

**GENERAL ANNOUNCEMENT**

Date : 21/07/2011  
 Announced  
 Type : Announcement  
 Subject : **OTHERS**

PROPOSED ACQUISITION BY ATRIUM REIT OF ALL THAT PIECE OF FREEHOLD LAND HELD UNDER GERAN 75650 NO. LOT 46914, MUKIM DAMANSARA, DAERAH PETALING JAYA, NEGERI SELANGOR MEASURING 20,385 SQUARE METRES (219,422 SQUARE FEET) TOGETHER WITH A SINGLE-STOREY WAREHOUSE BUILDING WITH ANNEXED DOUBLE STOREY OFFICE BUILDINGS ERECTED THEREON (“PROPERTY”) FOR A CASH CONSIDERATION OF RM25,000,000.00 FROM GEMINI ZONE SDN BHD (COMPANY NO. 759267-W) (“PROPOSED ACQUISITION”)

Contents : **1. INTRODUCTION**

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

**1.1 Proposed Acquisition of the Property**

Atrium REIT proposes to acquire from Gemini Zone Sdn Bhd (“Vendor”) the Property on an “as is where is” basis, free from encumbrances and subject to the terms and conditions as stipulated in the SPA entered into between BHLB and the Vendor on 21 July 2011 for a cash consideration of RM25,000,000.00.

**1.2 Information on the Property**

Postal address	:	No.16, Jalan TP 6, Taman Perindustrian UEP, 47620 Subang Jaya, Selangor Darul Ehsan.
Description	:	A single-storey warehouse building with annexed double storey office buildings with a gross floor area of approximately 131,441 sq ft.
Year of completion	:	2008
Category of land use	:	Industrial.

Land particulars	:	Total land area measuring approximately 5.04 acres or 219,422 sq ft, held under Geran 75650 Lot 46914 Mukim Damansara, Daerah Petaling, Negeri Selangor.	
Tenure	:	Freehold.	
Occupancy rate & existing use	:	The Property is currently 100% occupied by 2 tenants who are using the premises for warehouse cum office. Listed below are the existing tenants:	
		Block A	SAF-Holland (Malaysia) Sdn Bhd
		Block B & C	Century Total Logistics Sdn Bhd

## 2. DETAILS OF THE PROPOSED ACQUISITION

### 2.1 Agreement

BHLB, on behalf of Atrium REIT, agreed to purchase, and the Vendor agreed to sell the Property on an “as is where is” basis, free from all encumbrances and with legal possession but subject to i) all restrictions and conditions of title to the Property, whether express or implied, ii) the existing tenancies, iii) to all the covenants and undertakings to be complied with, performed and/or observed pursuant to the Sale and Purchase Agreement dated 19 April 2007 made between Sime Industrial Park Sdn Bhd of the first part, Vendor of the second part and Sime UEP Properties Berhad on the third part and iv) the terms and conditions contained in the SPA.

### 2.2 Purchase Price

The total cash consideration for the Property of RM 25,000,000.00 (“Purchase Price”) is payable in the following manner:-

- (a) an initial sum of RM500,000.00, equivalent to 2% of the Purchase Price being refundable earnest deposit and towards part payment of the Purchase Price paid by BHLB to Vendor;
- (b) a further sum of RM2,000,000.00 (“**Balance Deposit**”) (which together with the Earnest Deposit constitutes ten per cent (10%) of the Purchase Price and shall collectively be referred to as the “**Deposit**”), paid by BHLB to the Vendor upon execution of the SPA; and
- (c) the remaining balance of the Purchase Price amounting to RM22,500,000.00 (“Balance Purchase Price”) being 90% of the Purchase Price to be paid by BHLB to the Vendor’s solicitors as the stakeholders, within three (3) months from the date the conditions precedent specified in paragraph 2.3 below are fulfilled (“Completion Date”) subject to a further extension of 30 days with late payment interest at a rate of 8% per annum to accrue on the remaining of the Balance Purchase Price remaining unpaid calculated on a daily basis.

### **2.3 Conditions Precedent**

Completion of the SPA is conditional upon the fulfillment or waiver (as the case may be) of the following conditions precedent within three (3) months from the date of the SPA and shall include any extended period(s) as may be mutually agreed by the Parties from time to time:

- (a) the Securities Commission's approval, if applicable;
- (b) the Unitholders' approval, if applicable; and
- (c) the Economic Planning Unit's approval ("EPU Approval").

### **2.4 Basis of the Purchase Price for the Property**

The Purchase Price for the Property is derived on a willing-buyer willing-seller basis after taking into account the market value of the Property of RM25,200,000.00 as appraised by Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of registered valuers in its valuation report dated 24 May 2011. The valuation is derived using a combination of comparison method/cost approach and investment methods of valuation.

### **2.5 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 breach or non-compliance of its obligations and/or covenants under the SPA.

### **2.6 Source of funding**

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

## **3. INFORMATION ON THE VENDOR**

The Vendor is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 15 January 2007. The Vendor is a wholly owned subsidiary of Kenchana Real Estate Sdn Bhd (Company No. 715261-A). The Vendor's principal business is property investment holding. As at the date hereof, its registered office is at Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No 1 Leboh Ampang, 50100 Kuala Lumpur.

## **4. RATIONALE FOR THE PROPOSED ACQUISITION**

The Manager's investment objectives are to provide the unitholders of Atrium REIT with regular and stable income distribution and to acquire quality properties to achieve long term growth in the net asset value. The Proposed Acquisition is consistent with our objectives and it is expected to be accretive to Atrium REIT's distributable income.

## **5. EFFECTS OF THE PROPOSED ACQUISITION**

### **5.1 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.

### **5.2 Net Asset Value ("NAV")**

The Proposed Acquisition will have no impact or changes to the unaudited NAV of Atrium REIT at the time of completion.

### **5.3 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 2011 as the Proposed Acquisition is only expected to be completed in the 4th quarter of 2011. Thereafter, the Proposed Acquisition is expected to contribute positively to the future earnings of Atrium REIT.

### **5.4 Gearing**

The Manager intends to fund this Proposed Acquisition partly through debt financing by increasing Atrium REIT's bank facility from RM45,000,000.00 to RM65,000,000.00. The proposed debt financing will increase Atrium REIT's gearing ratio to 35.3% based on the audited total assets as at 31 December 2010, which is below the gearing limit of 50% prescribed by the REIT Guidelines.

## **6. APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION**

In addition to the approvals/consents as set out in Sections 2.3 above, the Proposed Acquisition is subject to the following approvals being obtained:-

(a) the approval of BHLB in accordance with the provisions of the trust deed constituting Atrium REIT dated 20 November 2006 and amended by the Supplementary Deed dated 25 November, 2008, which was obtained on 10 June 2011 ;

(b) the approval from shareholders of the Vendor; and

(c) the approval of any other relevant regulatory authorities or parties, if required.

## **7. INTEREST OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS OF ATRIUM REIT**

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

## **8. 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-fulfillment of the conditions precedent stipulated in the SPA;
- (b) Non registration of the transfer of the titles to the Property;
- (c) Non-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.

## **9. ESTIMATED TIMEFRAME FOR COMPLETION**

The Proposed Acquisition is expected to be completed by the end of 4<sup>th</sup> quarter 2011.

## **10. DOCUMENTS FOR INSPECTION**

The following documents are available for inspection at the registered office of the Manager at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur or the place of business of BHLB at Level 7, Wisma Amanah Raya Berhad, Jalan Semantan Damansara Heights, 50490 Kuala Lumpur during normal office hours from Monday to Friday (except on public holidays) for a period of three (3) months from the date of this announcement:-

- (i) The SPA; and
- (ii) Valuation report on the Property prepared by Raine & Horne International Zaki + Partners Sdn Bhd dated 24 May 2011.

This announcement is dated 21 July 2011.