION OF PROPERTY**1.1 Description of the Property**

The details of the Property are as follows:-

Property type	: A double storey office with annexed two adjoining single storey factories with a gross floor area of approximately 97,600 sq. ft.
Postal address	: No. 17, Persiaran Sabak Bernam, Section 26 Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan.
Year of completion / Age	: 1990
Category of land use :	: Industrial
Land particular	: Total land area measuring approximately 140,078 sq.ft., held under H.S. (D) 63508, P.T. 503, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.

Tenure	:	Freehold
Net lettable area	:	Approximately 85,000 sq.ft.
Tenant	:	Nagatron Engineering Sdn Bhd
Occupation rate and Existing Use	:	100% (Fully rented to Tenant upon completion of SPA)

1.2 Condition of Sale

PTB, on behalf of Atrium REIT, agreed to purchase, and the Vendor agreed to sell the Property free from all encumbrances and caveat, prohibitory order and assignment which are not attributable to the Purchase, subject to any express conditions of title and restrictions in interest endorsed on the title and implied conditions or terms as provided for by the National Land Code 1965, the existing category of land use affecting the Property, on an “as is where is” basis and subject to its present state and condition and vacant possession.

1.3 Purchase Price

The total consideration for the Property of RM23,000,000.00 (Ringgit Malaysia: Twenty Three Million) only, inclusive 6% Goods and Services Tax (“GST”) is payable in the following manner:-

- (a) A sum of RM460,000.00 (Ringgit Malaysia Four Hundred and Sixty Thousand) only, inclusive 6% GST, being an amount equivalent to 2% of the Purchase Price (“Earnest Deposit”), paid by the Purchaser to the Vendor upon the Purchaser’s acceptance of the Letter of Intent (“LOI”);
- (b) A sum of RM1,840,000.00 (Ringgit Malaysia One Million Eight Hundred and Forty Thousand) only, inclusive 6% GST, being an amount equivalent to 8% of the Purchase Price (“Balance Deposit”), shall be payable by the Purchaser to the Vendor or its solicitors upon execution of the SPA;
- (c) The Purchaser shall pay the balance sum of RM20,700,000.00 (Ringgit Malaysia Twenty Million and Seven Hundred Thousand) only, inclusive of 6% GST, being an amount equivalent to 90% of the Purchase Price (“Balance Purchase Price”) within three (3) months from the date of execution of the SPA (“Completion Date”).

1.4 Basis and justification of arriving at the Purchase Price

The Purchase Price for the Property is derived on a “willing buyer-willing seller” and an “as is where is” basis after taking into account the market value of the Property of RM22,000,000.00 (Ringgit Malaysia Twenty Two Million) only (excluding 6% GST), as appraised by Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of registered valuers in its Valuation Report dated 15 August 2016. The valuation is derived using a combination of comparison method/cost approach and investment methods of valuation.

1.5 Liabilities to be assumed by Atrium REIT

Atrium REIT will not assume any liabilities related to the Property arising before the date of completion of the SPA, save and except for those that may arise from any its breach or non-compliance.

1.6 Source of Funding

The Proposed Acquisition will be funded partly by internal funds and partly by bank borrowings.

2. INFORMATION ON THE VENDOR

The Vendor is a private limited company incorporated in Malaysia registered under the Companies Act, 1965 on 15 November 1990 and having its registered office at Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No 1, Leboh Ampang, Kuala Lumpur, 50100 Kuala Lumpur. Its principal activity is investment holding and property rental.

PBM has an authorised share capital of Ringgit Malaysia RM25,000,000.00 (Ringgit Malaysia Twenty Five Million) only comprising 25,000,000 ordinary shares of RM1.00 each of which 10,425,000 ordinary shares have been issued and credited as fully paid-up.

PBM is a wholly owned subsidiary of Pacifica Group Pty Ltd.

3. INFORMATION ON THE TENANT

Nagatron Engineering Sdn Bhd (“NESB”) is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 9 January 1996. NESB’s principal activities are local construction and renovation works with specialisation in construction of steel structures. Its authorised share capital is RM1,000,000.00 divided into 1,000,000



ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,000,000.00 divided into 1,000,000 ordinary shares of RM1.00 each

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with Atrium REIT's investment objectives and growth strategy to provide the unitholders with stable income distribution and to achieve long term growth in the net asset value per unit of Atrium REIT, by acquiring industrial property in prime locations with recurring rental income. The Proposed Acquisition is expected to be accretive to Atrium REIT's distributable income.

4. EFFECTS OF THE PROPOSED ACQUISITION

4.1 Unit Capital and Substantial Unitholders' Unitholding

The Proposed Acquisition will not have any effect on the total units in issue and substantial unitholders' unitholding of Atrium REIT as the purchase consideration will be paid entirely in cash from internal funds and bank borrowings.

4.2 Net Assets Value ("NAV")

The Proposed Acquisition is not expected to have any impact or changes to the unaudited NAV of Atrium REIT at the Completion Date.

4.3 Earnings

The Proposed Acquisition is not expected to have any material effect to the earnings of Atrium REIT for the financial year ending 31 December 2016 as the Proposed Acquisition is only expected to be completed in the 4th quarter of 2016. Thereafter, the Proposed Acquisition is expected to contribute positively to the future earnings of Atrium REIT.

4.4 Gearing

The Manager intends to fund this Proposed Acquisition partly through debt financing by increasing Atrium REIT's bank borrowings from RM59,600,000.00 to RM78,000,000.00. The proposed debt financing will increase Atrium REIT's gearing ratio from 27% to 30.3% based on the audited total assets as at 31 December 2015 (post acquisition), which is below the gearing limit of 50% prescribed by the Securities Commission's REIT Guidelines ("REIT Guidelines").

5. APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is not subject to approval by the Securities Commission or the prior approval of the unitholders of Atrium REIT pursuant to the REIT Guidelines.

6. INTEREST OF DIRECTORS AND/OR MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED WITH ATRIUM REIT

None of the Directors of the Manager and/or substantial unitholders of Atrium REIT and/or persons connected with them, has any interest, direct or indirect, in the Proposed Acquisition.

7. RISK FACTORS

The Property may be subject to certain risks inherent in the property market industry. These include but not limited to the following:-

- (a) Non registration of the transfer of the titles to the property;
- (b) Non-renewal of tenancy after expiry due to change in circumstances of the tenants;
- (c) Adverse/lower rental renewal of tenancy after expiry due to change in circumstances of the tenants;
- (d) The financial conditions of the tenants;
- (e) Adverse changes in the national or economic conditions; and
- (f) Acts of God, uninsurable losses and other factors.

8. ESTIMATED TIME-FRAME FOR THE COMPLETION OF THE PROPOSED ACQUISITION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by end of December 2016.

9. STATEMENT BY DIRECTORS

The Board of Directors of the Manager, after careful deliberations on the Proposed Acquisition, is of the opinion that the terms of the Proposed Acquisition are fair and reasonable and that the Proposed Acquisition is in the best interests of Atrium REIT.

10. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the Registered Office of the Manager at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement:-

- (i) The SPA; and
- (ii) The Valuation Report on the Property prepared by Raine & Horne International Zaki + Partners Sdn Bhd dated 15 August 2016.