

ATRIUM REIT

ANNUAL REPORT 2010

Built To Suit Your Needs. Space Solution Provider.

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ATRIUM
REIT

OUR MISSION

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

Our Achievement in 2010

	2010 RM '000	2009 RM '000	2008 RM '000	2007 ¹ RM '000
Net Income	11,912	8,599	17,112	7,961
Earnings Per Unit (Sen)				
- realised	8.63	7.06	8.47	6.54
- unrealised	1.15	-	5.58	-
Distribution to Unitholders	10,475	8,465	10,231	7,917
Distribution Per Unit (Sen)	8.60	6.95	8.40	6.50
Asset Under Management	163,000	161,600	161,600	154,800
Number of Properties	4	4	4	4
Occupancy Rate	100%	100%	100%	100%
Net Asset Value Per Unit (RM)	1.05	1.04	1.04	0.98

Year on Year Comparison

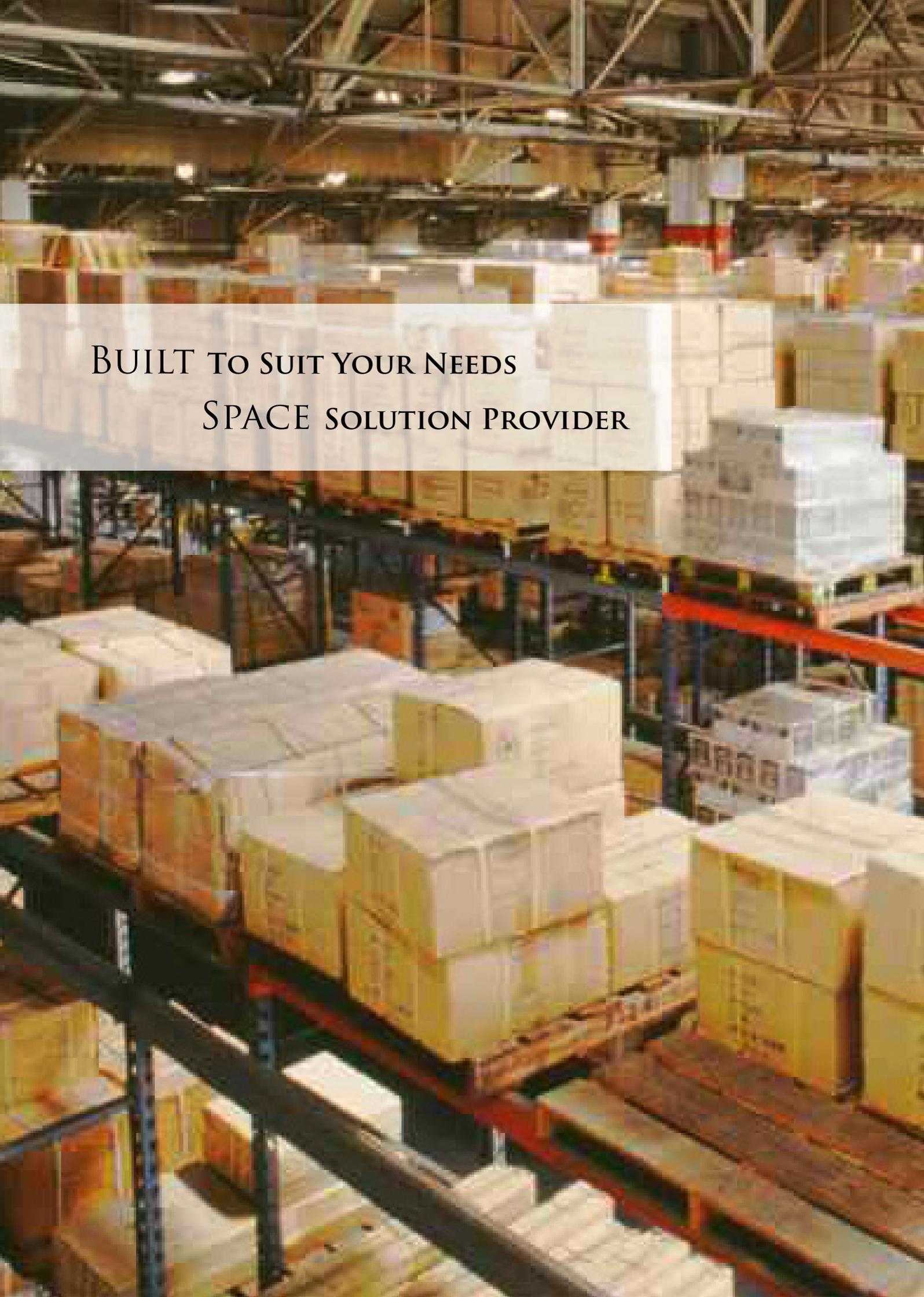
	2010 RM '000	2009 RM '000	Variance %
Net Income	11,912	8,599	38.5
Earnings Per Unit (Sen)	9.78	7.06	38.5
Distribution to Unitholders	10,475	8,465	23.7
Distribution Per Unit (Sen)	8.60	6.95	23.7
Asset Under Management	163,000	161,600	0.9
Number of Properties	4	4	-
Occupancy Rate	100%	100%	-
Net Asset Value Per Unit (RM)	1.05	1.04	1.0

Distributions For 2010

1st Quarter	2.10 sen
2nd Quarter	2.15 sen
3rd Quarter	2.15 sen
4th Quarter ²	2.20 sen

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

2. To be paid on 4 March 2011.

A large industrial warehouse filled with high stacks of cardboard boxes on metal shelving units. The boxes are stacked on pallets and are organized in rows. The warehouse has a high ceiling with a complex steel truss structure and numerous overhead lights. The overall scene is one of a well-organized and spacious storage facility.

BUILT TO SUIT YOUR NEEDS
SPACE SOLUTION PROVIDER



SALIENT FEATURES

OF THE FUND

Name of fund	: Atrium REIT
Fund category	: Real Estate
Fund type	: Growth and income
Investment objectives	: 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
Fund investment strategy	: 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.
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.
Approved size of Fund	: 121,801,000 Units
Authorised investments	: - At least 50% of the total asset value of Atrium REIT must be invested in real estates and/or single purpose companies at all times; and - 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.
Financial year end	: 31 December
Distribution policy	: 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
Borrowing limitations	: Up to 50% of the total asset value of the Fund at the time the borrowing is incurred.
Revaluation policy	: 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.
Redemption policy	: Unitholders have no right to request the Fund to repurchase their units while the units are listed.
Minimum initial investment	: Minimum of 100 units
Minimum additional investments	: Multiples of 100 units
Investor profile	: 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.
Board lot	: 100 units per board lot
Quotation	: Main Board of Bursa Malaysia Securities Bhd
Bursa Malaysia Stock Number	: ATRIUM 5130



ATRIUM
REIT

PROPERTY PORTFOLIO



Atrium Shah Alam 1

Property	Atrium Shah Alam 1
Address	Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia
Title details	GRN 177482 (formerly known as H.S.(D) No. 80053) for Lot No. 38264 (formerly known as Lot No. P.T. 14366), Pekan Baru Hicom (formerly known as Mukim of Damansara), District of Petaling, State of Selangor Darul Ehsan
Property type	Industrial
Description	A single storey warehouse and a four storey office building with a total Net Lettable Area measuring approximately 311,736 sq.ft.
Year of completion	2005
Tenure	Freehold
Existing use	Warehouse and office
Parking spaces	191 car bays, 105 motorcycle bays & 30 lorry bays
Date of acquisition	2 April 2007
Cost of acquisition	RM57,200,000
Tenant	Exel Properties (Malaysia) Sdn Bhd*
Occupancy	100%
Lease Period	5 years, expiring on 31 December 2010*
Major capital expenditure	Nil
Encumbrances	The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM 45 million
Limitation in title/interest	None
Latest valuation	RM 62,000,000
Basis of valuation	Income, cost and comparison methods
Date of last valuation	31 December 2010
Valuer	First Pacific Valuers Property Consultants Sdn Bhd
Fair Value adjustment	RM 600,000
Net book value	RM 61,400,000

* The DHL Group via one of its subsidiaries, DHL Supply Chain (Malaysia) Sdn Bhd has confirmed that it will be renewing the rental for Atrium Shah Alam 1 for a period of 3 years, commencing on 1 January 2011 and expiring on 31 December 2013. The renewal is under DHL Supply Chain (Malaysia) Sdn Bhd as Exel Group has merged with DHL Group.

PROPERTY PORTFOLIO



Atrium Shah Alam 2

Property	Atrium Shah Alam 2
Address	Lot 7A, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia
Title details	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
Property type	Industrial
Description	A single storey warehouse and a double storey office building with a total Net Lettable Area measuring approximately 258,702 sq.ft.
Year of completion	2004
Tenure	Freehold
Existing use	Warehouse and office
Parking spaces	125 car bays, 129 motorcycle bays & 20 lorry bays
Date of acquisition	2 April 2007
Cost of acquisition	RM49,100,000
Tenant	CEVA Logistics (Malaysia) Sdn Bhd
Occupancy	100%
Lease Period	3 years, expiring on 31 May 2012
Major capital expenditure	Nil
Encumbrances	None
Limitation in title/interest	None
Latest valuation	RM 54,500,000
Basis of valuation	Income, cost and comparison methods
Date of last valuation	31 December 2010
Valuer	First Pacific Valuers Property Consultants Sdn Bhd
Fair Value adjustment	RM 800,000
Net book value	RM 53,700,000

PROPERTY

PORTFOLIO



Atrium Puchong

Property	Atrium Puchong
Address	No.2 Jalan PPU 1, Taman Perindustrian Puchong Utama, Batu 12 ½ Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia
Title details	Lot No. 65108 held under Geran No. 44178, Pekan Puchong Perdana (formerly Mukim of Petaling), District of Petaling, State of Selangor Darul Ehsan
Property type	Industrial
Description	A single storey warehouse and a four storey office building with a total Net Lettable Area measuring approximately 203,994 sq.ft.
Year of completion	2002
Tenure	Freehold
Existing use	Warehouse and office
Parking spaces	129 car bays, 110 motorcycle bays & 30 lorry bays
Date of acquisition	2 April 2007
Cost of acquisition	RM 38,500,000
Tenant	DHL Supply Chain (Malaysia) Sdn Bhd
Occupancy	100%
Lease Period	4 years, expiring on 18 September 2014
Major capital expenditure	Nil
Encumbrances	None
Limitation in title/interest	None
Latest valuation	RM 38,500,000
Basis of valuation	Income, cost and comparison method
Date of last valuation	31 December 2010
Valuer	First Pacific Valuers Property Consultants Sdn Bhd
Fair Value adjustment	Nil
Net book value	RM 38,500,000

PROPERTY PORTFOLIO



Atrium Rawang

Property	Atrium Rawang
Address	Lot 23, Rawang Integrated Industrial Park, Jalan Batu Arang, 48000 Rawang, Selangor Darul Ehsan, Malaysia
Title details	Geran 205542, Lot 19007, Section 20, Town of Rawang (formerly Mukim of Rawang), District of Gombak, Selangor Darul Ehsan
Property type	Industrial
Description	A double storey office and factory building with a total Net Lettable Area measuring approximately 35,236 sq.ft.
Year of completion	2001
Tenure	Freehold
Existing use	Factory and office
Parking spaces	23 car bays, 15 motorcycle bays & 3 lorry bays
Date of acquisition	2 April 2007
Cost of acquisition	RM10,000,000
Tenant	Unilever Foods (Malaysia) Sdn Bhd
Occupancy	100%
Lease Period	10 years, expiring on 31 October 2011
Major capital expenditure	Nil
Encumbrances	The property is charged to a financial institution to secure a Short Term Revolving Credit facility of RM 45 million
Limitation in title/interest	None
Latest valuation	RM 8,000,000
Basis of valuation	Income, cost and comparison methods
Date of last valuation	31 December 2010
Valuer	First Pacific Valuers Property Consultants Sdn Bhd
Fair Value adjustment	Nil
Net book value	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 THE ATRIUM REAL ESTATE INVESTMENT TRUST ("ATRIUM REIT" OR "TRUST") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 ("FY2010").

Financial Performance

We are pleased to report that a solid performance was achieved by Atrium REIT for FY2010. For FY2010, Atrium REIT recorded a 9.14% increase in gross revenues to RM14.170 million as compared to RM12.984 million for the previous corresponding financial year ended 31 December 2009 ("FY2009"). Correspondingly, Net Income (realised) for the year rose to RM10.512 million compared to RM8.599 million for FY2009, representing an increase of 22.25%. The Trust's financial performance was boosted by revaluation gains of RM1.400 million for its portfolio, contributing to an increase in Net Asset Value ("NAV") from RM1.0378 per unit as at 31 December 2009 to RM1.0496 per unit as at 31 December 2010.

Distribution to Unitholders

Atrium REIT has consistently demonstrated its ability to deliver sustainable and stable distributable income since its listing in 2007. We are pleased to report that for the first 3 quarters of FY2010, Atrium REIT has distributed 6.40 sen per unit. For the 4th quarter of FY2010, the Board of Directors of the Manager is pleased to declare a final distribution of 2.20 sen per unit, representing a total distribution per unit of

8.60 sen for FY2010, which will be payable on 4 March 2011. The distributable yield of Atrium REIT for 2010 is a creditable 8.11% based on the closing market price of RM1.06 per unit for Atrium REIT as at 31 December 2010.

Operations Review

The leases for Atrium Shah Alam 1 and Atrium Puchong which expired during the FY2010 have been renewed, pending the execution of the agreements, for a further term of 3 years and 4 years respectively. Currently, all of Atrium REIT's properties are tenanted by subsidiaries of MNCs, whom are established market leaders in their respective industries, an indication of the quality of the tenants and properties owned by Atrium REIT.

For FY2010, a revaluation exercise was carried out on Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Puchong and Atrium Rawang by an independent registered valuer, First Pacific Valuers Property Consultants Sdn Bhd ("First Pacific") pursuant to Financial Reporting Standard 140 which states that Investment Properties have to be stated/disclosed at Fair Value at the end of each financial year. First Pacific has adopted a combination of valuation methods in their assessments and the values have been duly reflected in the financial statements.



CHAIRMAN'S STATEMENT

The proposed acquisition planned for FY2010 did not materialize because the valuation of the subject property based on the income method by the independent valuers could not meet the offer price. Prices of industrial land in prime locations have increased tremendously as the economy bounced back and the stock exchange reached new highs, showing signs that the stimulus packages introduced after the global financial crisis have worked themselves into the system. Consequently, prices of industrial properties in prime locations have also increased significantly despite the rentals remaining stable, making it difficult to acquire yield accretive assets.

The Manager will continue to explore new acquisition opportunities, with focus on industrial properties that meet our investment criteria i.e. located in prime locations with good infrastructures and tenanted by leading businesses on long term leases to enhance the asset value and income growth of the Trust.

Economic Overview

The global economy made a robust recovery in the 1st quarter of 2010 but softened in the subsequent quarters, given the weaker global trade conditions and the sovereign debt problem in the Eurozone. However, resilient Asian economies continue to provide strong support as Asia continues to lead global growth through their resilient domestic demand as evidenced by the twin economic engines of Asia namely China and India. The IMF's global economic growth forecast for 2011 has been revised downward from 4.3% to 4.2% in October's World Economic Outlook (WEO), indicating a moderation in growth for many countries in the near term.

In Malaysia, despite a sharp rebound in 2010 following the 1.7% contraction in 2009, moderation in economic activities is expected to take place, largely attributed to the weakening of the external sector in 1st half of 2011, as demand for the country's major exports such as electrical and electronics (E&E) manufactures by advanced economies soften.

However this is expected to be offset by commodities where prices of crude palm oil and crude oil are anticipated to remain relatively firm. The domestic front will continue to be supported by private consumption which has largely been responsible for the country's growth since the Asian Financial Crisis in the late 1990s. The growth of the Malaysian economy will be dependent on two major factors, namely the global economic development and the strength of private consumption in supporting domestic demand.

Changes to the Board and Management

On behalf of the Board of Directors, I would like to welcome Mr. Chan Kum Chong and Ms Chuah Kui Pek as the new Chief Executive Officer and Chief Operating Officer of the Manager respectively. Mr Chan and Ms Chuah were previously the Acting Chief Executive Officer and Head, Asset Management of the Manager respectively, prior to the new appointments.

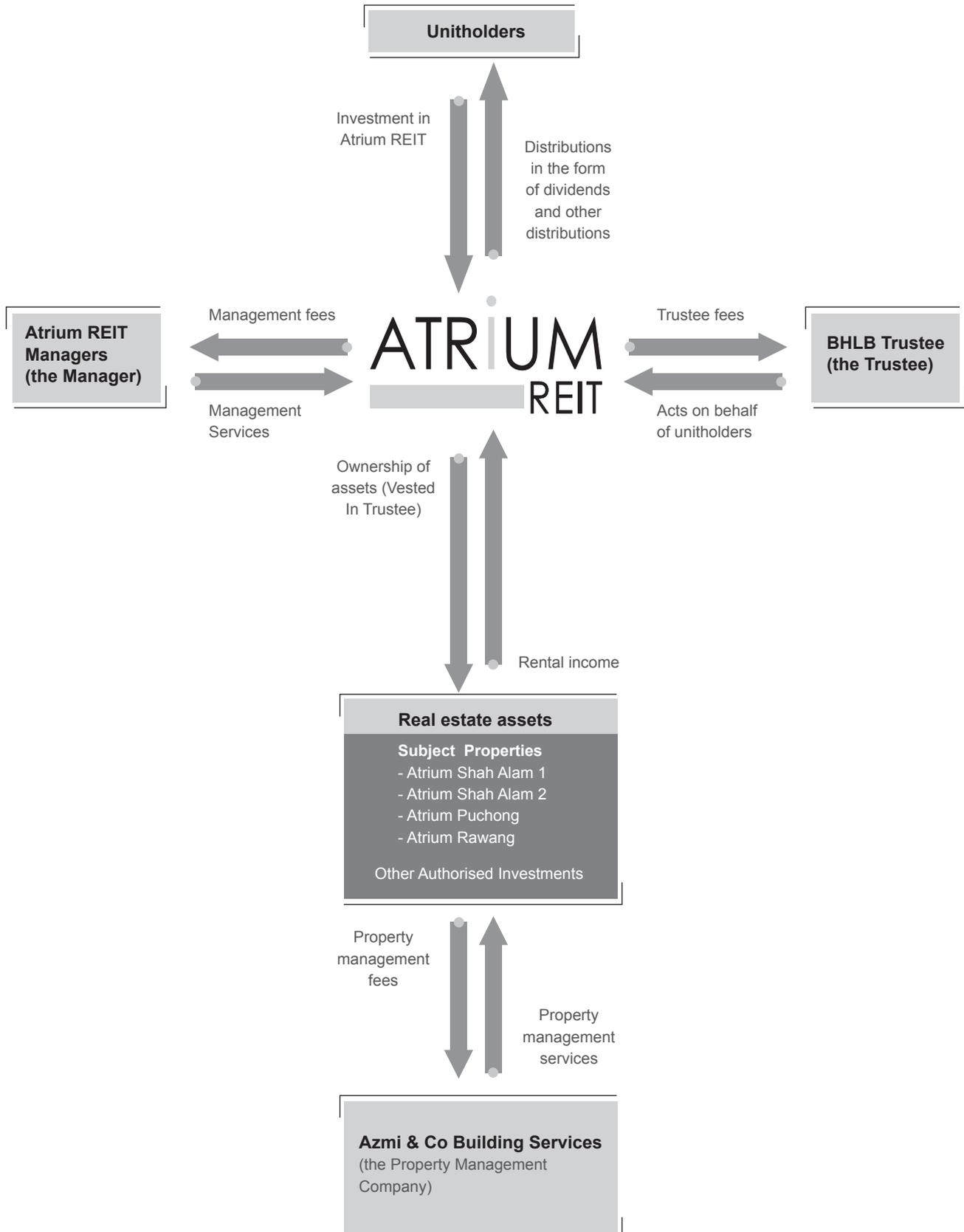
Appreciation

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. I would also like to thank the management team for the concerted effort and contribution in 2010 and I look forward to another fruitful year ahead with the continued support of my fellow Board members and our valued stakeholders.

DATO' DR IR MOHAMAD KHIR BIN HARUN
Chairman
Atrium REIT Managers Sdn Bhd
21 February 2011

STRUCTURE OF ATRIUM REIT

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



BOARD OF DIRECTOR AND MANAGEMENT / CORPORATE DIRECTORY

BOARD OF DIRECTORS AND MANAGEMENT OF THE MANAGER

BOARD OF DIRECTORS

DATO' DR IR MOHAMAD KHIR BIN HARUN
Chairman and Non-Independent Non-Executive Director

WONG SUI EE
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

NG YEN HOONG (LS 008016)
LIM POH YEN (MAICSA 7009745)

MANAGEMENT

WONG SUI EE
Executive Director

CHAN KUM CHONG
Chief Executive Officer

CHUAH KUI PEK
Chief Operating Officer

LEE HOOI HOONG
Chief Financial Officer

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

Registered office:

Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 8888 Fax: 03-2282 2733, 03-2264 8997

TRUSTEE

BHLB Trustees Berhad (313031-A)

Principal place of business :
Level 7, Wisma Amanah Raya Berhad
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2084 8888 Fax: 03-2095 5473

AUDITORS

BDO (AF 0206)
Chartered Accountants

PROPERTY MANAGEMENT COMPANY

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

A9-1-1, Jalan Ampang Utama 2/2
One Ampang Business Avenue
68000 Ampang, Selangor
Tel: 03-4256 6868 Fax: 03-4256 2266

PRINCIPAL BANKER

Malayan Banking Berhad

REGISTRAR

Tricor Investor Services Sdn Bhd (118401-V)

Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 3883 Fax: 03-2282 1886

BURSA MALAYSIA STOCK NAME AND CODE

ATRIUM 5130

PROFILE OF DIRECTORS

DATO' DR IR MOHAMAD KHIR BIN HARUN

Chairman

Malaysian, aged 60, was appointed to the Board on 5 October 2009. Dato' Dr Ir Mohamad Khir obtained his BSc (Hons) in Electrical Engineering from Brighton Polytechnic in 1973, MSc in Communications Engineering from Brunel University, London in 1978 and PhD in Electrical Engineering from University of Manchester, United Kingdom in 1982. Dato' Dr. Ir. Mohamad Khir has accumulated a vast pool of knowledge on the communications and information industry. Starting his career as a young engineer way back in 1973, Dato' Dr Khir has successfully made the transition to a business-savvy technocrat when the Telecom Department was corporatised in 1987. He had risen quickly in his career, taking on wide-ranging responsibilities and was holding the position of Chief, Group Business Restructuring, the second highest position in Telekom Malaysia or TM, prior to his retirement. He was President of the Senior Officer Association of Telekom Malaysia from 1985 to 1996 where he has initiated programs on executive development and health awareness which were later adopted by TM. He was active in sports having held positions as Vice and Deputy President of TM's sports club from 1982 to 1995. His other experiences in TM includes 4 years as Senior Vice President of Marketing for Major Corporation, Government and Business Customers, 2 years as Senior General Manager of Telco Business Strategy Development, over 1 year doing corporate strategy works and 5 years in Telex, Telegraphy and Data Services.

WONG SUI EE

Executive Director

Malaysian, aged 41, 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 industrial 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 Alpha Netrise (M) Sdn Bhd, Ample Cosmos Sdn Bhd and Kilat Idam Sdn Bhd.

HOW HU SON

Independent Non-Executive Director

Malaysian, aged 61, 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.

PROFILE OF DIRECTORS

TOR PENG SIE

Independent Non-Executive Director

Malaysian, aged 52, 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 the Principal of Pacific Landmark Real Estate Agents.

SOONG KWONG HENG

Independent Non-Executive Director

Malaysian, aged 61, was appointed to the Board on 17 November 2006. Mr. Soong graduated with a Bachelor of Economics from Universiti Malaya in 1972. He 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 Tax Manager for ten (10) years. Since 1985, he served as a Tax Principal in 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, companies that one involved in property and equity investments.

PROFILE OF CHIEF EXECUTIVE OFFICER

CHAN KUM CHONG

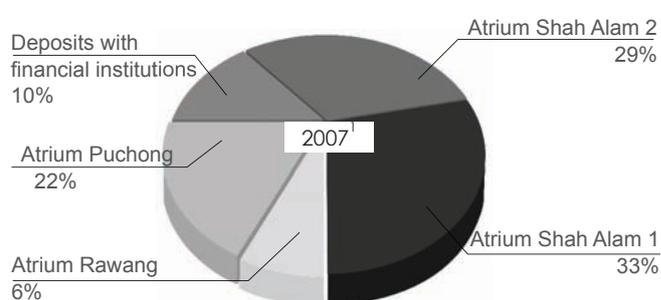
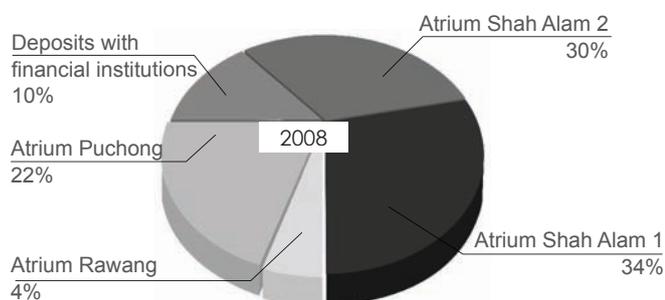
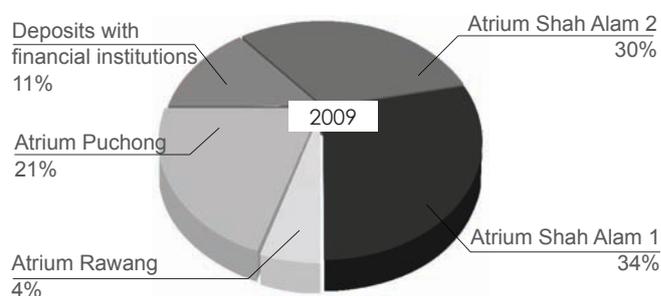
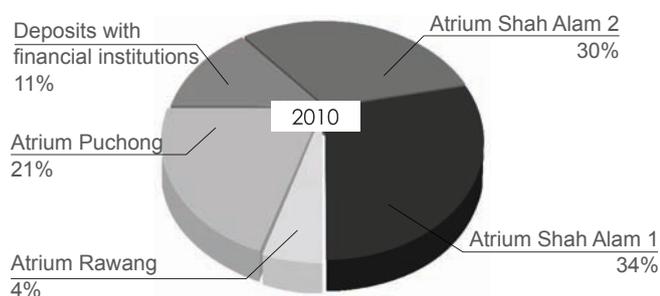
Chief Executive Officer

Malaysian, aged 55, was appointed as Chief Executive Officer on 1 April 2010. Mr. Chan graduated from Portsmouth Polytechnic (now known as University of Portsmouth) in 1980 with a Bachelor of Science in Quantity Surveying. Mr. Chan began his career as a Graduate Quantity Surveyor with a consultant quantity surveying firm, Juru Ukur Bahan Malaysia Sdn. Bhd. assisting the senior quantity surveyor in pre and post contract administration in the completion of Menara Maybank, redevelopment of Subang International Airport and Telekom Training Centre. Mr. Chan then joined TTDI Development Sdn.Bhd. in 1984 and has successfully managed and completed housing schemes in Taman Tun Dr. Ismail, Taman TTDI Jaya, Desa Pandan and Desa Bakti. In June 1995, he was assigned to oversee the operation of the in-house construction company, Panelex Sdn.Bhd. as General Manager - Operation. He then joined Syarikat T. D. Sdn. Bhd. in 1999 as a Project Director looking after several building and turnkey projects. Thereafter, he joined Vistanet (M) Sdn.Bhd. in 2002, an in-house construction company of Mayland Properties Sdn. Bhd., to manage all their in-house construction projects with Gross Development Values in excess of RM300 million, comprising of service apartments, shop offices and a shopping complex. In October 2003 he joined Score Option Sdn. Bhd. as a Project Director, managing a 200 acres development in Puchong comprising a mixed residential and commercial development, a J.V. project with Glomac Alliance Sdn.Bhd., a subsidiary of Glomac Berhad. In 2005, he joined EC Alamjaya Sdn. Bhd. as its Chief Executive Officer to oversee a shopping complex and hotel development totalling RM100million.

PERFORMANCE DATA

I) Portfolio Composition of the Trust

	2010 %	2009 %	2008 %	2007 ¹ %
Atrium Shah Alam 1	34	34	34	33
Atrium Shah Alam 2	30	30	30	29
Atrium Puchong	21	21	22	22
Atrium Rawang	4	4	4	6
Deposits with financial institutions	11	11	10	10
	100	100	100	100



II) Asset Value, Unit And Market Price Information

	2010	2009	2008	2007 ¹
Asset under management (RM'000)	163,000	161,600	161,600	154,800
Total asset value (RM'000)	183,904	182,350	182,123	173,397
Net asset value (RM'000)	127,847	126,410	126,277	119,396
Units in circulation (No of units' 000)	121,801	121,801	121,801	121,801
Net asset value ("NAV") per unit				
- As at 31 December (RM)	1.05	1.04	1.04	0.98
- Highest NAV for the year (RM)	1.06	1.06	1.04	1.02
- Lowest NAV for the year (RM)	1.04	1.04	0.98	0.98
Market price per unit				
- As at 31 December (RM)	1.06	0.92	0.61	1.00
- Highest traded for the year (RM)	1.10	0.93	1.00	1.13
- Lowest traded for the year (RM)	0.88	0.61	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
2007¹				
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
2008				
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
2009				
1st Quarter	1.65	5 Jun 09	1.05	1.04
2nd Quarter	0.80	11 Sep 09	1.05	1.04
3rd Quarter	2.20	30 Nov 09	1.06	1.04
4th Quarter	2.30	25 Feb 10	1.06	1.04
2010				
1st Quarter	2.10	27 May 10	1.06	1.04
2nd Quarter	2.15	27 Aug 10	1.06	1.04
3rd Quarter	2.15	30 Nov 10	1.06	1.04
4th Quarter	2.20	4 Mar 11	1.07	1.05

IV) Performance of the Trust

	2010	2009	2008	2007 ¹
Total return (%)	23.88	55.68	(28.76)	5.90
- Capital growth (%) ²	15.22	46.03	(39.00)	(0.60)
- Income distribution (%) ³	8.66	9.65	10.24	6.50
Income distribution per unit (sen)				
- Gross	8.60	6.95	8.40	6.50
- Net	8.60	6.95	8.40	6.50
Management expense ratio (%)	0.94	0.72	0.89	0.53
Portfolio turnover ratio (times)	-	-	-	1.27

V) Average Annual Return For Financial Year Ended 31 December 2010

	Atrium REIT (%)	KLCI (%)
One year	23.88	19.06
Since commencement (2 April 2007)	15.12 ⁴	5.83 ⁵

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

Note:

- ¹ For the financial period from 2 April 2007 (date of commencement) to 31 December 2007
- ² Based on the net change in the market price per unit of the Trust during the financial year/ period, over the market price per unit of the Trust at the beginning of the financial year/period
- ³ Based on the actual income distribution for the year/period over the average market price per unit of the Trust.
- ⁴ Average Annual Return is computed based on the total return per unit for the period, averaged over the number of years for the period.
- ⁵ Average Annual Return is computed based on the net change in KLCI index for the period, averaged over the number of years for the period.

STATEMENT OF CORPORATE GOVERNANCE

Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”) has adopted an overall corporate governance framework designed to meet best practice principles. The Manager also recognises that an effective corporate governance culture is critical to its performance and consequently, the success of Atrium REIT, which it manages. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of the unitholders of Atrium REIT.

In developing the system of corporate governance, the Manager is guided by the measures recommended by the Securities Commission Guidelines on REITs, Securities Guidelines on Unit Trust Funds, the Main Market Listing Requirements of Bursa Securities and the Malaysian Code on Corporate Governance. The following segments describe the Manager’s main corporate governance policies and practices.

ROLE OF MANAGER

Manager of Atrium REIT

The Manager has general powers of management over the assets of Atrium REIT. The Manager’s primary objective is to provide unitholders of Atrium REIT with a competitive rate of return for their investment by ensuring regular and stable distribution to unitholders and to achieve long term growth in the net asset value of Atrium REIT.

The primary role of the Manager is to set the strategic direction of Atrium REIT and give recommendations to the Trustee on the acquisition, divestment and enhancement of assets of Atrium REIT in accordance with its stated investment strategy.

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

- (a) to carry out the activities in relation to the management of Atrium REIT and its portfolio of assets 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”);
- (b) to issue the annual report of Atrium REIT to unitholders within two (2) months of its financial year end;
- (c) to attend to all enquiries from unitholders, tenants, media, government bodies, etc;
- (d) to supervise the Property Management Company; and
- (e) to ensure that Atrium REIT is managed within the ambit of the Deed, the Securities Commission Acts, Securities Commission (SC) Guidelines on Real Estate Investment Trusts (“REIT Guidelines”), other securities laws, the Main Market Listing Requirements of Bursa Malaysia Securities Bhd, and other applicable laws.

Atrium REIT is externally managed by the Manager and accordingly, Atrium REIT 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.

Atrium REIT Managers Sdn Bhd is the appointed Manager of 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 Board is entrusted with the responsibility of overall management and corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Board is also responsible for charting the strategic direction, development and control of the Manager and has 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 presently consists of five (5) members comprising one (1) Non-independent Non-executive director, one (1) Executive Director and three (3) Independent Non-Executive Directors. The diverse background of the members who come from various fields such as engineering, financial, real estate and management provide broad spectrum of skills, experience and invaluable perspectives to overseeing the management of the Manager. The profiles of the members of the Board are provided in pages 16 to 17 of the Annual Report.

STATEMENT OF CORPORATE GOVERNANCE

Independent non-executive directors have the responsibility to ensure that the strategies proposed by the Executive Director, Chief Executive Officer 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 its business.

The Chairman of the Board is responsible for the conduct of the Board and ensures that the Board's discussions are conducted in such a way that all views are taken into account before a decision is made. The Executive Director and the Chief Executive Officer, supported by the management team are responsible for running the business on a day-to-day basis, organizational 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

Board Meetings

Board meetings are scheduled at least four (4) times per annum to review the operations of Atrium REIT and to approve the quarterly 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.

The Board met four (4) times during the financial year ended 31 December 2010. The number of meetings attended by each Director is as follows:

Directors	Designation	Attendance	Remarks
Dato' Dr Ir Mohamad Khir Bin Harun	Non-Independent Non-Executive Director	4/4	No change
Wong Sui Ee	Executive Director	4/4	No change
How Hu Son	Independent Non-Executive Director	4/4	No change
Tor Peng Sie	Independent Non-Executive Director	4/4	No change
Soong Kwong Heng	Independent Non-Executive Director	3/4	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 has 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 Director 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 balanced with representation from the relevant sectors of industry to provide optimal inputs to address the issues affecting the Manager and Atrium REIT.

STATEMENT OF CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965, and applicable approved accounting standards in Malaysia. The Directors are satisfied that in preparing the financial statements of Atrium REIT for the financial year ended 31 December 2010, 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 risks 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 Atrium REIT against a previously approved budget. The Board will also review the business risks of Atrium REIT and will act upon any comments from the external 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 REIT Guidelines, the Deed and the Main Market Listing Requirements 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 REIT Guidelines as detailed below:

- (a) on an arm's length basis;
- (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 independent valuation report;
 - (ii) consented by the Trustee; and
 - (iii) consistent with the investment objectives and strategies of 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' interests.

STATEMENT OF CORPORATE GOVERNANCE

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 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.

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 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 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

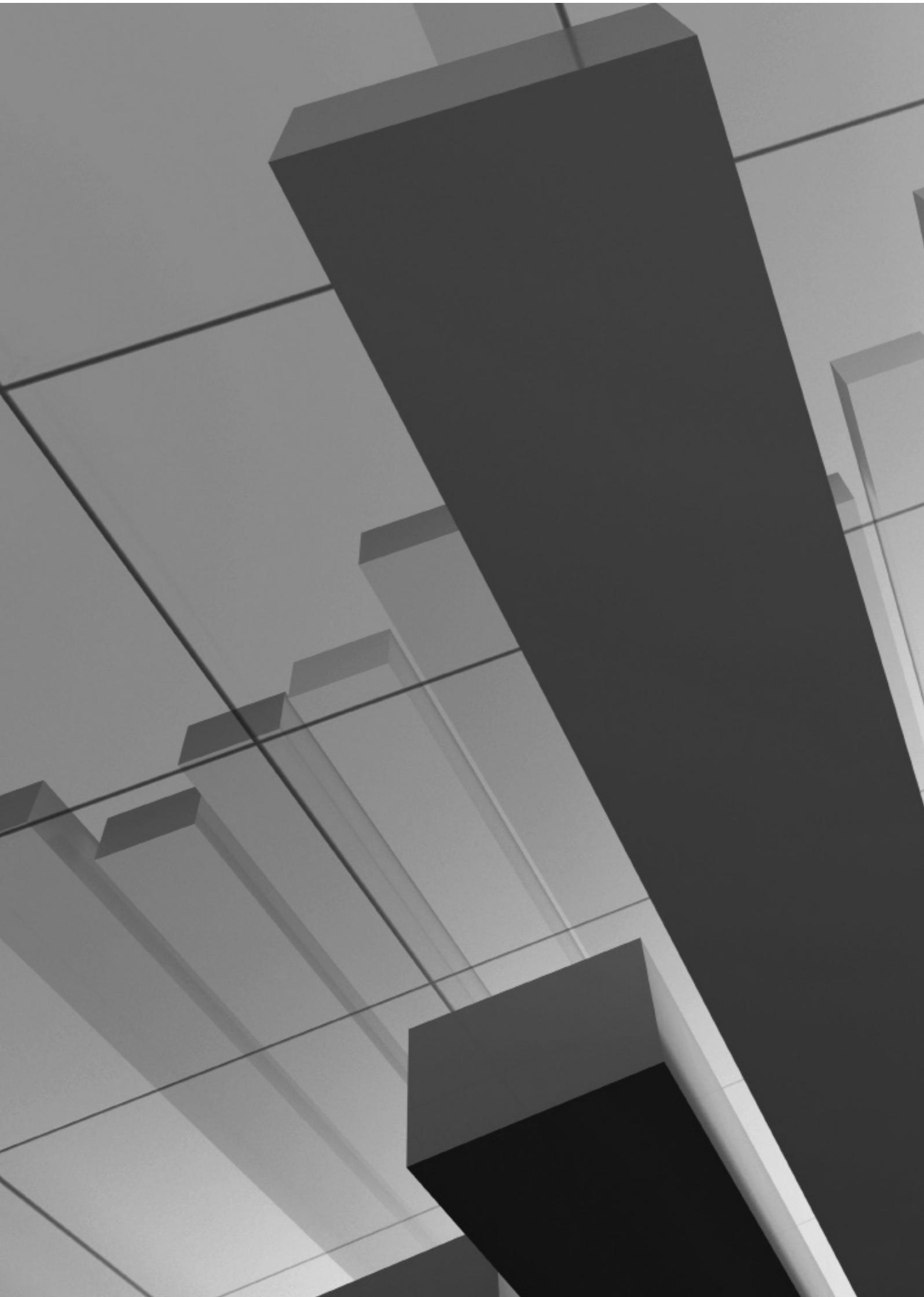
There were no material contracts entered by the Trust that involved the Directors of the Manager or substantial unitholders of the Trust during the financial year under review.

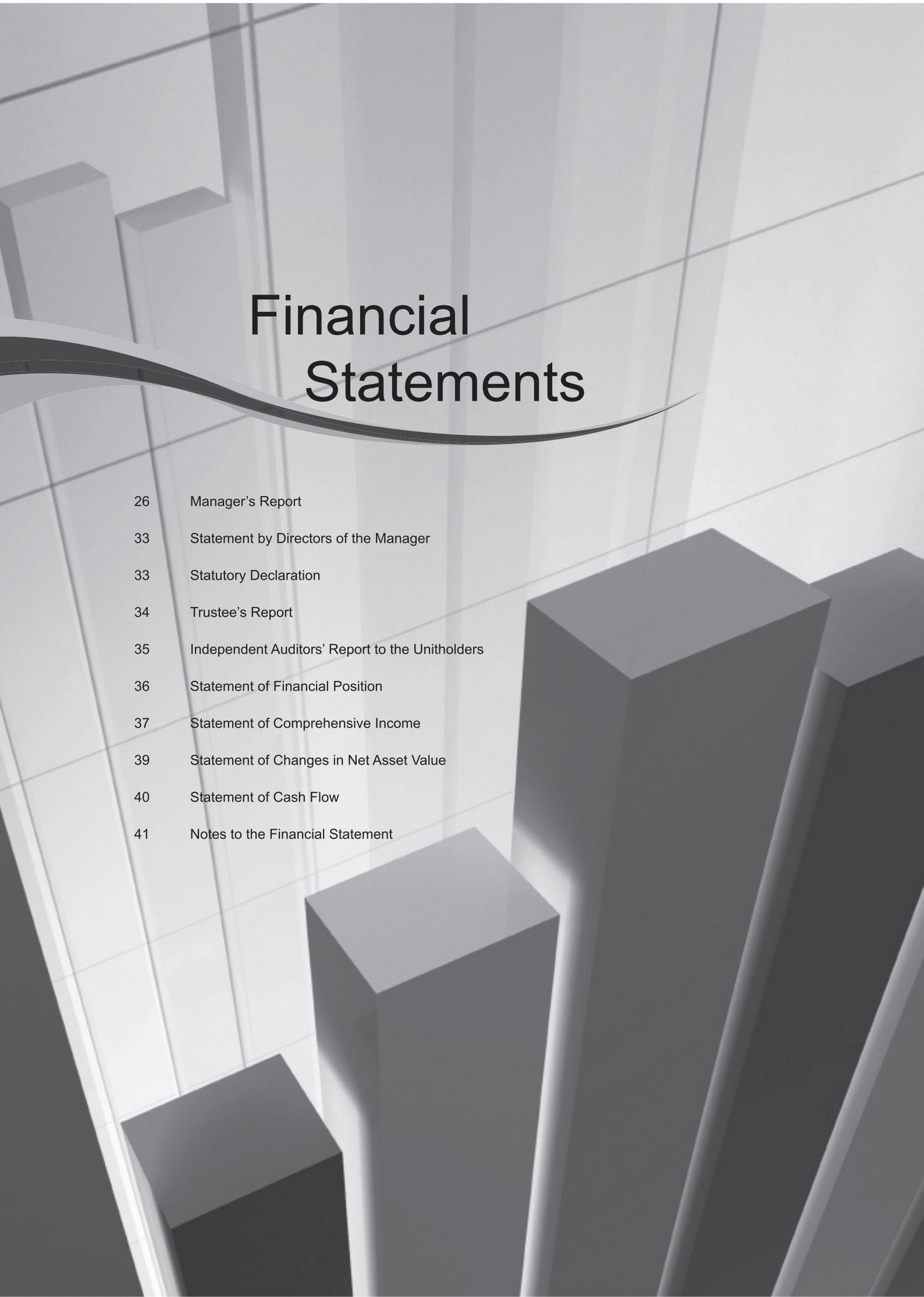
Directors' Training

The Directors are encouraged to attend briefings and seminars to keep abreast with the latest developments in the industry.

During the year, the Directors have attended the following seminars, workshops and training programmes:-

- Promoting the Corporate Governance Agenda-Raising the Bar
- Practical & Legal Procedures on Tenancy & Rental Agreements
- Making Sense of the Auditor's Report and its Impact



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Financial Statements

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MANAGER'S REPORT

Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust (“Atrium REIT” or “Trust”), is pleased to present the Manager’s Report together with the audited financial statements of Atrium REIT for the financial year ended 31 December 2010 (“FY 2010”).

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

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

The principal activity of Atrium REIT is to own and invest in real estates and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estates. As at 31 December 2010, 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 MNCs.

MANAGER’S INVESTMENT OBJECTIVES AND STRATEGIES

The Manager’s investment objectives are to maximize income 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 distributions of income for the past 15 quarters since the listing of the Trust on 2 April 2007.

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 maximize 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 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, 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

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) Investments 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

Atrium REIT is allowed to invest in real estates, 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 SC Guidelines on REITs or otherwise permitted by the SC.

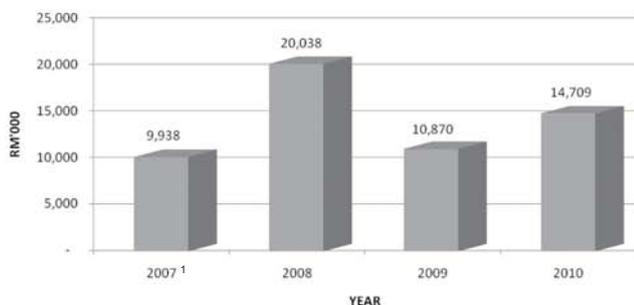
Atrium REIT invests primarily in strategically located properties tenanted to logistics companies and manufacturers and will continue to look for opportunities in these types of properties. However, Atrium REIT does not intend to limit itself to logistics and industrial properties and may consider other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

MANAGER'S REPORT

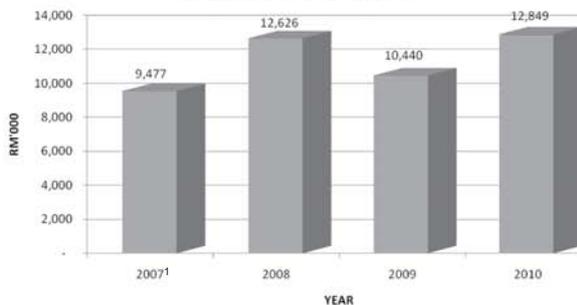
Financial Highlights

Summary of Atrium REIT's results

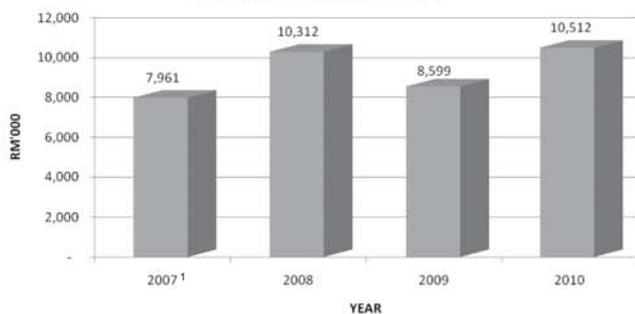
TOTAL INCOME



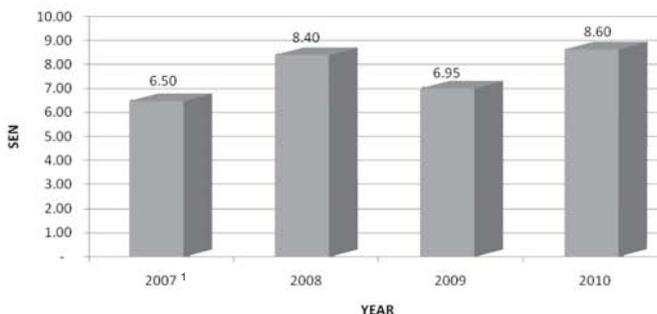
NET PROPERTY INCOME



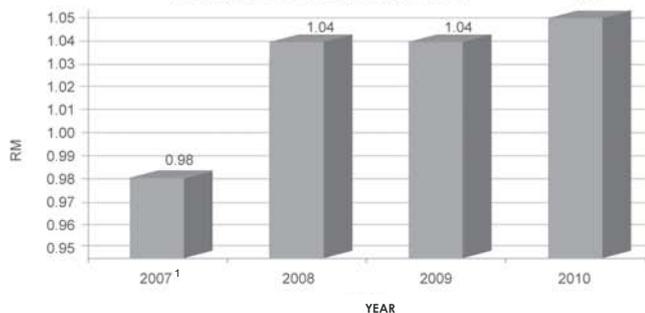
NET INCOME (Realised)



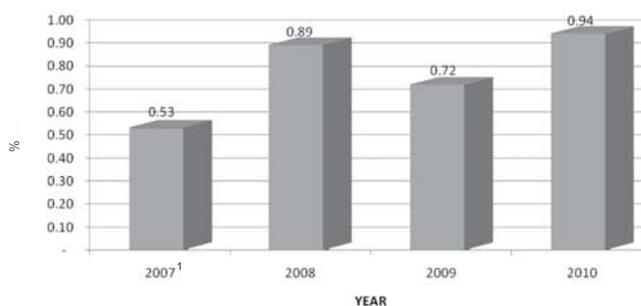
DISTRIBUTION PER UNIT



NET ASSET VALUE PER UNIT



MANAGEMENT EXPENSE RATIO



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

MANAGER'S REPORT

REVIEW OF PERFORMANCE

	As at 31 December 2010	As at 31 December 2009
Net asset value (RM'000)	127,847	126,410
Units in circulation (units) ('000)	121,801	121,801
Net asset value per unit (RM)	1.05	1.04
Market price per unit (RM)	1.06	0.92
Highest traded price per unit during the year (RM)	1.10	0.93
Lowest traded price per unit during the year (RM)	0.88	0.61

COMPARISON OF RESULTS

	FY 2010 RM'000	FY 2009 RM'000
Gross rental income	14,170	12,984
Net income (realised)	10,512	8,599
Distributable income (realised)	10,512	8,599
Income distribution	10,475	8,465
Distribution per unit (sen)	8.60	6.95
Distribution yield (%)		
- based on IPO price (RM1.00)	8.60	6.95
- based on market price as at 31 December	8.11	7.55
Management Expenses Ratio (%)	0.94	0.72

MAINTENANCE COSTS AND MAJOR CAPITAL EXPENDITURE

Since the remedial works carried out in 2009 on the warehouse floor slab due to soil settlement in Atrium Shah Alam 2, the Manager has been closely monitoring the state and condition at the affected areas. To date, there appeared to be no further remedial works required.

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

CAPITAL MANAGEMENT

As at 31 December 2010, Atrium REIT's gearing ratio was 24.47%, based on total borrowings of RM45,000,000 and total assets of RM183,904,134. Its current conservative gearing ratio may allow Atrium REIT to tap on the favourable interest rate environment for opportunistic acquisitions, before reaching the statutory limit of 50%.

DISTRIBUTION OF INCOME

During the FY 2010, 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 2.20 sen per unit, totaling RM2,679,622, in respect of the financial quarter ended 31 December 2010. The Trust has distributed 6.40 sen for the 9 months financial period from 1 January 2010 to 30 September 2010, resulting in a total distribution per unit of 8.60 sen for the financial year under review, which translates to a yield of 8.11% based on the closing market price of RM1.06 as at 31 December 2010.

	As at 31 December 2010 RM	As at 31 December 2009 RM
NAV per unit - before proposed final distribution	1.0716	1.0608
NAV per unit - after proposed final distribution	1.0496	1.0378

MANAGER'S REPORT

PORTFOLIO VALUATION

For the financial year ending 31 December 2010, a revaluation exercise was carried out on Atrium REIT's property portfolio pursuant to FRS 140 by First Pacific Valuers Property Consultants Sdn Bhd ("First Pacific"). First Pacific appraised Atrium REIT's property portfolio at RM 163,000,000 representing a gain of RM1,400,000 from the previous year's valuation. First Pacific primarily used the income 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 2010 is as follows:

	RM Million	%
Atrium Shah Alam 1	62.00	34
Atrium Shah Alam 2	54.50	30
Atrium Puchong	38.50	21
Atrium Rawang	8.00	4
	163.00	89
Deposits with financial institution	19.80	11
	182.80	100

KEY INVESTMENT HIGHLIGHTS OF ATRIUM REIT PROPERTY PORTFOLIO

- **Strategic locations**

The Properties are all located in prime industrial locations in the Klang Valley with good accessibilities and infrastructures.

- **Built-To-Suit ("BTS")**

The Properties are all specially built-to-suit ("BTS") to the Lessee/Tenants' requirements to suit their real estate, corporate and operational needs.

- **Occupancy rate**

Each of the Properties is leased to single tenant with 100% occupancy rate.

- **Tenant profile**

Atrium REITs' Properties are leased to quality and reputable tenants, whom are established market leaders in their respective industries.

REVIEW OF THE PROPERTY MARKET

Portfolio Review

The leases for Atrium Shah Alam 1 and Atrium Puchong which expired during the FY2010 have been renewed, pending the execution of the agreements, for a further term of 3 years and 4 years respectively. Currently, all Atrium REIT's properties are tenanted by subsidiaries of MNC's, whom are established market leaders in their respective industries, an indication of the quality of the tenants and properties owned by Atrium REIT.

PROSPECTS OF THE INDUSTRIAL PROPERTY MARKET

The Malaysian industrial property market has been on the uptrend in 2010 and is expected to continue in 2011 due to the Economic Transformation Programme (ETP), the economic recovery and the shortage of prime industrial land in the Klang Valley and Penang. Generally the prices of industrial land in prime locations such as Kota Kemuning, Glenmarie, Bukit Jelutong and Balakong have escalated tremendously over the past year. One of the factors boosting the price is the limited new supply of land in the said areas.

Another factor is the growing small and medium enterprise sector which forms a source of demand for industrial premises such as terrace and semi-detached factories. Some established developers have jumped into the bandwagon to capitalize on the strong demand for this type of properties.

However, the rentals of industrial properties in the Klang Valley have not moved in tandem with property prices and are expected to remain stable in 2011.

For 2011, the Manager will continue to focus on industrial assets that fit its investment criteria i.e. located in prime locations, with good potential for capital appreciation, good tenants and yield accretive, where possible. However, the last criterion mentioned may be a challenge due to the high prices of the properties in prime locations.

With the stock exchange reaching new highs, current stable interest rate regime and the stabilization of the global economy, the capital and debt market is conducive to raise funds for acquisition.

DIRECTORS OF THE MANAGER

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

Dato' Dr Ir Mohamad Khir Bin Harun (Chairman)
 Wong Sui Ee
 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 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' INTERESTS

According to the Register of Directors' unitholding in Atrium REIT, the interests of Directors of the Manager in office at the end of FY 2010 are as follows:

	At			At
	1 January 2010	Bought	Sold	31 December 2010
Direct Interest				
Dato' Dr Ir Mohamad Khir Bin Harun	-	-	-	-
Wong Sui Ee	250,000	40,000	-	290,000
Tor Peng Sie	100,000	-	-	100,000
How Hu Son	100,000	-	-	100,000
Soong Kwong Heng	55,000	-	-	55,000

MANAGER'S REPORT

MANAGER'S FEES AND COMMISSION

Pursuant to the Deed, for FY 2010, the Manager received a fee of 0.6% per annum of the Net Asset Value of the Trust even though the Manager is entitled to 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 Atrium REIT.

OTHER STATUTORY INFORMATION

Before the Statement of Comprehensive Income and Statement of Financial Position 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 have 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 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.

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

Dato' Dr Ir Mohamad Khir Bin Harun

Wong Sui Ee

Kuala Lumpur, Malaysia

Date: 21 February 2011

STATEMENT BY DIRECTORS OF THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 36 to 68 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 financial position of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust") as at 31 December 2010 and of financial performance and cash flows of the Trust 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

.....

Dato' Dr. Ir. Mohamad Khir bin Harun

Kuala Lumpur
21 February 2011

STATUTORY DECLARATION

I, Wong Sui Ee, 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 36 to 68 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 February 2011)
)

.....

Wong Sui Ee

Before me:-

Commissioner for Oaths

TRUSTEE'S REPORT

We, BHLB Trustee Berhad, have acted as Trustee of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust") for the financial year ended 31 December 2010. In our opinion and to the best of our knowledge:

- a) Atrium REIT Managers Sdn. Bhd. ("the Manager") has managed Atrium REIT 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 dated 25 November 2008, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year then ended.
- b) the procedures and processes employed by the Manager to value and price the units of Atrium REIT are adequate and that such valuation/pricing is carried out in accordance with the Trust Deed, Supplementary Trust Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2010 are in line with and are reflective of the objectives of Atrium REIT. Four (4) distributions have been declared for the financial year ended 31 December 2010 as follows:

- 1) First interim income distribution of 2.10 sen paid on 27 May 2010.
- 2) Second interim income distribution of 2.15 sen paid on 27 August 2010.
- 3) Third interim income distribution of 2.15 sen paid on 30 November 2010.
- 4) Final income distribution of 2.20 sen payable on 4 March 2011.

For and on behalf of the Trustee,
BHLB Trustee Berhad

Jeslin Ng Lai Peng
Senior Manager, Corporate Trust

Kuala Lumpur, Malaysia
21 February 2011

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF ATRIUM REAL ESTATE INVESTMENT TRUST

Report on the Financial Statements

We have audited the financial statements of Atrium Real Estate Investment Trust ("Atrium REIT" or "Trust"), which comprise the Statement of Financial Position as at 31 December 2010, and the Statement of Comprehensive Income, Statement of Changes in Net Asset Value and Statement of Cash Flow for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 68.

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 includes: 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 have 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 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 financial position of Atrium REIT as at 31 December 2010 and of its financial performance and cash flow for the financial year then ended.

The supplementary information set out in Note 13 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysia Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the unitholders of 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
AF : 0206
Chartered Accountants

Hiew Kim Loong
2858/08/12 (J)
Chartered Accountant

Kuala Lumpur
21 February 2011

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	NOTE	2010 RM	2009 RM
ASSETS			
Non-current assets			
Investment properties	6	163,000,000	161,600,000
Current assets			
Trade and other receivables	7	579,254	624,866
Deposits placed with licensed financial institutions	8	19,803,050	19,767,821
Cash and bank balances		521,830	357,087
		20,904,134	20,749,774
TOTAL ASSETS		183,904,134	182,349,774
LIABILITIES			
Current liabilities			
Trade and other payables	9	8,377,490	8,138,272
Provision for income distribution	10	2,679,622	2,801,423
Borrowings	11	45,000,000	45,000,000
TOTAL LIABILITIES		56,057,112	55,939,695
NET ASSET VALUE ("NAV")		127,847,022	126,410,079
FINANCED BY:			
UNITHOLDERS' FUNDS			
Unitholders' capital	12	119,351,580	119,351,580
Undistributed income	14	8,495,442	7,058,499
TOTAL UNITHOLDERS' FUNDS		127,847,022	126,410,079
NUMBER OF UNITS IN CIRCULATION (UNITS)	12	121,801,000	121,801,000
NAV PER UNIT (RM)			
- before provision for income distribution		1.0716	1.0608
- after provision for income distribution		1.0496	1.0378

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	NOTE	2010 RM	2009 RM
Gross revenue	15	14,170,149	12,983,975
Property operating expenses	16	(1,320,910)	(2,543,948)
Net rental income		12,849,239	10,440,027
Interest income		452,143	410,985
Changes in the fair value of investment properties		1,400,000	-
Miscellaneous income		8,027	19,297
Total income		14,709,409	10,870,309
Trust expenses			
Manager's fees	17	(764,374)	(744,955)
Trustee's fees	18	(50,958)	(51,039)
Auditors' fee		(18,000)	(15,000)
Tax agent's fee		(8,190)	(4,000)
Borrowing cost	19	(1,591,814)	(1,350,230)
Valuation fees		(68,000)	(44,500)
Administrative expenses		(71,854)	(61,773)
Others		(224,390)	(245)
Total expenses		(2,797,580)	(2,271,742)
Income before taxation		11,911,829	8,598,567
Taxation	20	-	-
Net income/Total comprehensive income for the financial year		11,911,829	8,598,567
Net income for the financial year is made up as follows:			
Realised		10,511,829	8,598,567
Unrealised			
- changes in the fair value of investment properties		1,400,000	-
		11,911,829	8,598,567

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	NOTE	2010 RM	2009 RM
Earnings per unit (sen)	21		
- before manager's fees		10.41	7.67
- after manager's fees		9.78	7.05
<hr/>			
Net income distributions*	22		
- First interim income distribution of 2.10 sen paid on 27 May 2010 (2009: 1.65sen paid on 5 June 2009)		2,557,821	2,009,716
- Second interim income distribution of 2.15 sen paid on 27 August 2010 (2009: 0.80 sen paid on 11 September 2009)		2,618,721	974,408
- Third interim income distribution of 2.15 sen paid on 30 November 2010 (2009: 2.20 sen paid on 30 November 2009)		2,618,722	2,679,622
- Proposed final income distribution of 2.20 sen payable on 4 March 2011 (2009: 2.30 sen paid on 25 February 2010)		2,679,622	2,801,423
		10,474,886	8,465,169
<hr/>			
Income distributions per unit (Sen)*			
- First interim income distribution		2.10	1.65
- Second interim income distribution		2.15	0.80
- Third interim income distribution		2.15	2.20
- Proposed final income distribution		2.20	2.30
		8.60	6.95
<hr/>			

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

	Withholding tax rate	
	2010	2009
Resident corporate	Nil [^]	Nil [^]
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	25%	25%
Non-resident institutional	10%	10%

[^] No withholding tax; tax at prevailing tax rate

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 2010

	Note	--- Undistributed income ---			Total unitholders' funds RM
		Unitholders' capital RM	Distributable - realised RM	Non-distributable - unrealised RM	
At 1 January 2010		119,351,580	258,499	6,800,000	126,410,079
Operations for the financial year ended 31 December 2010					
Total comprehensive income for the financial year	6	-	10,511,829	1,400,000	11,911,829
Increase in net assets resulting from operations		-	10,511,829	1,400,000	11,911,829
Unitholders' transactions					
Distributions to unitholders:					
- paid		-	(7,795,264)	-	(7,795,264)
- provision	10	-	(2,679,622)	-	(2,679,622)
Decrease in net assets resulting from unitholders' transactions		-	(10,474,886)	-	(10,474,886)
At 31 December 2010		119,351,580	295,442	8,200,000	127,847,022
At 1 January 2009					
		119,351,580	125,101	6,800,000	126,276,681
Operations for the financial year ended 31 December 2009					
Total comprehensive income for the financial year		-	8,598,567	-	8,598,567
Increase in net assets resulting from operations		-	8,598,567	-	8,598,567
Unitholders' transactions					
Distributions to unitholders:					
- paid		-	(5,663,746)	-	(5,663,746)
- provision	10	-	(2,801,423)	-	(2,801,423)
Decrease in net assets resulting from unitholders' transactions		-	(8,465,169)	-	(8,465,169)
At 31 December 2009		119,351,580	258,499	6,800,000	126,410,079

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

STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxation		11,911,829	8,598,567
Adjustments for:			
Changes in fair value of investment properties	6	(1,400,000)	-
Interest income		(452,143)	(410,985)
Interest expense	19	1,591,814	1,350,230
Operating income before working capital changes		11,651,500	9,537,812
Decrease/(Increase) in trade and other receivables		45,612	(17,288)
Increase/(Decrease) in trade and other payables		239,218	(89,371)
Net cash from operating activities		11,936,330	9,431,153
CASH FLOWS FROM INVESTING ACTIVITY			
Interest received		452,143	410,985
Net cash from investing activity		452,143	410,985
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	19	(1,591,814)	(1,350,230)
Distributions paid to unitholders	10	(10,596,687)	(8,282,468)
Net cash used in financing activities		(12,188,501)	(9,632,698)
Net increase in cash and cash equivalents		199,972	209,440
Cash and cash equivalents at beginning of financial year		20,124,908	19,915,468
Cash and cash equivalents at end of financial year		20,324,880	20,124,908
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
Cash and bank balances		521,830	357,087
Deposits placed with licensed financial institutions		19,803,050	19,767,821
		20,324,880	20,124,908

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

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 Atrium REIT Managers Sdn. Bhd. ("Manager") and BHLB Trustees Berhad ("Trustee"). Atrium REIT is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Manager is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The principal place of business of the Manager is located at 36-2, Jalan 5/101C, Off Jalan Kaskas, Jalan Cheras, 56100 Kuala Lumpur.

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 are presented in Ringgit Malaysia ("RM"), which is the Trust's functional currency.

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 February 2011.

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

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 ("FRSs") in Malaysia.

3.2 Basis of accounting

The financial statements of Atrium REIT have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements requires the Directors of the Manager to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors of the Manager are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 3.3 and 3.4 to the financial statements. Although these estimates and assumptions are based on the Manager's best knowledge of current events and actions, actual results could differ from those estimates.

The estimates and underlying assumptions are assessed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised and in any future periods affected.

3.3 Judgement made in applying the accounting policies

There are no judgements made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements apart from those involving estimates, which are dealt with below.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

3. BASIS OF PREPARATION (continued)

3.4 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Fair values of investment properties

The fair values of investment properties are determined by an independent firm of professional valuers. Significant judgement is involved in determining the fair values by using income, cost and comparison methods of valuation as disclosed in Note 6 to the financial statements.

(ii) 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.

(iii) Deferred tax liabilities

No deferred tax liabilities arose from fair value gains to the investment properties as it is the intention of the Trust to hold the real estate properties for long term investments. In the event that the Trust decides to dispose of any real estate properties, any gain on such disposal of real properties in which the holding period is within 5 years from the date of acquisition of the real properties will be subject to real property gains tax at the rate of 5%.

4. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs

4.1 New FRSs adopted during the current financial year

- (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 sets out the requirements for the disclosure of information on the Trust's operating segments, products and services, the geographical areas in which it operates and its customers.

The requirements of this Standard are based on the information about the components of the Trust that management uses to make decisions about operating matters. This Standard requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Trust's chief operating decision maker in order to allocate resources to the segment and assess its performance.

There is no impact upon adoption of this Standard during the financial year.

- (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 202₂₀₀₄ *General Insurance Business* and FRS 203₂₀₀₄ *Life Insurance Business*. FRS 4 is not relevant to the 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*.

This 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

4. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

4.1 New FRSs adopted during the current financial year (continued)

- (d) FRS 123 *Borrowing Costs* and the consequential amendments resulting from FRS 123 are mandatory for annual periods beginning on or after 1 January 2010.

This Standard removes the option of immediately recognising as an expense, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

There is no impact upon adoption of this Standard during the financial year.

- (e) 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.

FRS 139 sets out the new requirement for the recognition and measurement of the Trust's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Trust determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss and loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

- (i) Loans and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivables less allowance for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses arising from the derecognition of the loans and receivables, amortisation and impairment losses are recognised in the income statement.

The Trust's financial assets include cash and short-term deposits, receivables and deposits placed with financial institutions.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Trust's financial liabilities include trade and other payables, loans and borrowings, and are initially measured at fair value and subsequently at amortised cost using effective interest rate method.

- (f) Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* is mandatory for annual periods beginning on or after 1 January 2010. These Amendments are not relevant to the Trust's operations.
- (g) Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations* are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 2 is not relevant to the Trust's operations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

4. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

4.1 New FRSs adopted during the current financial year (continued)

- (h) 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.

There is no impact upon adoption of this Interpretation during the financial year.

- (i) 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 asset carried at cost.

There is no impact upon adoption of this Interpretation during the financial year.

- (j) The following IC Interpretations are mandatory for annual periods beginning on or after 1 January 2010.

IC Interpretation 11	<i>FRS 2 - Group and Treasury Share Transaction</i>
IC Interpretation 13	<i>Customer Loyalty Programmes</i>
IC Interpretation 14	<i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

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

- (k) FRS 101 *Presentation of Financial Statements* is mandatory for annual periods beginning on or after 1 January 2010.

FRS 101 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

This Standard introduces the titles 'Statement of Financial Position' and 'Statement of Cash Flows' to replace the current titles 'Balance Sheet' and 'Cash Flow Statement' respectively. A new statement known as the 'Statement of Comprehensive Income' is also introduced in this Standard whereby all non-owner changes in equity are required to be presented in either one Statement of Comprehensive Income or in two statements (i.e. a separate Income Statement and a Statement of Comprehensive Income). Components of comprehensive income are not permitted to be presented in the Statement of Changes in Equity.

This Standard also introduces a new requirement to present a Statement of Financial Position as at the beginning of the earliest comparative period if there are applications of retrospective restatements that are defined in FRS 108, or when there are reclassifications of items in the financial statements.

Additionally, FRS 101 requires the disclosure of reclassification adjustments and income tax relating to each component of other comprehensive income, and the presentation of dividends recognised as distributions to owners together with the related amounts per share in the statement of changes in equity or in the notes to the financial statements.

This Standard introduces a new requirement to disclose information on the objectives, policies and processes for managing capital based on information provided internally to key management personnel as defined in FRS 124 *Related Party Disclosures*. Additional disclosures are also required for puttable financial instruments classified as equity instruments.

Following the adoption of this Standard, the Trust has reflected the new format of presentation and additional disclosures warranted in the primary financial statements and relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

4. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

4.1 New FRSs adopted during the current financial year (continued)

- (l) Amendments to FRS 139, FRS 7 and IC Interpretation 9 are mandatory for annual periods beginning on or after 1 January 2010.

These amendments permit reclassifications of non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) out of the fair value through profit or loss category in rare circumstances. Reclassifications from the available-for-sale category to the loans and receivables category are also permitted provided there is intention and ability to hold that financial asset for the foreseeable future. All of these reclassifications shall be subjected to subsequent reassessments of embedded derivatives.

These amendments also clarifies the designation of one-sided risk in eligible hedged items and streamlines the terms used throughout the Standards in accordance with the changes resulting from FRS 101.

There is no impact upon adoption of these Amendments during the financial year.

- (m) Amendments to FRS 132 *Financial Instruments: Presentation* is mandatory for annual periods beginning on or after 1 January 2010.

These amendments require certain puttable financial instruments, and financial instruments that impose an obligation to deliver to counterparties a pro rate share of the net assets of the entity only on liquidation to be classified as equity.

Puttable financial instruments are defined as financial instruments that give the holder the right to put the instrument back to the issuer for cash, or another financial asset, or are automatically put back to the issuer upon occurrence of an uncertain future event or the death or retirement of the instrument holder.

There is no impact upon adoption of these Amendments during the financial year.

- (n) *Improvements to FRSs (2009)* are mandatory for annual periods beginning on or after 1 January 2010.

Amendment to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* clarifies that the disclosure requirements of this FRS specifically apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 8 clarifies the consistency of disclosure requirement for information about profit or loss, assets and liabilities. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 107 *Statement of Cash Flows* clarifies the classification of cash flows arising from operating activities and investing activities. Cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale, and the related cash receipts, shall be classified as cash flows from operating activities. Expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 108 *Accounting Policies, Change in Accounting Estimates and Errors* clarifies that only Implementation Guidance issued by the MASB that are integral parts of FRSs is mandatory. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 110 *Events after the Reporting Period* clarifies the rationale for not recognising dividends declared after the end of the reporting period but before the financial statements are authorised for issue. There is no impact upon adoption of this Amendment during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

4. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

4.1 New FRSs adopted during the current financial year (continued)

- (n) *Improvements to FRSs (2009)* are mandatory for annual periods beginning on or after 1 January 2010. (continued)

Amendment to FRS 116 *Property, Plant and Equipment* removes the definition pertaining the applicability of this Standard to property that is being constructed or developed for future use as investment property but do not yet satisfy the definition of 'investment property' in FRS 140 *Investment Property*. This amendment also replaces the term 'net selling price' with 'fair value less costs to sell', and clarifies that proceeds arising from routine sale of items of property, plant and equipment shall be recognised as revenue in accordance with FRS 118 *Revenue* rather than FRS 5. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 117 *Leases* removes the classification of leases of land and buildings, and instead requires assessment of classification based on the risks and rewards of the lease itself. The re-assessment of land elements of unexpired leases shall be made retrospectively in accordance with FRS 108. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 118 *Revenue* clarifies reference made on the term 'transaction costs' to the definition in FRS 139. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 119 *Employee Benefits* clarifies the definitions in the Standard by consistently applying settlement dates within twelve (12) months in the distinction between short-term employee benefits and other long-term employee benefits. This amendment also provides additional explanations on negative past service cost and curtailments. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 123 *Borrowing Costs* clarifies that interest expense calculated using the effective interest rate method described in FRS 139 qualifies for recognition as borrowing costs. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 139 removes the scope exemption on contracts for contingent consideration in a business combination. Accordingly, such contracts shall be recognised and measured in accordance with the requirements of FRS 139. There is no impact upon adoption of this Amendment during the financial year.

Amendment to FRS 140 clarifies that properties that are being constructed or developed for future use as investment property are within the definition of 'investment property'. This amendment further clarifies that if the fair value of such properties cannot be reliably determinable but it is expected that the fair value would be readily determinable when construction is complete, the properties shall be measured at cost until either its fair value becomes reliably determinable or construction is completed, whichever is earlier. There is no impact upon adoption of this Amendment during the financial year.

The following Amendments are not relevant to the Trust's operations.

Amendments to FRS 120
Amendments to FRS 127
Amendments to FRS 128
Amendments to FRS 129
Amendments to FRS 131
Amendments to FRS 136
Amendments to FRS 138

Accounting for Government Grants and disclosure of Government Assistance
Consolidated and Separate Financial Statements
Investments in Associates
Financial Reporting in Hyperinflationary Economies
Interest in Joint Ventures
Impairment of Assets
Intangible Assets

- o) Amendments to FRS 132 is mandatory for annual periods beginning on or after 1 January 2010 in respect of the transitional provisions in accounting for compound financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

4. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

4.1 New FRSs adopted during the current financial year (continued)

These amendments remove the transitional provisions in respect of accounting for compound financial instruments issued before 1 January 2003 pursuant to FRS 132²⁰⁰⁴ *Financial Instruments: Disclosure and Presentation*. Such compound financial instruments shall be classified into its liability and equity components when FRS 139 first applies.

There is no impact upon adoption of these this amendments during the financial year.

- (p) Amendments to FRS 139 is mandatory for annual periods beginning on or after 1 January 2010.

These amendments remove the scope exemption on contracts for contingent consideration in a business combination. Accordingly, such contracts shall be recognised and measured in accordance with the requirements of FRS 139.

There is no impact upon adoption of these amendments during the financial year.

4.2 New FRSs not adopted

- (a) FRS 1 *First-time Adoption of Financial Reporting Standards* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 1 and shall be applied when the Trust adopts FRSs for the first time via the explicit and unreserved statement of compliance with FRSs. An opening FRS statement of financial position shall be prepared and presented at the date of transition to FRS, whereby:

- (i) All assets and liabilities shall be recognised in accordance with FRSs;
- (ii) Items of assets and liabilities shall not be recognised if FRSs do not permit such recognition;
- (iii) Items recognised in accordance with previous GAAP shall be reclassified in accordance with FRSs; and
- (iv) All recognised assets and liabilities shall be measured in accordance with FRSs.

All resulting adjustments shall therefore be recognised directly in retained earnings at the date of transition to FRSs.

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

- (b) FRS 3 *Business Combinations* is mandatory for annual periods beginning on or after 1 July 2010. FRS 3 is not relevant to the Trust's operations.
- (c) FRS 127 *Consolidated and Separate Financial Statements* is mandatory for annual periods beginning on or after 1 July 2010. FRS 127 is not relevant to the Trust's operations.
- (d) The following Amendments to FRSs are mandatory for annual periods beginning on or after 1 July 2010 except for Amendments to FRS 132 which is mandatory for annual periods beginning on or after 1 March 2010.

Amendments to FRS 2	<i>Share-based Payments</i>
Amendments to FRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
Amendments to FRS 132	<i>Financial Instruments : Presentation</i>
Amendments to FRS 138	<i>Intangible Assets</i>
Amendments to IC Interpretation 9	<i>Reassessment of Embedded Derivatives</i>

Amendments to FRS 132 also clarifies that rights, options or warrants to acquire a fixed number of the Trust's own equity instruments for a fixed amount of any currency shall be classified as equity instruments rather than financial liabilities if the Trust offers rights, options and warrants pro rata to all of its own existing owners of the same class of its own non-derivative equity instruments. The Trust does not expect any impact on the financial statements arising from the adoption of these Amendments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

4. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

4.2 New FRSs not adopted (continued)

Amendments to IC Interpretation 9 clarifies that embedded derivatives in contracts acquired in a business combination, combination of entities or business under common controls, or the formation of a joint venture are excluded from this Interpretation. The Trust does not expect any impact on the financial statements arising from the adoption of this Amendment.

Other Amendments are not relevant to the Trust's operations.

- (e) The following IC Interpretations are mandatory for annual periods beginning on or after 1 July 2010.

IC Interpretation 12	<i>Service Concession Arrangements</i>
IC Interpretation 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
IC Interpretation 17	<i>Distributions of Non-cash Assets to Owners</i>

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

- (f) IC Interpretation 4 *Determining whether an Arrangement contains a Lease* is mandatory for annual periods beginning on or after 1 January 2011.

This Interpretation requires the determination of whether an arrangement is, or contains, a lease based on an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset. This assessment shall be made at the inception of the arrangement and subsequently reassessed if certain condition(s) in the Interpretation is met.

The Trust does not expect any impact on the financial statements arising from the adoption of this amendment because there are no arrangements dependent on the use of specific assets in the Trust.

- (g) The following Amendments to FRSs and IC Interpretations are mandatory for annual periods beginning on or after 1 January 2011 except for Amendments to IC Interpretation 15 which is mandatory for annual periods beginning on or after 1 January 2012.

Amendment to FRS 2	<i>Group Cash-settled Share-based Payment Transactions</i>
IC Interpretation 15	<i>Agreements for the Construction of Real Estate</i>
IC Interpretation 18	<i>Transfer of Assets from Customers</i>

The above Amendments to FRS and IC Interpretations are not relevant to the Trust's operations.

- (h) Amendment to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters* is mandatory for annual periods beginning on or after 1 January 2011.

This amendment permits a first-time adopter of FRSs to apply the exemption of not restating comparatives for the disclosures required in Amendments to FRS 7.

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

- (i) Amendments to FRS 1 *Additional Exemptions for First-time Adopters* are mandatory for annual periods beginning on or after 1 January 2011.

These amendments permits a first-time adopter of FRSs to apply the exemption of not restating the carrying amounts of oil and gas assets determined under previous GAAP. The Trust does not expect any impact on the financial statements arising from the adoption of these amendments.

- (j) Amendments to FRS 7 *Improving Disclosures about Financial Instruments* are mandatory for annual periods beginning on or after 1 January 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

4. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

4.2 New FRSs not adopted (continued)

These amendments require enhanced disclosures of fair value of financial instruments based on the fair value hierarchy, including the disclosure of significant transfers between Level 1 and Level 2 of the fair value hierarchy as well as reconciliations for fair value measurements in Level 3 of the fair value hierarchy.

By virtue of the exemption provided under paragraph 44G of FRS 7, the impact of applying these amendments on the financial statements upon first adoption of FRS 7 as required by paragraph 30(b) of FRS 108 are not disclosed.

- (k) *Improvements to FRSs (2010)* are mandatory for annual periods beginning on or after 1 January 2011.

Amendments to FRS 1 clarifies that FRS 108 does not apply to changes in accounting policies made upon adoption of FRSs until after the first FRS financial statements have been presented. If changes in accounting policies or exemptions in this FRS are used, an explanation of such changes together with updated reconciliations shall be made in each interim financial report. Entities whose operations are subject to rate regulation are permitted the use of previously revalued amounts as deemed cost. The Trust does not expect any impact on the financial statements arising from the adoption of this amendment.

Amendments to FRS 7 clarifies that quantitative disclosures of risk concentrations are required if the disclosures made in other parts of the financial statements are not readily apparent. The disclosure on maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. The Trust expects to improve the disclosures on maximum exposure to credit risk upon adoption of these amendments.

Amendments to FRS 101 clarify that a statement of changes in equity shall be presented as part of a complete set of financial statements. The Trust does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to FRS 132 clarify that contingent consideration from a business combination that occurred before the effective date of the revised FRS 3 of 1 July 2010 shall be accounted for prospectively. The Trust does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to FRS 134 clarify that updated information on significant events and transactions since the end of the last annual reporting period shall be included in the Trust's interim financial report. Although the Trust does not expect any impact on the financial statements arising from the adoption of these amendments, it is expected that additional disclosures would be made in the quarterly interim financial statements of the Trust.

Amendments to FRS 139 clarify that contingent consideration from a business combination that occurred before the effective date of the revised FRS 3 of 1 July 2010 shall be accounted for prospectively. The Trust does not expect any impact on the financial statements arising from the adoption of these amendments.

- (l) *Improvements to FRSs (2010)* and *IC Interpretations* are mandatory for annual periods beginning on or after 1 January 2011 except for Amendments to IC Interpretation 14 which is mandatory for annual periods beginning on or after 1 July 2011.

Amendment to FRS 3	<i>Business Combinations</i>
Amendment to FRS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>
Amendment to FRS 128	<i>Investment in Associates</i>
Amendment to FRS 131	<i>Investment in Joint Ventures</i>
Amendment to IC Interpretation 13	<i>Customer Loyalty Programmes</i>
Amendment to IC Interpretation 14	<i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The above Amendments to FRSs and IC Interpretations are not relevant to the Trust's operations.

- (m) IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* is mandatory for annual periods beginning on or after 1 July 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

4. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

4.2 New FRSs not adopted (continued)

This Interpretation applies to situations when equity instruments are issued to a creditor to extinguish all or part of a recognised financial liability. Such equity instruments shall be measured at fair value, and the difference between the carrying amount of the financial liability extinguished and the consideration paid shall be recognised in profit or loss.

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

- (n) FRS 124 *Related Party Disclosures* and the consequential amendments to FRS 124 are mandatory for annual periods beginning on or after 1 January 2012.

This revised Standard simplifies the definition of a related party and eliminates certain inconsistencies within the superseded version. In addition to this, transactions and balances with government-related entities are broadly exempted from the disclosure requirements of the Standard.

The Trust expects to reduce related party disclosures in respect of transactions and balances with government-related entities upon adoption of this Standard.

5. SIGNIFICANT ACCOUNTING POLICIES

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 or loss for the period in which it arises.

Investment properties are derecognised when either they have been disposed off 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 or loss in the period of the retirement or disposal.

5.2 Leases

- (a) Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Trust are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Trust's incremental borrowing rate is used. Any initial direct costs incurred by the Trust are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Leases (continued)

The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Assets leased out under operating lease are presented on the statement of financial position according to the nature of the assets.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

5.3 Financial instruments

(a) Financial assets

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.

Financial instruments are recognised on the statement of financial position when the Trust has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial instruments (continued)

(a) Financial assets (continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial asset classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial asset classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial asset classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such items are recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Trust has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loan and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Trust's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial instruments (continued)

(a) Financial assets (continued)

iv) Available-for-sale financial assets (continued)

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such items are recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Impairment of financial assets

(a) Loans and receivables

The Trust collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

5.5 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes and real property gains taxes payable on disposal of properties.

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

5.5.1 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 reporting period.

5.5.2 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.5 Income taxes (continued)

5.5.2 Deferred tax (continued)

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.

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 reporting period.

5.6 Provisions

Provisions are 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 obligation and a reliable estimate can be made of the amount 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.

Provisions 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.

5.7 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.

5.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

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:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 Revenue recognition (continued)

(a) Rental income

Rental income is recognised in the income statement as they accrue over the term of the rent unless collectability is in doubt, in which case, they are recognised on a receipt basis. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

(b) Interest income

Interest income is recognised as it accrues using the effective interest method.

5.9 Expenses

(a) Property operating expenses

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

(b) Interest expense

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

(c) Establishment expenses and equity transaction costs

Establishment expenses represent expenses incurred in establishing and listing the Trust.

Transaction costs of an equity transaction are accounted for as a deduction from unitholders' capital.

(d) Manager's and Trustee's fees

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

6. INVESTMENT PROPERTIES

	2010	2009
	RM	RM
At 1 January	161,600,000	161,600,000
Changes in fair value	1,400,000	-
At 31 December	163,000,000	161,600,000
Included in the above are:		
Land and buildings	163,000,000	161,600,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

6. INVESTMENT PROPERTIES (continued)

2010

Description of property	Tenure of land	Location	Existing use	Occupancy rate as at		Fair value as at	Acquisition cost as at	Percentage of fair value over Net Asset Value as at
				31 December 2010 %	Date of valuation	31 December 2010 RM	31 December 2010 RM	31 December 2010 %
Atrium Shah Alam 1*	Freehold	Shah Alam	Industrial	100	31.12.2010	62,000,000	57,200,000	48.5
Atrium Shah Alam 2	Freehold	Shah Alam	Industrial	100	31.12.2010	54,500,000	49,100,000	42.6
Atrium Puchong	Freehold	Puchong	Industrial	100	31.12.2010	38,500,000	38,500,000	30.1
Atrium Rawang*	Freehold	Rawang	Industrial	100	31.12.2010	8,000,000	10,000,000	6.3
						163,000,000	154,800,000	

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

* The properties are charged to a financial institution for banking facilities granted to the Trust. During the financial year, the title deed of Atrium Rawang has been transferred to and registered in the name of the Trustee.

2009

Description of property	Tenure of land	Location	Existing use	Occupancy rate as at		Fair value as at	Acquisition cost as at	Percentage of fair value over Net Asset Value as at
				31 December 2009 %	Date of valuation	31 December 2009 RM	31 December 2009 RM	31 December 2009 %
Atrium Shah Alam 1*	Freehold	Shah Alam	Industrial	100	31.12.2009	61,400,000	57,200,000	48.6
Atrium Shah Alam 2	Freehold	Shah Alam	Industrial	100	31.12.2009	53,700,000	49,100,000	42.5
Atrium Puchong	Freehold	Puchong	Industrial	100	31.12.2009	38,500,000	38,500,000	30.5
Atrium Rawang*	Freehold	Rawang	Industrial	100	31.12.2009	8,000,000	10,000,000	6.3
						161,600,000	154,800,000	

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 income, cost and comparison methods of valuation.

* The properties are charged to a financial institution for banking facilities granted to the Trust. The title deed of Atrium Rawang was pending transfer to the name of the Trustee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

7. TRADE AND OTHER RECEIVABLES

	2010	2009
	RM	RM
Trade receivables	120,000	200,000
Other receivables, deposits and prepayments		
Other receivables	30,384	25,768
Deposits	363,320	363,320
Prepayments	65,550	35,778
	459,254	424,866
	579,254	624,866

The ageing analysis of trade receivables of the Trust are as follows:

	2010	2009
	RM	RM
Neither past due nor impaired	-	33,334
Past due not impaired		
31 to 60 days	-	33,334
61 to 90 days	-	33,333
91 to 120 days	-	33,333
121 to 150 days	-	33,333
More than 151	120,000	33,333
	120,000	166,666
Past due and impaired	-	-
	120,000	200,000

Receivables that are past due but not impaired

This represents rental receivable from a tenant which is past due but not impaired amounting to RM120,000 (2009: RM166,666). The management is negotiating with the tenant and is of the opinion that the amount can be recovered as it is secured by way of security deposits.

8. DEPOSITS PLACED WITH LICENSED FINANCIAL INSTITUTIONS

The deposits are placed with financial institutions at interest rates ranging from 1.60% to 2.85% (2009: 1.80% to 3.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

9. TRADE AND OTHER PAYABLES

	2010 RM	2009 RM
Trade payables	39,331	31,679
Other payables and accrued expenses	1,282,541	1,050,975
	1,321,872	1,082,654
Tenants' deposits		
- payable within 12 months	3,613,016	5,743,764
- payable after 12 months	3,442,602	1,311,854
	7,055,618	7,055,618
	8,377,490	8,138,272

Included in other payables and accrued expenses are amounts owing to the Manager and the Trustee of RM78,801 (2009: RM66,324) and RM4,298 (2009: RM4,298) respectively which are unsecured, interest free and payable monthly in arrears.

10. PROVISION FOR INCOME DISTRIBUTION

	2010 RM	2009 RM
At 1 January	2,801,423	2,618,722
Provisions made during the year	10,474,886	8,465,169
Payments made during the year	(10,596,687)	(8,282,468)
	2,679,622	2,801,423

In respect of the financial year ended 31 December 2010, the Manager proposed a final distribution of 2.20 sen (2009: 2.30 sen) per unit totalling RM2,679,622 (2009: RM2,801,423).

11. BORROWINGS

	2010 RM	2009 RM
Short Term Revolving Credit ("STRC") - secured	45,000,000	45,000,000

The STRC facility is secured by way of a first party legal charge over Atrium Shah Alam 1 and 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 bears interest ranging from 3.06% to 3.82% (2009: 2.69% to 4.25%) per annum during the financial year

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

12. UNITHOLDERS' CAPITAL

	2010 Number of units	2009 Number of units
Authorised/Issued and fully paid:		
At beginning/end of the financial year	121,801,000	121,801,000
	2010 RM	2009 RM
At beginning/end of the financial year	119,351,580	119,351,580

13. UNITHOLDINGS OF DIRECTORS AND THEIR RELATED PARTIES

As at the financial year end, the Manager, Directors of the Manager and related parties who held units in Atrium REIT are as follows:

	Number of unit held	2010 Percentage of total units %	Market value RM
Direct unitholdings in Atrium REIT			
Atrium REIT Managers Sdn. Bhd.	302,100	0.25	320,226
Directors of the Manager:			
Wong Sui Ee	290,000	0.24	307,400
Tor Peng Sie	100,000	0.08	106,000
How Hu Son	100,000	0.08	106,000
Soong Kwong Heng	55,000	0.05	58,300
Related parties of the Manager:			
Glory Blitz Industries Sdn. Bhd.	20,014,800	16.43	21,215,688
Sparkle Skyline Sdn. Bhd.	9,258,900	7.60	9,814,434
Chan Kam Tuck	15,400,200	12.64	16,324,212
Chan Kum Chong	70,000	0.06	74,200

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

13. UNITHOLDINGS OF DIRECTORS AND THEIR RELATED PARTIES (continued)

As at the financial year end, the Manager, Directors of the Manager and related parties who held units in Atrium REIT are as follows:

	Number of unit held	2009 Percentage of total units %	Market value RM
Direct unitholdings in Atrium REIT			
Atrium REIT Managers Sdn. Bhd.	252,100	0.21	231,932
Directors of the Manager:			
Wong Sui Ee	250,000	0.21	230,000
Tor Peng Sie	100,000	0.08	92,000
How Hu Son	100,000	0.08	92,000
Soong Kwong Heng	55,000	0.05	50,600
Related parties of the Manager:			
Glory Blitz Industries Sdn. Bhd.	19,889,800	16.33	18,298,616
Sparkle Skyline Sdn. Bhd.	24,198,900	19.87	22,262,988
Vivid Images Sdn. Bhd	5,000,000	4.11	4,600,000
Chan Kum Chong	70,000	0.06	64,400

The market value is determined by multiplying the number of units with the market price of RM1.06 (2009: RM0.92) as at 31 December 2010.

14. UNDISTRIBUTED INCOME

	2010 RM	2009 RM
Realised	295,442	258,499
Unrealised	8,200,000	6,800,000
	<u>8,495,442</u>	<u>7,058,499</u>

The unrealised income relates to the cumulative net change arising from the fair value adjustment to the investment properties.

15. GROSS REVENUE

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

16. PROPERTY OPERATING EXPENSES

	2010	2009
	RM	RM
Property management fees	202,732	186,256
Assessment and quit rent	405,147	437,519
Repair and maintenance	528,000	1,778,000
Insurance	185,031	142,173
	1,320,910	2,543,948

For the financial year ended 31 December 2010, the property management fee of RM202,732 (2009: RM186,256) was paid to the property management company, Azmi & Co. Building Services Sdn. Bhd. in accordance to the Valuers, Appraisers and Estate Agent Act 1981 with permissible discounts.

17. MANAGER'S FEES

Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1.0% per annum of the Net Asset Value ("NAV") of Atrium REIT. The Manager's fee is payable in arrears, calculated and accrued daily. However, the Manager has only been charging at the rate of 0.6% (2009: 0.6%) per annum of the NAV.

18. 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.

19. BORROWING COST

	2010	2009
	RM	RM
Interest expense on STRC facility	1,591,814	1,350,230

20. TAXATION

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Trust are as follows:

	2010	2009
	RM	RM
Income before taxation	11,911,829	8,598,567
Income tax using Malaysian tax rate of 25% (2009: 25%)	2,977,957	2,149,642
Non-deductible expenses	72,284	119,481
Effect of fair value adjustment of investment properties not subject to tax	(350,000)	-
Effect of income distribution exempted from tax	(2,700,241)	(2,269,123)
Tax expense	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

20. TAXATION (continued)

Pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act, 2006, where in the basis period for a year of assessment, 90% or more of the total income of the Trust is distributed to its unitholders, the total income of the Trust for that year of assessment shall be exempted from tax.

The Trust distributed approximately 100% (2009: 98%) of the realised and distributable income and thus, its total income for the year is exempted from tax.

21. EARNINGS PER UNIT

- (a) The earnings per unit before manager's fees of 10.41 sen (2009: 7.67 sen) has been calculated based on income after taxation before deduction of manager's fees for the financial year of RM12,676,203 (2009: RM9,343,522) and on the number of units in circulation during the financial year of 121,801,000 (2009: 121,801,000).
- (b) The earnings per unit after manager's fees of 9.78 sen (2009: 7.05) has been calculated based on income after taxation of RM11,911,829 (2009: RM8,598,567) for the financial year and on the number of units in circulation during the financial year of 121,801,000 (2009: 121,801,000).

22. DISTRIBUTIONS TO UNITHOLDERS

Distributions to unitholders are from the following sources:

	2010	2009
	RM	RM
Net rental income	12,849,239	10,440,027
Interest income	452,143	410,985
Other income	8,027	19,297
	<hr/>	<hr/>
	13,309,409	10,870,309
Less: Expenses	(2,797,580)	(2,271,742)
	<hr/>	<hr/>
	10,511,829	8,598,567
Less: Undistributed income	(36,943)	(133,398)
	<hr/>	<hr/>
	10,474,886	8,465,169

23. PORTFOLIO TURNOVER RATIO

	2010	2009
Portfolio Turnover Ratio ("PTR") (times)	<hr/> -	<hr/> -

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

There were no acquisitions or disposals of investments in Atrium REIT during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

24. MANAGEMENT EXPENSE RATIO

	2010	2009
Management expense ratio ("MER")(%)	0.94	0.72

MER is calculated based on total fees of Atrium REIT incurred, including the Manager's fees, Trustee's fees, audit fees, tax agent's fees, administrative and other expenses, to the average net asset value of the Trust for the financial year calculated on a daily 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. TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

(a) Identities of related parties

Parties are considered to be related to the Manager if the Manager has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Manager and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Manager and the Trust had the following transactions with related parties during the financial year:

	2010	2009
Insurance premium paid to: Company in which a former Director of the Manager is a common director - SP & G Insurance Brokers Sdn. Bhd.	-	146,665

The related party transactions described above was entered into in the normal course of business and was based on negotiated and mutually agreed terms.

26. TRANSACTIONS WITH BROKER/DEALERS

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

27. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Manager is to ensure that the Trust would be able to continue as going concerns while maximising the returns to unitholders through a balance of issuance of new units and loan financing. The overall strategy of the Manager remains unchanged from financial year ended 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

27. FINANCIAL INSTRUMENTS (continued)

(a) Capital management (continued)

The Manager manages the capital structure of the Trust and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Manager may adjust the income distribution to unitholders or issue new units. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2010 and 31 December 2009.

The Manager will also comply with the provisions of the Deed and all applicable rules and guidelines prescribed by the Securities Commission relating to the financing of Atrium REIT.

The Manager monitors capital using a gearing ratio, which is total borrowings divided by total assets.

	2010	2009
Total borrowings	45,000,000	45,000,000
Total assets	<u>183,904,134</u>	<u>182,349,774</u>
Gearing ratio	<u>24.47%</u>	<u>24.68%</u>

(b) Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

(i) Categories of financial instruments

2010	Loans and receivables RM
Financial assets	
Trade and other receivables	579,254
Cash and cash equivalents	20,324,880
	<u>20,904,134</u>
Financial liabilities	
Borrowings	45,000,000
Trade and other payables	8,377,490
	<u>53,377,490</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

27. FINANCIAL INSTRUMENTS (continued)

- (c) Determination of fair value

Methods and assumptions used to estimate fair value

The fair value of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

28. FINANCIAL RISKS MANAGEMENT OBJECTIVE AND POLICIES

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

- (i) Credit risk

The Trust is exposed to credit risk mainly from receivables. The Trust extends credit to its tenants based upon established credit evaluation and credit control and monitoring guidelines.

The Trust has no major concentration of credit risk as at end of the reporting period other than an amount of RM120,000 owing by a tenant which has been past due but not impaired (Note 7). The Trust does not anticipate the carrying amount of the receivable at the end of the reporting period to be significantly different from the values that would eventually be received as the Trust has the right to deduct from the security deposit in the event of default in payment.

The Trust seeks to invest cash assets safely and profitably with placement of such assets with creditworthy licensed banks and financial institutions. In respect of deposits placed in financial institutions in Malaysia, the Directors of the Manager believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Exposure to credit risk

At the reporting date, the Trust's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 7 to the financial statements.

- (ii) Liquidity and cash flow risk

The Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance the Trust'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.

Analysis of financial instruments by remaining contractual maturities

The table in next page summarises the maturity profile of the Trust's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

28. FINANCIAL RISKS MANAGEMENT OBJECTIVE AND POLICIES (continued)

	On demand or within one year RM
2010	
Financial liabilities	
Trade and other payables	8,377,490
Borrowings	45,000,000
Total undiscounted financial liabilities	<u>53,377,490</u>

Interest rate risk

The Trust's exposure to fluctuation 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.

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 (per annum) %	Total RM	Within 1 year RM
2010				
Floating rate				
Deposits placed with licensed financial institutions	8	1.60 to 2.85	19,803,050	19,803,050
Short Term Revolving Credit ("STRC")	11	3.06 to 3.82	45,000,000	45,000,000

	Note	Effective interest rate (per annum) %	Total RM	Within 1 year RM
2009				
Floating rate				
Deposits placed with licensed financial institutions	8	1.80 to 3.25	19,767,821	19,767,821
Short Term Revolving Credit ("STRC")	11	2.69 to 4.25	45,000,000	45,000,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

28. FINANCIAL RISKS MANAGEMENT OBJECTIVE AND POLICIES (continued)

Interest rate risk (continued)

Sensitivity analysis for interest rate risk

At 31 December 2010, if interest rates at the date had been 10 basis points lower with all other variables held constant, net income for the year would have been RM45,000 (2009: RM45,000) higher, arising mainly as a result of lower interest expense on borrowings. If interest rates have been 10 basis points higher with all other variables held constant, net income for the year would have been RM45,000 (2009: RM45,000) lower, arising mainly as result of higher interest expense on borrowings. Net income is sensitive to interest rate fluctuations because the borrowings are on floating rates. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

29. OPERATING SEGMENT

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 operating segment is thus presented.

30. OPERATING LEASES

Leases whereby Atrium REIT is the Lessor

Atrium REIT leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2010	2009
Less than one year	13,864,772	13,303,174
Between one and five years	20,069,729	7,972,591
	<u>33,934,501</u>	<u>21,275,765</u>

ANALYSIS OF UNITHOLDINGS

AS AT 31 DECEMBER 2010

SIZE OF HOLDINGS	NO. OF UNITHOLDERS	NO. OF UNITS	%
1 - 99	5	105	0.00
100 - 1,000	469	395,695	0.32
1,001 - 10,000	1,028	5,502,500	4.52
10,001 - 100,000	539	17,716,000	14.55
100,001 to less than 5% of approved fund size	113	64,035,500	52.57
5% and above of approved fund size	2	34,151,200	28.04
TOTAL :	2,156	121,801,000	100.00

THIRTY (30) LARGEST UNITHOLDERS AS AT 31 DECEMBER 2010

Name	NO. OF UNITS	%
1) PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR GLORY BLITZ INDUSTRIES SDN BHD (TCS)	19,100,000	15.68
2) CHAN KAM TUCK	15,051,200	12.36
3) MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR SPARKLE SKYLINE SDN BHD (DLR 060-MARGIN)	5,379,000	4.42
4) KURNIA INSURANS (MALAYSIA) BERHAD	5,139,000	4.22
5) SOH KAM ENG	4,995,000	4.10
6) SPARKLE SKYLINE SDN BHD	3,281,800	2.69
7) SENTINEL PORTFOLIO SDN. BHD	3,000,000	2.46
8) MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	2,500,000	2.05
9) HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (BNYM AS E&A)	1,532,000	1.26
10) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS ZURICH INSURANCE BERHAD (LIFE PAR FD)	1,262,000	1.04
11) STEPHEN EDWARD BLACKBURN	1,260,900	1.04
12) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS ZURICH INSURANCE BERHAD (GEN FD)	1,126,500	0.92
13) CHRISTINA CHONG YOKE LENG	1,121,000	0.92
14) WIBANAS SDN. BHD.	1,050,000	0.86
15) DETIK LEGASI SDN. BHD.	950,000	0.78

ANALYSIS OF UNITHOLDINGS

AS AT 31 DECEMBER 2010

Name	NO . OF UNITS	%
16) BEVERLY TOWER DEVELOPMENT SDN BHD	940,000	0.77
17) AMSEC NOMINEES (TEMPATAN) SDN BHD ENG GUAN CHAN SDN BERHAD (9613-1101)	900,000	0.74
18) HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL PROGRESS FUND (4082)	880,000	0.72
19) GOH MENG KEONG	869,700	0.71
20) CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS ZURICH INSURANCE BERHAD (ANN FD)	856,800	0.70
21) MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN LIFE ASSURANCE BERHAD (NON-PAR FUND)	822,600	0.68
22) GLORY BLITZ INDUSTRIES SDN BHD	781,000	0.64
23) REALCO SDN BHD	757,200	0.62
24) HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL DIVIDEND FUND (5311-401)	736,000	0.60
25) PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SENG HOOI @ LEE HOI (E-SS2)	650,000	0.53
26) SPARKLE SKYLINE SDN BHD	598,100	0.49
27) KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN KIAM HSUNG	595,000	0.49
28) DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR PRUDENTIAL EQUITY INCOME FUND	590,000	0.48
29) LAW HOCK HUA	576,300	0.47
30) LIM BAH KAW	576,000	0.47
	<u>77,877,100</u>	<u>63.91</u>

LIST OF SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

1) GLORY BLITZ INDUSTRIES SDN BHD	20,014,800	16.43
2) CHAN KAM TUCK	15,400,200	12.64
3) SPARKLE SKYLINE SDN BHD	9,258,900	7.60
	<u>44,673,900</u>	<u>36.67</u>



Atrium Real Estate Investment Trust

(Established In Malaysia Under The Deed Dated 20 November 2006 Entered Into Between Atrium REIT
Managers Sdn Bhd and BHL D Trustee Berhad)