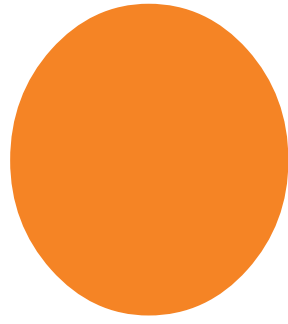


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**ATRIUM**  
REIT

**ATRIUM**  
REIT

**ATRIUM REAL ESTATE INVESTMENT TRUST**  
(Established in Malaysia under the Deed dated 20 November 2006 entered into between Atrium REIT Managers Sdn Bhd and BHLB Trustee Berhad)



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# OUR MISSION

To maximise profits in order to reward Unitholders with a competitive rate of return for their investment through regular and stable distributions and achieving long-term growth in distributions and Net Asset Value per unit.

## OUR PERFORMANCE IN 2008

### 2008 vs 2007<sup>1</sup>

	2008 RM '000	2007 <sup>1</sup> RM '000	Variance %
Net Income After Tax	17,112	7,961	114.95
Earnings Per Unit (Sen)	14.05	6.54	114.83
Distribution to Unitholders	10,231	7,917	29.23
Distribution Per Unit (Sen)	8.40	6.50	29.23
Portfolio Value	161,600	154,800	4.39
Number of Properties	4	4	-
Occupancy Rate	100%	100%	-
Net Asset Value (RM/Unit)	1.04	0.98	6.12

### Actual vs Prospectus<sup>2</sup>

	Actual RM '000	Prospectus <sup>2</sup> RM '000	Variance %
Net Income After Tax	17,112	10,104	69.36
Earnings Per Unit (Sen)	14.05	8.30	69.28
Distribution to Unitholders	10,231	9,599	6.58
Distribution Per Unit (Sen)	8.40	7.88	6.60
Portfolio Value	161,600	154,800	4.39
Number of Properties	4	4	-
Occupancy Rate	100%	100%	-
Net Asset Value (RM/Unit)	1.04	0.99	5.05

1. For the financial period from 2 April 2007 (date of commencement) to 31 December 2007.

2. As per Prospectus dated 28 February 2007

### DISTRIBUTIONS SINCE LISTING

	Per Unit
<b>2007</b>	
2nd Quarter	2.00 sen
3rd Quarter	2.20 sen
4th Quarter	2.30 sen
<b>2008</b>	
1st Quarter	2.05 sen
2nd Quarter	2.10 sen
3rd Quarter	2.10 sen
4th Quarter	2.15 sen

# SALIENT FEATURES OF THE FUND

---

<b>Name of fund</b>	:	Atrium REIT
<b>Fund category</b>	:	Real Estate
<b>Fund type</b>	:	Growth and income
<b>Investment objectives</b>	:	To maximise profits in order to reward Unitholders with annual stable distributions of income and to acquire quality assets to achieve long-term growth in the Net Asset Value per Unit of the Fund
<b>Fund investment strategy</b>	:	Aim to achieve the primary objectives of the Fund by implementing investment and growth strategies such as organic growth strategies, acquisition strategies and financing strategies.
<b>Term of the Trust</b>	:	Atrium REIT will continue its operation until such time as determined by the Trustee and the Manager as provided under the provision of Clause 19 of the Trust Deed dated 20 November 2006.
<b>Approved size of Fund</b>	:	121,801,000 Units
<b>Authorised investments</b>	:	<ul style="list-style-type: none"><li>- At least 50% of the total asset value of Atrium REIT must be invested in real estate assets and/or single purpose companies at all times; and</li><li>- Investment in non-real estate related assets and/or cash, deposits and money market instruments must not exceed 25% of Atrium REIT's total asset value.</li></ul>
<b>Financial year end</b>	:	31 December
<b>Distribution policy</b>	:	At least 90% of the distributable income of Atrium REIT shall be distributed semi-annually or at such other intervals as determined by the Managers in its absolute discretion; in arrears.
<b>Borrowing limitations</b>	:	Up to 50% of the total asset value of the Fund at the time the borrowing is incurred.
<b>Revaluation policy</b>	:	The real estates shall be revalued at least once every (3) years from the date of the last valuation (or such other times as required under the Securities Commission Guidelines on REITs), or at any time where the Trustee, the Manager or the independent auditor appointed by Atrium REIT reasonably believes that there has been a significant change in the value of real estates.
<b>Redemption policy</b>	:	Unitholders have no right to request us to repurchase their Units while the Units are listed.
<b>Minimum initial investment</b>	:	Minimum of 100 Units
<b>Minimum additional investments</b>	:	Multiples of 100 Units
<b>Investor profile</b>	:	Suitable for investors who understand the risks related to the real estate industry and expect to benefit from the periodic distribution of income and long term growth of the Fund.
<b>Board lot</b>	:	100 Units per board lot
<b>Quotation</b>	:	Main Board of Bursa Malaysia Securities Bhd
<b>Bursa Malaysia Stock Number</b>	:	ATRIUM 5130

## Atrium Shah Alam 1



<b>Property</b>	Atrium Shah Alam 1
<b>Address</b>	Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia.
<b>Title details</b>	Lot No. P.T. 14366 held under H.S.(D) No. 80053, Mukim of Damansara, District of Petaling, State of Selangor Darul Ehsan.
<b>Property type</b>	Industrial
<b>Description</b>	A single storey warehouse and a four storey office building with a total Net Lettable Area measuring 311,736 sq.ft.
<b>Year of completion</b>	2005
<b>Tenure</b>	Freehold
<b>Existing use</b>	Warehouse and office
<b>Parking spaces</b>	191 car bays, 105 motorcycle bays & 30 lorry bays
<b>Date of acquisition</b>	2 April 2007
<b>Cost of acquisition</b>	RM57,200,000
<b>Tenant</b>	Exel Properties (Malaysia) Sdn Bhd
<b>Occupancy</b>	100%
<b>Lease Period</b>	5 years, expiring on 31 December 2010
<b>Major capital expenditure</b>	Nil
<b>Encumbrances</b>	The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM 45 million
<b>Limitation in title/interest</b>	None
<b>Latest valuation</b>	RM 61,400,000
<b>Basis of valuation</b>	Investment, cost and comparison method
<b>Date of latest valuation</b>	19 December 2008
<b>Professional Valuer</b>	Raine & Horne International Zaki + Partners Sdn Bhd
<b>Fair Value adjustment</b>	RM 4,200,000
<b>Net book value</b>	RM 61,400,000

# PROPERTY PORTFOLIO

## Atrium Shah Alam 2



<b>Property</b>	Atrium Shah Alam 2
<b>Address</b>	Lot 7A, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia.
<b>Title details</b>	Lot No. P.T. 90 held under H.S.(D) No. 188265, Pekan Baru Hicom (formerly Mukim of Damansara), District of Petaling, State of Selangor Darul Ehsan.
<b>Property type</b>	Industrial
<b>Description</b>	A single storey warehouse and a double storey office building with a total Net Lettable Area measuring 258,702 sq.ft.
<b>Year of completion</b>	2004
<b>Tenure</b>	Freehold
<b>Existing use</b>	Warehouse and office
<b>Parking spaces</b>	125 car bays, 129 motorcycle bays & 20 lorry bays
<b>Date of acquisition</b>	2 April 2007
<b>Cost of acquisition</b>	RM49,100,000
<b>Tenant</b>	CEVA Logistics Malaysia Sdn Bhd
<b>Occupancy</b>	100%
<b>Lease Period</b>	N/A*
<b>Major capital expenditure</b>	Nil
<b>Encumbrances</b>	None
<b>Limitation in title/interest</b>	None
<b>Latest valuation</b>	RM 53,700,000
<b>Basis of valuation</b>	Investment, cost and comparison method
<b>Date of latest valuation</b>	19 December 2008
<b>Professional Valuer</b>	Raine & Horne International Zaki + Partners Sdn Bhd
<b>Fair Value adjustment</b>	RM 4,600,000
<b>Net book value</b>	RM 53,700,000

\* CEVA Logistics Malaysia Sdn Bhd ("CEVA") has vacated 119,704 sq ft (expired tenancies) and 33,998 sq ft (unexpired tenancy) of floor space as at 31 January 2009. CEVA will vacate the balance of 105,000 sq ft (expired tenancy) by 31 March 2009. The Manager is in the process of sourcing for prospective tenant to take up the facility by 2nd quarter of 2009.

## Atrium Puchong



<b>Property</b>	Atrium Puchong
<b>Address</b>	No.2 Jalan PPU 1, Taman Perindustrian Puchong Utama, Batu 12 ½ Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia.
<b>Title details</b>	Lot No. 65108 held under Geran No. 44178, Pekan Puchong Perdana (formerly Mukim of Petaling), District of Petaling, State of Selangor Darul Ehsan.
<b>Property type</b>	Industrial
<b>Description</b>	A single storey warehouse and a four storey office building with a total Net Lettable Area measuring 203,994 sq.ft.
<b>Year of completion</b>	2002
<b>Tenure</b>	Freehold
<b>Existing use</b>	Warehouse and office
<b>Parking spaces</b>	129 car bays, 110 motorcycle bays & 30 lorry bays
<b>Date of acquisition</b>	2 April 2007
<b>Cost of acquisition</b>	RM 38,500,000
<b>Tenant</b>	Danzasmal Domestic Logistics Services Sdn Bhd
<b>Occupancy</b>	100%
<b>Lease Period</b>	8 years, expiring on 18 September 2010
<b>Major capital expenditure</b>	Nil
<b>Encumbrances</b>	None
<b>Limitation in title/interest</b>	None
<b>Latest valuation</b>	RM 38,500,000
<b>Basis of valuation</b>	Investment, cost and comparison method
<b>Date of latest valuation</b>	18 December 2008
<b>Professional Valuer</b>	Raine & Horne International Zaki + Partners Sdn Bhd
<b>Fair Value adjustment</b>	Nil
<b>Net book value</b>	RM 38,500,000

# PROPERTY PORTFOLIO

## Atrium Rawang



<b>Property</b>	Atrium Rawang
<b>Address</b>	Lot 23, Rawang Integrated Industrial Park, Jalan Batu Arang, 48000 Rawang, Selangor Darul Ehsan, Malaysia.
<b>Title details</b>	Developer's Lot No. 23B held under Master Title Geran No. 57711 for Parent Lot No. 1282, Section 20, Town of Rawang (formerly Mukim of Rawang), District of Gombak, State of Selangor Darul Ehsan.
<b>Property type</b>	Industrial
<b>Description</b>	A double storey office and factory building with a total Net Lettable Area measuring 35,236 sq.ft.
<b>Year of completion</b>	2001
<b>Tenure</b>	Freehold
<b>Existing use</b>	Factory and office
<b>Parking spaces</b>	23 car bays, 15 motorcycle bays & 3 lorry bays
<b>Date of acquisition</b>	2 April 2007
<b>Cost of acquisition</b>	RM10,000,000
<b>Tenant</b>	Unilever Foods (Malaysia)Sdn Bhd
<b>Occupancy</b>	100%
<b>Lease Period</b>	10 years, expiring on 31 October 2011
<b>Major capital expenditure</b>	Nil
<b>Encumbrances</b>	The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM 45 million
<b>Limitation in title/interest</b>	None
<b>Latest valuation</b>	RM 8,000,000
<b>Basis of valuation</b>	Investment, cost and comparison method
<b>Date of latest valuation</b>	31 December 2008
<b>Professional Valuer</b>	Raine & Horne International Zaki + Partners Sdn Bhd
<b>Fair Value adjustment</b>	(RM 2,000,000)
<b>Net book value</b>	RM 8,000,000



# CHAIRMAN'S STATEMENT



**Dear Unitholders,**

**On behalf of the Board of Directors of Atrium REIT Managers Sdn Bhd (“Manager”), I have the pleasure of presenting to you the Annual Report of Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”) for the financial year ended 31 December 2008.**

## Overview

We are pleased to report that the Atrium REIT has achieved commendable results for the financial year ended 31 December 2008, in which strategies implemented and executed by the Manager have delivered stable and attractive distributions for the Trust's unitholders. This reflects the fundamentals of the portfolio and the quality of Atrium REIT's assets.

During the financial year under review, BHLB Trustee Berhad, the Trustee of the Atrium REIT, undertook a revaluation of Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Puchong and Atrium Rawang, which were last valued in 2007. This revaluation exercise was carried out by registered valuer, Raine & Horne International Zaki + Partners Sdn Bhd for accounting purposes pursuant to the fair value method under Financial Reporting Standard 140 which states that the fair value of the investment property shall reflect market conditions at the balance sheet date. This necessitates the revaluation of investment properties on an annual basis. The valuers have adopted a combination of valuation methods in their assessments and the value has been aptly reflected and adjusted in the financials with the concurrence of the external auditor.

## Financial Performance

For the financial year ended 31 December 2008, the Atrium REIT achieved a Gross Revenue of RM 13.691 million which is 0.43% lower than its forecast stated in the Prospectus.

Net Property Income of RM 12.626 million is 2.49% below its forecast whilst the Net Income after Taxation of RM 17.112 million for the financial year ended 31 December 2008, represents an increase of 69.36% against the forecasted Net Income after Taxation of RM 10.104 million as shown in the Prospectus.

The Trust's financial performance was boosted by revaluation gains of RM6.800 million for its portfolio, contributing to a 6.12% increase in Net Asset Value (“NAV”) from RM0.98 as at 31 December 2007 to RM1.04 as at 31 December 2008.

## Distribution to Unitholders

The Board of Directors of the Manager is pleased to declare a final distribution of 2.15 sen per unit for the financial year ended 31 December 2008, which will be paid on 6 March 2009. The Trust has already distributed an aggregate of 6.25 sen per unit in respect of the 9 months' financial period from 1 January 2008 to 30 September 2008, resulting in a total distribution per unit of 8.40 sen per unit for the financial year under review. The distributions made in 2008 exceeds the forecast made in the Prospectus by 6.60%.

## Operations Review

In the financial year under review, the Atrium REIT planned acquisition of 2 properties located in Senai, Johor Darul Takzim, did not materialise.

The earlier announced proposed acquisition of a factory/warehouse cum office located at Lot 226A, Senai Industrial Park Phase III, 81400 Senai, Johor Darul Takzim for a total consideration of RM12,500,000 fell through as certain conditions precedent agreed and undertaken by the vendor in the sale and purchase agreement could not be met and the Manager, having considered the interest of the unitholders, has decided to terminate the sale and purchase agreement and the abortive cost has no material impact on the earnings of the Trust for the financial year under review. All monies paid for the purpose were duly refunded to the Trust.

On 21 November 2008, a unitholders meeting was held to seek unitholders' approval in relation to a related party transaction, which involved a major unitholder's injection of an industrial property into the Trust. The subject property is a single storey factory with double storey office building erected on a piece of freehold land measuring approximately 4.577 acres and is located at No 181, Jalan Murni 7, Taman Perindustrian Murni, Senai, 81400, Johor Darul Takzim for a total consideration of RM17,500,000. However, the unitholders and proxies present, voted against the proposed acquisition due to uncertainty in the general market sentiments.

I am proud to note that despite being unable to proceed with the proposed acquisition, this event has highlighted the Manager's high level of integrity, transparency and corporate governance, where the voice of the minority unitholders were sought and the outcome respected.

# CHAIRMAN'S STATEMENT

## Economic Overview

The Malaysian economy has been resilient throughout 2008, but is not spared by the contagious effect of the global downturn. GDP growth has moderated downwards to 4.7% in the third quarter of 2008 (2Q 08: 6.7%) amidst the sharp deterioration in the global economy. The last quarter of 2008 is not expected to outperform the earlier quarter.

Going forward, we believe the Malaysian economy is not immuned against the impact of deterioration of the global economy. Signs of growth stagnation and even recessions have already surfaced in both developed countries and emerging economies. Despite concerted efforts by the monetary authorities of various countries to inject liquidity into the financial markets and the recapitalisation of many large financial markets in developed and developing countries, international financial markets do not appear to have normalised and is expected to continue in their volatility. With the sharp deceleration in growth and declining commodity prices, inflationary pressures have eased but on the back of that, fears of deflation have now emerged.

As an open and export oriented economy, the Malaysian economy will inevitably be impacted by these unfavourable external developments. The significant slowdown in the global economy is expected to affect the export sector while the continued volatility in the financial markets will certainly dampen business outlook. While this challenging period is expected to see growth being moderated, the underlying fundamental strength of the Malaysian economy and the well supervised and well capitalised banking sector may shield the country from the looming threat of recession.

## Outlook On Malaysian REIT

The Securities Commission has issued the revised Guidelines on Real Estate Investment Trust on 21 August 2008 to enhance the attractiveness of Malaysia as a destination for REIT listings and promote a vibrant and competitive REIT industry domestically and regionally. Among the flexibilities provided are:

- Allowing up to 70% foreign shareholding in REIT management companies, an increase from 49% since 2005;
- Providing greater flexibilities for REIT Managers to manage their REITs' portfolio mix;
- Allowing REIT Managers to raise funds faster for acquisitions or capital expenditure purposes.

### Taxation

The Government has proposed via the Annual Malaysian Budget 2009 that the withholding tax rate imposed on foreign institutional investors be reduced from 20% to 10% whilst for non corporate investors including all individuals and other resident entities to be reduced from 15% to 10% for the period from 1 January 2009 to 31 December 2011, to further encourage foreign institutional investors and non corporate investors (resident individuals and non resident individuals inclusive) to invest in Malaysian REITs.

## On Atrium REIT

Despite downside risks arising from the uncertainties in the global financial markets and market sell down in equity, demand for warehouse and factory space in prime locations is expected to remain stable in 2009.

Looking ahead, the Manager will continue to pursue yield accretive acquisition opportunities. This focus will remain a challenging one for a number of reasons. Firstly, most REIT's unit prices as with all other sectors of equity investments have taken a tumble in the midst of the global financial crisis. The Manager believes that this

has resulted in artificially high yields on investment which would make it a challenge to match in new acquisitions.

Furthermore, REITs are generally now faced with some constraints in the issuance of new units to raise capital in the present market conditions, where most REITs are now trading below par. This financing window now may perhaps become smaller, if not closed.

On the upside, interest rates are declining as evidenced by the recent Overnight Policy Rates ("OPR") cuts announced by the Bank Negara Malaysia. This augurs well for REITs as external borrowings provide an important avenue of financing for acquisitions, as the cost of borrowing is now cheaper.

The Atrium REIT's gearing ratio as at 31 December 2008 stood at a low of 24.71% of its total asset value. This places the Atrium REIT in a strong position to raise additional funds for its future acquisitions as and when the opportunities arise.

## Change to the Board

On behalf of the Board, I would like to welcome our new Executive Director and Chief Executive Officer, Mr. Lim Pang Kiam to the Board. He brings with him a wealth of experience in the corporate and financial industry which would certainly add considerable depth and vision to the Board.

## Post Balance Sheet Events

One of our tenants, CEVA Logistics Malaysia Sdn Bhd ("CEVA"), has vacated 119,704 sq ft (expired tenancies) and 33,998 sq ft (unexpired tenancy) of the floor space in Atrium Shah Alam 2 as at 31 January 2009. CEVA will vacate the balance of 105,000 sq ft (expired tenancy) by 31 March 2009. The space vacated is expected to be taken up swiftly due to its prime location and excellent facilities. The Manager is in the process of sourcing for prospective tenant to take up the facility by 2nd quarter of 2009. The one-off impact to the net property income for the 1st and 2nd quarter during this change over is expected to be significant but the Manager is taking steps to mitigate this loss of income, including but not limited to, seeking appropriate compensation from CEVA as provided under the tenancy agreements.

During the Unitholders meeting held on 21 November 2008, the resolution on proposed amendment to the Deed, to increase the Manager's fees for financial year ending 31 December 2009 from 0.5% per annum of the NAV to 0.6% per annum of the NAV of the Atrium REIT was approved by a majority of 94.52%. The fee increase will take effect from 1 March 2009.

## Appreciation

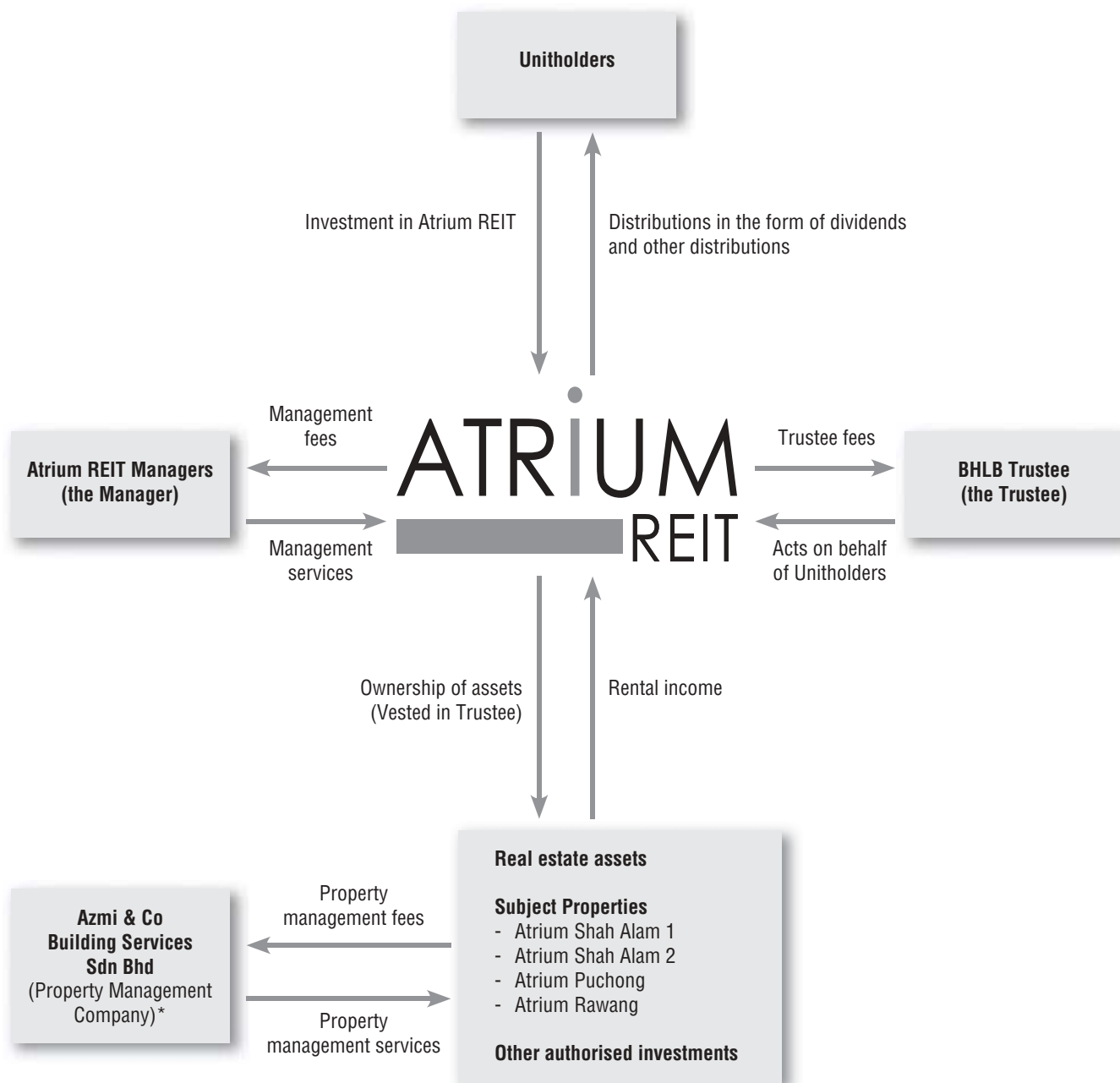
On behalf of the Board of Directors of Atrium REIT Managers Sdn Bhd, I would like to thank my fellow Board members for their advice and contributions throughout the year, our tenants and business associates, the regulatory authorities, investors and unitholders, for their strong support which has been the prime reason for the Trust's commendable performance for 2008. I would also like to thank the management team for the concerted effort and contribution in 2008.

## DATO' ZAKARIA MERANUN

Chairman  
Atrium REIT Managers Sdn Bhd  
6 February 2009

# STRUCTURE OF ATRIUM REIT

The following diagram illustrates the structure of Atrium REIT and indicates the relationships between Atrium REIT, the Manager, the Property Management Company, the Trustee and the Unitholders:



\* Property Management Company:  
 MN Associates (KL) Sdn Bhd (resigned during the year)  
 Azmi & Co Building Services Sdn Bhd (appointed during the year)

# BOARD OF DIRECTORS AND MANAGEMENT/ CORPORATE DIRECTORY

## BOARD OF DIRECTORS AND MANAGEMENT OF THE MANAGER

### BOARD OF DIRECTORS

**Dato' Zakaria Meranun**

*Chairman and Non-Independent Non-Executive Director*

**Lim Pang Kiam**

*Executive Director and Chief Executive Officer*

**Wong Sui Ee**

*Executive Director*

**Lim Kok How**

*Non-Independent Non-Executive Director*

**How Hu Son**

*Independent Non-Executive Director*

**Tor Peng Sie**

*Independent Non-Executive Director*

**Soong Kwong Heng**

*Independent Non-Executive Director*

### COMPANY SECRETARY

Ho Hea Ming

### MANAGEMENT

**Lim Pang Kiam**

*Executive Director and Chief Executive Officer*

**Wong Sui Ee**

*Executive Director*

**Chan Kum Chong**

*Chief Operating Officer*

**Lee Hooi Hoong**

*Chief Financial Officer*

**Sum Lai Fern**

*Property Manager*

## CORPORATE DIRECTORY

### MANAGER

**Atrium REIT Managers Sdn Bhd (710526-V)**

Principal place of business:

36-2, Jalan 5/101C, Off Jalan Kaskas

Jalan Cheras

56100 Kuala Lumpur

Tel: 03-9132 2810 Fax: 03-9132 9810

Website: [www.atriumreit.com.my](http://www.atriumreit.com.my)

### REGISTERED OFFICE:

18-4-2, Jalan 5/101C

Cheras Business Centre

Taman Cheras

56100 Kuala Lumpur

Tel: 03-9132 3369 Fax: 03-9132 2369

### TRUSTEE

BHLB Trustee Berhad (313031-A)

Principal place of business:

Level 7 Bangunan ARB

Jalan Semantan

Damansara Heights

50490 Kuala Lumpur

Tel: 03-2084 8888 Fax: 03-2095 5473

### REGISTRAR

Bina Management (M) Sdn Bhd (50164-V)

Lot 10, The Highway Centre

Jalan 51/205

46050 Petaling Jaya

Tel: 03-7784 3922 Fax: 03-7784 1988

### AUDITORS

BDO Binder

Chartered Accountants

### PRINCIPAL BANKER

Malayan Banking Berhad

### PROPERTY MANAGEMENT COMPANY

MN Associates (KL) Sdn Bhd (702133-K)

(resigned during the year)

Azmi & Co Building Services Sdn Bhd (475267-U)

(appointed during the year)

### BURSA MALAYSIA STOCK NAME AND CODE

ATRIUM 5130

# PROFILE OF DIRECTORS

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## **Dato' Zakaria Meranun**

Chairman and Non-Independent Non-Executive Director

Malaysian, aged 49, was appointed to the Board on 22 September 2005. Dato' Zakaria obtained his Diploma in Accountancy from Institute Teknologi MARA in 1980 and after a short stint with Ernst & Young, he left for the United States to further his studies. He graduated with a Bachelor of Science in Business Administration (Accounting) from Central Michigan University in 1985 and subsequently obtained a Masters in Accounting in 1986. Dato' Zakaria began his career after his postgraduate studies with a brief appointment as an Internal Auditor with the Sime Darby Group of Companies. Subsequently in early 1988, he joined Alexander Proudfoot (M) Sdn Bhd as a Senior Consultant. In 1989, Dato' Zakaria joined Esso Production Malaysia, Inc for about five (5) years and ended his tenure there as a Senior Financial Analyst. In late 1993, he joined SPK Bowring Insurance Broker Sdn Bhd as a Deputy General Manager – Finance. In 1994, he was promoted as the Chief Executive Officer of the company. Currently, he is the Managing Director and substantial shareholder of SP&G Insurance Brokers Sdn Bhd (previously known as SPK Bowring Insurance Brokers Sdn Bhd). He is on the Board of Directors and a shareholder of Orion Asia Sdn Bhd, OceanKlass Sdn Bhd and Gemilang Penchala Sdn Bhd. He is also a Director in Distinct Energies Sdn Bhd and Gemilang Maintenance Services Sdn Bhd.

## **Lim Pang Kiam**

Executive Director and Chief Executive Officer

Malaysian, aged 45, was appointed to the Board on 2 September 2008. Presently Mr Lim is a Chartered Member and Certified Risk Professional (CRP) under the Bank Administration Institute Centre for certification, USA, a Certified Financial Planner (CFP) from the Federation of Financial Planners Malaysia and is also a Chartered Member of the Institute Bank Bank Malaysia (IBBM). He has served in several senior positions in financial institutions in Malaysia and headed the Corporate Banking Division of a local anchor bank before venturing into private businesses.

## **Wong Sui Ee**

Executive Director

Malaysian, aged 39, was appointed to the Board on 22 September 2005. Ms Wong graduated with a Bachelor of Arts majoring in Accounting and Finance from Middlesex University, London, in 1991. She is an associate member of the Institute of Chartered Accountants in England and Wales (ICAEW) since 1994. Ms Wong began her career in KPMG, United Kingdom in 1991 as an Auditor. In 1996, she joined Perdana Merchant Bank Berhad as Assistant Vice President for two (2) years. She joined Glory Blitz Industries Sdn Bhd (“GBISB”) and its related companies in 1998. During her 8-year tenure with GBISB and its related companies, she formed the team to develop built to suit freehold properties in the Klang Valley for the group’s multinational clients including CEVA Logistics (formerly known as TNT Logistics), Exel Logistics (now part of the DHL Group), Danzasmal (now part of the DHL Group), Unilever Malaysia, Silverstone Tyres and others. Currently, she is also on the Board of Directors in GBISB, Sparkle Skyline Sdn Bhd, Alpha Netrise (M) Sdn Bhd, Ample Cosmos Sdn Bhd and Kilat Idam Sdn Bhd.

## **Lim Kok How**

Non-Independent Non-Executive Director

Malaysian, aged 49, was appointed to the Board on 22 September 2005. Mr Lim graduated from Kolej Tunku Abdul Rahman with a Diploma in Financial Accounting in 1984. He commenced his career as an Audit Trainee with Khoo Wong Chan & Co before joining Kassim Chan & Co. in 1987. In 1990, he joined Mechmar Corporation (Malaysia) Bhd (“Mechmar”) as its Internal Audit Manager, where he was involved in monitoring and overseeing development projects. He was also responsible for ensuring that the water treatment plants and sewerage plants were completed on schedule. Mr Lim was part of Mechmar’s management committee. After five (5) years in Mechmar Corporation (Malaysia) Bhd, he was involved in the ceramic, chemical and medical supply businesses. In 2001, he passed the Real Estate Agent exam with the Board of Valuers, Appraisers and Estate Agents Malaysia. Currently he heads his own private investment holding and property development companies, Brilliant Portfolio Sdn Bhd, Ukay Boulevard Sdn Bhd and Capital Trend Asia Sdn Bhd.

## **Tor Peng Sie**

Independent Non-Executive Director

Malaysian, aged 50, was appointed to the Board on 17 November 2006. Mr Tor graduated with a Bachelor of Science from Campbell University, North Carolina, United States of America in 1982. He is a holder of the Real Estate Agent Licence from the Board of Valuers, Appraisers and Estate Agents Malaysia since 1993. Mr Tor has over twenty (20) years experience in the real estate industry, where he began his career in Rahim & Co. Chartered Surveyor Sdn Bhd in 1984 as a Valuation Executive and was subsequently promoted as a Real Estate Negotiator. In 1988, he worked with The Golden Triangle Real Estate Agents initially as a Real Estate Agent and later became a Director for the said company. In 1999, he joined Pacific Landmark Real Estate Agents. He is currently a Principal of Pacific Landmark Real Estate Agents.

# PROFILE OF DIRECTORS

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## **How Hu Son**

Independent Non-Executive Director

Malaysian, aged 59, was appointed to the Board on 17 November 2006. Mr How graduated from Brighton Polytechnic, United Kingdom with a Bachelor of Science (Hons) in Civil Engineering in 1975. In 1976, he obtained his Master of Science from Imperial College of Science & Technology, London. He is a member of the Institution of Engineers, Malaysia and is a registered professional Engineer with the Board of Engineers, Malaysia. He began his career in 1977 as a Structural Engineer with Jabatan Kerja Raya for two (2) years. Thereafter, he joined Tahir Wong Sdn Bhd as its Senior Structural Engineer and was subsequently promoted to Senior Associate. During his 14 years in Tahir Wong Sdn Bhd, he was involved in projects such as Subang Parade, the Royal Malaysian Navy Base in Sarawak, Puteri Pan Pacific Hotel, Johor and the Selangor Turf Club. Currently, he is a Director of Pakatan Cergas Sdn Bhd, a consultancy company involved in civil and structural engineering. Some of the projects that he was involved in are the construction of Bukit Ceylon Condominium, CP Tower, Eastin Hotel and Phileo Damansara. He is also the Director of Yong Peng Batu Bata Berhad and PC Assets Sdn Bhd.

## **Soong Kwong Heng**

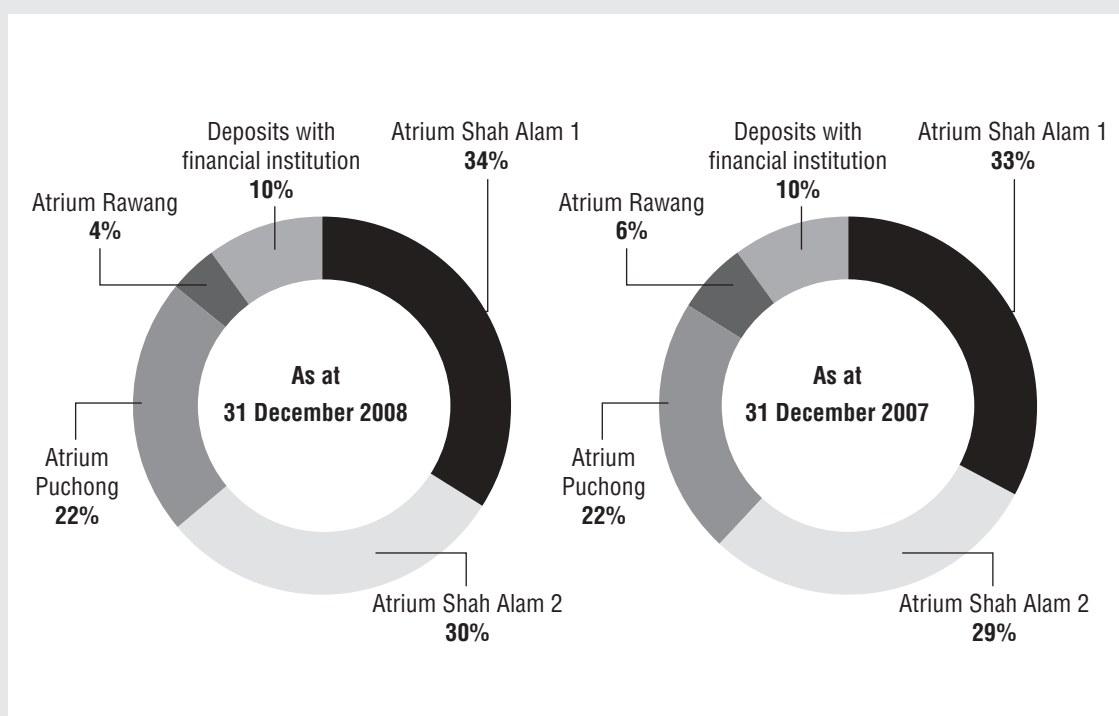
Independent Non-Executive Director

Malaysian, aged 59, was appointed to the Board on 17 November 2006. Mr. Soong graduated with a Bachelor of Economics from Universiti Malaya in 1972. Mr Soong has more than thirty (30) years experience in tax related issues. After his graduation, he began his career in the Department of Inland Revenue Malaysia for three (3) years. In 1975, he joined Chan King Sang & Co. as its Tax Manager for ten (10) years. Since 1985, he served as a Tax Principal for K. S. Taxation Services Sdn Bhd. Currently, he is also on the Board of Directors of Global Gain Sdn Bhd, Segamat Holdings Sdn Bhd and Compagnie Du Monde Sdn Bhd, which are companies involved in property and equity investments.

# PERFORMANCE DATA

## I) Portfolio Composition of the Trust

	As at 31 December 2008	As at 31 December 2007
	%	%
Atrium Shah Alam 1	34	33
Atrium Shah Alam 2	30	29
Atrium Puchong	22	22
Atrium Rawang	4	6
	90	90
Deposits with financial institution	10	10
	100	100



## II) Asset Value and Unit information of the Trust

	As at 31 December 2008	As at 31 December 2007
Total asset value (RM'000)	182,123	173,397
Net asset value (RM'000)	126,277	119,396
Units in circulation (No of units'000)	121,801	121,801
Net asset value per unit (RM)	1.04	0.98
Market price per unit (RM)	0.61	1.00
	<b>1 January 2008 to 31 December 2008</b>	<b>2 April 2007 to 31 December 2007</b>
Highest net asset value per unit for the year/period (RM)	1.04	1.02
Lowest net asset value per unit for the year/period (RM)	0.98	0.98
Highest traded price for the year/period (RM)	1.00	1.13
Lowest traded price for the year/period (RM)	0.60	0.91

# PERFORMANCE DATA

## III) Distributions since Commencement

	Distribution		Net Asset Value Per Unit (RM)	
	Per Unit (Sen)	Date	Before Distribution	After Distribution
<b>2007</b>				
2nd Quarter	2.00	28 Aug 07	1.00	0.98
3rd Quarter	2.20	28 Nov 07	1.00	0.98
4th Quarter	2.30	29 Feb 08	1.00	0.98
<b>2008</b>				
1st Quarter	2.05	30 May 08	1.00	0.98
2nd Quarter	2.10	29 Aug 08	1.00	0.98
3rd Quarter	2.10	28 Nov 08	1.00	0.98
4th Quarter	2.15	6 Mar 09	1.06	1.04

## IV) Performance of the Trust since Commencement

	1 January 2008 to 31 December 2008	2 April 2007 to 31 December 2007
Total return (%) <sup>1</sup>	(28.76)	5.90
- Capital growth (%)	(39.00)	(0.60)
- Income distribution (%)	10.24	6.50
Income distribution per unit (sen)		
- Gross	8.40	6.50
- Net	8.40	6.50
Management expense ratio (%) <sup>2</sup>	0.89	0.53
Portfolio turnover ratio (times) <sup>3</sup>	-	1.27

## V) Average Annual Return for the Financial Year Ended 31 December 2008

	Atrium REIT (%)	KLCI (%)
One year	(28.76)	(38.93)
Since launch (2 April 2007)	(13.06) <sup>4</sup>	(16.94) <sup>5</sup>

### Note:

- <sup>1</sup> Total return is based on the actual gross distribution yield for the financial year/period and the net percentage change in the market price of the Trust for the financial year/period.
- <sup>2</sup> Management expense ratio is calculated based on total fees of the Atrium REIT incurred, including the Manager's fees, Trustee's fees, audit fee, tax agent's fee and administrative expenses, to the average net asset value of the Trust for the financial year/period.
- <sup>3</sup> Portfolio turnover ratio is the ratio of the average of total acquisitions and total disposals of investments in the Atrium REIT for the year/period to the average net asset value of the Trust for the year/period.
- <sup>4</sup> Average Annual Return is computed based on the total return per unit for the period, averaged over the number of years for the period.
- <sup>5</sup> Average Annual Return is computed based on the net change in the KLCI index for the period, averaged over the number of years for the period.

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may fluctuate.



# STATEMENT OF CORPORATE GOVERNANCE

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The Board of Directors (“Board”) of Atrium REIT Managers Sdn Bhd (“Manager”) is firmly committed in ensuring that the Manager adopts and implements good corporate governance practices for the benefits of the Atrium REIT which was listed on the Main Board of Bursa Malaysia on 2 April 2007. In developing the system of corporate governance, the Board is guided by the measures recommended by the Securities Commission Guidelines on REITs, Securities Guidelines on Unit Trust Funds, the Listing Requirements of Bursa Securities and the Malaysian Code on Corporate Governance, which was revised on 1 October 2007.

## ROLE OF MANAGER

### Manager of the Atrium REIT

The Manager’s primary objectives are to provide unitholders with attractive rate of return for their investment through regular and stable cash distributions with the potential for sustainable growth and enhancement to the long-term unit value.

The general functions, duties and responsibilities of the Manager include the following:

- (a) to set the strategic direction of the Atrium REIT;
- (b) to make recommendations to the Trustee on acquisitions, divestments and enhancements in line with the overall strategy;
- (c) to manage the Atrium REIT’s assets and liabilities for the benefit of unitholders;
- (d) to carry out the activities in relation to the assets of the Atrium REIT in accordance with the provisions of the Trust Deed dated 20 November 2006 and amended by the Supplementary Deed dated 25 November 2008 (collectively known as “the Deed”);
- (e) to issue an annual report of Atrium REIT to unitholders within two (2) months of its financial year end;
- (f) to attend to all queries from unitholders;
- (g) to supervise the Property Management Company; and
- (h) to ensure that Atrium REIT is managed within the ambit of the Deed, the Securities Commission Acts 1993, Securities Commission (SC) Guidelines on Real Estate Investment Trusts (“REITs”), other securities laws, the Listing Requirements of Bursa Malaysia Securities Bhd, and other applicable laws.

The Atrium REIT is externally managed by the Manager and accordingly, it has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by the Atrium REIT.

Atrium REIT Managers Sdn Bhd is the appointed Manager of the Atrium REIT in accordance with the terms of the Deed which outlines the circumstances under which the Manager can be retired.

## DIRECTORS OF THE MANAGER

### The Board

The Manager is led and managed by an experienced Board with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent Board. The Directors recognise the key role they play in charting the strategic direction, development and control of the Manager and have adopted the primary responsibilities as listed in the REIT Guidelines as well as the roles and duties set out in the REIT Guidelines, which facilitate the discharge of the Directors’ stewardship responsibilities.

### Board Composition

The Board has seven (7) members comprising two (2) Non-Independent Non-Executive Directors, two (2) Executive Directors and three (3) Independent Non-Executive Directors. This composition reflects a balance of Executive Directors and Non-Executive Directors such that no individual or group of individuals dominates the Board’s decision making. The profiles of the members of the Board are provided in pages 12 to 13 of the Annual Report.

The Chairman leads the Board and is responsible for the Board’s effectiveness and conduct whilst the Executive Directors have the overall responsibility over the business units, organisational effectiveness and implementation of the Board’s policies, strategies and decisions as planned and in accordance with the Deed, Securities Commission Act and REIT Guidelines.

# STATEMENT OF CORPORATE GOVERNANCE

The Board focuses mainly on strategy, financial performance and critical business issues, including:-

- The strategic business plans
- Key financial performance indicators
- Principal risks and their management
- Succession planning for senior management
- Investors and unitholders relations programmes
- Systems of internal control

Independent Non-Executive Directors have the responsibility to ensure that the strategies proposed by the Executive Directors and management are fully discussed and examined, taking account of the long term interest, not only of the unitholders, but also of employees, customers, suppliers and the many communities in which Atrium REIT conducts business.

## Board Meetings

Board meetings are scheduled at least four (4) times per annum to review the operations of the Atrium REIT and to approve the interim and annual financial statements of the Atrium REIT. Additional meetings are held as and when urgent issues and important decisions need to be taken between the scheduled meetings.

The Board met five (5) times during the financial year ended 31 December 2008. The number of meetings attended by each Director is as follow:

Directors	Designation	Attendance	Remarks
Dato Zakaria Meranun	Chairman and Non-Independent Non-Executive Director	5/5	No change
Lim Pang Kiam	Executive Director and Chief Executive Officer	1/5	Appointed as Executive Director and Chief Executive Officer w.e.f. 2 September 2008
Wong Sui Ee	Executive Director	5/5	Resigned as Chief Executive Officer w.e.f. 29 August 2008
Lim Kok How	Non-Independent Non-Executive Director	5/5	Redesignated to Non-Independent Non-Executive Director w.e.f. 29 August 2008
How Hu Son	Independent Non-Executive Director	4/5	No change
Tor Peng Sie	Independent Non-Executive Director	5/5	No change
Soong Kwong Heng	Independent Non-Executive Director	5/5	No change

## Access to and Supply of Information and Advice

All Board members are supplied with information on a timely manner. The Agenda together with the full set of Board papers containing information relevant to the Board meeting are circulated to the Directors prior to the Board meetings. There is sufficient time for the Directors to review and seek clarification where necessary prior to meeting being held and this process enables the Directors to make better and informed decisions

All Directors have access to the advice and services of the Company Secretary and have the right to seek independent professional advice when necessary in discharging their duties, making acquisition decisions and complying with relevant legislations and regulations.

## Appointments to the Board

There is a transparent procedure for the appointment of new Directors to the Board. The Executive Directors or Chief Executive Officer makes recommendations on the requirement and suitability of candidates nominated for appointment to the Board and the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is sufficient to address the issues affecting the Manager and the Atrium REIT.

# STATEMENT OF CORPORATE GOVERNANCE

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## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board is responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Act, and applicable approved accounting standards in Malaysia. The Directors are satisfied that in preparing the financial statements of the Atrium REIT for the financial period ended 31 December 2008, the Atrium REIT has applied consistently, suitable accounting policies and supported by reasonable and prudent judgments and estimates.

### Internal Control

The Board is required to ensure and maintain a sound system of internal controls and risk management practices to safeguard the unitholders' investments and the Trust's assets. However, such system can only provide reasonable but not absolute assurance against material misstatements or losses.

### Relationship with Auditors

The Board maintains a transparent relationship throughout their association with the external auditors. The appointment of external auditors, who may be nominated by the Manager, is approved by the Trustee. The auditors appointed must be independent of the Manager and Trustee. The remuneration of the Auditor is approved by the Trustee.

## MANAGEMENT OF BUSINESS RISK

Recognising and managing risk is central to the business and to protecting unitholders' interests and value. The Manager operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved. Responsibility of managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The Board meets quarterly or more often, if necessary and reviews the financial performance of the Manager and the Atrium REIT against a previously approved budget. The Board will also review the business risks of the Atrium REIT and will act upon any comments from the auditor. In assessing business risks, the Board considers the economic environment and risks relevant to the property industry. The Board reviews management reports and feasibility studies on proposed property acquisition prior to approving the transaction.

## RELATED PARTY TRANSACTIONS

The Manager will comply with all requirements as laid out in the SC's Guidelines on REITs, the Deed and the Listing Requirement of Bursa Malaysia Securities Berhad.

The Manager has established procedures that will ensure that all related party transactions undertaken are in full compliance to the Guidelines on REITs as detailed below:

- (a) carried out at arm's length;
- (b) in the best interests of unitholders;
- (c) in relation to a real estate transaction:
  - (i) transacted at a price that is equivalent to the value assessed in the valuation report;
  - (ii) consented by trustee; and
  - (iii) consistent with the investment objective and strategy of the Atrium REIT; and
- (d) adequately disclosed to unitholders.

Where the transaction value with related parties in relation to a real estate is equal to or greater than 5% of the total asset value of the fund (after acquisition), the prior approval of the unitholders by way of an ordinary resolution is required. However, if the transaction value does not exceed 5% of the total asset value of the fund (after acquisition), the Trustee must provide a written confirmation that the transaction is based on normal commercial terms, at arm's length, and not prejudicial to the unitholders' interest.

## WHISTLE BLOWING POLICY

The Board has put in place procedures to provide employees of the Manager with defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to the Atrium REIT or the Manager, and for the independent investigation of any reports by employees and appropriate follow up action.

The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

# STATEMENT OF CORPORATE GOVERNANCE

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## **COMMUNICATION WITH UNITHOLDERS AND INVESTORS**

The Board acknowledges the importance of regular communication with unitholders and investors to ensure that they are well informed of the activities and performance of the Atrium REIT. The communication channels are via annual and interim reports, quarterly financial reports and the various disclosures and announcements on the Bursa Malaysia Securities Bhd website.

## **OTHER INFORMATION**

### **Family Relationship with any Director and/or Substantial Unitholder**

None of the Directors of the Manager has any family relationship with any other Directors or major unitholders.

### **Conflict of Interest**

Save for the Directors' interests in the Atrium REIT (as disclosed under Directors' Interests in the Manager's Report) and the transactions with companies related to the Manager (as disclosed in the notes to the financial statements), no conflict of interest has arisen during the financial year under review.

### **Convictions for Offences**

None of the Directors has been convicted for offences within the past 10 years.

### **Material Contracts**

There were no material contracts entered by the Trust that involved the Directors of the Manager or substantial unitholders of the Trust during the financial year under review.

### **Directors' Training**

All the Directors have attended the prescribed "Mandatory Accreditation Programme for Directors of Public Listed Companies" and "continuing Education Programme (CEP)" to enable them to discharge their duties and responsibilities effectively. Directors are encouraged to attend briefings and seminars to keep abreast with the latest developments in the industry.

## FINANCIAL STATEMENTS

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# MANAGER'S REPORT

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Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust ("Atrium REIT"), is pleased to present the Manager's Report on the Atrium REIT together with the audited financial statements of the Atrium REIT for the financial year ended 31 December 2008

## ABOUT THE MANAGER

Atrium REIT Managers Sdn Bhd ("Manager") was established in 2005 and is a 60% owned subsidiary of Glory Blitz Industries Sdn Bhd. The Manager's Board of Directors and key personnel comprise experienced individuals in their respective fields of expertise.

## PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year.

## THE TRUST AND ITS PRINCIPAL ACTIVITY

The Atrium REIT was established by a trust deed entered into on 20 November 2006 and amended by the Supplementary Deed dated 25 November 2008 (collectively known as "the Deed") between the Manager and BHLB Trustee Berhad ("Trustee"). The Atrium REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 2 April 2007.

The principal activity of the Atrium REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. As at 31 December 2008, Atrium REIT owns Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Puchong and Atrium Rawang (the "Properties"), which are logistics warehouses and factory complex, located at prime sites and tenanted by subsidiaries of multinational companies on long term secured leases.

## MANAGER'S INVESTMENT OBJECTIVES AND STRATEGIES

The Manager's investment objectives are to maximise profits in order to reward unitholders annually 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 for the past 7 quarters since the listing of the Trust on 2 April 2007.

The Manager intends to achieve the Atrium REIT's investment objectives through three key strategies:-

### (i) Organic Growth Strategy

The Manager's strategy involves proactive asset management, maximising tenant retention and creating leasing opportunities and strong budgetary controls to maximise returns.

### (ii) Acquisition strategy

The Manager seeks to increase cashflows and yields, together with growth in distribution per unit and NAV per unit through selective acquisitions.

In evaluating acquisition opportunities, the Manager adopts the following investment criterias:

- yield accretive;
- quality of tenant;
- location;
- capital appreciation;
- land tenure;
- building designs and specifications; and
- nature of the tenant's business.

# MANAGER'S REPORT

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## **MANAGER'S INVESTMENT OBJECTIVES AND STRATEGIES (continued)**

### **(ii) Acquisition strategy (continued)**

The Manager intends to hold the properties on a long-term basis. However, as and when appropriate, the Manager may dispose the property and such proceeds may be reinvested in new real estates with better yields and growth potential and/or distributed to unitholders.

### **(iii) Financing strategy**

The Manager will comply with the provisions of the Deed and the SC Guidelines on REITs in relation to the maximum level of permitted borrowings which is set at 50% or any other percentage as stipulated by the SC Guidelines on REITs from time to time, of its total asset value.

The Manager intends to use a combination of debt and equity to fund future acquisitions. If it is deemed appropriate and in compliance with the SC Guidelines on REITs, a hedging strategy to manage the risks associated with changes in interest rates relating to its borrowings may be adopted. Borrowings can be in the form of bank borrowings or through the issuance of commercial papers/bonds where the Atrium REIT will have to be credit-rated.

## **INVESTMENT POLICIES AND COMPLIANCE WITH REIT GUIDELINES**

### **(i) Investment limits and restrictions**

The Atrium REIT's investments may be allocated in the following manner, as prescribed by the SC Guidelines on REITs:

- (a) At least 50% of the total asset value of Atrium REIT must be invested in real estate assets and/or single purpose companies at all times; and
- (b) Investment in non-real estate related assets and/or cash, deposits and money market instruments must not exceed 25% of Atrium REIT's total asset value.

### **(ii) Authorised Investments**

The Atrium REIT is allowed to invest in real estate, single-purpose companies whose principal assets comprise real estate, real estate-related or non real estate-related assets, cash, deposits and money market instruments and any other investment which is permissible under the SC Guidelines on REITs or otherwise permitted by the SC.

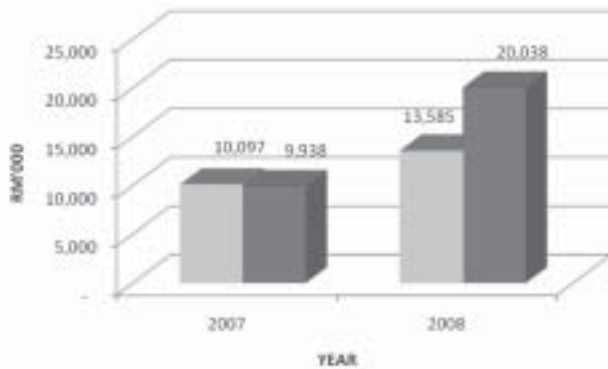
The Atrium REIT invests primarily in strategically located properties tenanted to logistics companies and manufacturers and will continue to look for opportunities in these types of properties. However, the Atrium REIT does not intend to limit itself to logistics and industrial properties and may consider other types of properties which meet its investment criterias.

# MANAGER'S REPORT

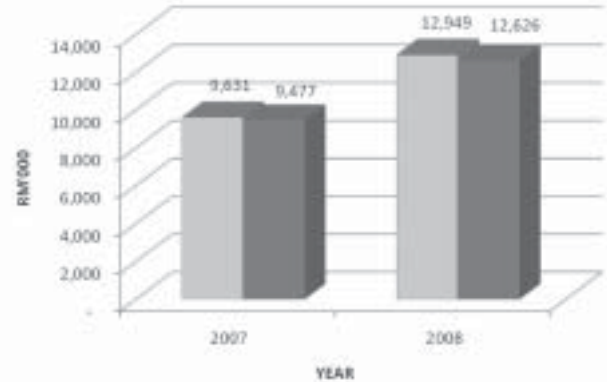
## FINANCIAL HIGHLIGHTS

Summary of Atrium REIT's Results

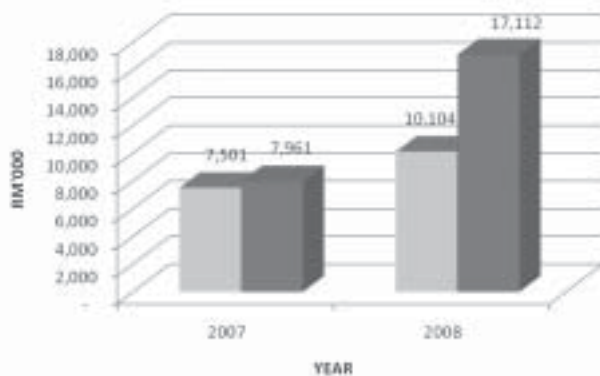
### TOTAL INCOME



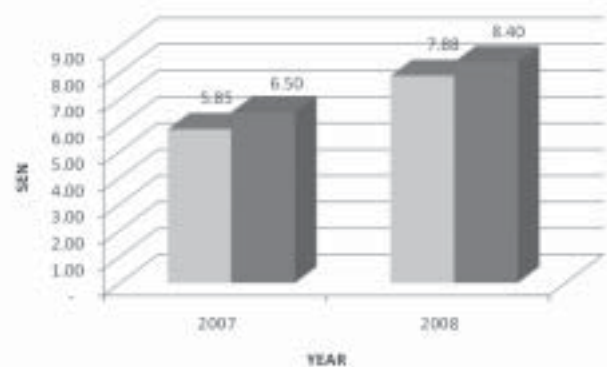
### NET PROPERTY INCOME



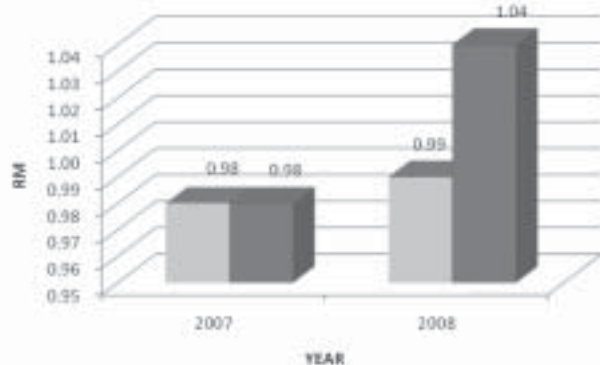
### NET INCOME



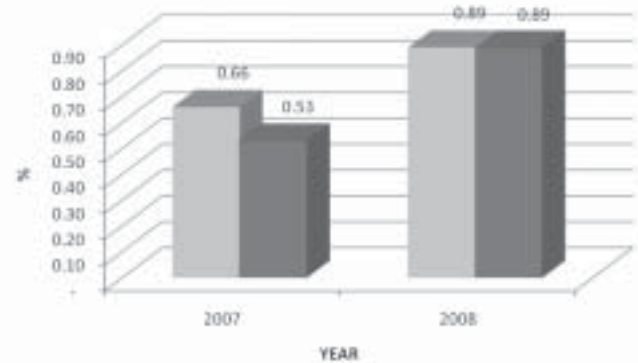
### DISTRIBUTION PER UNIT



### NET ASSET VALUE PER UNIT



### MANAGEMENT EXPENSE RATIO



■ Prospectus  
■ Actual



# MANAGER'S REPORT

## REVIEW OF PERFORMANCE

	As at 31 December 2008	As at 31 December 2007
Net asset value (RM'000)	126,277	119,396
Units in circulation (units) ('000)	121,801	121,801
Net asset value per unit (RM)	1.04	0.98
Market price per unit (RM)	0.61	1.00
Highest traded price per unit during the year/period (RM)	1.00	1.13
Lowest traded price per unit during the year/period (RM)	0.60	0.91

## Comparison of Results

	Actual RM'000	Prospectus RM'000
Gross rental income	13,691	13,750
Net income after tax	17,112	10,104
Distributable income (realised)	10,312	10,104
Income distribution	10,231	9,599
Distribution per unit (sen)	8.40	7.88
Distribution yield (%)		
- based on IPO price (RM1.00)	8.40	7.88*
- based on market price as at 31 December 2008	13.77	12.92*
Management Expense Ratio (%)	0.89	0.89

\* This figure does not appear in the Prospectus. It is computed for purpose of comparison only

## INCOME DEVIATION STATEMENT

For the financial year ended 31 December 2008, Atrium REIT recorded net income after tax of RM 17.112 million compared to the forecasted net income after tax of RM 10.104 million as shown in the Prospectus dated 28 February 2007. The positive deviation of RM 7.008 million representing 69.4% between the projections and actual results were contributed mainly by revaluation surplus gained from the revaluation of the investment properties of RM 6.800 million and net savings in operating expenses.

### Reconciliation of Income Deviation

	Actual RM '000	Forecast RM '000	Deviation RM '000
Gross rental income	13,691	13,750	(59)
Interest income	612	636	(24)
Change in fair value of investment properties	6,800	-	6,800
	21,103	14,386	6,717
Less:			
Property operating expenses	1,065	801	(264)
Non property operating expenses	2,926	3,481	555
Income before taxation	17,112	10,104	7,008
Taxation	-	-	-
Net income after tax for the year	17,112	10,104	7,008
Deviation			69.4%

## CAPITAL MANAGEMENT

As at 31 December 2008, the Atrium REIT's gearing ratio was 24.71%, based on total borrowings of RM45,000,000 and total assets of RM182,123,046, after the revaluation exercise conducted by Raine & Horne International Zaki + Partners Sdn Bhd ("Raine & Horne"). Its current conservative gearing ratio may allow the Atrium REIT to tap on the favourable interest rate environment for opportunistic acquisitions, before reaching the statutory limit of 50%.

# MANAGER'S REPORT

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## DISTRIBUTION OF INCOME

In 2008, the Atrium REIT's portfolio of properties continued to reward unitholders with stable and consistent returns for their investment. The Manager has proposed a final income distribution of 2.15 sen per unit, totaling RM2,618,722, in respect of the financial year ended 31 December 2008. The Trust has distributed 6.25 sen for the 9 months financial period from 1 January 2008 to 30 September 2008, resulting in a total distribution per unit of 8.40 sen for the year under review, which translates to a yield of 13.77% based on the closing market price of RM0.61 as at 31 December, 2008.

The effect of the income distribution in terms of NAV per unit is as follows:

	As at 31 December 2008 RM	As at 31 December 2007 RM
<b>NAV per unit - before distribution</b>	1.0582	1.0033
<b>NAV per unit - after distribution</b>	1.0367	0.9803

## PORTFOLIO VALUATION

As at 31 December 2008, Raine & Horne, appraised the Atrium REIT's property portfolio at RM 161,600,000. This represented an overall increase of 2.08% in value from the previous year's valuation of RM 158,300,000, reflecting the strong demand for industrial space in the Klang Valley. Raine & Horne primarily used the investment and cost approach, supported by the direct comparison method, in arriving at the market valuation for each individual property in the portfolio.

## INVESTMENT OF ATRIUM REIT

Atrium REIT's composition of investment as at 31 December 2008 is as follows:

	RM Million	%
Atrium Shah Alam 1	61.40	34
Atrium Shah Alam 2	53.70	30
Atrium Puchong	38.50	22
Atrium Rawang	8.00	4
	<hr/>	<hr/>
	161.60	90
Deposits with financial institution	17.75	10
	<hr/>	<hr/>
	179.35	100
	<hr/>	<hr/>

## REVIEW OF THE PROPERTY MARKET

For the financial year ended 31 December 2008, Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Puchong and Atrium Rawang ("Properties") achieved an occupancy rate of 100%. The Properties, all of which are located in freehold land, are built-to-suit to our tenants' high specifications and requirements. The Properties are all located in prime locations in the Klang Valley with good accessibilities and infrastructures within Kuala Lumpur and Selangor. The 100% occupancy rate achieved by the Properties coupled with the profiles of the tenants and the tenure of the leases are indicative of the quality of the Properties owned by the Trust.

## PROSPECTS OF THE PROPERTY MARKET

The Malaysian property market is likely to soften in 2009 due to the global economic slowdown. Slower economy will cool down demand as consumer confidence level is low; with many buyers continue to adopt a wait-and-see stance. Generally, property prices are expected to fall but prices of properties in prime locations are expected to remain stable. Malaysia's property prices will not fall as drastically as the prices of properties in Singapore and Hong Kong as property prices in these countries' had risen tremendously over a short period while Malaysia's property price appreciation had been at a slower but more sustainable rate.

# MANAGER'S REPORT

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## PROSPECTS OF THE PROPERTY MARKET (continued)

Notwithstanding the general property market outlook, the demand for Grade A warehouse and factory space in Klang Valley is expected to remain stable in 2009 despite the current economic turmoil as the supply of custom built Grade A industrial properties in prime locations in the Klang Valley continues to be limited. Overall vacant industrial land prices in prime locations have moved up during the financial year under review and industrial property prices have remained firm since the Trust's listing on the Bursa Malaysia.

## DIRECTORS OF THE MANAGER

The names of the Directors of the Manager who served on the Board since the date of last report are:

Dato' Zakaria Meranun (Chairman)  
Lim Pang Kiam (Appointed on 2 September 2008)  
Wong Sui Ee  
Lim Kok How  
Tor Peng Sie  
How Hu Son  
Soong Kwong Heng

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party with the object or objects of enabling the Directors to acquire benefits by means of acquisition of units in or debentures of the Atrium REIT or any other body corporate.

Since the establishment of the Trust, no Director has received or become entitled to receive any benefits by reason of a contract made by the Manager for the Atrium REIT or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

## DIRECTORS' INTERESTS

According to the register of Directors' unitholdings, the interests of Directors of the Manager in office at the end of the financial year ended 31 December 2008 are as follow:

	At 1 January 2008	Bought	Sold	At 31 December 2008
<b>Direct Interest</b>				
Dato' Zakaria Meranun	200,000	-	-	200,000
Lim Pang Kiam	-	100,000	-	100,000
Wong Sui Ee	200,000	50,000	-	250,000
Lim Kok How	200,000	-	-	200,000
Tor Peng Sie	100,000	-	-	100,000
How Hu Son	100,000	-	-	100,000
Soong Kwong Heng	50,000	-	-	50,000
<b>Indirect Interest</b>				
Lim Kok How*	5,000,000	-	-	5,000,000

\* Deemed interest by virtue of his direct shareholdings in Vivid Images Sdn Bhd

# MANAGER'S REPORT

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## MANAGER'S FEES AND COMMISSION

Pursuant to the Trust Deed dated 20 November 2006 (as amended by the Supplementary dated 25 November 2008), for the financial years ending 31 December 2008 and 31 December 2009, the Manager shall receive a fee of 0.5% and 0.6% per annum respectively, of the Net Asset Value of the Trust. Thereafter, the Manager is entitled to receive a fee of up to 1.0% per annum of the Net Asset Value of the Trust.

During the year, the Manager did not receive any soft commission (i.e. goods and services) from brokers or agents by virtue of transactions conducted by the Atrium REIT.

## OTHER STATUTORY INFORMATION

Before the income statement and balance sheet of the Trust were made out, the Manager took reasonable steps:

- (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
- (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances which would render:

- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Trust; and
- (ii) the values attributed to the current assets in the financial statements of the Trust misleading.

At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Trust misleading or inappropriate.

At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Trust which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Trust which has arisen since the end of the financial year which secures the liability of any other person; or
- (ii) any contingent liability of the Trust which has arisen since the end of the financial year.

In the opinion of the Directors of the Manager:

- (i) the results of the operations of the Atrium REIT during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Trust for the financial year in which this report is made.

# MANAGER'S REPORT

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## **SIGNIFICANT POST BALANCE SHEET EVENT**

CEVA Logistics Malaysia Sdn Bhd ("CEVA"), the tenant for Atrium Shah Alam 2 ("Property") has vacated 119,704 sq ft (expired tenancies) and 33,998 sq ft (unexpired tenancy) of the floor space as at 31 January 2009. Vacant possession for the balance of the floor space of 105,000 sq ft (expired tenancy) will be delivered by 31 March 2009. The Manager do not foresee any problem in finding a new tenant for the space vacated as the Property is located at a prime location and equipped with excellent facilities.

The Manager is in the process of sourcing for prospective tenant and expects the new tenant to take vacant possession of the Property by 2nd quarter of 2009 after the necessary repairs have been carried out on the Property. This change over is expected to have a significant one-off impact on the net property income of the Trust for the 1st and 2nd quarter of 2009 but the Manager is taking steps to mitigate this loss of income, including but not limited to, seeking appropriate compensation from CEVA as provided under the tenancy agreements.

Lim Pang Kiam

Wong Sui Ee

Kuala Lumpur, Malaysia  
6 February 2009

# STATEMENT BY DIRECTORS OF THE MANAGER

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In the opinion of the Directors of the Manager, the financial statements set out on pages 32 to 52 have been drawn up in accordance with the provisions of the Trust Deed dated 20 November 2006 and the Supplementary Trust Deed dated 25 November 2008, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust") as at 31 December 2008 and the results of its operations of the Trust and cash flows for the financial year then ended.

Signed on behalf of the Manager,

Atrium REIT Managers Sdn. Bhd.  
in accordance with a resolution of the Directors of the Manager

.....  
Wong Sui Ee

Kuala Lumpur  
21 January 2009

.....  
Lim Pang Kiam

## STATUTORY DECLARATION

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I, Lim Pang Kiam, being the Director of the Manager, Atrium REIT Managers Sdn. Bhd. primarily responsible for the financial management of Atrium Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 32 to 52 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly )  
declared by the abovenamed in )  
Kuala Lumpur in the Federal )  
Territory on 21 January 2009 )  
)

.....  
Lim Pang Kiam

Before me:-

Commissioner for Oaths

# TRUSTEE'S REPORT

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To the Unitholders of Atrium Real Estate Investment Trust,

We have acted as Trustee of Atrium REIT for the year ended 31 December 2008. To the best of our knowledge, Atrium REIT Managers Sdn. Bhd. (the "Manager") has managed Atrium REIT for the year then ended:

- a) in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Trust Deed dated 20 November 2006 and the Supplementary Trust Deed date 25 November 2008, other applicable provisions of the Trust Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws;
- b) that valuation/ pricing is carried out in accordance with the Trust Deed, Supplemental Trust Deed and other regulatory requirements;
- c) that the distributions to the Unitholders of Atrium REIT are in line with and are reflective of the objectives of Atrium REIT.

For BHLB Trustee Berhad

Jeslin Ng Lai Peng  
Senior Manager  
Kuala Lumpur, Malaysia  
21 January 2009

# INDEPENDENT AUDITORS' REPORT

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## TO THE UNITHOLDERS OF ATRIUM REAL ESTATE INVESTMENT

### Report on the Financial Statements

We have audited the financial statements of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust"), which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in net asset value and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 52.

### Directors' Responsibility for the Financial Statements

The Directors of Atrium REIT Managers Sdn. Bhd. ("the Manager") of Atrium REIT are responsible for the preparation and fair presentation of these financial statements in accordance with the provision of the Trust Deed dated 20 November 2006 and the Supplementary Deed dated 25 November 2008, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and applicable approved Financial Reporting Standards in Malaysia. This responsibility include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Atrium REIT's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Atrium REIT's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the provision of the Trust Deed dated 20 November 2006 and the Supplementary Deed dated 25 November 2008, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Atrium REIT as at 31 December 2008 and of the results of the operations of the Trust and of the cash flow of the Trust for the financial year then ended.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts ("the Guidelines"), we also report that in our opinion, the accounting and other records and the registers required by the Guidelines to be kept by the Trust have been properly kept in accordance with the Guidelines.

### Other Matters

This report is made solely to the unitholders of the Atrium REIT, as a body, in accordance with Securities Commission's Guidelines on Real Estate Investment Trust and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **BDO Binder**

AF : 0206

Chartered Accountants

Kuala Lumpur  
21 January 2009

#### **Law Kian Huat**

2855/07/10 (J)

Partner



# BALANCE SHEET

AS AT 31 DECEMBER 2008

	NOTE	2008 RM	2007 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	6	161,600,000	154,800,000
<b>Current assets</b>			
Other receivables	7	607,578	1,659,636
Deposits placed with licensed financial institutions	8	17,750,261	16,564,568
Cash and bank balances		2,165,207	372,658
		20,523,046	18,596,862
<b>TOTAL ASSETS</b>		<b>182,123,046</b>	<b>173,396,862</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	8,227,643	7,499,749
Provision for income distribution	10	2,618,722	2,801,423
Borrowings	11	45,000,000	43,700,000
<b>TOTAL LIABILITIES</b>		<b>55,846,365</b>	<b>54,001,172</b>
<b>NET ASSET VALUE ("NAV")</b>		<b>126,276,681</b>	<b>119,395,690</b>
<b>FINANCED BY:</b>			
<b>UNITHOLDERS' FUNDS</b>			
Unitholders' capital	12	119,351,580	119,351,580
Undistributed income		6,925,101	44,110
<b>TOTAL UNITHOLDERS' FUNDS</b>		<b>126,276,681</b>	<b>119,395,690</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	12	<b>121,801,000</b>	<b>121,801,000</b>
<b>NAV PER UNIT (RM)</b>			
- before proposed final distribution		1.0582	1.0033
- after proposed final distribution		1.0367	0.9803

The accompanying notes form an integral part of these financial statements.

# INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	NOTE	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Gross revenue	14	13,691,152	10,140,742
Property expenses	15	(1,065,328)	(663,493)
<b>Net rental income</b>		12,625,824	9,477,249
Interest income		612,270	328,321
Change in fair value of investment properties		6,800,000	-
Gain on disposal of bond fund		-	132,636
<b>Total income</b>		20,038,094	9,938,206
<b>Trust expenses</b>			
Manager's fees	16	(605,752)	(457,265)
Trustee's fees	17	(48,460)	(36,581)
Auditors' fee		(15,000)	(12,500)
Tax agent's fee		(5,000)	(5,000)
Borrowing cost	18	(1,851,628)	(1,330,156)
Valuation fees		(65,677)	(25,000)
Administrative expenses		(146,485)	(65,405)
Others		(187,817)	(45,124)
<b>Total expenses</b>		(2,925,819)	(1,977,031)
<b>Income before taxation</b>		17,112,275	7,961,175
Taxation	19	-	-
<b>Net income for the year/period</b>		17,112,275	7,961,175
<b>Net income for the year/period is made up as follows:</b>			
Realised		10,312,275	7,961,175
Unrealised			
- change in the fair value of investment properties		6,800,000	-
		17,112,275	7,961,175

The accompanying notes form an integral part of these financial statements.

# INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	NOTE	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
<b>Earnings per unit (sen)</b>	20		
- before manager's fees		14.55	6.91
- after manager's fees		14.05	6.54
		<hr/>	<hr/>
<b>Net income distributions*</b>	21		
- First interim income distribution of 2.05 sen paid on 30 May 2008 (2007: 2.00 sen paid on 28 August 2007)		2,496,920	2,436,020
- Second interim income distribution of 2.10 sen paid on 29 August 2008 (2007: 2.20 sen paid on 28 November 2007)		2,557,821	2,679,622
- Third interim income distribution of 2.10 sen paid on 28 November 2008 (2007: Nil)		2,557,821	-
- Proposed final income distribution of 2.15 sen payable on 6 March 2009 (2007: 2.30 sen payable on 29 February 2008)		2,618,722	2,801,423
		<hr/>	<hr/>
		10,231,284	7,917,065
		<hr/>	<hr/>
<b>Income distribution per unit*</b>			
- First interim income distribution		2.05	2.00
- Second interim income distribution		2.10	2.20
- Third interim income distribution		2.10	-
- Proposed final income distribution		2.15	2.30
		<hr/>	<hr/>
		8.40	6.50
		<hr/>	<hr/>

\* Withholding tax will be deducted for distributions made for the following types unitholders:

Resident corporate	-	No withholding tax; tax at prevailing rate
Resident non-corporate	-	withholding tax 10%
Non-resident individual	-	withholding tax 10%
Non-resident corporate	-	withholding tax 25%
Non-resident institutional	-	withholding tax 10%

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF CHANGES IN NET ASSET VALUE

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	Unitholders' Capital RM	-- Distributable -- Undistributed Income realised RM	Total unitholders' funds RM
<b>At 2 April 2007 (date of commencement)</b>		1,000	-	1,000
<b>Operations for the period ended 31 December 2007</b>				
Net income for the financial period		-	7,961,175	7,961,175
Increase in net assets resulting from operations		-	7,961,175	7,961,175
<b>Unitholders' transactions</b>				
Creation of units	12	121,800,000	-	121,800,000
Establishment and issue expenses	22	(2,449,420)	-	(2,449,420)
Distribution to unitholders:				
- paid		-	(5,115,642)	(5,115,642)
- provision	10	-	(2,801,423)	(2,801,423)
Increase in net assets resulting from unitholders' transactions		119,350,580	(7,917,065)	111,433,515
<b>At 31 December 2007</b>		119,351,580	44,110	119,395,690

Note 12

	Note	Unitholders' capital RM	Distributable Undistributed - Income - realised RM	- unrealised RM	Total unitholders' funds RM
<b>At 1 January 2008</b>		119,351,580	44,110	-	119,395,690
<b>Operations for the financial year ended 31 December 2008</b>					
Net income for the financial year		-	10,312,275	6,800,000	17,112,275
Increase in net assets resulting from operations		-	10,312,275	6,800,000	17,112,275
<b>Unitholders' transactions</b>					
Distribution to unitholders:					
- paid		-	(7,612,562)	-	(7,612,562)
- provision	10	-	(2,618,722)	-	(2,618,722)
Decrease in net assets resulting from unitholders' transaction		-	(10,231,284)	-	(10,231,284)
<b>At 31 December 2008</b>		119,351,580	125,101	6,800,000	126,276,681

Note 12

The accompanying notes form an integral part of these financial statements.

# CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before taxation		17,112,275	7,961,175
Adjustments for:			
Gain on disposal of bond fund		-	(132,636)
Change in fair value of investment properties	6	(6,800,000)	-
Interest income		(612,270)	(328,321)
Interest expense		1,851,628	1,330,156
Operating income before working capital changes		11,551,633	8,830,374
Decrease/ (increase) in other receivables		1,052,058	(1,659,636)
Increase in trade and other payables		727,894	7,499,749
Net cash generated from operating activities		13,331,585	14,670,487
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment properties	6	-	(154,800,000)
Interest income		612,270	328,321
Investment in bond fund		-	(8,000,000)
Proceeds from disposal of bond fund		-	8,132,636
Net cash generated from/(used in) investing activities		612,270	(154,339,043)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(1,851,628)	(1,330,156)
Proceeds from issue of units		-	121,801,000
Proceeds from borrowings	11	1,300,000	43,700,000
Distributions paid to unitholders	10	(10,413,985)	(5,115,642)
Establishment and issue expenses	22	-	(2,449,420)
Net cash (used in)/ generated from financing activities		(10,965,613)	156,605,782
Net increase in cash and cash equivalents		2,978,242	16,937,226
Cash and cash equivalents at beginning of financial year/ period		16,937,226	-
Cash and cash equivalents at end of financial year/period		19,915,468	16,937,226
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
Cash and bank balances		2,165,207	372,658
Deposits placed with licensed financial institutions		17,750,261	16,564,568
		19,915,468	16,937,226

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. GENERAL INFORMATION

Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”) is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 20 November 2006 and the Supplementary Trust Deed dated 25 November 2008 (collectively referred to as “Deed”) between the Atrium REIT Managers Sdn. Bhd. (“Manager”) and BHLB Trustees Berhad (“Trustee”).

The registered office of the Trust is located at 18-4-2, Jalan 5/101C, Cheras Business Centre, Taman Cheras, 56100 Kuala Lumpur. The principal place of business of the Trust is located at 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur.

Atrium REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 2 April 2007. The principal activity of Atrium REIT is investment in real estate and real estate related assets used whether directly or indirectly through the ownership of single-purpose companies which wholly own real estate. There has been no significant change in the nature of this activity during the financial year.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors of the Manager, Atrium REIT Managers Sdn. Bhd. on 21 January 2009.

## 2. TERM OF THE TRUST

Atrium REIT will continue its operation until such time as determined by the Trustee and the Manager as provided under the provision of Clause 19 of the Trust Deed dated 20 November 2006.

## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 3.1 Statement of compliance

The financial statements of Atrium REIT have been prepared in accordance with the provisions of the Deed, the Securities Commission’s Guidelines on Real Estate Investment Trusts, applicable securities laws and applicable approved Financial Reporting Standards (“FRS”) in Malaysia.

### 3.2 Basis of measurement

The financial statements of the Trust have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

### 3.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Trust’s functional currency.

### 3.4 Use of estimates and judgements

The preparation of financial statements requires the Directors of the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Although these estimates and assumptions are based on the Manager’s best knowledge of current events and actions, actual results may ultimately differ from these estimates.

Revisions to accounting estimates are recognised in the period which the estimate is revised and in any future periods affected.

The estimates and underlying assumptions are assessed on an ongoing basis.

### 3.5 Key sources of estimation uncertainty

The following is key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

### 3.5 Key sources of estimation uncertainty (continued)

#### Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Trust for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Trust based on its size and its business risk.

## 4. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRS

### 4.1 Amendments to FRS and New FRSs adopted

- (a) Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation is mandatory for annual periods beginning on or after 1 July 2007.

The adoption of this amendment does not have any impact on the financial statements.

- (b) The following FRSs are mandatory for annual periods beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

These FRSs align the Malaysian Accounting Standards Board ('MASB') FRSs with the equivalent International Accounting Standards ("IASs"), both in terms of form and content. The adoption of these Standards will only impact the form and content of disclosures presented in the financial statements.

- (c) IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities is mandatory for annual periods beginning on or after 1 July 2007.

This Interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 47 of FRS 137 and an increase that reflects the passage of time.

This interpretation is not relevant to the Trust's operation.

- (d) The following IC Interpretations are mandatory for annual periods beginning on or after 1 July 2007:

IC Interpretation 2	Members' Shares in Co-operatives Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2 Share-based Payment

These IC Interpretations are not relevant to the Trust's operations.

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRS (continued)

### 4.1 Amendments to FRS and New FRSs adopted (continued)

- (e) Framework for the Preparation and Presentation of Financial Statements (“Framework”) is effective for annual periods beginning on or after 1 July 2007.

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a MASB approved FRS as defined in paragraph 11 of FRS 101 Presentation of Financial Statements and hence, does not define standards for any particular measurement or disclosure issue.

### 4.2 New FRSs not adopted

- (a) FRS 8 *Operating Segments* and the consequential amendments resulting from FRS 8 are mandatory for annual financial periods beginning on or after 1 July 2009. FRS 8 is not relevant to Trust’s operations.
- (b) FRS 4 *Insurance Contracts* and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202<sub>2004</sub> *General Insurance Business* and FRS 203<sub>2004</sub> *Life insurance Business*. FRS 4 is not relevant to Trust’s operations.
- (c) FRS 7 *Financial Instruments: Disclosures* and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 *Financial Instruments: Disclosure and Presentation*.

The standard applies to all risks arising from a wide array of financial instruments and requires the disclosures of the significance of financial instruments for an entity’s financial position and performance.

The standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risks, liquidity risk and market risk. The qualitative disclosures describe the management’s objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel.

- (d) FRS 139 *Financial Instruments: Recognition and Measurement* and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010.

The standard establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under para 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of the FRS as required by paragraph 30 (b) of FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed.

- (e) IC interpretation 9 *Reassessment of Embedded Derivatives* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the subsequent reassessment of embedded derivatives unless there is a change in the terms of the host contract that significantly modifies the cash flows that would otherwise be required by the host contract.

The Trust does not expect any impact on the financial statements arising from the adoption of this Interpretation.

- (f) IC Interpretation 10 *Interim Financial Reporting and Impairment* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial assets carried at cost.

The Trust does not expect any impact on the financial statements arising from the adoption of this Interpretation in the future.



# NOTES TO THE FINANCIAL STATEMENTS

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## 5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to the period presented in these financial statements.

### 5.1 Investment Properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Trust. Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value. The fair value of investment properties are the prices at which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of investment properties reflect market conditions at the balance sheet date, without any deduction for transaction costs that may be incurred on sales or other disposal. Fair value of investment properties are arrived at by reference to market evidence of transaction prices for similar properties. It is performed by registered independent valuers with appropriate recognised professional qualification and has recent experience in the location and category of the investment properties being valued.

A gain or loss arising from a change in the fair value of investment properties is recognised in profit and loss for the period in which it arises.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment properties is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit and loss in the period of the retirement or disposal.

### 5.2 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Trust.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Trust.

#### 5.2.1 Financial instruments recognised on the balance sheet

Financial instruments are recognised on the balance sheet when the Trust has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in the income statement. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Trust has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### (a) Receivables

Trade receivables and other receivables, are classified as loans and receivables under FRS 132 Financial Instruments: Disclosure and Presentation.

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

Receivables are not held for trading purposes.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 5.2.1 Financial instruments recognised on the balance sheet (continued)

#### (b) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits placed with licensed financial institutions which are subject to insignificant risk of changes in value.

#### (c) Payables

Liabilities for trade and other amounts payables, are initially recognised at fair value of the consideration to be paid in the future for goods and services received.

#### (d) Borrowings

All bears and borrowings are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, interest bearing loans and borrowings are subsequently measured using the effective interest method.

### 5.2.2 Financial instruments not recognised on the balance sheet

There were no financial instruments not recognised on the balance sheet.

## 5.3 Income Tax

Income tax in the income statement for the financial year comprises current and deferred tax.

### 5.3.1 Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the balance sheet date.

### 5.3.2 Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 5.3 Income Tax (continued)

#### 5.3.2 Deferred tax (continued)

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

#### 5.4 Provision

A provision is recognised where there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the present obligation and a reliable estimate can be made of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Trust has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provision for income distribution is recognised when any distribution is declared, determined or publicly recommended by the Directors of the Manager and approved by the Trustee but not distributed at the balance sheet date.

#### 5.5 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Trust or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Trust does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Trust. The Trust does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### 5.6 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Trust, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Trust's activity as follows:

##### 5.6.1 Rental income

Rental income is recognised in the income statement as they accrue over the period of the rental.

##### 5.6.2 Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 5.7 Expenses

#### 5.7.1 Property expenses

Property expenses consist of property management fees, quit rent, assessment and other outgoings in relation to investment properties where such expenses are the responsibility of the Atrium REIT. Property management fees are recognised on an accrual basis.

#### 5.7.2 Interest expense

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

#### 5.7.3 Establishment and issue expenses

Establishment expenses represent expenses incurred in establishing and listing the Trust and issue expenses relate to expenses incurred in the issuance and placement of additional units in the Trust. These expenses are deducted directly against unitholders' capital.

#### 5.7.4 Manager's and Trustee's fees

The Manager's and Trustee's fees are recognised on an accrual basis.

## 6. INVESTMENT PROPERTIES

	<b>2008</b> <b>RM</b>	<b>2007</b> <b>RM</b>
At 1 January/2 April (date of commencement)	154,800,000	-
Acquisitions	-	154,800,000
Change in fair value	6,800,000	-
	<hr/>	<hr/>
At 31 December	161,600,000	154,800,000
	<hr/>	<hr/>
Included in the above are:		
Land and buildings	161,600,000	154,800,000
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT PROPERTIES (continued)

Description of property	Tenure of land	Location	Existing use	Occupancy rate as at 31 December 2008 %	Date of valuation	Fair value as at	Acquisition cost as at	Percentage of fair value over Net Assets Value as at
						31 December 2008 RM	31 December 2008 RM	31 December 2008 %
Atrium Shah Alam 1*	Freehold	Shah Alam	Industrial	100	19.12.2008	61,400,000	57,200,000	48.6
Atrium Shah Alam 2	Freehold	Shah Alam	Industrial	100	19.12.2008	53,700,000	49,100,000	42.5
Atrium Puchong	Freehold	Puchong	Industrial	100	18.12.2008	38,500,000	38,500,000	30.5
Atrium Rawang*	Freehold	Rawang	Industrial	100	31.12.2008	8,000,000	10,000,000	6.3
						<u>161,600,000</u>	<u>154,800,000</u>	

The properties were valued by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estates Agents Malaysia, using investment, cost and comparison methods of valuation.

The title deeds of properties with carrying amount of RM69,400,000 are pending transfer to the name of the Trustee or issuance by the relevant authority.

\* The properties are charged to a financial institution for bank facilities granted to Atrium REIT.

Description of property	Tenure of land	Location	Existing use	Occupancy rate as at 31 December 2007 %	Date of valuation	Fair value as at	Acquisition cost as at	Percentage of fair value over Net Assets Value as at
						31 December 2007 RM	31 December 2007 RM	31 December 2007 %
Atrium Shah Alam 1*	Freehold	Shah Alam	Industrial	100	29.1.2007	57,200,000	57,200,000	47.9
Atrium Shah Alam 2	Freehold	Shah Alam	Industrial	100	29.1.2007	49,100,000	49,100,000	41.1
Atrium Puchong	Freehold	Puchong	Industrial	100	29.1.2007	39,500,000	38,500,000	33.1
Atrium Rawang*	Freehold	Rawang	Industrial	100	29.1.2007	12,500,000	10,000,000	10.5
						<u>158,300,000</u>	<u>154,800,000</u>	

The properties were valued by Azmi & Co. Sdn. Bhd., an independent firm of professional valuers, registered with the Board of Valuers, Appraisers & Estates Agents Malaysia, using income and comparison methods of valuation.

The title deeds of properties with carrying amount of RM67,200,000 are pending transfer to the name of the Trustee or issuance by the relevant authority.

\* The properties are charged to a financial institution for bank facilities granted to Atrium REIT.

# NOTES TO THE FINANCIAL STATEMENTS

## 7. OTHER RECEIVABLES

	2008 RM	2007 RM
Other receivables	31,082	17,537
Deposits	538,320	1,613,320
Prepayments	38,176	28,779
	<hr/> 607,578	<hr/> 1,659,636

Included in deposits is a deposit of RM175,000 paid as earnest deposit for the proposed acquisition of an industrial building in Senai, Johor, which was aborted as the unitholders voted against the proposed acquisition in the Unitholders Meeting held on 21 November 2008. The earnest deposit was subsequently refunded with earned interest on 5 January 2009.

In the previous year, included in deposits was a deposit of RM1,250,000 paid upon the execution of the sale and purchase agreement for the proposed acquisition of a factory warehouse cum office property in Senai, Johor. During the year, the Directors of the Manager decided to terminate the sales and purchase agreement as certain conditions precedent agreed and undertaken by the vendor in the sales and purchase agreement could not be met.

## 8. DEPOSITS PLACED WITH LICENSED FINANCIAL INSTITUTIONS

The deposits were placed with financial institutions at interest rates ranging from 3.15% to 3.55% (2007: 3.35% to 3.46%) per annum.

## 9. TRADE AND OTHER PAYABLES

	2008 RM	2007 RM
Trade payables	33,291	16,512
Other payables and accrued expenses	822,425	427,619
	<hr/> 855,716	<hr/> 444,131
Tenants' deposits		
- payable within 12 months	953,962	953,962
- payable after 12 months	6,417,965	6,101,656
	<hr/> 7,371,927	<hr/> 7,055,618
	<hr/> 8,227,643	<hr/> 7,499,749

Included in other payables and accrued expenses are amounts owing to the Manager and the Trustee of RM51,378 (2007: RM50,726) and RM4,066 (2007: RM4,058) respectively which are unsecured, interest free and payable monthly in arrears.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. PROVISION FOR INCOME DISTRIBUTION

	2008 RM	2007 RM
At 1 January/2 April (date of commencement)	2,801,423	-
Provision made during the year/period	10,231,284	7,917,065
Payment made during the year/period	(10,413,985)	(5,115,642)
	<hr/>	<hr/>
At 31 December	2,618,722	2,801,423
	<hr/>	<hr/>

In respect of the financial year ended 31 December 2008, the Manager proposed a final distribution of 2.15 sen (2007: 2.30 sen) per unit totalling RM2,618,722 (2007: RM2,801,423).

## 11. BORROWINGS

	2008 RM	2007 RM
Short Term Revolving Credit ("STRC") - secured	45,000,000	43,700,000
	<hr/>	<hr/>

The STRC facility is secured by way of a first party legal charge over Atrium Shah Alam 1 and a deed of assignment over Atrium Rawang. The repayment of STRC facility will be reviewed on annual basis up to a maximum tenure of five (5) years from the date of the first drawdown on 5 April 2007 and/or upon disposal of the relevant properties whichever is earlier.

The STRC facility interest ranged from 4.03% to 4.25% (2007: 4.04% to 4.28%) per annum during the financial year/period.

## 12. UNITHOLDERS' CAPITAL

	2008 Number of Units	2007 Number of Units
<b>Authorised:</b>		
At 1 January/2 April (date of commencement)/ 31 December	121,801,000	121,801,000
	<hr/>	<hr/>
<b>Issued and fully paid:</b>	2008 RM	2007 RM
At 1 January/2 April (date of commencement)	119,351,580	1,000
Issue of new units:		
- 121,800,000 units of RM1.00 each upon initial public offering	-	121,800,000
- Establishment and issue expenses (Note 22)	-	(2,449,420)
	<hr/>	<hr/>
At 31 December	119,351,580	119,351,580
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

## 13. UNITHOLDINGS OF DIRECTORS AND THEIR RELATED PARTIES

The Manager, Directors of the Manager and related parties held units in Atrium REIT as follow:

	<b>Number of unit held</b>	<b>2008 Percentage of total units %</b>	<b>Market value RM</b>
Direct unit holdings in Atrium REIT			
Atrium REIT Managers Sdn. Bhd.	140,100	0.12	85,461
Directors of the Manager:			
Dato' Zakaria Meranun	200,000	0.16	122,000
Lim Pang Kiam	100,000	0.08	61,000
Wong Sui Ee	250,000	0.21	152,500
Lim Kok How	200,000	0.16	122,000
Tor Peng Sie	100,000	0.08	61,000
How Hu Son	100,000	0.08	61,000
Soong Kwong Heng	50,000	0.04	30,500

	<b>Number of unit held</b>	<b>2007 Percentage of total units %</b>	<b>Market value RM</b>
Direct unit holdings in Atrium REIT			
Directors of the Manager:			
Dato' Zakaria Meranun	200,000	0.16	200,000
Wong Sui Ee	200,000	0.16	200,000
Lim Kok How	200,000	0.16	200,000
Tor Peng Sie	100,000	0.08	100,000
How Hu Son	100,000	0.08	100,000
Soong Kwong Heng	50,000	0.04	50,000

	<b>Number of unit held</b>	<b>2008 Percentage of total units %</b>	<b>Market value RM</b>
Related parties of the Manager:			
Glory Blitz Industries Sdn. Bhd.	18,947,000	15.56	11,557,670
Sparkle Skyline Sdn. Bhd.	30,708,800	25.21	18,732,368
Vivid Images Sdn. Bhd.	5,000,000	4.11	3,050,000

	<b>Number of unit held</b>	<b>2007 Percentage of total units %</b>	<b>Market value RM</b>
Related parties of the Manager:			
Glory Blitz Industries Sdn. Bhd.	18,761,000	15.40	18,761,000
Sparkle Skyline Sdn. Bhd.	30,708,800	25.21	30,708,800
Vivid Images Sdn. Bhd.	5,000,000	4.11	5,000,000

The market value is determined by multiplying the number of units with the market price of RM0.61 (2007: RM1.00).



# NOTES TO THE FINANCIAL STATEMENTS

## 14. GROSS REVENUE

Gross rental revenue represents rental income received from the rental of investment properties.

## 15. PROPERTY EXPENSES

	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Property management fees	192,269	144,078
Assessment and quit rent	445,678	310,060
Insurance and others	427,381	209,355
	<u>1,065,328</u>	<u>663,493</u>

For the financial year ended 31 December 2008, the property management fee of RM192,269 (2007: RM144,078) was paid to the property management companies, MN Associates(KL) Sdn. Bhd. and Azmi & Co. Building Services Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agent Act 1981 with permissible discounts.

## 16. MANAGER'S FEES

Pursuant to the Trust Deed dated 20 November 2006 and the Supplementary Trust Deed dated 25 November 2008, for the financial years ended 31 December 2007 and 2008, the Manager shall receive a fee of 0.5% (2007 : 0.5%) per annum of the Net Asset Value ("NAV") of the Trust. For the financial year ending 31 December 2009, the Manager shall receive a fee of 0.6% per annum of the NAV of the trust. Thereafter, the Manager is entitled to receive a fee of up to 1.0% per annum of the NAV of the Trust. For the financial year ended 31 December 2008, the Manager charged a manager's fee of RM605,752 (2007: RM457,265).

## 17. TRUSTEE'S FEES

Pursuant to the Deed, the Trustee is entitled to receive a fee of 0.04% per annum of the NAV of the Trust, subject to a minimum fee of RM40,000 per annum.

## 18. BORROWING COST

	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Interest expense on STRC facility (Note 11)	1,851,628	1,330,156
	<u>1,851,628</u>	<u>1,330,156</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 19. TAXATION

The Trust distributed approximately 100% of the distributable income (realised) to unitholders, which is exempted from tax pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006. Thus, the Trust has not provided any tax expense during the financial year.

A reconciliation between the applicable income tax expense and effective income tax expense of the Trust is as follows:

	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before taxation	17,112,275	7,961,175
Income tax using Malaysian tax rate of 26% (2007: 27%)	4,449,192	2,149,517
Non-deductible expenses	86,627	23,127
Effect of income distribution exempted from tax	(4,535,819)	(2,172,644)
Tax expense	-	-

## 20. EARNINGS PER UNIT

- (a) The earnings per unit after manager's fee has been calculated based on income after taxation of RM17,112,275 (2007: 7,961,175) for the financial year and on the number of units in circulation during the financial year of 121,801,000 (2007: 121,801,000).
- (b) The earnings per unit before manager's fee has been calculated based on income after taxation before deduction of manager's fees for the financial year of RM17,718,027 (2007: 8,418,440) and on the number of units in circulation during the financial year of 121,801,000 (2007: 121,801,000).

## 21. DISTRIBUTIONS TO UNITHOLDERS

Distributions to unitholders are from the following sources:

	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Net rental income	12,625,824	9,477,249
Interest income	612,270	328,321
Change in fair value of investment properties	6,800,000	-
Gain on disposal of bond fund	-	132,636
Less: Expenses	20,038,094 (2,925,819)	9,938,206 (1,977,031)
Undistributed income	17,112,275 (6,880,991)	7,961,175 (44,110)
Total income distributions	10,231,284	7,917,065

# NOTES TO THE FINANCIAL STATEMENTS

## 22. ESTABLISHMENT AND ISSUE EXPENSES

	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Brokerage fees and commissions	-	386,320
Professional fees	-	1,078,912
Miscellaneous expenses	-	984,188
	<hr/>	<hr/>
At 31 December	-	2,449,420
	<hr/>	<hr/>

## 23. PORTFOLIO TURNOVER RATIO

	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Portfolio Turnover Ratio ("PTR") (times)	-	1.27
	<hr/>	<hr/>

PTR is the ratio of the average of total acquisitions and total disposals of investments in Atrium REIT for the year ended 31 December 2008 to the average net asset value of the Trust for the year calculated on a weekly basis.

Since the basis of calculating PTR may vary among real estate investment trusts, comparison of PTR of Atrium REIT with other real estate investment trusts may not be an accurate comparison.

## 24. MANAGEMENT EXPENSE RATIO

	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Management expense ratio ("MER") (%)	0.89	0.53
	<hr/>	<hr/>

MER is calculated based on total fees of Atrium REIT incurred by the Trust, including the Manager's fees, Trustee's fees, audit fees, tax agent's fees and administrative expenses, to the average net asset value of the Trust for the financial year calculated on a daily/weekly basis.

Since the basis of calculating MER may vary among real estate investment trusts, comparison of MER of Atrium REIT with other real estate investment trusts may not be an accurate comparison.

## 25. CAPITAL COMMITMENT

	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Investment property		
Contracted but not provided for and payable: within one year	-	11,250,000
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

## 26. TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

	1.1.2008 to 31.12.2008 RM	2.4.2007 to 31.12.2007 RM
Insurance premium paid to: Company in which Director of the Manager is a Common Director - SP & G Insurance Brokers Sdn Bhd	156,407	-
Acquisition cost of properties paid to: Holding company of the Manager - Glory Blitz Industries Sdn Bhd	-	49,100,000
Related company to the holding company of the Manager - Sparkle Skyline Sdn Bhd	-	57,200,000
	<hr/>	<hr/>

The above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

## 27. TRANSACTIONS WITH BROKER/DEALERS

There were no transactions made with brokers/dealers during the financial year.

## 28. FINANCIAL INSTRUMENTS

### Financial risks management objective and policies

Exposure to credit, interest rate and liquidity risk arises in the normal course of Atrium REIT's business. Atrium REIT has informal risk management policies and guidelines which set out its overall business strategies and general risk management philosophy.

### Credit risk

At balance sheet date, there were no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of financial assets.

### Interest rate risk

The Trust's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movements in interest rates.

### Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance Atrium REIT's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission Guidelines on Real Estate Investment Trusts concerning limits on total borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL INSTRUMENTS (continued)

### Effective interest rates and re-pricing analysis

In respect of interest-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rates at the balance sheet date and the remaining maturities of the Trust's financial instruments that are exposed to interest rate risk.

	Note	Effective interest rate %	Total	Within 1 year	1 - 5 years
<b>2008</b>					
<b>Financial assets</b>					
Deposits placed with licensed financial institutions	8	3.15 to 3.55	17,750,261	17,750,261	-
<b>Financial liabilities</b>					
Short Term Revolving Credit ("STRC")	11	4.03 to 4.25	45,000,000	45,000,000	-

	Note	Effective interest rate %	Total	Within 1 year	1 - 5 year
<b>2007</b>					
<b>Financial assets</b>					
Deposits placed with licensed financial institutions	8	3.35 to 3.46	16,564,568	16,564,568	-
<b>Financial liabilities</b>					
Short Term Revolving Credit ("STRC")	11	4.04 to 4.28	43,700,000	43,700,000	-

### Fair values

#### Recognised financial instruments

In respect of cash and cash equivalents, other receivables and trade and other payables and short term borrowings, the carrying amounts approximate fair value due to relatively short term nature of these financial instruments.

## 29. SEGMENTAL REPORTING

As the principal activity of Atrium REIT is to invest in properties currently all located in Malaysia with the primary objective to derive rental income, there are no risks and returns distinguishable between business and geographical segments. No segmental reporting is thus presented.

# ANALYSIS OF UNITHOLDINGS

AS AT 31 DECEMBER 2008

Size of holding	No. of Unitholders	No. of Units	%
Less than 100	5	105	0.00
100 to 1,000	546	475,095	0.39
1,001 to 10,000	803	3,881,200	3.19
10,001 to 100,000	420	13,095,400	10.75
100,001 to less than 5% of approved fund size	95	66,219,400	54.37
5% and above the approved fund size	2	38,129,800	31.30
	<b>1,871</b>	<b>121,801,000</b>	<b>100.00</b>

## THIRTY (30) LARGEST UNITHOLDERS AS AT 31 DECEMBER 2008

Name	No. of units	%
1. SPARKLE SKYLINE SDN BHD	25,329,800	20.80
2. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR GLORY BLITZ INDUSTRIES SDN BHD (TCS)	12,800,000	10.51
3. KURNIA INSURANS (MALAYSIA) BERHAD	6,051,400	4.97
4. GLORY BLITZ INDUSTRIES SDN BHD	5,892,800	4.84
5. ASCENTPAC SDN.BHD.	5,531,300	4.54
6. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR SPARKLE SKYLINE SDN BHD (DLR 060-MARGIN)	5,379,000	4.42
7. VIVID IMAGES SDN. BHD.	5,000,000	4.11
8. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC FAR-EAST PROPERTY & RESORTS FUND	3,060,100	2.51
9. MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	2,760,000	2.27
10. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MELLON BANK (ABNAMRO MELLON)	2,310,000	1.90
11. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC SMALLCAP FUND	1,315,500	1.08
12. MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (SHAREHLDR'S FD)	1,200,000	0.98
13. MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)	1,045,000	0.86
14. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR HWANGDBS SELECT INCOME FUND (4850)	995,000	0.82
15. BEVERLY TOWER DEVELOPMENT SDN BHD	990,000	0.81

# ANALYSIS OF UNITHOLDINGS

AS AT 31 DECEMBER 2008

## THIRTY (30) LARGEST UNITHOLDERS AS AT 31 DECEMBER 2008 (continued)

Name	No. of units	%
16. MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (GENERAL FUND)	855,000	0.70
17. MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN LIFE ASSURANCE BERHAD (NON-PAR FUND)	822,600	0.67
18. LOI PUI KHIM	810,000	0.66
19. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL PROGRESS FUND (4082)	800,000	0.66
20. MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN LIFE ASSURANCE BERHAD (PAR FUND)	737,300	0.61
21. REALCO SDN BHD	714,200	0.59
22. MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN GENERAL ASSURANCE BERHAD (INSURANCE FUND)	710,000	0.58
23. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PRUDENTIAL EQUITY INCOME FUND (4801)	697,200	0.57
24. MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN GENERAL ASSURANCE BERHAD (S/HOLDERS FUND)	658,800	0.54
25. LIM CHEE KIN	647,000	0.53
26. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL ASIA – PACIFIC REIT FUND (5956-401)	639,000	0.52
27. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL DIVIDEND FUND (5311-401)	600,000	0.49
28. LIM BAH KAW	576,000	0.47
29. MAYBAN NOMINEES (TEMPATAN) SDN BHD HWANGDBS INVESTMENT MANAGEMENT BHD FOR TOKIO MARINE INSURANS (MALAYSIA) BHD (270523)	565,000	0.46
30. LAW YOCK HUAT	500,200	0.41
	89,992,200	73.88

## LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE)

Name	No. of units	%
1. SPARKLE SKYLINE SDN BHD	30,708,800	25.21
2. GLORY BLITZ INDUSTRIES SDN BHD	18,947,000	15.56
	49,655,800	40.77