

The Board of Directors (“Board”) of Atrium REIT Managers Sdn Bhd (“Manager”) is firmly committed in ensuring that the Manager adopts and implements good corporate governance practices which conform to the prevailing best practice principles for the benefits of the Atrium Real Estate Investment Trust (“Atrium REIT”).

In developing the system of corporate governance, the Board is guided by the measures recommended by the Securities Commission Guidelines on REITs (“REITs Guidelines”), Securities Guidelines on Unit Trust Funds, the Main Market Listing Requirements of Bursa Securities and the Malaysian Code on Corporate Governance.

ROLE OF MANAGER

Manager of Atrium REIT

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

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

- (a) to set the strategic direction of the Atrium REIT and to make recommendations to the Trustee on acquisitions, divestments and enhancements of assets of the Atrium REIT;
- (b) to manage the Atrium REIT’s assets and liabilities for the benefit of Unitholders;
- (c) to carry out the activities in relation to the management of the 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”);
- (d) to issue the annual report of the Atrium REIT to Unitholders within two (2) months of its financial year end;
- (e) to attend to all enquiries from Unitholders, tenants, media, government bodies, etc;
- (f) to supervise the Property Management Company; and
- (g) to ensure that the Atrium REIT is managed within the ambit of the Deed, the Securities Commission Acts 1993, REIT Guidelines, other securities laws, the Main Market Listing Requirements of Bursa Malaysia Securities Bhd, and other applicable laws.

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

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

DIRECTORS OF THE MANAGER

The Board

The 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, experiences and invaluable perspectives to overseeing the management of the Manager. The profiles of the members of the Board are provided in page 12 of the Annual Report.

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 Acting Chief Executive Officer, supported by the management team are responsible for running the business on a day-to-day basis, organisational effectiveness and implementation of the Board’s policies, strategies and decisions as planned and in accordance with the Deed, Securities Commission Act and REIT Guidelines.

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

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

Independent Non-Executive Directors have the responsibility to ensure that the strategies proposed by the Executive Director, Acting 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.

Board Meetings

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

The Board met four (4) times during the financial year ended 31 December 2009. 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 Chairman | n/a | Appointed as Chairman on 5 October 2009 |
| Dato' Zakaria Meranun | Non-Independent Non-Executive Chairman | 3/4 | Resigned as Chairman on 5 October 2009 |
| Lim Pang Kiam | Executive Director and Chief Executive Officer | 3/3 | Resigned as Executive Director on 1 September 2009 and resigned as Chief Executive Officer on 15 October 2009 |
| Wong Sui Ee | Executive Director | 4/4 | No change |
| Lim Kok How | Non-Independent Non-Executive Director | 4/4 | Resigned as Non-Independent Non-Executive Director on 28 October 2009 |
| 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 | 4/4 | 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 the 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 are balanced with representation from the relevant sectors of the industry to provide optimal inputs to address the issues affecting the Manager and the Atrium REIT.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records for the Atrium REIT. The Directors are satisfied that in preparing the financial statements of the Atrium REIT for the financial year ended 31 December 2009, the Atrium REIT has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in preparation of these financial statements.

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 RISKS

Recognising and managing risks are central to the business and to protecting Unitholders' interests and values. 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 the Atrium REIT against a previously approved budget. The Board will also review the business risks of the Atrium REIT and will act upon any recommendations from the auditor. In assessing business risk, 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 transactions.

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 the Atrium REIT; and
- (d) adequately disclosed to Unitholders.

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

WHISTLE BLOWING POLICY

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

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

COMMUNICATION WITH UNITHOLDERS AND INVESTORS

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

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

Convictions for Offences

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

Material Contracts

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

Directors' Training

All the Directors have attended the prescribed "Mandatory Accreditation Programme for Directors of Public Listed Companies" to enable them to discharge their duties and responsibilities effectively. 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:-

- Board Effectiveness : Redefining the Role and Function of An Independent Director
- 5th Tricor Tax & Corporate Seminar
- Tax Planning and Strategies for Cross Border
- An Overview of Key Malaysian Financial Reporting Standards

