

GENERAL ANNOUNCEMENT

Date : 21/02/2019
Announced

Type : Announcement

Subject : MULTIPLE PROPOSALS

Description : ATRIUM REAL ESTATE INVESTMENT TRUST ("ATRIUM REIT")

- (I) PROPOSED ACQUISITION 1;
- (II) PROPOSED ACQUISITION 2;
- (III) PROPOSED PLACEMENT; AND
- (IV) PROPOSED RIGHTS ISSUE

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

Contents : We refer to the announcements dated 12 February 2019, 13 February 2019 and 14 February 2019 in relation to the Proposed Placement. Unless otherwise defined, the definitions set out in the announcement dated 12 February 2019 shall apply herein.

On behalf of the Board, UOBKH wishes to announce the additional information in relation to the Proposed Placement.

Please refer to the attachment below for further details.

This announcement is dated 21 February 2019.

ATRIUM REAL ESTATE INVESTMENT TRUST (“ATRIUM REIT”)

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On behalf of the Board, UOBKH wishes to announce the following additional information in relation to the Proposed Placement:-

1. THE CURRENT FINANCIAL POSITION OF ATRIUM REIT

The financial performance of the Atrium REIT for the past 4 financial years up to FYE 31 December 2017 and the unaudited 12 months FYE 31 December 2018 are as follows:-

	Audited			Unaudited
	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)
Gross revenue	12,867	14,522	17,304	18,779
Net rental income	10,933	12,337	15,296	17,257
Net income	15,425	4,687	18,137	11,620
Total Unitholders' Fund / NAV	173,272	171,138	180,567	182,626
Total asset value	238,796	243,004	279,477	286,602
Borrowings	59,600	59,600	88,765	95,135
Gearing (%) ⁽¹⁾	24.96	24.53	31.76	33.19
No. of Units in circulation ('000)	121,801	121,801	121,801	121,801
Basic EPU (after Manager's fees) (sen)	12.66	3.85	14.89	8.13
Basic DPU (sen)	8.25	5.90	7.40	8.10
NAV per Unit (before distribution) (sen)	1.42	1.41	1.48	1.50
NAV per Unit (after distribution) (sen)	1.41	1.39	1.46	1.48
Current ratio (times)	0.40	0.15	0.17	0.13

Note:-

(1) Gearing is computed as total borrowings divided by total asset value.

Commentary on past performance

i) Audited FYE 31 December 2015 ("FY2015")

Atrium REIT registered a lower gross revenue of RM12.87 million and lower net rental income of RM10.93 million in the FY 2015 as compared to the gross revenue of RM16.15 million and net rental income of RM14.29 million in FYE 31 December 2014 ("FY2014") respectively. The decline in gross revenue and net rental income were mainly due to the divestment of Atrium REIT's industrial property in Rawang ("**Atrium Rawang**") in FY2014 and the rental voids in Atrium Puchong and Atrium Shah Alam 2.

However, Atrium REIT's net income increased to RM15.43 million in FY2015 as compared to RM14.82 million in FY2014. This was mainly due to the one off gain on disposal of Atrium Rawang, and the increase in other income in FY2015.

As at 31 December 2015, Atrium REIT's NAV increased to RM173.27 million, representing a marginal increase of 2.83% y-o-y as a result of the fair value gain on revaluation of its investment properties.

ii) Audited FYE 31 December 2016 ("FY2016")

For the FY2016, Atrium REIT's gross revenue of RM14.52 million and net rental income of RM12.34 million were 12.86% and 12.84% higher year-on-year respectively. This was mainly due to higher rental income from its industrial property in Puchong, which was partly rented to a local logistics company since 1 October 2015. However, the increase in rental income was moderated by the loss of rental at Atrium Shah Alam 2 for the first quarter of FY2016 due to the implementation of Atrium REIT's Asset Enhancement Initiative. However, the net income was 35.33% lower year-on-year due mainly to the absence of the one-off gain on disposal of Atrium Rawang recorded in FY2015, the increase in property expenses and lower interest and other income in FY2016.

As at 31 December 2016, Atrium REIT's NAV decreased to RM171.14 million, representing a marginal decrease of 1.23% year-on-year as a result of the net fair value loss on revaluation.

iii) Audited FYE 31 December 2017 ("FY2017")

For FY2017, Atrium REIT achieved a gross revenue and net rental income of RM17.30 million and RM15.30 million respectively, which were 19.15% and 23.99% higher year-on-year respectively. The improvement was mainly attributable to the rental income from Atrium Shah Alam 2 and Atrium Puchong, both which were fully rented out in FY2017 as compared to rental void and partial tenancies in FY2016.

As the result of the increase in gross revenue and other income, the net income of Atrium REIT was 25.51% higher year-on-year despite the increase in the trust expenses.

As at 31 December 2017, Atrium REIT's NAV increased to RM180.57 million, representing a marginal increase of 5.51% year-on-year as a result of the net fair value gain on revaluation.

iv) Unaudited FYE 31 December 2018 ("FY2018")

For the FY2018, Atrium REIT recorded a net rental income of RM17.26 million which is approximately 12.8% higher higher year-on-year . This was mainly due to the rental income from Atrium Shah Alam 3 and positive rental reversion for the tenancy at Atrium Puchong which commenced in January 2018. The lower property operating expenses also contributed to the higher net rental income.

Despite the increase in revenue in FY2018, Atrium REIT recorded a lower net income of RM11.62 million as compared to the net income of RM18.14 million in the previous financial year. The lower net income was mainly attributable to the lower other income, lower net fair value gain on revaluation and the increase in trust expenses.

As at 31 December 2018, Atrium REIT's NAV increased to RM182.63 million, representing a growth of 11.4% year-on-year as a result of the net fair value gain on revaluation.

Based on the financial performance of Atrium REIT for the past 4 FYE 31 December 2018 coupled with its current gearing level and NAV, the Manager believes that Atrium REIT is in a healthy position.

2. HOW THE PROPOSED PLACEMENT WILL CREATE VALUE TO ATRIUM REIT AND ITS UNITHOLDERS

The Proposed Placement will enable Atrium REIT to raise the necessary funds expeditiously to part fund the Proposed Acquisitions. The Manager believes that the Proposed Acquisitions will create value to Atrium REIT and its unitholders given that, amongst others:-

- (a) the Proposed Acquisitions will strengthen Atrium REIT's position as a sizeable REIT. The Proposed Acquisitions will enlarge the total net lettable area of Atrium REIT by 488,501 square feet or 49.18% from the existing size of 993,216 square feet to 1,481,717 square feet; and
- (b) the Properties will provide Atrium REIT with a stable and sustainable income stream through the Leaseback Agreements for a committed triple net lease period of 15 years augmented by a rental escalation of 3% every year.

Notwithstanding the above, the Proposed Placement represents a good opportunity for Atrium REIT to attract potential investments from strategic institutional investors. The Proposed Placement will increase the number of Units in circulation which may potentially widen Atrium REIT's unitholders' base and enhances the liquidity and trading of its Units.

3. HOW THE PROPOSED PLACEMENT WILL IMPACT ATRIUM REIT AND ITS UNITHOLDERS

In addition to the impact disclosed in **Section 2** above, the Proposed Private Placement will also result in the following:-

(a) Initial dilution to the EPU; and

The issuance of new Units pursuant to the Proposed Placement will initially dilute the EPU and DPU of Atrium REIT, given the enlarged number of Units in circulation. However, after taking into consideration the additional rental income from the Properties, the Proposals are expected to increase the EPU and DPU of Atrium REIT moving forward.

(b) Dilution to the existing unitholdings in Atrium REIT

The Proposed Placement would result in dilution to the percentage of unitholdings of the existing unitholders in Atrium REIT. Nevertheless, unitholders should take note of the potential earnings accretive effects moving forward arising from the Proposed Acquisitions, taking into consideration higher total asset value and additional rental income from the Properties. This in turn is envisaged to enhance the unitholders' value and strengthen the financial position of Atrium REIT.

4. THE ADEQUACY OF THE PROPOSED PLACEMENT IN ADDRESSING ATRIUM REIT'S FINANCIAL CONCERNS

As disclosed in **Section 1** above, Atrium REIT is in a healthy position and does not have any financial concerns. Whilst the Proposed Placement is undertaken with the intention to partially fund the Proposed Acquisitions, it is also undertaken to create an opportunity for strategic institutional investors to invest in Atrium REIT. The balance of the Purchase Consideration will be funded from the proceeds raised from the Proposed Rights Issue and bank borrowings to be obtained by Atrium REIT. As disclosed in **Section 9.4** of the Announcement, the gearing of Atrium REIT will increase from 33.19% as at 31 December 2018 to 41.88% post completion of the Proposals (which is below the 50% gearing ratio threshold stipulated in Paragraph 8.32 of the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts).

Hence, the Manager is confident that the financial position of Atrium REIT will remain healthy post completion of the Proposals and expects the rental

income from the Properties to contribute positively to the earnings and distributable income of Atrium REIT moving forward.

This announcement is dated 21 February 2019.