



ATRIUM REAL ESTATE INVESTMENT TRUST

Condensed Financial Statements

Second Quarter Ended 30 September 2017

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ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at 30.09.2017 RM	(Audited) As at 31.12.2016 RM
ASSETS		
Non-current asset		
Investment properties	257,998,113	236,300,000
Current assets		
Trade and other receivables	3,795,012	4,496,031
Deposits with licensed financial institution	6,082,978	1,372,338
Bank balance	367,623	835,739
	<u>10,245,613</u>	<u>6,704,108</u>
TOTAL ASSETS	<u>268,243,726</u>	<u>243,004,108</u>
LIABILITIES		
Non-current liabilities		
Trade and other payables	6,330,412	5,722,030
Borrowings	49,165,288	20,000,000
	<u>55,495,700</u>	<u>25,722,030</u>
Current liabilities		
Trade and other payables	1,592,089	6,543,600
Borrowings	39,600,000	39,600,000
	<u>41,192,089</u>	<u>46,143,600</u>
TOTAL LIABILITIES	<u>96,687,789</u>	<u>71,865,630</u>
NET ASSET VALUE (“NAV”)	<u>171,555,937</u>	<u>171,138,478</u>
FINANCED BY:		
UNITHOLDERS’ FUNDS		
Unitholders’ capital	119,351,580	119,351,580
Undistributed income	52,204,357	51,786,898
TOTAL UNITHOLDERS’ FUNDS	<u>171,555,937</u>	<u>171,138,478</u>
NUMBERS OF UNITS IN CIRCULATION (UNITS)	<u>121,801,000</u>	<u>121,801,000</u>
NAV PER UNIT (RM)		
- before proposed distribution	1.4085	1.4051
- after proposed distribution (Note 1)	1.3900	1.3891

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2016 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 third interim income distribution for 2017 of 1.85 sen per unit payable on 30 November 2017.)

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2017 RM	Preceding Year Corresponding Quarter 30.09.2016 RM	Current Year to Date 30.09.2017 RM	Preceding Year to Date 30.09.2016 RM
Gross revenue	4,311,877	3,839,655	12,988,649	10,591,944
Property operating expenses	(878,341)	(890,792)	(1,825,361)	(1,794,393)
Net rental income	3,433,536	2,948,862	11,163,288	8,797,551
Interest income	35,671	30,356	120,859	204,198
Other income	483,302	12,000	524,302	12,817
Total income	3,952,509	2,991,218	11,808,449	9,014,566
Trust expenses				
Manager's fees	(344,791)	(348,384)	(1,023,953)	(1,036,574)
Trustee's fees	(25,859)	(32,129)	(84,796)	(90,395)
Auditors' fees	(6,600)	(5,700)	(19,500)	(17,100)
Tax agent's fees	(1,650)	(1,350)	(4,300)	(4,000)
Finance costs	(983,150)	(655,141)	(2,738,667)	(1,996,937)
Valuation fees	(19,755)	-	(19,755)	-
Administrative expenses	(200,392)	(89,952)	(738,450)	(521,154)
Others	(76,186)	-	(306,116)	2,264
Total Expenses	(1,658,383)	(1,132,656)	(4,935,537)	(3,663,896)
Income before taxation	2,294,126	1,858,562	6,872,912	5,350,670
Taxation	-	-	-	-
Net income/Total comprehensive income for the period	2,294,126	1,858,562	6,872,912	5,350,670
Net income for the period is made up as follows:				
-Realised	2,294,126	1,858,562	6,872,912	5,350,670
-Unrealised	-	-	-	-
Earnings per unit (sen)				
- after manager's fees	1.88	1.53	5.64	4.39
- before manager's fees	2.17	1.81	6.48	5.24
Distribution per unit (sen)				
Interim : paid	1.85	1.50	3.70	2.80
: proposed	1.85	1.50	1.85	1.50

The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2016 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 01.01.2017 to 30.09.2017

	Unitholders' Capital RM	← Undistributed Income →		Total RM
		Realised RM	Unrealised 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 30 September 2017				
Net income for the period	-	6,872,912	-	6,872,792
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	6,872,912	-	6,872,792
Unitholders' transactions				
Distributions to unitholders				
- 2016 Final	-	(1,948,816)	-	(1,948,816)
- 2017 Interim	-	(4,506,637)	-	(4,506,515)
Decrease in net assets resulting from unitholders' transactions	-	(6,455,453)	-	(6,455,331)
Net assets as at 30 September 2017	119,351,580	2,926,592	49,277,765	171,555,937

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE (AUDITED)
For The Period from 01.01.2016 to 30.09.2016

	← Undistributed Income →			
	Unitholders' Capital RM	Realised RM	Unrealised RM	Total RM
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 September 2016				
Net income for the period	-	5,350,670	-	5,350,670
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	5,350,670	-	5,350,670
Unitholders' transactions				
Distributions to unitholders				
- 2015 Final	-	(1,583,413)	-	(1,583,413)
- 2016 Interim	-	(3,410,428)	-	(3,410,428)
Decrease in net assets resulting from unitholders' transactions	-	(4,993,841)	-	(4,993,841)
Net assets as at 30 September 2016	119,351,580	2,486,408	51,791,163	173,629,151

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 2016 and the accompanying explanatory notes attached to the financial statements.

ATRIUM REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
For The Period from 01.01.2017 to 30.09.2017

	01.01.2017 to 30.09.2017 RM	01.01.2016 to 30.09.2016 RM
<u>Cash Flow From Operating Activities</u>		
Income before taxation	6,872,912	5,350,670
Adjustments for:		
Interest income	(120,859)	(204,198)
Interest expense	2,738,667	1,996,937
Operating income before working capital changes	9,490,720	7,143,409
Decrease/(Increase) in trade and other receivables	701,019	(2,307,343)
(Decrease)/Increase in trade and other payables	(4,343,129)	1,062,809
Cash generated from operating activities	5,848,610	5,898,875
Tax paid	-	-
Net cash generated from operating activities	5,848,610	5,898,875
<u>Cash Flow From Investing Activity</u>		
Acquisition of investment property	(21,698,113)	-
Enhancement of investment property	-	(11,514,568)
Interest income	120,859	204,198
Net cash used in investing activity	(21,577,254)	(11,310,370)
<u>Cash Flow From Financing Activities</u>		
Interest paid	(2,738,667)	(1,996,937)
Distribution to unitholders	(6,455,453)	(4,993,841)
Borrowings	29,165,288	-
Net cash generated from/(used in) financing activities	19,971,168	(6,990,778)
Net Increase/(Decrease) In Cash And Cash Equivalents	4,242,524	(12,402,273)
Cash And Cash Equivalents At The Beginning Of the Period	2,208,077	14,792,685
Cash And Cash Equivalents At The End Of the Period	6,450,601	2,390,412
<u>Cash and cash equivalents</u>		
Cash and bank balances	367,623	326,189
Deposits with licensed financial institution	6,082,978	2,064,223
	<u>6,450,601</u>	<u>2,390,412</u>

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2016 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 September 2017

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 2016.

A2. Audit Report of Preceding Financial Year Ended 31 December 2016

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 B15.

A7. Income Distribution

During the quarter under review, the Atrium REIT paid an interim income distribution of 1.85 sen per unit, amounting to RM2,253,318.50 in respect of the quarter ended 30 June 2017 on 30 August 2017. Based on the third quarter’s results ended 30 September 2017, there will be an interim distribution of 1.85 sen per unit, amounting to RM2,253,318.50 to be payable on the 30 November 2017.

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 September 2017 RM	As at 31 December 2016 RM
<u>Realised</u>		
Distributable undistributed income	2,926,592	2,509,133
<u>Unrealised</u>		
Cumulative net changes arising from the fair value adjustments to the investment properties	49,277,765	49,277,765
	<u>52,204,357</u>	<u>51,786,898</u>

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 September 2017	Immediate Preceding Quarter As at 30 June 2017
Net asset value (RM)	171,555,937	171,515,130
Units in circulation (units)	121,801,000	121,801,000
Net asset value per unit (RM)	1.4085	1.4082
Market price per unit (RM)	1.14	1.17
Highest traded price per unit during the quarter (RM)	1.21	1.18
Lowest traded price per unit during the quarter (RM)	1.12	1.10

Quarterly Results

For the quarter ended 30 September 2017, Atrium REIT recorded a gross revenue of RM4,311,877 which is 12.3% higher than the last corresponding quarter of RM3,839,655. Income before taxation for the quarter of RM2,294,126 represents an increase of 23.4% compared to RM1,858,562 achieved in the last corresponding quarter.

Gross revenue increased due mainly to the rental incomes from Atrium Shah Alam 2 (“ASA2”) and Atrium Puchong (“AP”) which were fully rented during quarter under review. During the last corresponding quarter ASA2 was partially rented due to the Asset Enhancement Initiative whilst AP was also partially rented. Consequently, the income before taxation for the quarter under review increased due to increase in gross revenue and other income even though there was an increase in the Trust expenses. The increase in other income is from the disposal of scrap metal from Atrium Shah Alam 3 whilst the increase in trust expenses is due mainly to additional finance costs and administrative expenses.

Nine Months Results

For the nine months financial period ended 30 September 2017, Atrium REIT recorded total income of RM11,808,449 which is significantly higher than the corresponding period due mainly to the increase in gross revenue and other income. Gross revenue increased due mainly to the rental incomes from Atrium Shah Alam 2 (“ASA2”) and Atrium Puchong (“AP”) which were fully rented during quarter under review. During the last corresponding quarter ASA2 was partially rented due to the Asset Enhancement Initiative whilst AP was also partially rented. The increase in other income is from the disposal of scrap metal from Atrium Shah Alam 3

The increase trust expenses are due to additional finance costs, administrative and other expenses. The increase in finance costs is due to additional term loans taken for the upgrading works at Atrium Shah Alam 2 and the acquisition of Atrium Shah Alam 3. Administrative expenses increased as a result of consultants’ fees for the upgrading works at Atrium Shah Alam 2 and 3 whilst the other expenses increased mainly due legal fees for the tenancy agreements, acquisition of property and new term loans.

B4. Comparison with Preceding Quarter

	Current Quarter 01.07.2017 To 30.09.2017 RM	Preceding Quarter 01.04.2017 To 30.06.2017 RM
Gross revenue	4,311,877	4,305,626
Property expenses	(878,341)	(507,138)
Net property income	<u>3,433,536</u>	<u>3,798,488</u>
Interest income	35,671	53,799
Other income	483,302	41,000
Total income	<u>3,952,509</u>	<u>3,893,287</u>
Trust expenses	(1,658,383)	(1,598,899)
Income/(loss) before taxation	<u>2,294,126</u>	<u>2,294,388</u>
Taxation	-	-
Net income/(loss)	<u>2,294,126</u>	<u>2,294,388</u>
Net income/(loss) for the financial quarter is made up as follows:		
-Realised	2,294,126	2,294,388
-Unrealised	-	-
	<u>2,294,126</u>	<u>2,294,388</u>

Atrium REIT's net income for the quarter ended 30 September 2017 is slightly lower compared to the preceding quarter due to increase in property expenses even though there was an increase in other income. The increase in property expenses/other income is due mainly to the demolition works carried out/disposal of scrap metal at Atrium Shah Alam 3 ("ASA 3") as a result of the proposed upgrading exercise.

B5. Maintenance Costs and Major Capital Expenditure

No major capital expenditure was incurred by Atrium REIT during the quarter under review.

B6. Prospects

During the quarter under review, all the properties of Atrium REIT were fully tenanted, save and except for Atrium Shah Alam 3 ("ASA3"). The Manager was informed by the tenant of ("ASA3") that they would like to terminate the Agreement to Let ("AOL") as the vacant possession of ASA3 could not be handed over to them as per the AOL. The Manager recommended to the Trustees that the AOL be terminated after a new tenant was secured to take over the tenancy. The new tenancy was secured for the same tenure of 2 years but at a better rental rate. As the new tenant is a logistic player, some upgrading works will have to be carried out to meet the new tenants requirement. The target date for handing over the vacant possession is by 1st quarter 2018.

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 September 2017, the portfolio composition of Atrium REIT is as follows:

Investments in Real Estates

Description of property	Tenure of land	Occupancy rate as at 30.09.2017 %	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	28.11.2016	57,200	80,000	80,000	46.7
Atrium Shah Alam 2	Freehold	100	28.11.2016	49,100	72,000	72,000	42.0
Atrium Shah Alam 3	Freehold	0	15.08.2016	21,698	22,000	21,698	12.7
Atrium Puchong	Freehold	100	28.11.2016	38,500	50,000	50,000	29.2
Atrium USJ	Freehold	100	28.11.2016	25,000	34,300	34,300	20.0
				191,498	258,300	257,998	

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 Atrium REIT.

B12. Revenue Recognition

Rental and interest income are recognized on an accrual basis.

B13. Trade Receivables Credit Terms (Days)

	Total Due (RM)	0 – 15 days	16 – 30 days	31 – 45 days	> 45 days
Related Parties	0.00	0.00	0.00	0.00	0.00
Non-Related Parties	2,535,892	0.00	429,359	0.00	2,106,533
TOTAL	2,535,892	0.00	429,358	0.00	2,106,533

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 30 September 2017, the Manager received a fee of 0.8% per annum of the NAV of the Trust.

B15. Trustee’s Fees

For the quarter ended 30 September 2017, the Trustee received a fee of 0.06% per annum of the NAV of the Trust.

B16. Borrowings and Debt Securities

	As at 30 September 2017 RM	As at 30 September 2016 RM
<u>Short Term Financing</u>		
Short Term Revolving Credit (“STRC Facility”) – secured	39,600,000	39,600,000
<u>Long Term Financing</u>		
Term Loan (“TL Facility”) - secured	20,000,000	20,000,000
Term Loan 2 (“TL 2 Facility”) - secured	10,765,288	-
Term Loan 3 (“TL 3 Facility”) - secured	18,400,000	-
	<u>88,765,288</u>	<u>59,600,000</u>

Bank Facility	Security	Interest Rates for Quarter Under Review	Tenor/Repayment
STRC	First party legal charge over Atrium Shah Alam 1	4.31%	Renewable on a yearly basis subject to Bank’s review
TL	A registered open all monies First Party charge over Atrium USJ	4.545%	7 years from the date of first drawdown and will be repaid in full via a bullet repayment at end of tenor.

Bank Facility	Security	Interest Rates for Quarter Under Review	Tenor/Repayment
TL 2	A registered open all monies First Party charge over Atrium Shah Alam 2	4.545%	5 years from the date of full drawdown with option to renew for another period subject to terms and conditions to be mutually agreed. To be repaid in full via a bullet repayment at end of tenor.
TL 3	A registered open all monies First Party charge over Atrium Shah Alam 3	4.545%	10 years from the date of first drawdown with option to renew for another period subject to terms and conditions to be mutually agreed. To be repaid in full via a bullet repayment at end of tenor.

B17. Unitholdings of Directors and their Related Parties

As at 30.09.2017	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	855,912
Directors of the Manager:			
Dato' Dr Ir Mohamad Khir Bin Harun	-	-	-
Wong Sui Ee	373,000	0.31	425,220
Tor Peng Sie	100,000	0.08	114,000
How Hu Son	100,000	0.08	114,000
Soong Kwong Heng	55,000	0.05	62,700
Chan Wan Seong	-	-	-
Glory Blitz Industries Sdn Bhd	10,024,800	8.23	11,428,272
Sparkle Skyline Sdn Bhd	4,258,900	3.50	4,855,146
Chan Kam Tuck (note 1)	30,281,400	24.86	34,520,796
Chan Kum Chong	70,000	0.06	79,800

The market value is determined by multiplying the number of units with the closing market price of RM1.14 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.

B18. Taxation

Atrium REIT intends to distribute at least 90% of the distributable income (realised) to unitholders for the financial year 2017, 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.

B19. Distribution to Unitholders

Distributions to unitholders are from the following sources:

	01.01.2017 To 30.09.2017 RM	01.01.2016 To 30.09.2016 RM
Net rental income	11,163,288	8,797,551
Interest income	120,859	204,198
Other income	524,302	12,817
	<hr/>	<hr/>
Total Income	11,808,449	9,014,566
Less: Expenses	(4,935,537)	(3,663,896)
Income before taxation	6,872,912	5,350,670
Taxation	-	-
	<hr/>	<hr/>
Net income	6,872,912	5,350,670
Less: Income distributed	(4,506,637)	(3,410,428)
Less: Proposed second interim distribution	(2,253,318)	(1,827,015)
	<hr/>	<hr/>
Balance undistributed income	112,956	113,227
	<hr/>	<hr/>
Distribution per unit (sen)		
- First interim distribution paid on 31 May 2017 (2016: paid on 31 May 2016)	1.85	1.30
- Second interim distribution payable on 30 August 2017 (2016: paid on 6 September 2016)	1.85	1.50
- Third Interim distribution payable on 30 November 2017 (2016: paid on 30 November 2016)	1.85	1.50

For the financial quarter ended 30 September 2017, the Board of Directors of the Manager has declared a third interim income distribution of 1.85 sen per unit to be payable on 30 November 2017 to the unitholders registered in the Record of Depositors on 10 November 2017.

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 2017)

B20. 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 30 September 2017 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 26 October 2017.

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: 26 October 2017