



**IGBREIT**

IGB REAL ESTATE INVESTMENT TRUST

Annual Report 2016



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**IGBREIT**

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Annual Report 2016

# Corporate Information

## MANAGER

IGB REIT Management Sdn Bhd (908168-A)  
Level 32, The Gardens South Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur, Malaysia  
Telephone : +603 - 2289 8989  
Telefax : +603 - 2289 8802  
Website : www.igbreit.com

## BOARD OF DIRECTORS (BOARD)

Tan Sri Dato' Dr. Lin See Yan  
*Chairman and Independent Non-Executive Director*

Dato' Seri Robert Tan Chung Meng  
*Managing Director and Non-Independent Executive Director*

Halim bin Haji Din  
*Independent Non-Executive Director*

Le Ching Tai @ Lee Chen Chong  
*Independent Non-Executive Director*

Tan Boon Lee  
*Non-Independent Executive Director*

Daniel Yong Chen-I  
*Non-Independent Executive Director*

Elizabeth Tan Hui Ning  
*Non-Independent Executive Director*

Tan Lei Cheng  
*Non-Independent Non-Executive Director*

Tan Yee Seng  
*Non-Independent Non-Executive Director*

## CHIEF EXECUTIVE OFFICER

Antony Patrick Barragry

## COMPANY SECRETARY

Tina Chan Lai Yin

## TRUSTEE

MTrustee Berhad (163032-V)  
Level 22, Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia  
Telephone : 603 - 2036 2633  
Telefax : 603 - 2032 1914

## PROPERTY MANAGER

Chartwell ITAC International Sdn Bhd (52312-H)  
Suite A-6-3, Level 6, Block A  
Putra Majestik, Jalan Kasipillay  
Batu 2½, Off Jalan Ipoh  
51200 Kuala Lumpur, Malaysia  
Telephone : 603 - 4043 3998  
Telefax : 603 - 4043 9388

## AUDITOR

PricewaterhouseCoopers (AF 1146)  
Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral  
50706 Kuala Lumpur, Malaysia  
Telephone : 603 - 2173 1188  
Telefax : 603 - 2173 1288

## UNIT REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd (11342-H)  
Unit 32-01, Level 32, Tower A, Vertical Business Suite  
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia  
Telephone : 603 - 2783 9299  
Telefax : 603 - 2783 9222

## PRINCIPAL BANKERS

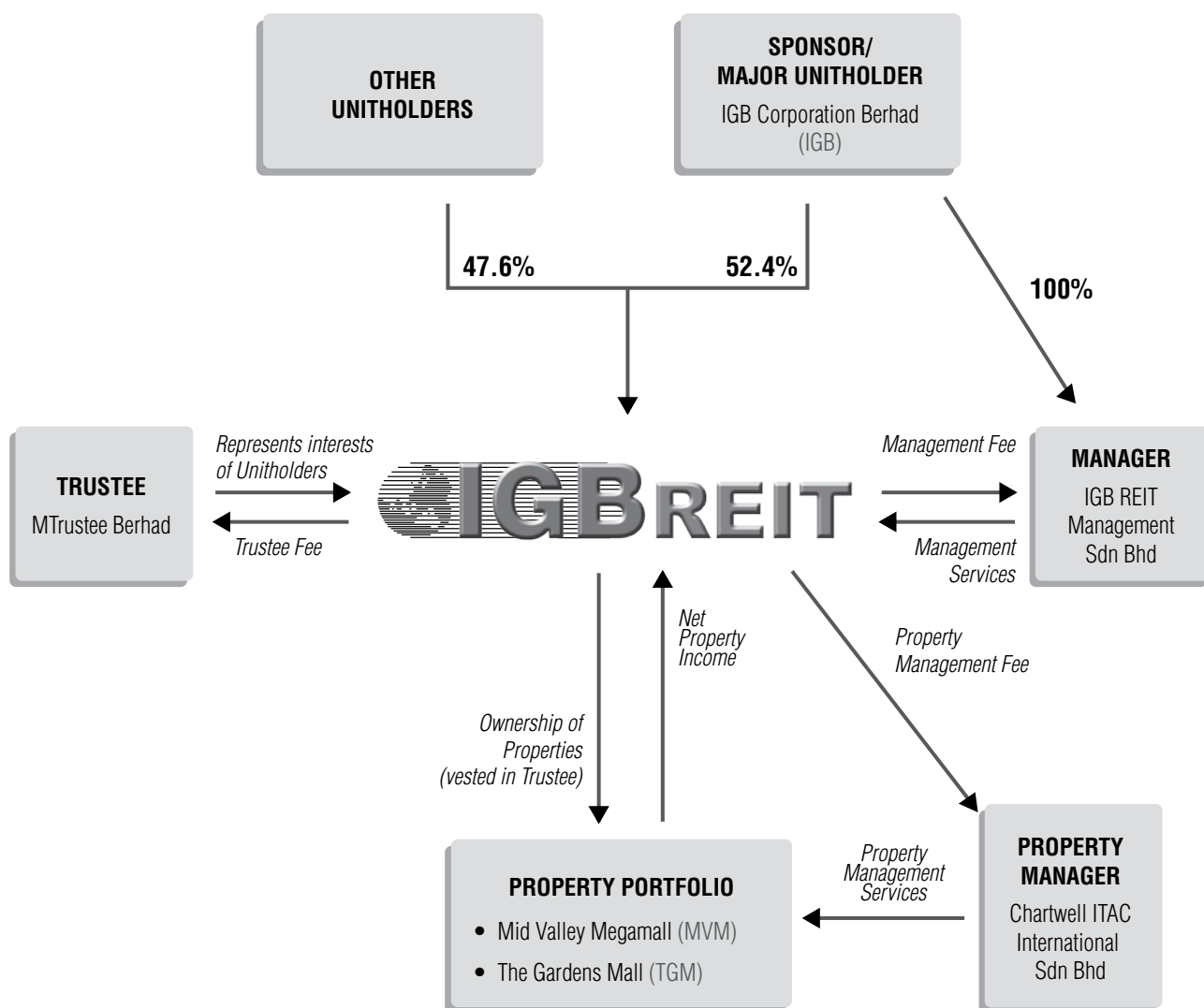
Hong Leong Bank Berhad (97141-X)  
Level 5, Wisma Hong Leong, 18 Jalan Perak  
50450 Kuala Lumpur, Malaysia  
Telephone : 603 - 2773 0280/0289  
Telefax : 603 - 2715 8697

Public Bank Berhad (6463-H)  
Head Office, Manara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur, Malaysia  
Telephone : 603 - 2176 6000  
Telefax : 603 - 2163 9917

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad (Bursa Securities)  
Date of Listing : 21 September 2012  
Stock Name : IGBREIT  
Stock Code : 5227

# Structure



## Salient Features

<b>Fund Name</b>	IGB REIT
<b>Fund Category</b>	Real estate investment trust
<b>Fund Type</b>	Income stability and growth
<b>Fund Duration</b>	<p>The earlier of:</p> <ul style="list-style-type: none"> <li>the occurrence of any of events listed in Clause 26.2 of the deed of trust (Deed) dated 18 July 2012;</li> <li>the date 999 years after 25 July 2012 i.e. the date of establishment of IGB REIT; or</li> <li>the date on which IGB REIT is terminated by the Manager under Clause 26.1(b) of the Deed</li> </ul>
<b>Approved Fund Size</b>	3,550,000,000 Units
<b>Authorised Investments</b>	Real estate, unlisted single-purpose companies, real estate-related assets, non-real estate-related assets, cash, deposits, money market instruments and any other investments not specified above but specified as a permissible investment in the Securities Commission Malaysia's (SC) Guidelines on Real Estate Investment Trusts (REIT Guidelines) or as otherwise permitted by the SC
<b>Authorised Investment Limits</b>	<p>The investments of IGB REIT are subject to the following investment limits imposed by REIT Guidelines:</p> <ul style="list-style-type: none"> <li>at least 50% of IGB REIT's total asset value (TAV) must be invested in real estate assets at all times; and</li> <li>not more than 25% of IGB REIT's TAV may be invested in non-real estate-related assets and/or cash, deposits and money market instruments,</li> </ul> <p>provided that investments in both real estate-related assets and non-real estate-related assets are limited as follows:</p> <ul style="list-style-type: none"> <li>the value of IGB REIT's investments in securities issued by any single issuer must not exceed 5% of IGB REIT's TAV;</li> <li>the value of IGB REIT's investments in securities issued by any group of companies must not exceed 10% of IGB REIT's TAV; and</li> <li>IGB REIT's investment in any class of securities must not exceed 10% of the securities issued by any single issuer, or</li> </ul> <p>such other limits and investments as may be permitted by the SC or REIT Guidelines</p>
<b>Distribution Policy</b>	<ul style="list-style-type: none"> <li>At least 90% of IGB REIT's distributable income</li> <li>Semi-annual basis for each 6-month period ending 30 June and 31 December of each year (or such other intervals as the Manager may determine at its absolute discretion)</li> </ul>
<b>Borrowing Limitations and Gearing Policy</b>	Up to 50% of IGB REIT's TAV at the time the borrowing is incurred or such higher amount with the prior approval of unitholders or such other limit permitted by REIT Guidelines from time to time
<b>Revaluation Policy</b>	At least once every 3 years based on an independent professional valuation pursuant to REIT Guidelines or such other shorter interval as the Manager deems necessary
<b>Manager Fee</b>	<p>The Manager may elect to receive its fees in cash or units or a combination of cash and units (as it may in its sole discretion determine). The Manager is entitled under the Deed to the following fees (exclusive of goods and services tax, if any):</p> <ul style="list-style-type: none"> <li>Base Fee: up to 1% per annum of IGB REIT's TAV (excluding cash and bank balances which are held in non-interest bearing account). [FY2016: RM15,358,000]</li> <li>Performance Fee: 5% per annum of IGB REIT's net property income (NPI) in the relevant financial year. [FY2016: RM18,055,000]</li> <li>Acquisition Fee: 1% of the total purchase consideration of any Authorised Investments directly or indirectly acquired by Trustee on behalf of IGB REIT</li> <li>Divestment Fee: 0.5% of the total sale consideration of any Authorised Investments directly or indirectly sold or divested by Trustee on behalf of IGB REIT</li> </ul>
<b>Trustee Fee</b>	Up to 0.03% per annum of the net asset value (NAV) of IGB REIT
<b>Financial Year End</b>	31 December
<b>Minimum Investment</b>	100 units per board lot

# Property Portfolio

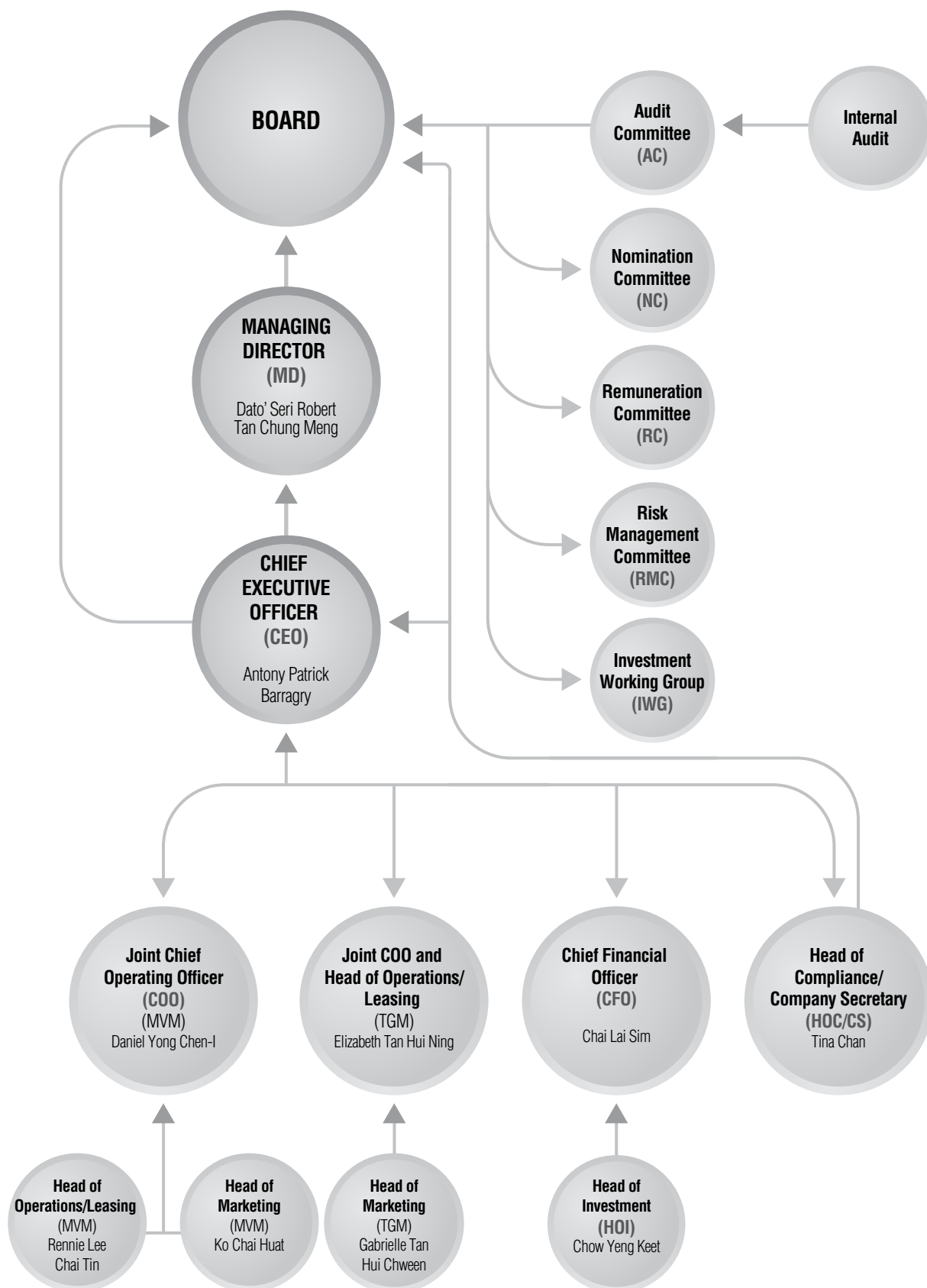
Properties	MVM	TGM
Land area of master title (sq ft)	1,047,532	421,773
Tenure	Leasehold for 99 years expiring on 6 June 2103	
Master title particulars	PN 37075, Lot 80 Seksyen 95A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	PN 37073, Lot 79 Seksyen 95A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur <sup>#</sup>
Encumbrances/material limitations in master title	<ul style="list-style-type: none"> <li>Trust caveat lodged by the Trustee on behalf of IGB REIT vide Presentation No. 15448/2012 dated 14 September 2012</li> <li>Trust caveat lodged by the Trustee on behalf of IGB REIT vide Presentation No. 16050/2012 dated 26 September 2012</li> </ul>	<ul style="list-style-type: none"> <li>Private caveat lodged by the Trustee on behalf of IGB REIT vide presentation No. 12690/2012 on 26 July 2012</li> <li>Trust caveat lodged by the Trustee on behalf of IGB REIT vide presentation No. 14472/2012 on 30 August 2012</li> <li>Trust caveat lodged by the Trustee on behalf of IGB REIT vide presentation No. 16049/2012 on 26 September 2012</li> </ul>
Restrictions in interest in master title	This land shall not be transferred, leased, secured or charged except with the consent of the Federal Territory Land Executive Committee Secretariat (Tanah ini tidak boleh dipindahmilik, dipajak, dicagar atau digadai melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur)*	
Express conditions in master title	This land shall be used for commercial building only (Tanah ini hendaklah hanya untuk bangunan perdagangan sahaja)	This land shall be used for commercial building for purpose of commercial spaces, offices, hotels and service apartments only (Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan ruang perniagaan, pejabat, hotel dan pangsapuri servis sahaja)
Type	Retail	
Appraised Value as at 31 December 2016 (RM'000)	3,610,000	1,280,000
Purchase consideration (RM'000)	3,440,000	1,160,000
Net Lettable Area (NLA) as at 31 December 2016 (sq ft)	1,822,319	866,411
Gross Floor Area as at 31 December 2016 (sq ft)	6,107,103	3,379,510
Number of tenancies as at 31 December 2016	512	247
Occupancy rate as at 31 December 2016 (%)	99.9	99.7
Number of car park bays as at 31 December 2016	6,092	4,128

<sup>#</sup> TGM is separately held under 3 issue documents of strata title which have been issued on 13 January 2017.

\* The extended expiry date of the State Authority's consent for the transfer of MVM and TGM respectively in favour of the Trustee is 17 April 2017.



## Organisation and Reporting Structure



## Profile of Directors

### TAN SRI DATO' DR. LIN SEE YAN

(Malaysian, male, age 77)

Chairman, Independent Non-Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : Chairperson of NC and RC, and a member of AC

**Education and Experience** : Professor Tan Sri Dr. Lin is an independent strategic and financial consultant. Prior to 1998, he was Chairman/President and Chief Executive Officer of Pacific Bank Group and for 14 years previously, Deputy Governor of Bank Negara Malaysia (the Central Bank), having been a central banker for 34 years. Tan Sri Dr. Lin continues to serve the public interest, including Member, Prime Minister's Economic Council Working Group, Competition Appeal Tribunal; Member of a number of key Steering Committees at Ministry of Higher Education (including the Putrajaya Higher Education Task Force); Economic Advisor, Associated Chinese Chambers of Commerce and Industry of Malaysia; Member, Asian Shadow Financial Regulatory Committee; Board Director, Monash University Malaysia Sdn Bhd and Sunway University Sdn Bhd; and Governor, Asian Institute of Management, Manila.

Tan Sri Dr. Lin is Chairman Emeritus of Harvard University's Graduate School Alumni Association Council in Cambridge (USA) as well as President, Harvard Club of Malaysia. He is also Pro-Chancellor & Research Professor, Sunway University; Pro-Chancellor, Universiti Teknologi Malaysia; Professor of Economics (Adjunct), Universiti Utara Malaysia; and Trustee of the Tun Ismail Ali Foundation (PNB), Harvard Club of Malaysia Foundation, Prime Minister's Exchange Fellowship Malaysia, Malaysian Economic Association Foundation and Jeffrey Cheah Foundation.

Professionally qualified in the United Kingdom as a Chartered Statistician, Tan Sri Dr. Lin is also banker, economist and venture entrepreneur, having received three post-graduate degrees from Harvard University (including a PhD in Economics) where he was a Mason Fellow and Ford Scholar. He is a British Chartered Scientist. He is an Eisenhower Fellow and a Fellow of the IMF Institute (Washington DC), Royal Statistical Society (London), Asian Institute of Chartered Bankers, Malaysian Insurance Institute (Hon.), Malaysian Institute of Management and Malaysian Economic Association. He is also a Distinguished Fellow of the Institute of Strategic and International Studies in Malaysia.

Tan Sri Dr. Lin sits and advises the Board of several public companies, and a number of business enterprises in Malaysia, Singapore and Indonesia engaged in mining, petroleum related products, property development, software and private equity.

**Public Company Directorships** : Ancom Berhad  
Genting Berhad  
Sunway Berhad  
Wah Seong Corporation Berhad (WSCB)

### DATO' SERI ROBERT TAN CHUNG MENG

(Malaysian, male, age 64)

MD, Non-Independent Executive Director

Board Appointment : 21 March 2012

Board Committee(s) : A member of RC

**Education and Experience** : Dato' Seri Robert Tan has vast experience in property development, hotel construction, retail design and development as well as corporate management with more than 30 years' experience in the property and hotel industries. After studying Business Administration in the United Kingdom, he was attached to a Chartered Surveyor's firm for a year. He had developed a housing project in Central London before returning to Malaysia. His stint in the property industry began with IGB in 1995 when he was Joint Managing Director and subsequently appointed the Group Managing Director in 2001, a position he currently holds today.

Dato' Seri Robert Tan was involved in various development projects carried out by IGB, in particular Mid Valley City. From inception to the realisation of MVM and TGM, he was actively involved in every stage of their developments. He is instrumental to the development and success of MVM and TGM, and more importantly, in retaining their positions as prime shopping hotspots in the Klang Valley.

**Public Company Directorships** : IGB  
Goldis Berhad (Goldis)  
Tan & Tan Developments Berhad (Tan & Tan)  
WSCB  
Yayasan Tan Kim Yeow



## Profile of Directors

(continued)

### HALIM BIN HAJI DIN

(Malaysian, male, age 70)

Independent Non-Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : Chairperson of AC, and a member of RC and NC

Education and Experience : Halim bin Haji Din is a Chartered Accountant who spent more than 30 years working for multinational corporations and international consulting firms.

He accumulated 18 years of experience working in the oil and gas industry - 6 years of which as a Board member of Caltex/Chevron, responsible for financial management before engaging in the consulting business. Prior to his appointment as a Board member of Caltex Malaysia, he served as Regional Financial Advisor for Caltex Petroleum Corporation Dallas, Texas, overseeing investment viability of the corporation's Asian subsidiaries.

He also had an extensive experience in corporate recovery when he worked for Ernst & Whinney, London, United Kingdom in mid-1980's. He was appointed as Managing Partner of the consulting division of Ernst & Young Malaysia from 1995. He later became the Country Advisor of Cap Gemini Ernst & Young Consulting Malaysia when Cap Gemini of France merged with Ernst & Young Consulting. In 2003, he with two partners took over the consulting business of Cap Gemini Ernst & Young Malaysia through a management buyout and rebranded it as Innovation Associates, currently known as IA Group, where he is currently the Chairman of the group.

He was a Council Member of the Malaysian Institute of Certified Public Accountants from 1994 to 2003. He was a Board member of the Employees Provident Fund (EPF) from April 2009 to May 2013.

Public Company Directorships : BNP Paribas Malaysia Berhad  
WSCB

### LE CHING TAI @ LEE CHEN CHONG

(Malaysian, male, age 75)

Independent Non-Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of AC, RC and NC

Education and Experience : Lee Chen Chong is a Fellow of the Chartered Institute of Bankers (FCIB), London.

He spent a total of 34 years in commercial and international banking with local as well as banks overseas. He commenced his banking career with Malayan Banking Berhad in 1962 and was later the General Manager of the bank's London branch from 1972 to 1985. From 1985 to 1993, he was Executive Director of Malaysian French Bank Berhad, currently known as Alliance Bank Berhad; and subsequently appointed the Managing Director until he relinquished the post at the end of 1993. The next 4 years saw him spend time overseas as President and a Director of international banks in the Czech Republic, Hungary and Malta Island.

He was associated with Multi-Purpose Holdings Berhad group from 1989 until his retirement as Executive Director in end 2000. He was also Executive Director of Ipimuda Berhad from December 2001 until retiring in January 2008.

Public Company Directorship : Koyo International Limited (*listed on Singapore Exchange Securities Trading Limited*)

# Profile of Directors

(continued)

## TAN BOON LEE

(Malaysian, male, age 53)

Non-Independent Executive Director

Board Appointment : 27 April 2012

Education and Experience : Tan Boon Lee holds a Bachelor of Economics from Monash University, Australia and a Master in Business Administration from Cranfield School of Management, United Kingdom.

He is presently Executive Director of IGB and Goldis, and Chief Executive Officer of Tan & Tan, the property arm of IGB. With 29 years of experience in the property and hotel industries, he has provided management and technical assistance to hotel and hospitality projects in Malaysia as well as across Asia. He was President of Malaysian Association of Hotel Owners (MAHO) from 2002 to 2004, and in the 1990's, spearheaded IGB group's growth into emerging economies of Myanmar and Cambodia via the group's hotel division.

Public Company Directorships : IGB  
Goldis  
Tan & Tan  
SW Homeowners Berhad  
Dato' Tan Chin Nam Foundation

## DANIEL YONG CHEN-I

(Malaysian, male, age 45)

Non-Independent Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of RMC

Education and Experience : Daniel Yong Chen-I is a law graduate from University of Bristol, England.

He is presently Joint Chief Operating Officer (MVM). He joined Mid Valley City Sdn Bhd (MVC) in 1999 as a member of the pre-opening retail development team. He was appointed Executive Director of MVC in 2003 and has been responsible for overseeing the management and operation of MVM since. He was also involved in the design and pre-opening of TGM from 2004 to 2007. His prior work experience includes the development of bespoke systems with BYG Systems Ltd in England and Operational Management with Wah Seong Engineering Sdn Bhd, the distributor and manufacturer for Toshiba Elevator and Escalators in Malaysia.

Public Company Directorships : IGB  
Goldis

## ELIZABETH TAN HUI NING

(Malaysian, female, age 33)

Non-Independent Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of RMC

Education and Experience : Elizabeth Tan Hui Ning graduated with First Class Honours from Cardiff University, Wales, United Kingdom with a degree in Business Administration (BSc) in June 2004.

She is presently Joint Chief Operating Officer and Head of Operations/Leasing (TGM). She joined Mid Valley City Gardens Sdn Bhd (MVCG) in August 2004, and appointed Executive Director in January 2011, and has been responsible for the conceptualisation and strategy of the tenant mix of TGM as well as overseeing the leasing, retail development and customer service departments.

## Profile of Directors

(continued)

### TAN LEI CHENG

(Malaysian, female, age 59)

Non-Independent Non-Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of AC and NC

Education and Experience : Tan Lei Cheng holds a Bachelor of Commerce from University of Melbourne, Australia and a Bachelor of Law from King's College, London (LLB Hons.), England. She has admitted to the English Bar in 1983. She is a member of Lincoln's Inn and the World Presidents' Organisation Malaysia Chapter.

She has over 30 years of experience in property industry and corporate sector. She was Chief Executive Officer of Tan & Tan from March 1995, a property development company that was listed on Bursa Malaysia until Goldis took over its listing on 8 May 2002, following the completion of the merger between IGB, Tan & Tan and Goldis. She was Executive Chairman and Chief Executive Officer of Goldis from May 2002 to 31 December 2016 until she relinquished the post in December 2016, but remain as a Director and Non-Executive Chairman.

Public company Directorships : IGB  
Goldis  
Tan & Tan  
Dato Tan Chin Nam Foundation

### TAN YEE SENG

(Malaysian, male, age 36)

Non-Independent Non-Executive Director

Board Appointment : 27 April 2012

Education and Experience : Tan Yee Seng holds a professional Diploma of Architecture (Royal Institute of British Architects, Part 2) from University of East London, United Kingdom.

He is presently Senior General Manager of IGB, overseeing the architectural and property development division. His prior work experience includes being part of the pre-opening team member of G Tower, an integrated offices and hotel building owned by Goldis, where he oversaw the coordination of base building, fit out and operations. He was also involved in the aesthetic realisation of TGM while working at Ensignia Construction Sdn Bhd (the construction arm of IGB) where he was a design architect. There he used his training to create and fine tune the facades and key elements of TGM and MVM. He has also been a design architect at Eric Kuhne Associates in London where he worked on several large mixed-use proposals.

Public Company Directorships : IGB (alternate Director to Tan Boon Seng)  
Tan & Tan

Note:

None of the Directors have:

- (i) any family relationships with any Director of the Manager, and/or major unitholder of IGB REIT save for Dato' Seri Robert Tan Chung Meng, Tan Boon Lee, Daniel Yong Chen-I, Elizabeth Tan Hui Ning, Tan Lei Cheng and Tan Yee Seng.
- (ii) any conflicts of interest with the Manager or IGB REIT other than the significant related party transactions as disclosed in *Notes to the Financial Statements* of this Annual Report.
- (iii) any conviction of offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during FY2016.

# Profile of Management

## ANTONY PATRICK BARRAGRY

*(British/Permanent Resident of Malaysia, male, age 65)*  
CEO

Appointment : 1 September 2012

Education and Experience : Antony Barragry holds a Diploma in Architecture from the University of Sheffield and a member of the International Council of Shopping Centres and The International Real-Estate Federation (FIABCI).

He is a qualified architect with more than 40 years of international experience in the design, development and operations of mixed-use World Trade Centre in Kuala Lumpur and Kempinski Ciragan Palace Hotel in Istanbul. His career with IGB group commenced with Renaissance Kuala Lumpur Hotel in 1993; then, as Project Director for phase 1 of Mid Valley City, including MVM; and subsequent, appointed Executive Director of MVC in 2002, where he spearheaded the development of more than 6 million square feet of commercial space in Mid Valley City's phase 2 (TGM and The Gardens Hotel & Residences), phase 3 (Mid Valley City Southpoint, which is currently under construction) and phase 4 (Northpoint). He was also Project Director for the design and construction of St Giles Hotel-Heathrow, London, and Pangkor Island Beach Resort upgrade in 2004 (which is presently undergoing redevelopment work and will be converted into luxury villas). He was Chief Executive Officer of MVCG from January 2008 until he relinquished the post in September 2012.

## DANIEL YONG CHEN-I

*Joint Chief Operating Officer (MVM)*

Please refer to description under the heading [Profile of Directors](#) in this Annual Report.

## ELIZABETH TAN HUI NING

*Joint Chief Operating Officer and Head of Operations/Leasing (TGM)*

Please refer to description under the heading [Profile of Directors](#) in this Annual Report.

## CHAI LAI SIM

*CFO*

Appointment : 1 September 2012

Education and Experience : Chai Lai Sim is a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA).

She has over 30 years of experience in audit, corporate finance, capital management strategy including treasury, financial accounting and taxation in property development, commercial and retail property investment and hospitality industries. She began her career as an articled student with Coopers & Lybrand (now known as PriceWaterhouseCoopers) before joining Tan & Tan as Group Financial Controller in 1993. Following the completion of the merger between Tan & Tan and IGB in 2002, she was appointed Senior Group General Manager (Finance) and subsequently assumed the present role of Group Chief Financial Officer of IGB.

## CHOW YENG KEET

*HOI*

Appointment : 1 September 2012

Education and Experience : Chow Yeng Keet holds a Bachelor of Economics (First Class Honours) from University of Malaya and a Fellow of the Association of Chartered Certified Accountants.

He is presently the Senior General Manager, Corporate Finance of IGB and Director of Finance of MVC. He has experience in corporate finance and advisory covering mergers and acquisitions, equity and debt fund raising, capital management and restructuring, valuations as well as take-over offers. He started his career as Corporate Finance Executive with the then Sime Merchant Bankers Berhad in 1997. Thereafter, he was with Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) where his last position was Corporate Finance Manager prior to joining IGB in 2004.

## Profile of Management

(continued)

### **TINA CHAN LAI YIN**

*HOC/CS*

Appointment : 1 September 2012

Education and Experience : Tina Chan is a Fellow of the Institute of Chartered Secretaries and Administrators.

She has a broad knowledge and skill-base in corporate secretarial work, having dealt with a wide range of corporate exercises in the course of her 25 years working experience. She is also presently the Senior General Manager (Company Secretarial division) of IGB group, a position which she has held since 1997. She heads the division and oversees the governance processes and company secretarial matters of IGB group, particularly with regard to ensuring compliance with procedures and applicable statutes and regulations including key areas relating to governance and compliance structures which are implemented throughout the group. Prior to joining IGB, she was company secretary of a legal firm, and was later attached to Tan & Tan, her last position there being the joint company secretary where she had been significantly involved in the floatation of Tan & Tan in 1993 (the listing status of which was assumed by Goldis following the completion of the merger between Tan & Tan and IGB in 2002).

### **RENNIE LEE CHAI TIN**

*Head of Operations/Leasing (MVM)*

Appointment : 1 September 2012

Education and Experience : Rennie Lee joined MVC in 1995. She has more than 25 years of work experience in leasing and operations within the retail industry. She is credited with being part of the founding team in the marketing of Mid Valley City. Her previous work experience includes leasing and marketing of Mahkota Parade in Malacca, Subang Parade and IOI Shopping centres in Kuala Lumpur. She was a key member of MVM pre-opening team. She is also General Manager of MVC.

### **KO CHAI HUAT**

*Head of Marketing (MVM)*

Appointment : 1 September 2012

Education and Experience : Ko Chai Huat joined MVC in 1999. He has 28 years of work experience in visual merchandising as well as advertising and promotions. He was formerly Visual Merchandising Manager at Atria Shopping Centre in Petaling Jaya. He directs, conceptualise and leads all design set ups for promotional activities and events in MVM. He was a key member of MVM pre-opening team. He holds a Diploma in Fine Arts. He is also Director of design of MVC.

### **GABRIELLE TAN HUI CHWEEN**

*Head of Marketing (TGM)*

Appointment : 1 September 2012

Education and Experience : Gabrielle Tan holds a Bachelor of Arts in Business Economics from the University of Exeter, United Kingdom and a Bachelor of Fine Arts in fashion design and marketing from American Intercontinental University, London, United Kingdom.

She joined MVCG as Head of Marketing in 2008 and subsequently assumed the role of Director of Marketing. She oversees the advertising and promotions activities as well as the public relations initiatives at TGM. She is also Director of Marketing of MVCG.

*Note:*

*None of the management have:*

- (i) any family relationships with any Director of the Manager, and/or major unitholder of IGB REIT save for Daniel Yong Chen-I, Elizabeth Tan Hui Ning and Gabrielle Tan Hui Chween.
- (ii) any conflicts of interest with the Manager or IGB REIT other than the significant related party transactions as disclosed in Notes to the Financial Statements of this Annual Report.
- (iii) any conviction of offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during FY2016.

# Financial Highlights

Statement of Comprehensive Income	FY 2016	FY 2015	FY 2014	FY 2013	FP 2012*
Gross Revenue (RM'000)	507,344	489,190	461,768	430,726	115,285
NPI (RM'000)	361,109	342,788	312,641	285,727	76,174
Distributable Income (RM'000)	316,306	290,980	268,795	241,110	62,333
Earnings per Unit (EPU) (realised) (sen)	7.96	7.33	6.76	6.06	1.56
Core EPU (sen)	7.96	7.33	9.23	9.13	4.50
Distribution per Unit (DPU) (sen)	8.71	8.19	7.79	7.04	1.83
Annualised DPU (sen)	8.71	8.19	7.79	7.04	6.50
Annualised Distribution Yield (%)	5.41	6.11	5.95	5.92	4.89
Management expenses ratio (%)	0.93	0.91	0.87	0.83	0.23

Gross Revenue	FY 2016 RM'000	FY 2015 RM'000	FY 2014 RM'000	FY 2013 RM'000	FP 2012* RM'000
MVM	354,677	340,045	318,993	300,013	79,834
TGM	152,667	149,145	142,775	130,713	35,451
<b>Total</b>	<b>507,344</b>	<b>489,190</b>	<b>461,768</b>	<b>430,726</b>	<b>115,285</b>

NPI	FY 2016 RM'000	FY 2015 RM'000	FY 2014 RM'000	FY 2013 RM'000	FP 2012* RM'000
MVM	266,263	250,384	224,154	211,918	57,449
TGM	94,846	92,404	88,487	73,809	18,725
<b>Total</b>	<b>361,109</b>	<b>342,788</b>	<b>312,641</b>	<b>285,727</b>	<b>76,174</b>

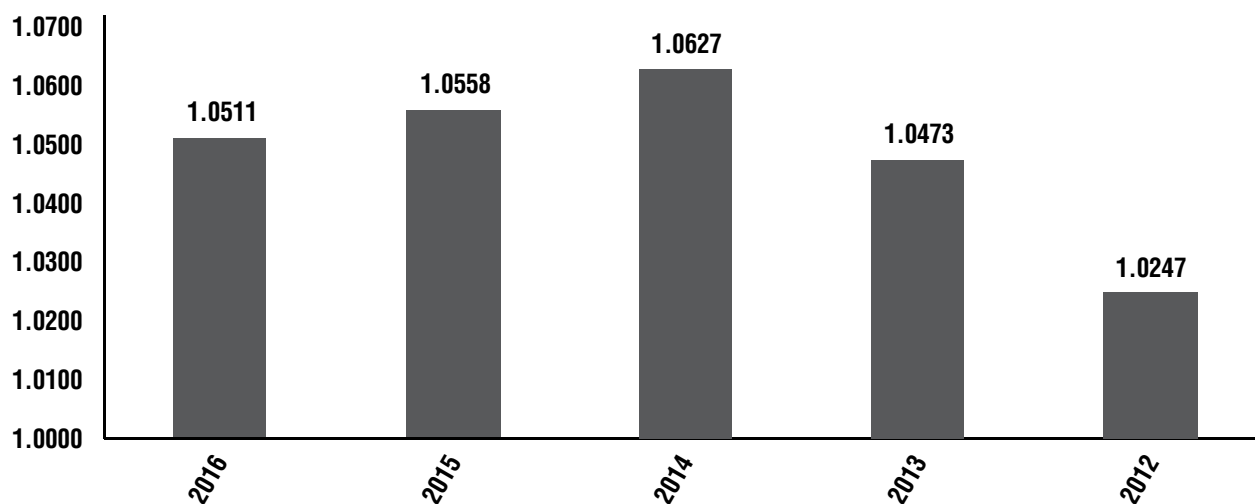
Statement of Financial Position	As at 31.12.2016	As at 31.12.2015	As at 31.12.2014	As at 31.12.2013	As at 31.12.2012
Investment Properties (RM'000)	4,890,000	4,890,000	4,890,000	4,805,000	4,700,000
TAV (RM'000)	5,194,257	5,170,007	5,156,780	5,059,489	4,892,134
Total Liabilities (RM'000)	1,522,274	1,504,498	1,493,322	1,475,149	1,408,090
NAV (RM'000)	3,671,983	3,665,509	3,663,458	3,584,340	3,484,044
NAV per Unit (RM)	1.0511	1.0558	1.0627	1.0473	1.0247



# Financial Highlights

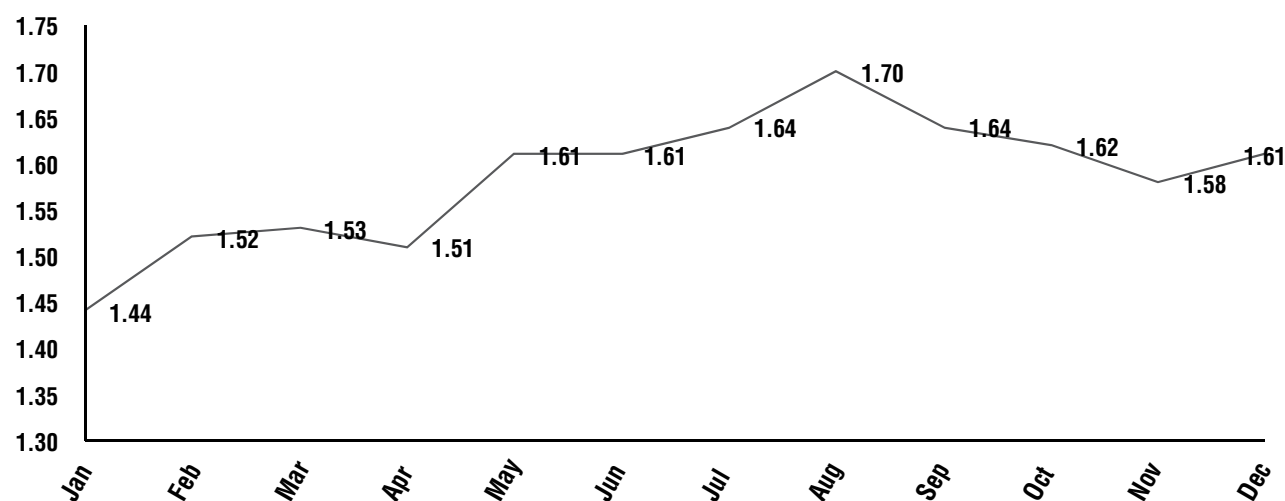
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## NAV PER UNIT PERFORMANCE (RM)



## UNIT PRICE PERFORMANCE

Month End Closing Price for 2016 (RM)



Trading performance	FY 2016	FY 2015	FY 2014	FY 2013	FP 2012*
Closing price as at 31 December (RM)	1.61	1.34	1.31	1.19	1.33
Highest traded price (RM)	1.74	1.38	1.35	1.45	1.44
Lowest traded price (RM)	1.31	1.24	1.12	1.13	1.31
Issued units ('000)	3,493,474	3,471,789	3,447,328	3,422,620	3,400,000
Market capitalisation as at 31 December (RM'000)	5,624,493	4,652,197	4,515,999	4,072,918	4,522,000

Notes:

\* Financial period from 20 September 2012 to 31 December 2012

FY Financial year ended 31 December

# Management Discussion and Analysis

## Overview of IGB REIT

IGB REIT is a Malaysia-domiciled real estate investment trust established on 25 July 2012 pursuant to the Deed between the Manager and the Trustee. It was listed on the Main Market of Bursa Securities on 21 September 2012.

## Investment Policy, Objectives, and Strategies

The principal investment policy of IGB REIT is to invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes in Malaysia and overseas as well as real estate related assets. Real estate used primarily for retail purposes include retail properties and mixed used developments with a retail component.

The primary objective of IGB REIT is to provide unitholders with regular and stable distributions, a sustainable long term unit price, and growth in distributable income and capital, while maintaining an appropriate capital structure. The Manager intends to increase the income, and consequently the value of the assets, through the following strategies:

1. Active Asset Management
  - ensure continued high shopper traffic at the malls;
  - continue to improve rental rates while maintaining high occupancy rates;
  - deliver quality services to tenants and maintain strong tenant relationships;
  - aim to improve operational efficiency and reduce operating costs without compromising on quality of services to tenants and shoppers; and
  - increase NLA via asset enhancement initiatives.
2. Acquisition Growth
  - explore acquisition opportunities that fit within the investment criteria and investment objectives of IGB REIT; and
  - focus on acquisitions that are immediately yield accretive, however will also consider those that are not immediately yield accretive but that still add value to unitholders over the long term.
3. Capital and Risk Management
  - adopt and maintain an appropriate gearing level and active interest rate management strategy;
  - diversify sources of debt funding to the extent appropriate;
  - maintain a reasonable level of debt service capability;
  - secure favourable terms of funding;
  - manage financial obligations; and
  - manage exposure arising from adverse market interest rates, such as through fixed rate borrowings, to optimise the cost of capital.

## Driving Sustained Momentum

2016 saw consumers continue to rein in spending as Malaysians were impacted by rising costs of living, reduced purchasing power on the back of a weakening ringgit, economic uncertainty driven by low oil and gas prices, a continued slowdown in China's economic growth, and surprise developments in the United Kingdom and United States of America, namely Brexit and Donald Trump's election win. Additionally, with an oversupply of retail space and the increasing popularity of online shopping, competition in the Malaysian retail market remained fierce.

IGB REIT was not spared from the challenges posed by these developments. We worked hard in the year to strengthen our performance by improving customer experience at both our malls - MVM and TGM, pushing ahead with asset enhancement initiatives (AEI), and working to ensure that our tenant mix not only remained fresh but on trend to meet the evolving demands and preferences of our customers.

We are therefore happy to share that we continued to enjoy positive growth in 2016, supported by strong rentals and almost full occupancy in both our malls. We remain committed to building a sustainable business guided by a clear long term strategy for growth and believe that our ability to continue to post positive results not only reflects the strength and agility of our business, but reaffirms our position as a key shopping destination in the Klang Valley.

# Management Discussion and Analysis

(continued)

## Steady Growth and Performance

### (a) Key Financial Highlights

**Table 1: Summary of Key Financials**

Key Financials	FY2016 RM'000	FY2015 RM'000	Change (%)
Gross Revenue	507,344	489,190	3.71
• MVM	354,677	340,045	4.30
• TGM	152,667	149,145	2.36
NPI	361,109	342,788	5.34
• MVM	266,263	250,384	6.34
• TGM	94,846	92,404	2.64
Net Profit	277,836	253,998	9.39
DPU (sen)	8.71	8.19	6.35

For FY2016, IGB REIT delivered steady growth driven mainly by higher rental income and lower utility and property upgrade expenses. We posted a gross revenue of RM507.3 million and a NPI of RM361.1 million for the year, which were 3.7% and 5.3% higher than that recorded in FY2015 respectively.

### (b) Statement of Financial Position

**Table 2: Statement of Financial Position**

	As at 31.12.2016	As at 31.12.2015	Change (%)
Investment Properties (RM'000)	4,890,000	4,890,000	-
• MVM	3,610,000	3,610,000	-
• TGM	1,280,000	1,280,000	-
TAV (RM'000)	5,194,257	5,170,007	0.47
Cash and bank balances (RM'000)	274,395	246,648	11.25
Total Liabilities (RM'000)	1,522,274	1,504,498	1.18
NAV (RM'000)	3,671,983	3,665,509	0.18
NAV per Unit (RM)	1.0511	1.0558	-0.45
Fund size ('000 units)	3,493,474	3,471,789	0.62

Investment properties are stated at fair value based on valuations performed by independent professional valuer Henry Butcher Malaysia Sdn Bhd (HBM). HBM holds relevant professional qualifications and has recent experience in valuing investment properties in similar locations and categories. A revaluation of MVM and TGM has been conducted by HBM and based on the valuation reports dated 5 January 2017, their market values as at 31 December 2016 remained at RM3.61 billion and RM1.28 billion respectively.

NAV as at 31 December 2016 after income distribution was RM3.672 billion, compared with RM3.666 billion the year before, reflecting a growth of 0.18%.

Notably this year, IGB REIT's fund size increased from 3,471,789,003 units as at 31 December 2015 to 3,493,474,024 units as at 31 December 2016, as a result of the issuance of new units as payment for Manager fees.

# Management Discussion and Analysis

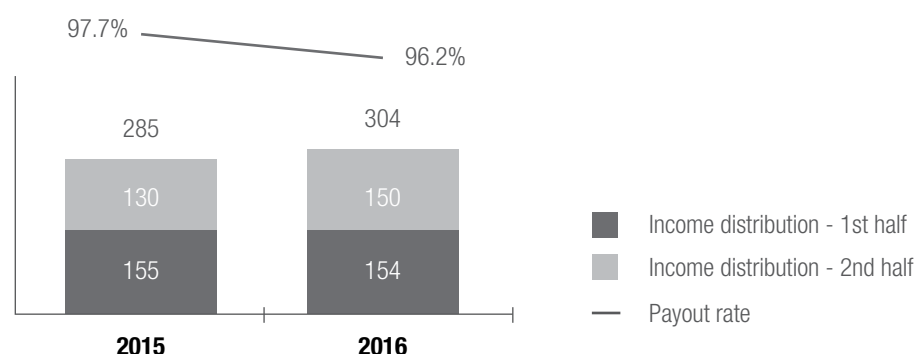
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## (c) Income Distribution

Distribution of income should only be made from realised gains or realised income in accordance with REIT Guidelines.

**Table 3: Income Distribution**

### Income Distribution (RM in million)



For the first half ended 30 June 2016, the Manager announced a distributable income amounted to RM153.8 million or 4.41 sen per unit (4.32 sen taxable and 0.09 sen non-taxable). The amount was paid on 29 August 2016.

For the second half ended 31 December 2016, a distributable income of RM150.3 million or 4.30 sen per unit (4.18 sen taxable and 0.12 sen non-taxable) was announced and the payment date is 28 February 2017.

Distributable income for FY2016 amounted to 8.71 sen per unit, up from 8.19 sen per unit in FY2015.

The Manager has proposed that at least 90% of IGB REIT's distributable income will be paid semi-annually for FY2017 subject to IGB REIT's financial position, earnings, funding, and capital management requirements. This is in line with the Manager's objective of providing investors with regular and stable income distribution.

## Proactive Asset Management

### (a) MVM

MVM enjoyed positive performance in a year that was marked by increased uncertainty. We were particularly impacted by several factors including the implementation of a new minimum wage which led to a substantial hike in our labour costs; a Government decision to suspend the recruitment of new foreign workers which resulted in manpower shortages; and the prolonged weakening of the ringgit which increased import costs and put pressure on retailer profits.

To mitigate the impact of these challenges, MVM worked closely with its tenants to help drive customer footfall. Several campaigns were run in the year, particularly during the school holidays and festive periods, where family-oriented promotions and activities were carried out. We also worked with 4 agencies and cruises this year, offering various deals to help increase tourist footfall.

Efforts to enhance the ambience of our malls for the convenience of our customers also continued this year. Examples of AEs carried out included a makeover of the lower ground floor which resulted in the area having a brighter, fresher, and more contemporary feel, and reconfiguration works which were carried out in the North traveller lobby on Level P1 to create a more welcoming ambience. The latter also allowed us to add additional retail space extending our service category offerings. Toilets on the East end of the mall on the first and second floors were also upgraded this year.

Steps to improve the experience that customers have at our malls were also taken. A new information counter was added at Level P1 Zone C, and a permanent covered canopy was constructed over the pedestrian walkway to the bus stop at the North Entrance. We also introduced Touch 'n Go in our car parks and set up top up kiosks as an added convenience for our shoppers.

## Management Discussion and Analysis

(continued)

MVM brought in new brands this year to refresh our tenant mix and relocated several existing retailers to accommodate their expansion plans and help with brand positioning. New brands that were added this year included Go Noodle House, Elianto Make Up, Oakley, CK Performance, Stride Rite, Obermain, Kit Kat Chocolatory, Ray Ban, Watchfinders, Sheldonet Toystore, Llaolao, and Marry Merry, to name a few.

Notably, Aeon carried out a major refurbishment exercise, expanding their supermarket and surrendering 24,466 sq. ft. of space which allowed existing tenants such as Timberland, Sasa, Clarks, Pink Evil Fashion Supermarket, Dressing Paula, Watsons, Birkenstock, Bata, Fitness Concept, Sony, and Samsung to further expand their trading areas. Some of these new tenants took the opportunity to bring to market their latest store designs, which helped to create buzz amongst shoppers, driving footfall to the area. Timberland for example, relaunched their store with a new retail concept – Workshop, an integrated store designed to create a sensory and experimental journey that informs, inspires, and engages shoppers.

### (b) TGM

TGM also posted positive results this year. The results were supported by the strong relationships that we have with our tenants, our continued focus on improving our facilities, and a contemporary tenant mix which continues to engage our customers.

This year, we persisted in our efforts to strengthen our position as a luxury mall, welcoming new brands such as Tory Burch, Bulgari, Lancome, Lalique, Kens Apothecary, and Bowers & Wilkins, amongst others. We were also very excited to open Les Suites at TGM, a brand new premium area housing The Occasions Eventeur, Mun Keat Photography, Celest Thoi, and The Studio, a multi-brand store featuring local and ASEAN designers. Together, these 4 tenants create a one-stop destination for customers looking to plan a wedding.

AEIs were also carried out to enrich the overall customer experience at TGM. For example, we introduced a new surau, enhanced facilities available for nursing mothers, and introduced a new valet waiting area to create a comfortable place for valet patrons waiting for their cars. External driveways were also upgraded, and landscaping works were carried out to create a more welcoming environment and help ease traffic congestion. The introduction of Touch 'n Go in the car parks have also been well-received and has helped enhance operating efficiency.

Notably in the year, we reconfigured the retail outlets on the ground floor, bringing in new brands as well as relocating existing outlets. This has helped to drive sales, particularly in fashion, jewellery, and watches. On the third floor, space originally belonging to Borders was broken up into 3 separate lots which were taken up by Ticklish Ribs & Wiches, Jurassic Kids – a dinosaur themed experiential entertainment outlet, and Shinmapo Korean BBQ. With the introduction of these new outlets, we were able to create a stronger pull to the area. Jaya Grocer also opened its doors on the lower ground floor at the end of the year, offering customers at TGM an upmarket grocer which caters to their needs.

Throughout the year, we also continued to work closely with our tenants to help drive sales through the execution of marketing campaigns as well as through our loyalty programme.

### Risk Management at the Heart of Business Sustainability

IGB REIT remains committed to building a business that will last for generations. Part of our strategy for sustained long term growth includes having in place a robust risk management framework embedded into key activities and business processes. Upholding the highest standards of corporate governance and risk management is therefore central to our strategy for growth and as such it is important to us that all employees work to ensure that these standards are not only met but guide us in all our dealings both internally and externally.

#### (a) Interest Rate Risk

Interest rate risk arises from borrowings. IGB REIT's income and cash flows are not significantly affected by changes in market interest rates as 98.96% of our syndicated financing facilities are made up of fixed rate term loan facilities which lock in the interest rate against fluctuations.

As such, we do not have any significant exposure to interest rate risks.

# Management Discussion and Analysis

(continued)

## (b) Credit risk

Credit risk arises from credit exposures to outstanding receivables from the tenants, accrued billings, as well as cash, cash equivalents, and deposits with banks and financial institutions.

To mitigate our exposure to outstanding receivables and accrued billings from tenants, we adopt a strict tenant selection process so as to ensure that we only engage with tenants/business associates who are of high creditworthiness. We also monitor trade receivables on an ongoing basis to ensure compliance with standard operating and reporting procedures, and collect security deposits from tenants which act as collateral. Other than our anchor tenants, namely Aeon BIG, Aeon, Metrojaya, Isetan, Robinsons and GSC Signature, which contribute 8.9% (2015: 10.5%) of our rental income, IGB REIT's investment properties do not have any significant exposure to any individual or group of tenants or counterparties and do not have any major concentration of credit risk in relation to any financial instruments.

Additionally, credit risk with respect to trade receivables is also limited as a result of the nature of business, as it is primarily rental related and cash-based. Historically, our experience in the collection of trade receivables falls within the recorded allowances.

In view of the above, no additional credit risk beyond amounts allowed for collection losses is inherent in IGB REIT's trade receivables.

With regards to cash, cash equivalent and deposits held with banks and other financial institutions, IGB REIT only engages licensed financial institutions with high credit ratings assigned by credit rating agencies. As such, the risk of any material loss resulting from non-performance by a financial counterpart is unlikely.

## (c) Liquidity and Cash Flow Risk

The Manager closely monitors IGB REIT's rolling forecasts of liquidity requirements to ensure that there is sufficient cash to meet its operational needs, including to distribute income to unitholders and mitigate the effects of fluctuations in cash flows. Additionally, the Manager ensures that sufficient headroom is maintained on committed borrowing facilities, abiding by REIT Guidelines with regards to limits on total borrowings of the investment trust.

Cash and bank balances as at 31 December 2016 of RM274 million (2015: RM247 million) are expected to assist in IGB REIT's liquidity and cash flow risk management.

## (d) Capital Management

Capital is the unitholders' capital, retained earnings and borrowings.

IGB REIT's overall capital management objectives are to safeguard our ability to continue as a going concern so that we are able to provide returns for unitholders and other stakeholders, as well as to maintain an efficient capital structure.

The Manager's on-going capital management strategy involves maintaining an appropriate gearing level and adopting an active interest rate management strategy to manage the risks associated with refinancing and changes in interest rates. The Manager intends to implement this strategy by (i) diversifying sources of debt funding to the extent appropriate, (ii) maintaining a reasonable level of debt service capability, (iii) securing favourable terms of funding, (iv) managing our financial obligations and (v) where appropriate, managing the exposures arising from adverse market interest rates, such as through fixed rate borrowings, to improve the efficiency of the cost of capital.

The gearing profile for IGB REIT is as follows:

**Table 4: Gearing Profile**

	As at 31.12.2016 RM million	As at 31.12.2015 RM million
Syndicated Financing Facilities	1,237	1,233
Cash and Cash Equivalents	(274)	(247)
Net Gearing	963	986
Total Unitholders' Fund	3,672	3,666
Net Gearing (%)	26	27
Loan-to-value (LTV) (%)	24	24

In FY2016, net gearing was 26%, down 1% against FY2015. LTV remained at 24% for the year, which is below the limit (50% of TAV) allowed by REIT Guidelines.



# Management Discussion and Analysis

(continued)

## (e) Business/Market Risk

2016 has been a challenging year for Malaysia, with the country impacted by both external and internal factors. In particular, the weak ringgit has reduced consumer spending power as the price of imported goods continued to increase. Consumer sentiment in the year improved slightly from 2015, but consumers continue to be cautious on the back of rising inflation and an increasing cost of living. Moreover, competition in the retail space has remained fierce as new malls have opened in the Klang Valley and online shopping gains in popularity.

In this environment, IGB REIT has continued to embark on various AEs, working closely with our tenants, and rolling out promotional campaigns to help drive footfall and maintain our competitiveness.

As a result of our efforts, both MVM and TGM have reported positive growth in revenue (4.30% and 2.36% growth respectively when compared to 2015).

## (f) Regulatory and Compliance Risk

IGB REIT is subject to Malaysia laws and regulations which include those relating to employment, data privacy, and anti-corruption, amongst others. We have in place a framework which not only allows us to proactively identify any new laws or regulatory obligations that apply to us, but ensures that all business units comply with them in their day-to-day operations. Our teams work hard to ensure that we remain compliant with all applicable laws and regulations and are prepared to manage any changes which may impact our business. For example, moving forward, we expect further hikes in electricity, gas, and water tariffs, and as such, have implemented cost saving measures in anticipation of these changes. An example of this is the installation of LED lighting throughout our malls.

## (g) Tenant Concentration Risk

We recognise the benefits that come with housing good anchor tenants as well as the risks that in doing so, we become too dependent on a few large tenants in terms of both revenue and NLA.

To date, we have had the opportunity to work with several good anchor tenants such as Aeon and Aeon Big in MVM, and Robinsons and Isetan in TGM, all of whom continue to attract a strong flow of visitors. To mitigate IGB REIT's exposure to tenant concentration risks, we monitor the performance of all anchor tenants closely and work to support them where appropriate. Moreover, we continually assess our tenant mix and bring in fresh new brands, further diversifying our tenant base.

## (h) Human Capital Risk

Finding and retaining good employees is a challenge faced by businesses across industries. The success of IGB REIT is very much driven by our people and as such we work very hard to ensure that we not only attract the right talent, but retain them. It is important to us that we cultivate a positive working culture which allows individuals to continually learn and improve themselves through not only getting exposure through work but by attending relevant training sessions, and receiving support from colleagues as well as management. It is through investing in our people that we help them realise their potential, putting them in a position to help us realise ours.

IGB REIT will continue to work to attract and retain talent with the skill sets that support our business while also exploring the possibility of outsourcing select job functions and automating processes where it makes sense. This will allow us to address the risks posed by staffing shortages and the challenges of attracting and retaining the right talent.

Longevity in business depends very much on having continuity of leadership so that new leaders are developed who are able to take over the roles of existing leaders should the need arise. We are cognisant of this need and actively identify next generation leaders, offering them the appropriate training, exposure, and mentorship, preparing them for advancements into ever more challenging roles.

## (i) Terrorist Threats

With the global incidence of terrorist attacks on the rise, the risk of an attack in Malaysia is something that needs to be considered and planned for, as the impact of any attack will be catastrophic.

To address this risk, both MVM and TGM work closely with the local authorities to keep up to date with any suspected threats, and have worked to heighten security measures to manage this risk. At both TGM and MVM, CCTV cameras were upgraded in the year for added security, and contingency plans in the event of an attack are also in place.

# Management Discussion and Analysis

(continued)

## Well-positioned to Weather Challenges Ahead

2017 is looking to be another challenging year for retail sector. Consumer sentiment is expected to remain weak, and competition from a growing number of malls and the increasing popularity of online shopping is also expected to impact the industry. Malaysia continues to be at risk from external developments and with global economic growth and commodity prices expected to remain subdued, households will likely adjust to moderating job prospects and fiscal consolidation.

Despite this, we believe that private consumption will remain resilient, and we will continue to push forward with plans to further enhance both MVM and TGM, as well as support our tenants through rolling out experiential marketing and activation-based campaigns. Additionally, we will continue to reach out to our communities, connecting with our customers to better understand their needs through our tenants, customer service touch points, our websites, as well as our social media platforms.

Our performance in 2016 has been encouraging, and we believe that our approach has helped reinforce the resilience of our business. Going into 2017, we remain confident that our proactive asset management strategy and focus on sustainable long term growth will allow us to weather the challenges ahead and continue to create value for all our stakeholders.

# Corporate Governance Statement

IGB REIT was established on 25 July 2012 and listed on the Main Market of Bursa Securities on 21 September 2012 with 2 investment properties under its portfolio, namely MVM and TGM.

IGB REIT is a collective investment scheme constituted as a unit trust and regulated by the SC pursuant to the provisions of REIT Guidelines and Capital Markets and Services Act 2007 (CMSA) as well as Bursa Securities' MMLR.

IGB REIT Management Sdn Bhd was appointed the Manager of IGB REIT pursuant to the Deed entered into between the Manager and the Trustee on 18 July 2012. The Manager and the Trustee are independent of each other. The Trustee is responsible for the safe custody of the assets of IGB REIT on behalf of unitholders, whereas the Manager has the general power of management over the assets of IGB REIT with a focus on generating rental income and enhancing asset value over time so as to maximise the returns from the investments, and ultimately the distributions to unitholders.

The Board of the Manager recognises that well-defined corporate governance processes are essential in enhancing corporate accountability and long-term business sustainability, and remain committed to ensuring good governance practices in its overall management of IGB REIT to preserve and maximise unitholders' value. In developing its system of corporate governance, the Board is guided by the measures set out in REIT Guidelines, CMSA and MMLR, and the principles of good governance contained in Malaysian Code on Corporate Governance 2012 (MCCG). The policies and practices of the Manager, supported by existing internal control processes, are regularly reviewed and refined on the basis of new regulatory requirements and best practices, as well as the needs and circumstances of the Manager and IGB REIT.

This statement outlines the Manager's corporate governance processes and activities that were in place for FY2016 and to the date of this statement. Other than as disclosed and/or explained in this statement, the Board is pleased to report that IGB REIT has complied in all material aspects with the requirements and best practices of REIT Guidelines, MMLR and MCCG as well as the obligations under Deed in discharging its responsibilities as the Manager. This statement has been made in accordance with the resolution and authority of the Board dated 25 January 2017.

## I. THE MANAGER

IGB REIT, constituted as a trust, has no personnel of its own. It is externally managed and administered by the Manager, which is led by an experienced Board with a wide and varied range of expertise. The Board is headed by Tan Sri Dato' Dr. Lin See Yan (Board Chairman), who is an Independent Non-Executive Director (INED). He is joined on the Board by Halim bin Haji Din, Lee Chen Chong, Dato' Seri Robert Tan Chung Meng, Tan Boon Lee, Daniel Yong Chen-I, Elizabeth Tan Hui Ning, Tan Lei Cheng and Tan Yee Seng. The Manager has appointed a team of experienced and well-qualified personnel to handle its day-to-day operations. The management team comprises CEO, Joint COO (MVM), Joint COO and Head of Operations/Leasing (TGM), CFO, HOC, HOI, Head of Operations/Leasing (MVM), Head of Marketing (MVM) and Head of Marketing (TGM). Biographical details of Directors and management are set out in this Annual Report under the respective headings [Profile of Directors](#) and [Profile of Management](#). All Directors and management are remunerated by the Manager and not by IGB REIT.

The Manager's main responsibility is to manage activities in relation to IGB REIT. The Manager shall, in managing IGB REIT, undertake primary management activities including but not limited to overall strategy, risk management strategy, new acquisition and disposal analysis, marketing and communications, individual asset performance and business planning, market performance analysis and other activities as provided under Deed, and in accordance with acceptable and efficacious business practices in the REIT industry in Malaysia. The Manager also manages and supervises the property manager (including its service providers) who provides property management services including leasing and marketing functions in respect of MVM and TGM.

The Manager holds a Capital Markets Services Licence issued by SC to carry on the regulated activity of fund management in relation to asset management. The Manager's licensed representatives are Antony Patrick Barragry and Elizabeth Tan Hui Ning. During FY2016, the representatives have attended and completed the continuing professional education as required by SC for each calendar year.

## II. BOARD GOVERNANCE MANUAL

### (a) Directors Code of Business Conduct and Ethics (Code)

Code provides a clear approach of how the Manager expects Board members to conduct themselves. The principles on which Code relies are those that concern transparency, integrity and accountability. It provides clear direction on conducting business, guidance on disclosure of conflict of interest situations, maintaining confidentiality and disclosure of information, good practices and internal control, and the duty to report where there is a breach against Code. Code is periodically reviewed to ensure new facts and circumstances and evolving governance issues are addressed and best practices are incorporated. Code is available on IGB REIT's website at [www.igbreit.com](http://www.igbreit.com).

# Corporate Governance Statement

(continued)

## (b) Board Charter

Board Charter is aimed at ensuring that Directors acting on behalf of the Manager are aware of their roles and responsibilities as Board members and the various legislations and regulations affecting their conduct, and that the principles and practices of good governance are applied in their dealings in respect, and on behalf of the Manager and IGB REIT. Board Charter covers inter alia, well-defined terms of reference (ToR) as well as the authority limits for the Board and its Committees, and the various relevant internal process. Board Charter is periodically reviewed to reflect changes to the Board's policies, procedures and processes as well as any development in statutes and regulations that may have an impact on the discharge of the Board's duties and responsibilities. Board Charter was last reviewed on 25 January 2017 to reflect various changes arising from new requirements and for compliance with standards and best practices that were applicable to the Manager. Board Charter is accessible at IGB REIT's website at [www.igbreit.com](http://www.igbreit.com).

## (c) Operations Manual

Operations Manual sets out detailed compliance procedures in connection with IGB REIT's operations, objectives and investments as well as governance policies and practices. The manual acts as a guide for management in daily operational activities of IGB REIT, and reference to new Director or senior executive to familiarise with IGB REIT's business and governance process.

## III. BOARD STRUCTURE AND COMPOSITION

With the aim of creating a Board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of 2 Directors and a maximum of 10 Directors. The Board comprises 9 Directors, with 5 Non-Executive Directors (NEDs) (including 3 INEDs) and 4 Executive Directors (EDs) (including MD) (Executive Board), with a gender composition of 7 male and 2 female Directors. Together, the Directors with property investment and commercial experience with diverse academic backgrounds provide a collective range of skills and expertise which is vital to effectively lead the Manager and IGB REIT. Executive Board and NEDs are equal members of the Board, both having fiduciary duties to unitholders and collectively responsible for the direction and performance of the Manager and IGB REIT.

Board Chairman, MD and CEO are not related to each other. Their roles are kept separate to ensure a clear division of responsibilities, increased accountability and a greater capacity of the Board for independent decision-making. Board Chairman is responsible for the leadership and management of the Board and for ensuring the Board and its Committees function effectively. He is also responsible for the integrity and effectiveness of the relationship between Executive Board and NEDs, steering discussions and deliberations towards clear and transparent outcomes and proper decisions. Board Chairman also takes a leading role in the Manager's drive to achieve and maintain high standards of corporate governance with full support of Directors. MD as a representative of the Board, together with CEO, is accountable to the Board and responsible over the business direction and the strategy implementation of the Manager and IGB REIT. CEO has the overall responsibility for the day-to-day operational management of the Manager and IGB REIT, including execution of the agreed business policies and directions set by the Board and of all operational decisions in managing the Manager and IGB REIT, as well as provides close oversight, guidance, advice and leadership to management.

Aligned with MMLR and REIT Guidelines, one-third of the Board is INEDs. INEDs must be individuals who fulfil the independence criteria set out in Board Charter that are not less exacting than those set out in MMLR and REIT Guidelines for assessing the independence of INEDs. INEDs, all of whom are respected persons of high calibre and integrity, play important roles by exercising independent business judgement and objective participation in the proceedings and decision-making processes of the Board. The presence of INEDs fulfils a pivotal role in corporate accountability to ensure that the interests of minority unitholders are properly safeguarded. To preserve their objectivity, INEDs do not engage in the day-to-day management of the Manager or have personal or business relationships/connections with the Manager and IGB REIT, which could materially interfere with their independent judgement and void of any conflict of interest possibilities. Non-INEDs (NINEDs) also bring with them the experience and business acumen that would add value to the Board.

The structure, size and composition of the Board are reviewed annually to ensure that each member of the Board has the required mix of experience, qualifications, skills and industrial knowledge necessary to assist the Manager and IGB REIT in formulating and achieving their overall strategies, together with the specific expertise required to fulfil the duties assigned to him or her as member of Board Committees. A Director with multiple board representations is expected to ensure that sufficient attention is given to the affairs of the Manager. NC is mandated to review the structure, size and composition of the Board annually with a view of determining the impact of the number upon effectiveness and recommending on what it considers an appropriate size and composition for the Board. This process had been undertaken by NC in respect of the assessment for FY2016 as outlined in the section [Annual Review of Board Competency](#).

Board Charter does not impose a term of limitation on tenure of a Director considering that the Board has established a process for assessing the performance of individual Directors to be carried out by NC annually. To ensure the balance of skills, qualities and competencies, the Board believes that the experience brought through long service is invaluable. The Board does not feel that identifying rigid maximum terms of office of members is conducive to ensuring the correct balance of skills and experience, and having a strong cohesive Board.

# Corporate Governance Statement

(continued)

In relation to boardroom diversity, the Manager does not practice any form of gender, ethnicity and age bias as the Board believes that both genders are to be given fair and equal treatment, and any new appointments to the Board shall be based on merit and measured against objective criteria with due regard to the individual's knowledge, experience, independence, foresight and good judgement to complement the Board skillset in ensuring the Manager has an effective composition of Board to discharge its duty effectively in the best interests of the Manager, IGB REIT and unitholders.

The Board held the view that it is not necessary to appoint a senior INED as Board Chairman promotes a culture of openness and debate at Board meetings where Directors are encouraged to provide their views for meaningful and active discussions.

## IV. BOARD'S CONDUCT OF ITS AFFAIRS

### (a) Roles and Responsibilities

The Board has overall responsibility for managing and governing the Manager and IGB REIT in the best interests of unitholders and stakeholders. The Board provides leadership and guidance to the Manager, sets the strategic directions and oversees the management of IGB REIT. The Board delegates day-to-day activities and affairs of the Manager to CEO, who, supported by MD, and through them and subject to their guidance and insight, to management. CEO leads management team in making and implementing day-to-day decisions on business operations and management, managing resources and risks in pursuing the corporate objectives of the Manager and IGB REIT, in accordance with Board approved policies and delegated limits of authority. Appropriate delegations of authority and approval sub-limits are also provided at management level to facilitate operational efficiency.

The following set forth the main matters and areas that the Board discussed, considered, deliberated and approved during FY2016 and to the date of this statement:

- (i) Annual business plan on the strategic directions of IGB REIT to drive business growth taking into consideration sustainability issues such as environmental, economic and social (EES) factors as part of its strategic formulation.
- (ii) Annual budget and mid-year review of plan and budget on the operational and financial targets for IGB REIT.
- (iii) Quarterly updates on IGB REIT's business, strategic developments, operational initiatives and significant capital expenditure.
- (iv) Quarterly and full-year financial performance reviews ensuring such financial results of IGB REIT in all material aspects, fairly present the financial position and results of its operations.
- (v) Declaration of semi-annual distribution amounts to unitholders having given due regard to IGB REIT's financial position, earnings, funding and capital management requirements.
- (vi) Quarterly overviews on IGB REIT's risk and controls environment and updates relating to other risk management and governance initiatives, such as the risk appetite and governance assurance frameworks.
- (vii) Issues discussed at meetings of Board Committees, along with action plans to address any issues highlighted, including their decisions or recommendations to the Board.
- (viii) Financial highlights of the Manager's performance and its administration.
- (ix) Annual reviews, in consultation with management, in all material aspects on financial, operational and compliance control and risk management systems.
- (x) Annual evaluation results of the performance and effectiveness of the Board, Board Committees and each Director (including the independence of INEDs), as well as Directors under the annual re-election provision to be tabled at the Manager's Annual General Meeting (AGM).
- (xi) Corporate governance disclosures such as Management Discussion and Analysis, Corporate Governance Statement, Audit Committee Report and Sustainability Statement for inclusion in Annual Report 2016.
- (xii) Matters of major actions/announcements to the market, and decisions in respect of other measures and business of fundamental significance for IGB REIT.

# Corporate Governance Statement

(continued)

## (b) Meetings

Directors are expected to prepare for, attend, and contribute meaningfully in all Board and applicable Board Committee meetings in order to discharge their obligations. To facilitate participation of Directors' attendance at the Board and Committee meetings as well as annual unitholders meeting (UHM), schedule of meetings for each calendar year is scheduled well in advance before the end of the preceding financial year, and telephonic attendance and conference via audio-visual communication channels at the Board and Committee meetings are allowed under the Manager's constitution.

Meeting materials for the Board and Committees are uploaded onto personal electronic tablets to enable Directors to access the documents in a timely manner. As a general rule, meeting materials are disseminated to Directors and members at least 5 days in advance of every regular Board or Committee meetings to enable Directors to peruse, obtain additional information and/or seek further clarification on the matters to be deliberated. In order to maintain confidentiality, documents on issues that are deemed to be price-sensitive may be handed out to Directors and members during the meetings. Where necessary or prudent, presentations and briefings by external consultants and legal advisors are on hand to explain matters within their competencies and to provide clarity on agenda items being discussed to enable the Board and Committees to arrive at a considered and informed decisions. Consistent with their fiduciary duties, Directors are expected to maintain confidentiality of the deliberations of the Board and Committees.

The Board meets 4 times a year at approximately quarterly intervals and as warranted by particular circumstances. The Board may have informal discussions on matters requiring urgent decisions between scheduled meetings, which would then be formally confirmed and approved by circulating resolutions in writing. Decisions of the Board can be made by a simple majority of the votes of Directors. However, the decisions have always been taken by consensus of Board members present. A record of Board deliberation of the issues discussed and conclusions reached is captured in the minutes of each meeting. Minutes of each Board meeting are circulated to every Board member for their comment prior to confirmation of the minutes in the next meeting.

Board and Board Committee meetings and UHM for 2016 were pre-arranged in April 2015, and communicated to Directors to ensure their time commitments. Directors and management were also notified in advance of the closed periods for dealings in IGB REIT units based on the targeted announcement dates of IGB REIT's quarterly results. CEO, CFO, HOI and HOC were permanent invitees to Board meetings to present reports on matters relating to their areas of responsibility, and to provide insight into reports or recommendations submitted to the Board. 4 meetings were held in FY2016 which were attended by all Directors except Tan Lei Cheng who attended 3 out of 4 meetings.

## (c) Conflicts of Interest

Every Director is required to declare any conflict of interest in a transaction or proposed transaction with the Manager and IGB REIT as soon as practicable after the relevant facts have come to his or her knowledge. Such declarations occur at each Board meeting, including meetings of Board Committees responsible for considering transactions. On a quarterly basis, each Director is required to submit details of associates for the purpose of monitoring interested persons transaction.

Where the Board or Committee is considering a matter in which a Director has an interest, the relevant Director abstains from participating in any discussion or decision on the subject matter, and where appropriate, excuses himself or herself from being present in the deliberation. In the event of a corporate proposal requiring the approval of unitholders, interested Directors will abstain from deliberation and voting in respect of their unitholdings in IGB REIT on the resolution relating to the corporate proposal, and will further undertake to ensure persons connected to them similarly abstain from voting on the resolution at UHM.

No Director has a material interest in any contract of significance in relation to IGB REIT's business during the year or to the date of this report other than recurrent transactions as disclosed in [Notes to the Financial Statements](#) under the heading of [Significant Related Party Transactions](#) of this Annual Report.

## (d) Dealings in IGB REIT Units

Directors and management are notified of any announcement released to Bursa Securities and the impending restriction in dealing with IGB REIT units prior to the announcement of quarterly financial results or corporate proposal. Directors and management are also expected to observe insider trading laws at all times even when dealing with IGB REIT units within the permitted trading period. Each Director or senior executive is required to give notice to the Manager of his or her acquisition of units or of changes in the number of units which he or she holds or in which he or she has an interest, within 3 market days after such acquisition or changes in interest. All dealings in IGB REIT units by Directors and management are announced to Bursa Securities.

Directors and management who are in possession of, aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any unpublished inside information must refrain from dealing in IGB REIT units as soon as they possess, become aware of or privy to such information until proper disclosure of the information in accordance with MMLR.

The interests in IGB REIT units of Directors and CEO are shown in [Unitholding Statistics](#) in this Annual Report.



# Corporate Governance Statement

(continued)

## (e) Access to Information

Directors have full and unrestricted access to information and records of the Manager and IGB REIT. Directors may interact directly with, or request further explanation, information or updates on any aspects of the operations of the Manager and IGB REIT from Executive Board and management.

The Board is supported by HOC/CS. The role of HOC/CS has been defined by the Board to include supervising, monitoring and advising on all governance matters, compliance by IGB REIT with all legislation, rules and guidelines issued by SC and Bursa Securities as well as Deed, and disclosure requirements of various regulatory bodies, and performing such other duties of HOC/CS, as required under laws and regulations or as specified in MMLR and REIT Guidelines, or as required by Board Chairman or Directors (or any of them), as the case may be. In addition, HOC/CS assists the Board Chairman to ensure that there is good information flow within the Board and its Committees, and between management and Directors. The appointment and removal of HOC/CS are subject to the approval of the Board.

## (f) Independent Professional Advice

Directors may also seek external legal or independent professional advice in furtherance of their duties at the Manager's expense. No request was made by any Director for such advice during FY2016.

## (g) Training and Education

The Board views mandatory continuing education as a positive development for Directors as they are expected to keep abreast of the latest legislations and regulatory updates, developments and changes in REIT industry, as well as wider economic, financial and governance issues in discharging their stewardship responsibilities efficiently and effectively. CS facilitates the organisation of in-house development programmes and keeps Directors informed of the series/talks organised by regulatory bodies.

In FY2016, all Directors and CEO had attended/participated in one or more of the following seminars, training programmes and conferences which they have individually or collectively considered as relevant and useful to enhance their business acumen and professionalism in discharging their duties to the Manager and IGB REIT:

- Asian Strategy and Leadership Institute (ASLI): Tan Sri Dato' Dr. Lin as panelist – Special Commemorative Seminar on Tun Abdul Razak (Prime Minister of Malaysia 1970 - 1976)
- Board of Trustee of Real Estate Housing Developers Association Malaysia (REHDA) Institute: Tan Sri Dato' Dr. Lin as speaker – Ultra-low interest rates and other key global factors influencing Malaysia's economic outlook second half of 2016 (impact towards the banking sector, construction and property development sector)
- Bursa Malaysia Berhad (Bursa): Thought Leadership Session for Directors – Improving Board Risk Oversight Effectiveness
- Bursa: Advocacy Session on Management Discussion and Analysis for CEOs and CFOs of Listed Issuers
- Bursa/Safety, Health & Environmental Management Services International Sdn Bhd (SHEMSI): Sustainability Reporting Workshop for Practitioners
- Bursa/The Iclif Leadership and Governance Centre: Nominating Committee Programme Part 2 – Effective Board Evaluations
- CHK Consultancy Sdn Bhd: The impact of ASEAN Economic Community (AEC) & Trans-Pacific Partnership Agreement (TPPA) on Malaysia economy
- Edelman Public Relations Worldwide Sdn Bhd: Crisis Stimulation Training and Social Media & Search Engine Optimisation Workshop
- Federation of Chinese Association Malaysia and Sin Chew Daily: Tan Sri Dato' Dr. Lin as speaker – Risks confronting the Global Economy in 2016
- Genting Berhad/Wong & Partners: Companies Bill
- IABT Advancement Business Training: Global REITs, REITs IPO & Due Diligence
- IGB REIT in-house talk conducted by Lee Shih @ Skrine: How to prepare for the New Companies Act
- IGB REIT in-house training conducted by Maktab Polis Diraja Malaysia Crisis & Disaster Studies Centre: Threat Management
- IGB REIT in-house talk conducted by PricewaterhouseCoopers (PwC): Budget 2017 – Key Tax Proposals
- IGB REIT in-house training conducted by SHEMSI: Sustainability Reporting Awareness
- Jeffery Cheah Institute (JCI): Tan Sri Dato' Dr. Lin as moderator – Southeast Asia Forum on The Northeast Asian Situation
- JCI: The European Economy – Policies, Prospects and Problems
- Khazanah Research Institute: Global Economic Trends and Implications for Low and Middle Income Countries.
- Malaysian Institute of Accountants (MIA)/The Institute of Internal Auditors Malaysia (IIA): Audit Committee Conference 2016
- MIA Conference 2016

# Corporate Governance Statement

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- Minority Shareholder Watchdog Group (MSWG): Institutional Investor Council Governance Week 2016 – Stewardship Matters for Long Term Sustainability
- Silverlake Axis: Tan Sri Dato' Dr. Lin as speaker – Banking & Digital Economy Summit held at Vienna, Austria.
- University Malaya/HELP University: A forum jointly organised by Centre for Poverty & Development Studies and chaired by Tan Sri Dato' Dr. Lin.
- Wah Seong Corporation Berhad: Directors' and Officers' Liability Insurance 2016

Throughout the year, Directors and CEO also received regular briefings and updates at Board meetings or specially convened sessions conducted by external auditors/providers, on changes to regulations, guidelines and accounting standards, as well as industry related and current issues. Articles and reports relevant to IGB REIT's businesses were also circulated to Directors and CEO for information.

## V. BOARD COMMITTEES

To assist the Board in the efficient discharge of its responsibilities and provide independent oversight of management, the Board has entrusted specific responsibilities to certain Board Committees. Composition of Board Committees is structured to ensure an equitable distribution of responsibilities among Board members, maximise the effectiveness of the Board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different Committees. The objective, remit and powers of each Committee are established in Board Charter. Topics of discussion and frequency of meetings will vary depending on each Committee's charter and the portfolio's complexity. The chairman of the respective Board Committees reports to the Board on any salient matters noted by Committees and which require the Board's notice, direction or approval. Committee meeting minutes are included as part of Directors' meeting materials to keep Directors updated on each Committee's activities. In common with the Board, each Committee has access to such information and advice, both from the Manager and externally as it deems necessary or appropriate.

The Board has established 5 standing Committees to assist it in exercising its authority. Board Committees operate under Board approved ToR, which are updated from time to time to stay abreast of developments in corporate law and governance best practice.

The role, function, performance and membership of each Committee shall be reviewed on an annual basis as part of the Board's performance-assessment process. Board Committee Evaluation FY2016 showed that all Committees had effectively discharged their functions as set out in their ToR as outlined in the section under [Annual Review of Board Competency](#).

Outlined below is a brief overview of each Board Committee and the activities performed during FY2016 and to the date of this statement:

### (a) AC

AC comprises 3 INEDs and 1 NINED. AC is chaired by Halim bin Haji Din and its members are Tan Sri Dato' Dr. Lin See Yan, Lee Chen Chong and Tan Lei Cheng. With an independent component of 75% and composed of NEDs, the composition of AC is fully compliant with MMLR. AC as a whole has an appropriate and experienced blend of commercial, financial and audit expertise to assess the issues it is required to address.

AC supports the Board in its supervision of financial controls and reporting through the direct link to external and internal auditors. AC's main duties include, among others, review the integrity of IGB REIT's quarterly and year-end financial results; assess the effectiveness and efficiency of the internal controls, risk management and governance processes of IGB REIT and the Manager; and oversee the quality of the internal and external auditing in respect of cost, scope and performance.

AC meetings shall be held not less than 4 times each year, and where appropriate, shall coincide with key dates in IGB REIT's financial reporting cycle. AC met 4 times in 2016 which were attended by all members except Tan Lei Cheng who attended 3 out of 4 meetings. AC also has 2 private meetings with External Auditors (EA) independently of Executive Board and management, and discussed with them the financial statements and other financial issues as deemed appropriate. Briefings on developments in accounting and governance standards were also presented by EA at AC meetings.

Tasks performed by AC during FY2016 are discussed in greater details under the heading [Audit Committee Report](#) in this Annual Report.

### (b) NC

NC comprises 3 INEDs and 1 NINED. NC is chaired by Tan Sri Dato' Dr. Lin See Yan and its members include Halim bin Haji Din, Lee Chen Chong and Tan Lei Cheng.

# Corporate Governance Statement

(continued)

NC considers and recommends to the Board candidates for directorship in the Manager and Directors to fill seats on Board Committees; conducts annual review of the structure, size and composition of the Board (including the required mix of skills, experience, diversity and other qualities), the performance of the Board, the Committees and each Director, as well as Directors under the annual re-election provisions; assesses the independence of INEDs and presents its assessment to the Board for final determination; and oversees the Board's succession planning.

NC met once in 2016 which were attended by all members. NC had conducted assessment on the diversity of the Board's composition, and reviewed performance of the Board, the Committees and each Director, as well as Directors up for re-election at the Manager's AGM. The detailed process in this regard is outlined in the section under [Annual Review of Board Competency](#).

## (c) RC

RC comprises 3 INEDs and MD. RC is chaired by Tan Sri Dato' Dr. Lin See Yan and the other members are Halim bin Haji Din, Lee Chen Chong and Dato' Seri Robert Tan Chung Meng.

RC reviews and recommends to the Board for endorsement the policy framework on terms of employment and on all elements of the remuneration of Executive Board and management, as well as the remuneration framework for NEDs' annual fees and meeting allowances; and reviews and approves the annual performance bonus and merit increase of Executive Board and management. In its deliberation, RC will take into consideration industry practices and norms in addition to the Manager's relative performance to the industry and performance of the individual Directors and senior personnel in determining a fair overall assessment. No RC member or any Director is involved in deliberations in any remuneration to be granted to himself or herself.

RC met once in 2016 which were attended by all members, and considered the following matters under its ambit:

### (i) [Annual review of NEDs' remuneration](#)

RC had considered the quantum of NEDs' remuneration and recommended that no increase be made to the annual fees FY2016 and meeting allowances in 2017, and whereupon the Board had endorsed RC's recommendation.

### (ii) [Annual performance bonuses and merit increases of Executive Board and management](#)

RC had considered the delivery and performance of IGB REIT in FY2016, as well as the challenging outlook for the retail segment against a backdrop of a softer consumer spending ahead, in addition to consultation with MD on the individual performance of EDs and senior personnel (quantitative and qualitative objectives), had applied its judgement in determining a balanced fair outcome for merit increases in 2017 and year-end performance bonuses for EDs and management. NC (without participation by MD) had also discussed and approved the revised remuneration package of MD reflecting the responsibility and complexity of the role performed by him, with comparable experience and responsibilities employed by the Manager's peers in the same industry.

## (d) RMC

RMC, comprises of management team, is chaired by CEO, Antony Patrick Barragry, and its other members are Daniel Yong Chen-I (Joint COO - MVM), Elizabeth Tan Hui Ning (Joint COO and Head of Operations/Leasing - TGM), Chow Yeng Keet (HOI) and Rennie Lee Chai Tin (Head of Operations/Leasing - MVM).

RMC is tasked with the responsibility to oversee the risk management activities of IGB REIT by reviewing IGB REIT's risk profile and ensuring the implementation of appropriate systems to manage and mitigate the identified risks. RMC meets quarterly or more often if necessary, to appraise the adequacy and effectiveness of IGB REIT's risk management plans, systems, processes and procedures, as well as its risk portfolios, risk levels and risk mitigation and strategies.

RMC has established a sound risk management framework that enables it to continuously identify, assess, mitigate and monitor risks that affect IGB REIT. RMC met 4 times in FY2016 which were attended by all members. At these meetings, risk relating to strategy, operational, financial and external environment were discussed and dealt with action plans.

RMC also responsible to oversees IGB REIT's policies, objectives and strategies as they pertain to sustainability by identifying, evaluating, monitoring and managing the EES risks and opportunities as they arise.

# Corporate Governance Statement

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## (e) IWG

IWG, comprises Executive Board and CEO, is tasked with the responsibilities to review, assess and consider investment and divestment strategies of IGB REIT, with an aim of improving the growth of IGB REIT and its distribution yields.

IGB REIT did not enter into any real estate sales and purchases during FY2016.

## VI. ANNUAL REVIEW OF BOARD COMPETENCY

This section of the report sets out the details of the activities carried out by NC during FY2016 and to the date of this statement:

### (a) Board Composition and Diversity

In respect of the assessment for FY2016, NC had reviewed the Board structure, size and composition appropriate to the efficient governance and management of the Manager. Considerations that factor into the assessment process included, among others, the nature and scope of the Manager's operations, the current Board's skillset, and the number of Directors needed to discharge the duties of the Board and its Committees.

NC (with the Board's concurrence) was satisfied that the Board as presently constituted was of optimal size and diversity of skills, experience, talent and knowledge of the business operations and activities of the Manager and IGB REIT to facilitate effective decision making in the management and direction of the Manager and IGB REIT.

### (b) Directors Time Commitments

Each Board member is expected to commit sufficient time to carry out his role as Director and/or member of Board Committees responsibly. While it is impossible to be specific about the actual or maximum time commitments, Directors are expected to devote such time as is necessary to attend meetings of the Board, Board Committees, UHM and Directors trainings.

As part of its review, NC also considers whether a Director with other listed issuer board representations and/or other principal commitments is able to and has been adequately carrying out his duties as Director of the Manager. NC takes into account the results of the assessment of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board, in making this determination.

In respect of FY2016, NC has reviewed and satisfied that notwithstanding their multiple Board appointments, all Directors have been able to devote sufficient time and attention to the affairs of the Manager to adequately discharge their duties as Directors of the Manager. Their commitment towards fulfilling their duties and responsibilities was affirmed by their attendance and participation in at least a substantial number of meetings and Directors' training during FY2016.

Each member of the Board holds not more than 5 listed issuer seats.

### (c) Board Appointment and Re-election

Appointments to the Board are the responsibility of the full Board on the recommendation of NC. There are formal, considered and transparent procedures for appointment of new Directors which is made on merit against objective criteria and with due regard for the benefits of diversity on the Board. There were no new appointments to the Board during FY2016.

The Manager's constitution stipulates that one-third of Directors except MD shall retire and stand for re-election at every AGM.

NC had at its meeting in January 2017 assessed those Directors retiring under the Manager's constitution, and recommended that the 3 Directors namely Tan Boon Lee, Tan Lei Cheng and Daniel Yong Chen-I be re-elected to continue their offices having regard to the individual Director's contribution and performance with reference to the results of the assessment of the performance of the individual Director, whereupon the Board (without participation by the related Directors) had endorsed NC's recommendation.

# Corporate Governance Statement

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## (d) Board, Committees and Individual Director Performance

NC reviews and evaluates the Board performance and that of its Committees and individual Directors on an annual basis against both measurable and quantitative indicators, thus ensuring the Manager is under the oversight and guidance of an accountable and competent Board. The review allows each Director to individually express his or her personal assessment of the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. It provides insight into the functioning of the Board, while identifying areas that might need strengthening and development. To provide feedback to aid in these assessments, each Director is required to complete a self-assessment checklist. The checklist covers topics which include, among others, the responsibilities of the Board in relation to strategies and direction, accountability and oversight, risk management, performance management, compliance and corporate governance. Other areas being assessed include Board structure, Board decision-making and meeting processes. The members and chairmen of each Board Committee are also required to complete an assessment checklist on the effectiveness of Board Committees on which they serve, in terms of composition and governance, meeting administration and conduct, and skills and competencies. Upon completion of the evaluation process, NC chairman briefs the Board on the overall results of the evaluation conducted and improvements recommended where appropriate.

In respect of the assessment for FY2016, NC has conducted the process. In its assessment, NC took into consideration the individual Director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the annual assessment of the effectiveness of the individual Director, and the intrinsic independent values demonstrated by the INEDs, and concluded that the Board as a whole and its Committees have performed well with the individual's creditability to add value to Board and Committee deliberations and exercise objective judgement in decision-making processes, and each Director has given sufficient time and attention to the affairs of the Manager. No material issues or areas of concern were identified in these reviews.

The Board had considered NC's views, and concurred that each Director has continued to perform effectively and demonstrated commitments to his role, including commitment of time to the Board, and where relevant, Committee responsibilities. The Board was also satisfied that it and its Committees have an appropriate balance of backgrounds, skills, experience, independence and knowledge of the Manager and IGB REIT to discharge their duties effectively.

## (e) Independence Assessment

The Manager measures the independence of its INEDs based on the criteria prescribed under MMLR in which an INED should be independent of management and free from any business or relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of the Manager and IGB REIT.

The independence of each INED is assessed annually, with each INED required to complete an independence checklist drawn up based on the criteria for independence as defined in MMLR and other governance standards as appropriate. Thereafter, NC reviews the completed checklists, assesses the independence of INEDs and presents its assessment to the Board for final determination.

NC had conducted its annual review FY2016 on the individual INED's level of contribution to the Board and the level of independence demonstrated by each of the INEDs, and affirmed that they remained objective and independent, evidenced by their ability to demonstrate the values and principles associated with independence during Board discussions such as impartiality, objectivity and consideration of the interests of the Manager and IGB REIT, and they had and would continue to provide the necessary checks and balances to the Board in discharging their responsibilities in an independent manner with integrity and competency. None of the Manager's INEDs have served on the Board beyond 9 years from their respective dates of appointment.

Taking into account the views of NC, the Board (without participation by related INEDs) determined at its meeting in January 2017 that Tan Sri Dato' Dr. Lin See Yan, Halim bin Haji Din and Lee Chen Chong demonstrated complete independence in character and judgement both as Board members and their designated roles in the respective Board Committees, and their good understanding of the businesses of the Manager and IGB REIT with their wealth of knowledge, skillsets and experience would continue to provide invaluable contribution to the Board. In view thereof, the Board has deemed it appropriate that they continue to act as INEDs. Each of the 3 INEDs had provided an annual confirmation of his independence to the Board. Their biographies are disclosed in the Annual Report under the heading [Profile of Directors](#).

# Corporate Governance Statement

(continued)

## VII. REMUNERATION DISCLOSURE

### (a) Manager Fees

According to Deed, the Manager shall be entitled to a base fee of a maximum of 1% per annum of IGB REIT's TAV and a performance fee of a maximum of 5% per annum of IGB REIT's NPI, in the form of cash, new units or combination thereof at the election of the Manager.

In FY2016, the Manager has elected to receive its fees in the form of units. The total fees for the 12-month FY2016 was RM33,412,668.21 or 20,685,858 units.

SC had in its letter dated 18 July 2012 approved a limit of up to 150,000,000 new units of IGB REIT to be issued to the Manager (Threshold Limit) and Bursa Securities had also in its letter dated 3 August 2012 approved the listing and quotation of the Threshold Limit. Unitholders' approval is therefore not required for the payment of the Manager fees in units provided that the aggregated units issued or to be issued to the Manager is within the Threshold Limit.

### (b) Directors and Management Remuneration

The remuneration of Directors and management is paid by the Manager from the fees it receives from IGB REIT.

The remuneration of Board members is set to attract and retain individuals of the calibre required to serve on the Board, and for management, the calibre needed to manage the operations of the Manager and IGB REIT efficiently. Executive Board and management have entered into service agreements with the Manager. In the case of Executive Board, the components of their remuneration are structured on the basis of linking rewards to corporate and individual performance. Performance is measured against specific targets set from the Manager's annual budget and plans. Executive Board receives a normal remuneration package for their regular duties appropriate to their roles. NEDs' remuneration reflects the Director's level of responsibilities and participation in the Board and Committees. NEDs' remuneration is reviewed annually to ensure that the Manager can attract individuals with the requisite experience, capability and commitment, and reviews take into account the structure and level of fees payable by peer groups of similar scale and complexity. With the exception of Executive Board, each member of the Board receives annual fee and meeting allowance for participation in each Board or Committee meeting. The Board as a whole resolves on the fees for NEDs with individual Directors abstaining from decisions in respect their individual remuneration. The fees payable to NEDs are subject to the approval of shareholders of the Manager.

Evaluation of the remuneration of Directors and management is performed once a year, and this process has been conducted by RC as mentioned hereinabove under RC section, and whereupon recommendations were submitted and approved by the Board.

As IGB REIT does not bear the remuneration of the Board and management, the Manager does not consider it necessary to include information on remuneration of its Directors and management in this report.

## VIII. ACCOUNTABILITY AND AUDIT

### (a) Financial Reporting

The Board is committed to providing a balanced and understandable assessment of IGB REIT's financial position, performance and prospects in all disclosures made to stakeholders and regulatory bodies. The Board is assisted by AC to oversee the financial reporting process and the quality of the financial reporting of IGB REIT. AC reviews the integrity of IGB REIT's quarterly and year-end results, focusing on, inter alia, quality, accuracy and adequacy of financial disclosure; changes in or implementation of accounting policies and practices; key audit matters; significant and unusual events; on-going concern assumption; and compliance with applicable accounting policies, standards and regulatory requirements, before recommending for the Board's approval and public release.

For FY2016, the Board and AC have received assurance from MD and CFO that the financial records have been properly maintained, and the Audited Financial Statements FY2016 (AFS2016) of IGB REIT complied with the appropriate financial reporting standards and regulatory requirements, and fairly present the results of the operations, cash flow and financial position of IGB REIT. On this basis, the Board confirms that to the best of its knowledge, nothing had come to its attention which would render IGB REIT's AFS2016 false or misleading. The Manager's responsibility in respect of the preparation of IGB REIT's AFS2016 is set out in this Annual Report under the heading Statement by the Manager.



# Corporate Governance Statement

(continued)

## (b) Risk Management and Internal Controls

The Board has the ultimate responsibility for the governance of IGB REIT's risk management and internal controls which includes the establishment of an appropriate control environment and framework, and the review of their adequacy, integrity and effectiveness. While acknowledging their responsibility for maintaining sound risk management and internal control systems to safeguard unitholders' interests and IGB REIT's assets, Directors are aware that IGB REIT's system of risk management and internal control are designed to manage rather than eliminate the risk threatening the achievement of business objectives, and therefore can only provide reasonable but not absolute assurance against material misstatement of financial and management information records, or against financial losses or fraud.

In carrying out this central responsibility, the Board oversees IGB REIT's system of internal control and risk management with the support from RMC, AC, EA and internal auditors as well as the assurance plan developed by management on the effectiveness of internal controls and adequacy of risk management of IGB REIT.

The Manager does not have its own in-house Internal Audit (IA) function. IA function is outsourced to the Group IA Department (GIA) of its parent company, IGB, to assist AC in discharging its duties and responsibilities. IA reports directly to AC and their role is to independently review the risk exposures and control processes implemented by the Manager, conduct assignments which encompass auditing and reviewing of critical areas, report on the effectiveness and efficiency of the operations and internal control, and highlight the significant findings in respect of non-compliance of the Manager and IGB REIT to AC. IA's activities are guided by International Standards for the Professional Practice of Internal Auditing (Standards) developed by IIA, and incorporated these Standards into its audit practices. IA adopts a risk-based methodology in drawing up its annual IA plan covering all levels of operations within the Manager and IGB REIT, which is reviewed and endorsed by AC. IA also engages in regular communication with management in relation to its IA activities and efforts for continuous improvement in operations and systems. During FY2016, IA issued multiple reports covering all significant operational and financial units of the Manager and IGB REIT, and monitored the status of management action plans resulting from audit findings to ensure completion and reports progress each quarter to AC. As regards risk management and fraud, IA is responsible only for the facilitation and assists management by assessing the adequacy and effectiveness of the developed or revised systems and procedures. A quality assurance review on GIA function at IGB's level was performed by IIA Malaysia in 2015 and the assessment affirmed that GIA activity conformed to the Standards. The next review would be due in year 2020.

Each year, in consultation with RMC, AC and IA, the Board assesses the adequacy and effectiveness of risk management and internal controls of the Manager and IGB REIT. The review covered all material controls, including financial, operational, compliance and information technology controls as well as risk management functions. For FY2016, the Board is satisfied that based on the results of IA reviews and the assessment of RMC and AC thereon including discussions with EA on the results of their audits, the risk management and internal control systems of the Manager and IGB REIT operated effectively and adequately. Where specific internal controls were ineffective, compensating controls ensured that IGB REIT's assets were safeguarded, proper accounting records maintained and resources utilised efficiently. None of the weaknesses or issues identified during the review for FY2016 has resulted in non-compliance with any relevant policies or procedures, MMLR or recommended industry practices that would require disclosure in this Annual Report.

## (c) Relationship with EA

The appointment of EA, who may be nominated by the Manager, is approved by the Trustee. EA appointed must be independent of the Manager and the Trustee. The remuneration of EA must be approved by the Trustee.

IGB REIT's EA is PwC who is remunerated mainly from its audit services provided to IGB REIT. The Board maintains, via AC, an active, transparent and professional relationship with EA. EA reports their findings to AC as part of the audit process on the statutory financial statements of IGB REIT. Key features underlying the relationships of AC with EA are disclosed in this Annual Report under the heading [Audit Committee Report](#).

The statement on EA's responsibilities on IGB REIT's AFS2016 is set out in this Annual Report under the heading [Independent Auditor's Report](#). During FY2016, the fees payable to PwC amounted to RM105,000 for audit and audit related services, and RM8,250 for non-audit services related to tax compliance and consultancy.

AC is tasked with the annual assessment process on the performance and quality of EA and their independence, objective and professionalism. AC had in January 2017 evaluated the suitability, effectiveness and independence of EA using a questionnaire-based internal review, as well as obtained input from the Manager's personnel who had constant contact with EA team throughout the year. AC was satisfied with EA's technical competency in terms of their skills, execution of audit plan, reporting and overall performance.

# Corporate Governance Statement

(continued)

EA has provided a confirmation of, their independence to AC that they were and had been independent throughout the conduct of the audit engagement in accordance with the provisions of the By-Laws on Professional Independence of MIA and their firm's requirements for the audit of AFS2016. The policies governing the circumstances under which contracts for the provision of non-audit services could be entered into and procedures that have to be followed by EA has also been submitted to AC.

It is PwC's policy to rotate audit engagement partners on listed issuers at least every 5 years. A new audit engagement partner was appointed for IGB REIT during FY2016.

## IX. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS (RPT)

Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising or, if conflicts arise, shall ensure that IGB REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing IGB REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interest of unitholders.

In dealing with any conflict-of-interest situations that may arise, the Manager's procedures are that all transactions carried out for or on behalf of IGB REIT are to be executed on terms that are best available to IGB REIT and which are no less favourable than arm's-length transactions between independent parties, and Board members to refrain from any and all deliberation or decision which concerns their personal, commercial or professional interests.

The Board, through AC, reviews and monitors all RPT and conflict of interest situations, if any, on a quarterly basis. If a member of the Board and/or AC has an interest in a transaction, the Director concerned is to abstain from participating in the review and recommendation process in relation to that transaction. The Manager shall adhere strictly to Deed which prohibits the Manager and its related parties from voting their units at, or being part of a quorum for, any UHM convened to approve any matter in which the Manager and its related parties have interest in the outcome of the transaction unless an exemption is obtained from SC.

For RPT, the Manager has established procedures to ensure that transactions involving, among others, the Trustee, the Manager, Directors, CEO, major unitholders and persons connected with them, are conducted at arm's length and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties, and in accordance with all applicable requirements of REIT Guidelines and MMLR relating to the transaction in question. Executive Board and management has been kept informed of the disclosure procedures for RPT, who would ensure that transactions with related parties would be entered into after taking into account the pricing and contract rates, terms and conditions, level of service and expertise required, and the quality of products and services provided, when compared to prevailing market prices and rates, industry norms and standards, as well as general practices, adopted by service providers of similar capacities and capabilities generally available in the open market. The Manager also maintains a register to record all RPT which are entered into by IGB REIT. All RPT are reviewed by AC on a quarterly basis to ensure compliance with internal control procedures and with the provisions of REIT Guidelines and MMLR. The review includes the examination of nature of transaction and if necessary, its supporting documents and/or such other data deemed necessary by AC. IA audits and reports on the appropriateness and effectiveness of processes for the management of RPT on an annual basis.

During FY2016, all RPT transacted were in the ordinary and usual course of business needs of IGB REIT, and were conducted at arm's length and on terms no less favourable to IGB REIT than terms available to or from (as appropriate) independent third parties.

Quarterly announcements on RPT between IGB REIT and related parties vis-à-vis nature of transactions and aggregate value transacted for the reporting quarter, as well as aggregate value estimated for the next quarter were made to Bursa Securities.

Information on RPT entered into by IGB REIT during FY2016 is disclosed in this Annual Report under the heading [Significant Related Party Transactions](#) under [Notes to the Financial Statements](#).

## X. INVESTOR RELATIONS AND ENGAGEMENT WITH UNITHOLDERS

The Manager is committed to a proactive and continuous dialogue with unitholders and investors including appropriate disclosure and transparency of information to ensure that they can make informed assessment of IGB REIT's value and prospects. To ensure efficient communication, all corporate communications of IGB REIT, including but not limited to annual reports, unitholder circulars, quarterly and annual results, notices of meetings, announcements and press releases reported to the market via the regulatory information service appears as soon as practicable on the corporate website to promote accessibility of information to all market participants.

# Corporate Governance Statement

(continued)

Annual UHM provides the principal forum for dialogue and interaction between the Board and unitholders. In every annual UHM, the Board encourages unitholders to participate in the proceedings and ensures that ample time is allocated during the meeting for unitholders to ask questions about IGB REIT's performance, resolutions being proposed, corporate strategy and developments among others, or observations and feedback to the Board. All Directors attended the 4<sup>th</sup> annual UHM in 2016. Board Chairman, MD, CEO, CFO and EA, subject to the line of questions and relevance, had attended questions raised and provided clarification as required by unitholders. Minutes of the 4<sup>th</sup> annual UHM were also posted on IGB REIT's website.

Management of the Manager also conducts regular dialogues, briefings and meetings with fund managers, financial analysts and media as well as presentations to institutional investors to provide updates, strategies and new developments about IGB REIT based on permissible disclosures. These meetings focus either on recently announced financial results, recent corporate activity or the longer term strategy of IGB REIT. Information that is price-sensitive or that may be regarded as undisclosed material information about IGB REIT is not disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

Whilst the Manager aims to provide sufficient information to unitholders and investors about IGB REIT's activities, it also recognises that unitholders and investors may have specific queries and require additional information. Any enquiries on investor related matters may be directed to this email address: [investorrelations@igbreit.com](mailto:investorrelations@igbreit.com). To better serve stakeholders of IGB REIT, a feedback page on the website provides an avenue for stakeholders to suggest improvements via email address: [feedback@igbreit.com](mailto:feedback@igbreit.com).

## XI. DISTRIBUTION

In accordance with Deed, IGB REIT shall distribute to unitholders as dividends each year an amount of not less than 90% of its total income on a half-yearly basis for each consecutive 6 months period on and ending 30 June and 31 December. Distribution of distributable income must be made no later than 2 months from the end of 30 June and 31 December.

For FY2016, IGB REIT made 2 distributions to unitholders totalling RM304,106,000 (8.71 sen in total distribution per unit) in relation to the period 1 January to 30 June 2016, and 1 July to 31 December 2016, representing 5.41% yield and 96.2% payout of its distributable income.

## XII. NUMBER OF ISSUED UNITS AND PUBLIC FLOAT

As at 31 December 2016, total number of issued units of IGB REIT was 3,493,474,024 (FY2015: 3,471,789,003). As compared with the position of 31 December 2015, a total of 21,685,021 new units were issued to the Manager as fees during FY2016.

As at the date of this statement, IGB REIT has maintained a sufficient public float with more than 25% of the issued and outstanding units of IGB REIT being held by public.

## XIII. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF DIRECTORS, CEO AND MAJOR UNITHOLDERS

There were no material contracts entered into by IGB REIT (not being contracts entered into in the ordinary course of business), involving Directors, CEO and major unitholders during FY2016, except for material contracts in respect of RPT which have been declared.

## XIV. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on IGB REIT, Directors or management of the Manager by relevant regulatory bodies, which were material and made public during FY2016.

## XV. SUSTAINABILITY OF BUSINESS

The Board is cognisant of the importance of business sustainability, and in conducting IGB REIT's business, the impact on the environment, social and governance is taken into consideration. IGB REIT has in place internal policies and guidelines to address corporate sustainability.

IGB REIT's corporate sustainability directions and activities are disclosed in this Annual Report under the heading [Sustainability Statement](#).

## XVI. SOCIAL RESPONSIBILITY

The Board takes a particular interest in IGB REIT's role as a responsible and caring member of the community. To this end, IGB REIT has engaged in various initiatives as disclosed in this Annual Report under the heading [Corporate Social Responsibility](#).

# Audit Committee Report

AC, formed on 7 May 2012, is to assist the Board of the Manager in fulfilling its oversight responsibilities for the financial reporting process, the management of risk and system of internal controls, the governance processes, and the audit process of IGB REIT and the Manager as well as the Manager's process for monitoring compliance with laws and regulatory requirements.

AC has authority to investigate any matter within its ToR which can be viewed on IGB REIT's website, full access to and co-operation from management and full discretion to invite any Director or management to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

AC is pleased to present its report on the activities carried out during FY2016 and to the date of this report in conducting its affairs and discharging its responsibilities. This report has been made in accordance with resolution and the authority of the Board dated 25 January 2017.

## COMPOSITION

AC comprises 4 members, all of whom are NEDs, 3 (including AC Chairman) being INEDs. AC Chairman is Halim bin Haji Din and the members are Tan Sri Dato' Dr. Lin See Yen, Lee Chen Chong and Tan Lei Cheng. All AC members have accounting or related financial management expertise or experience.

The annual review of the composition and performance of AC, including members' tenure, performance and effectiveness as well as their accountability and responsibilities, was duly assessed via the annual Board Committee Assessment. Based on the evaluation FY2016, the Board was satisfied that AC has continued to show strong performance over the years, and AC members, as indicated in their profiles, have sound judgement, objectivity, independent attitude, management experience, integrity, knowledge of the industry, and financially literate. With balanced diversity of skills and experience, they have discharged their functions, duties and responsibilities, supporting the Board in ensuring that the Manager and IGB REIT uphold appropriate corporate governance standards. The Board has agreed to maintain the composition of AC.

## MEETINGS AND ATTENDANCE

AC meetings for 2016 were pre-arranged in April 2015 and communicated to the members early to ensure their time commitments. The schedule of business considered by AC covered the key areas within its remit and is supported by information provided by management of the Manager, external and internal auditors.

4 meetings were held during FY2016 which were attended by all members except Tan Lei Cheng who attended 3 out of 4 meetings. MD attended all meetings as requested by AC to facilitate direct communication and to seek clarification on audit issues as well as to solicit information in relation to the operations of the Manager and IGB REIT. In addition, CFO, HOI, HOC/CS, internal auditors and EA (twice a year to discuss their audit plan and audit findings on IGB REIT's annual financial statements) were permanent invitees to AC meetings to present their respective reports. AC also had 2 private sessions with EA to enquire about management's co-operation with EA and their sharing of information as well as discuss the results of the audit and any other observations they may have during the audit process and regarding risk management issues, without the presence of management. AC Chairman also permitted internal and external auditors to contact him at any time that they became aware of incidents or matters in the course of their audits or reviews that needed his attention or that of AC or the Board. Matters of significant concern raised by internal and external auditors noted by AC requiring the Board's notice, direction and approval were highlighted and reported by AC Chairman at Board meetings. Minutes of AC meetings were included in Directors' materials for meetings.

## DISCHARGING OF FUNCTIONS AND DUTIES

During FY2016 and to the date of this report, AC has met its responsibilities in discharging its functions and duties in accordance with its ToR as follows:

### 1. Financial Reporting

- (a) Evaluated on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards, as well as any related changes discussed and resolved any significant or unusual accounting issues. Introduced measures that, in AC's opinion, would enhance the credibility and objectivity of financial statements and reports prepared about the affairs of IGB REIT.
- (b) Reviewed IGB REIT's unaudited results for the financial quarters of Q4FY2015, Q1FY2016, Q2FY2016 and Q3FY2016, which were announced via the regulatory information service immediately after the Board's approvals, respectively on 26 January 2016, 26 April 2016, 26 July 2016 and 25 October 2016, and the Audited Financial Statements for year ended 31 December 2015 (AFS2015) which was submitted via the regulatory information service on 23 February 2016. AC concluded that the quarterly financial results and AFS2015 complied with appropriate financial reporting standards (FRS) and regulatory requirements.

# Audit Committee Report

(continued)

- (c) Reviewed the Manager's AFS2015, and concluded that the AFS2015 complied with appropriate FRS. A copy of the Manager's AFS2015 was submitted to SC on 23 March 2016.
- (d) Considered IGB REIT's distributable income for the second half of 2015 of 3.72 sen per unit @ 3.60 sen taxable and 0.12 sen non-taxable, and the first half of 2016 of 4.41 sen per unit @ 4.32 sen taxable and 0.09 sen non-taxable, which were paid to unitholders respectively on 29 February 2016 and 29 August 2016 after the Board's approvals.
- (e) Noted significant changes and amendments to the regulations, FRS and other regulatory requirements that could affect the financial reporting of IGB REIT.

Subsequent to FY2016, AC had at its meeting on 25 January 2017, considered and reviewed the financial reporting checklist FY2016 completed by CFO, and assessed by MD, and obtained their assurance, in making its recommendation to the Board, that adequate processes and controls were in place for an effective and efficient process in preparation of IGB REIT's AFS2016 and, in all material respects, the AFS2016 complied with the applicable FRS as well as disclosure provisions of the MMLR, and fairly present the results of the operations, cash flow and financial position of IGB REIT. AC had also considered IGB REIT's distributable income for the second half of 2016 of 4.30 sen @ 4.18 sen taxable and 0.12 sen non-taxable, which was paid to unitholders on 28 February 2017.

## 2. External Audit

IGB REIT's EA is PwC. A new audit engagement partner was appointed during FY2016.

- (a) Reviewed EA's report on the conduct of AFS2015 audit, the findings on significant accounting and reporting issues together with the findings on the internal control system as well as overview of issues found during the interim audit.
- (b) Reviewed EA's audit plan 2016, encompassing the proposed work blueprint, nature and scope for the year's audit and other examination including the evaluation of internal control systems and risk management processes, to the extent performed as part of the external audit.
- (c) Considered whether the extent of reliance on IA by EA was appropriate and whether there were any significant gaps between internal and external audits.
- (d) Obtained assurance from EA that their independence has not been impaired.
- (e) Reviewed, in consultation with management, the terms of engagement of PwC for the statutory audit FY2016 of IGB REIT in respect of cost, scope and performance, upon confirmation of their independence and objectivity including non-audit services related to tax consultancy.
- (f) Conducted bi-annual private sessions with EA without the presence of management on 26 January 2016 and 25 October 2016 to discuss any issue or reservation arising from their audit. No major concerns were highlighted by EA and they had received full cooperation from management.

Subsequent to FY2016, AC carried out the following duties at its meeting on 25 January 2017:

- (i) Reviewed the results of the annual audit report AFS2016 on the audit findings together with recommendations and management's response as set out in the management representation letter issued to EA.
- (ii) Reviewed and deliberated on matters relating to internal control highlighted by EA in the course of their statutory audit of AFS2016.
- (iii) Evaluated EA's performance and effectiveness, quality of communication and interaction and its independence and objectivity, on the basis of AC meetings and a questionnaire-based internal review. Based on the assessment FY2016, AC was satisfied with EA's technical competency in terms of their skills, execution of audit plan, reporting and overall performance, and the reasonableness of their audit fees. Requisite assurance was sought and provided by EA that internal governance processes within PwC demonstrate and support the firm's independence.

# Audit Committee Report

(continued)

## 3. IA

The IA function is outsourced and undertaken by the Manager's parent company's IGB Group IA (GIA) department. The main role of IA function is to provide AC with independent and objective reports on the adequacy and effectiveness of the internal controls, risks and governance framework of IGB REIT. The Head of IA reports to AC on its activities based on the approved annual audit plan. The following is a summary of IA's work reviewed and/or approved by AC during FY2016 and to the date of this report:

- (a) Reviewed IA's reports on the effectiveness and adequacy of internal controls, risk management, operational, compliance and governance processes of the Manager and IGB REIT including management's responses thereto and the implementation of management's action plans on outstanding issues and recommendations were being properly addressed and corrected on a timely basis. A total of 21 audit reports (including follow-up audits and special reviews) were issued by IA for the assignments conducted on the Manager and IGB REIT based on the 2016 IA Plan, and most findings were rated satisfactory while some required improvements relating to controls weaknesses, compliance shortcoming, and documentation anomalies whereby all gaps had since been addressed.
- (b) Reviewed and approved IA Plan for the ensuing financial year end 31 December 2017 (FY2017) to ensure adequate scope and coverage of the key risk areas and processes of the operational, compliance and internal controls of IGB REIT. In planning for the audit of IGB REIT, a risk based auditing approach taking into account the Standards developed by IIA and global best practices, was adopted. The approach emphasised on effective planning and scoping of audits to suit the size and activities of functional areas, and to concentrate audit resources on areas that expose IGB REIT to the greater degree of risk. All high risk activities in each auditable area are audited annually.
- (c) Approved the revised IA Charter to include the core principles for the professional practice of internal auditing as stated in the International Professional Practices Framework for internal auditing, and to reflect IA's roles in facilitating the risk management reporting process, handling of feedback processes, and participating in the sustainability committee on the reporting of sustainability matters for IGB REIT.

A quality assurance review on GIA function at IGB-level was performed by IIA Malaysia in 2015 and the assessment affirmed that GIA activity conformed to the Standards. The next review would be due in year 2020.

The costs incurred by IGB REIT for IA function in FY2016 were RM5,397.

## 4. Risks and Control Environment

The Board has assigned oversight of IGB REIT's risk management function to RMC. AC also assists the Board in examining the adequacy and effectiveness of IGB REIT's risk management framework and the appropriateness of management's responses to key risk areas and recommendations for improvements to be implemented. Based on the periodic reports/minutes of RMC and the annual risk identification survey as well as half-yearly key risk indicator reports presented by IA which shed insights on the areas of risks, likelihood, impact and management action on IGB REIT's operating business, AC was thus able to keep under review the adequacy and effectiveness of IGB REIT's risk management system along with its risk portfolio, risk levels and risk mitigation strategies. No significant irregularity or deficiency in internal controls came to the attention of AC during FY2016.

## 5. RPT

Reviewed the quarterly RPT reports, and ensured proper disclosures were made in accordance with REIT Guidelines and MMLR. AC was satisfied that all transactions were in the best interest of IGB REIT, whereby the terms concluded were fair, reasonable and based on commercial viability, and were therefore not deemed to be detrimental to the interests of minority unitholders, and the monitoring procedures to regulate such transactions were appropriate and sufficient.

## 6. Annual Reporting

Reviewed the extent of IGB REIT's compliance with the requirements of MMLR for the purpose of preparing Audit Committee Report for inclusion in Annual Report 2015 and recommended its adoption by the Board. AC had at its meeting on 25 January 2017 reviewed the Audit Committee Report for inclusion in Annual Report 2016, and whereupon recommendation was submitted and approved by the Board.

## AC'S TRAINING

During the year, AC members attended various conferences, seminars and training programmes to enhance their knowledge to efficiently discharge their duties as Directors of the Manager as well as to keep themselves abreast with the changes and updates on technical competencies in their respective fields of expertise. Details of the seminars, training programmes and conferences that they attended during FY2016 are set out in [Corporate Governance Statement](#) under the heading [Training and Education](#) of this Annual Report.



# Sustainability Statement

## 1. Introduction

IGB REIT is a real estate investment trust comprising 2 retail malls in Malaysia, namely – MVM and TGM. Both malls are located in the Klang Valley.

This is the first Sustainability Statement produced for IGB REIT, and is in accordance with the guidelines shared by Bursa Securities. It contains information of significance to our stakeholders, including our employees, investors, customers, suppliers, and local community.

## 2. Our Commitment to Sustainability

IGB REIT's commitment to building a sustainable business lies at the heart of what we do, driving our long term strategy, guiding not only our work ethic and day to day operations, but also how the Manager engages with our business partners and employees. We believe that it is this commitment that has allowed us to grow from strength to strength, enhance our business resilience and agility, and uphold the highest standards of corporate governance so as to safeguard the interests of all our stakeholders. As such, the new requirement on Sustainability Reporting have not changed how we do business. It has however allowed us to formalise what we have already been doing and think about ways in which we can do more to strengthen the sustainable policies and practices that we carry out.

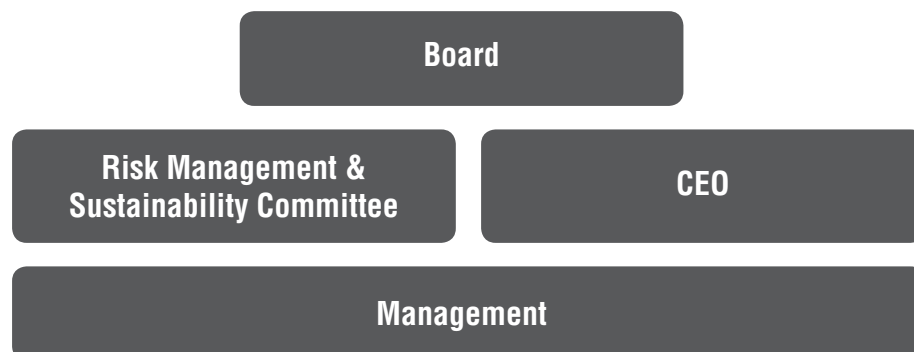
IGB REIT's proactive approach to safeguarding the economic, environmental, and social well-being of our stakeholders has helped us embrace innovation, put in place policies that enrich the lives of our communities, allow for a more efficient use of energy and water, improve waste management, and enhance the health and safety of our employees, tenants, and customers, amongst others. Moving forward, we will continue to work to enhance our sustainability practices, ensuring we develop a robust framework that will benefit all our stakeholders.

## 3. Our Sustainability Governance Structure

The Board is ultimately responsible for IGB REIT's sustainability strategy and performance. In carrying out its duties, the Board is assisted by RMC which is chaired by CEO, and includes senior management from both MVM and TGM.

RMC oversees IGB REIT's policies, objectives and strategies as they pertain to sustainability, and is responsible for identifying, evaluating, monitoring, and managing the EES risks and opportunities as they arise. The communication and implementation of sustainability initiatives as part of day to day operations comes under the responsibility of the management team within MVM and TGM.

IGB REIT's Sustainability Governance Structure is as follows:



In order to better understand the requirements for Sustainability Reporting, our management team attended several workshops and talks on the new Sustainability Reporting guidelines issued by Bursa Securities, and engaged with external consultants to set up a base line framework from which to work. Full day workshops were then held with the Heads of Department (HOD) within IGB REIT to firstly ensure an understanding of sustainability, and secondly to get feedback on efforts that are currently ongoing that help drive sustainability within the business. To gain an understanding of how these efforts impact our stakeholders, HOD were asked to share feedback received from stakeholders through various ongoing engagements, for example, customer feedback forms, surveys, discussions with tenants and regulators, as well as with business associates.



# Sustainability Statement

(continued)

## 4. Materiality Process

In order to formally identify, assess and document material factors that are relevant and substantial to IGB REIT's performance, results, and viability as a business, HOD were convened for a full day workshop. As part of the workshop, attendees were asked to identify IGB REIT's EES contributions, and discuss the influence each had on the assessments and decisions made by each group of stakeholders as they pertain to IGB REIT.

The list of sustainability matters material to our business was as follows: health and safety, water management, waste management, energy consumption, environmentally friendly materials, diversity of manpower, security, procurement, and human rights. These are discussed below.

### (a) Economic

#### *Enriching Communities*

We believe that we have a duty to support our local communities and do so in a variety of ways. Part of our growth strategy is to provide customers with a vibrant tenant mix through offering a range of retail outlets which include both international and local brands. Through supporting local retailers, we are not only providing a platform for them to sell their goods and services, but helping them grow and raise brand recognition amongst the community and beyond. For example, the newly opened Les Suites at TGM houses 4 local tenants - The Occasions Eventeur, Mun Keat Photography, Celest Thoi, and The Studio, a multi-brand store featuring local and ASEAN designers.

Where it makes sense, we also engage local suppliers as part of our mall operations. Additionally, our retail outlets provide approximately 8,000 jobs to members of the local community.

### (b) Environmental

#### *Water Management*

In 2014, MVM and TGM kick started efforts to reduce water consumption and increase the efficiency with which water is used. Both malls carried out AELs to reduce the combined 1.3 million cubic metres of water used per year. Water in the malls are used for a variety of purposes including cleaning, drinking, cooking, flushing toilets, landscaping, fire prevention, and for air-conditioning.

To reduce the amount of water consumed, we started utilising recycled water from chillers in both malls to water plants and wash common areas. We also installed 2 water tanks on our roofs for the purposes of harvesting rainwater which we use for landscaping. At the moment, each tank holds up to 5 tonnes of water. Steps have also been taken to improve water efficiency through upgrading the flushing systems at both malls. Following the upgrade, the amount of water used per flush was reduced from 8 litres to 5 litres. Management at both malls also monitor water consumption on a monthly basis, and any significant increase in usage is investigated to determine possible causes so that the appropriate action can be taken to address any issues where necessary.

These initiatives help us work towards further increasing water efficiency across both malls as well as reducing overall usage. Moving forward, we will continue to explore ways in which to conserve water on our premises which may include installing additional water-efficient fittings, and increasing the amount of rainwater harvested. The Manager will also work to educate employees and tenants on how they can contribute to water conservation, and partner with relevant organisations to raise awareness and educate our communities on how they can help alleviate the increasing levels of stress imposed on Malaysia's water supply.

Though more can be done by both malls, our initial efforts have helped reduce the volume of water consumed by MVM and TGM from 1.32 million cubic metres in 2015 to 1.2 million cubic metres in 2016.

#### *Waste Management*

In 2016, the total amount of waste disposed of by MVM and TGM was 5,094 tonnes, an increase of 6% from the year before. Though the waste generated by the malls are not hazardous, they are disposed of in landfills which, in the medium to long term, will have a significant impact on the environment. As such, efforts to encourage and support our stakeholders in efforts to reduce, reuse, and recycle their waste have been made.

# Sustainability Statement

(continued)

Though in its early stages, we have taken steps to encourage our tenants to recycle through providing them with the necessary support to segregate recyclable materials from general waste. Though it has taken a while for this initiative to gain traction, we have seen a greater percentage of staff and tenants who are making the effort to separate their recyclables. This year, despite the total amount of waste increasing, we have seen a reduction in the amount of non-recyclable waste going to the landfills as a result of our efforts.

Food waste forms a large part of the total waste generated by both malls. Since 2012 we have taken steps to compost some of this waste, and currently compost approximately 500kg of food waste a week. Food & Beverages (F&B) tenants are also encouraged to dispose of oil responsibly. To help mitigate oil waste from entering the water system, we have installed grease interceptors as well as centralised grease traps.

We are also conscious of the materials we use to decorate our malls, recycling decorations as much as we can, and minimising the use of plastic and polystyrene based materials where possible.

We are the first to acknowledge that a lot more can be done in terms of waste management at our malls and will continue exploring initiatives that will help us reduce the waste we generate. To make a difference, we need the support of our communities, and as such, believe that significant change can only be affected through education so that the urgency of the need to better manage our waste is understood by all our stakeholders. To do this, we will continue to engage with our tenants and embark on campaigns to raise awareness around the importance of recycling and responsible waste management.

Additionally, we will continue to encourage our tenants to separate recyclable and food waste from general waste, work to increase the volume of food waste composted through supplementing our in-house composting efforts by engaging external companies who specialise in this process, and provide the public with access to recycling bins to encourage them to recycle as well. We will also be exploring the possibility of engaging a higher percentage of suppliers who practice environmentally and socially responsible practices.

## ***Energy Consumption***

Energy is one of the largest cost components for our malls, which makes up approximately 28.5% of total operating costs.

In order to understand our energy usage, electricity consumption is monitored monthly, and any unusual deviations are investigated and appropriately addressed where required. Preliminary efforts have been taken to reduce our electricity consumption, most notably by installing LED lights throughout both malls. Other efforts made to reduce energy consumption include adjusting the settings for our air conditioning to ensure efficient usage, installing motion sensors on all our escalators, and allowing more daylight into the malls through glass skylight ceilings.

We proactively encourage our tenants to use LED lighting, switch to energy efficient equipment where possible, and provide them with guidelines on energy consumption. Usage is then tracked on an ongoing basis, and where their usage exceeds our guidelines or there is a sudden spike, we take steps to investigate and work with them to see how consumption can be better managed.

Moving forward, we will embark on AEs that will see us replace equipment and fittings with more energy efficient alternatives. For example, chiller plants used by the malls currently account for almost 70% of electricity used. With newer technology in the market, it is now possible for us to replace our chiller plants with more energy efficient models.

## **c. Social**

### ***Health and Safety***

The Manager recognises the importance of ensuring the health and safety of its employees, as well as the tenants and customers in both malls. Health and safety incidents in the malls are recorded by security and the Manager's health and safety personnel, and investigated to determine their specific causes. Once identified, corrective and preventive measures are taken to reduce the possibility of the incident recurring. The Health and Safety Department also works very closely with management to identify potential health and safety issues as part of our risk management efforts, and implements measures to address them as soon as possible.

Health and safety policies are adhered to by all departments and are embedded in our daily operations. We comply with the requirements set out by the Department of Occupational Safety and Health (DOSH), and receive period checks by DOSH representatives who ensure ongoing compliance.

# Sustainability Statement

(continued)

Unfortunately this year, we have had several incidences that have caused us to review the policies that are in place regarding pest control and hygiene, as well as safety and training.

The first of these incidences relate to a rat sighting at the Komugi Bakery outlet at MVM on 23 October 2016. As a result of the increased construction works around our malls, we have seen a growing number of rats around our premises. To address this, The Manager has imposed stricter guidelines relating to tenant hygiene, increased the number of inspections conducted, and ensured that immediate action is taken where a tenant is found to have poor standards of cleanliness and hygiene. Perimeter control has also been strengthened, and teams are proactively patching up any gaps that are found so as to prevent the rats from entering our premise

The second incident relates to a minor explosion that occurred at 2 F&B outlets located in MVM on 4 April 2016. The incident occurred during routine maintenance works and caused injury to 8 personnel. Following an investigation, the Manager has worked with the external contractor to ensure that all personnel receive regular up to date training, hosted talks by Suruhanjaya Tenaga (ST) for all maintenance employees on proper gas maintenance, and increased the frequency of inspections conducted from once in 2 years as required by ST to once a month. Additionally, tenants are encouraged to switch from the use of LPG to electricity where possible, or at a minimum, review their operations to see where the reliance on LPG can be reduced. These efforts also extend to new tenants coming into the malls.

IGB REIT takes health and safety very seriously and we regret that the abovementioned incidences occurred at our malls. The Manager continues to work with our tenants and authorities to mitigate the recurrence of such incidents and ensure that all relevant staff are up to date on trainings required. More stringent checks on external contractors hired for ongoing maintenance works have also been imposed.

## **Human Capital Management**

People lie at the heart of our success. The Manager has in place a robust human capital strategy that seeks to attract, develop, and retain talent with the right skillsets to support our continuous growth, and has worked hard to cultivate a positive work culture that is inclusive, respectful, and professional. The strength that diversity brings to our business is recognised and discrimination of any form is not tolerated within the organisation. All employment policies and practices strictly abide by the Employment Act and other legal statutory provisions of the country, as well as international labour provisions, where applicable.

All employees are provided with adequate and comprehensive medical and dental coverage, as well as Group Hospitalization and Personal Insurance benefit plans which provide worldwide coverage. To encourage a work life balance, the Manager constantly looks for ways to support and motivate its employees. Overtime, for example, is generally capped at a minimum, and this year, flexible working hours were introduced which allow employees to have greater general control of their time, managing their hours according to work priorities. In the future, the Manager is looking into reducing the number of work days per week.

Employees are also actively encouraged to maintain a healthy work life balance, and activities to help bolster team spirit and promote employee bonding are organised. Examples of these activities include: weekly sporting activities, subsidized gym facilities, and organised dance activities.

The Manager supports ongoing talent development, with employees receiving continuous training throughout the year to help them fill their skills gap, and fulfil their own personal development goals. The talent management programme put in place also identifies and grooms future leaders, allowing for sustained succession planning. On average, employees receive 20 to 30 hours of training each year. This year, the average number of training hours received per employee was 21 hours across all levels of staff.

Since our inception, the Manager has enjoyed a moderate staff turnover rate averaging 11% to 15% each year. This year staff turnover was 11.5% which is below the market norm. Employees are rewarded based strictly on their performance, contribution and experience. Each year, salary data is matched and benchmarked against competitor salary and benefit surveys as well as the general market to ensure that remuneration for employees remain competitive.

The Manager also encourages an Open Door Policy which ensures all staff receive a fair review of any problems and concerns pertaining to employment directly from their heads and senior management. Grievance processes are well established and each member staff can voice their concerns as well as their suggestions through well established and clearly communicated channels. Copies of our professional code of conduct, policies, practices, and terms of employment, are readily available to all employees through physical handbooks, and can also be downloaded through our intranet portal.

# Sustainability Statement

(continued)

## **Security**

The global landscape is fast evolving, and in recent years we have seen a distressing rise in the number of terrorist attacks in public spaces. So far, we have been extremely fortunate that our local law enforcement agencies have been alert and proactive in thwarting possible attacks in Malaysia.

IGB REIT takes the potential risk of such attacks seriously, and have not only tightened security in our malls but put in place crisis plans so that we are prepared should an incident occur. The Manager ensures that our security teams are regularly updated by local authorities on any potential threats and has in place its own auxiliary police, who receive training from Polis Diraja Malaysia (PDRM). The auxiliary police have not only been trained to be vigilant but to know how to look out for potential threats.

## **5. Looking Ahead**

To succeed in business today, companies need to do more than make profits. As responsible corporate citizens, it is our duty to be cognisant of the impact that our business has on the communities around us. We need to look beyond our organisation and work to enrich the lives of our communities where we can. It is our hope that through our efforts, IGB REIT can play a part in contributing to sustainable communities through building a business that lasts for generations to come.

Moving forward, we will continue to look for ways to further strengthen our commitment to sustainability. We will enhance the avenues through which we interact with our stakeholders, regularly review the progress we have made, and seek to continually improve our policies, systems, and results, so that we remain relevant to our stakeholders today and in the future.

We will also actively engage with our employees, tenants, and business partners to educate them about the importance of sustainability and ensure that they understand the sustainability goals that IGB REIT seeks to achieve. It is our hope that we will continue to grow as a sustainable business alongside our local communities, employees, and business partners, and that we continue to be an organisation that our stakeholders can be proud of.

# Corporate Social Responsibility

## Providing enduring community support

This year, we continued to support our local communities, not only through raising funds, but by working to both inspire and educate our stakeholders. We believe that by equipping people with the right information and tools, we can do our part to ensure that our local communities receive enduring support beyond just our efforts.

## Spreading some holiday cheer

The holidays are a time when everyone is out and about. It is terrific for engaging young families and youths in particular, and is also a great time to spread goodwill and cheer to the less fortunate.

### Chinese New Year

Chinese New Year saw TGM organise visits to families under the care of Kechara Food Bank, an initiative by the Kechara Soup Kitchen. Care packages with daily essentials were distributed to the families, and a cheque donation was made to support the Kechara Soup Kitchen Society's efforts to provide sustenance and basic medical care for the homeless and urban poor in Malaysia.



*Volunteers with some of the care package recipients*



*Ms. Gabrielle Tan-Helfman with representatives of the Kechara Soup Kitchen Society*

### Hari Raya

For Hari Raya, MVM was transformed into a bustling kampong. Visitors were greeted by beautiful traditional batik designs, brightly coloured wares, and authentic kuihs and sweets, made all the more festive with lively music. A kiosk by the Malaysian Association for the Blind (MAB) was set up during this period, and a variety of merchandise and snacks were sold to raise funds for the organisation.



*Display of traditional wares at MVM's Hari Raya Kampong*



*Shoppers browsing the MAB Shoppe's Hari Raya offers*

TGM continued its efforts to reach out to the Semai community, holding a Hari Raya lunch for them at the 'Pusat Didikan Komuniti – Cenwaey Penaney', a learning centre that TGM had helped build in 2014. Care packages filled with daily necessities were also distributed and a cheque donation was made to the Center for Orang Asli Concerns to support initiatives carried out for 'Pusat Didikan Komuniti – Cenwaey Penaney'.



*Volunteers with the Semai Community*



*Out and about with the children of the Semai Community*



## Corporate Social Responsibility

(continued)

### *The Angry Birds Movie*

During the mid-term holidays, MVM partnered with HSBC Bank Malaysia Berhad (HSBC) to put up a feature display in conjunction with the opening of The Angry Birds Movie. 50 children from Rumah K.I.D.S and Yayasan Chow Kit were invited to the mall where they got to meet characters from the movie and were hosted to The Angry Birds Kids Party, going home with a goodie bag as well as a Happy Meal courtesy of McDonald®.



*The Angry Birds Movie Meet & Greet sessions*



*Children enjoying The Angry Birds Movie, various activities and workshops*

### *Christmas*

The Christmas period saw the Malaysian Nature Society and WWF-Malaysia raise funds through donations and from the sale of merchandise.

Underprivileged children from Rumah K.I.D.S and Yayasan Chow Kit were also invited to MVM for a "Year End Outing" which saw them take part in an arts and crafts session, have lunch at Chilli's Grill & Bar, as well as catch a movie. At the end of the day, the children received a goodie bag full of Christmas treats.

MVM also held a string of Santa Meet & Greet sessions which raised funds for the Agathians Shelter, a children's homes in the Klang Valley.

TGM continued their efforts with the Kechara Soup Kitchen Society, working to prepare food packs for the underprivileged. The mall also made a cheque donation towards Kechara Soup Kitchen Society, which was represented by their Project Director, Mr. Justin Cheah.



*Children's outing at MVM*



*Children at the Santa Meet & Greet sessions*



*Volunteers ready to distribute food packs to the underprivileged*

### **Mid Valley City Charity Run (MVCCR) 2016**

The third installation of MVCCR was a tremendous success. Co-organised by MVM and TGM, and in partnership with HSBC, the "Crazy Bottom Carnival" themed run saw 3,000 participants don their official race t-shirts and a variety of fun bottoms including tutus and pyjamas, for a good cause. This year's run raised a total of RM130,000 which was donated to Malaysian Red Crescent.



*MVCCR participants completing the race*



*MVCCR was a family event for many participants*



*Participants enjoying the bumper cars ride*

# Corporate Social Responsibility

(continued)

## Spaces for a good cause

Throughout the year, MVM and TGM also supported various charities and causes through providing the use of promotion spaces free of charge. Many organisations used the spaces to raise awareness around their campaigns, engage members of the public, as well as raise funds. Some of the campaigns which were run this year include:

- Dengue Free Malaysia Movement 2016 - Country Heights Holdings Berhad
- National Eye Health Awareness (NEHA) Campaign 2016 - Association of Malaysia Optometrist (AMO)
- Unfortunate Tales of Treeless World Campaign 2016 - Malaysian Nature Society (MNS)
- Race Kit Collection for Royal Bank of Canada (RBC) Race For The Kids KL 2016 - Persatuan Kebajikan Ronald McDonald Malaysia
- Blood Donation Drive 2016 - Tan Sri Muhyiddin (TSM) Charity Golf Foundation
- Tiger Bio-Bridge Awareness Exhibition by The Body Shop
- Breast Cancer Awareness Campaign 2016 - XIXILI and Estee Lauder Malaysia Sdn Bhd



*Dengue Free Malaysia Movement at TGM*



*Tiger Bio-Bridge Awareness Exhibition at MVM*



*Breast Cancer Awareness Campaign at TGM*

## Promoting the game of chess

MVM continued to support the development of chess here in Malaysia, hosting the 13<sup>th</sup> Malaysia Chess Festival 2016. The event, which seeks to help promote the game of chess in Malaysia, saw the participation of 1,500 players from across 19 countries, including 6 who were handicapped.



*Malaysian Chess Festival 2016*



*Young participants at the Malaysian Chess Festival 2016*

## Looking ahead

Moving forward, IGB REIT will continue in its efforts to enrich the lives of our communities through inspiring, educating and supporting those around us. We believe that we play an important role not only in doing our part to give back to those in need, but also to raise awareness around various causes amongst our communities so that they too can play a part in making our world that little bit better.





# FINANCIAL STATEMENTS

31 December 2016

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**IGBREIT**

IGB REAL ESTATE INVESTMENT TRUST

Annual Report 2016

# Manager's Report

The Manager of IGB Real Estate Investment Trust ("IGB REIT"), IGB REIT Management Sdn Bhd ("Manager"), is pleased to submit their report and audited financial statements to unitholders of IGB REIT for the financial year ended 31 December 2016.

## PRINCIPAL ACTIVITY

IGB REIT is a Malaysia-domiciled real estate investment trust ("REIT") established on 25 July 2012 pursuant to the deed of trust dated 18 July 2012 ("Deed") between the Manager and MTrustee Berhad (*formerly known as AmTrustee Berhad*) ("Trustee"), listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 September 2012 and regulated by the Securities Commission Act 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"), the Listing Requirements of Bursa Securities, the Rules of Bursa Malaysia Depository ("Depository") and taxation laws and rulings. IGB REIT will continue its operations until such time as determined by the Manager and the Trustee as provided under the provisions of Clause 26 of the Deed. The principal investment policy of IGB REIT is to invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes in Malaysia and overseas as well as real estate related assets. Real estate used primarily for retail purposes would include retail properties and mixed used development with a retail component.

## DISTRIBUTION OF INCOME

IGB REIT had declared distributions in the financial year as follows:-

- 4.41 sen per unit (@ 4.32 sen taxable and 0.09 sen non-taxable) for the period from 1 January 2016 to 30 June 2016, which was paid on 29 August 2016; and
- 4.30 sen per unit (@ 4.18 sen taxable and 0.12 sen non-taxable) for the period from 1 July 2016 to 31 December 2016, which is payable on 28 February 2017.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## DIRECTORS

The Directors who have served on the Board of the Manager, since the date of the last Report of IGB REIT are as follows:-

Tan Sri Dato' Dr Lin See Yan  
 Dato' Seri Robert Tan Chung Meng  
 Tan Boon Lee  
 Halim bin Haji Din  
 Le Ching Tai @ Lee Chen Chong  
 Tan Lei Cheng  
 Daniel Yong Chen-I  
 Elizabeth Tan Hui Ning  
 Tan Yee Seng

## DIRECTORS' BENEFITS

Since 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 of the Manager to acquire benefits by means of the acquisition of units in or debentures of IGB REIT or any other body corporate, other than as disclosed in Directors' interest.

For the financial year ended 31 December 2016, no Director has received or become entitled to receive a benefit (other than certain directors receive remuneration as a result of their employment with the Manager or related corporations).

# Manager's Report

(continued)

## DIRECTORS' INTEREST

The following Directors of the Manager who held office at the end of the financial year had, according to the register of unitholdings in IGB REIT, interests in the units of IGB REIT as follows:-

	Number of units			
	Balance at 01.01.2016	Addition	Disposal/ Transferred	
Dato' Seri Robert Tan Chung Meng				
Direct	9,289,081	-	-	9,289,081
Indirect	1,837,118,859	21,685,021	-	1,858,803,880
Tan Lei Cheng				
Direct	1,853,742	-	-	1,853,742
Indirect	345,722	-	-	345,722
Tan Boon Lee				
Direct	1,989,725	-	(384,700)	1,605,025
Daniel Yong Chen-I				
Direct	622,132	-	-	622,132
Indirect	-	1,080,898	-	1,080,898
Tan Yee Seng				
Direct	307,200	-	(307,200)	-
Elizabeth Tan Hui Ning				
Direct	891,000	3,000	-	894,000

Other than as disclosed above, the other Directors who held office at the end of the financial year did not have interests in the units of IGB REIT.

## OTHER INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of IGB REIT were made out, the Manager took reasonable steps:-

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of IGB REIT had 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 the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of IGB REIT inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of IGB REIT misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of IGB REIT misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Manager, will or may affect the ability of IGB REIT to meet its obligations when they fall due.

# Manager's Report

(continued)

## OTHER INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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

- (a) any charge on the assets of IGB REIT which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of IGB REIT which has arisen since the end of the financial year.

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 which would render any amount stated in the financial statements misleading.

In the opinion of the Manager:-

- (a) the results of IGB REIT's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of IGB REIT for the financial year in which this report is made.

## MATERIAL LITIGATION

The Manager is not aware of any material litigation since the date of statement of financial position up to the date of this report.

## CIRCUMSTANCES THAT MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS

There are no circumstances which materially affect the interests of the unitholders.

## IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The Manager regards IGB Corporation Berhad and Goldis Berhad, both incorporated in Malaysia and listed on the Main Market of Bursa Securities, as the immediate and ultimate holding companies respectively.

## AUDITORS

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

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 23 February 2017.

**DATO' SERI ROBERT TAN CHUNG MENG**  
MANAGING DIRECTOR

**HALIM BIN HAJI DIN**  
DIRECTOR

## Statement by the Manager

In the opinion of the Directors of the Manager, the financial statements are drawn up in accordance with the provisions of the Deed, the REIT Guidelines, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of IGB REIT as at 31 December 2016 and of its financial performance and cash flows for the year ended 31 December 2016.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 23 February 2017.

**DATO' SERI ROBERT TAN CHUNG MENG**  
MANAGING DIRECTOR

**HALIM BIN HAJI DIN**  
DIRECTOR

## Statutory Declaration

I, Chai Lai Sim, the Chief Financial Officer of the Manager primarily responsible for the financial management of IGB REIT, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**CHAI LAI SIM**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 23 February 2017.

Before me:

Commissioner for Oaths

# Trustee's Report

to the Unitholders of IGB REIT (Established in Malaysia)

We have acted as Trustee of IGB REIT for the financial year ended 31 December 2016. In our opinion and to the best of our knowledge, the Manager has managed IGB REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the REIT Guidelines, applicable securities laws and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of IGB REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm the income distributions declared during the financial year ended 31 December 2016 are in line with and are reflective of the objectives of IGB REIT. Income distributions have been declared for the financial year ended 31 December 2016 as follows:

- 4.41 sen per unit (@ 4.32 sen taxable and 0.09 sen non-taxable) for the period from 1 January 2016 to 30 June 2016, which was paid on 29 August 2016; and
- 4.30 sen per unit (@ 4.18 sen taxable and 0.12 sen non-taxable) for the period from 1 July 2016 to 31 December 2016, which is payable on 28 February 2017.

For and on behalf of the Trustee,

**MTRUSTEE BERHAD**

(formerly known as AmTrustee Berhad)

**TAN KOK CHEENG**

CHIEF EXECUTIVE OFFICER

Selangor,

Date: 23 February 2017

# Independent Auditors' Report

to the Unitholders of IGB REIT (Established in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of IGB REIT give a true and fair view of the financial position of IGB REIT as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### What we have audited

We have audited the financial statements of IGB REIT, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out in Notes 1 to 26.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

### Independence and other ethical responsibilities

We are independent of IGB REIT in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of IGB REIT. In particular, we considered where the Directors of the Manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of IGB REIT, the accounting processes and controls, and the industry in which IGB REIT operates.



# Independent Auditors' Report

to the Unitholders of IGB REIT (Established in Malaysia)  
(continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of IGB REIT for the current year. These matters were addressed in the context of our audit of the financial statements of IGB REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><u>Fair value of investment properties</u></p> <p>As at 31 December 2016, IGB REIT's investment properties, carried at fair value, amounted to RM4.89 billion.</p> <p>The fair value of IGB REIT's investment properties is performed by an external valuer.</p> <p>We focused on this area due to the magnitude of the balance and the complexities in determining the fair value of the investment properties, which involves significant judgement and estimation that could result in material misstatement.</p> <p><i>Refer to Note 3(b) (Summary of Significant Accounting Policies – Investment Properties), Note 4 (Critical Accounting Estimates and Judgements) and Note 6 (Investment Properties).</i></p>	<p>We evaluated the competence of the external valuer which included consideration of their qualifications, expertise and objectivity.</p> <p>We met with external valuer to discuss the methodology and assumptions used in the valuation.</p> <p>We performed testing on the rental rates and rental periods used in the valuation, on a sample basis, to satisfy ourselves of the accuracy and completeness of the property information supplied to the external valuer by management. This included agreeing a sample of these data to the underlying lease agreements.</p> <p>We tested the inputs underpinning the valuation, such as percentage rental, car park income, other income and outgoing expenses, by agreeing them to the underlying lease data and comparing to historical trends. We also assessed the reasonableness of the capitalisation rates used by the valuer, with references to comparable peers.</p> <p>We assessed the sensitivity analysis on the capitalisation and reversionary rates and the outgoings, underpinning the valuation.</p> <p>Based on the above procedures performed, we did not identify any material exceptions.</p>

### Information other than the financial statements and auditors' report thereon

The Directors of the Manager are responsible for the other information. The other information comprises the Corporate Information, Corporate Overview, Business Review, Corporate Governance and Manager's Report, but does not include the financial statements of IGB REIT and our auditors' report thereon.

Our opinion on the financial statements of IGB REIT does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of IGB REIT, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of IGB REIT or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors of the Manager for the financial statements of IGB REIT

The Directors of the Manager are responsible for the preparation of the financial statements of IGB REIT that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors of the Manager are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of IGB REIT that are free from material misstatement, whether due to fraud or error.

# Independent Auditors' Report

to the Unitholders of IGB REIT (Established in Malaysia)  
(continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

### Responsibilities of the Directors of the Manager for the financial statements of IGB REIT (continued)

In preparing the financial statements of IGB REIT, the Directors of the Manager are responsible for assessing the ability of IGB REIT to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Manager either intend to liquidate IGB REIT or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of IGB REIT as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of IGB REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of IGB REIT.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- Conclude on the appropriateness of the Directors of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IGB REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of IGB REIT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause IGB REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of IGB REIT, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Manager, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of IGB REIT for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditors' Report

to the Unitholders of IGB REIT (Established in Malaysia)  
(continued)

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 27 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Manager 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 Requirements, as issued by the Malaysian 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 IGB REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### PRICEWATERHOUSECOOPERS

(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
23 February 2017

### NG YEE LING

03032/01/2019 J  
Chartered Accountant

# Statement of Financial Position

As at 31 December 2016

	Note	2016 RM'000	2015 RM'000
<b>Non-current assets</b>			
Plant and equipment	5	10,456	11,740
Investment properties	6	4,890,000	4,890,000
<b>Total non-current assets</b>		<b>4,900,456</b>	<b>4,901,740</b>
<b>Current assets</b>			
Trade and other receivables	7	19,406	21,619
Cash and bank balances	8	274,395	246,648
<b>Total current assets</b>		<b>293,801</b>	<b>268,267</b>
<b>Total assets</b>		<b>5,194,257</b>	<b>5,170,007</b>
<b>Financed by</b>			
<b>Unitholders' fund</b>			
Unitholders' capital	9	4,367,920	4,335,072
Accumulated losses		(695,937)	(669,563)
<b>Total unitholders' fund</b>		<b>3,671,983</b>	<b>3,665,509</b>
<b>Non-current liabilities</b>			
Borrowings	10	1,209,176	1,196,363
Payables and accruals	11	64,455	62,806
<b>Total non-current liabilities</b>		<b>1,273,631</b>	<b>1,259,169</b>
<b>Current liabilities</b>			
Borrowings	10	28,053	36,752
Payables and accruals	11	220,590	208,577
<b>Total current liabilities</b>		<b>248,643</b>	<b>245,329</b>
<b>Total liabilities</b>		<b>1,522,274</b>	<b>1,504,498</b>
<b>Total unitholders' fund and liabilities</b>		<b>5,194,257</b>	<b>5,170,007</b>
<b>Net asset value ("NAV")</b>			
- before income distribution		3,976,193	3,949,686
- after income distribution		<b>3,671,983</b>	<b>3,665,509</b>
<b>Number of units in circulation ('000 units)</b>	9	<b>3,493,474</b>	<b>3,471,789</b>
<b>NAV per unit (RM)</b>			
- before income distribution		1.1382	1.1377
- after income distribution		<b>1.0511</b>	<b>1.0558</b>

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

# Statement of Comprehensive Income

For the Financial Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Gross rental income		395,038	380,639
Other income	12	112,306	108,551
<b>Gross revenue</b>		<b>507,344</b>	489,190
Utilities expenses		(49,870)	(50,388)
Maintenance expenses		(21,654)	(19,746)
Quit rent and assessment		(14,424)	(13,094)
Reimbursement costs	13	(52,522)	(49,254)
Other operating expenses		(7,765)	(13,920)
<b>Property operating expenses</b>		<b>(146,235)</b>	(146,402)
<b>Net property income</b>		<b>361,109</b>	342,788
Interest income		8,545	7,257
<b>Net investment income</b>		<b>369,654</b>	350,045
Manager's management fees	14	(33,413)	(32,430)
Trustees' fees		(320)	(307)
Other trust expenses		(560)	(518)
Borrowing costs	15	(57,525)	(62,792)
<b>Profit before taxation</b>		<b>277,836</b>	253,998
Taxation	16	-	-
<b>Profit after taxation</b>		<b>277,836</b>	253,998
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income attributable to unitholders</b>		<b>277,836</b>	253,998
<b>Profit after taxation is made up as follows:</b>			
Realised		277,836	253,998
Unrealised		-	-
		<b>277,836</b>	253,998
<b>Basic earnings per unit (sen)</b>	17	<b>7.96</b>	7.33
<b>Diluted earnings per unit (sen)</b>	17	<b>7.96</b>	7.33
Total comprehensive income		277,836	253,998
Distribution adjustments	18	38,470	36,982
Distributable income		<b>316,306</b>	290,980
<b>Distribution per unit (sen)</b>	18	<b>8.71</b>	8.19

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

# Statement of Changes in Net Asset Value

For the Financial Year Ended 31 December 2016

	Note	Unitholders' capital RM'000	Accumulated losses* RM'000	Total funds RM'000
<b>As at 1 January 2016</b>		<b>4,335,072</b>	<b>(669,563)</b>	<b>3,665,509</b>
Total comprehensive income for the year attributable to unitholders		-	277,836	277,836
Distribution to unitholders	18	-	(304,210)	(304,210)
Net total comprehensive income for the year attributable to unitholders		-	(26,374)	(26,374)
<b>Unitholders' transactions</b>				
Issue of new Units				
- Manager's management fees paid in Units	9	32,848	-	32,848
Increase in net assets resulting from unitholders' transactions		32,848	-	32,848
<b>As at 31 December 2016</b>		<b>4,367,920</b>	<b>(695,937)</b>	<b>3,671,983</b>
<b>As at 1 January 2015</b>		<b>4,302,842</b>	<b>(639,384)</b>	<b>3,663,458</b>
Total comprehensive income for the year attributable to unitholders		-	253,998	253,998
Distribution to unitholders	18	-	(284,177)	(284,177)
Net total comprehensive income for the year attributable to unitholders		-	(30,179)	(30,179)
<b>Unitholders' transactions</b>				
Issue of new Units				
- Manager's management fees paid in Units	9	32,230	-	32,230
Increase in net assets resulting from unitholders' transactions		32,230	-	32,230
<b>As at 31 December 2015</b>		<b>4,335,072</b>	<b>(669,563)</b>	<b>3,665,509</b>

\* IGB REIT adopted predecessor accounting as its accounting policy to account for business combinations under common control on 21 September 2012. In accordance with this policy, the difference between the fair value of the Units issued as consideration and the aggregate carrying amounts of the assets and liabilities acquired as of the date of the business combination is included in equity as accumulated losses.

# Statement of Cash Flows

For the Financial Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
<b>Cash flows from operating activities</b>			
Profit before taxation		277,836	253,998
<i>Adjustments for:</i>			
Manager's management fee payable in Units		33,413	32,430
Amortisation of fit-out incentives		1,475	1,983
Borrowing costs		57,525	62,792
Interest income		(8,545)	(7,257)
Allowance for/(Reversal of) impairment of trade receivables		366	(85)
Depreciation of plant and equipment		2,613	2,473
Plant and equipment written-off		73	199
Loss/(Gain) on disposal of plant and equipment		15	(15)
Operating income before changes in working capital		364,771	346,518
Net change in trade and other receivables		424	(379)
Net change in payables and accruals		(7,912)	6,862
<b>Net cash generated from operating activities</b>		<b>357,283</b>	<b>353,001</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(1,426)	(2,667)
Proceeds from disposal of plant and equipment		9	142
Interest received		8,494	7,125
<b>Net cash generated from investing activities</b>		<b>7,077</b>	<b>4,600</b>
<b>Cash flows from financing activities</b>			
Interest paid		(53,411)	(53,263)
Income distribution paid to unitholders		(283,202)	(289,588)
Movement in restricted cash		(1,190)	(1,095)
<b>Net cash used in financing activities</b>		<b>(337,803)</b>	<b>(343,946)</b>
<b>Net increase in cash and cash equivalents</b>		<b>26,557</b>	<b>13,655</b>
Cash and cash equivalents at beginning of the year		217,456	203,801
<b>Cash and cash equivalents at end of the year</b>	8	<b>244,013</b>	<b>217,456</b>

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



# Notes to the Financial Statements

## 1 GENERAL

### (A) Background

IGB Real Estate Investment Trust ("IGB REIT") is a Malaysia-domiciled real estate investment trust established on 25 July 2012 pursuant to the Deed between IGB REIT Management Sdn Bhd ("Manager") and MTrustee Berhad (*formerly known as AmTrustee Berhad*) ("Trustee"), listed on Main Market of Bursa Securities on 21 September 2012 and regulated by the Securities Commission Act 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"), the Listing Requirements of Bursa Securities, the Rules of Bursa Malaysia Depository ("Depository") and taxation laws and rulings. IGB REIT will continue its operations until such time as determined by the Manager and the Trustee as provided under the provisions of Clause 26 of the Deed. The addresses of the Manager's registered office and principal place of business are as follows:-

#### **Registered office**

Level 32, The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

#### **Principal place of business**

Mid Valley Megamall and The Gardens Mall  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

The principal investment policy of IGB REIT is to invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes in Malaysia and overseas as well as real estate related assets.

Real estate used primarily for retail purposes would include retail properties and mixed used development with a retail component.

The Manager's key objective is to provide unitholders with regular and stable distributions, sustainable long term Unit price and distributable income and capital growth, while maintaining an appropriate capital structure.

The immediate and ultimate holding companies of the Manager are IGB Corporation Berhad and Goldis Berhad respectively, both incorporated in Malaysia and listed on the Main Market of Bursa Securities.

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution by the Directors of the Manager on 23 February 2017.

### (B) Fee Structure

IGB REIT has entered into service agreements in relation to the management of IGB REIT and its property operations. The fee structures are as follows:-

#### **(a) Property management fees**

The property manager, Chartwell ITAC International Sdn Bhd, is entitled to property management fee of RM20,000 per month (excluding goods and services tax). In addition, the property manager is also entitled to full disbursement of costs and expenses properly incurred in the operation, maintenance, management and marketing of the properties held by IGB REIT ("Permitted Expenses") as well as fees and reimbursements for Permitted Expenses payable to its service providers.

#### **(b) Manager's management fees**

Pursuant to the Deed, the Manager is entitled to receive the following fees from IGB REIT, in the form of cash, new Units or a combination thereof at the election of the Management Company in its sole discretion:-

- i) a base fee ("Base Fee") of up to 1.0% per annum of the total asset value of IGB REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- ii) a performance fee ("Performance Fee") of up to 5.0% per annum of net property income in the relevant financial year.

# Notes to the Financial Statements

(continued)

## 1 GENERAL (continued)

### (B) Fee Structure (continued)

#### (b) Manager's management fees (continued)

Pursuant to the Deed, the Manager is entitled to receive the following fees from IGB REIT:- (continued)

- iii) an acquisition fee of 1.0% of the transaction value (being total purchase consideration) of any real estate and real estate-related assets directly or indirectly acquired from time to time by the Trustee or one or more special purpose vehicle ("SPV") on behalf of IGB REIT pro-rated, if applicable, to the proportion of IGB REIT's interest.

In the case of acquisition of SPVs or holding entities which holds real estate, 1.0% of the underlying value (as determined by an independent valuer appointed by the Trustee) of any Real Estate (which are directly or indirectly held through one or more SPVs of IGB REIT) pro-rated, if applicable, to the proportion of IGB REIT's interest.

Any payment to third party agents or brokers in connection with the acquisition of any real estate and real estate-related assets for IGB REIT shall not be paid by the Manager out of the acquisition fee received or to be received by the Manager (but shall be borne by IGB REIT).

For the avoidance of doubt, no acquisition fee is payable with respect to acquisition of the subject properties in connection with the listing of IGB REIT but acquisition fee is payable with respect to all other transactions (which includes related party and non-related party transactions), including acquisitions from the sponsor.

- iv) a divestment fee of 0.5% of the transaction value (being total sale consideration) of any real estate and real estate-related assets directly or indirectly sold or divested from time to time by the Trustee or one or more SPVs on behalf of IGB REIT pro-rated, if applicable, to the proportion of IGB REIT's interest.

In the case of divestment of SPVs or holding entities which holds real estate, 0.5% of the underlying value (as determined by an independent valuer appointed by the Trustee) of any real estate (which are directly or indirectly held through one or more SPVs of IGB REIT) pro-rated, if applicable, to the proportion of IGB REIT's interest.

Any payment to third party agents or brokers in connection with the sale or divestment of any real estate and real estate-related assets for IGB REIT shall not be paid by the Manager out of the divestment fee received or to be received by the Manager (but shall be borne by IGB REIT).

For the avoidance of doubt, the divestment fee is payable with respect to all transactions (which includes related party and non-related party transactions), including divestments to the sponsor, as well as for compulsory acquisitions.

The payment of the Manager's management fee in the form of new Units will be in accordance with the following formula:-

$$\text{New Units to be issued as payment of the Manager's management fee} = \frac{\text{Manager's management fee payable in Units}}{\text{Market Price}}$$

For this purpose, "Market Price" means the volume weighted average market price of the Units for the last 5 market days preceding the following events:-

- (i) in respect of the Base Fee and Performance Fee, the announcement of the relevant quarterly financial reports; or
  - (ii) in respect of the acquisition fee and divestment fee, the completion of the relevant acquisition/divestment,
- (each a "Trigger Event").

With reference to any book closing date, where the Trigger Event is before but the issuance of the new Units relating to such Trigger Event is after the said book closing date, the Market Price will be further adjusted for the entitlement relating to such book closing date.

# Notes to the Financial Statements

(continued)

## 1 GENERAL (continued)

### (B) Fee Structure (continued)

#### (b) Manager's management fees (continued)

The Manager will make an immediate announcement to Bursa Securities disclosing the number of new Units to be issued and the issue price of the new Units when new Units are issued as payment for management fee. Payment of the management fees in Units shall also be subject to IGB REIT complying with the public spread requirements stated in the Listing Requirements of Bursa Securities and there being no adverse implications under Malaysian Code on Take-Overs and Mergers 2010.

#### (c) Trustee's fees

In accordance to the Deed, an annual trustee fee of up to 0.03% per annum of NAV of IGB REIT is to be paid to Trustee.

## 2 BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of IGB REIT have been prepared in accordance with the provisions of the Deed, Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards.

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors of the Manager to exercise their judgment in the process of applying IGB REIT's accounting policies. Although these estimates and judgment are based on the Directors of the Manager's best knowledge of current events and actions, actual results could differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### (b) Standards, amendments to published standards and interpretations that are applicable and are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable and are effective for IGB REIT's financial year beginning on 1 January 2016 are as follows:-

- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
- Annual Improvements to MFRSs 2012 – 2014 Cycle.

The adoption of the above amendments and improvements to published standards did not have a material impact on the financial statements.

### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to IGB REIT but not yet effective

IGB REIT would apply the new standards, amendments to standards and interpretations to existing standards in the following period:-

#### (i) Financial year beginning on/after 1 January 2017

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

# Notes to the Financial Statements

(continued)

## 2 BASIS OF PREPARATION (continued)

### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to IGB REIT but not yet effective (continued)

IGB REIT would apply the new standards, amendments to standards and interpretations to existing standards in the following period:- (continued)

#### (ii) Financial year beginning on/after 1 January 2018

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with a irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the statement of comprehensive income, unless this creates an accounting mismatch.

There is an expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:-

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:-

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amount of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements.

# Notes to the Financial Statements

(continued)

## 2 BASIS OF PREPARATION (continued)

### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to IGB REIT but not yet effective (continued)

IGB REIT would apply the new standards, amendments to standards and interpretations to existing standards in the following period:- (continued)

(iii) Financial year beginning on/after 1 January 2019

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

IGB REIT is in the process of assessing the impact of the above MFRSs on the financial statements and expects this process to be completed prior to the effective dates of these standards.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Business combination under common control

IGB REIT applies predecessor accounting to account for business combinations under common control i.e. combination involving entities or businesses under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the holding company. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired business is recorded as an adjustment to retained earnings. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The acquired business' results and the related balance sheet items are recognised prospectively from the date on which the business combination between entities under common control occurred.

### (b) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not substantially occupied by IGB REIT. Investment properties are measured initially at cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset. After initial recognition, investment properties are carried at fair value.

Fair value is based on valuation using an income approach, where cash flows projections are capitalised using a capitalisation rate, which takes into account the unexpired period, yield and outgoings, where applicable. Change in fair values is recognised in profit or loss for the period in which it arises.

The fair value of the investment property reflects the market conditions at the reporting date. It reflects, among others, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are reflected in liability whereas others relate to outflows that are not recognised in the financial statements until a later date.

# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Investment properties (continued)

Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to IGB REIT and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognised when they have been disposed. Where IGB REIT disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded within net gain from fair value adjustment on investment property.

### (c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items and where applicable borrowing costs (Note 3(j)).

Cost of plant and equipment includes purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing plant and equipment at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of the plant and equipment.

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to IGB REIT and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. Plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their expected residual values over their estimated useful lives, summarised as follows:-

Motor vehicles	20%
Furniture and fittings	12.5%
Equipment	12.5%
Information technology equipment	33 1/3%
Plant and machinery	10%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. The assessment of expected residual values and estimated useful lives of assets is carried out on an annual basis.

At each reporting date, IGB REIT assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Please refer to accounting policy on impairment of non-financial assets (Note 3(f)).

Gains and losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in net property income in the statement of comprehensive income.

### (d) Financial assets

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

# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Financial assets (continued)

Financial assets are recognised in the statement of financial position when, and only when, IGB REIT becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in statement of comprehensive income.

IGB REIT classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. IGB REIT determines the classification of its financial assets at initial recognition.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for amounts not expected to be realised within twelve (12) months after the end of the reporting period which shall be classified as non-current assets. IGB REIT's loans and receivables comprise 'trade and other receivables' and 'cash and bank balances' in the statement of financial position (Notes 7 and 8).

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables are derecognised if IGB REIT's contractual rights to the cash flows from the financial assets expire or if IGB REIT transfers the financial asset to another party without retaining control or transfer substantially all the risks and rewards of the asset.

Gains and losses upon derecognition, impairment losses, and the amortisation of loans and receivables are recognised in statement of comprehensive income.

### (e) Impairment of financial assets

IGB REIT assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

#### Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("Loss Event") and that Loss Event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that IGB REIT uses to determine that there is objective evidence of an impairment loss include, amongst others, the following:-

- Significant financial difficulty of the obligor;
- A breach of contract, such as a default or delinquency in payments;
- IGB REIT, for economic or legal reasons relating to the obligor's financial difficulty, granting to the obligor a concession that IGB REIT would not otherwise consider;
- It becomes probable that the obligor will enter bankruptcy or other financial distress;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of obligors in the portfolio; or
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.



# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Impairment of financial assets (continued)

If any such evidence exists, the amount of impairment loss is measured as the difference between the 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 statement of comprehensive income during the period in which it is incurred.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively 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 reversal is recognised in statement of comprehensive income during the period in which such reversal is evidenced.

### (f) Impairment of non-financial assets

Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The impairment loss is charged to the statement of comprehensive income during the period in which they are incurred and any subsequent increase in recoverable amount is recognised in the statement of comprehensive income during the period in which they are incurred.

### (g) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with licensed financial institutions, other short term and highly liquid investments with original maturities of three (3) months or less, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts, if any, are included in within borrowings in current liabilities in the statement of financial position.

### (h) Payables and accruals

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or vendors. Trade payables are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, deposits received from tenants and other payables are recognised initially at fair value, with the amount of goods and services tax ("GST") included, if applicable and subsequently measured at amortised cost using the effective interest method.

### (i) Unitholders' capital

Unitholders' contributions are classified as equity when there is no obligation to transfer cash or other assets, nor they are redeemable at the unitholders' option. Any consideration received or distributions paid is added or deducted directly from equity. Incremental external costs directly attributable to the issue of new Units are shown in equity as a deduction, net of tax, from the proceeds.

### (j) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless IGB REIT has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Borrowings and borrowing costs (continued)

Borrowings costs directly attributable to the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn-down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn-down, the fee is capitalised as a prepayment for liquidity and amortised over the period of the facility to which it relates.

### (k) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the performance of services in the ordinary course of IGB REIT's activities. Revenue is shown net of rebates and discounts.

Revenue includes base rent, turnover or percentage rent, service and promotional charges from tenants.

Base rent from operating leases is recognised on a straight-line basis over the lease term. Turnover or percentage rent is recognised based on sales reported by tenants. When IGB REIT provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Other rent related and car park income are recognised in the accounting period in which the services being rendered.

Interest income is recognised using the effective interest method.

### (l) Manager's management fees

Manager's management fees are recognised in statement of comprehensive income in the period in which they are incurred. If, the payment of the Manager's management fees is in the form of new Units, such payment is determined by reference to the market price of the Units as set out in Note 1(B)(b).

### (m) Income tax

Tax is recognised in statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3 (b), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economies benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

#### (i) Accounting by lessee

##### Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on the straight line basis during the lease period in which they are incurred.

### (o) Functional and presentation currency

Items included in the financial statements of IGB REIT are measured using the currency of the primary economic environment in which IGB REIT operates ("functional currency"). The financial statements are presented in Ringgit Malaysia, which is IGB REIT's functional and presentation currency.

### (p) Earnings per unit

IGB REIT's earnings per Unit ("EPU") are presented on basic and diluted format.

Basic EPU is calculated by dividing the profit or loss attributable to unitholders of IGB REIT by the weighted average number of Units outstanding during the period.

Diluted EPU is determined by adjusting the profit or loss attributable to unitholders against the weighted average number of Units outstanding adjusted for the effects of all dilutive potential Units.

### (q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors of the Manager, that makes strategic decisions.

### (r) Net asset value ("NAV")

NAV is the value of IGB REIT's assets less the value of IGB REIT's liabilities.

### (s) Distribution of income

Distribution of income should only be made from realised gains or realised income in accordance with the REIT Guidelines.

Distribution of income should be made after the Manager has taken into consideration the total returns for the period, income for the period, cash flow for distribution, stability and sustainability of income and the investment objective and distribution policy of IGB REIT. Liability is recognised for the amount of any distribution of income not distributed at the end of the reporting period.

Distribution adjustments are disclosed in Note 18.

### (t) Realised and unrealised profit or loss

A charge or a credit to the statement of comprehensive income is deemed as realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use.

Where a credit or a charge to the statement of comprehensive income upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should be deemed as unrealised until the consumption of resource could be demonstrated. Unrealised profit or loss comprises mainly the changes in fair value on investment properties.

# Notes to the Financial Statements

(continued)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors of the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

IGB REIT makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the IGB REIT's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

### Principal assumptions for estimation of fair value of investment properties

The principal assumptions underlying estimation of fair value of investment properties are those related to term rental, reversionary rental, car park income, other income, outgoings, capitalisation rate and allowance for void.

Investment properties are stated at fair value based on valuations performed by Henry Butcher Malaysia Sdn Bhd ("Henry Butcher"), an independent professional valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued.

The valuations are compared with actual market yield data, actual transactions and those reported by the market, when available. Assumptions used are mainly based on market conditions existing at each reporting date.

Sensitivity analysis on fair value of investment properties as valued by Henry Butcher is disclosed in Note 6.

## 5 PLANT AND EQUIPMENT

	Motor vehicles RM'000	Furniture and fittings RM'000	Equipment RM'000	Information technology equipment RM'000	Plant and machinery RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>							
As at 1 January 2016	642	2,576	12,157	1,600	28	1,285	18,288
Additions	15	36	326	136	-	913	1,426
Disposals	-	-	(29)	-	-	-	(29)
Write-offs	-	(75)	(42)	(4)	-	-	(121)
Reclassification	-	-	1,877	-	-	(1,877)	-
As at 31 December 2016	657	2,537	14,289	1,732	28	321	19,564
<b>Accumulated depreciation</b>							
As at 1 January 2016	317	1,008	4,106	1,108	9	-	6,548
Depreciation charge for the financial year	128	320	1,771	391	3	-	2,613
Disposals	-	-	(5)	-	-	-	(5)
Write-offs	-	(34)	(10)	(4)	-	-	(48)
As at 31 December 2016	445	1,294	5,862	1,495	12	-	9,108
<b>Carrying amounts</b>							
As at 31 December 2016	212	1,243	8,427	237	16	321	10,456

# Notes to the Financial Statements

(continued)

## 5 PLANT AND EQUIPMENT (continued)

	Motor vehicles RM'000	Furniture and fittings RM'000	Equipment RM'000	Information technology equipment RM'000	Plant and machinery RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>							
As at 1 January 2015	616	2,708	9,886	1,444	28	1,476	16,158
Additions	26	71	1,357	167	-	1,046	2,667
Disposals	-	-	(211)	-	-	-	(211)
Write-offs	-	(203)	(112)	(11)	-	-	(326)
Reclassification	-	-	1,237	-	-	(1,237)	-
As at 31 December 2015	642	2,576	12,157	1,600	28	1,285	18,288
<b>Accumulated depreciation</b>							
As at 1 January 2015	184	745	2,736	615	6	-	4,286
Depreciation charge for the financial year	133	341	1,496	500	3	-	2,473
Disposals	-	-	(84)	-	-	-	(84)
Write-offs	-	(78)	(42)	(7)	-	-	(127)
As at 31 December 2015	317	1,008	4,106	1,108	9	-	6,548
<b>Carrying amounts</b>							
As at 31 December 2015	325	1,568	8,051	492	19	1,285	11,740

## 6 INVESTMENT PROPERTIES

	2016 RM'000	2015 RM'000
As at 1 January/31 December	4,890,000	4,890,000

On 20 September 2012, IGB REIT acquired the investment properties of which the consideration was settled in cash for RM1,200 million and issuance of 3,400 million units in IGB REIT. The purchase considerations were as follows:-

	Purchase Consideration		
Investment Properties	Units RM'million	Cash RM'million	Total RM'million
Mid Valley Megamall	3,413	710	4,123
The Gardens Mall	837	490	1,327
<b>Total</b>	<b>4,250</b>	<b>1,200</b>	<b>5,450</b>

The title deeds to the investment properties' land are currently being held in trust by related companies.

Mid Valley Megamall is charged as a security for bank borrowings as disclosed in Note 10.

# Notes to the Financial Statements

(continued)

## 6 INVESTMENT PROPERTIES (continued)

Investment properties as at 31 December 2016 and 31 December 2015 are stated at fair value based on valuations performed by independent professional valuer, Henry Butcher, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued. Valuations are performed by Henry Butcher once every quarter and a full valuation conducted at every year end. The valuations will be reviewed by the Manager and approved during the meetings of the Board of Directors of the Manager every quarter.

Based on the valuation reports dated 5 January 2017 issued by Henry Butcher, the fair values of Mid Valley Megamall and The Gardens Mall as at 31 December 2016 were RM3.610 billion (2015: RM3.610 billion) and RM1.280 billion (2015: RM1.280 billion) respectively.

Fair value is determined based on income approach method using Level 3 inputs (defined as unobservable inputs for asset or liability) in the fair value hierarchy of MFRS 13 'Fair Value Measurement'. Under the income approach, the fair value of the investment properties is derived from an estimate of the market rental which the investment properties can reasonably be let for. Rental evidence may be obtained from actual passing rents commanded by the investment properties if they are tenanted. Outgoings, such as quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement initiatives as well as management expenses, are then deducted from the rental income. Thereafter, the net annual rental income is capitalised at an appropriate current market yield to arrive at its fair value. Changes in fair value are recognised in the statement of comprehensive income during the period in which they are reviewed.

The Level 3 inputs or unobservable inputs include:-

- |                     |  |
|---------------------|--|
| Term rental         | - the expected rental that the investment properties are expected to achieve and is derived from the current passing rental, (including revision upon renewal of tenancies during the year which is part of passing rental); |
| Reversionary rental | - the expected rental that the investment properties are expected to achieve upon expiry of term rental;   |
| Car park income     | - refers to rental on car park bays;   |
| Other income        | - comprises percentage rent, advertising income and others;  |
| Outgoings           | - comprises quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement expense and management expenses;  |
| Capitalisation rate | - based on actual location, size and condition of the investment properties and taking into account market data at the valuation date based on the valuers' knowledge of the factors specific to the investment properties;  |
| Allowance for void  | - refers to allowance provided for vacancy periods.  |

There has been no change to the valuation techniques used during the financial year.

# Notes to the Financial Statements

(continued)

## 6 INVESTMENT PROPERTIES (continued)

The fair value measurements using Level 3 inputs as at 31 December 2016 are as follows:-

Valuation technique	Parameters							Sensitivity analysis on fair value measurements*		
	Capitalisation rates									
	Fair value RM'000	Term period %	Reversionary period %	Car park income %	Other income %	Outgoings RM psf	Allowance for void %	Impact of lower rate RM'000	Impact of higher rate RM'000	Impact of higher outgoings RM'000
Mid Valley Megamall	Income 3,610,000	5.60-6.60	5.85-6.85	6.75	6.75-8.75	3.75	3.00	106,800	(99,600)	68,300 (68,300)
The Gardens Mall	Income 1,280,000	5.60-6.60	5.85-6.85	6.75	6.75-8.75	4.40	3.00	36,100	(33,700)	30,800 (30,800)
	<u>4,890,000</u>							<u>142,900</u>	<u>(133,300)</u>	<u>99,100 (99,100)</u>

\* Changes to capitalisation rates on term and reversion periods by 25 basis points and outgoings per square feet by RM0.20 on existing unexpired contractual terms.

The fair value measurements using Level 3 inputs as at 31 December 2015 are as follows:-

Valuation technique	Parameters							Sensitivity analysis on fair value measurements*		
	Capitalisation rates									
	Fair value RM'000	Term period %	Reversionary period %	Car park income %	Other income %	Outgoings RM psf	Allowance for void %	Impact of lower rate RM'000	Impact of higher rate RM'000	Impact of higher outgoings RM'000
Mid Valley Megamall	Income 3,610,000	5.50-6.50	5.75-6.75	6.75	6.75-8.75	3.90	3.00	104,500	(97,300)	69,200 (69,200)
The Gardens Mall	Income 1,280,000	5.50-6.50	5.75-6.75	6.75	6.75-8.75	4.15	3.00	35,900	(33,400)	31,000 (31,000)
	<u>4,890,000</u>							<u>140,400</u>	<u>(130,700)</u>	<u>100,200 (100,200)</u>

\* Changes to capitalisation rates on term and reversion periods by 25 basis points and outgoings per square feet by RM0.20 on existing unexpired contractual terms.



# Notes to the Financial Statements

(continued)

## 6 INVESTMENT PROPERTIES (continued)

The investment properties are as follows:-

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2016 %	Fair value as at 31.12.2016 RM'000	Initial acquisition cost on 20.09.2012 RM'000	Percentage of fair value to NAV*2 as at 31.12.2016 %
Mid Valley Megamall	20.09.2012	31.12.2016	Kuala Lumpur	Leasehold*1	99	3,610,000	3,440,000	98.3
The Gardens Mall	20.09.2012	31.12.2016	Kuala Lumpur	Leasehold*1	99	1,280,000	1,160,000	34.9
						<u>4,890,000</u>	<u>4,600,000</u>	
	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2015 %	Fair value as at 31.12.2015 RM'000	Initial acquisition cost on 20.09.2012 RM'000	Percentage of fair value to NAV*2 as at 31.12.2015 %
Mid Valley Megamall	20.09.2012	31.12.2015	Kuala Lumpur	Leasehold*1	99	3,610,000	3,440,000	98.5
The Gardens Mall	20.09.2012	31.12.2015	Kuala Lumpur	Leasehold*1	98	1,280,000	1,160,000	34.9
						<u>4,890,000</u>	<u>4,600,000</u>	

Notes:-

\*1 The lease has a period of 99 years expiring on 6 June 2103.

\*2 Based on NAV after income distribution.

# Notes to the Financial Statements

(continued)

## 7 TRADE AND OTHER RECEIVABLES

	2016 RM'000	2015 RM'000
Trade receivables	3,525	4,450
Less: Allowance for impairment of trade receivables	(1,945)	(1,579)
Trade receivables – net	1,580	2,871
Accrued billings	8,283	7,705
	9,863	10,576
Other receivables	985	550
Deposits	6,968	6,971
Amount owing by immediate holding company	19	19
Amounts owing by related companies	1,349	1,777
	9,321	9,317
Prepayments	222	1,726
	9,543	11,043
Total trade and other receivables	19,406	21,619

The carrying amounts of trade and other receivables as at 31 December 2016 and 31 December 2015 approximated their fair values.

The credit terms of trade receivables were seven (7) days (2015: seven (7) days).

The amounts owing by immediate holding and related companies are trade in nature, unsecured and with credit terms of seven (7) days (2015: seven (7) days).

As at 31 December 2016, trade receivables of RM1,551,000 (2015: RM2,840,000) were past due but not impaired. Such trade receivables are due from tenants in Mid Valley Megamall and The Gardens Mall who have paid security deposits for the tenancy and with no known recent history of default. In addition, the historical experience in collection of trade receivables falls within the recorded allowance.

The ageing analysis of these trade receivables is as follows:-

	2016 RM'000	2015 RM'000
Not past due:		
- 1 to 7 days	29	31
Past due but not impaired:		
- 8 to 30 days	1,056	2,411
- 31 to 60 days	437	376
- 61 to 90 days	58	53
	1,551	2,840
Past due and impaired	1,945	1,579
	3,525	4,450

# Notes to the Financial Statements

(continued)

## 7 TRADE AND OTHER RECEIVABLES (continued)

The movement of allowance for impairment of trade receivables is as follows:-

	2016 RM'000	2015 RM'000
As at 1 January	1,579	1,664
Allowance for/(Reversal of) impairment	366	(85)
As at 31 December	<u>1,945</u>	<u>1,579</u>

The other classes within trade and other receivables are neither past due nor impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables.

## 8 CASH AND CASH EQUIVALENTS

	2016 RM'000	2015 RM'000
Cash in hand	350	282
Bank balances	29,304	26,693
Deposits placed with licensed banks	244,741	219,673
Cash and bank balances	274,395	246,648
Less: Restricted cash	(30,382)	(29,192)
Cash and cash equivalents	<u>244,013</u>	<u>217,456</u>

Bank balances are deposits held at call with banks and earns no interest.

The weighted average effective interest rate of deposits with licensed banks that was effective at the reporting date was 3.31% per annum (2015: 3.66% per annum).

Deposits with licensed banks have an average maturity of 79 days (2015: 78 days).

Included in the deposits placed with licensed banks is restricted amount of RM30.4 million (2015: RM29.2 million) which is maintained in a Debt Service Reserve Account to cover a minimum of six (6) months interest for syndicated financing facilities granted to IGB REIT (Note 10).

# Notes to the Financial Statements

(continued)

## 9 UNITHOLDERS' CAPITAL

	2016		2015	
	Number of units		Number of units	
	'000		'000	
<b>Approved fund size:</b>				
As at 1 January/31 December	<b>3,550,000</b>		3,550,000	
	Number of units	Value	Number of units	Value
	'000	RM'000	'000	RM'000
<b>Issued and fully paid up:</b>				
At 1 January	<b>3,471,789</b>	<b>4,335,072</b>	3,447,328	4,302,842
Creation of units				
Issue of new Units, at market price	<b>21,685</b>	<b>32,848</b>	24,461	32,230
As at 31 December	<b>3,493,474</b>	<b>4,367,920</b>	3,471,789	4,335,072

## 10 BORROWINGS

	2016	2015
	RM'000	RM'000
<b>Current (secured):</b>		
Fixed rate term loan	<b>15,323</b>	24,022
Standby revolving credit	<b>12,730</b>	12,730
	<b>28,053</b>	36,752
<b>Non-current (secured):</b>		
Fixed rate term loan	<b>1,209,176</b>	1,196,363
Total	<b>1,237,229</b>	1,233,115

The Trustee, on behalf of IGB REIT, as borrower, has obtained the Syndicated Financing Facilities ("SFF") comprising the following:-

- (a) A Fixed Rate Term Loan facility ("FRTL") of up to RM1,200 million; and
- (b) A Standby Revolving Credit facility ("SBRC") of up to RM20 million.

# Notes to the Financial Statements

(continued)

## 10 BORROWINGS (continued)

The maturity profile of the SFF is as follows:-

	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	>3 years RM'000	Total Carrying Amount RM'000
<b>As at 31 December 2016</b>					
FRTL	15,323	-	1,209,176	-	1,224,499
SBRC	12,730	-	-	-	12,730
	<b>28,053</b>	<b>-</b>	<b>1,209,176</b>	<b>-</b>	<b>1,237,229</b>
<b>As at 31 December 2015</b>					
FRTL	24,022	-	-	1,196,363	1,220,385
SBRC	12,730	-	-	-	12,730
	<b>36,752</b>	<b>-</b>	<b>-</b>	<b>1,196,363</b>	<b>1,233,115</b>

The weighted average effective interest rates as at the reporting date were as follows:-

	2016 % per annum	2015 % per annum
FRTL	4.49%	4.65%
SBRC	4.84%	4.89%

Proceeds drawn from the FRTL were utilised by IGB REIT to part finance the acquisitions of Mid Valley Megamall and The Gardens Mall together with related assets ("Acquisitions") and the proceeds drawn from the SBRC were utilised by IGB REIT to part finance the Acquisitions and to finance its capital expenditure requirements.

The FRTL has a tenure of five (5) years from the date of first drawdown with an option to extend the same for a further two (2) years exercisable by the Trustee ("Option"). For the first five (5) years, the FRTL bears a fixed interest rate of 4.4% per annum. In the event the FRTL is extended, the interest rates for the sixth and the seventh years shall be stepped up to 5.0% per annum.

The SBRC bears a floating interest rate of the aggregate effective costs of funds and a margin of 0.7% per annum.

The SFF are secured against, among others, the following:-

- (i) a first party assignment by the Trustee of its rights, titles, interests and benefits in Mid Valley Megamall and under the sale and purchase agreement in relation to Mid Valley Megamall pursuant to the Acquisition and all other documents evidencing the Trustee's interest in Mid Valley Megamall. In the event the subdivision of master title is completed and a separate strata title is issued for Mid Valley Megamall ("Megamall Strata Title"), a first party first legal charge shall be created by the Trustee on the Megamall Strata Title for the benefit of the SFF lenders;
- (ii) an undertaking from the Trustee and the Manager:-
  - (a) to deposit all cash flows generated from Mid Valley Megamall into the revenue account; and
  - (b) that it shall not declare or make any dividends or distributions out of the cashflow derived from Mid Valley Megamall to the Unitholders if an event of default has occurred under the terms of the SFF, and is continuing and has not been waived;

# Notes to the Financial Statements

(continued)

## 10 BORROWINGS (continued)

The SFF are secured against, among others, the following:- (continued)

- (iii) a first party legal assignment and charge by the Trustee over all rights, titles, interests and benefits relating to the following designated accounts:-
  - (a) the revenue account into which the Trustee shall credit, among others, all income and insurance proceeds derived from or in relation to Mid Valley Megamall;
  - (b) the operating account which is to capture funds transferred from the revenue account for the purpose of managing the operating expenditure of Mid Valley Megamall; and
  - (c) the debt service reserve account which is to capture funds transferred from the revenue account for purposes of meeting the debt service requirement;
- (iv) a first party legal assignment by the Trustee of all the proceeds under the tenancy/lease agreements in relation to Mid Valley Megamall; and
- (v) a first party legal assignment over all of the Trustee's rights, titles, interests and benefits and all the insurance policies in relation to Mid Valley Megamall and the security agent (acting for and on behalf of the SFF lenders) being named as the loss payee and beneficiary of the insurance policies.

## 11 PAYABLES AND ACCRUALS

	Note	2016 RM'000	2015 RM'000
<b>Non-current payables</b>			
Tenants' deposits	a	64,455	62,806
		<b>64,455</b>	62,806
<b>Current payables</b>			
Trade payables	b	9,555	8,885
Tenants' deposits	a	22,389	24,129
		<b>31,944</b>	33,014
Other payables and accrued expenses		18,430	28,913
Net output tax		1,567	1,746
Prepaid rental		8,042	6,142
Amounts due to related companies	c	10,334	9,497
Distribution payable to unitholders		150,273	129,265
		<b>188,646</b>	175,563
Total current payables and accruals		<b>220,590</b>	208,577
Total payables and accruals		<b>285,045</b>	271,383

- (a) Tenants' deposits are in respect of refundable deposits received from tenants for tenancy related agreements. Tenancy tenures are generally for a period of one (1) to three (3) years.
- (b) Credit terms for trade payables range from 30 days to 90 days (2015: 30 days to 90 days).
- (c) Amounts due to related companies are unsecured, interest-free (2015: interest free) and repayable on demand.

# Notes to the Financial Statements

(continued)

## 12 OTHER INCOME

	2016 RM'000	2015 RM'000
Car park income	45,029	44,263
Utilities recoverable	26,142	24,584
Kiosk rent and other leasing income	23,680	23,166
Advertising and promotional income	6,320	6,008
Others	11,135	10,530
	<b>112,306</b>	<b>108,551</b>

## 13 REIMBURSEMENT COSTS

Included in reimbursement costs are the following expenses:-

	2016 RM'000	2015 RM'000
Manpower costs	30,714	28,380
Marketing expenses	8,152	7,552
Administration expenses	7,695	7,347
Management expenses	3,867	3,875
Insurance premium	2,094	2,100
	<b>52,522</b>	<b>49,254</b>

## 14 MANAGER'S MANAGEMENT FEES

	2016 RM'000	2015 RM'000
Base fee	15,358	15,303
Performance fee	18,055	17,127
	<b>33,413</b>	<b>32,430</b>

For the financial year ended 31 December 2016, 100% of the total Manager's management fees has been paid/payable in Units (2015: 100%).

## 15 BORROWING COSTS

	2016 RM'000	2015 RM'000
Interest expense	56,556	62,696
Amortisation of transaction costs	969	96
	<b>57,525</b>	<b>62,792</b>



# Notes to the Financial Statements

(continued)

## 16 TAXATION

	2016 RM'000	2015 RM'000
<b>Reconciliation of tax expense</b>		
Profit before taxation	277,836	253,998
Income tax using Malaysian tax rate of 24% (2015: 25%)	66,681	63,500
Non-deductible expenses	3,305	4,675
Effect of income exempted from tax	(69,986)	(68,175)
	-	-

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of IGB REIT will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the investors in the basis period of IGB REIT for that year of assessment within two (2) months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two (2) months after the close of IGB REIT financial year which forms the basis period for a year of assessment, IGB REIT will be subject to income tax at the prevailing rate on its total taxable income. Income which has been taxed at the IGB REIT level will have tax credits attached when subsequently distributed to unitholders.

As the distributable income to unitholders for the financial year ended 31 December 2016 is approximately 96.2% (2015: 97.7%), no provision for income taxation has been made for the current and prior year.

## 17 EARNINGS PER UNIT ("EPU") – BASIC AND DILUTED

The calculation of EPU is based on total comprehensive income attributable to unitholders divided by the weighted average number of Units.

	Note	2016 RM'000	2015 RM'000
<b>Total comprehensive income</b>			
- Realised		277,836	253,998
Total		277,836	253,998
<b>Weighted average number of units ('000)</b>			
Weighted average number of Units in issue		3,483,741	3,460,154
Adjustment for Manager's management fees payable in Units	a	4,880	5,879
Weighted average number of Units for diluted EPU		3,488,621	3,466,033
<b>Basic/Diluted EPU (sen)</b>			
- Realised		7.96	7.33
Total		7.96	7.33

Dilutive earnings per unit equals to Basic earnings per unit as there are no potential dilutive units in issue.

# Notes to the Financial Statements

(continued)

## 17 EARNINGS PER UNIT (“EPU”) – BASIC AND DILUTED (continued)

Note (a):-

	2016		2015	
	Number of units ‘000	Value RM’000	Number of units ‘000	Value RM’000
Manager’s management fees payable in Units				
- from 1 October 2016 to 31 December 2016 at RM1.73 per Unit	4,880	8,442	-	-
- from 1 October 2015 to 31 December 2015 at RM1.34 per Unit	-	-	5,879	7,877
	<b>4,880</b>	<b>8,442</b>	<b>5,879</b>	<b>7,877</b>

## 18 DISTRIBUTION TO UNITHOLDERS

	Note	2016 RM’000	2015 RM’000
Total comprehensive income		277,836	253,998
Distribution adjustments	a	38,470	36,982
Distributable income		<b>316,306</b>	290,980
Distribution per unit (sen)			
- for the period from 1 January 2016 to 30 June 2016		4.41	-
- for the period from 1 July 2016 to 31 December 2016		4.30	-
- for the period from 1 January 2015 to 30 June 2015		-	4.47
- for the period from 1 July 2015 to 31 December 2015		-	3.72
		<b>8.71</b>	8.19

### Income distribution

Distributable income	316,306	290,980
Income distribution of 4.41 sen per unit (@ 4.32 sen taxable and 0.09 sen non-taxable) for the period from 1 January 2016 to 30 June 2016	(153,833)	-
Income distribution of 4.30 sen per unit (@ 4.18 sen taxable and 0.12 sen non-taxable) for the period from 1 July 2016 to 31 December 2016	(150,273)	-
Income distribution of 4.47 sen per unit (@ 4.40 sen taxable and 0.07 sen non-taxable) for the period from 1 January 2015 to 30 June 2015	-	(154,912)
Income distribution of 3.72 sen per unit (@ 3.60 sen taxable and 0.12 sen non-taxable) for the period from 1 July 2015 to 31 December 2015	-	(129,265)
Adjustment for under provision of income distribution for the period from 1 July 2015 to 31 December 2015	(104)	-
Income distributed	<b>(304,210)</b>	(284,177)
Income retained	<b>12,096</b>	6,803

# Notes to the Financial Statements

(continued)

## 18 DISTRIBUTION TO UNITHOLDERS (continued)

	Note	2016 RM'000	2015 RM'000
<u>Note (a):-</u>			
Distribution adjustments comprise:-			
Manager's management fees payable in Units	14	<b>33,413</b>	32,430
Amortisation of fit-out incentives		<b>1,475</b>	1,983
Amortisation of capitalised borrowing costs		<b>969</b>	96
Depreciation of plant and equipment		<b>2,613</b>	2,473
		<b>38,470</b>	36,982

Withholding tax will be deducted for distributions as follows:-

	Withholding Tax rate	
	2016	2015
Resident corporate	N/A^	N/A^
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	25%
Non-resident institutional	10%	10%

^ to tax at prevailing rate

## 19 PORTFOLIO TURNOVER RATIO

	2016	2015
Portfolio Turnover Ratio ("PTR") (times)	-	-

The calculation of PTR is based on the average value of total acquisitions and disposals of investments in IGB REIT for the financial year to the average NAV during the financial year.

PTR is nil for IGB REIT as there were no acquisitions and disposals of investments in IGB REIT for the financial year ended 31 December 2016.

Since the basis of calculating PTR can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of IGB REIT's PTR against other REITs.

# Notes to the Financial Statements

(continued)

## 20 MANAGEMENT EXPENSE RATIO

	2016	2015
Management expense ratio ("MER") (%)	<b>0.93</b>	0.91

The calculation of the MER is based on the total fund operating fees of IGB REIT incurred for the financial year ended 31 December 2016, including the Manager's management fees, trustees' fees and other trust expenses, to the NAV (after income distribution) as at 31 December 2016.

Since the basis of calculating MER can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of IGB REIT's MER against other REITs.

## 21 SEGMENT REPORTING

The segmental financial information by business or geographical segments is not presented as there is only one (1) business activity within the investment properties portfolio of IGB REIT, which comprised of Mid Valley Megamall and The Gardens Mall and its entire business is conducted in Kuala Lumpur.

The Manager assesses the financial performance of the operating segments based on, including but not limited to, net property income ("NPI"). The NPI enables financial performance benchmarking as such basis eliminates the effect of financing and investment decisions which may not be made at operating level.

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2016 RM'000	2015 RM '000
<u>Loans and receivables at amortised cost</u>			
Assets as per statement of financial position:			
- Trade and other receivables excluding prepayments	7	<b>19,184</b>	19,893
- Cash and bank balances	8	<b>274,395</b>	246,648
Total financial assets		<b>293,579</b>	266,541
<u>Other financial liabilities at amortised cost</u>			
Liabilities as per statement of financial position:			
- Borrowings	10	<b>1,237,229</b>	1,233,115
- Payables and accruals excluding net output tax and prepaid rental	11	<b>275,436</b>	263,495
Total financial liabilities		<b>1,512,665</b>	1,496,610

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 23.1 Financial risk factors

IGB REIT's activities expose it to a variety of financial risks: interest rate risk (including fair value interest rate risk), credit risk, liquidity and cash flow risk. IGB REIT's overall financial risk management objective is to ensure that it creates value for its unitholders. IGB REIT focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the financial performance of IGB REIT. Financial risk management is carried out through risk reviews, internal control systems and insurance programmes. The Manager regularly reviews the risk profile and ensure adherence to the IGB REIT's financial risk management policies.

# Notes to the Financial Statements

(continued)

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.1 Financial risk factors (continued)

#### (a) Interest rate risk

##### Fair value interest rate risk

IGB REIT's income and cash flows are substantially independent of changes in market interest rates as 98.96% of the SFF is made up of FRTL which locks in the interest rate against any fluctuation resulting in exposure to fair value interest rate risk. IGB REIT has no significant exposure to cash flow interest rate risk.

Sensitivity analysis for interest rate fluctuation is unrepresentative as IGB REIT does not use variable rates in managing its cash flow interest rate risk.

#### (b) Credit risk

Credit risk arises from credit exposures to outstanding receivables from the tenants, accrued billings, as well as cash, cash equivalents and deposits with banks and financial institutions.

Credit risks arising from outstanding receivables and accrued billings from the tenants are mitigated and monitored by strict selection of tenants and/or business associates with high creditworthiness. Trade receivables are monitored on an on-going basis via compliance with standard operating and reporting procedures. Other than anchor tenants, namely Aeon BIG, Aeon, Metrojaya, Isetan, Robinsons and GSC Signature, which contribute 8.9% (2015: 10.5%) of the rental income, investment properties of IGB REIT do not have any significant exposure to any individual or group of tenants or counterparties nor any major concentration of credit risk in relation to any financial instruments.

Credit risk with respect to trade receivables and accrued billings is limited due to the nature of business which is mainly rental related and cash-based. The historical experience in collection of trade receivables falls within the recorded allowances. Furthermore, the tenants have placed security deposits in the form of cash or bank guarantees which act as collateral. In view of the above, no additional credit risk beyond amounts allowed for collection losses is inherent in IGB REIT's trade receivables.

Bank deposits are placed with licensed financial institutions with high credit ratings assigned by credit rating agencies. Hence, the risk of material loss in the event of non-performance by a financial counterparty could be considered to be unlikely.

#### (c) Liquidity and cash flow risk

The rolling forecasts of liquidity requirements are monitored to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on the committed borrowing facilities (Note 10).

Adequate cash, cash equivalents and bank facilities are maintained and monitored to finance the operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the REIT Guidelines concerning limits on total borrowings of the investment trust.

Cash and bank balances as at 31 December 2016 of RM274 million (2015: RM247 million) are expected to assist in the liquidity and cash flow risk management.

# Notes to the Financial Statements

(continued)

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.1 Financial risk factors (continued)

#### (c) Liquidity and cash flow risk (continued)

The analysis of the non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date are as follows:-

	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	>3 years RM'000	Total RM'000
<b>At 31 December 2016</b>					
Borrowings	83,261	60,000	1,254,176	-	1,397,437
Payables and accruals excluding net output tax and prepaid rental	210,981	29,879	26,230	8,346	275,436
<b>At 31 December 2015</b>					
Borrowings	90,166	54,600	60,000	1,241,364	1,446,130
Payables and accruals excluding net output tax and prepaid rental	200,689	25,862	26,171	10,773	263,495

Note:-

The amounts are contractual and undiscounted cash flows.

### 23.2 Capital risk management

Capital is the unitholders' capital and borrowings.

The overall capital management objectives are to safeguard the ability to continue as a going concern in order to provide returns for unitholders and other stakeholders as well as to maintain a more efficient capital structure.

The Manager's on-going capital management strategy involves maintaining an appropriate gearing level and adopting an active interest rate management strategy to manage the risks associated with refinancing and changes in interest rates. The Manager intends to implement this strategy by (i) diversifying sources of debt funding to the extent appropriate, (ii) maintaining a reasonable level of debt service capability, (iii) securing favourable terms of funding, (iv) managing its financial obligations and (v) where appropriate, managing the exposures arising from adverse market interest rates, such as through fixed rate borrowings, to improve the efficiency for the cost of capital.

The total borrowings to total assets ratio is as follows:-

	2016 RM'000	2015 RM'000
Total borrowings	1,237,229	1,233,115
Total assets	5,194,257	5,170,007
Borrowings to total assets ratio (%)	23.8	23.9

The total borrowings should not exceed 50% of the total assets at the time the borrowings are incurred in accordance with the REIT Guidelines. IGB REIT complied with the borrowing limit requirement for the financial year ended 31 December 2016.

# Notes to the Financial Statements

(continued)

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.2 Capital risk management (continued)

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of IGB REIT's distributable income. It is the intention of the Manager to distribute at least 90% of IGB REIT's distributable income on a half-yearly basis (or such other interval as determined by the Manager at its absolute discretion).

For the financial year ended 31 December 2016, IGB REIT distributed approximately 96.2% (2015: 97.7%) of its distributable income.

Based on the prospectus in respect of the initial public offer of IGB REIT dated 26 August 2012, the Manager will distribute 100% of IGB REIT's distributable income for the period from date of establishment to 31 December 2014. The actual proportion of distributable income distributed to unitholders beyond 31 December 2014 shall be at the absolute discretion of the Manager, may be at least 90% of IGB REIT's distributable income to the extent that the Manager believes it is appropriate, having regard to IGB REIT's funding requirements, total return, cash flow as well as sustainability and stability of the income. Distribution, if made, will be in Ringgit Malaysia.

### 23.3 Fair value

The assets and liabilities measured at fair value and classified by level of the fair value measurement hierarchy are as follows:-

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (Level 3).

	Level 3	
	2016 RM'000	2015 RM'000
Recurring fair value measurements:		
Investment properties	<b>4,890,000</b>	4,890,000

Level 3 fair values of the investment properties have been derived from the income approach method based on valuations performed by independent professional valuer, Henry Butcher, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued. The valuation techniques, significant parameters and movement in fair values are as disclosed in Note 6.

#### Assets and liabilities not carried at fair value

Save as disclosed below, the carrying amounts of financial assets and liabilities as at reporting date approximated their fair values. The fair value of tenants' deposits received from tenants at the reporting date is not materially different from their carrying value as the impact of discounting is not expected to be significant.

IGB REIT's borrowings are not measured at fair value as at reporting date. The fair value of such borrowings is disclosed within the fair value hierarchy as follows:-

	Level 2			
	2016		2015	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Borrowings	<b>1,237,229</b>	<b>1,217,941</b>	1,233,115	1,208,658



# Notes to the Financial Statements

(continued)

## 24 OPERATING LEASES

### Leases as lessor

IGB REIT leases out the investment properties (Note 6) under operating leases. The future minimum lease receivables under non-cancellable lease are as follows:-

	2016 RM'000	2015 RM'000
Less than one (1) year	355,147	343,407
Between one (1) and five (5) years	439,491	409,981
More than five (5) years	243,236	277,172
	<b>1,037,874</b>	<b>1,030,560</b>

## 25 CAPITAL COMMITMENTS

The capital expenditure which has not been provided for in the financial statements is as follows:-

	2016 RM'000	2015 RM'000
Plant and equipment		
Authorised by Directors of the Manager but not contracted	<b>2,948</b>	<b>3,422</b>

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions are carried out in the normal course of business on terms and conditions negotiated between the contracting parties.

Related party	Relationship
IGB Corporation Berhad ("IGB")	Major unitholder, the sponsor of IGB REIT and immediate holding company
IGB REIT Management Sdn Bhd	The Manager of IGB REIT, a subsidiary of IGB
Ensignia Construction Sdn Bhd	A subsidiary of IGB
IGB Properties Sdn Bhd	A subsidiary of IGB
Mid Valley City Developments Sdn Bhd	A subsidiary of IGB
Mid Valley City Energy Sdn Bhd	A subsidiary of IGB
Mid Valley City Enterprise Sdn Bhd	A subsidiary of IGB
Mid Valley City Hotels Sdn Bhd	A subsidiary of IGB
Mid Valley City North Tower Sdn Bhd	A subsidiary of IGB
Mid Valley City South Tower Sdn Bhd	A subsidiary of IGB
MVC Centrepont North Sdn Bhd	A subsidiary of IGB
MVC Centrepont South Sdn Bhd	A subsidiary of IGB
MVC CyberManager Sdn Bhd	A subsidiary of IGB
MVEC Exhibition and Event Services Sdn Bhd	A subsidiary of IGB
Tanah Permata Sdn Bhd	A subsidiary of IGB
Technoltic Engineering Sdn Bhd	An associate of IGB
Wah Seong (Malaya) Trading Co. Sdn Bhd	Major unitholder of IGB REIT
Strass Media Sdn Bhd	A subsidiary of Wah Seong (Malaya) Trading Co. Sdn Bhd
JVP Venture Sdn Bhd	A person connected to a director of the Manager
Fast Casual Hospitality Sdn Bhd	A person connected to a director of the Manager

# Notes to the Financial Statements

(continued)

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	2016 RM'000	2015 RM'000
<b>Significant related party transactions for the financial year:</b>		
<b><u>Sales of services</u></b>		
1) Utilities charges		
- IGB Properties Sdn Bhd	796	820
- Mid Valley City Enterprise Sdn Bhd	1,702	1,739
- MVC Centrepont South Sdn Bhd	1,006	886
- MVC Centrepont North Sdn Bhd	125	169
- Mid Valley City Hotels Sdn Bhd	3,539	3,002
- Tanah Permata Sdn Bhd	1,476	1,430
- Mid Valley City South Tower Sdn Bhd	2,085	2,019
- Mid Valley City North Tower Sdn Bhd	2,077	2,018
- Mid Valley City Energy Sdn Bhd	696	515
- Mid Valley City Developments Sdn Bhd	90	77
- Ensignia Construction Sdn Bhd	634	417
- Strass Media Sdn Bhd	153	45
	<b>14,379</b>	<b>13,137</b>
2) Rental of premises		
- MVEC Exhibition and Event Services Sdn Bhd	5,206	4,819
- MVC CyberManager Sdn Bhd	60	63
- JVP Venture Sdn Bhd	198	199
- Fast Casual Hospitality Sdn Bhd	269	48
	<b>5,733</b>	<b>5,129</b>
3) Rental of light box		
- Strass Media Sdn Bhd	1,242	1,584
4) Rental of car park		
- IGB Corporation Berhad	165	158
- Mid Valley City Hotels Sdn Bhd	48	56
- Tanah Permata Sdn Bhd	181	178
	<b>394</b>	<b>392</b>

# Notes to the Financial Statements

(continued)

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	2016 RM'000	2015 RM'000
<b>Significant related party transactions for the financial year:</b>		
<b><u>Purchases of services</u></b>		
1) Utilities charges		
- Mid Valley City Energy Sdn Bhd	41,702	41,495
- Tanah Permata Sdn Bhd	65	67
	<b>41,767</b>	<b>41,562</b>
2) Manager's management fee		
- IGB REIT Management Sdn Bhd	<b>33,413</b>	32,430
3) Repair and maintenance		
- Technoltic Engineering Sdn Bhd	3,629	2,289
- Ensignia Construction Sdn Bhd	3,412	5,463
- Wah Seong (Malaya) Trading Co. Sdn Bhd	394	1,297
	<b>7,435</b>	<b>9,049</b>
4) Hotel facilities and services		
- Tanah Permata Sdn Bhd	<b>186</b>	108
<b>Significant related party balances as at reporting date:</b>		
<b><u>Deposits placed with – included in deposits receivable</u></b>		
Mid Valley City Energy Sdn Bhd	<b>6,817</b>	6,817
<b><u>Amount owing to</u></b>		
IGB REIT Management Sdn Bhd (Manager's management fee)	<b>8,782</b>	8,838
Technoltic Engineering Sdn Bhd	<b>1,508</b>	316

# Notes to the Financial Statements

(continued)

## 27 DETERMINATION OF REALISED AND UNREALISED PROFITS OR LOSSES IN THE CONTEXT OF DISCLOSURE PURSUANT TO LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

The analysis of the accumulated losses of IGB REIT as at 31 December 2016, into realised and unrealised portions, pursuant to Main Market Listing Requirements of Bursa Securities, are as follows:-

	2016 RM'000	2015 RM'000
Total accumulated losses		
- realised	(985,937)	(959,563)
- unrealised	290,000	290,000
	<b>(695,937)</b>	<b>(669,563)</b>

The disclosure of realised and unrealised accumulated losses is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Listing Requirements of Bursa Securities*, issued by the Malaysian Institute of Accountants.

# Unitholding Statistics

as at 13 February 2017

## APPROVED FUND SIZE

3,550,000,000 Units

## TOTAL ISSUED UNITS

3,498,353,641 Units (voting right : 1 vote per Unit)

## PUBLIC SPREAD

45.66%

## DISTRIBUTION OF UNITHOLDINGS

Range of Unitholdings	No. of Unitholders	% of Unitholders	No. of Issued Units	% of Issued Units
Less than 100	1,670	8.01	49,087	0.00
100 – 1,000	7,653	36.71	3,734,739	0.11
1,000 – 10,000	8,267	39.65	35,043,698	1.00
10,001 – 100,000	2,660	12.76	85,189,833	2.43
100,001 to less than 5% of Issued Units	595	2.86	1,189,994,917	34.02
5% and above of Issued Units	3	0.01	2,184,341,367	62.44
<b>Total</b>	<b>20,848</b>	<b>100.00</b>	<b>3,498,353,641</b>	<b>100.00</b>

## SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

Name	Direct		Deemed**	
	No. of Issued Units	% of Issued Units	No. of Issued Units	% of Issued Units
IGB Corporation Berhad	1,733,617,754	49.56	98,353,641	2.81
Goldis Berhad	Nil	Nil	1,831,971,395	52.37
Dato' Seri Robert Tan Chung Meng	9,289,081	0.27	1,863,683,497	53.27
Pauline Tan Suat Ming	Nil	Nil	1,863,683,497	53.27
Tony Tan @ Choon Keat	1,000,000	0.03	1,863,683,497	53.27
Tan Chin Nam Sendirian Berhad	14,482,888	0.41	1,860,905,030	53.19
Tan Kim Yeow Sendirian Berhad	2,879,665	0.08	1,860,803,832	53.19
Wah Seong (M) Trading Co. Sdn. Bhd.	26,079,992	0.75	1,834,398,495	52.44
Employees Provident Fund Board	222,347,313	6.36	Nil	Nil
Kumpulan Wang Persaraan (Diperbadankan)	261,216,400	7.47	Nil	Nil

## DIRECTORS AND CEO UNITHOLDINGS

Name	Direct		Deemed**	
	No. of Issued Units	% of Issued Units	No. of Issued Units	% of Issued Units
Dato' Seri Robert Tan Chung Meng	9,289,081	0.27	1,863,683,497	53.27
Tan Boon Lee	1,605,025	0.05	Nil	Nil
Tan Lei Cheng	1,853,742	0.05	345,722	0.01
Daniel Yong Chen-I	622,132	0.02	1,080,898	0.03
Elizabeth Tan Hui Ning	904,000	0.03	Nil	Nil
Antony Patrick Barragry	151,300	0.00	Nil	Nil

\*\* Deemed interests held by other corporations by virtue of Section 8 (4) of the Companies Act 2016

# Unitholding Statistics

as at 13 February 2017  
(continued)

## TOP 30 UNITHOLDERS

No.	Name of Unitholder	No. of Issued Units	% of Issued Units
1	IGB Corporation Berhad	1,733,617,754	49.56
2	Kumpulan Wang Persaraan (Diperbadankan)	255,892,200	7.31
3	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	194,831,413	5.57
4	IGB REIT Management Sdn Bhd	98,353,641	2.81
5	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Newton Asian Income Fund	77,943,600	2.23
6	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	65,998,228	1.89
7	Valuecap Sdn Bhd	60,545,400	1.73
8	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	57,150,800	1.63
9	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	55,402,031	1.58
10	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	53,386,492	1.53
11	Amanahraya Trustees Berhad Public Smallcap Fund	33,134,616	0.95
12	Amanahraya Trustees Berhad Public Dividend Select Fund	32,890,832	0.94
13	Pertubuhan Keselamatan Social	31,662,150	0.91
14	Amanahraya Trustees Berhad Public Savings Fund	25,465,976	0.73
15	Wah Seong (Malaya) Trading Co. Sdn Bhd	21,805,823	0.62
16	Amanahraya Trustees Berhad Public Equity Fund	13,738,668	0.39
17	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	13,258,085	0.38
18	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LSF)	13,017,000	0.37
19	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group INC	12,559,500	0.36
20	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Amundi)	12,500,000	0.36
21	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	12,151,900	0.35
22	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	11,149,419	0.32
23	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	10,591,800	0.30
24	Tan Chin Nam Sendirian Berhad	10,465,921	0.30
25	UOBM Nominees (Asing) Sdn Bhd Pledged Securities Account for Montego Assets Limited (PCB)	10,000,000	0.29
26	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	9,631,200	0.27
27	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Income Fund	9,600,000	0.27
28	Amanahraya Trustees Berhad Public Far-East Property & Resorts Fund	9,222,400	0.26
29	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Tee Teh Sdn Berhad (PB)	9,000,000	0.26
30	Affin Hwang Investment Bank Berhad IVT (JBD)	8,800,000	0.25
<b>Total</b>		<b>2,963,766,849</b>	<b>84.72</b>

# Notice of Fifth Annual General Meeting

**NOTICE IS HEREBY GIVEN** of the Fifth Annual General Meeting (5<sup>th</sup> AGM) of IGB Real Estate Investment Trust (IGB REIT) to be held at Bintang Ballroom, Level 5, Cititel Mid Valley, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia on Tuesday, 25 April 2017 at 11.30 a.m. to transact the following business:

## Ordinary Business

To receive the Financial Statements of IGB REIT for the year ended 31 December 2016 together with reports issued by the Trustee, the Manager and the Auditors (Financial Statements and Reports FY2016).

By Order of the Board of Directors (Board)  
IGB REIT MANAGEMENT SDN BHD  
the Manager of IGB REIT

Tina Chan  
Company Secretary (MAICSA 7001659)

Kuala Lumpur  
28 February 2017

## Notes:

### (1) Financial Statements and Reports FY2016

*Financial Statements and Reports FY2016 have been approved by the Board of the Manager and there is no requirement for unitholders to approve these reports. However, unitholders are invited to receive and consider the Financial Statements and Reports FY2016, and will be given a reasonable opportunity to ask questions and make comments on the reports at the 5<sup>th</sup> AGM.*

### (2) Appointment of proxy

- (a) *A unitholder is entitled to appoint 1 or 2 proxies (none of whom need be a unitholder of IGB REIT).*
- (b) *A unitholder, who is an authorised nominee, may appoint not more than 2 proxies in respect of each securities account held; whereas, an exempt authorised nominee may appoint multiple proxies in respect of each securities account held.*
- (c) *A unitholder who appoints a proxy must execute the Proxy Form accompanies this Notice of 5<sup>th</sup> AGM. Completion and return of the Proxy Form will not preclude a unitholder from attending and voting at the 5<sup>th</sup> AGM in person, should they subsequently decide to do so.*
- (d) *A corporate unitholder who appoints a proxy must execute Proxy Form under seal or the hand of its officer or attorney duly authorised.*
- (e) *Only unitholders registered in Record of Depositors as at 18 April 2017 shall be eligible to attend and vote at the 5<sup>th</sup> AGM, or appoint proxy(ies) to attend and vote on their behalf.*
- (f) *IGB REIT shall have the right to reject Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on Proxy Form.*
- (g) *The executed Proxy Form must be deposited at the Manager's registered office, not later than 11.30 a.m. on Sunday, 23 April 2017.*
- (h) *Annual Report 2016 is available on IGB REIT's website [www.igbreit.com](http://www.igbreit.com), which unitholders can view or download at their convenience.*

### (3) Registration of unitholders/proxies

- (a) *Registration will start at 9.30 a.m. on the day of the 5<sup>th</sup> AGM.*
- (b) *Unitholders/proxies are required to produce original identification cards/documents during registration for verification.*
- (c) *Parking tickets can be validated at registration counter for unitholders/proxies who park their vehicles in Mid Valley Megamall (MVM) and The Gardens Mall (TGM) only. IGB REIT will NOT validate nor reimburse unitholders/proxies for parking charges using Touch'N Go, or the valet parking services at MVM and TGM.*
- (d) *Each unitholder/proxy will be given a wristband upon registration. No person will be allowed to enter the meeting room without wearing the wristband. There will be no replacement in the event unitholders/proxies lose or misplace the wristband. Unitholders/proxies are allowed to enter the meeting room at 11.00 a.m.*
- (e) *The registration counters will only process verification of identities and registration. Other queries/clarification, please proceed to Help Desk counter.*
- (f) *Each unitholder and/or proxy attending the 5<sup>th</sup> AGM in person will be entitled for only 1 gift voucher. Where a unitholder and/or proxy is also appointed as proxy for different unitholders to attend the 5<sup>th</sup> AGM, he or she will only be entitled to 1 gift voucher regardless of the number of unitholders he or she is representing.*



IGB REAL ESTATE INVESTMENT TRUST

Managed by IGB REIT MANAGEMENT SDN BHD (908168-A)

## PROXY FORM

<b>Number of Units held</b>	
<b>CDS Account Number</b>	
<b>CDS Account Number of Authorised Nominee</b>	

\*I/We (full name as per identification/certificate of incorporation) \_\_\_\_\_

identification/company No. \_\_\_\_\_ of (address) \_\_\_\_\_

being a unitholder of IGB REIT hereby appoint \_\_\_\_\_ identification no. \_\_\_\_\_

of (address) \_\_\_\_\_

or failing him/her, \_\_\_\_\_ identification no. \_\_\_\_\_

of (address) \_\_\_\_\_

or, both of whom failing, \*the Chairman of the 5<sup>th</sup> AGM as \*my/our proxy to attend and vote on \*my/our behalf, at the 5<sup>th</sup> AGM of IGB REIT to be held at Bintang Ballroom, Level 5, Cititel Mid Valley, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia on Tuesday, 25 April 2017 at 11.30 a.m. and at any adjournment thereof.

\* Delete as appropriate

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

\_\_\_\_\_  
Signature/common seal of Unitholder

### Notes:

- (a) A unitholder is entitled to appoint 1 or 2 proxies (none of whom need be a unitholder of IGB REIT).
- (b) A unitholder, who is an authorised nominee, may appoint not more than 2 proxies in respect of each securities account held; whereas, an exempt authorised nominee may appoint multiple proxies in respect of each securities account held.
- (c) A unitholder who appoints a proxy must execute the Proxy Form accompanies this Notice of 5<sup>th</sup> AGM. Completion and return of the Proxy Form will not preclude a unitholder from attending and voting at the 5<sup>th</sup> AGM in person, should they subsequently decide to do so.
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- (f) IGB REIT shall have the right to reject Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on Proxy Form.
- (g) The executed Proxy Form must be deposited at the Manager's registered office, not later than 11.30 a.m. on Sunday, 23 April 2017.
- (h) Annual Report 2016 is available on IGB REIT's website [www.igbreit.com](http://www.igbreit.com), which unitholders can view or download at their convenience.



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PROXY FORM

AFFIX  
RM0.80  
STAMP

The Company Secretary  
**IGB REIT Management Sdn Bhd** (908168-A)  
Manager of IGB REIT  
Level 32, The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia

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Mid Valley Megamall



The Gardens Mall



**IGB REIT MANAGEMENT SDN BHD** (908168-A)  
the Manager of IGB REIT

Level 32, The Gardens South Tower,  
Mid Valley City, Lingkaran Syed Putra,  
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Email : [corporate-enquiry@igbreit.com](mailto:corporate-enquiry@igbreit.com)