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# OUR MISSION

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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 ACHIEVEMENT IN 2007

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With stringent and careful cost control, we achieve the following results:-

	Actual RM '000	Prospectus RM '000	Variances RM '000	Variance %
Net Income after Tax	7,961	7,501	460	6.13%
Earning per Unit (Sen)	6.54	6.16	0.38	6.17%
Distribution to Unitholders	7,917	7,126	791	11.10%
Distribution per Unit (Sen)	6.50	5.85	0.65	11.11%
Portfolio Value	154,800	154,800	-	-
Number of Properties	4	4	-	-
Occupancy Rate	100%	100%	-	-
Net Asset Value (RM/Unit)	0.98	0.98	-	-

Atrium Real Estate Investment Trust ("Trust") has entered into a Sales and Purchase Agreement on 10 October 2007 to acquire an industrial property in Senai Industrial Park, Johor for RM12.5 million with a net lettable area of 125,173 square feet, scheduled to be completed and take effect by April, 2008. We expect this new acquisition to further improve the performance of the Trust for 2008. We shall remain focused on improving our delivery and meeting the expectations of Unitholders in 2008.

# 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>Approved size of Fund</b>	:	121,801,000 Units
<b>Authorised investments</b>	:	<ul style="list-style-type: none"><li>- At least 75% of the total assets of Atrium REIT shall be invested in real estate assets, single purpose companies, real estate-related assets or liquid assets;</li><li>- At least 50% of the total assets of Atrium REIT must be invested in real estate assets or single purpose companies; and</li><li>- The balance 25% of the total assets of Atrium REIT may be invested in any other assets (i.e. real estate-related assets, non-real estate-related assets or asset backed securities).</li></ul>
<b>Initial Public Offering retail price</b>	:	RM1.00 per Issue Unit Price
<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>Occupancy</b>	100%
<b>Address</b>	Lot 1-8, Persiaran Jubli Perak Seksyen 22 40300 Shah Alam Selangor Darul Ehsan Malaysia	<b>Lease Period</b>	5 years
<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>Major capital expenditure</b>	Nil
<b>Property type</b>	Industrial	<b>Encumbrances</b>	The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM 45 million
<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>Limitation in title/interest</b>	None
<b>Year of completion</b>	2005	<b>Latest valuation</b>	RM 57,200,000
<b>Tenure</b>	Freehold	<b>Basis of valuation</b>	Income and comparison method
<b>Existing use</b>	Warehouse and office	<b>Date of last valuation</b>	29 January 2007
<b>Parking spaces</b>	191 car bays 105 motorcycle bays 30 lorry bays	<b>Fair Value adjustment</b>	Nil
<b>Date of acquisition</b>	2 April 2007	<b>Net book value</b>	RM 57,200,000
<b>Cost of acquisition</b>	RM57, 200,000		
<b>Tenant</b>	Exel Properties (Malaysia) Sdn Bhd		

## 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 49,100,000
<b>Basis of valuation</b>	Income and comparison method
<b>Date of last valuation</b>	29 January 2007
<b>Fair Value adjustment</b>	Nil
<b>Net book value</b>	RM 49,100,000

\* The tenancies for 224,704sq ft will be expiring in 31 March 2008. The tenant has already confirmed in writing to extend the same with tenancy terms expiring between 31 December 2008 to 31 December 2009. Atrium REIT Managers is in the midst of finalising the renewal documentation. The lease period for the remaining 33,998 sq ft is 5.6 years.



<b>Property</b>	Atrium Puchong	<b>Tenant</b>	Danzasmal Domestic Logistics Services Sdn Bhd
<b>Address</b>	No.2 Jalan PPU 1 Taman Perindustrian Puchong Utama Batu 12 ½ Jalan Puchong 47100 Puchong Selangor Darul Ehsan Malaysia	<b>Occupancy</b>	100%
<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>Lease Period</b>	8 years
<b>Property type</b>	Industrial	<b>Major capital expenditure</b>	Nil
<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>Encumbrances</b>	None
<b>Year of completion</b>	2002	<b>Limitation in title/interest</b>	None
<b>Tenure</b>	Freehold	<b>Latest valuation</b>	RM 39,500,000
<b>Existing use</b>	Warehouse and office	<b>Basis of valuation</b>	Income and comparison method
<b>Parking spaces</b>	129 car bays 110 motorcycle bays 30 lorry bays	<b>Date of last valuation</b>	29 January 2007
<b>Date of acquisition</b>	2 April 2007	<b>Fair Value adjustment</b>	Nil
<b>Cost of acquisition</b>	RM 38,500,000	<b>Net book value</b>	RM 38,500,000



## Atrium Rawang

<b>Property</b>	Atrium Rawang	<b>Occupancy</b>	100%
<b>Address</b>	Lot 23, Rawang Integrated Industrial Park Jalan Batu Arang 48000 Rawang Selangor Darul Ehsan Malaysia	<b>Lease Period</b>	10 years
<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>Major capital expenditure</b>	Nil
<b>Property type</b>	Industrial	<b>Encumbrances</b>	The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM 45 million
<b>Description</b>	A double storey office and factory building with a total Net Lettable Area measuring 35,236 sq.ft.	<b>Limitation in title/interest</b>	None
<b>Year of completion</b>	2001	<b>Latest valuation</b>	RM 12,500,000
<b>Tenure</b>	Freehold	<b>Basis of valuation</b>	Income and comparison method
<b>Existing use</b>	Factory and office	<b>Date of last valuation</b>	29 January 2007
<b>Parking spaces</b>	23 car bays 15 motorcycle bays 3 lorry bays	<b>Fair Value adjustment</b>	Nil
<b>Date of acquisition</b>	2 April 2007	<b>Net book value</b>	RM 10,000,000
<b>Cost of acquisition</b>	RM10, 000,000		
<b>Tenant</b>	Unilever Foods (Malaysia)Sdn Bhd		





## Overview

Atrium REIT, the country's first industrial asset focused REIT, was listed on the Main Board of Bursa Malaysia Securities Berhad on 2 April 2007. The Trust's current asset portfolio is valued at RM 154.80 million, comprising four freehold industrial properties with a total net lettable area ("NLA") of 809,668 square feet, respectively known as Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Puchong and Atrium Rawang (the "Properties").

Atrium REIT's performance for the first nine months of operations has exceeded its profit forecast by 6.13% resulting in an improvement in Distribution Per Unit (DPU) by 11.11% over DPU forecasted in the Trust's Initial Public Offering ("IPO") Prospectus dated 28 February 2007 ("Prospectus"). This is in line with the Trust's objective of maximising profit in order to reward Unitholders with annual stable distributions of income.

## Financial Performance

For the financial period from 2 April 2007 to 31 December 2007, Atrium REIT achieved a Net Property Income of RM9.48 million.

Atrium REIT recorded a Net Income after Taxation of RM 7.96 million for the period ended 31 December 2007, representing an increase of 6.13% against the forecasted Net Income after Taxation of RM 7.50 million as shown in the Prospectus.

## Distribution to Unitholders

The Board of Directors of Atrium REIT Managers Sdn Bhd and the Trustee, BHLB Trustee Berhad has approved a final distribution of 2.3 sen per unit for financial period ended 31 December 2007, which will be paid on 29 February 2008. The Trust has distributed an aggregate of 4.2 sen per unit in respect of the 6 months' financial period from 2 April 2007 to 30 September 2007, resulting in a total DPU of 6.5 sen per unit for the nine month period under review. This represents an annualized distributable yield (ADY) of approximately 8.41% based on the IPO price of RM1.03 per unit (for institutional investors), 13.19% higher than forecast yield of 7.43% as shown in the Prospectus.

On behalf of the Board of Directors of Atrium REIT Managers Sdn Bhd ("Manager"), I have the pleasure of presenting to you the inaugural Annual Report of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust") for the period ended 31 December 2007.

# CHAIRMAN'S STATEMENT

## Corporate Developments

Atrium REIT was established by a trust deed entered into on 20 November 2006 between Atrium REIT Managers Sdn Bhd and BHLB Trustees Berhad, as manager and trustee, respectively.

Atrium REIT's IPO was launched on 28 February 2007, offering a total of 75,500,000 units under retail and institutional offers. A total of 13,500,000 units were offered to the Malaysian Public and 2,000,000 units were offered to the Eligible Directors, Employees, and Business Associate of Atrium REIT Managers Sdn Bhd and those of Glory Blitz Industries Sdn Bhd and Sparkle Skyline Sdn Bhd under retail offer, whilst the remaining 60,000,000 units were offered to Malaysian and foreign investors under the institutional offer. Total number of units issued was 121,801,000 units.

Atrium REIT was listed on 2 April 2007 on the Main Board of Bursa Malaysia Securities Berhad.

## Operations Review

For the financial period ended 31 December 2007, the Properties owned by Atrium REIT achieved an occupancy rate of 100%. The Properties, all of which are located in freehold land, are built-to-suit in accordance to our tenants' high specifications and requirements. All Properties are tenanted by subsidiaries of multinational companies on leases which are comparatively longer than the market norm. 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.

On the acquisitive path, the Trust entered into a Sale and Purchase Agreement on 10 October 2007 to acquire its fifth property, which is a single storey factory cum warehouse with a double storey office building in Senai, Johor. With this acquisition, Atrium REIT will increase its NLA to 934,841 square feet. The Trust intends to fund this acquisition from bank borrowings. The income from this acquisition is expected to come on stream in the second quarter of 2008, which is expected to increase the DPU and ADY of the Trust.

## Overview of the Property Market

The Malaysian economy, driven by strong domestic demand, showed sustained growth during 2007 with growth rates of 5.5% and 5.7% in the first and second quarter respectively, bringing the average first-half growth to 5.6%. As shown in the third quarter result, Malaysian economy expanded by 6.7% contributed mainly by rising domestic spending on goods and services. Bank Negara is confident of the overall GDP of 6.0% for 2007. On the outlook for 2008, Bank Negara reiterated the central bank's forecast for 6.0% as achievable.

Along with the steady economic growth, the Malaysian property market performed favourably. A total of about RM33.34 billion worth of transactions were recorded in the first half of 2007. Compared to the corresponding period in 2006, the value of transactions increased by 11.7% and against second half, the increase was 5.0%. (H1 2006:

RM29.84 billion; H2 2006: RM 31.76 billion). Generally for 2007, all sub-sectors recorded increases in market activities. The industrial sub-sector was the least active sub-sector, contributing 2.6% to the overall market activity.

## Future Prospects

For 2008, we remain optimistic about the prospects of the property market and the Malaysian economy. This is due to comprehensive development road map for the country's economy by the Malaysian government under the Ninth Malaysia Plans and the recent announcement of the Northern Corridor Economic Region, amongst several new growth corridors, which are expected to come on stream and spur the property market and Malaysian economy. A positive wealth impact is felt in Malaysia as CPO prices are now at a record of RM3,400/tonne, a rising property market and a significant wage increment for government servants are catalysts for an upward movement in the property sector.

However, heightening concerns of the US sub-prime mortgages and high crude oil prices should be watched out for as the uncertainty of their effects on the US economy may extend to the rest of the world. Nevertheless, we believe investors should not be over-concerned as Asian fundamentals remain strong. Asia's economies are no longer as reliant on the US as in the past. As intra-regional trade grows, Asian giants like China and India have become increasingly important trade partners for other Asian countries instead of the US.

The Manager remains firmly committed and confident to ensure that the Trust maximise its profit and distribution to Atrium REIT Unitholders for 2008. We plan to acquire one or two industrial properties from the promoters. We will also actively explore acquisition opportunities of suitable properties from third parties, ensuring that all acquisitions are yield-accretive and of prime locations and quality.

## Appreciation

On behalf of the Board of Directors of Atrium REIT Managers Sdn Bhd, I would like to thank our tenants, business associates, the regulatory authorities, investors and unitholders, for their strong support which has been the prime reason for the Trust's strong performance, outperforming its objectives for 2007. I would also like to thank the management team for the concerted effort and contribution in achieving an excellent performance for 2007 and they will continue to perform well in 2008.

**ZAKARIA BIN MERANUN**

**Chairman**

**Atrium REIT Managers Sdn Bhd**

Date : 21 January 2008

# MAJOR CORPORATE EVENTS



**15 December 2006**

Underwriting agreement signing ceremony.



**28 February 2007**

Official launching of Atrium Real Estate Investment Trust's Prospectus.



**2 April 2007**

Officially listing of Atrium Real Estate Investment Trust on the Main Board of Bursa Malaysia Securities Berhad.

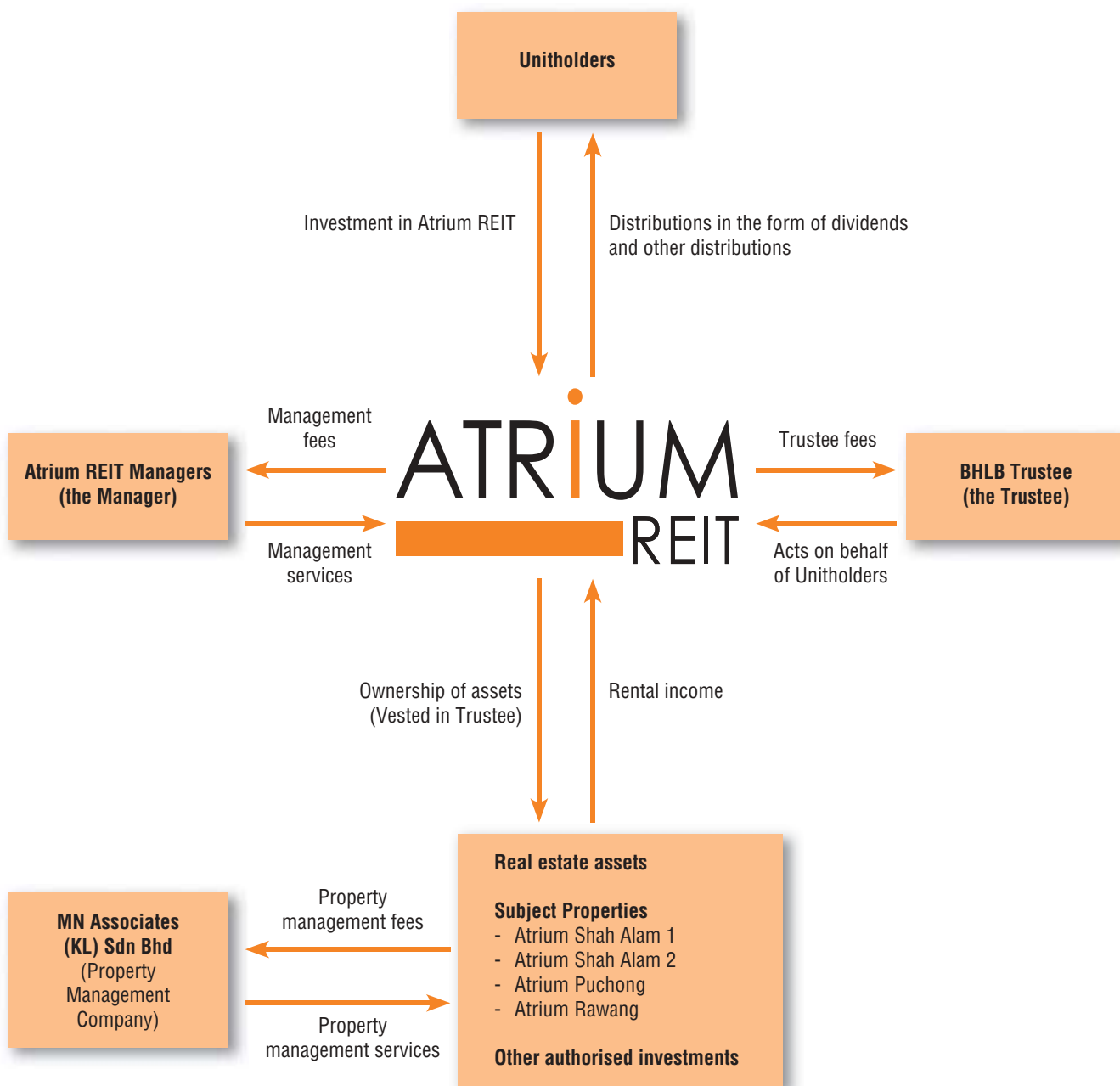


**10 October 2007**

Proposed acquisition at Senai Industrial Park Phase III, Johor, expected to be completed by April 2008.

# 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:



# BOARD OF DIRECTORS

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**Standing from left to right:**

Tor Peng Sie, How Hu Son, Soong Kwong Heng, Lim Kok How

**Sitting from left to right:**

Wong Sui Ee, Zakaria Bin Meranun

# BOARD OF DIRECTORS AND MANAGEMENT/ CORPORATE DIRECTORY

## BOARD OF DIRECTORS AND MANAGEMENT OF THE MANAGER

### BOARD OF DIRECTORS

**Zakaria Bin Meranun**

*Chairman and Non-Independent Non-Executive Director*

**Wong Sui Ee**

*Chief Executive Officer and Non-Independent Executive Director*

**Lim Kok How**

*Non-Independent 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

**Wong Sui Ee**

*Chief Executive Officer and Executive Director*

**Lim Kok How**

*Executive Director*

**Chan Kum Chong**

*Chief Operating Officer*

**Lee Hooi Hoong**

*Chief Financial Officer*

**Cheong Sok Kam**

*Corporate Affairs Manager*

**Sum Lai Fern**

*Property Manager*

### 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)

### BURSA MALAYSIA STOCK NAME AND CODE

ATRIUM 5130

# PROFILE OF DIRECTORS

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## Zakaria Bin Meranun

Chairman and Non-Independent Non-Executive Director

Malaysian, aged 48, was appointed to the Board on 22 September 2005. Zakaria obtained his Diploma in Accountancy from Institute Teknologi MARA in 1980 and after a short stint with the international audit firm of 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. 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, 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 also 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, Gemilang Maintenance Services Sdn Bhd, Mainstay Properties and Mainstay Development Sdn Bhd.

## Wong Sui Ee

Chief Executive Officer and Non-Independent Executive Director.

Malaysian, aged 38, was appointed to the Board on 22 September 2005. She 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. Sui Ee 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 has been in Glory Blitz Industries Sdn Bhd (“GBISB”) and its related companies since 1998 before moving to GBISB as its Finance & Corporate Affairs Manager in 2005. During her 8-year tenure with GBISB and its related companies, she participated and contributed towards the development of suitable freehold land in the Klang Valley to rent to GBISB and its related companies’ numerous clients including CEVA (TNT) Logistics, Exel Properties, Danzasmal, Unilever Malaysia, Silverstone Corporation Berhad and others. She led her team to formalise long-term tenancies with adequate security deposits and timeframe for the completion of buildings. Currently, she is also on the Board of Directors in Alpha Netrise (M) Sdn Bhd, Ample Cosmos Sdn Bhd and Kilat Idam Sdn Bhd.

## Lim Kok How

Non-Independent Executive Director.

Malaysian, aged 48, was appointed to the Board on 22 September 2005. He 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. He 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 is a Director and heads his own private investment holding and property development company, Ukay Boulevard Sdn Bhd and Capital Trend Asia Sdn Bhd.

## Tor Peng Sie

Independent Non-Executive Director.

Malaysian, aged 49, was appointed to the Board on 17 November 2006. He 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 formed Pacific Landmark Real Estate Agents. He is currently a Principal of Pacific Landmark Real Estate Agents.

# PROFILE OF DIRECTORS

## How Hu Son

Independent Non-Executive Director.

Malaysian, aged 58, was appointed to the Board on 17 November 2006. He 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, the Selangor Turf Club. Currently, he is a Director of Pakatan Cergas Sdn Bhd, which is a company involved in civil and structural engineering. He was involved in numerous projects of Pakatan Cergas Sdn Bhd such as 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 58, was appointed to the Board on 17 November 2006. He 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 an Independent Non-Executive Director in Asia Pacific Land Berhad. 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.

## ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

The Board currently comprises six Directors of which one is non-independent non-executive, two are non-independent executive and three independent non-executive Directors.

During the financial period, the Board met three times and the details of attendance are as follows:

	Attendance
Zakaria Bin Meranun	3
Wong Sui Ee	3
Lim Kok How	3
Tor Peng Sie	3
How Hu Son	2
Soong Kwong Heng	3

## Family Relationship with any Director and/or Substantial Unitholders

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

## Conflict of Interest

Save for the Director's interest in Atrium REIT (as disclosed under Director's Interest 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 period under review.

## Convictions for Offences

None of the Directors have 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 period under review.

## Directors' Training

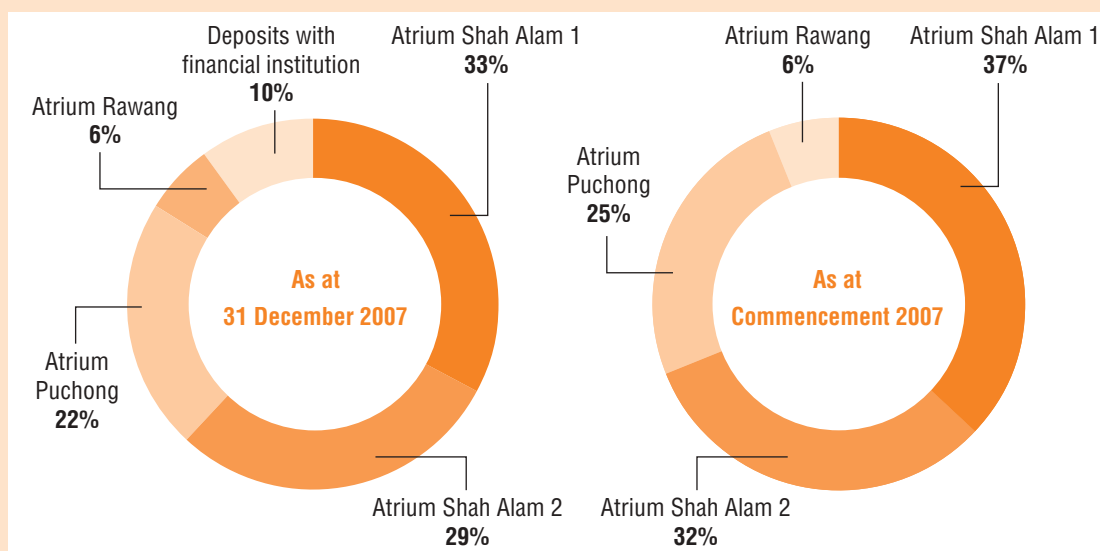
During the financial period, all the Directors have attended and completed the prescribed "Mandatory Accreditation Programme for Directors of Public Listed Companies" to enable them to discharge their duties and responsibilities effectively. Directors are also encouraged to attend briefings and seminars to keep abreast with the latest developments in the industry.



# PERFORMANCE DATA

## I) Portfolio Composition of the Trust

	As at 31 December 2007 %	As at Commencement 2007 %
Atrium Shah Alam 1	33	37
Atrium Shah Alam 2	29	32
Atrium Puchong	22	25
Atrium Rawang	6	6
	90	100
Deposits with financial institution	10	-
	100	100



## II) Net Asset Value and Unit Information

Total net asset value (RM'000)	119,396	119,882
Units in circulation (No of units'000)	121,801	121,801
Net asset value per unit (RM)	0.98	0.98
Highest traded price for the period (RM)	1.13	N/A
Lowest traded price for the period (RM)	0.91	N/A

## III) Performance of the Trust since Commencement

Total return (%)*	5.9	N/A
- Capital growth (%)	(0.6)	N/A
- Income distribution (%)	6.5	N/A
Income distribution per unit (sen)**		
- Gross	6.5	
- Net	6.5	
Management expense ratio (%)	0.53	
Portfolio turnover ratio (times)	1.27	

### Note:

\* Total return is based on the actual income distribution and the net change in the weighted average market price during the financial period, over the weighted average market price during the financial period.

\*\* Distribution made for the financial period from 2 April 2007 to 31 December 2007

## IV) Average Annual Return for the Financial Period Ended 31 December 2007

	Atrium REIT (%)	KLCI (%)
Since launch (2 April 2007)	5.9	15.9

# STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (“Board”) of Atrium REIT Managers Sdn Bhd (“Manager”) is firmly committed in ensuring that the Manager implements and operates good corporate governance practices for the benefits of Atrium Real Investment Trust (“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 and the Listing Requirements of Bursa Securities.

## ROLE OF MANAGER

### Manager of Atrium REIT

The Manager’s primary responsibility is to set the strategic direction of Atrium REIT and make recommendations to the Trustee on acquisitions, divestments and enhancements in line with the overall strategy.

In addition, the duties and responsibilities of the Manager will include the following:

- (a) to manage Atrium REIT’s assets and liabilities for the benefit of Unitholders;
- (b) to carry out the activities in relation to the assets of Atrium REIT in accordance with the provisions of the Deed;
- (c) to issue an annual report and interim report of Atrium REIT to Unitholders within two (2) months of its financial year end and the end of the period it covers, respectively;
- (d) to attend to all queries from Unitholders;
- (e) to supervise the Property Management Company; and
- (f) to ensure that Atrium REIT is managed within the ambit of the Deed, the Capital Markets and Services Act 2007, 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.

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 Atrium REIT.

## 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 six 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 currently has six Directors comprising one non-independent non-executive Director, two non-independent executive Directors and three independent non-executive Directors. The profiles of the members of the Board are provided in pages 14 to 15 of this 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.

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.

# STATEMENT OF CORPORATE GOVERNANCE

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## Board Meetings

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

Since the listing of Atrium REIT on 2 April 2007, the Board has met 3 times during the nine months financial period ended 31 December 2007. Besides the quarterly Board meeting to consider the quarterly results of Atrium REIT's operations, special meeting will be conducted to examine any proposal for acquisition and disposal of properties.

## 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 has the right to seek independent professional advice when necessary in discharging their duties, making acquisition decision and complying with relevant legislation 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 Atrium REIT.

## 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 Financial Reporting Standards in Malaysia. The Directors are satisfied that in preparing the financial statements of Atrium REIT for the financial period ended 31 December 2007, Atrium REIT has applied consistently, suitable accounting policies and supported by reasonable and prudent judgements 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 auditors is approved by the Trustee.

## RELATED PARTY TRANSACTIONS

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

The Manager will establish procedures that will ensure that related party transactions are undertaken in full compliance to the Guidelines on REITs, The Deed and the Listing Requirement of Bursa Malaysia Securities Berhad; on an arm's length basis and on normal commercial terms which are no more favourable than those extended to unrelated third parties.

## 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 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.

## FINANCIAL STATEMENTS

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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 Atrium REIT together with the audited financial statements of Atrium REIT for the financial period from 2 April 2007 (date of commencement) to 31 December 2007.

## 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 period.

## THE TRUST AND ITS MAJOR ACQUISITION

Atrium REIT was established by a trust deed entered into on 20 November 2006 between the Manager and BHLB Trustee Berhad ("Trustee"). Atrium REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 2 April 2007.

During the financial period, Atrium REIT has successfully acquired 4 industrial properties at a consideration of RM154.8 million, comprising of logistic 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 intends to achieve 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 will focus on the following investment criteria:

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

The Manager intends to hold the Properties on a long-term basis. However, in the future, if any of the Properties' value has been maximised, the Manager may dispose the property and use a portion of the proceeds to invest in new real estates with better yields and growth potential. The remaining portion of the proceeds attributable to the capital gains due to the disposal will be distributed to Unitholders.

### iii) Financing strategy

The Manager will comply with the provisions of the Deed and the Securities Commission Guidelines on Real Estate Investment Trusts ("REIT") in relation to the maximum level of permitted borrowings which is set at 50% or any other percentage as stipulated by the REIT Guidelines from time to time, of its total asset value.

# MANAGER'S REPORT

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 Atrium REIT will have to be rated.

## INVESTMENT POLICIES AND COMPLIANCE WITH REIT GUIDELINES

### (i) Investment limits and restrictions

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

- (a) at least 75% of Atrium REIT's total assets shall be invested in real estate, single-purpose companies whose principal assets comprise real estate, real estate-related assets and/or liquid assets;
- (b) at least 50% of Atrium REIT's total assets must be invested in real estate and/or single-purpose companies whose principal assets comprise real estate; and
- (c) the remaining 25% of Atrium REIT's total assets may be invested in real estate-related assets, non real estate-related assets and/or asset-backed securities.

### (ii) Authorised Investments

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, liquid assets, asset-backed securities, listed or unlisted debt securities, and any other investment which is permissible under the REIT Guidelines or otherwise permitted by the Securities Commission.

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, Atrium REIT may also look into other properties used for other purposes that will provide attractive returns.

Review of performance	As at 31 December 2007	As at Commencement
Net asset value (RM'000)	119,396	119,882
Units in circulation (units) ('000)	121,801	121,801
Net asset value per unit (RM)	0.98	0.98
Market price per unit (RM)	1.00	n/a
Highest traded price per unit during the period (RM)	1.13	n/a
Lowest traded price per unit during the period (RM)	0.91	n/a

Comparison of results against prospectus dated 28 February 2007	Actual RM'000	Prospectus RM'000
Revenue	10,141	10,231
Income after taxation	7,961	7,501
Income distribution	7,917	7,126
Distribution per unit (sen)*	8.67	7.80
Distribution yield (%)*	8.67	7.43
Management Express Ratio (%)	0.53	0.66

\*Annualised

# MANAGER'S REPORT

Atrium REIT recorded a higher income after taxation and income distribution as compared to the Prospectus due mainly to actual lower borrowing cost. Rentals are all collected on time and thus there are no outstanding amount due from tenants. This good credit management and cost control allows a distribution yield that exceeds the forecast in the Prospectus. We hope to continue such efforts in the future years.

## DISTRIBUTION OF INCOME

In respect of the current financial period ended 31 December 2007, the Manager proposes a final distribution of 2.3 sen per unit. The Trust has distributed 4.2 sen for the 6 months financial period from 2 April 2007 to 30 September 2007, resulting in a total distribution per unit ("DPU") of 6.5 sen per unit for the period under review, representing an annualised yield of approximately 8.67% based on the closing price of RM1.00 as at 31 December 2007.

The consistent distribution of dividends for the last three quarters is in line with the objectives of Atrium REIT to deliver regular and stable distributions to Unitholders.

The effect of the income distribution in terms of NAV per unit as at 31 December 2007 is as follows:

<b>NAV per unit - before distribution</b>	<b>RM</b>
<b>NAV per unit - after distribution</b>	
	1.0033
	0.9803

## INVESTMENT OF ATRIUM REIT

Atrium REIT's composition of investment as at 31 December 2007 is as follows:

	<b>RM million</b>	<b>%</b>
<b>Stated at cost</b>		
Atrium Shah Alam 1	57.2	33
Atrium Shah Alam 2	49.1	29
Atrium Puchong	38.5	22
Atrium Rawang	10.0	6
	<hr/>	<hr/>
	154.8	90
Deposits with financial institution	16.6	10
	<hr/>	<hr/>
	171.4	100
	<hr/>	<hr/>

## BREAKDOWN OF UNITHOLDINGS

	<b>No. of Unitholders</b>	<b>No. of Units</b>
5,000 and below	1,124	2,201,900
5,001 to 10,000	228	1,813,700
10,001 to 50,000	296	7,252,200
50,001 to 500,000	90	13,821,400
500,001 and above	33	96,711,800
	<hr/>	<hr/>
	1,771	121,801,000
	<hr/>	<hr/>

## DIRECTORS OF THE MANAGER

The names of the Directors of the Manager who served on the Board at the date of this report are:

Zakaria Bin Meranun (Chairman)	(Appointed on 22 September 2005)
Wong Sui Ee	(Appointed on 22 September 2005)
Lim Kok How	(Appointed on 22 September 2005)
Tor Peng Sie	(Appointed on 17 November 2006)
How Hu Son	(Appointed on 17 November 2006)
Soong Kwong Heng	(Appointed on 17 November 2006)

# MANAGER'S REPORT

## DIRECTORS' BENEFITS

During and at the end of the financial period, 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 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 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' INTEREST

According to the register of Directors' unitholdings, the interests of Directors of the Manager in office at the end of the financial period ended 31 December 2007 are as follows:

	At date of commencement	Bought	Sold	At 31 December 2007
<b>Direct Interest</b>				
Zakaria Bin Meranun	200,000	-	-	200,000
Wong Sui Ee	200,000	-	-	200,000
Lim Kok How	200,000	-	-	200,000
Tor Peng Sie	100,000	-	-	100,000
How Hu Son	100,000	-	-	100,000
Soong Kwong Heng	100,000	-	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 FEES AND COMMISSION

Pursuant to the Trust Deed, for the financial period/years ending 31 December 2007 until 31 December 2009, the Manager shall receive a fee of 0.5% per annum 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 period, the Manager did not receive any soft commission (i.e. goods and services) from its broker, by virtue of transactions conducted by 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.



# MANAGER'S REPORT

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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 period 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 period.

In the opinion of the Directors of the Manager:

- (i) no contingent or other liability of the Trust has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Trust to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Trust for the financial period in which this report is made.

## SIGNIFICANT EVENT

### Proposed acquisition of Senai Property

On 10 October 2007, the Trust entered into a Sale and Purchase Agreement with Yong Jin Development Sdn Bhd to acquire a factory warehouse cum office property ("said property") in Senai, Johor for a total consideration of RM12,500,000 on a willing-buyer willing-seller basis. The said property is valued by an independent valuer, Azmi & Co. Sdn Bhd at RM12,800,000 using both the Income and Comparison Approaches.

The said property is erected on a piece of 60-years leasehold land, expiring 27 February 2054, measuring approximately 7 acres located at Senai Industrial Park Phase III, Senai, Johor. The certificate of Fitness for Occupation was issued on 31 October 2001.

The proposed acquisition is pending approval from the Johor State Authorities. The proposed acquisition will generate gross yields of 9.61% per annum which will contribute positively to 2008 distribution yields.

## AUDITORS

The auditors, BOD Binder, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors of the Manager.

**Wong Sui Ee**

Kuala Lumpur, Malaysia  
Date: 21 January 2008

**Lim Kok How**

# 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 28 to 44 have been drawn up in accordance with the provisions of the Trust Deed dated 20 November 2006, 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 as at 31 December 2007 and the results of its operations and cash flows for the financial period ended on that date.

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

.....  
Lim Kok How

Kuala Lumpur  
21 January 2008

## STATUTORY DECLARATION

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I, Lim Kok How, 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 28 to 44 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 2008 )  
)

.....  
Lim Kok How

Before me:-

Pesuruhjaya Sumpah  
Commissioner for Oaths

# TRUSTEE'S REPORT

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To the Unitholders of Atrium REIT,

We have acted as Trustee of Atrium REIT for the period ended 31 December 2007. To the best of our knowledge, Atrium REIT Managers Sdn. Bhd. (the "Manager") has managed Atrium REIT for the period then ended:

- a) in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Trust Deed, 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) valuation/ pricing is carried out in accordance with the deed and any regulatory requirements;
- c) creation and cancellation of units are carried out in accordance with the deed and any regulatory requirements; and
- d) the distributions to the Unitholders of Atrium REIT are in line and reflective of the objectives of Atrium REIT.

For BHLB Trustee Berhad

Joshua Lim  
Chief Executive Officer  
Kuala Lumpur, Malaysia  
Date: 21 February 2008

# REPORT OF THE AUDITORS TO THE UNITHOLDERS

## OF ATRIUM REAL ESTATE INVESTMENT TRUST

We have audited the financial statements set out on pages 28 to 44.

These financial statements are the responsibility of the Directors of Atrium REIT Managers Sdn. Bhd. (the “Manager”) of the Atrium Real Estate Investment Trust (“Atrium REIT”).

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with the Securities Commission’s Guidelines on Real Estate Investment Trusts and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors of the Manager as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of Atrium REIT have been properly drawn up in accordance with the provisions of the Trust Deed dated 20 November 2006, 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 REIT as at 31 December 2007 and the results of its operations and cash flows for the financial period ended on that date.

### **BDO Binder**

AF: 0206

Chartered Accountants

### **MOK CHEW YIN**

2646/06/09 (J)

Partner

Kuala Lumpur

21 January 2008

# BALANCE SHEET

AS AT 31 DECEMBER 2007

	NOTE	2007 RM
<b>ASSETS</b>		
Investment properties	5	154,800,000
Other receivables	6	1,659,636
Deposits placed with licensed financial institutions	7	16,564,568
Cash and bank balances		372,658
<b>TOTAL ASSETS</b>		<b>173,396,862</b>
<b>LIABILITIES</b>		
Trade and other payables	8	7,499,749
Provision for income distribution	9	2,801,423
Borrowings	10	43,700,000
<b>TOTAL LIABILITIES</b>		<b>54,001,172</b>
<b>NET ASSET VALUE</b>		<b>119,395,690</b>
<b>FINANCED BY:</b>		
<b>UNITHOLDERS' FUNDS</b>		
Unitholders' capital	11	119,351,580
Undistributed income		44,110
<b>TOTAL UNITHOLDERS' FUNDS</b>		<b>119,395,690</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	11	<b>121,801,000</b>
<b>NET ASSET VALUE PER UNIT</b>		
- before proposed final distribution		1.0033
- after proposed final distribution		0.9803

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

# INCOME STATEMENT

FOR THE PERIOD FROM 2 APRIL 2007 (DATE OF COMMENCEMENT)  
TO 31 DECEMBER 2007

	NOTE	2.4.2007 to 31.12.2007 RM
Gross revenue	13	10,140,742
Property expenses	14	(663,493)
<b>Net rental income</b>		<b>9,477,249</b>
Interest income		328,321
Gain on disposal of bond fund		132,636
<b>Total income</b>		<b>9,938,206</b>
<b>Trust expenses</b>		
Manager's fees	15	(457,265)
Trustee's fees	16	(36,581)
Auditors' fee		(12,500)
Tax agent's fee		(5,000)
Borrowing cost	17	(1,330,156)
Valuation fee		(25,000)
Administrative expenses		(65,405)
Others		(45,124)
<b>Total expenses</b>		<b>(1,977,031)</b>
<b>Income before taxation</b>		<b>7,961,175</b>
Taxation	18	-
<b>Net income for the period</b>		<b>7,961,175</b>
<b>Net income for the period is made up as follows:</b>		
Realised		7,961,175
Unrealised		-
		<b>7,961,175</b>
<b>Earnings per unit (sen)</b>	19	
- after manager's fees		6.54
- before manager's fees		6.91
<b>Net income distributions</b>	20	
Interim income distributions totalling of 4.20 sen per unit		5,115,642
Proposed final income distribution of 2.30 sen per unit payable on 29 February 2008		2,801,423
		<b>7,917,065</b>
<b>Income distribution per unit</b>	20	
Gross (sen): - interim		4.20
- final		2.30
Net (sen)*: - interim		4.20
- final		2.30

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

Resident corporate	- tax at prevailing rate
Resident non-corporate	- withholding tax 15%
Non-resident individual	- withholding tax 15%
Non-resident corporate	- withholding tax 27%
Non-resident institutional	- withholding tax 20%

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

# STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE PERIOD FROM 2 APRIL 2007 (DATE OF COMMENCEMENT)  
TO 31 DECEMBER 2007

	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 from 2 April 2007 to 31 December 2007</b>				
Net income for the 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		121,800,000	-	121,800,000
Establishment and issue expenses	21	(2,449,420)	-	(2,449,420)
Distribution to unitholders:				
- paid	20	-	(5,115,642)	(5,115,642)
- provision	20	-	(2,801,423)	(2,801,423)
Increase in net assets resulting from unitholders' transaction		119,350,580	(7,917,065)	111,433,515
<b>At 31 December 2007</b>		119,351,580	44,110	119,395,690
			Note 11	

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

# CASH FLOW STATEMENT

FOR THE PERIOD FROM 2 APRIL 2007 (DATE OF COMMENCEMENT)  
TO 31 DECEMBER 2007

2.4.2007  
to  
31.12.2007  
RM

## CASH FLOWS FROM OPERATING ACTIVITIES

Income before taxation	7,961,175
Adjustments for:	
Gain on disposal of bond fund	(132,636)
Interest income	(328,321)
Interest expense	1,330,156
Operating income before working capital changes	8,830,374
(Increase)/Decrease in working capital:	
Other receivables	(1,659,636)
Trade and other payables	7,499,749
Net cash generated from operating activities	14,670,487

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investment properties	(154,800,000)
Interest income	328,321
Investment in bond fund	(8,000,000)
Proceeds from disposal of bond fund	8,132,636
Net cash used in investing activities	(154,339,043)

## CASH FLOWS FROM FINANCING ACTIVITIES

Interest paid	(1,330,156)
Proceeds from issue of units	121,801,000
Proceeds from borrowings	43,700,000
Distributions paid to unitholders	(5,115,642)
Establishment and issue expenses	(2,449,420)
Net cash generated from financing activities	156,605,782
Net increase in cash and cash equivalents	16,937,226
Cash and cash equivalents at date of commencement	-
Cash and cash equivalents at end of period	16,937,226

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement  
comprise the following balance sheet amounts:

Cash and bank balances	372,658
Deposits placed with licensed financial institutions	16,564,568
	16,937,226

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



# NOTES TO THE FINANCIAL STATEMENTS

## 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 (“Deed”) dated 20 November 2006 between the Atrium REIT Managers Sdn. Bhd. (“Manager”) and BHLB Trustees Berhad (“Trustee”). The Trust commenced its operations during the financial period.

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 period.

## 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 Deed.

## 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 Trust Deed dated 20 November 2006, the Securities Commission’s Guidelines on Real Estate Investment Trusts, applicable securities laws, applicable approved Financial Reporting Standards (“FRS”) and accounting principles generally accepted in Malaysia.

The Malaysia Accounting Standards Board (“MASB”) has issued a number of new and revised Financial Reporting Standards that are effective for accounting periods beginning on or after 1 January 2006. In this set of financial statements, Atrium REIT has adopted FRS 117, Leases and FRS 124, Related Party Disclosures which are effective for annual periods beginning on or after 1 October 2006. The MASB has also issued FRS 139, Financial Instruments: Recognition and Measurement but for which the MASB has yet to announce the effective date of this standard. Atrium REIT has not adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

MASB also issued FRS 6, Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119 2004, Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures which will be effective for annual periods beginning on or after 1 January 2007 and which is not applicable to Atrium REIT. Hence, no further disclosure is warranted.

At the date of authorisation of these financial statements, the following FRS, Amendments to FRS and Issues Committee (“IC”) Interpretation were issued. The Trust has not elected to early adopt them.

- FRS 107: Cash Flow Statements
- FRS 111: Construction Contracts
- FRS 112: Income Taxes
- FRS 118: Revenue
- FRS 119: Employee Benefits
- FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
- FRS 126: Accounting and Reporting by Retirement Benefit Plans
- FRS 129: Financial Reporting in Hyperinflationary Economies
- FRS 134: Interim Financial Reporting

# NOTES TO THE FINANCIAL STATEMENTS

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

### 3.1 Statement of compliance (continued)

- FRS 137: Provisions, Contingent Liabilities and Contingent Assets
- Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
- IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2: Members' Shares in Co-operative 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

The abovementioned FRS, Amendments to FRS and IC Interpretation will become effective for financial statements covering periods beginning on or after 1 July 2007 except for the renamed accounting standards i.e. FRS 119, FRS 126 and FRS 129 which have the same effective dates as their original standards.

The adoption of the above is not expected to have any significant financial impact on the Trust's financial statements upon their initial application.

### 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 in which the estimate is revised and in any future periods affected.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Investment properties

Investment properties consist of freehold land and buildings held for investment potential and rental income.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

### 4.2 Financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Trust has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

#### 4.2.1 Receivables

Trade and other receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

#### 4.2.2 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.

#### 4.2.3 Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

#### 4.2.4 Borrowings

Borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.3 Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their related tax bases. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unabsorbed tax losses and unutilised capital allowances can be utilised.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

### 4.4 Provisions and contingent liabilities

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

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

A contingent liability is disclosed, unless the possibility that an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material and the Directors are of the opinion that disclose is appropriate.

### 4.5 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

#### 4.5.1 Rental income

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

#### 4.5.2 Interest income

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

### 4.6 Expenses

#### 4.6.1 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.6.2 Interest expense

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

### 4.6.3 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.

### 4.6.4 Manager's and Trustee's fees

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

## 5. INVESTMENT PROPERTIES

	2007 RM
At 2 April 2007 (date of commencement)	-
Acquisitions	154,800,000
At 31 December 2007	154,800,000

Description of property	Tenure of land	Location	Existing use	Occupancy rate	Date of valuation	Fair value RM	Acquisition cost RM	Percentage of fair value over Net Assets Value %
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
						158,300,000	154,800,000	

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 certain properties are pending transfer to the name of the Trustee or issuance by the relevant authority.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 6. OTHER RECEIVABLES

	<b>2007 RM</b>
Other receivables	17,537
Deposits	1,613,320
Prepayments	28,779
	<hr/>
	1,659,636
	<hr/>

Included in deposits is the 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 (Note 28).

## 7. DEPOSITS PLACED WITH LICENSED FINANCIAL INSTITUTIONS

The deposits were placed with financial institutions at interest rates ranging from 3.35% to 3.46% per annum.

## 8. TRADE AND OTHER PAYABLES

	<b>2007 RM</b>
Trade payables	16,512
Other payables and accrued expenses	427,619
	<hr/>
	444,131
Tenants' deposits	
- payable within 12 months	953,962
- payable after 12 months	6,101,656
	<hr/>
	7,055,618
	<hr/>
	7,499,749
	<hr/>

Included in other payables and accrued expenses are amount owing to the Manager and the Trustee of RM50,726 and RM4,058 respectively which are unsecured, interest free and payable monthly in arrears.

## 9. PROVISION FOR INCOME DISTRIBUTION

	<b>2007 RM</b>
At 2 April 2007 (date of commencement)	-
Provision made during the period	2,801,423
	<hr/>
At 31 December 2007	2,801,423
	<hr/>

During the financial period ended 31 December 2007, the Manager proposed a final distribution of 2.30 sen per unit totalling RM2,801,423.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. BORROWINGS

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

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 full drawdown on 5 April 2007 and/or upon disposal of the relevant properties whichever is earlier.

The STRC facility interest ranged from 4.04% to 4.28% per annum during the financial period.

## 11. UNITHOLDERS' CAPITAL

	<b>2007 Number of Units</b>
<b>Authorised:</b>	
At 2 April 2007 (date of commencement)/31 December 2007	121,801,000
	<b>2007 RM</b>
<b>Issued and fully paid:</b>	
At 2 April 2007 (date of commencement)	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 21)	(2,449,420)
At 31 December 2007	119,351,580

# NOTES TO THE FINANCIAL STATEMENTS

## 12. UNITHOLDINGS OF DIRECTORS AND THEIR RELATED PARTIES

As at 31 December 2007, the Manager did not hold any units in Atrium REIT. However, the Directors of the Manager and related parties held units in Atrium REIT as follows:

	Number of unit held	2007 Percentage of total units %	Market value RM
Direct unit holdings in Atrium REIT			
Directors of the Manager:			
Zakaria Bin 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
Related parties of the Manager:			
Glory Blitz Industries Sdn. Bhd.	18,761,800	15.40	18,761,800
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 RM1.00 as at 31 December 2007.

## 13. GROSS REVENUE

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

## 14. PROPERTY EXPENSES

	2.4.2007 to 31.12.2007 RM
Property management fees	144,078
Assessment and quit rent	310,060
Insurance and others	209,355
	663,493

For the financial period ended 31 December 2007, the property management fee of RM144,078 was paid to the property management company, MN Associates (KL) Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agent Act 1981 with permissible discounts.



# NOTES TO THE FINANCIAL STATEMENTS

## 15. MANAGER'S FEES

Pursuant to the Trust Deed, for the financial period ended 31 December 2007 until 31 December 2009, the Manager shall receive a fee of 0.5% per annum of the Net Asset Value ("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 period ended 31 December 2007, the Manager charged a manager's fee of RM457,265.

## 16. TRUSTEE'S FEES

Pursuant to the Trust 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.

## 17. BORROWING COST

	2.4.2007 to 31.12.2007 RM
Interest expense on STRC facility (Note 10)	1,330,156

## 18. TAXATION

	2.4.2007 to 31.12.2007 RM
Current tax expense	-
<b>Reconciliation of effective tax expense</b>	
Income before taxation	7,961,175
Income tax using Malaysian tax rate of 27%	2,149,517
Non-deductible expenses	23,127
Effect of income exempted from tax	(2,172,644)
Tax expense	-

## 19. EARNINGS PER UNIT

- (a) The earnings per unit after manager's fees has been calculated based on income after taxation of RM7,961,175 for the period and on the number of units in circulation during the period of 121,801,000.
- (b) The earnings before manager's fees has been calculated based on income after taxation before deduction of manager's fees for the period of RM8,418,440 and on the number of units in circulation during the period of 121,801,000.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. DISTRIBUTIONS TO UNITHOLDERS

Distributions to unitholders are from the following sources:

	<b>2.4.2007 to 31.12.2007 RM</b>
Net rental income	9,477,249
Interest income	328,321
Gain on disposal of bond fund	132,636
	<hr/>
	9,938,206
Less: Expenses	(1,977,031)
	<hr/>
	7,961,175
Undistributed income	(44,110)
	<hr/>
Total income distributions	7,917,065
	<hr/>

Distributions to unitholders include the payment of the interim income distributions of 4.20 sen made up of 2.00 sen per unit and 2.20 sen per unit on 28 August 2007 and 28 November 2007 respectively, totalling RM5,115,642. This together with the final distribution of 2.30 sen per unit, amounting to RM2,801,423, will give a total income distributions of RM7,917,065 for the financial period.

## 21. ESTABLISHMENT AND ISSUE EXPENSES

	<b>2.4.2007 to 31.12.2007 RM</b>
Brokerage fees and commissions	386,320
Professional fees	1,078,912
Miscellaneous expenses	984,188
	<hr/>
	2,449,420
	<hr/>

## 22. PORTFOLIO TURNOVER RATIO

	<b>2.4.2007 to 31.12.2007</b>
Portfolio Turnover Ratio ("PTR") (times)	1.27
	<hr/>

PTR is the ratio of the average of total acquisitions and total disposals of investments in Atrium REIT for the period ended 31 December 2007 to the average net asset value of the Trust for the period 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. MANAGEMENT EXPENSE RATIO

	<b>2.4.2007 to 31.12.2007</b>
Management expense ratio ("MER")(%)	0.53

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 period calculated on a 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.

## 24. CAPITAL COMMITMENT

	<b>2.4.2007 to 31.12.2007 RM</b>
<b>Investment property</b>	
Contracted but not provided for and payable: within one year (Note 28)	11,250,000

## 25. TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

	<b>2.4.2007 to 31.12.2007 RM</b>
Acquisition cost of properties paid to:	
- holding company of the Manager	49,100,000
- related company to the holding company of the Manager	57,200,000

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.

## 26. TRANSACTIONS WITH BROKER/DEALERS

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

# NOTES TO THE FINANCIAL STATEMENTS

## 27. 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 concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of financial asset.

### Interest rate risk

Atrium REIT'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 net 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.

### 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 periods in which they mature.

	Effective interest rate %	Total	2007 Within 1 year	1 – 5 years
<b>Financial assets</b>				
Deposits placed with licensed financial institutions	3.35 to 3.46	16,564,568	16,564,568	-
<b>Financial liabilities</b>				
Short Term Revolving Credit ("STRC")	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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 28. SIGNIFICANT EVENTS

On 10 October 2007, the Trustee, acting on behalf of Atrium REIT entered into a Sale and Purchase Agreement with Yong Jin Development Sdn. Bhd. to acquire a factory warehouse cum office property ("the said property") in Senai, Johor for a total consideration of RM12,500,000 on a willing-buyer willing-seller basis. The said property was valued by an independent valuer, Azmi & Co. Sdn. Bhd. at RM12,800,000 using income and comparison methods.

The said property is erected on a piece of leasehold land, expiring on 27 February 2054, measuring approximately 7 acres which is located at Senai Industrial Park Phase III, Senai, Johor. The certificate of fitness for occupation was issued on 31 October 2001.

The proposed acquisition is pending approval from the Johor State Authorities. This proposed acquisition is expected to be completed by April 2008.

## 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 risk and returns distinguishable between business and geographical segments. No segmental reporting is thus presented.

## 30. COMPARATIVE FIGURES

No comparative figures are presented as this is the first financial statements prepared by Atrium REIT.

## 31. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Trust for the financial period ended 31 December 2007 were authorised for issue by the Board of Directors of Atrium REIT Managers Sdn. Bhd. on 21 January 2008.

# ANALYSIS OF UNITHOLDINGS

As at 31 December 2007

Size of holding	No. of Unitholders	No Units	%
Less than 100	5	105	0.00
100 to 1,000	574	502,795	0.41
1,001 to 10,000	773	3,512,700	2.88
10,001 to 100,000	342	11,003,100	9.03
100,001 to 1,000,000	60	22,323,500	18.34
Over 1,000,000	17	84,458,800	69.34
	1,771	121,801,000	100.00

## THIRTY (30) LARGEST UNITHOLDERS AS AT 31 DECEMBER 2007

Name	No. of units	%
1. SPARKLE SKYLINE SDN BHD	21,329,800	17.51
2. GLORY BLITZ INDUSTRIES SDN BHD	13,444,800	11.04
3. KURNIA INSURANS (MALAYSIA) BHD	6,051,400	4.97
4. MAYBAN NOMINEES (TEMPATAN) SDN BHD ASEAMBANKERS MALAYSIA BERHAD FOR SPARKLE SKYLINE SDN BHD (270252)	5,508,800	4.52
5. ASCENTPAC SDN BHD	5,031,300	4.13
6. VIVID IMAGES SDN BHD	5,000,000	4.11
7. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MELLON BANK (ABNAMRO MELLON)	3,999,000	3.28
8. AMANAH RAYA NOMINEES PUBLIC FAR-EAST PROPERTY & RESORTS FUND	3,990,000	3.28
9. MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SPARKLE SKYLINE SDN BHD (ASEAM – 270254)	3,870,200	3.18
10. MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GLORY BLITZ INDUSTRIES SDN BHD (ASEAM – 270255)	2,902,800	2.38

# ANALYSIS OF UNITHOLDINGS

As at 31 December 2007

## THIRTY (30) LARGEST UNITHOLDERS AS AT 31 DECEMBER 2007

Name	No.of units	%
11. CARTABAN NOMINEES (ASING) SDN BHD STATE STREET LUXEMBOURG FUND AA30 FOR ALLIANZ GLOBAL INVESTORS SELECTIONS RCM MALAYSIA FUND	2,800,500	2.30
12. MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	2,760,000	2.27
13. MAYBAN NOMINEES (TEMPATAN) SDN BHD ASEAMBANKERS MALAYSIA BERHAD FOR GLORY BLITZ INDUSTRIES SDN BHD	2,345,200	1.93
14. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC SMALLCAP FUND	1,900,000	1.56
15. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL PROGRESS FUND (4082)	1,280,000	1.05
16. MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (SHAREHLDR'S FD)	1,200,000	0.99
17. MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)	1,045,000	0.86
18. BEVERLY TOWER DEVELOPMENT SDN BHD	1,000,000	0.82
19. CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)	1,000,000	0.82
20. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT INCOME FUND (4850)	995,000	0.82
21. MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR SAHAM AMANAH SABAH (ACC 2-940410)	970,000	0.80
22. MAYBAN NOMINEES (TEMPATAN) SDN BHD HWANGDBS INVESTMENT MANAGEMENT BHD FOR MULTI-PURPOSE INSURANS BHD (260023)	938,100	0.77
23. MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (GENERAL FUND)	855,000	0.70
24. MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN LIFE ASSURANCE BERHAD (NON-PAR FUND)	822,600	0.68

# ANALYSIS OF UNITHOLDINGS

As at 31 December 2007

## THIRTY (30) LARGEST UNITHOLDERS AS AT 31 DECEMBER 2007

Name	No.of units	%
25. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL ASIA - PACIFIC REIT FUND (5956-401)	759,000	0.62
26. MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN LIFE ASSURANCE BERHAD (PAR FUND)	737,300	0.61
27. MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN GENERAL ASSURANCE BERHAD (INSURANCE FUND)	710,000	0.58
28. MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN GENERAL ASSURANCE BERHAD (S/HOLDERS FUND)	658,800	0.54
29. CARTABAN NOMINEES (TEMPATAN) SDN BHD ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD-(INSF)	600,000	0.49
30. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PRUDENTIAL EQUITY INCOME FUND (4801)	597,200	0.49
	95,101,800	78.10

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

Name	No.of units	%
1. SPARKLE SKYLINE SDN BHD	30,708,800	25.21
2. GLORY BLITZ INDUSTRIES SDN BHD	18,761,800	15.40
	49,470,600	40.61



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