



ATRIUM REAL ESTATE INVESTMENT TRUST

Condensed Financial Statements

Fourth Quarter Ended 31 December 2018

Contents

Condensed Statement of Financial Position	1
Condensed Statement of Comprehensive Income	2
Condensed Statement of Changes In Net Asset Value	3 to 4
Condensed Statement of Cash Flows	5
Notes to the Financial Statements	6 to 14

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at 31.12.2018 RM	(Audited) As at 31.12.2017 RM
ASSETS		
Non-current asset		
Investment properties	278,000,000	268,434,340
Current assets		
Trade and other receivables	6,389,660	3,471,819
Deposits with licensed financial institution	1,900,000	4,447,911
Bank balance	312,363	3,122,796
	<u>8,602,023</u>	<u>11,042,526</u>
TOTAL ASSETS	<u>286,602,023</u>	<u>279,476,866</u>
LIABILITIES		
Non-current liabilities		
Trade and other payables	4,342,447	5,641,933
Borrowings	32,705,379	29,165,288
	<u>37,047,826</u>	<u>34,807,221</u>
Current liabilities		
Trade and other payables	4,498,542	4,502,877
Borrowings	62,430,000	59,600,000
	<u>66,928,542</u>	<u>64,102,877</u>
TOTAL LIABILITIES	<u>103,976,368</u>	<u>98,910,098</u>
NET ASSET VALUE (“NAV”)	<u>182,625,655</u>	<u>180,566,768</u>
FINANCED BY:		
UNITHOLDERS’ FUNDS		
Unitholders’ capital	119,351,580	119,351,580
Undistributed income	63,274,075	61,215,188
TOTAL UNITHOLDERS’ FUNDS	<u>182,625,655</u>	<u>180,566,768</u>
NUMBERS OF UNITS IN CIRCULATION (UNITS)	<u>121,801,000</u>	<u>121,801,000</u>
NAV PER UNIT (RM)		
- before proposed distribution	1.4994	1.4825
- after proposed distribution (Note 1)	1.4784	1.4640

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 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 fourth and final income distribution for 2018 of 2.10 sen per unit payable on 28 February 2019.)

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2018 RM	Preceding Year Corresponding Quarter 31.12.2017 RM	Current Year to Date 31.12.2018 RM	Preceding Year to Date 31.12.2017 RM
Gross revenue	4,899,815	4,315,002	18,778,845	17,303,652
Property operating expenses	(109,047)	(181,827)	(1,521,941)	(2,007,189)
Net rental income	4,790,768	4,133,175	17,256,904	15,296,463
Interest income	11,142	50,196	111,321	171,055
Change in fair value of investment properties	1,723,369	9,100,000	1,723,369	9,100,000
Other income	133,301	77,005	134,114	601,307
Total income	6,658,580	13,360,376	19,225,708	25,168,825
Trust expenses				
Manager's fees	(365,634)	(344,496)	(1,444,809)	(1,368,448)
Trustee's fees	(36,563)	(25,837)	(128,134)	(110,634)
Auditors' fees	(9,300)	(8,500)	(30,000)	(28,000)
Impairment loss on trade receivables	(274,698)	(684,846)	(774,698)	(748,947)
Tax agent's fees	(1,420)	(1,400)	(6,000)	(5,700)
Finance costs	(1,114,564)	(993,429)	(4,236,624)	(3,732,096)
Valuation fees	(44,670)	(70,585)	(45,670)	(90,340)
Administrative expenses	(515,323)	70,002	(714,114)	(668,448)
Others	(155,662)	(26,466)	(225,394)	(268,479)
Total Expenses	(2,517,834)	(2,085,557)	(7,605,442)	(7,021,092)
Income before taxation	4,140,746	11,274,819	11,620,266	18,147,733
Taxation	-	(10,672)	-	(10,672)
Net income/Total comprehensive income for the period	4,140,746	11,264,147	11,620,266	18,137,061

Net income for the period is made up as follows:

-Realised	2,417,377	2,164,147	9,896,897	9,037,061
-Unrealised	1,723,369	9,100,000	1,723,369	9,100,000

Earnings per unit (realised) (sen)

- after manager's fees	1.98	1.78	8.13	7.42
- before manager's fees	2.28	2.06	9.31	8.54

Distribution per unit (sen)

- Proposed/declared	2.10	1.85	8.10	7.40
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The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 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 01.01.2018 to 31.12.2018

	← Undistributed Income →			
	Unitholders' Capital RM	Realised RM	Unrealised RM	Total RM
At 1 January 2018	119,351,580	2,837,423	58,377,765	180,566,768
Operations for the period from - 1 January 2018 to 31 December 2018				
Net income for the period	-	9,896,897	1,723,369	11,620,266
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	9,896,897	1,723,369	11,620,266
Unitholders' transactions				
Distributions to unitholders				
- 2017 Final	-	(2,253,319)	-	(2,253,319)
- 2018 Interim	-	(7,308,060)	-	(7,308,060)
Decrease in net assets resulting from unitholders' transactions	-	(9,561,379)	-	(7,308,060)
Net assets as at 31 December 2018	<u>119,351,580</u>	<u>3,172,941</u>	<u>60,101,134</u>	<u>182,625,655</u>

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (AUDITED)
For The Period from 01.01.2017 to 31.12.2017

	← Undistributed Income →			
	Unitholders' Capital RM	Realised RM	Unrealised RM	Total RM
At 1 January 2017	119,351,580	2,509,133	49,277,765	171,138,478
Operations for the period from - 1 January 2017 to 31 December 2017				
Net income for the period	-	9,037,061	9,100,000	18,137,061
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	9,037,061	9,100,000	18,137,061
Unitholders' transactions				
Distributions to unitholders				
- 2016 Final	-	(1,948,816)	-	(1,948,816)
- 2017 Interim	-	(6,759,955)	-	(6,759,955)
Decrease in net assets resulting from unitholders' transactions	-	(8,708,771)	-	(8,708,771)
Net assets as at 31 December 2017	<u>119,351,580</u>	<u>2,837,423</u>	<u>58,377,765</u>	<u>180,566,768</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 2017 and the accompanying explanatory notes attached to the financial statements.

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
For The Period from 01.01.2018 to 31.12.2018

	01.01.2018 to 31.12.2018 RM	01.01.2017 to 31.12.2017 RM
<u>Cash Flow From Operating Activities</u>		
Income before taxation	11,620,266	18,147,733
Adjustments for:		
Changes in fair value of investment properties	(1,723,369)	(9,100,000)
Interest income	(111,321)	(171,055)
Interest expense	4,236,624	3,732,096
Impairment loss on trade receivables	774,698	748,947
Reversal of impairment loss on trade receivables	(133,301)	-
Operating income before working capital changes	14,663,597	13,357,721
(Increase)/Decrease in trade and other receivables	(3,559,238)	162,842
Decrease in trade and other payables	(1,303,821)	(2,120,820)
Cash generated from operating activities	9,800,538	11,399,743
Tax refunded	-	101,751
Net cash generated from operating activities	9,800,538	11,501,494
<u>Cash Flow From Investing Activity</u>		
Acquisition of investment property	-	(3,298,113)
Enhancement of investment property	(7,842,291)	(1,336,227)
Interest income	111,321	171,055
Net cash used in investing activity	(7,730,970)	(4,463,285)
<u>Cash Flow From Financing Activities</u>		
Interest paid	(4,236,624)	(3,732,096)
Distribution to unitholders	(9,561,379)	(8,708,771)
Borrowings	6,370,091	10,765,288
Net cash generated from/(used in) financing activities	(7,427,912)	(1,675,579)
Net Increase/(Decrease) In Cash And Cash Equivalents	(5,358,344)	5,362,630
Cash And Cash Equivalents At The Beginning Of the Period	7,570,707	2,208,077
Cash And Cash Equivalents At The End Of the Period	2,212,363	7,570,707
<u>Cash and cash equivalents</u>		
Cash and bank balances	312,363	3,122,796
Deposits with licensed financial institution	1,900,000	4,447,911
	<u>2,212,363</u>	<u>7,570,707</u>

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 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 31 December 2018

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” or “Trust”) for the year ended 31 December 2017.

A2. Audit Report of Preceding Financial Year Ended 31 December 2017

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 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 B16.

A7. Income Distribution

During the quarter under review, the Atrium REIT paid an interim income distribution of 2.00 sen per unit, amounting to RM2,436,020.00 in respect of the quarter ended 30 September 2018 on 30 November 2018. Based on the fourth quarter’s results ended 31 December 2018, there will be an interim distribution of 2.10 sen per unit, amounting to RM2,557,821.00 to be payable on 28 February 2019.

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.

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 31 December 2018	Immediate Preceding Quarter As at 30 September 2018
Net asset value (RM)	182,625,655	180,920,929
Units in circulation (units)	121,801,000	121,801,000
Net asset value per unit (RM)		
- before distribution	1.4994	1.4854
- after distribution	1.4784	1.4654
Market price per unit (RM)	1.11	1.14
Highest traded price per unit during the quarter (RM)	1.16	1.14
Lowest traded price per unit during the quarter (RM)	1.10	1.06

Analysis of Changes in Net Asset Value and Net Asset Value/Unit

There is an increase in the Net Asset Value and Net Asset Value/Unit due to an increase in the fair value of investment properties during the quarter.

Quarterly Results

For the quarter under review, Atrium REIT's gross revenue increased by 13.6% to RM4,899,815 compared to the last corresponding quarter of RM4,315,002. Income before taxation (realized) for the quarter registered an increase of approximately 11.7% to RM2,417,377 compared to RM RM2,164,147 achieved in the last corresponding quarter.

Gross revenue increased mainly due to the rental income from Atrium Shah Alam 3. The property operating expenses were lower compared to the last corresponding quarter due to the reversal of provision of repair and maintenance expenses that were not fully utilized during the year. Other income for the current quarter increased as a result of the reversal of the impairment loss on trade receivable which was fully recovered. Consequently, income before taxation for the quarter under review also increased despite a significant increase in trust expenses as a result of further provision of impairment loss for trade receivable, higher finance costs due to additional term loan taken for the upgrading works at Atrium Shah Alam 3 and an increase in administrative expenses. The administrative expenses increase as a result of stamp duty paid for the additional bank facilities.

Twelve Months Results

For the twelve months financial period ended 31 December 2018, Atrium REIT recorded a net rental income of RM17,256,904 which is approximately 12.8% higher than the corresponding period due mainly to the increase in 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. Property operating expenses were lower compared to the corresponding period where repairs and upgrading works were carried out on the properties. The other income was lower compared to the corresponding period where there was income from the disposal of scrap metal from Atrium Shah Alam 3.

The trust expenses were higher for the current period mainly due to higher finance costs from additional term loan taken for the upgrading works at Atrium Shah Alam 3.

B4. Comparison with Preceding Quarter

	Current Quarter 01.10.2018 To 31.12.2018 RM	Preceding Quarter 01.07.2018 To 30.09.2018 RM
Gross revenue	4,899,815	5,004,232
Property expenses	(109,047)	(455,506)
Net property income	<u>4,790,768</u>	<u>4,548,726</u>
Interest income	11,142	21,891
Change in fair value of investment properties	1,723,369	-
Other income	133,301	-
Total income	<u>6,658,580</u>	<u>4,570,617</u>
Trust expenses	(2,517,835)	(2,100,749)
Income before taxation	<u>4,140,745</u>	<u>2,469,868</u>
Taxation	-	-
Net income	<u>4,140,745</u>	<u>2,469,868</u>
Net income for the financial quarter is made up as follows:		
-Realised	2,417,376	2,469,868
-Unrealised	1,723,369	-
	<u>4,141,922</u>	<u>2,469,868</u>

Atrium REIT's net income (realised) for the quarter ended 31 December 2018 is slightly lower compared to the preceding quarter due mainly to the higher Trust expenses even though the property operating expenses was much lower and other income much higher as compared to the preceding quarter. The increase in trust expenses was due mainly to the stamp duty paid for the new bank facilities and consultant fees. The higher other income is due to the reversal of the impairment loss on trade receivable which was fully recovered.

B5. Maintenance Costs and Major Capital Expenditure

A total of RM384,207 capital expenditure was incurred for the enhancement of the property of Atrium REIT during the quarter under review.

B6. Prospects

On 1 November 2018, Pacific Trustees Berhad, the trustee for Atrium REIT accepted the letter of offer by Lumileds Malaysia Sdn Bhd ("Vendor") dated 11 October 2018 for the following:

- (i) 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 ("Property 1") from the Vendor for a cash consideration of RM50.0 million ; and
- (ii) Proposed acquisition of lease and sub-lease 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 ("Property 2") from the Vendor for a cash consideration of RM130.0 million

The parties are in the midst of finalizing all the legal documents for the proposed acquisition and leaseback for Property 1 and proposed acquisition of lease and sub-lease for Property 2. An announcement will be made on the Bursa Malaysia once the said documents have been executed by the parties.

The occupancy rate for the Trust's portfolio of properties as at 31 December 2018 is 100%. Barring any unforeseen circumstances, the Manager expects the Trust's portfolio of properties to maintain 100% occupancy for the financial year 2019.

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

During the quarter under review, Atrium REIT did not acquire and/or dispose any property. As at 31 December 2018, the portfolio composition of Atrium REIT is as follows:

Investments in Real Estates

Description of property	Tenure of land	Occupancy rate as at 31.12.2018 %	Date of Valuation	Acquisition cost RM'000	Latest valuation (A) RM'000	Percentage of (A) over Net Assets Value %
Atrium Shah Alam 1	Freehold	100	24.10.2018	57,200	85,200	46.7
Atrium Shah Alam 2	Freehold	100	15.11.2018	49,100	77,300	42.3
Atrium Shah Alam 3	Freehold	100	15.11.2018	21,698	26,100	14.3
Atrium Puchong	Freehold	100	15.11.2018	38,500	52,100	28.5
Atrium USJ	Freehold	100	28.09.2018	25,000	37,300	20.4
				<hr/>	<hr/>	
				191,498	278,000	
				<hr/>	<hr/>	

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. Status of 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 Atrium REIT.

B12. Revenue Recognition

Rental and interest income are recognized on an accrual basis.

B13. Trade Receivables

	As at 31 December 2018 RM	As at 31 December 2017 RM
Trade receivables		
Third parties	2,306,544	3,257,208
Less: Impairment losses	(1,390,344)	(748,947)
Total trade receivables	916,200	2,508,261
Other receivables, deposits and prepayments	5,473,460	963,558
Trade and Other Receivables	6,389,660	3,471,819

The impairment losses related to a debtor that has defaulted in rental payments. The Manager has made full provision for impairment of trade receivable for the long outstanding amount owing by the said debtor in compliance to the latest accounting standards. The Manager has commenced legal proceedings against the said debtor and is of the opinion that the potential recovery of the outstanding impaired amount is good.

Ageing analysis of trade receivables

	Total Due (RM)	0 – 15 days (RM)	16 – 30 days (RM)	31 – 45 days (RM)	> 45 days (RM)
Related Parties	0	0	0	0	0
Non-Related Parties	2,306,544	0	6,610	6,136	2,293,798
TOTAL	2,306,544	0	6,610	6,136	2,293,798

B14. Manager's Fees

Pursuant to the Restated 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 31 December 2018, the Manager received a fee of 0.8% per annum of the NAV of the Trust.

B15. Trustee's Fees

For the quarter ended 31 December 2018, the Trustee received a fee of 0.08% per annum of the NAV of the Trust.

B16. Borrowings and Debt Securities

	As at 31 December 2018 RM	As at 31 December 2017 RM
<u>Short Term Financing (secured)</u>		
Short Term Revolving Credit	39,600,000	39,600,000
Term Loan	-	20,000,000
Overdraft	22,830,000	-
<u>Long Term Financing (secured)</u>		
Term Loan 2	10,765,288	10,765,288
Term Loan 3	18,400,000	18,400,000
Term Loan 4	3,540,091	-
	95,135,379	88,765,288

B17. Taxation

Atrium REIT intends to distribute at least 90% of the distributable income (realised) to unitholders for the financial year 2018, which is exempt from tax pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006. Thus, Atrium REIT is not expected to incur any tax expenses for the financial year and as such, has not provided any tax expense for this current financial quarter.

B18. Distribution to Unitholders

Distributions to unitholders are from the following sources:

	Current Quarter RM	Corresponding Quarter RM	Current Year to Date RM	Corresponding Year to Date RM
Rental income	4,899,815	4,315,002	18,778,845	17,303,652
Interest income	11,142	50,196	111,321	171,055
Other income	133,301	77,005	134,114	601,307
Total income	5,044,258	4,442,203	19,024,280	18,076,014
Property operating expenses	(109,047)	(181,827)	(1,521,941)	(2,007,189)
Trust expenses	(2,517,834)	(2,085,557)	(7,605,442)	(7,021,092)
Total Expenses	(2,626,881)	(2,267,384)	(9,127,383)	(9,028,281)
Realised income before taxation	2,417,377	2,174,819	9,896,897	9,047,733
Taxation	-	(10,672)	-	(10,672)
Realised income for the period	2,417,377	2,164,147	9,896,897	9,037,061
Undistributed realised income				
- Previous year's	584,104	560,318	584,104	560,318
- Previous quarter's	171,460	112,958	-	-
Total realised income available for distribution	3,172,941	2,837,423	10,481,001	9,597,379
Proposed/declared income distribution	(2,557,821)	(2,253,318)	(9,865,881)	(9,013,274)
Balance undistributed realised income	615,120	584,105	615,120	584,105
Distribution per unit (sen)				
- Proposed/Declared	2.10	1.85	8.10	7.40

For the financial quarter ended 31 December 2018, the Board of Directors of the Manager has declared a fourth and final income distribution of 2.10 sen per unit to be payable on 28 February 2019 to the unitholders registered in the Record of Depositors on 14 February 2019.

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 2019)

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 Atrium REIT as at 31 December 2018 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 24 January 2019.

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: 24 January 2019