



IGB REAL ESTATE INVESTMENT TRUST

ANNUAL REPORT 2017



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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

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

BOARD OF DIRECTORS

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

AUDITOR

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)
 Level 10, 1 Sentral, Jalan Rakyat
 Kuala Lumpur Sentral
 50470 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 1, Wisma Hong Leong, 18 Jalan Perak
 50450 Kuala Lumpur, Malaysia
 Telephone : 603 - 2164 2525
 Telefax : 603 - 2164 7922

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

CHIEF EXECUTIVE OFFICER

Antony Patrick Barragry

COMPANY SECRETARY

Tina Chan Lai Yin

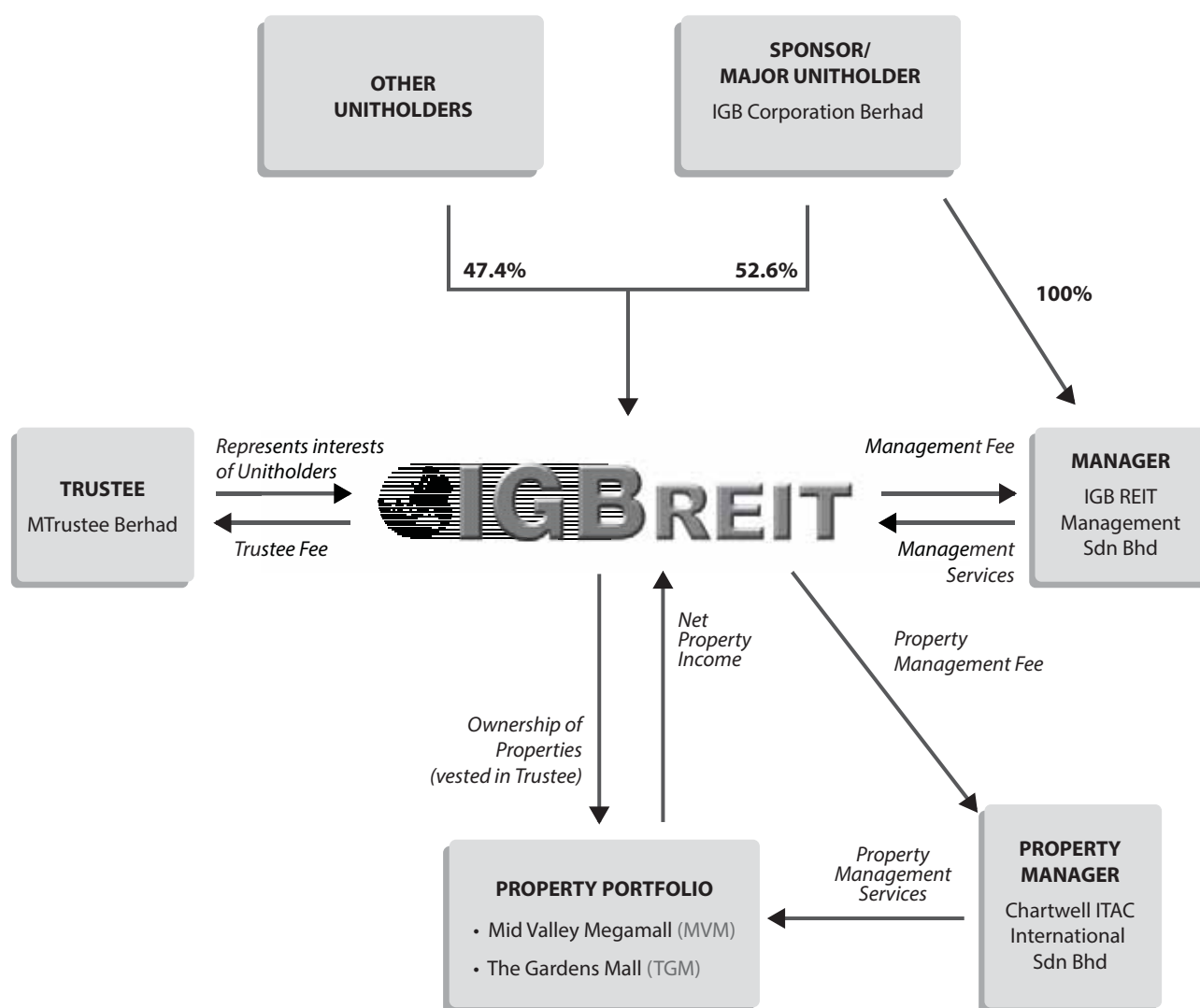
TRUSTEE

MTrustee Berhad (163032-V)
 Tingkat 15, Menara AmFirst
 No. 1, Jalan 19/3, 46300 Petaling Jaya
 Selangor Darul Ehsan, Malaysia
 Telephone : 603 - 2036 2633
 Telefax : 603 - 2032 1914

STOCK EXCHANGE LISTING

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

Structure



Salient Features

Fund Name	IGB REIT
Fund Category	Real Estate Investment Trust
Fund Type	Income stability and growth
Fund Duration	<p>The earlier of:</p> <ul style="list-style-type: none"> the occurrence of any of events listed in Clause 26.2 of the deed of trust (Deed) dated 18 July 2012; the date 999 years after 25 July 2012 (the date of establishment of IGB REIT); or the date on which IGB REIT is terminated by the Manager under Clause 26.1(b) of the Deed
Approved Fund Size	3,550,000,000 Units
Authorised Investments	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
Authorised Investment Limits	<p>The investments of IGB REIT are subject to the following investments limits imposed by REIT Guidelines:</p> <ul style="list-style-type: none"> at least 50% of IGB REIT's total asset value (TAV) must be invested in real estate assets at all times; and 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, <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"> the value of IGB REIT's investments in securities issued by any single issuer must not exceed 5% of IGB REIT's TAV; 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 IGB REIT's investment in any class of securities must not exceed 10% of the securities issued by any single issuer, or <p>such other limits and investments as may be permitted by the SC or REIT Guidelines.</p>
Distribution Policy	<ul style="list-style-type: none"> At least 90% of IGB REIT's distributable income 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)
Borrowing Limitations and Gearing Policy	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
Revaluation Policy	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
Manager Fee	<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"> 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). [FY2017: RM15,366,000] Performance Fee: 5% per annum of IGB REIT's net property income in the relevant financial year. [FY2017: RM18,678,000] Acquisition Fee: 1% of the total purchase consideration of any Authorised Investments directly or indirectly acquired by Trustee on behalf of IGB REIT 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.
Trustee Fee	Up to 0.03% per annum of the net asset value of IGB REIT
Financial Year End	31 December
Minimum Investment	100 units per board lot

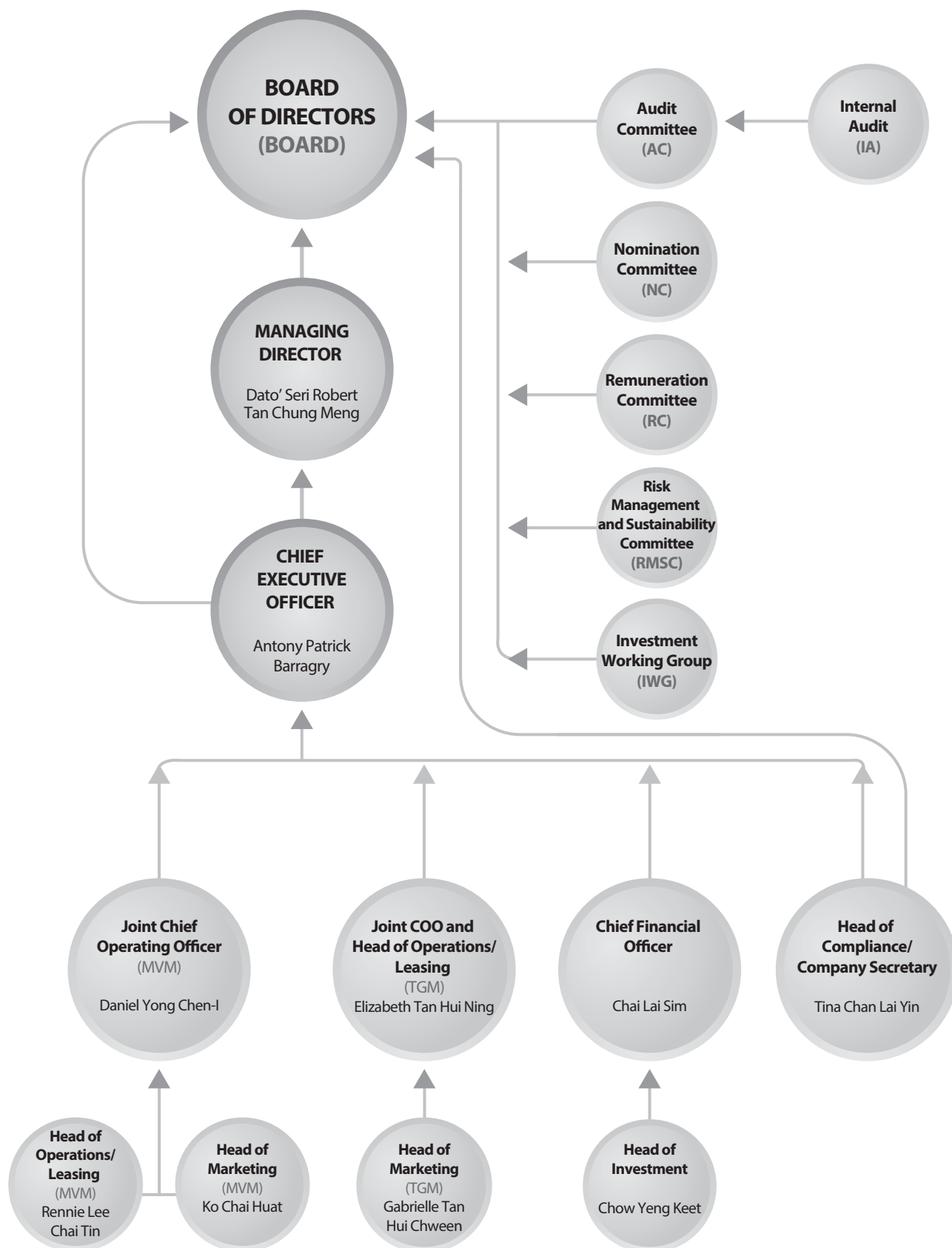
Property Portfolio

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 [#]
Encumbrances/material limitations in master title	<ul style="list-style-type: none"> Trust caveat lodged by the Trustee on behalf of IGB REIT vide Presentation No. 15448/2012 dated 14 September 2012 Trust caveat lodged by the Trustee on behalf of IGB REIT vide Presentation No. 16050/2012 dated 26 September 2012 	<ul style="list-style-type: none"> Private caveat lodged by the Trustee on behalf of IGB REIT vide presentation No. 12690/2012 on 26 July 2012 Trust caveat lodged by the Trustee on behalf of IGB REIT vide presentation No. 14472/2012 on 30 August 2012 Trust caveat lodged by the Trustee on behalf of IGB REIT vide presentation No. 16049/2012 on 26 September 2012
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 (<i>Tanah ini tidak boleh dipindahmilik, dipajak, dicagar atau digadai melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur</i>) [*]	
Express conditions in master title	This land shall be used for commercial building only (<i>Tanah ini hendaklah hanya untuk bangunan perdagangan sahaja</i>)	This land shall be used for commercial building for purpose of commercial spaces, offices, hotels and service apartments only (<i>Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan ruang perniagaan, pejabat, hotel dan pangsapuri servis sahaja</i>)
Type	Retail	
Appraised Value as at 31 December 2017 (RM'000)	3,645,000	1,285,000
Purchase consideration (RM'000)	3,440,000	1,160,000
Net Lettable Area as at 31 December 2017 (sq ft)	1,833,302	837,159
Gross Floor Area as at 31 December 2017 (sq ft)	6,107,103	3,540,796
Number of tenancies as at 31 December 2017	541	228
Occupancy rate as at 31 December 2017 (%)	99.9	98.0
Number of car park bays as at 31 December 2017	6,092	4,128

[#] TGM is separately held under 3 issue documents of strata title.

^{*} The expiry date of the State Authority's consent for the transfer of MVM in favour of the Trustee is 28 September 2018. The transfer of strata titles of TGM in favour of the Trustee was presented on 22 December 2017 to the land registry for registration of transfer.

Organisation and Reporting Structure



Profile of Directors

TAN SRI DATO' DR. LIN SEE YAN

(Malaysian, male, age 78)

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. He continues to serve the public interest, including Member, Competition Appeal Tribunal; as well as 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; a member of the Board of Governors of IGB International School 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 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 International Monetary Fund (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 Institute of Strategic and International Studies in Malaysia.

Tan Sri Dr. Lin sits on the Board of several public companies, as well as several business enterprises in Malaysia, Singapore and Indonesia engaged in chemicals & logistics, hospitality, health, oil & gas, construction & property development, software and private equity.

Public Company Directorship(s) : Ancom Berhad
Genting Berhad
Sunway Berhad
Wah Seong Corporation Berhad (WSCB)

DATO' SERI ROBERT TAN CHUNG MENG

(Malaysian, male, age 65)

Managing Director, 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 Corporation Berhad (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 Mid Valley Megamall (MVM) and The Gardens Mall (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 Directorship(s) : 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 71)

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 Directorship(s) : BNP Paribas Malaysia Berhad
WSCB

LE CHING TAI @ LEE CHEN CHONG

(Malaysian, male, age 76)

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 (now known as Alliance Bank Berhad) and subsequently appointed the Managing Director until he relinquished the post at the end of 1993. The next four 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 (now known as Magnum Berhad) Group from 1989 until his retirement as Executive Director in end 2000. He was also Executive Director of Ipinda Berhad from December 2001 until retiring in January 2008.

Profile of Directors

(continued)

TAN BOON LEE

(Malaysian, male, age 54)

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 Chief Executive Officer of Tan & Tan, the property arm of IGB. He has 30 years' experience in the property and hotel industries, providing management and technical assistance to hotel and hospitality projects in Malaysia and Asia. In the 1990's, he spearheaded IGB Group's growth into emerging economies of Myanmar and Cambodia via the group's hotel division. He was President of Malaysian Association of Hotel Owners (MAHO) from 2002 to 2004.

Public Company Directorship(s) : IGB
Goldis
Tan & Tan
SW Homeowners Berhad
Dato' Tan Chin Nam Foundation

DANIEL YONG CHEN-I

(Malaysian, male, age 46)

Non-Independent Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of RMSC

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 Directorship(s) : IGB
Goldis

ELIZABETH TAN HUI NING

(Malaysian, female, age 34)

Non-Independent Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of RMSC

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 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 60)

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 was admitted to the English Bar in 1983. She is a member of the Lincoln's Inn and the World Presidents' Organisation, Malaysia Chapter.

She has more than 30 years' experience in the 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 then assumed Executive Chairman and Chief Executive Officer until she retired from Goldis on 31 December 2016 but remains as Non-Executive Chairman of Goldis.

Public Company Directorship(s) : IGB
Goldis
Tan & Tan
Dato Tan Chin Nam Foundation

TAN YEE SENG

(Malaysian, male, age 37)

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) from University of East London, United Kingdom.

He is presently Senior General Manager of IGB, heading the 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 Directorship(s) : 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 unitholders 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; and
- (iii) any conviction of offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during FY2017.

Profile of Executive Team

ANTONY PATRICK BARRAGRY

(British/Permanent Resident of Malaysia, male, age 66)

Chief Executive Officer

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 developments. His prior work experience includes Jebel Ali Hotel development in Dubai, Putra 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 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

Chief Financial Officer

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 of Group Finance and subsequently assumed the present role of Group Chief Financial Officer of IGB.

CHOW YENG KEET

Head of Investment

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 Senior General Manager, Corporate Finance of IGB and Director of Finance of MVC. He has 6 years of 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*) for 5 years where his last position was Corporate Finance Manager prior to joining IGB in 2004.

Profile of Executive Team

(continued)

TINA CHAN LAI YIN

Head of Compliance/Company Secretary

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 26 years working experience. She is also presently Senior General Manager (Company Secretariat) 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 the 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 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 26 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 29 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.

Note:

None of the Officers 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; and
- (iii) any conviction of offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during FY2017.

Financial Highlights

Statement of Comprehensive Income	Group	Fund			
	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013
Gross Revenue (RM'000)	524,918	507,344	489,190	461,768	430,726
Net Property Income (NPI) (RM'000)	373,563	361,109	342,788	312,641	285,727
Distributable Income (RM'000)	342,801	316,306	290,980	268,795	241,110
Earnings per Unit (EPU) (realised) (sen)	8.64	7.96	7.33	6.76	6.06
Core EPU (sen)	9.78	7.96	7.33	9.23	9.13
Distribution per Unit (DPU) (sen)	9.28	8.71	8.19	7.79	7.04
Annualised DPU (sen)	9.28	8.71	8.19	7.79	7.04
Annualised Distribution Yield (%)	5.16	5.41	6.11	5.95	5.92
Management expenses ratio (%)	0.94	0.93	0.91	0.87	0.83

Gross Revenue	Group	Fund			
	FYE 2017 RM'000	FYE 2016 RM'000	FYE 2015 RM'000	FYE 2014 RM'000	FYE 2013 RM'000
MVM	366,447	354,677	340,045	318,993	300,013
TGM	158,471	152,667	149,145	142,775	130,713
Total	524,918	507,344	489,190	461,768	430,726

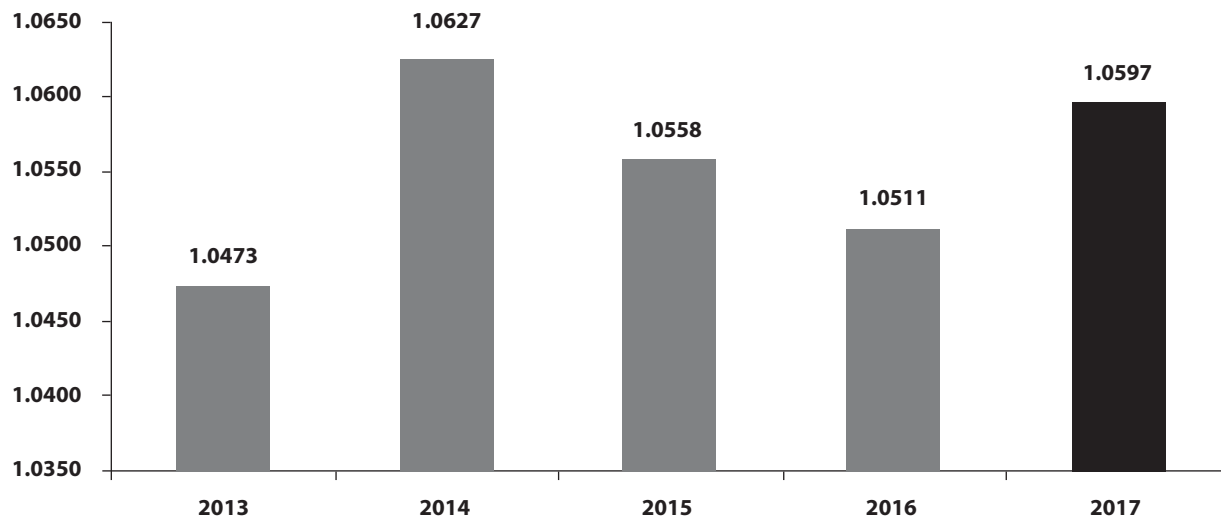
NPI	Group	Fund			
	FYE 2017 RM'000	FYE 2016 RM'000	FYE 2015 RM'000	FYE 2014 RM'000	FYE 2013 RM'000
MVM	277,875	266,263	250,384	224,154	211,918
TGM	95,688	94,846	92,404	88,487	73,809
Total	373,563	361,109	342,788	312,641	285,727

Statement of Financial Position	Group	Fund			
	As at 31.12.2017	As at 31.12.2016	As at 31.12.2015	As at 31.12.2014	As at 31.12.2013
Investment Properties (RM'000)	4,930,000	4,890,000	4,890,000	4,890,000	4,805,000
Total Asset Value (RM'000)	5,250,728	5,194,257	5,170,007	5,156,780	5,059,489
Total Liabilities (RM'000)	1,527,429	1,522,274	1,504,498	1,493,322	1,475,149
Net Asset Value (NAV) (RM'000)	3,723,299	3,671,983	3,665,509	3,663,458	3,584,340
NAV per Unit (RM)	1.0597	1.0511	1.0558	1.0627	1.0473

Financial Highlights

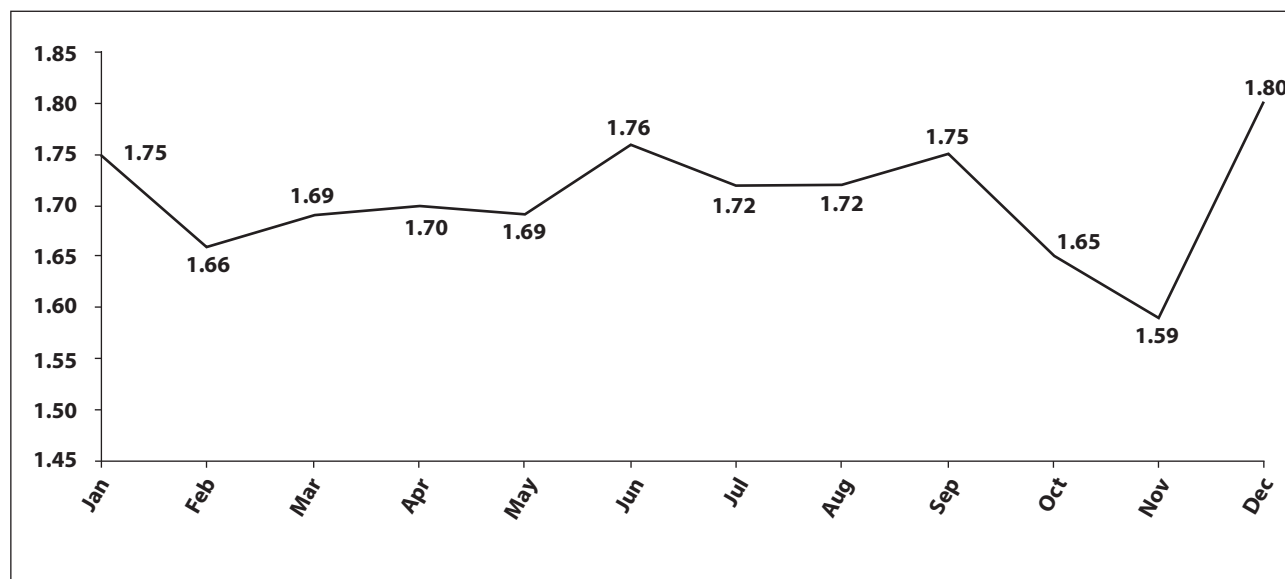
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NAV PER UNIT PERFORMANCE FOR IGB REIT (RM)



UNIT PRICE PERFORMANCE FOR IGB REIT

Month End Closing Price for 2017 (RM)



Trading performance for IGB REIT	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013
Closing price as at 31 December (RM)	1.80	1.61	1.34	1.31	1.19
Highest traded price (RM)	1.80	1.74	1.38	1.35	1.45
Lowest traded price (RM)	1.55	1.31	1.24	1.12	1.13
Issued units ('000)	3,513,452	3,493,474	3,471,789	3,447,328	3,422,620
Market capitalisation as at 31 December (RM'000)	6,324,214	5,624,493	4,652,197	4,515,999	4,072,918

Notes:

1. FYE Financial year ended 31 December
2. The Group results presented in the current year include a subsidiary which was incorporated in FY2017

Management Discussion and Analysis

Overview

IGB REIT is a Malaysia-domiciled real estate investment trust established on 25 July 2012 and listed on the Main Market of Bursa Malaysia Securities Berhad on 21 September 2012. Two malls sit within its portfolio today – Mid Valley Megamall (MVM) and The Gardens Mall (TGM).

When MVM first opened its doors to the public in 1999, it brought to Malaysia a new retail concept – the “Megamall”, which has since proven to be a model that appeals to Malaysians and visitors to our country. A large part of the continued success of both MVM and TGM has been the team’s commitment to bringing together the best in retail, lifestyle, and food & beverage (F&B) offerings. This has been done through constantly seeking ways to stay ahead of retail trends and bringing to shoppers fresh and exciting lifestyle offerings. Each mall has a distinct identity and through the years, has cultivated a unique position that both excites their shoppers, and attracts contemporary brands that appeal to the community. We believe that these attributes have allowed IGB REIT to continue to be successful and grow from strength to strength, in both good times and bad.

A testament to the success of the “Megamall” concept and approach taken by the malls is the fact that both MVM and TGM have firmly established themselves as a key retail destination in the Klang Valley, and continue to attract visitors both near and far.

Investment Policy, Objectives, and Strategies

IGB REIT seeks to own and invest in a portfolio of quality, income producing real estate used primarily for retail purposes. Its primary objective 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.

IGB REIT is externally managed and administered by IGB REIT Management Sdn Bhd, the Manager of IGB REIT, who works to increase income and enhance asset value over time with the objective of maximising returns from investments, and consequently the distributions to unitholders. The Manager does this through active asset management, acquisition growth, and capital and risk management.

Capturing Opportunities for Intrinsic Growth

The start of 2017 was dominated by a largely cautious sentiment as the world came to terms with Donald Trump’s election win, a seemingly increasing protectionist stance by the United States of America, a ringgit that ended the year as the region’s worst performing currency, and a year ahead which saw several notable risks including elections in Europe, and a slowdown in China’s growth. The Malaysian economy surprised observers however, enjoying a rebound in growth that exceeded market expectations, driven by strong domestic demand and strengthening global trade.

The general performance of the traditional retail industry however was a little muted as growth enjoyed by the Malaysian economy was slow to translate into higher pay and improved consumer sentiment. Malaysians continued to be impacted by rising living costs, particularly in transportation, food, and fuel, and as such, remained cautious in their monthly spending. Additionally, 2017 saw a marked increase in the popularity of online shopping, with e-commerce conglomerates such as Alibaba garnering support across the digital sphere to push through sales periods such as Single’s Day, 11.11, 12.12 and Black Friday.

IGB REIT entered this year cautiously, wary of the challenges ahead, and determined to bring to market fresh and exciting offerings, while improving the customer experience at both malls. We continued to stay true to our commitment to bringing to our communities unparalleled retail and lifestyle experiences, refreshing our tenant mix and carrying out asset enhancement initiatives (AEI) at both MVM and TGM. These efforts have helped to maximise the sales of tenants and generate growth through improved rental income.

Our teams have also kept an ear to the ground to ensure that we continued to be quick to adapt to new and emerging trends. An example of this was our response to the realisation that an increasing number of people were choosing to take Uber or Grab to our malls. In response to this, in addition to the existing taxi stands available, we set up Uber and Grab stands for the convenience of our customers. We estimate that on average, approximately 3,000 Uber and Grab drop offs and pickups were made each day this year.

As such, despite the challenges faced in the operating environment, we are proud to share that IGB REIT continued to perform well in 2017.

Management Discussion and Analysis

(continued)

Continued Performance amidst a Challenging Environment

(a) Group Key Financial Highlights

Table 1: Summary of Group Key Financials

Group Key Financial Highlights	FY2017 RM'000	FY2016 RM'000	Change (%)
Gross Revenue	524,918	507,344	3.46
• MVM	366,447	354,677	3.32
• TGM	158,471	152,667	3.80
Net Property Income (NPI)	373,563	361,109	3.45
• MVM	277,875	266,263	4.36
• TGM	95,688	94,846	0.89
Net Profit (NP)	343,366	277,836	23.59
Distribution per Unit (sen)	9.28	8.71	6.54

For FY2017, IGB REIT delivered steady growth driven mainly by higher rental income. We posted a gross revenue of RM524.9 million and a NPI of RM373.6 million for the year, both of which were 3.5% higher than that recorded in FY2016.

FY2017 NP was RM343.4 million, representing a 23.6% increase compared with that recorded in FY2016. This was mainly due to higher rental income and the recognition of RM40.0 million fair value gain on investment properties in the year.

(b) Group Statement of Financial Position

Table 2: Group Statement of Financial Position

Group Statement of Financial Position	As at 31.12.2017	As at 31.12.2016	Change (%)
Investment Properties (RM'000)	4,930,000	4,890,000	0.82
• MVM (RM'000)	3,645,000	3,610,000	0.97
• TGM (RM'000)	1,285,000	1,280,000	0.39
Total Asset Value (RM'000)	5,250,728	5,194,257	1.09
Cash and Bank Balances (RM'000)	285,208	274,395	3.94
Total Liabilities (RM'000)	1,527,429	1,522,274	0.34
Net Asset Value (NAV) (RM'000)	3,723,299	3,671,983	1.40
NAV per Unit (RM)	1.0597	1.0511	0.82
Fund Size ('000 units)	3,513,452	3,493,474	0.57

Investment properties are stated at fair value based on valuations performed by independent professional valuer - One Asia Property Consultants (KL) Sdn Bhd. The company holds relevant professional qualifications and has relevant experience in valuing the investment properties. Based on the valuation reports dated 8 January 2018, the market values of MVM and TGM as at 31 December 2017 were RM3.645 billion and RM1.285 billion respectively, indicating a fair value gain of RM35.0 million and RM5.0 million respectively.

As at 31 December 2017, NAV after income distribution was RM3.723 billion, compared with RM3.672 billion the year before, reflecting a growth of 1.4%.

Notably this year, IGB REIT's fund size increased from 3,493,474 million units as at 31 December 2016 to 3,513,452 million units as at 31 December 2017, as a result of the issuance of new units as payment for Manager fees.

Management Discussion and Analysis

(continued)

(c) Income Distribution

Distribution of income should only be made from realised gains or realised income in accordance with the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts (REIT Guidelines).

Table 3: Income Distribution

	FY2017	FY2016
Income Distribution (RM'million)	325.8	304.2
• First Half (RM'million)	153.7	153.8
• Second Half (RM'million)	172.1	150.4
Payout ratio (%)	95.0	96.2

For the first half ended 30 June 2017, the Manager paid an income distribution amounting to RM153.7 million or 4.38 sen per unit (4.30 sen taxable and 0.08 sen non-taxable). This was paid on 30 August 2017.

For the second half ended 31 December 2017, an income distribution of RM172.1 million or 4.90 sen per unit (4.79 sen taxable and 0.11 sen non-taxable). This is payable on 28 February 2018.

Distribution for FY2017 amounted to 9.28 sen per unit, up from 8.71 sen per unit in FY2016.

The Manager has proposed that at least 90% of IGB REIT's distributable income will be paid semi-annually for FY2018 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.

Reimagining the Retail Experience

(a) MVM

MVM performed well this year despite the retail industry being impacted by an increase in the popularity of online shopping and e-commerce, and a generally weak consumer sentiment driven by rising living costs and weaker job prospects.

Against this backdrop, we focused on supporting our tenants by providing advertising and promotion (A&P) support to help drive footfall and overall consumer spend. We also worked to secure new tenants who, in addition to having a brick and mortar presence, have a strong online presence. This allowed us to bring in a new dimension to the overall retail experience. Shoppers for example, can browse tenant websites to view the latest products on offer as well as check availability and make online purchases. These items can then be picked up at a location of their choosing. With a system that integrates online and in-store purchases, tenants are better able to customise offers and discounts based on individual shopping patterns, thus encouraging additional spend. AEs were also carried out in the year to rejuvenate the mall and elevate the overall shopping experience.

This year, new tenants welcomed to MVM included Smiggle, Pho Vietz, Thai Hou Sek, Greyhound Café, King of Trainers, Innisfree, The Hour Glass, Chuck Two Sons Bistro, Morganfield's, Yubiso, Thunder Match Mega Store, London Weight Management, and The Rift, amongst others. The overall sales performance of these new tenants in the year have been encouraging and have contributed to an increase in overall footfall.

Our Marketing team also worked closely with our tenants to organise fun and creative workshops for both children and adults. The workshops were targeted at families in the mall, and sought to build closer relationships with our customers as well as to enrich their experience at MVM. Arts and crafts as well as festive workshops, are just some examples of the sessions held in the year. We also ran gift redemption programmes and collaborated with various non-governmental organisations such as WWF-Malaysia and the Malaysian Nature Society, on environmental protection and awareness programmes. Safety talks by Polis Diraja Malaysia were also held. These activities all sought to keep the customer experience at MVM fresh and exciting.

We also continued to enhance the mall through carrying out AEs. This year, these included a refurbishment of our escalators as well as an upgrade of our toilets. Toilets on the East side of the mall on the ground, first and second floors were upgraded, while toilets located at the North and South side of the third floor were upgraded. Works to upgrade our car parks were also carried out.

(b) TGM

TGM also posted strong results. These were supported by our continued commitment to excite and remain relevant to our customers through offering an evolving tenant mix and ambience that seeks to enhance their experience with us.

An example of how we have kept our offerings fresh is Les Suites at TGM, a premium area in the mall housing a collection of tenants who together, offer a one-stop destination for customers looking to plan a wedding. Since opening its doors last year, Les Suites at TGM has garnered a strong following of loyal customers, and has helped drive footfall to the 6th floor. This year, we continued to welcome new tenants to the mall, including Kakigori, Tory Burch, Putien, Kare, Crumpler, and Dyson, whose store at TGM marked the first for the brand in Malaysia.

Management Discussion and Analysis

(continued)

Underlying the team's efforts to improve the mall was a push to enhance community engagement through working to build stronger relationships with our tenants and customers. The team at TGM worked to actively engage them in various campaigns carried out in the year. Shoppers, for example, could take part in our Corporate Social Responsibility (CSR) activities by donating food and household items to families in homes and organisations supported by the mall.

We also worked to support our tenants, particularly those on the upper floors, by providing them with an opportunity to improve their brand awareness through facilitating pop-up stores on the ground floor of the mall. Pop-up structures were provided by TGM every quarter to 3 tenants who could set up a store for 2 weeks.

Through the year, we also continued to carry out AELs. Our premier toilets on the ground floor for example, were newly refurbished in the year, while works to reconfigure the façade of our west entrance were also undertaken to provide a more contemporary and welcoming feel. Efforts to upgrade the car parks were also carried out.

Proactive Approach to Risk Management Key to Growth Strategy

A proactive approach to risk management sits at the heart of our long term growth strategy. We have in place a robust risk management framework underpinned by a rigorous internal control system and an independent review and audit process. Our framework allows the Manager to manage risks in an integrated, systematic, and consistent manner, and supports a culture where employees adopt the values, knowledge, and attitude that support sustainable growth.

We remain committed to upholding the highest standards of corporate governance and risk management and expect our employees to demand these standards both in our internal and external interactions.

(a) Interest Rate Risk

The Group's income and cash flows are not affected by changes in market interest rates as our borrowings are made up of fixed interest rate facilities which lock in the interest rate against fluctuations.

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

(b) Credit Risk

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

To mitigate our exposure to outstanding receivables 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 8.8% (2016: 8.9%) of our rental income, the Group does not have any significant exposure to any individual or group of tenants or counterparties, and does 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 has fallen 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, the Group 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 the 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 the REIT Guidelines with regards to limits on total borrowings of the investment trust.

Cash and bank balances for the Group are expected to assist in liquidity and cash flow risk management.

Management Discussion and Analysis

(continued)

(d) Capital Management

Capital is the unitholders' capital and borrowings.

The 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 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 the Group is as follows:

Table 4: The Group's Gearing Profile

	31.12.2017	31.12.2016
	RM million	RM million
Borrowings	1,214	1,237
Cash and Bank Balances	(285)	(274)
Net Gearing	929	963
Total unitholders' fund	3,723	3,672
Net Gearing (%)	25%	26%
Loan-to-value (LTV) (%)	23%	24%

In FY2017, net gearing was 25%, down 1% compared with FY2016. LTV was 23% for the year, which is below the limit (50% of total asset value) allowed by the REIT Guidelines.

(e) Business/Market Risk

Malaysia's economic performance surprised on the upside in 2017, with economic growth exceeding analyst forecasts. This performance did not immediately translate into higher consumer spending however, as salaries were slow to reflect the country's performance, and Malaysians continued to be impacted by rising costs of living. Consumer spending therefore remained cautious.

Against this backdrop, we continued to focus on offering fresh and exciting retail experiences, and embarked on various AELs. We also continued to work closely with our tenants and rolled out promotional campaigns to help drive footfall. Additionally, we worked to improve our relationships with our customers, engaging them in more activities, including CSR initiatives.

As a result of our efforts, both MVM and TGM have reported positive growth in revenue (3.32% and 3.80% growth respectively when compared to 2016).

(f) Regulatory and Compliance Risk

IGB REIT is subject to Malaysia's local 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, following the hike in electricity tariffs, we continued with the installation of LED lighting throughout our malls. This year, TGM converted the common area cove and downlights, as well as the back of house lights to LED.

(g) Tenant Concentration Risk

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

Since opening our doors to the public, we have had the opportunity to welcome and work with several good anchor tenants, all of whom have contributed to the vitality of both MVM and TGM, and who continue to help drive footfall. To mitigate IGB REIT's exposure to tenant concentration risks, we employ proactive leasing strategies, actively engaging tenants for forward renewals, and spreading out the portfolio lease expiry profile. We also closely monitor the performance of all anchor tenants 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.

Management Discussion and Analysis

(continued)

(h) Human Capital Risk

As an externally managed REIT, IGB REIT does not have any employees. The service providers engaged by the Property Manager, Chartwell ITAC International Sdn Bhd are responsible for attracting, retaining, and developing the people who are central to our success.

The service providers work very hard to ensure that they not only attract the right talent, but retain them. They seek to mitigate human capital risk by maintaining a robust human resource policy which ensures fair and reasonable remuneration in line with industry standards, as well as access to personal development and training opportunities that support staff development and progression. The service providers believe that it is only through investing in people that they can help us realise our potential as a business and contributor to our communities.

While the service providers remain committed to attracting and retaining talent with the right skills to support our business, they are also exploring the possibility of outsourcing select job functions and automating processes where it makes sense. This will allow them 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. As such, succession planning is something that is taken very seriously, with next generation leaders identified and offered the appropriate training, exposure, and mentorship, so that they are prepared 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 continue to 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. We continued to update our security procedures, revising the contingency plans we have in place where required. Annual training for our Police Bantuan and in-house guards also continued in the year.

Unlocking Value to Propel Sustained Growth

Analysts have forecast an improvement in consumer sentiment for 2018 on the back of better than expected growth in the Malaysian economy this year. This momentum is expected to carry into 2018. Additionally, the impact of Budget 2018, specifically personal income tax cuts, various cash handouts, and an overall increase in civil servant emoluments, is expected to go some way towards providing the impetus needed for a recovery in consumer sentiment. Having said that, we expect global economic uncertainties, an upcoming General Election, and ringgit volatility to also weigh in on overall economic performance and consumer sentiment. Given these uncertainties, we remain cautious going into 2018 and expect another challenging year ahead.

An area that we continue to keep a watchful eye on is the way in which e-commerce is changing consumer spending habits. Although online shopping has gained popularity around the world, we believe that in Malaysia, the proportion of total online retail spend still represents a small portion of the total. Malaysians still enjoy visiting malls and see them as more than just a place to shop. People across all ages continue to visit malls with friends and family, spending time not only shopping but enjoying the range of lifestyle avenues offered such as F&B and entertainment.

Against this backdrop, we stand firm in our belief in the importance of pushing ahead with continued AEs and building stronger relationships with our customers. As such, we will continue to roll out active customer engagement programmes such as targeted A&P initiatives, and will also continue to work closely and support all our tenants so that we are able to keep visitor experiences fresh and contemporary.

In 2018, visitors to our malls will not only benefit from improved facilities and a friendlier retail ambience, they can also look forward to expanded retail spaces. At TGM for example, 18,000 square feet of new NLA on the lower ground floor will be introduced, allowing us to welcome new F&B and lifestyle tenants, including some who are new to market. In its eleventh year, TGM will also be looking to upgrade some major building equipment and fixtures, however, the scheduling of such works will be done so as to minimise any disruptions to our shoppers.

We believe that we have done well in 2017, particularly given the challenges faced this year. However, it is imperative that we continue to evolve and adapt if we want to remain resilient in an ever-changing landscape. Going into 2018, we will continue to proactively manage our assets, and are confident that we can carry on exciting our consumers through bringing in new to market brands, ideas, and engagement initiatives. We will also continue to seek out new opportunities to support income growth and manage our costs, with the view of creating long term value for our stakeholders.

This Statement has been approved by the Board of Directors and is current as at 23 February 2018.

Corporate Governance Overview Statement

IGB REIT is listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities) on 21 September 2012. IGB REIT is a collective investment scheme and regulated by the Securities Commission Malaysia (SC) pursuant to the provisions of SC's Guidelines on Real Estate Investment Trusts (REIT Guidelines) and Capital Markets and Services Act 2007 (CMSA) as well as Bursa Securities' Main Market Listing Requirements (MMLR). IGB REIT has 2 investment properties under its portfolio, namely Mid Valley Megamall (MVM) and The Gardens Mall (TGM).

IGB REIT, constituted as a trust, has no personnel of its own or internal operations. It is managed and administered by IGB REIT Management Sdn Bhd (Manager) pursuant to the Deed of Trust (Deed) dated 18 July 2012 made between the Manager and MTrustee Berhad (Trustee). 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 the unitholders (UHs), whereas the Manager has general powers 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 UHs. The Manager has been issued a Capital Markets Services Licence by SC under the licensing regime for REIT managers to conduct asset management activities. The Manager is a wholly-owned subsidiary of IGB Corporation Berhad (IGB), the sponsor and a controlling UH of 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 the 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.

IGB REIT is managed under the supervision and direction of the Board of Directors (Board or Directors) of the Manager. 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 (INED), Lee Chen Chong (INED), Dato' Seri Robert Tan Chung Meng (Managing Director/MD), Tan Boon Lee (Executive Director/ED), Daniel Yong Chen-I (ED), Elizabeth Tan Hui Ning (ED), Tan Lei Cheng (Non-INED), and Tan Yee Seng (Non-INED). Each Director has been appointed on the strength of his/her calibre and experience. As a team, the Board brings together a broad range of qualifications with considerable experience and expertise in property investment, commercial, finance, accounting and risk management, which is vital to effectively lead the Manager and IGB REIT. The Manager has also appointed a team of experienced and well-qualified personnel (Executive Team or Officers) to handle its day-to-day operations. Executive Team comprises Chief Executive Officer (CEO), Joint Chief Operating Officer (Joint COO) (MVM), Joint COO and Head of Operations/Leasing (TGM), Chief Financial Officer (CFO), Head of Investment, Head of Operations/Leasing (MVM), Head of Marketing (TGM) and Head of Compliance/Company Secretary (HOC/CS). In this Statement, references to 'Executive Management' refer to MD, EDs and Executive Team. Biographical details of Directors and Executive Team are set out in this Annual Report under the respective headings **Profile of Directors** and **Profile of Executive Team**.

The Manager, as responsible entity of IGB REIT, recognises that well-defined corporate governance (CG) processes are essential in enhancing corporate accountability and long-term business sustainability, and remains committed to ensuring that its policies and practices reflect high standards of CG which meet the applicable laws and regulations. The Board considers that the Manager's governance framework, as summarised in this Statement, and adherence to that framework are fundamental in demonstrating that the Board is accountable to UHs and is appropriately overseeing the management of risk and the future direction of IGB REIT. In developing its governance framework, the Board is guided by the measures set out in REIT Guidelines, Bursa Securities' Corporate Governance Guide (CG Guide) and Malaysian Code on Corporate Governance (MCCG).

This Statement provides an insight on the Manager's governance framework and practices that were in place for the financial year ended 31 December 2017 (FY2017) and to the date of this Statement. The Directors recognise the value of the MCCG and believe that reporting against the principles and practices of the MCCG (MCCG Practices), and by reference the CG Guide, will provide UHs of IGB REIT with better information. However, some of the MCCG Practices are not relevant to IGB REIT's position, being an externally managed trust. To the extent the MCCG Practices are applicable, the Board has made appropriate statements reporting on the adoption of the MCCG Practices. Where, after due consideration and given the needs and circumstances of IGB REIT, in so far as CG practices of the Manager diverge from the MCCG Practices, the Board has offered full disclosure and reason for the adoption of its own practices. As the activities of IGB REIT develop in size, nature and scope, the implementation of additional CG structures will be afforded further consideration.

The Manager's key governance documents, including the Constitution, Board Charter (Charter), Directors' Code of Business Conduct and Ethics (Code), the terms of reference (ToR) of each of the Board Committee and Remuneration Policies and Practices (RPP) are posted on IGB REIT's website (www.igbreit.com).

This Statement has been approved by the Board and is current as at 23 January 2018.

Corporate Governance Overview Statement

(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS			
MCCG Practices	Intended Outcome	Practice	Explanation
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.		1.1 The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.	<p>The Board is committed to effectively representing and promoting IGB REIT, and thereby adding long-term value to all UHs. The Board is accountable to UHs for the management, administration and overall governance of IGB REIT, in each case including the protection of UHs' interests, developing strategic direction, establishing goals for Executive Management and monitoring the achievement of these goals.</p> <p>To clarify the roles and responsibilities of Directors and Executive Management, and to assist the Board in discharging its responsibilities, the Manager has established a governance framework which sets out the functions reserved to the Board and provides for the delegation of functions to the Board Committees (BCs) and Executive Management. Those functions and responsibilities reserved to the Board are set out in its Charter (last reviewed in January 2018) which include:</p> <ul style="list-style-type: none"> ■ contributing to and approving Executive Management's development of strategy for IGB REIT, including setting performance objectives and approving operating budgets; ■ overseeing, reviewing and monitoring systems of risk management, internal controls and ethical and legal compliance, which includes reviewing procedures to identify the main risks associated with the businesses of the Manager and IGB REIT (including the management of material exposure to environmental, economic and social (EES) sustainability risks) and the implementation of appropriate systems to manage those risks; ■ reviewing periodically the Manager's risk management framework to satisfy itself that it continues to be sound; ■ monitoring performance and implementation of strategy and policy for IGB REIT; ■ approving major capital expenditure, acquisitions and divestitures, and monitoring capital management; ■ monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting and ensuring compliance with financial reporting requirements; ■ developing and reviewing the Manager's CG principles and policies; and ■ ensuring UHs are kept informed of IGB REIT's performance and major developments affecting its state of affairs.
		1.2 A Chairman of the board who is responsible for instilling good CG practices, leadership and effectiveness of the board is appointed.	<p>The Board Chairman, Tan Sri Dato' Dr. Lin See Yan, was independent of IGB REIT and the Manager at the time of his appointment and remains so. Board Chairman also chairs the Nomination Committee (NC) and Remuneration Committee (RC). Board Chairman leads the Board and ensures its effectiveness, among other things, steering effective, productive and comprehensive discussions among members of the Board and Executive Management on strategic, business and other key issues pertinent to the business and operations of IGB REIT and the Manager. With the full support of the Board and Executive Team, Board Chairman spearheads the Manager's drive to promote, attain and maintain high standards of CG and transparency.</p>
		1.3 The positions of Chairman and CEO are held by different individuals.	<p>The Board Chairman, MD and CEO are separate persons and not related to each other. Their roles are kept separate to ensure a clear division of responsibilities and an appropriate balance of power and authority. This separation of roles promotes greater accountability from Executive Management and allows the Board to exercise its independence in its oversight of and deliberations with Executive Management. The role of Board Chairman is described in Box 1.2. MD as a representative of the Board, together with CEO, is accountable to the Board and responsible over the business directions and the strategy implementation of IGB REIT and the Manager and for all operational decisions in managing IGB REIT and the Manager, as well as provides close oversight, guidance, advice and leadership to Executive Team.</p>
		1.4 The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of CG best practices.	<p>The Board is supported by HOC/CS, Tina Chan, who is a Fellow of the Institute of Chartered Secretaries and Administrators. HOC/CS has overall responsibility for the secretariat function and is directly accountable to the Board, through Board Chairman, on all matters to do with the proper functioning of the Board. This includes supervising, monitoring and advising on governance matters and compliance by IGB REIT with all legislation, rules and guidelines and disclosure requirements of various regulatory bodies, coordinating Board business and providing a point of reference for ensuring good information flow within the Board and its BCs, and between Non-Executive Directors (NEDs) and Executive Management, and performing such other duties of HOC/CS, as required under laws and regulations, or as required by Board Chairman or Directors (or any of them), as the case may be. Decisions to appoint or remove HOC/CS are made or approved by the Board.</p>

Corporate Governance Overview Statement

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices	Practice	Explanation
Intended Outcome	1.5	Directors are expected to prepare for, attend, and contribute meaningfully in all Board and applicable BC meetings in order to discharge their obligations. The Manager's Constitution allows for such meetings to be conducted via telephone, video conference or any other form of electronic or instantaneous communication. To facilitate participation of Directors' attendance at the Board and BC meetings as well as annual UH Meeting (UHM), schedule of meetings for each calendar year is scheduled well in advance before the end of the preceding financial year.
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.	1.5	<p>The Board meets 4 times a year at approximately quarterly intervals and as warranted by particular circumstances. Where required, time is set aside after scheduled Board meetings for discussions among the members of the Board without the presence of Executive Team as this facilitates a more effective check on the Officers. Meeting materials for the Board and BCs are uploaded onto personal electronic tablets to enable Directors to access the documents in a timely manner. Meeting materials generally provided to members of the Board and BCs at least 5 days prior to each Board or BC meeting, so that such matters may be considered and discussed thoroughly and fully, prior to the making of any decision. Executive Team may be requested to attend meetings of the Board so as to be at hand to answer any question or contribute to any discussion. Presentations are made by Executive Team at the meetings of the Board to facilitate deliberations and discussions. Consistent with their fiduciary duties, Directors are expected to maintain confidentiality of the deliberations of the Board and BCs. Minutes of each Board or BC meeting are circulated promptly to every Board or BC member for their comments prior to confirmation of the minutes. The attendance of Directors at meetings of the Board and BCs, and the frequency of such meetings, is disclosed in Appendix 1.</p> <p>For matters which require the Board's decision outside such meetings, board papers along with resolutions in writing will be circulated through HOC/CS for the Board's consideration, with discussions and clarifications taking place between members of the Board and Executive Team, where required, before approval is granted. Directors, whether as a group or individually, may at their discretion and where necessary, seek and obtain independent professional advice in the furtherance of their duties.</p> <p>The Charter sets out the respective authority and responsibilities of the Board, BCs and individual Directors and those matters expressly reserved to the Board and those delegated to BCs and Executive Management.</p> <p>The Board is responsible for overseeing the management of IGB REIT on behalf of UHs. The Board fulfils its mandate at regularly scheduled meetings or as required. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the affairs of IGB REIT and the Manager and in light of opportunities or risks which they face. Directors are kept informed of the operations of IGB REIT and the Manager at these meetings as well as through reports and discussions with Executive Team on matters within their particular areas of responsibility. In addition, from time to time, the Board participates (either directly or through representatives) in due diligence committees in relation to strategic decisions, capital and funding activities.</p> <p>The Constitution and the Charter enable the Board to delegate to BCs and Executive Team. BC members are chosen for the skills and experience they can contribute to the respective BCs. BCs constituted by the Board are Audit Committee (AC), NC, RC, Risk Management and Sustainability Committee (RM/SC) and Investment Working Group (IWG). All BCs made up of Directors, save for RM/SC and IWG, of which Officers are members and is led by CEO. The objective, remit and powers of each BC are established in the Charter. Topics of discussion and frequency of meetings will vary depending on each BC's ToR and the portfolio's complexity. BC meeting minutes are included as part of Directors' meeting materials to keep Directors updated on each BC's activities. The role, function, performance and membership of each BC is reviewed on an annual basis as part of the Board's performance-assessment process. The annual Board evaluation performed in FY2017 showed that all BCs had effectively discharged their functions as described in Box 5.1. BC attendance records are disclosed in Appendix 1.</p> <p>The Board is responsible for guiding the corporate strategy and direction of IGB REIT and has the overall responsibility for decision making. The Board delegates to Executive Team responsibility for implementing the Board's strategy and for managing the operations of IGB REIT. CEO leads Executive Team in making and implementing day-to-day decisions on business operations and management of IGB REIT and managing resources and risks in pursuing the investment objectives of IGB REIT, in accordance with the Board approved policies and delegations of authority. To ensure the business and operational efficacy is maintained without compromising the standard of CG, the scope of, and limitations to management delegated authority is clearly documented and cover areas such as operating and capital expenditure.</p>
There is demarcation of responsibilities between the board, BCs and management.	2.1	<p>The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies –</p> <ul style="list-style-type: none"> the respective roles and responsibilities of the board, BCs, individual directors and management; and issues and decisions reserved for the board.
There is clarity in the authority of the board, BCs and individual directors.	2.1	

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices	Practice	Explanation
<p>Intended Outcome</p> <p>The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.</p> <p>The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.</p>	<p>3.1</p> <p>The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest (COI), preventing the abuse of power, corruption, insider trading and money laundering.</p> <p>The Code of Conduct and Ethics is published on the company's website.</p>	<p>The Manager has in place a Code. The Board is guided by the Code in discharging its oversight role effectively. The Code requires all Directors to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the business and professional practice of the Manager and act in good faith in the best interests of the Manager and UHs of IGB REIT.</p> <p>Under the Deed, the Manager, Trustee and any delegate of either of them shall avoid COI 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 UHs. The Manager and its related parties are prohibited from voting their units at, or being part of the 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.</p> <p>When acting as Directors of the responsible entity of IGB REIT, the Directors must act in the best interest of UHs, and if there is a conflict between the interest of UHs and the interest of the Manager, the Directors must give priority to the interest of UHs. The Charter provides Directors with guidelines for complying with their obligations to take all reasonable steps to avoid actual, potential or apparent COI. To maintain integrity in decision making each Director must advise the Board of any potential COI. If a COI exists, the Director concerned will have no involvement in the decision making process relating to the matter.</p> <p>The Manager has established procedures to ensure that related party transactions (RPTs) involving, among others, the Trustee, the Manager, Directors, CEO, major UHs 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. Executive Team has been kept informed of the disclosure procedures for RPTs, 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 Board, through AC, reviews and monitors all RPTs and COI situations, if any, on a quarterly basis to ensure compliance with internal control procedures and with the provisions of REIT Guidelines and MMLR. 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 maintains a register to record all RPTs which are entered into by IGB REIT. The Internal Audit's (IA) plan includes an annual review of all RPTs recorded in the register.</p> <p>During FY2017, all RPTs 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 RPTs 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. No Director has a material interest in any contract of significance in relation to IGB REIT's business during FY2017 or to the date of this Statement other than recurrent RPTs as disclosed in Notes to Financial Statements under the heading of Significant Related Party Transaction of this Annual Report.</p> <p>Directors and Officers 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 Officers 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 Officer is required to give notice to the Manager of his/her acquisition of units or of changes in the number of units which he/she holds or in which he/she has an interest, within 3 market days after such acquisition or changes in interest. All dealings in IGB REIT units by Directors and Officers are announced to Bursa Securities. Directors and Officers 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.</p>

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices	Practice	Explanation
<p>Intended Outcome</p> <p>The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.</p> <p>The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.</p>	<p>3.2</p> <p>The board establishes, reviews and together with management implements policies and procedures on whistleblowing.</p>	<p>The Manager is a wholly-owned subsidiary of IGB who has a Whistleblowing Policy. The policy allows the staff and external parties such as suppliers, customers, contractors and other stakeholders, to raise concerns or observations in confidence to the group, about possible irregularities for independent investigation and appropriate follow up action to be taken. Such concerns include dishonesty, fraudulent acts, corruption, legal breaches and other serious improper conduct; unsafe work practices; and any other conduct that may cause financial or non-financial loss to the group or damage to the group's reputation. The policy encourages staff and external parties to identify themselves whenever possible to facilitate investigations, but will also consider anonymous complaints, in certain circumstances. All whistleblower reports are addressed to the Whistleblowing Working Group, which comprises the heads of Group Internal Audit (GIA), Group Human Resource and Group Corporate and Legal Affairs, who are responsible for the administration, implementation and overseeing compliance with the policy, and to investigate, or determine the appropriate corrective or remedial actions that may be warranted in consultation with Group Managing Director. Complaints and concerns about possible improprieties in matters of financial reporting or other matters are reported directly to AC of IGB who shall ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action. For FY2017, there were no reported incidents pertaining to whistle-blowing.</p>
<p>Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.</p>	<p>4.1</p> <p>At least half of the board comprises independent directors (IDs).</p> <p>For Large Companies, the board comprises a majority IDs.</p>	<p>The Manager is committed to building an open, inclusive and collaborative culture, and recognises the benefits of having a Board with diverse backgrounds and experience. Such diversity will provide a wider range of perspectives, skills and experience, which will allow Board members to better identify possible risks, raise challenging questions, and contribute to problem-solving.</p> <p>There are 9 Directors on the Board, 3 of whom are INEDs. The Board considers that the Board's present size, composition and balance between EDs and NEDs, provide for an appropriate balance and diversity of skills, experience and knowledge of IGB REIT and the Manager, as well as core competencies such as finance, accounting and other relevant industry knowledge, entrepreneurial and management experience, required for the Board and BCs to be effective. The Board collectively has the critical skills and expertise needed in the strategic direction and planning of the businesses of IGB REIT and the Manager. The current composition gives the Board the ability to consider and make decisions objectively and independently on issues relating to IGB REIT and the Manager with a balanced exchange of views, robust deliberations and debates among members, and provides for effective oversight over Executive Team.</p> <p>Whilst MCCG Practice recommends the majority of the Board comprises INEDs, it is thought by the Board that to appoint further NEDs (whose perceived independence is beyond doubt) or to procure the departure of one of the existing Directors is unnecessary. Most importantly, all Directors, whether independent or not, are required to bring independent judgement to bear on Board decisions. The Board considers that, fundamentally, the independence of Directors is based on their capacity to put the best interests of the Manager and UHs of IGB REIT ahead of all other interests, so that Directors are capable of exercising objective independent judgement. Additional policies, such as Directors not being present during discussions or decision making on matters in which they have or could be seen to potentially have a material COI, in addition to Directors being excluded from taking part in the appointment of third party service providers where the Director has an interest, provide further separation and safeguards to independence. Also, there are procedures in place, agreed by the Board, to enable the Directors in furtherance of their duties to seek independent professional advice at the Manager's expense.</p> <p>In this regard, the Board, after considering the requirements of the businesses of IGB REIT and the Manager, and the need to avoid undue disruptions to the composition of the Board, is of the view that the current size and composition of the Board are appropriate for the scope and nature of the operations of IGB REIT and the Manager and facilitates effective decision-making. The Board believes that the 3 INEDs can make, and do make, quality and informed judgements in the best interests of UHs of IGB REIT on all relevant issues.</p>

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices	Intended Outcome	Explanation
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.	4.2 The tenure of an ID does not exceed a cumulative term limit of 9 years. Upon completion of the 9 years, an ID may continue to serve on the board as a non-ID. If the board intends to retain an ID beyond 9 years, it should justify and seek annual shareholders' approval. If the board continues to retain the ID after the twelfth year, the board should seek annual shareholders' approval through a 2-tier voting process.	The Manager measures the independence of its INEDs based on the definitions and guidelines of independence set out in MMLR, REIT Guidelines and MCCG, in which an INED should be independent of management and free from any business or relationship that could materially interfere with, or reasonably perceived to materially interfere with, the exercise of his/her unfettered and independent judgement. INEDs are required to inform the Board of all relevant information which may affect their independence and at least annually, to reconfirm their independence. NC determines the independence of INEDs annually. In its review for FY2017, NC determined that the INEDs 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 IGB REIT and the Manager, 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.
	4.3 Step Up The board has a policy which limits the tenure of its IDs to 9 years.	The Board (without participation by related INEDs), taking into account NC's views, affirmed 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 BCs, and their good understanding of the businesses of IGB REIT and the Manager with their wealth of knowledge, skillsets and experience would continue to provide invaluable contributions to the Board, and deemed it appropriate that they continue to act as INEDs. Each of the 3 INEDs has provided an annual confirmation of his independence to the Board.
	4.4 Appointment of board and senior management (SM) are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.	The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, there is no limit on the overall length of service of any of the Directors. The Board does not believe that length of service on INED has a bearing on independence. An individual Director's experience and continuity of Board membership can significantly enhance the effectiveness of the Board as a whole. Appointments of new Directors to the Board are the responsibility of the full Board on NC's recommendation. Such recommendations pay particular attention to the mix of skills, experience, expertise, diversity and other qualities of existing Directors, and how the candidate's attributes will balance and complement those qualities and address any potential skills gaps in light of the evolving strategic directions of IGB REIT and the Manager. There are formal, considered and transparent procedures for appointments of potential candidates for the office of Director which are made on personal merit and measured against objective criteria with due regard for the benefits of diversity in the boardroom. To ensure the Manager maintains the optimum mix of Directors, NC, when considering potential director candidates, undertakes appropriate checks. NC may do so with the aid of an independent advisor. There were no new appointments to the Board during FY2017.
		Appointments and performance appraisals of Executive Management are under the purview of RC. RC met once during FY2017 to consider the renewal of service contracts of the EDs and Officers. Having assessed the individual performance, and upon MD's recommendation, RC was satisfied with their performance and recommended to the Board that it would be in the best interest of the Manager to extend their employment for another 3 years, from 1 January 2018 to 31 December 2020, thereby retaining its team of competent and committed EDs and Officers and maintaining management's continuity, of which the Board has approved. Executive Management have service contracts which sets out the conditions and expectations of the role.
	4.5 The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies , the board must have at least 30% women directors.	The Board proactively seeks to ensure that the balance and diversity of the Board maintain an appropriate balance of skill experience, gender and knowledge required by the Board, and this is substantially reflected in the diversity of backgrounds and core competencies of the current Directors. As described in Box 4.4, the Manager makes its appointment decisions based on merits, by assessing whether a person's skills and experience are appropriate for particular roles. It does not discriminate based on gender, age, ethnicity or cultural background. The Manager has not yet established a formal policy on diversity and has not established measurable objectives for achieving gender diversity. The Board has taken cognisance of MCCG Practice and does not feel that it would be appropriate to set gender diversity targets as all appointments must be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective. At 31 December 2017, the proportion of women employed by the Manager was, Board @ 22%, and Executive Team @ 57%.

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices	Practice	Explanation
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.	4.6 In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitable qualified candidates.	As IGB REIT is an externally managed trust, UHs are not legally able to vote for Directors of the Manager. The Board seek recommendations and referrals from the sole shareholder of the Manager, Directors and external sources where practicable in identifying appropriate candidates to be appointed as new Directors.
	4.7 NC is chaired by an ID or senior ID.	NC comprises 3 INEDs and 1 Non-INED. NC is chaired by Tan Sri Dato' Dr. Lin See Yan who is also Board Chairman. The role of NC is to make recommendations to the Board on all board appointments and on relevant matters relating to the review of Board succession plans for Directors; the development of a process for evaluation of the performance of the Board, its BCs and individual Directors; and the review of training and professional development programs for the Board.
Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.	5.1 The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its BCs and each individual director. The board should disclose how the assessment was carried out and its outcome. For Large Companies , the board engages independent experts periodically to facilitate objective and candid board evaluations.	The Directors are aware that they need to continually monitor and improve performance and recognise this can be achieved through regular Board assessment, which provides a valuable feedback mechanism for improving Board effectiveness, thus ensuring the Manager is under the oversight and guidance of an accountable and competent Board. The Board has included in its Charter a requirement to conduct an annual assessment to evaluate the effectiveness of the Board, BCs and each Director and regular assessments on the required mix of skills, experience and core competencies within the Board to ensure Directors continuously contribute towards the achievements of corporate objectives and fulfil their fiduciary responsibilities. The internal review process involves having Directors complete an evaluation questionnaire which includes areas such as the responsibilities of the Board in relation to strategies and direction, accountability and oversight, risk management, performance management, compliance and CG; Board composition and processes; and Board decision-making and meeting processes. In addition, members of the Board will be required to assess the individual Director's performance such as the Director's attendance, preparedness, candour, participation and contribution at Board meetings. The chairmen and members of each BC are also required to complete a questionnaire on the effectiveness of BCs on which they serve, in terms of composition and governance; meeting administration and conduct; and skills and competencies. The independence of each INED is also considered as part of this process. HOC/CS complies Directors' responses to the questionnaires into a consolidated report. The report is discussed at NC meeting and shared with the Board on the overall results of the evaluation conducted and improvements recommended where appropriate. The Board's performance-assessment process has been applied in respect of FY2017. In its assessment, NC took into consideration the individual Director's contribution and performance, with reference to the results of the annual assessment of the effectiveness of the individual Director, and the intrinsic independent values demonstrated by INEDs, and concluded that the Board as a whole and its BCs have performed well with the individual's creditability to add value to the Board and BC 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 had continued to perform effectively and demonstrated commitments to his/her role, including commitment of time to the Board, and where relevant BC responsibilities. The Board was also satisfied that it and its BCs have an appropriate balance of backgrounds, skills, experience, independence and knowledge of IGB REIT and the Manager to discharge their duties effectively. The Board believes that this internally facilitated process works well for its size and composition, and as such, the use of an independent consultant is not necessary at this stage.

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices	Practice	Explanation
<p>The level and composition of remuneration of directors and SM take into account the company's desire to attract and retain the right talent in the board and SM to drive the company's long-term objectives.</p> <p>Remuneration policies and decisions are made through a transparent & independent process.</p>	<p>6.1</p> <p>The board has in place policies and procedures to determine the remuneration of directors and SM, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.</p>	<p>The Manager recognises that its people are its human resource and one of its key assets. The professional growth and development of its people are central to achieving the Manager's mission and strategy. With this in mind, the Manager supports levels of remuneration and compensation necessary to attract, engage, retain and motivate high quality people required to effectively lead and manage the operations and growth of the Manager, at a competitive cost.</p> <p>The Manager strives to ensure that remuneration packages reflect the relevant duties and responsibilities, are fair and equitable, and incorporate rewards clearly and measurably linked to performance both on an individual and on a corporate basis.</p> <p>More specifically, the RPP which was established and adopted by the Board on 8 November 2017, has been designed to meet the following principles and objectives:</p> <ul style="list-style-type: none"> to recruit, motivate, reward and retain talent and profile desired by the Manager; to set remuneration package at a competitive level by benchmarking to the market and providing incentives geared to agreed performance outcomes, where appropriate; and to align to the business strategy and achievement of business goals.
	<p>6.2</p> <p>The board has a RC to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the board and SM.</p> <p>RC has written ToR which deals with its authority and duties and these terms are disclosed on the company's website.</p>	<p>RC comprises 3 INEDs and MD. RC is chaired by Tan Sri Dato' Dr. Lin See Yan who is also Board Chairman.</p> <p>RC has oversight of the Manager's RPP in the context that these policies and practices fairly and responsibly reward individuals having regard to performance. The functions of RC, which include among others, review the remuneration framework for the Board and Executive Management for Board's endorsement; and review and approve the framework for salary reviews, performance bonuses and incentives for Executive Management. No RC member or any Director is involved in deliberations in any remuneration to be granted to himself/herself.</p> <p>The remuneration of Directors and Officers is paid by the Manager from the fees it receives from IGB REIT. The remuneration of NEDs takes into account their respective responsibilities, including attendance and time spent at Board and BC meetings. NEDs are paid Directors' fees which are subject to the approval of the Manager's sole shareholder, IGB, and sitting fees for attending meetings of Board and BCs. Directors are entitled to be reimbursed by the Manager for reasonable travelling, accommodation and other expenses that they may incur whilst travelling to or from meetings of the Board or BCs. Details on remuneration of Directors are shown in Box 7.1. For Executive Management, the Manager adopts a remuneration system that is responsive to the market elements and performance of both the Manager and the individual. Executive Management typically receives remuneration comprising base salary and other fixed benefits based on their respective service contracts with the Manager. Base salaries are reviewed annually taking into account a variety of factors, such as general economic and market conditions; particular circumstances such as changes in the scope and responsibility of the role; salary levels for comparable roles at relevant comparators; and individual performance. The performance-based bonus is linked to and determined based on achievement of the Manager's key qualitative financial, operational and strategic measures in the year.</p> <p>The remuneration levels for Directors and Executive Team are reviewed each year through a structured and transparent assessment process. To ensure the competitiveness of the Manager's remuneration levels, the levels are benchmarked against its peer group and REIT industry generally. The last performance evaluation for Directors and Executive Team was undertaken in November 2017. RC had considered the quantum of NEDs' fees (in respect of 2017 financial year) and meeting allowances (in respect of year 2018), and having noted that the annual retainer fees of the Manager had been set an inadequate level for comparable roles to those of comparable companies, had agreed to recommend to the Board that the annual fees for Board Chairman, AC Chairman and NED be revised respectively to RM90,000, RM80,000 and RM70,000 totalling RM380,000 for FY2017, while the meeting allowances, presently set at RM3,000 for the chair of meeting, and RM2,500 for the members, to maintain status quo, whereupon the Board had endorsed RC's recommendation. RC had also reviewed the year-end performance bonuses and merit pay increases (in respect of year 2018), for Executive Management, and having considered the good performance of IGB REIT despite the prevailing cautious sentiment and increasing competition brought on by new shopping malls and acknowledged the achievements were the result of the continued commitment and dedication of the team behind IGB REIT, had applied its judgement in determining a balanced fair outcome of merit increases in 2018 and year-end performance bonuses for Executive Management.</p>

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS																																																									
MCCG Practices		Explanation																																																							
Intended Outcome	Practice																																																								
Stakeholders are able to assess whether the remuneration of directors and SM is commensurate with their individual performance, taking into consideration the company's performance.	7.1	<p>There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits-in-kind (BIK) and other emoluments.</p> <table><tr><th>Directors</th><th>Salaries and EPF contributions RM</th><th>Annual Fees RM</th><th>Meeting Allowances RM</th><th>Total Remuneration RM</th></tr><tr><td>Tan Sri Dato' Dr. Lin See Yan, INED</td><td>-</td><td>90,000</td><td>28,000</td><td>118,000</td></tr><tr><td>Dato' Seri Robert Tan Chung Meng, MD</td><td>5,300,000</td><td>-</td><td>-</td><td>5,300,000</td></tr><tr><td>Halim bin Haji Din, INED</td><td>-</td><td>80,000</td><td>21,500</td><td>101,500</td></tr><tr><td>Lee Chen Chong, INED</td><td>-</td><td>70,000</td><td>25,500</td><td>95,500</td></tr><tr><td>Tan Boon Lee, ED</td><td>500,000</td><td>-</td><td>-</td><td>500,000</td></tr><tr><td>Daniel Yong Chen-I, ED</td><td>500,000</td><td>-</td><td>-</td><td>500,000</td></tr><tr><td>Elizabeth Tan Hui Ning, ED</td><td>500,000</td><td>-</td><td>-</td><td>500,000</td></tr><tr><td>Tan Lei Cheng, Non-INED</td><td>-</td><td>70,000</td><td>15,000</td><td>85,000</td></tr><tr><td>Tan Yee Seng, Non-INED</td><td>-</td><td>70,000</td><td>10,000</td><td>80,000</td></tr><tr><td>Total</td><td>6,800,000</td><td>380,000</td><td>100,000</td><td>7,280,000</td></tr></table>	Directors	Salaries and EPF contributions RM	Annual Fees RM	Meeting Allowances RM	Total Remuneration RM	Tan Sri Dato' Dr. Lin See Yan, INED	-	90,000	28,000	118,000	Dato' Seri Robert Tan Chung Meng, MD	5,300,000	-	-	5,300,000	Halim bin Haji Din, INED	-	80,000	21,500	101,500	Lee Chen Chong, INED	-	70,000	25,500	95,500	Tan Boon Lee, ED	500,000	-	-	500,000	Daniel Yong Chen-I, ED	500,000	-	-	500,000	Elizabeth Tan Hui Ning, ED	500,000	-	-	500,000	Tan Lei Cheng, Non-INED	-	70,000	15,000	85,000	Tan Yee Seng, Non-INED	-	70,000	10,000	80,000	Total	6,800,000	380,000	100,000	7,280,000
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Total	6,800,000	380,000	100,000	7,280,000																																																					
Stakeholders are able to assess whether the remuneration of directors and SM is commensurate with their individual performance, taking into consideration the company's performance.	7.2	<p>None of the Directors receive BIK and other emoluments.</p> <p>The Board is of the view that, given the confidential and commercial sensitivities associated with staff remuneration matters and the highly competitive human resource environment in which the Manager operates and the importance of ensuring stability and continuity of business operations with a competent and experienced Executive Team in place, it is in the best interests of the Manager not to disclose the remuneration of its top 5 Officers on a named basis.</p> <p>The remuneration paid to the top 5 Officers in bands of RM50,000 for FY2017 is as follows:</p> <table><tr><th>Remuneration Bands</th><th>No. of Executives</th><th>Base Salary</th><th>Bonus</th><th>BIK</th><th>Total</th></tr><tr><td>Between RM300,000 – RM350,000</td><td>1</td><td>70.24%</td><td>29.76%</td><td>-</td><td>100%</td></tr><tr><td>Between RM500,000 – RM550,000</td><td>3</td><td>55.36%</td><td>44.64%</td><td>-</td><td>100%</td></tr><tr><td>Between RM700,000 – RM750,000</td><td>1</td><td>72.08%</td><td>22.20%</td><td>5.72%</td><td>100%</td></tr></table>	Remuneration Bands	No. of Executives	Base Salary	Bonus	BIK	Total	Between RM300,000 – RM350,000	1	70.24%	29.76%	-	100%	Between RM500,000 – RM550,000	3	55.36%	44.64%	-	100%	Between RM700,000 – RM750,000	1	72.08%	22.20%	5.72%	100%																															
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Between RM700,000 – RM750,000	1	72.08%	22.20%	5.72%	100%																																																				
Step Up	7.3	<p>The annual aggregate remuneration paid to the top 5 Officers of the Manager for FY2017 was RM2,600,000.</p> <p>As explained in Box 7.2, the Board has assessed and decided against the disclosure of the remuneration of the top 5 Officers on a named basis, and believed that the interests of UHs of IGB REIT would not be prejudiced as a results of such non-disclosure. Most importantly, the composition of the current Executive Team has been quite stable and to ensure the continuity of business and operations of IGB REIT, it is important that the Manager continues to retain its team of competent and committed Officers so to drive IGB REIT's businesses to greater growth, efficiency and profitability.</p>																																																							

Corporate Governance Overview Statement

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PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT		
MCCG Practices	Practice	Explanation
<p>Intended Outcome</p> <p>There is an effective and independent AC.</p> <p>The board is able to objectively review AC's findings and recommendations.</p> <p>The company's financial statement is a reliable source of information.</p>	8.1	<p>The chairman of AC is not the chairman of the board.</p> <p>AC comprises 3 INEDs and 1 Non-INED. AC is chaired by Halim bin Haji Din, an INED. Board Chairman is a member of AC but does not act as AC Chairman. With an independent component of 75% and composed of NEDs, the composition of AC is fully compliant with MMLR.</p>
	8.2	<p>AC has a policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of AC.</p> <p>The Board has included in its Charter a requirement for the Board to observe a cooling-off period of at least 2 years prior to the appointment of a former key audit partner as a member of AC. None of AC members is a former partner of PricewaterhouseCoopers (PwC) who has been EA of IGB REIT since listing. PwC has a policy of rotating audit partner at least every 5 years and providing an annual declaration of independence.</p>
	8.3	<p>AC has policies and procedures to assess the suitability, objectivity and independence of EA.</p> <p>AC monitors and reviews the effectiveness of the external audit process for the financial statements of IGB REIT, undertakes a detailed review of the audit plan and the audit results report. Any concern with the effectiveness of the external audit process would be reported to the Board. No concerns were raised in respect of IGB REIT Financial Statements FY2017.</p> <p>AC is tasked with the annual assessment process on the performance and quality of EA and their independence, objective and professionalism. Following this year's evaluation using a questionnaire-based internal review, as well as input from Officers who have constant contact with PwC team throughout the year, AC was satisfied with PwC's technical competency in terms of their skills, execution of audit plan, reporting and overall performance. PwC 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 the Malaysian Institute of Accountants (MIA) and their firm's requirements for the audit of IGB REIT Financial Statements FY2017.</p> <p>AC has also conducted a review of all non-audit services provided by PwC during FY2017 and ensured that the fees for such non-audit fees did not impair their audit independence. Based on its review, AC was satisfied that given the nature and extent of non-audit services provided and the fees for such services, neither the independence nor the objectivity of PwC was put at risk. The fees payable to PwC in FY2017 amounted to RM110,000 for audit and audit related services, and RM8,775 for non-audit services related to tax compliance and consultancy.</p>
	8.4 Step Up	<p>AC comprises majority of INEDs, and as such there is a strong and independent element to provide effective oversight for it to function effectively and exercise objective judgements independently.</p>
	8.5	<p>The Board regards the members of AC collectively possess the accounting and related financial management expertise and experience required for AC to discharge its responsibilities and assist the Board in its oversight over management in the design, implementation and monitoring of risk management and internal control systems.</p> <p>AC's responsibilities include reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of IGB REIT and any announcement relating to IGB REIT's financial performance; reviewing and monitoring the effectiveness of the Manager's internal controls, including financial, compliance and risk management controls and procedures and reporting findings thereon to the Board at least annually; reviewing the adequacy and effectiveness of IA function, including its resources, audit plans and the scope and effectiveness of IA procedures; and reviewing, on an annual basis, the independence and objectivity of EA. Tasks performed by AC during FY2017 are described in greater details under the heading Audit Committee Report in this Annual Report.</p> <p>AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with training conducted by professionals or external consultants. Updates on developments in accounting and governance standards are presented by EA at AC meetings. Details of the training programmes, seminars and conferences that AC members attended are set out in Appendix II.</p>

Corporate Governance Overview Statement

(continued)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT		
MCCG Practices	Practice	Explanation
<p>Intended Outcome</p> <p>Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.</p> <p>The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.</p>	<p>9.1</p> <p>The board should establish an effective risk management and internal control framework.</p>	<p>The Manager has established a sound system of risk management and internal controls comprising procedures and processes to safeguard IGB REIT's assets and UHs' interests. The Board has overall responsibility for IGB REIT's system of internal controls and for reviewing its effectiveness, ensuring that risk management and internal control processes are embedded in the day-to-day operations.</p> <p>AC, through the assistance of IA, reviews and reports to the Board on the adequacy and effectiveness of the Manager's system of internal controls, including financials, compliance, operational and information technology (IT). EA also assesses the system of internal controls relevant to their audit procedures and reports to AC on an exception basis. In assessing the effectiveness of internal controls, AC ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.</p> <p>AC, through the assistance of RMSC and IA, reviews the adequacy and effectiveness of the Manager's risk management framework to ensure that robust risk management and mitigating controls are in place. The Manager has adopted an enterprise-wide risk management (ERM) framework to enhance its risk management capabilities. Key risks, control measures and management actions are continually identified, reviewed and monitored as part of ERM process. Financial and operational key risk indicators are in place to track key risk exposures. Apart from ERM process, key business risks are thoroughly assessed by RMSC and each significant transaction is comprehensively analysed so that management understands the risks involved before it is embarked upon. In addition to ERM framework, a matrix of key risks, by which relevant material financial, compliance and operational (including IT) risks of IGB REIT have been documented to assist the Board to assess the adequacy and effectiveness of the existing internal controls. The risk matrix is prepared with reference to strategies, policies, processes, systems and reporting processes connected with the management of such key risks and presented to the Board and AC.</p> <p>Each year, in consultation with RMSC, AC and IA, the Board assesses the adequacy and effectiveness of risk management and internal controls of IGB REIT. The review covered all material controls, including financial, operational, compliance and IT as well as risk management functions. Based on the internal controls and ERM framework established and maintained by the Manager, reviews performed by RMSC, AC and IA, and assurance from MD, CEO and CFO, the Board was of the opinion that the risk management and internal controls in place for IGB REIT were adequate and effective as at 31 December 2017 to address the financial, operational, compliance and risks, which the Manager considers relevant and material to IGB REIT's operations. None of the weaknesses or issues identified during FY2017 has resulted in non-compliance with any relevant policies or procedures, MMLR or recommended industry practices that would require disclosure in this Annual Report.</p> <p>As detailed in Box 9.1 and Box 9.2, the Board's oversight, review and monitoring of the effectiveness of IGB REIT's risk management and internal controls are supported by RMSC, AC and IA. RMSC oversees the implementation and operation of ERM framework and risk culture within the Manager. RMSC guides the implementation of risk management practices, processes and systems, and oversees all material risk exposures and risk decisions facing IGB REIT. AC assists by providing an objective non-executive review of the effectiveness of ERM framework. IA provides the Board and management with an independent and objective evaluation of the adequacy and effectiveness of the control over the risks for IGB REIT. The Board has been provided with assurance that all of IGB REIT's material business risks have been effectively managed for FY2017.</p> <p>RMSC comprises Executive Team and is chaired by CEO. RMSC 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 as well as IGB REIT's policies and strategies as they pertain to sustainability by identifying, evaluating, monitoring and managing EES risks and opportunities as they arise. RMSC 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. A risk matrix has been produced against which the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them. This risk register is reviewed at each meeting of RMSC and at other times as necessary.</p> <p>The Manager values EES sustainability within the areas which IGB REIT operates. In order to mitigate any material exposure to EES sustainability risks, the Manager undertakes regular monitoring and assessment of both operating and non-operating assets of IGB REIT to ensure that all activities are conducted in a manner that is consistent with IGB REIT's commitment to safe and sustainable operations. Current monitoring and assessment has not indicated any material exposures in the areas of environmental and social sustainability. IGB REIT's corporate sustainability directions and activities are disclosed in this Annual Report under the heading <u>Sustainability Statement</u>.</p>
	<p>9.2</p> <p>The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.</p>	
	<p>9.3</p> <p>The board establishes a Risk Management Committee, which comprises a majority of IDs, to oversee the company's risk management framework and policies.</p>	

Corporate Governance Overview Statement

(continued)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT		
MCCG Practices	Intended Outcome	Explanation
	Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.	<p>IGB REIT does not have its own in-house IA function. IA function is outsourced to GIA division of its parent company, IGB, to assist AC in discharging its duties and responsibilities. GIA is independent of the activities that it audits. GIA independently examine and evaluate the activities of the Manager, focusing on the adequacy and effectiveness of internal controls, risk management and CG processes. GIA has reasonable access to the Manager's personnel, premises, documents, record, information and assets, and authorised to obtain such information and explanations which GIA consider necessary to fulfil its responsibility.</p> <p>The Head of GIA, Christine Ong May Ee, who has a Bachelor of Accountancy (B. Acc (Hons.)) (Singapore), Certified Internal Auditor (CIA) (USA), Certified Risk Management Assurance (CRMA) (USA), Fellow Chartered Accountant (FCA) (Australia), Fellow Member of Institute of Internal Auditors (FIIIA) (Malaysia) and Chartered Accountant (CA) (Malaysia), reports directly to AC Chairman. GIA's activities are guided by the International Standards for the Professional Practice of Internal Auditing (Standards) set by the Institute of Internal Auditors (IIA), and incorporated these Standards into its audit practices. To ensure that the internal audits are effectively performed, GIA division recruits and employs suitably qualified staff with the requisite skills and experience. Such staff are also given relevant training and development opportunities to update their technical knowledge and auditing skills.</p> <p>GIA operates within the framework as contained in the IA Charter approved by AC. It adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of IGB REIT. Based on risk assessment performed, greater focus and appropriate review intervals are set for higher risk activities, and material internal controls, including compliance with IGB REIT and the Manager's policies, procedures and regulatory responsibilities. All audit reports detailing audit findings and recommendations are provided to management who would respond on the actions to be taken. Each quarter, GIA submits to AC a report on audit findings and actions taken by management on such findings. Key findings are highlighted at AC meetings for discussion and follow-up action. AC monitors the timely and proper implementation of required corrective, preventive or improvement measures undertaken by management.</p> <p>During FY2017, GIA conducted its audit reviews based on the approved IA Plan and issued multiple reports covering all levels of operations within 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. The areas reviewed in FY2017 include CG, RPT reporting, advertising and promotions, building services, finance, leasing, marketing, IT and risk management. As regards risk management and fraud, GIA is responsible only for the facilitation and assists management by assessing the adequacy and effectiveness of the developed or revised systems and procedures. AC is satisfied that for FY2017, the IA function is adequately resourced to perform its functions, is independent and free from COI and has appropriate standing within IGB REIT and the Manager to perform its functions effectively.</p>
		<p>10.1 AC should ensure that IA function is effective and able to function independently.</p> <p>10.2 The board should disclose:</p> <ul style="list-style-type: none"> whether IA personnel are free from any relationships or COI, which could impair their objectivity and independence; the number of resources in IA department; name and qualification of the person responsible for IA; and whether IA function is carried out in accordance with a recognised framework.

Corporate Governance Overview Statement

(continued)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS			
MCCG Practices			
Intended Outcome	Practice	Explanation	
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.	11.1	The board ensures there is effective, transparent and regular communication with its stakeholders.	<p>The Manager (through the Board) is responsible for CG of IGB REIT and therefore has significant continuous disclosure obligations under REIT Guidelines and MMLR. The Manager is committed to making timely and balanced disclosure of all material matters concerning IGB REIT and effective communication with its stakeholders so as to give them ready access to clear and relevant information to assist them in making informed decisions. The Manager ensures that all material and price sensitive information is released to the market and UHs of IGB REIT in accordance with regulatory requirements, in a timely manner and with simultaneous access.</p> <p>The Manager places a high priority on communication with UHs of IGB REIT, market participants and other stakeholders and aims to ensure they are kept informed of all major developments affecting the state of affairs of IGB REIT. One of the key communication tool is IGB REIT's website. The website contains the key governance documents, market announcements, annual reports, quarterly and annually financial results and other communications to stakeholders. The Manager has also provided UHs with contact details for investor relations (investorrelations@igbreit.com) through which they can direct enquiries on investor related matters. The website also contains a facility (feedback@igbreit.com) for UHs to direct inquiries to the Manager.</p> <p>The Board believes that the maintenance of good relations with both institutional and retail UHs is important for the long-term prospects of IGB REIT. Executive Team conducts regular dialogues, briefings and meetings with financial analysts and media as well as presentations to institutional investors to provide updates, strategies and developments about IGB REIT's state of affairs 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.</p>
	11.2	Large Companies are encouraged to adopt integrated reporting based on a globally recognised framework.	This recommendation will be satisfied at the appropriate time in IGB REIT's future.
Shareholders are able to participate, engage the board and SM effectively and make informed voting decisions at General Meetings (GMs).	12.1	Notice for an annual general meeting should be given to shareholders at least 28 days prior to the meeting.	UHM notice is issued at least a month before the scheduled date of such meeting.
	12.2	All directors attend GMs. The chair of AC, NC, RMC and other committees provide meaningful response to questions addressed to them.	<p>The Manager is in full support of UH participation at IGB REIT's UHMs. UHM procedures allow UHs to raise questions and clarify any issues they may have relating to each resolution tabled for approval, and to participate, engage and openly communicate their views on matters relating to IGB REIT. Presentations to UHs covering the investment performance and strategy of IGB REIT are made by CEO.</p> <p>All Directors, including the chairmen of AC, NC, RC and RMSC, and Executive Team, attended the 5th UHM in 2017. 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 UHs. Minutes of the 5th UHM were posted on IGB REIT's website.</p>
	12.3	<p>Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –</p> <ul style="list-style-type: none"> voting including voting in absentia; and remote shareholders' participation at GMs. 	<p>IGB REIT does not allow a UH to vote in absentia at UHMs, except through the appointment of a proxy, attorney or in the case of a corporation, a corporate representative, to cast their vote in their stead.</p> <p>At UHMs, each distinct issue is proposed as a separate resolution. All resolutions are put to the vote by electronic poll voting (e-Voting). Independent scrutineers are appointed to conduct e-Voting process and verify the votes. The results of e-Voting are announced instantaneously at the meeting. The outcome of the UHM is promptly announced to Bursa Securities after the UHM.</p>

Corporate Governance Overview Statement

(continued)

Appendix 1

Directors' and Executive Team's Attendance at the Manager's Board and BC meetings held during FY2017

Directors	Board	AC	NC	RC	RMSC
Tan Sri Dato' Dr Lin See Yan, INED	4 out of 4	4 out of 4	1 out of 1	1 out of 1	
Halim bin Haji Din, INED	3 out of 4	3 out of 4	1 out of 1	1 out of 1	
Lee Chen Chong, INED	4 out of 4	4 out of 4	1 out of 1	1 out of 1	
Dato' Seri Robert Tan Chung Meng, MD	4 out of 4			1 out of 1	
Tan Boon Lee, ED	4 out of 4				
Daniel Yong Chen-I, ED	4 out of 4				4 out of 4
Elizabeth Tan Hui Ning, ED	4 out of 4				4 out of 4
Tan Lei Cheng, Non-INED	3 out of 4	3 out of 4	0 out of 1		
Tan Yee Seng, Non-INED	4 out of 4				
Officers					
Antony Patrick Barragry, CEO	4 out of 4				4 out of 4
Chai Lai Sim, CFO	4 out of 4	4 out of 4			
Chow Yeng Keet, Head of Investment	4 out of 4	4 out of 4			4 out of 4
Rennie Lee Chai Tin, Head of Leasing (MVM)					4 out of 4
Tina Chan, HOC/CS	4 out of 4	4 out of 4	1 out of 1	1 out of 1	

Corporate Governance Overview Statement

(continued)

Appendix 2

Details of training programmes, seminars and conferences that Board members attended during FY2017

The Board is committed to the continual enhancement of the capabilities of each Director and the performance of the Board generally. In addition to talks conducted by relevant professionals, members of the Board are encouraged to attend relevant courses and seminars so as to keep themselves updated on developments and changes in IGB REIT's operating environment, as well as to stay abreast of relevant developments in financial, legal and regulatory requirements, and the business environment and outlook. The Board is regularly updated on new laws affecting IGB REIT's business, as well as changes in applicable regulations. HOC/CS keeps Directors informed of the series/talks organised by regulatory bodies as well as facilitates the organisation of in-house training/development programmes.

In FY2017, all Directors and CEO had attended or participated in one or more of the following conferences, seminars and training programmes 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:

List of Conferences, Seminars and Training Programmes	
Corporate Governance and Sustainability	<ul style="list-style-type: none"> Columbia University: Conference on Global Pact for the Environment and the United Nations Sustainable Development Solutions Network (SDSN) Columbia University: SDSN Leadership Council Meeting Securities Commission Malaysia: 30% Club Business Leaders Roundtable Meeting Sunway Group: Sunway Leaders Conference The New Malaysian Code on Corporate Governance
Social Enterprise and Ethics	<ul style="list-style-type: none"> Harvard Business School: Harvard President's Global Advisory Council Meeting IGB International School: University Life* Jeffrey Cheah Institute on Southeast Asia: International Academic Advisory Council Meeting School of Clinical Medicine, University of Cambridge, Nuffield Department of Medicine, Oxford University, Sunway Medical University, Sunway University, Jeffrey Cheah School of Medicine and Health Sciences and Monash University: 2nd Cambridge-Oxford-Sunway Biomedical Symposium – Stem Cell (from Biology to Therapy) The Harvard Club of Singapore: Harvard Alumni Association Conference
Economics, Finance and Accounting	<ul style="list-style-type: none"> Bank Negara Malaysia (BNM): BNM Compliance Conference 2017 BNP Paribas Malaysia Berhad: Mid-Year Outlook 2017 Certified Practising Accountants (CPA) Australia: Anti-Money and Anti-Terrorism Financing – Awareness and Compliance HSBC Bank (Singapore) Limited: HSBC Private Banking Mid-Year Investment Outlook* Jeffrey Cheah Institute: Malaysia Economic Association Malaysia Series* Jeffrey Cheah Institute: Malaysian Economic Association Seminar Series – Revisiting the New Economic Model-Lags and Prospects (1st and 3rd session) Jeffrey Cheah Institute on Southeast Asia: Asian Economic Panel Meeting London School of Economic Students' Union Malaysia Club: Economic and Leadership Forum 2017* Malaysia Institute of Accountants (MIA) Conference 2017 University of Korea: Asian Shadow Financial Regulatory Committee Meeting
Law and Taxation	<ul style="list-style-type: none"> Lembaga Hasil Dalam Negeri Malaysia and Chartered Tax Institute of Malaysia: National Tax Conference* Rahmat Lim & Partners – KopiTalk Invitation: Changing Tides – The Evolving Legal Environment for Businesses The Competition Appeal Tribunal: Malaysia Competition Conference 2017 – Competition Law: Breaking Norms, Managing Change
Industry	<ul style="list-style-type: none"> Bursa Malaysia Securities Berhad and Maybank Investment Bank: You & Morgan Staley Capital International – Benefits and Opportunities CHK Consultancy Sdn Bhd: 11th Malaysia Plan (2016 to 2020) – Opportunities and Challenges Khazanah National Berhad: Khazanah Megatrends Conference Real Estate and Housing Developers' Association Youth Malaysia: Future Forward Forum 2017 – Trends: Insite Silverlake Axis: Digital Collaboration and Transformation Conference 2017

* Tan Sri Dato' Dr. Lin See Yan as speaker/guest speaker.

Audit Committee Report

Audit Committee (AC), formed on 7 May 2012, is to assist the Board of Directors (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 terms of reference (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 Officer 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 the year to 31 December 2017 (FY2017) 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 23 January 2018.

COMPOSITION

AC comprises 4 members, all of whom are Non-Executive Directors (NEDs), 3 (including AC Chairman) being Independent NEDs (INEDs). AC Chairman is Halim bin Haji Din and the members are Tan Sri Dato' Dr. Lin See Yan, 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 assessment. Based on the evaluation for FY2017, 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 IGB REIT and the Manager uphold appropriate corporate governance (CG) standards. The Board has agreed to maintain the composition of AC.

MEETINGS AND ATTENDANCE

AC meetings for 2017 were pre-arranged in April 2016 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 FY2017 which were attended by all members except Halim bin Haji Din and Tan Lei Cheng who attended 3 out of 4 meetings. The Managing Director (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 IGB REIT and the Manager. In addition, Chief Financial Officer (CFO), Head of Compliance/Company Secretary, Head of Investment, the senior internal audit executive and external auditor (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 Executive 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 FY2017 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 Q4FY2016, Q1FY2017, Q2FY2017 and Q3FY2017, which were announced via the regulatory information service immediately after the Board's approvals, respectively on 25 January 2017, 25 April 2017, 2 August 2017 and 8 November 2017, and IGB REIT Financial Statements for year ended 31 December 2016 (IGB REIT Financial Statements FY2016) which was submitted via the regulatory information service on 28 February 2017. AC concluded that the quarterly financial results and IGB REIT Financial Statements FY2016 complied with appropriate Malaysian Financial Reporting Standards (MFRS) and regulatory requirements.

Audit Committee Report

(continued)

- (c) Reviewed the Manager's Audited Financial Statements FY2016 (AFS2016), and concluded that the AFS2016 complied with appropriate FRS. A copy of the Manager's AFS2016 was submitted to the Securities Commission Malaysia (SC) on 27 March 2017.
- (d) Considered IGB REIT's distributable income for the second half of 2016 of 4.30 sen per unit @ 4.18 sen taxable and 0.12 sen non-taxable, and the first half of 2017 of 4.38 sen per unit @ 4.30 sen taxable and 0.08 sen non-taxable, which were paid to unitholders (UHs) respectively on 28 February 2017 and 30 August 2017 after the Board's approvals.
- (e) Noted significant changes and amendments to the regulations, MFRS and other regulatory requirements that could affect the financial reporting of IGB REIT.

Subsequent to FY2017, AC had at its meeting on 23 January 2018, considered and reviewed the financial reporting checklist FY2017 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 Financial Statements for the year ended 31 December 2017 (IGB REIT Financial Statements FY2017) and, in all material respects, IGB REIT Financial Statements FY2017 complied with the applicable MFRS as well as disclosure provisions of the Main Market Listing Requirements (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 2017 of 4.90 sen per unit @ 4.79 sen taxable and 0.11 sen non-taxable, which is payable to UHs on 28 February 2018.

2. External Audit

- (a) Reviewed EA's report on the conduct of IGB REIT Financial Statements FY2016 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 2017, encompassing the proposed work blueprint, nature and scope for the year's audit and other examination including the evaluation of internal control systems, to the extent performed as part of the external audit.
- (c) Considered whether the extent of reliance on internal audit 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 of IGB REIT Financial Statements FY2017 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 25 January 2017 and 8 November 2017 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 FY2017, AC carried out the following duties at its meeting on 23 January 2018:

- (i) Reviewed the results of EA's report on the conduct of IGB REIT Financial Statements FY2017, the audit findings together with EA recommendations, including the key audit matter raised 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 IGB REIT Financial Statements FY2017.
- (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 for FY2017, 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.

3. Internal Audit (IA)

The IA function is outsourced and undertaken by the Manager's parent company's Group Internal Audit (GIA) department. The Head of GIA is Christine Ong May Ee, CIA (US), CRMA (USA), FCA (Australia), FMIIA (Malaysia), CA (Malaysia), B.Acc (Hons) (Singapore) and she is assisted by a team of IA. The main role of IA function is to provide AC with independent and objective reports on the adequacy and effectiveness of the internal controls, risk management and governance of IGB REIT. The Head of GIA reports to AC on its activities based on the approved annual audit plan. The following is a summary of internal audit's work reviewed and/or approved by AC during FY2017 and to the date of this report:

Audit Committee Report

(continued)

- (a) Reviewed IA's reports on the effectiveness and adequacy of internal controls, risk management, operational, compliance and governance processes of IGB REIT and the Manager 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 17 audit reports (including follow-up audits and special reviews) were issued by IA for the assignments conducted on IGB REIT and the Manager based on the 2017 IA plan, adhering to the International Standards for the Professional Practice of Internal Auditing Standards (Standards) issued by the Institute of Internal Auditors (IIA). The areas covered included CG, related party transaction (RPT) reporting, advertising and promotions, building services, finance, leasing, marketing, information technology and risk management. 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's plan for the ensuing financial year end 31 December 2018 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 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.

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.

IGB REIT and the Manager have paid RM80,000 for IA services in FY2017.

4. Risks and Control Environment

The Board has assigned oversight of IGB REIT's risk management function to Risk Management and Sustainability Committee (RMSC). 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 RMSC 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 FY2017.

5. RPT

Reviewed the quarterly RPT reports, and ensured proper disclosures were made in accordance with the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts 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 UHs, 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 2017, 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 FY2017 are set out in [Appendix 2](#) of the [Corporate Governance Overview Statement](#) of this Annual Report.

This Audit Committee Report has been approved by the Board and is current as at 23 January 2018.

Sustainability Statement

1. Introduction

We are pleased to present IGB REIT's second Sustainability Statement which has been prepared in accordance with the sustainability reporting guide and toolkit shared by Bursa Malaysia Securities Berhad.

This report includes information that is significant to our stakeholders, including our employees, investors, customers, suppliers, and local community. It covers the two retail malls within IGB REIT, namely – Mid Valley Megamall (MVM) and The Gardens Mall (TGM), both of which are located in the Klang Valley.

2. Our Commitment to Sustainability

Sustainability has long formed the backbone of our approach to business, driving our long term strategy, day-to-day operations, and guiding how we engage not only with our communities but with our stakeholders. We are committed to improving the economic, environmental, and social well-being of all our stakeholders, and uphold the highest standards of corporate governance and transparency so as to safeguard their interests.

We entered the year cautiously on the back of a weak ringgit, soft consumer sentiment, and a global landscape that had been rocked by the surprise outcome of the elections held in the United States of America and Brexit. As with previous years however, we remained guided by our long term strategy and focused on building a sustainable business, pushing forward in particular, with initiatives to build stronger relationships with our communities. We also took the time to continue strengthening our sustainability framework, enhancing existing sustainability policies and practices and working to formally embed sustainability into our governance and reporting structures. We believe that our focus on sustainability has allowed us to deliver the positive results that we have achieved this year.

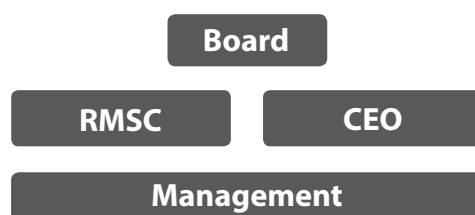
As we enter 2018, the Board of Directors (Board) of IGB REIT Management Sdn Bhd, the Manager of IGB REIT, remains firmly committed to driving sustainability within our business, and will continue to work towards striking a balance between our financial performance, social engagements, and environmental stewardship. We believe that it is only by doing so that we can build a stronger, more robust business for the long term.

3. Our Sustainability Governance Structure

The responsibility for IGB REIT's sustainability strategy and performance sits with the Board. In their capacity, they have appointed the Chief Executive Officer (CEO) to chair the Risk Management & Sustainability Committee (RMSC), reporting back to them on matters discussed.

RMSC comprise the executive team of the Manager. Their responsibilities include overseeing the risk management activities of IGB REIT, as well as identifying, evaluating, monitoring, and managing the economic, environmental, and social risks and opportunities for IGB REIT as they relate to sustainability. 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:



4. Materiality Process

Since IGB REIT was established in 2012, the Manager has sought to deliver value to our stakeholders through business strategies adopted, the management of operational activities, and in the allocation of capital to further enhance IGB REIT's assets. Part of this process includes engaging IGB REIT's stakeholders in order to gain important insights that contribute to guiding and reaffirming the Manager's strategies, as well as support meaningful reporting.

This year, an internal review of our sustainability framework, policies, and practices, was carried out to gain feedback from our department heads and members of RMSC on how sustainability within the organisation can be better managed. The review also allowed us to obtain an update on sustainability initiatives carried out in the year. Feedback received from our stakeholders through the team's day-to-day operations were also shared during the process.

Sustainability Statement

(continued)

As part of this exercise an internal review of our materiality assessment was carried out to allow us to reprioritise existing materiality factors identified, and update the list with any new factors, where required. Following the review, we found that the materiality factors from last year continued to remain relevant. The results of this assessment were included in a report tabled to RMSC as well as Audit Committee.

The list of sustainability matters material to our business are as follows: Health & 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 a large part of our success has been the result of our commitment to enrich our communities through engaging them and investing in them for a sustained future. This belief has underpinned our growth strategies and is why we continue to invest in upgrading our infrastructure. We continue to improve access to our malls through facilitating the flow of traffic during peak periods, and upgrade public walkways from the malls to public transportation. This year for example, we setup separate Grab and Uber stands for the convenience of the public when we noticed that an increasing number of visitors were choosing to visit our malls via those methods of transport.

We have also continued to refresh our tenant mix, bringing in contemporary brands that shape the retail industry. With The Studio in particular, we have sought to support local and ASEAN designers. Since its opening in early 2017, we have welcomed home grown brands such as MAARIMAIA, THESELINA, Bremen Wong Millinery, and Asian Potions.

Operationally, we also work to engage local suppliers where it makes sense. Additionally, our retail outlets provide employment to approximately 8,000 members of our local community.

(b) Environmental

Water Management

This year, efforts to reduce water consumption and increase the efficiency with which it is used, continued. Several initiatives were carried out in the year, in particular, works to upgrade the flushing systems at both MVM and TGM which started in 2015, were completed. Further to the upgrades made, we now also use recycled water for the purposes of flushing toilets.

We also carried out an assessment of our pipes, allowing us to replace any that were found to be leaking. Water from our chillers continued to be used to water plants and wash common areas, and rain water collected by the two water tanks on our roof also continued to be used for landscaping purposes.

As a result of these efforts, the volume of water consumed by MVM and TGM decreased from 1.2 million cubic metres in 2016 to 1.1 million cubic metres in 2017.

Moving forward, we will continue to explore new ways to improve our utilisation of water. We will also continue to monitor overall water consumption at our malls and work to investigate and address any unaccounted for usage.

Waste Management

We believe that education is key in effecting real change in waste management. As such, we have made it a point this year to raise public awareness around the national and local recycling campaigns that have been running. Recycling bins for example, have been placed in our offices, while in our malls, they have replaced common rubbish bins. Additionally, we have worked to encourage our tenants to recycle packaging materials, and increase the use of biodegradable and compostable packaging materials where possible. Food & beverages tenants have also been asked to segregate their waste, separating food waste from other waste generated.

We also continued to adopt an environmentally responsible approach to decorating our malls, re-using decorations where possible, and minimising the use of plastic and polystyrene based materials.

Thus far, our efforts have resulted in some improvement in the year, with the volume of waste sent to landfills dropping from 5,094 tonnes in 2016 to 4,500 tonnes in 2017.

Though much more can certainly be done to embed a responsible waste management mentality amongst our communities, we believe that with Government efforts to drive a greener mind set amongst Malaysians, and efforts made by individual businesses to educate staff, business partners, and customers, we are much better placed today than a decade ago to significantly contribute to environmental sustainability.

Sustainability Statement

(continued)

Moving forward, we will continue to embark on campaigns to raise awareness around the importance of recycling and responsible waste management, and work with our tenants to increase the volume of waste composted, while reducing the amount that ends up in landfills. We will also explore the possibility of engaging a higher proportion of suppliers who practice environmentally and socially responsible practices.

Energy Consumption

Energy continues to be one of the largest cost components for our malls. However, with a growing consciousness of the need to be responsible corporate citizens, we have made headway in reducing overall energy consumption through the years.

This year, we continued to monitor our electricity consumption closely and carried on with efforts to replace existing lighting in our malls with more efficient LED lights. We also reduced the number of chillers in operation, which contributed to the reduction in energy consumed this year.

Efforts to educate our tenants are also ongoing, with our teams working to encourage the use of energy efficient equipment and fittings where possible.

In 2018, we will be engaging a contractor to assess our current chillers with the view of optimising their performance, thereby enhancing their efficiency and lowering energy consumption. We will also continue to explore additional avenues to either reduce energy consumption or increase its efficiency.

(c) Social

Health & Safety (H&S)

The H&S of our employees, tenants, and customers, are a priority for us. We take our responsibility to manage and mitigate the occurrence of H&S incidences very seriously. All incidents that occur are recorded by security as well as H&S personnel, and are investigated thoroughly to ensure a complete understanding of what led to the incident. This allows us to then take steps to mitigate the risk of similar incidents occurring. We comply with the requirements set out by the Department of Safety & Health (DOSH), and receive period checks by DOSH representatives who ensure ongoing compliance.

As part of our efforts to prevent the occurrence of H&S incidents, our management team monitors the news for global incidents that have occurred on properties similar to ours. These incidents are then used in risk management workshops conducted where these scenarios are run by the operations team, allowing them to test their responses as well as update their standard operating procedures where required.

This year unfortunately, 2 fires broke out at MVM. In both incidents, MVM's fire detection and protection systems kicked in to limit and contain the fires, with the mall's operations team responding quickly and working with the Kuala Lumpur Fire and Rescue Department. The fires were therefore quickly contained, with limited damage to the shops and surrounding areas.

Following these incidents, our H&S team conducted a full internal investigation into the fires, and mapped out steps which will help reduce the risk of similar fires breaking out. Specifically, the team will be imposing more stringent guidelines during the fit out process for tenants to ensure that the set up and installation of equipment meet all H&S guidelines. Additionally, our Building Services team will conduct more frequent checks to ensure continued adherence to H&S guidelines, and in particular, look for faulty wiring and ensure all refrigerators within the mall are properly ventilated.

IGB REIT takes H&S very seriously and regret that the abovementioned incidents occurred at our malls. We will continue to work closely with our tenants and authorities and ensure that all relevant staff are up to date with all required trainings.

Human Capital Management

IGB REIT does not have any employees. The service providers engaged by the Property Manager, Chartwell ITAC International Sdn Bhd are responsible for attracting, retaining, and developing the people who run our business day-to-day.

The service providers are committed to cultivating a positive work environment that is professional, respectful, and inclusive. They strive to be a workplace of choice for their employees and have in place a robust human capital strategy that seeks to attract, develop, and retain talent with the right skill sets to support our continued growth. They adhere to a non-discriminatory employment practice and all job applicants and staff are treated fairly regardless of ethnicity, age or gender. They also adopt a merit-based recruitment policy, and assess potential candidate based on their skills, experience, and ability. 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.

Sustainability Statement

(continued)

The service providers also support talent development and provides employees with equal opportunities for training and development based on their strengths and needs. It is strongly believed that continual learning is a fundamental building block for growth and is necessary in order to achieve business excellence. Through talent development programmes, future leaders are also identified and groomed, allowing for sustained succession planning.

The service providers also ensure that employees received comprehensive and competitive remuneration packages. Salary data is matched and benchmarked against competitor salary and benefit surveys as well as the general market each year. Employees are strictly rewarded based on their performance, contribution, and experience.

The service providers do not tolerate any form of bribery and corruption. This not only applies internally to staff, but to all dealings that their staff have with third parties as well. Copies of the professional code of conduct, policies, practices, and terms of employment, are readily available to all employees.

Security

The threat of terror has become a constant in our lives as news outlets around the world report on an ever increasing number of attacks in public spaces. Malaysia has so far been fortunate, with local law enforcement taking a tough stand on terror, pulling out all stops in the war on terrorism.

IGB REIT takes the potential risk of such attacks seriously and have in place standard operating procedures that apply in the event of a terrorist attack. Our Security team have been trained to manage such situations before the arrival of first responders and conduct annual evacuation drills to familiarise tenants and staff with emergency response plans. We have also started to conduct regular training programmes for our Auxiliary Police with Polis Diraja Malaysia, so our security staff are kept abreast of the latest threats and risks.

Contributing to the Well-Being of Our Communities

Being sustainable encompasses an appreciation of the symbiotic relationship between ourselves and our communities. As such, playing an active role in engaging and giving back to our communities forms an integral part of the work that we do.

5. Corporate Social Responsibility

(a) Bringing Communities Together through Celebration

Malaysia celebrates a variety of festivities through the year, reflecting our country's rich heritage and diversity. As our communities celebrate these occasions with family and friends, MVM and TGM work to enrich these festive periods both for their visitors as well as the less fortunate.

Chinese New Year

TGM partnered with the Kechara Soup Kitchen Society again this year during the Chinese New Year period. With contributions from its generous shoppers, the mall donated a myriad of household necessities to fifteen families under the society.

Hari Raya

The spirit of Hari Raya was brought to life at MVM, who, in partnership with RHB Bank, invited shoppers to learn more about the cultural celebration and appreciate the beauty of local traditions. During this period, MVM also supported the Malaysian Nature Society (MNS), encouraging shoppers to drop by the MNS booth to learn and contribute towards nature conservation.

TGM also did their part to spread some festive cheer during the Hari Raya period. TGM donated to the Food Aid Foundation (Foundation), and worked with its shoppers to sponsor groceries for 20 underprivileged families identified by the Foundation. Costing RM115, each bag of groceries contained enough to support one family for a few weeks. Additionally, to help encourage Malaysian families prepare traditional Hari Raya dishes together, TGM shared a series of video tutorials by celebrity Chef Zamzani, a member of the Foundation's Board of Trustees, on their Facebook page.

Christmas

Celebrated at the end of the year, Christmas typically coincides with a period where people are winding down for the year and spending time with family and friends. This year, in partnership with HSBC Bank Malaysia Berhad, MVM evoked the nostalgia of a traditional homecoming with the theme "Home for Christmas". Money raised from the annual Santa Meet & Greet was channelled to support Agathians Shelter, a children's home in the Klang Valley. A WWF-Malaysia booth was also set up during the Christmas period to collect donations.

Sustainability Statement

(continued)

This year, TGM was invited by The Star Metro to take part in their “Do Good – Grant a Wish Project” to help spread some Christmas cheer to the less fortunate. As part of this initiative, TGM donated to Pusat Jagaan Pertubuhan Kebajikan Yesuvin Mahligai in Kajang. Staff from TGM also spent a day with residents from the home, bringing with them items such as meals and bedspreads which were sponsored by tenants of TGM. An information board was also set up at TGM’s concierge desk to help raise awareness about the project.

(b) Mid Valley City Charity Run 2017

Since it was launched 4 years ago, Mid Valley City Charity Run has grown from strength to strength. Organised in collaboration with WWF-Malaysia to raise awareness around wildlife conservation, the run attracted 2,000 participants and raised funds which were donated to the environmental conservation organisation. Additionally, from 17th to 30th April, shoppers who visited TGM could learn more about endangered animals and the WWF-Malaysia’s conservation efforts. Shoppers could also buy WWF-Malaysia merchandise at an exhibition set up on the ground floor of the mall. An art installation by The One Academy was also set up at the South Atrium in conjunction with the event.

(c) Spaces to Raise Awareness

We believe that every little bit helps, and make an effort to support our communities where we can. One of the ways that we have continued to do so through the years is through providing various organisations with space for them to run awareness campaigns. The organisations that we have supported this year are National Kidney Foundation, WWF-Malaysia, Persatuan Kebajikan Ronald McDonald Malaysia, MNS, Tzu-Chi Merits Society Malaysia and The Salvation Army.

(d) Developing the Game of Chess

MVM hosted the 14th Malaysia Chess Festival 2017 which saw the participation of close to 2,000 chess players this year, including 27 players who were in Malaysia for the ASEAN Para Games. The festival saw the participation of players across a range of ages representing 27 nationalities.

6. Looking Ahead

It is more important today than at any time in the past that businesses build a strategy centred on sustainability. With technology in particular, the landscape across industries has become increasingly competitive, with consumer and investor preferences and sentiments rapidly evolving, and new ideas shaking up traditional expectations and pushing the boundaries of what is possible. In the retail industry for example, technology has brought the retail experience into the hands of consumers, who now have one-click access to a plethora of local and international retail products. Against this backdrop, being sustainable has become critical for our longevity.

This is IGB REIT’s second Sustainability Statement, and although we have made some progress towards formalising sustainability within our business, we recognise that we still have room for improvement both in terms of initiatives undertaken and our reporting structure. As we continue on our sustainability journey, our ultimate goal is to build a sustainable business for generations to come. To achieve this, we will continually keep abreast of developments in our industry, actively and regularly engage our stakeholders, build upon our existing sustainability framework, and seek to further embed sustainable practices within our business so as to improve our overall sustainability performance.

Moving forward, we will be adding metrics and targets to measure issues that are material to our business, and move towards benchmarking our progress against international standards of reporting.

As we look to the future, it is our hope that we will continue to introduce new and exciting retail experiences for our customers, enrich our local communities, create value for our stakeholders, and be a business that people will be proud to work with, work for, and support.

This Statement has been approved by the Board and is current as at 23 February 2018.



FINANCIAL STATEMENTS

31 December 2017

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Manager's Report

The Manager of IGB Real Estate Investment Trust ("IGB REIT" or "Fund"), IGB REIT Management Sdn Bhd ("Manager"), is pleased to present the report and audited financial statements of IGB REIT and its wholly-owned subsidiary, IGB REIT Capital Sdn Bhd ("Group") for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITY OF THE MANAGER

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

THE FUND AND ITS INVESTMENT OBJECTIVE

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 ("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:-

- 4.38 sen per unit (@ 4.30 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2017 to 30 June 2017, which was paid on 30 August 2017; and
- 4.90 sen per unit (@ 4.79 sen taxable and 0.11 sen non-taxable) for the period from 1 July 2017 to 31 December 2017, which is payable on 28 February 2018.

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 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 2017, no Director has received or become entitled to receive a benefit (other than certain Directors received 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 31.12.2017
	Balance at 01.01.2017	Addition	Disposal/ Transferred	
Dato' Seri Robert Tan Chung Meng				
Direct	9,289,081	4,450,000	-	13,739,081
Indirect	1,858,803,880	19,977,933	-	1,878,781,813
Tan Lei Cheng				
Direct	1,853,742	-	-	1,853,742
Indirect	345,722	-	-	345,722
Tan Boon Lee				
Direct	1,605,025	100,000	-	1,705,025
Daniel Yong Chen-I				
Direct	622,132	-	-	622,132
Indirect	1,080,898	-	-	1,080,898
Elizabeth Tan Hui Ning				
Direct	894,000	2,105,000	-	2,999,000

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 the Group and of the Fund 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 the Group and of the Fund 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 the Group and of the Fund inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of the Group and of the Fund misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund 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 the Group or of the Fund to meet its obligations when they fall due.

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

- any charge on the assets of the Group or of the Fund which has arisen since the end of the financial year which secures the liability of any other person; or
- any contingent liability of the Group or of the Fund 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.

Manager's Report

(continued)

OTHER INFORMATION ON THE FINANCIAL STATEMENTS (continued)

In the opinion of the Manager:-

- (a) other than as disclosed in the financial statements, the results of the operations of the Group and of the Fund 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 the Group and of the Fund for the financial year in which this report is made.

MATERIAL LITIGATION

The Manager is not aware of any pending material litigation as at the date of statement of financial position and 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.

SOFT COMMISSION

There was no soft commission received by the Manager and/or its delegates during the financial year.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

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

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 23 February 2018.

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 the Group and of the Fund as at 31 December 2017 and of its financial performance and cash flows for the year ended 31 December 2017.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 23 February 2018.

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 2018.

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 2017. 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 2017 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 2017 as follows:

- 4.38 sen per unit (@ 4.30 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2017 to 30 June 2017, which was paid on 30 August 2017; and
- 4.90 sen per unit (@ 4.79 sen taxable and 0.11 sen non-taxable) for the period from 1 July 2017 to 31 December 2017, which is payable on 28 February 2018.

For and on behalf of the Trustee,
MTRUSTEE BERHAD

NURIZAN BINTI JALIL
CHIEF EXECUTIVE OFFICER

Selangor,
Date: 23 February 2018

Independent Auditors' Report

to the Unitholders of IGB REAL ESTATE INVESTMENT TRUST (Established In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of IGB Real Estate Investment Trust ("the Fund") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2017, and of their financial performance and their cash flows for the financial 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 the Group and of the Fund, which comprise the statements of financial position as at 31 December 2017, of the Group and of the Fund, and the statements of comprehensive income, statements of changes in net asset value and statements 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 pages 54 to 91.

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 the Group and of the Fund 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 the Group and of the Fund. 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 the Group and of the Fund, the accounting processes and controls, and the industry in which the Group and the Fund operates.

Independent Auditors' Report

to the Unitholders of IGB REAL ESTATE INVESTMENT TRUST (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 the Group and of the Fund for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Fund 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 2017, the Group's and the Fund's investment properties, carried at fair value, amounted to RM4.93 billion.</p> <p>The fair value of the Group's and the Fund's investment properties were carried out 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 estimations.</p> <p>The existence of significant judgement and estimation uncertainty could result in material misstatement, which is why we have given special audit focus and attention to this area.</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 back to the underlying lease agreements.</p> <p>We tested the inputs underpinning the valuation, such as reversionary rental, car park income, other income, outgoings and allowance for void, by agreeing them to the underlying lease data or comparing to historical trends. We also assessed the reasonableness of the capitalisation rates used by the valuer, with references to comparable real estate investment trusts.</p> <p>We reviewed the disclosures of the sensitivity analysis on the capitalisation rates on term and reversionary periods 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, Manager's Report and Trustee's Report, but does not include the financial statements of the Group and the Fund and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund 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

The Directors of the Manager are responsible for the preparation of the financial statements of the Group and of the Fund 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 the Group and of the Fund that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report

to the Unitholders of IGB REAL ESTATE INVESTMENT TRUST (Established In Malaysia)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Responsibilities of the Directors of the Manager for the financial statements (continued)

In preparing the financial statements of the Group and of the Fund, the Directors of the Manager are responsible for assessing the Group's and the Fund's ability 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 the Group and the Fund 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 the Group and of the Fund 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:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, 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.
- (b) 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 Group's and the Fund's internal controls.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- (d) 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 the Group's and the Fund'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 the Group and of the Fund 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 the Group and the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the Group and of the Fund 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 REAL ESTATE INVESTMENT TRUST (Established In Malaysia)
(continued)

OTHER MATTERS

This report is made solely to the unitholders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur

23 February 2018

GAN WEE FONG

03253/01/2019 J

Chartered Accountant

Statements of Financial Position

As at 31 December 2017

		Group	Fund	
		2017	2017	2016
	Note	RM'000	RM'000	RM'000
Non-current assets				
Plant and equipment	5	10,220	10,220	10,456
Investment properties	6	4,930,000	4,930,000	4,890,000
Investment in subsidiary	7	-	- *	-
Total non-current assets		4,940,220	4,940,220	4,900,456
Current assets				
Trade and other receivables	8	25,300	51,514	19,406
Cash and bank balances	9	285,208	258,994	274,395
Total current assets		310,508	310,508	293,801
Total assets		5,250,728	5,250,728	5,194,257
Financed by				
Unitholders' fund				
Unitholders' capital	10	4,401,760	4,401,760	4,367,920
Accumulated losses		(678,461)	(678,461)	(695,937)
Total unitholders' fund		3,723,299	3,723,299	3,671,983
Non-current liabilities				
Borrowings	11	1,198,765	-	1,209,176
Trade and other payables	12	69,131	1,267,896	64,455
Total non-current liabilities		1,267,896	1,267,896	1,273,631
Current liabilities				
Borrowings	11	14,900	-	28,053
Trade and other payables	12	244,633	259,533	220,590
Total current liabilities		259,533	259,533	248,643
Total liabilities		1,527,429	1,527,429	1,522,274
Total unitholders' fund and liabilities		5,250,728	5,250,728	5,194,257
Net asset value ("NAV")				
- before income distribution		4,049,189	4,049,189	3,976,193
- after income distribution		3,723,299	3,723,299	3,671,983
Number of units in circulation ('000 units)	10	3,513,452	3,513,452	3,493,474
NAV per unit (RM)				
- before income distribution		1.1525	1.1525	1.1382
- after income distribution		1.0597	1.0597	1.0511

* Denotes RM2 share capital in IGB REIT Capital Sdn Bhd

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

The Group results presented in the current year include a subsidiary which was incorporated in FY2017.

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2017

		Group and Fund	Fund
		2017	2016
	Note	RM'000	RM'000
Gross rental income		413,152	395,038
Other income	13	111,766	112,306
Gross revenue		524,918	507,344
Utilities expenses		(48,802)	(49,870)
Maintenance expenses		(22,558)	(21,654)
Quit rent and assessment		(15,040)	(14,424)
Reimbursement costs	14	(52,649)	(52,522)
Other operating expenses/upgrades		(12,306)	(7,765)
Property operating expenses		(151,355)	(146,235)
Net property income		373,563	361,109
Changes in fair value on investment properties		40,000	-
Interest income		8,335	8,545
Net investment income		421,898	369,654
Manager's management fees	15	(34,044)	(33,413)
Trustees' fees		(320)	(320)
Other trust expenses		(491)	(560)
Finance costs	16	(43,677)	(57,525)
Profit before taxation		343,366	277,836
Taxation	17	-	-
Profit after taxation		343,366	277,836
Other comprehensive income, net of tax		-	-
Total comprehensive income attributable to unitholders		343,366	277,836
Profit after taxation is made up as follows:			
Realised		303,366	277,836
Unrealised		40,000	-
		343,366	277,836
Basic earnings per unit (sen)	18	9.78	7.96
Diluted earnings per unit (sen)	18	9.78	7.96
Total comprehensive income		343,366	277,836
Distribution adjustments	19	(565)	38,470
Distributable income		342,801	316,306
Distribution per unit (sen)	19	9.28	8.71

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

The Group results presented in the current year include a subsidiary which was incorporated in FY2017.

Statements of Changes in Net Asset Value

For the Financial Year Ended 31 December 2017

	Note	Unitholders' capital RM'000	Accumulated losses* RM'000	Total unitholders' funds RM'000
Group and Fund				
As at 1 January 2017		4,367,920	(695,937)	3,671,983
Total comprehensive income for the year attributable to unitholders		-	343,366	343,366
Distribution to unitholders	19	-	(325,890)	(325,890)
Net total comprehensive income for the year attributable to unitholders		-	17,476	17,476
Unitholders' transactions				
Issue of new Units				
- Manager's management fees paid in Units	10	33,840	-	33,840
Increase in net assets resulting from unitholders' transactions		33,840	-	33,840
As at 31 December 2017		4,401,760	(678,461)	3,723,299
Fund				
As at 1 January 2016		4,335,072	(669,563)	3,665,509
Total comprehensive income for the year attributable to unitholders		-	277,836	277,836
Distribution to unitholders	19	-	(304,210)	(304,210)
Net total comprehensive income for the year attributable to unitholders		-	(26,374)	(26,374)
Unitholders' transactions				
Issue of new Units				
- Manager's management fees paid in Units	10	32,848	-	32,848
Increase in net assets resulting from unitholders' transactions		32,848	-	32,848
As at 31 December 2016		4,367,920	(695,937)	3,671,983

* 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.

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

The Group results presented in the current year include a subsidiary which was incorporated in FY2017.

Statements of Cash Flows

For the Financial Year Ended 31 December 2017

		Group	Fund	
		2017	2017	2016
	Note	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation		343,366	343,366	277,836
Adjustments for:				
Changes in fair value on investment properties		(40,000)	(40,000)	-
Manager's management fee payable in Units		34,044	34,044	33,413
Amortisation of fit-out incentives		42	42	1,475
Finance costs		43,677	43,677	57,525
Interest income		(8,335)	(8,335)	(8,545)
Movement of allowance for impairment of trade receivables		1,151	1,151	366
Depreciation of plant and equipment		2,617	2,617	2,613
Plant and equipment written-off		51	51	73
(Gain)/Loss on disposal of plant and equipment		(2)	(2)	15
Operating income before changes in working capital		376,611	376,611	364,771
Net change in trade and other receivables		(6,454)	(32,668)	424
Net change in trade and other payables		6,714	6,714	(7,912)
Net cash generated from operating activities		376,871	350,657	357,283
Cash flows from investing activities				
Purchase of plant and equipment		(2,432)	(2,432)	(1,426)
Proceeds from disposal of plant and equipment		2	2	9
Interest received		7,702	7,702	8,494
Movement in fixed deposits with maturity of more than 3 months		(147,329)	(147,300)	-
Net cash (used in)/generated from investing activities		(142,057)	(142,028)	7,077
Cash flows from financing activities				
Interest paid		(53,382)	(53,382)	(53,411)
Income distribution paid to unitholders		(304,089)	(304,089)	(283,202)
Proceeds from borrowings		1,200,000	-	-
Advances received from subsidiary		-	1,200,000	-
Settlement of borrowings		(1,212,559)	(1,212,559)	-
Payment of financing expenses		(1,300)	(1,300)	-
Movement in restricted cash		4,198	30,382	(1,190)
Net cash used in financing activities		(367,132)	(340,948)	(337,803)
Net (decrease)/increase in cash and cash equivalents		(132,318)	(132,319)	26,557
Cash and cash equivalents at beginning of the year		244,013	244,013	217,456
Cash and cash equivalents at end of the year	9	111,695	111,694	244,013

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

The Group results presented in the current year include a subsidiary which was incorporated in FY2017.

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 ("Trustee"), listed on Main Market of Bursa Securities on 21 September 2012 and regulated by the Securities Commission ("SC") 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 principal activity of the subsidiary, incorporated in Malaysia, is disclosed in Note 7 to the financial statements.

The consolidated financial statements comprise the Fund and its subsidiary ("Group"). The Group results presented in the current year include a subsidiary which was incorporated in 2017.

The Manager's key objective is to provide unitholders with regular and stable distributions, sustainable long term IGB REIT's units ("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 2017 were authorised for issue in accordance with a resolution by the Directors of the Manager on 23 February 2018.

(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 forms 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)

- 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.

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.

Notes to the Financial Statements

(continued)

1 GENERAL (continued)

(B) Fee Structure (continued)

(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 the Group and the Fund 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 judgement in the process of applying accounting policies. Although these estimates and judgement 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 judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

The Group and the Fund had applied the following amendments for the first time for the financial year beginning on 1 January 2017:-

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: Amendments to MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(c) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017 and is applicable to the Group and the Fund as follows:-

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

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 ("FVTPL") and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an 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 changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

Notes to the Financial Statements

(continued)

2 BASIS OF PREPARATION (continued)

(c) Standards and amendments that have been issued but not yet effective (continued)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017 and is applicable to the Group and the Fund as follows:- (continued)

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss on impairment model used in MFRS 139. The expected credit loss 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, to name a few.
- As with any new standard, there are also increased disclosures.
- 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 lease (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 of the 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 profit or loss.

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.

- Amendments to MFRS 9 "Prepayment features with negative compensation" (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a "held to collect" business model.

The amendment will be applied retrospectively.

The adoption of these new standards and amendments will not have any material impact on the financial statements of the Group and of the Fund in the year of initial application and are not likely to affect future periods.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Consolidation

(i) Business combination under common control

IGB REIT applied predecessor accounting to account for business combinations under common control on 21 September 2012, 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.

(ii) Subsidiary

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Investment in subsidiary

In the Fund's separate financial statements, investment in subsidiary is carried at cost less accumulated impairment losses. On disposal of investment in subsidiary, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statement of comprehensive income.

The amounts due from subsidiary of which the Fund does not expect repayment in the foreseeable future are considered as part of the Fund's investment in the subsidiary.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

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 and takes into account the unexpired period, yield and outgoings, where applicable. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have relevant experience in valuing the investment properties.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions that market participants would make when pricing the property under current market conditions.

Subsequent expenditure is recognised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repair, maintenance and upgrade costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair value are recognised in the statement of comprehensive income. Investment properties are derecognised either when they have been disposed or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group 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 in the statement of comprehensive income as a net gain/loss 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 also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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"), if applicable, except where the amount of GST incurred is not recoverable. When the amount of GST incurred is not recoverable, 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 the Group 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 financial 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 allocate the cost of the assets to their 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 the end of each reporting period. The assessment of expected residual values and estimated useful lives of assets is carried out on an annual basis.

At the end of the reporting period, the Group 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(e)).

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.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets

(i) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification 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. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

(ii) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income.

(iii) Subsequent measurement – gains and losses

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iv) Subsequent measurement – impairment

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. 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 or expected to occur after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held to maturity' investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of the ownership.

(e) 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).

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment of non-financial assets (continued)

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.

(f) 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 within borrowings in current liabilities in the statements of financial position.

(g) Trade and other payables

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 GST included, if applicable, and subsequently measured at amortised cost using the effective interest method.

(h) 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.

(i) 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 the Group has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

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.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the performance of services in the ordinary course of the Group's activities. Revenue is shown net of GST, returns, rebates and discounts and amount collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Base rent from operating leases is recognised on a straight-line basis over the lease term. Percentage rent is recognised based on sales reported by tenants. When the Group 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. Car park income, utilities recoverable and other rent related income are recognised in the accounting period in which the services are being rendered.

Interest income is recognised using the effective interest method.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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).

(l) 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 economic 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.

(m) 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.

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.

(n) Functional and presentation currency

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

(o) Earnings per unit

The earnings per Unit ("EPU") are presented on basic and diluted format.

Basic EPU is calculated by dividing the profit or loss attributable to unitholders 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.

(p) 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 makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions for the Group, have been identified as the Directors of the Manager.

(q) Net asset value ("NAV")

NAV is the value of the total assets less the value of the total liabilities.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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 19.

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.

The Group 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 Group'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 (including asset enhancement initiatives), capitalisation rate and allowance for void.

Investment properties are stated at fair value based on valuations performed by One Asia Property Consultants (KL) Sdn Bhd ("One Asia"), an independent professional valuer who holds a recognised relevant professional qualification and has relevant experience in valuing the investment properties.

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 One Asia is disclosed in Note 6.

Notes to the Financial Statements

(continued)

5 PLANT AND EQUIPMENT

<u>Group and Fund</u>	<u>Motor vehicles</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Equipment</u> RM'000	<u>Information technology equipment</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Capital work-in-progress</u> RM'000	<u>Total</u> RM'000
Cost							
As at 1 January 2017	657	2,537	14,289	1,732	28	321	19,564
Additions	38	186	242	360	-	1,606	2,432
Disposals	-	-	(1)	-	-	-	(1)
Write-offs	(4)	(31)	(77)	(4)	-	-	(116)
Reclassification	-	-	1,470	-	-	(1,470)	-
As at 31 December 2017	691	2,692	15,923	2,088	28	457	21,879
Accumulated depreciation							
As at 1 January 2017	445	1,294	5,862	1,495	12	-	9,108
Depreciation charge for the financial year	120	322	1,982	191	2	-	2,617
Disposals	-	-	(1)	-	-	-	(1)
Write-offs	(3)	(19)	(39)	(4)	-	-	(65)
As at 31 December 2017	562	1,597	7,804	1,682	14	-	11,659
Carrying amounts							
As at 31 December 2017	129	1,095	8,119	406	14	457	10,220
Fund	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
Cost							
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
Accumulated depreciation							
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
Carrying amounts							
As at 31 December 2016	212	1,243	8,427	237	16	321	10,456

Notes to the Financial Statements

(continued)

6 INVESTMENT PROPERTIES

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
As at 1 January	4,890,000	4,890,000
Fair value gain	40,000	-
As at 31 December	4,930,000	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 satisfied in		
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
Total	4,250	1,200	5,450

The title deeds to the investment properties' land are currently being held in trust by related companies. The expiry date of the State Authority's consent for the transfer of Mid Valley Megamall in favour of the Trustee is 28 September 2018. Strata titles for The Gardens Mall had been issued on 13 January 2017. The transfer of the strata titles for The Gardens Mall in favour of the Trustee was presented on 22 December 2017 to the State Authority for registration of transfer.

Mid Valley Megamall is charged as a security for bank borrowings as disclosed in Note 11.

Investment properties as at 31 December 2017 and 31 December 2016 are stated at fair value based on valuations performed by independent professional valuer, One Asia and Henry Butcher Malaysia Sdn Bhd ("Henry Butcher") respectively, who hold a recognised relevant professional qualification and have relevant experience in valuing the investment properties. Valuations are performed quarterly by independent professional valuer. The quarterly valuations will be reviewed by the Manager and approved by the Board of Directors of the Manager.

Based on the valuation reports dated 8 January 2018 issued by One Asia, the fair values of Mid Valley Megamall and The Gardens Mall as at 31 December 2017 were RM3.645 billion (2016: RM3.610 billion) and RM1.285 billion (2016: 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	- the rental on car park bays;
Other income	- mainly percentage rent and advertising income;
Outgoings	- mainly quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement initiatives/upgrade 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; and
Allowance for void	- 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 2017 are as follows:-

Group and Fund	Parameters										Sensitivity analysis on fair value measurements*1			
	Capitalisation rates													
	Valuation technique	Fair value RM'000	Term period %	Reversionary period %	Car park income %	Other Income*2 %	Outgoings RM psf	Allowance for void %	Impact of lower rate RM'000	Impact of higher rate RM'000	Impact of lower outgoings RM'000	Impact of higher outgoings RM'000		
Mid Valley Megamall	Income approach	3,645,000	5.60-6.60	6.10-7.10	7.00	7.00-8.75	3.80	3.00	105,700	(98,700)	66,500	(66,500)		
The Gardens Mall	Income approach	1,285,000	5.60-6.60	6.10-7.10	7.00	7.00-8.75	4.60	3.00	34,300	(32,200)	29,800	(29,800)		
		<u>4,930,000</u>							<u>140,000</u>	<u>(130,900)</u>	<u>96,300</u>	<u>(96,300)</u>		

Notes:-

*1 Changes to capitalisation rates on term and reversionary periods by 25 basis points and outgoings per square feet by RM0.20 on existing unexpired contractual terms are used as these inputs are subjected to changes in market conditions.

*2 Includes percentage rent.

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

Fund	Parameters										Sensitivity analysis on fair value measurements*1			
	Capitalisation rates													
	Valuation technique	Fair value RM'000	Term period %	Reversionary period %	Car park income %	Other Income*2 %	Outgoings RM psf	Allowance for void %	Impact of lower rate RM'000	Impact of higher rate RM'000	Impact of lower outgoings RM'000	Impact of higher outgoings RM'000		
Mid Valley Megamall	Income approach	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 approach	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</u>	<u>(99,100)</u>		

Notes:-

*1 Changes to capitalisation rates on term and reversionary periods by 25 basis points and outgoings per square feet by RM0.20 on existing unexpired contractual terms are used as these inputs are subjected to changes in market conditions.

*2 Includes percentage rent.

Notes to the Financial Statements

(continued)

6 INVESTMENT PROPERTIES (continued)

The investment properties are as follows:-

<u>Group and Fund</u>	<u>Date of acquisition</u>	<u>Date of valuation</u>	<u>Location</u>	<u>Tenure</u>	<u>Occupancy rates as at 31.12.2017</u>	<u>Fair value as at 31.12.2017</u>	<u>Initial acquisition cost on 20.09.2012</u>	<u>Percentage of fair value to NAV** as at 31.12.2017</u>
					%	RM'000	RM'000	%
Mid Valley Megamall	20.09.2012	31.12.2017	Kuala Lumpur	Leasehold* ¹	99	3,645,000	3,440,000	97.9
The Gardens Mall	20.09.2012	31.12.2017	Kuala Lumpur	Leasehold* ¹	98	1,285,000	1,160,000	34.5
						4,930,000	4,600,000	
<u>Fund</u>	<u>Date of acquisition</u>	<u>Date of valuation</u>	<u>Location</u>	<u>Tenure</u>	<u>Occupancy rates as at 31.12.2016</u>	<u>Fair value as at 31.12.2016</u>	<u>Initial acquisition cost on 20.09.2012</u>	<u>Percentage of fair value to NAV** as at 31.12.2016</u>
					%	RM'000	RM'000	%
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
						4,890,000	4,600,000	

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 INVESTMENT IN SUBSIDIARY

	Fund	
	2017	2016
	RM'000	RM'000
At cost		
Unquoted shares	—*	—

* Denotes RM2

Name of company	Principal activities	Place of Incorporation	Group's effective interest (%)	
			2017	2016
IGB REIT Capital Sdn Bhd	A special purpose vehicle to raise financing via the issuance of medium term notes pursuant to a medium term notes programme	Malaysia	100	—

On 19 July 2017, IGB REIT Capital Sdn Bhd, a special purpose vehicle wholly-owned by IGB REIT via MTrustee Berhad (acting in its capacity as trustee for IGB REIT), was incorporated in Malaysia.

8 TRADE AND OTHER RECEIVABLES

	Group	Fund	
	2017	2017	2016
	RM'000	RM'000	RM'000
Trade receivables	3,903	3,903	3,525
Less: Allowance for impairment of trade receivables	(3,096)	(3,096)	(1,945)
Trade receivables – net	807	807	1,580
Accrued billings	13,023	13,023	8,283
	13,830	13,830	9,863
Other receivables	1,879	1,598	985
Deposits	7,580	7,580	6,968
Amount owing by immediate holding company	25	25	19
Amount owing by subsidiary	—	26,495	—
Amounts owing by related companies	1,323	1,323	1,349
	10,807	37,021	9,321
Prepayments	663	663	222
	11,470	37,684	9,543
Total trade and other receivables	25,300	51,514	19,406

The carrying amounts of trade and other receivables as at 31 December 2017 and 31 December 2016 approximated their fair values.

The credit terms of trade receivables were seven (7) days (2016: 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 (2016: seven (7) days).

The amount owing by subsidiary represents advances, mainly to comply with the minimum required balance in Debt Service Reserve Account pursuant to Tranche 1, MTN (Note 11), which are unsecured and carries interest rate at 3.80% (2016: nil) per annum.

Notes to the Financial Statements

(continued)

8 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2017, trade receivables of RM797,000 (2016: RM1,551,000) 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 or expected occurrence 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:-

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
Not past due:		
- 1 to 7 days	10	29
Past due but not impaired:		
- 8 to 30 days	247	1,056
- 31 to 60 days	458	437
- 61 to 90 days	92	58
	797	1,551
Past due and impaired	3,096	1,945
	3,903	3,525

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

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
As at 1 January	1,945	1,579
Allowance for impairment	2,479	1,420
Reversal during the year	(1,328)	(1,054)
As at 31 December	3,096	1,945

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.

Notes to the Financial Statements

(continued)

9 CASH AND CASH EQUIVALENTS

	Group	Fund
	2017	2017
	RM'000	RM'000
		2016
		RM'000
Cash in hand	525	350
Bank balances	43,574	29,304
Deposits placed with licensed banks	241,109	244,741
Cash and bank balances	285,208	274,395
Less:-		
Fixed deposits with maturity of more than 3 months	(147,329)	-
Restricted cash	(26,184)	(30,382)
Cash and cash equivalents	111,695	244,013

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

The weighted average effective interest rate of deposits with licensed banks of the Group and the Fund that were effective at the reporting date were 3.68 % per annum (2016: nil) and 3.67% per annum (2016: 3.31% per annum) respectively.

Deposits with licensed banks of the Group and the Fund have a weighted average maturity of 93 days (2016: nil) and 93 days (2016: 79 days) respectively.

Included in the deposits placed with licensed banks of the Group and the Fund are restricted amounts of RM26.2 million (2016: nil) and nil (2016: 30.4 million) respectively, which is maintained in a Debt Service Reserve Account to cover a minimum of six (6) months interest for borrowings (Note 11).

The reconciliation of liabilities arising from financing activities is as follows:-

Group	Non-current borrowings	Current borrowings	Distribution payable to unitholders	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2017	1,209,176	28,053	150,273	1,387,502
Cash flows:-				
Interest paid	-	(53,382)	-	(53,382)
Income distribution paid to unitholders	-	-	(304,089)	(304,089)
Proceeds from borrowings	1,200,000	-	-	1,200,000
Settlement of borrowings	(1,200,000)	(12,559)	-	(1,212,559)
Payment of financing expenses	(1,300)	-	-	(1,300)
	(1,300)	(65,941)	(304,089)	(371,330)
Non-cash changes:-				
Written-back of step-up interest	(11,843)	-	-	(11,843)
Amortisation of transaction costs	2,732	-	-	2,732
Accrual for interest	-	52,788	-	52,788
Accrual for income distribution	-	-	325,890	325,890
	(9,111)	52,788	325,890	369,567
As at 31 December 2017	1,198,765	14,900	172,074	1,385,739

Notes to the Financial Statements

(continued)

9 CASH AND CASH EQUIVALENTS (continued)

The reconciliation of liabilities arising from financing activities is as follows:- (continued)

Fund	Non-current borrowings	Current borrowings	Distribution payable to unitholders	Non-current – amount due to subsidiary	Current – amount due to subsidiary	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2017	1,209,176	28,053	150,273	-	-	1,387,502
Cash flows:-						
Interest paid	-	(53,382)	-	-	-	(53,382)
Income distribution paid to unitholders	-	-	(304,089)	-	-	(304,089)
Advances received from subsidiary	-	-	-	1,200,000	-	1,200,000
Settlement of borrowings	(1,200,000)	(12,559)	-	-	-	(1,212,559)
Payment of financing expenses	-	-	-	(1,300)	-	(1,300)
	(1,200,000)	(65,941)	(304,089)	1,198,700	-	(371,330)
Non-cash changes:-						
Written-back of step-up interest	(11,843)	-	-	-	-	(11,843)
Amortisation of transaction costs	2,667	-	-	65	-	2,732
Accrual for interest	-	37,888	-	-	14,900	52,788
Accrual for income distribution	-	-	325,890	-	-	325,890
	(9,176)	37,888	325,890	65	14,900	369,567
As at 31 December 2017	-	-	172,074	1,198,765	14,900	1,385,739

10 UNITHOLDERS' CAPITAL

	Group and Fund		Fund	
	2017		2016	
	Number of units		Number of units	
	'000		'000	
Approved fund size:				
As at 1 January/31 December		3,550,000		3,550,000
	Number of units	Value	Number of units	Value
	'000	RM'000	'000	RM'000
Issued and fully paid up:				
At 1 January	3,493,474	4,367,920	3,471,789	4,335,072
Creation of units				
Issue of new Units	19,978	33,840	21,685	32,848
As at 31 December	3,513,452	4,401,760	3,493,474	4,367,920

Notes to the Financial Statements

(continued)

11 BORROWINGS

	Group	Fund
	2017	2016
	RM'000	RM'000
Current (secured):		
Medium term notes	14,900	-
Fixed rate term loan	-	15,323
Standby revolving credit	-	12,730
	14,900	28,053
Non-current (secured):		
Medium term notes	1,198,765	-
Fixed rate term loan	-	1,209,176
	1,198,765	1,209,176
Total	1,213,665	1,237,229

Syndicated Financing Facilities ("SFF")

The SFF comprised of a Fixed Rate Term Loan facility ("FRTL") of up to RM1.2 billion and a Standby Revolving Credit facility ("SBRC") of up to RM20.0 million. Both the FRTL and SBRC were fully settled in September 2017 through refinancing and internally generated fund respectively.

Medium Term Notes ("MTN") Programme of up to RM5.0 billion in nominal value ("MTN Programme")

On 18 August 2017, the Manager announced on the Main Market of Bursa Securities that IGB REIT Capital Sdn Bhd ("IGBRC"), a special purpose vehicle wholly-owned by IGB REIT via MTrustee Berhad (acting in its capacity as trustee for IGB REIT), had lodged a MTN Programme with the SC pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC. The MTN Programme has a tenure of twenty (20) years from the date of first issuance of MTN under the MTN Programme.

On 20 September 2017, IGBRC issued the first tranche AAA-rated MTN ("Tranche 1, MTN") amounting to RM1.2 billion which was advanced to the Fund to fully settle the FRTL. The Tranche 1, MTN has a tenure of 7 years ("Legal Maturity") effective from 20 September 2017. For the first 5 years ("Expected Maturity"), the Tranche 1, MTN bears a fixed coupon rate of 4.4% per annum. The RM1.2 billion has to be fully repaid on Expected Maturity, otherwise it will cause a trigger event that will result in the coupon rate to be stepped up to 5.4% per annum for the sixth and seventh years.

The Tranche 1, MTN is secured against, among others, the following:-

- (i) a third party legal assignment of the Trustee's present and future rights, titles, interests and benefits in Mid Valley Megamall ("MVM") and under the sale and purchase agreement in relation to MVM. In the event the subdivision of master title is completed and a separate strata title is issued for MVM ("MVM Strata Title"), a third party first legal charge shall be created on MVM Strata Title;
- (ii) a third party legal assignment over all the Trustee's rights, titles, interests and benefits under the proceeds derived from the tenancy/lease agreements in relation to MVM;
- (iii) a third party legal assignment of the Trustee's present and future rights, titles, interests and benefits under all insurance policies in relation to MVM and the Security Trustee (acting for and on behalf of the MTN holders) being named as the co-insured and loss payee of the insurance policies;
- (iv) a third party first ranking legal assignment and charge over the revenue and operating accounts of the Tranche 1, MTN;
- (v) a first party first ranking legal assignment and charge over the debt service reserve account of the Tranche 1, MTN;
- (vi) an irrevocable power of attorney granted by the Trustee in favour of the Security Trustee (acting for and on behalf of the MTN holders) to manage and dispose MVM upon expiry of the remedy period under the terms of the Tranche 1, MTN;

Notes to the Financial Statements

(continued)

11 BORROWINGS (continued)

The Tranche 1, MTN is secured against, among others, the following:- (continued)

(vii) a letter of undertaking from the Trustee and the Manager:-

- (a) to deposit all cash flows generated from MVM into the revenue account; and
- (b) it shall not declare or make any distributions out of the cash flows from the revenue account to the unitholders if an event of default and/or a trigger event has occurred and is continuing or the financial covenants are not met; and

(viii) a first party legal assignment over the Tranche 1, MTN's Trustee financing agreement.

The maturity profiles of the borrowings are 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
Group					
As at 31 December 2017					
Tranche 1, MTN	14,900	-	-	1,198,765	1,213,665
	14,900	-	-	1,198,765	1,213,665
Fund					
As at 31 December 2016					
FRTL	15,323	-	1,209,176	-	1,224,499
SBRC	12,730	-	-	-	12,730
	28,053	-	1,209,176	-	1,237,229

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

	Group	Fund
	2017	2016
	% per annum	% per annum
Tranche 1, MTN	4.38%	-
FRTL	-	4.49%
SBRC	-	4.84%

Notes to the Financial Statements

(continued)

12 TRADE AND OTHER PAYABLES

	Note	Group	Fund	
		2017	2017	2016
		RM'000	RM'000	RM'000
Non-current				
Tenants' deposits	a	69,131	69,131	64,455
Amount due to subsidiary	b	-	1,198,765	-
		69,131	1,267,896	64,455
Current				
Trade payables	c	11,869	11,869	9,555
Tenants' deposits	a	23,010	23,010	22,389
		34,879	34,879	31,944
Other payables and accrued expenses		15,144	15,144	18,430
Net output tax		1,789	1,789	1,567
Prepaid rental		8,489	8,489	8,042
Amount due to subsidiary	b	-	14,900	-
Amounts due to related companies	d	12,258	12,258	10,334
Distribution payable to unitholders		172,074	172,074	150,273
		209,754	224,654	188,646
Total current trade and other payables		244,633	259,533	220,590
Total trade and other payables		313,764	1,527,429	285,045

- (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) The amount due to subsidiary represents advances from the issuance of Tranche 1, MTN, which are secured and carries interest rate at 4.40% (2016: nil) per annum, in which the repayment terms mirror the terms stated in Note 11.
- (c) Credit terms for trade payables range from 30 days to 90 days (2016: 30 days to 90 days).
- (d) Amounts due to related companies are unsecured, interest-free (2016: interest free) and repayable on demand.

13 OTHER INCOME

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
Car park income	45,095	45,029
Utilities recoverable	26,025	26,142
Kiosk rent and other leasing income	26,732	25,997
Advertising and promotional income	8,538	9,629
Others	5,376	5,509
	111,766	112,306

Notes to the Financial Statements

(continued)

14 REIMBURSEMENT COSTS

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
Manpower costs	31,198	30,714
Marketing expenses	6,213	8,152
Administration expenses	9,058	7,695
Management expenses	4,049	3,867
Insurance premium	2,131	2,094
	52,649	52,522

15 MANAGER'S MANAGEMENT FEES

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
Base fee	15,366	15,358
Performance fee	18,678	18,055
	34,044	33,413

For the financial year ended 31 December 2017, 100% of the total Manager's management fees has been paid/payable in Units (2016: 100%).

16 FINANCE COSTS

	Group	Fund
	2017	2017
	RM'000	RM'000
Borrowing costs	40,945	26,045
Interest on advances from subsidiary	-	14,900
Amortisation of transaction costs	2,732	2,732
	43,677	43,677

17 TAXATION

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
Reconciliation of tax expense		
Profit before taxation	343,366	277,836
Income tax using Malaysian tax rate of 24% (2016: 24%)	82,408	66,681
Non-deductible expenses	4,441	3,305
Income exempted from tax	(86,849)	(69,986)
	-	-

Notes to the Financial Statements

(continued)

17 TAXATION (continued)

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 distribution to unitholders for the financial year ended 31 December 2017 is approximately 95.0% (2016: 96.2%) of the total distributable income, no provision for income taxation has been made for the current and prior financial year.

18 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.

		Group and Fund	Fund
		2017	2016
	Note	RM'000	RM'000
Total comprehensive income			
- Realised		303,366	277,836
- Unrealised		40,000	-
Total		343,366	277,836
Weighted average number of units ('000)			
Weighted average number of Units in issue		3,503,884	3,483,741
Adjustment for Manager's management fees payable in Units	a	5,370	4,880
Weighted average number of Units for diluted EPU		3,509,254	3,488,621
Basic/Diluted EPU (sen)			
- Realised		8.64	7.96
- Unrealised		1.14	-
Total		9.78	7.96

Dilutive EPU equals to Basic EPU as there are no potential dilutive units in issue.

Note (a):-

	Group and Fund		Fund	
	2017		2016	
	Number of units '000	Value RM'000	Number of units '000	Value RM'000
Manager's management fees payable in Units				
- from 1 October 2017 to 31 December 2017 at RM1.61 per Unit listed on 30 January 2018	5,370	8,646	-	-
- from 1 October 2016 to 31 December 2016 at RM1.73 per Unit listed on 2 February 2017	-	-	4,880	8,442
	5,370	8,646	4,880	8,442

Notes to the Financial Statements

(continued)

19 DISTRIBUTION TO UNITHOLDERS

		Group and Fund	Fund
		2017	2016
	Note	RM'000	RM'000
Total comprehensive income		343,366	277,836
Distribution adjustments	a	(565)	38,470
Distributable income		342,801	316,306
Distribution per unit (sen)			
- for the period from 1 January 2017 to 30 June 2017		4.38	-
- for the period from 1 July 2017 to 31 December 2017		4.90	-
- 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
		9.28	8.71

Income distribution

Distributable income	342,801	316,306
Income distribution of 4.38 sen per unit (@ 4.30 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2017 to 30 June 2017	(153,660)	-
Income distribution of 4.90 sen per unit (@ 4.79 sen taxable and 0.11 sen non-taxable) for the period from 1 July 2017 to 31 December 2017	(172,074)	-
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)
Adjustment for under accrual of income distribution for the period from 1 July to 31 December	(156)	(104)
Income distributed	(325,890)	(304,210)
Income retained	16,911	12,096

Note (a):-

Distribution adjustments comprise:-

Changes in fair value on investment properties		(40,000)	-
Manager's management fees payable in Units	15	34,044	33,413
Amortisation of fit-out incentives		42	1,475
Amortisation of transaction costs		2,732	969
Depreciation of plant and equipment	5	2,617	2,613
		(565)	38,470

Withholding tax will be deducted for distributions as follows:-

	Withholding Tax rate	
	2017	2016
Resident corporate	N/A^	N/A^
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

^ to tax at prevailing rate

Notes to the Financial Statements

(continued)

20 PORTFOLIO TURNOVER RATIO

	Group and Fund	Fund
	2017	2016
Portfolio Turnover Ratio ("PTR") (times)	-	-

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

Save for placement and upliftment of fixed deposits, there were no acquisitions and disposals of investments in the Group for the financial year.

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

21 MANAGEMENT EXPENSE RATIO

	Group and Fund	Fund
	2017	2016
Management expense ratio ("MER") (%)	0.94	0.93

The calculation of the MER is based on the total fund operating fees of the Group incurred for the financial year, including the Manager's management fees, trustees' fees and other trust expenses, to the NAV (after income distribution).

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

22 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 the Group, 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.

Notes to the Financial Statements

(continued)

23 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	Group	Fund	
		2017	2017	2016
		RM'000	RM'000	RM '000
<u>Loans and receivables at amortised cost</u>				
Assets as per statement of financial position:				
- Trade and other receivables excluding prepayments and accrued billings	8	11,614	37,828	10,901
- Cash and bank balances	9	285,208	258,994	274,395
Total financial assets		296,822	296,822	285,296
<u>Other financial liabilities at amortised cost</u>				
Liabilities as per statement of financial position:				
- Borrowings	11	1,213,665	-	1,237,229
- Trade and other payables excluding net output tax and prepaid rental	12	303,486	1,517,151	275,436
Total financial liabilities		1,517,151	1,517,151	1,512,665

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

24.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk (including fair value interest rate risk), credit risk and liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that it creates value for its unitholders. The Group focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the financial performance of the Group. 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 Group's financial risk management policies.

(a) Interest rate risk

The Group's income and cash flows are substantially independent of changes in market interest rates as the interest rate of Tranche 1, MTN is fixed at 4.4% per annum which locks in the interest rate against any fluctuation resulting in exposure to fair value and cash flow interest rate risk.

Sensitivity analysis for interest rate fluctuation is irrelevant or not applicable as the Group 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, as well as cash, cash equivalents and deposits with banks and financial institutions.

Credit risks arising from outstanding receivables 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 8.8% (2016: 8.9%) of the rental income, investment properties of the Group 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 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 and expected 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 the Group'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.

Notes to the Financial Statements

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 Financial risk factors (continued)

(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 11).

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 2017 of the Group and of the Fund of RM285 million (2016: nil) and RM259 million (2016: RM274 million) respectively are expected to assist in the liquidity and cash flow risk management.

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:-

<u>Group</u>	<u><1 year</u> RM'000	<u>1 to 2</u> <u>years</u> RM'000	<u>2 to 3</u> <u>years</u> RM'000	<u>>3 years</u> RM'000	<u>Total</u> RM'000
<u>At 31 December 2017</u>					
Borrowings	67,700	52,800	52,800	1,291,165	1,464,465
Payables and accruals excluding net output tax and prepaid rental	234,355	28,208	22,644	18,279	303,486
<hr/>					
<u>Fund</u>	<u><1 year</u> RM'000	<u>1 to 2</u> <u>years</u> RM'000	<u>2 to 3</u> <u>years</u> RM'000	<u>>3 years</u> RM'000	<u>Total</u> RM'000
<u>At 31 December 2017</u>					
Payables and accruals excluding net output tax and prepaid rental	302,055	81,008	75,444	1,309,444	1,767,951
<hr/>					
<u>At 31 December 2016</u>					
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

Note:-

The amounts are contractual and undiscounted cash flows.

24.2 Capital risk management

The Group's capital is the unitholders' capital and borrowings. The Fund's capital is the unitholders' capital and intercompany 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.

Notes to the Financial Statements

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.2 Capital risk management (continued)

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

	Group	Fund	
	2017	2017	2016
	RM'000	RM'000	RM'000
Total borrowings	1,213,665	-	1,237,229
Total intercompany borrowings	-	1,213,665	-
Total assets	5,250,728	5,250,728	5,194,257
Borrowings to total assets ratio (%)	23.1	23.1	23.8

The total borrowings should not exceed 50% of the total assets at the time the borrowings are incurred in accordance with the REIT Guidelines. The Group and the Fund complied with the borrowing limit requirement for the financial year.

The financial covenants of the MTN Programme are as follows:-

- (i) to ensure that the total amount raised by the Group from issuance of debt securities and/or any other financing facilities shall not exceed 50% of the total asset value of the Group; and
- (ii) to maintain the interest service cover ratio ("ISCR") of not less than 1.5 times for the Group, calculated on a yearly basis at the end of the financial year of the Group.

The financial covenants of the Tranche 1, MTN are as follows:-

- (i) to maintain a security cover ratio for MVM of not more than 60%;
- (ii) to maintain the ISCR of not less than 2.0 times for MVM, calculated on a yearly basis at the end of the financial year of IGB REIT; and
- (iii) to ensure that the total amount raised by the Group from issuance of debt securities and/or any other financing facilities shall not exceed 50% of the total asset value of the Group.

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 the Fund's distributable income. It is the intention of the Manager to distribute at least 90% of the Fund'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 2017, the Group and the Fund distributed approximately 95.0% (2016: 96.2%) 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 the Fund'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 the Fund's distributable income to the extent that the Manager believes it is appropriate, having regard to the Fund's funding requirements, total return, cash flow as well as sustainability and stability of the income. Distribution, when made, will be in Ringgit Malaysia.

Notes to the Financial Statements

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.3 Fair value

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

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

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000

Level 3

Recurring fair value measurements:

Investment properties	4,930,000	4,890,000
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Level 3 fair values of the investment properties have been derived from the income approach method based on valuations performed by independent professional valuer, One Asia (2016: Henry Butcher), who holds a recognised relevant professional qualification and has relevant experience in valuing the investment properties. 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 cash deposits received from tenants at the reporting date is not materially different from their carrying value as the impact of discounting is not significant.

The Group'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:-

	Group			
	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Level 2				
Borrowings	1,213,665	1,217,408	-	-
	Fund			
	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Borrowings	-	-	1,237,229	1,217,941
Intercompany borrowings	1,213,665	1,217,408	-	-

Notes to the Financial Statements

(continued)

25 OPERATING LEASES

Leases as lessor

The Group and the Fund lease out the investment properties (Note 6) under operating leases. Subject to full receipts and/or recoveries of all trade receivables, the future minimum lease receivables under non-cancellable lease are as follows:-

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
Less than one (1) year	321,363	339,736
Between one (1) and five (5) years	347,981	377,782
More than five (5) years	229,243	243,236
	898,587	960,754

26 CAPITAL COMMITMENTS

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

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
Plant and equipment		
Authorised by Directors of the Manager but not contracted	2,539	2,948

Notes to the Financial Statements

(continued)

27 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 of the Fund
IGB REIT Management Sdn Bhd	The Manager of the Fund, a subsidiary of IGB
IGB REIT Capital Sdn Bhd	A subsidiary of the Fund via MTrustee Berhad (acting in its capacity as trustee for IGB REIT)
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 the Fund
Strass Media Sdn Bhd	A subsidiary of Wah Seong (Malaya) Trading Co. Sdn Bhd
Syn Tai Hung Trading Sdn Bhd	A subsidiary of Wah Seong Corporation Berhad
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)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
Significant related party transactions for the financial year:		
<u>Sales of services</u>		
1) Utilities charges		
- IGB Properties Sdn Bhd	693	796
- Mid Valley City Enterprise Sdn Bhd	1,535	1,702
- MVC Centrepont South Sdn Bhd	924	1,006
- MVC Centrepont North Sdn Bhd	1,109	125
- Mid Valley City Hotels Sdn Bhd	3,602	3,539
- Tanah Permata Sdn Bhd	1,365	1,476
- Mid Valley City South Tower Sdn Bhd	1,910	2,085
- Mid Valley City North Tower Sdn Bhd	2,029	2,077
- Mid Valley City Energy Sdn Bhd	701	696
- Mid Valley City Developments Sdn Bhd	81	90
- Ensignia Construction Sdn Bhd	625	634
- Strass Media Sdn Bhd	124	153
	14,698	14,379
2) Rental of premises		
- MVEC Exhibition and Event Services Sdn Bhd	5,202	5,206
- MVC CyberManager Sdn Bhd	60	60
- JVP Venture Sdn Bhd	203	198
- Fast Casual Hospitality Sdn Bhd	271	269
	5,736	5,733
3) Rental of light box		
- Strass Media Sdn Bhd	1,086	1,242
4) Rental of car park		
- IGB Corporation Berhad	180	165
- Tanah Permata Sdn Bhd	179	181
	359	346

Notes to the Financial Statements

(continued)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Group and Fund	Fund
	2017	2016
	RM'000	RM'000
Significant related party transactions for the financial year (continued):		
<u>Purchases of services</u>		
1) Utilities charges		
- Mid Valley City Energy Sdn Bhd	40,057	41,702
- Tanah Permata Sdn Bhd	68	65
	40,125	41,767
2) Manager's management fee		
- IGB REIT Management Sdn Bhd	34,044	33,413
3) Repair and maintenance		
- Technoltic Engineering Sdn Bhd	2,451	3,629
- Ensignia Construction Sdn Bhd	829	3,412
- Wah Seong (Malaya) Trading Co. Sdn Bhd	985	394
- Syn Tai Hung Trading Sdn Bhd	136	58
	4,401	7,493
4) Hotel facilities and services		
- Tanah Permata Sdn Bhd	130	186
- Mid Valley City Hotels Sdn Bhd	69	64
	199	250
Significant related party balances as at reporting date:		
<u>Deposits placed with – included in deposits receivable</u>		
Mid Valley City Energy Sdn Bhd	7,424	6,817
<u>Amount owing to</u>		
IGB REIT Management Sdn Bhd (Manager's management fee)	9,001	8,782
Technoltic Engineering Sdn Bhd	-	1,508

Notes to the Financial Statements

(continued)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Fund	
	2017 RM'000	2016 RM'000
Significant related party transactions for the financial year:		
<u>Interest charged to</u>		
IGB REIT Capital Sdn Bhd	281	-
<u>Interest charged by</u>		
IGB REIT Capital Sdn Bhd	14,900	-
<u>Advances from</u>		
IGB REIT Capital Sdn Bhd (Note 11)	1,200,000	-
Significant related party balances as at reporting date:		
<u>Amount owing by</u>		
IGB REIT Capital Sdn Bhd (Note 11)	26,495	-
<u>Amount owing to</u>		
IGB REIT Capital Sdn Bhd (Note 11)	1,213,665	-

Unitholding Statistics

As at 8 February 2018

APPROVED FUND SIZE

3,550,000,000 Units

ISSUED UNITS

3,518,821,841 Units (voting right : 1 vote per Unit)

PUBLIC SPREAD

45.04%

DISTRIBUTION OF UNITHOLDINGS

Range of Unitholdings	No. of Unitholders	% of Unitholders	No. of Issued Units	% of Issued Units
Less than 100	1,676	7.81	48,514	0.00
100 – 1,000	7,589	35.35	3,763,281	0.11
1,000 – 10,000	8,752	40.76	37,757,830	1.07
10,001 – 100,000	2,803	13.06	88,847,086	2.53
100,001 to less than 5% of Issued Units	647	3.01	1,393,504,763	39.60
5% and above of Issued Units	2	0.01	1,994,900,367	56.69
Total	21,469	100.00	3,518,821,841	100.00

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	49.27	118,821,841	3.38
Goldis Berhad	Nil	Nil	1,852,439,595	52.64
Dato' Seri Robert Tan Chung Meng	13,739,081	0.39	1,884,151,697	53.54
Pauline Tan Suat Ming	Nil	Nil	1,884,151,697	53.54
Tony Tan Choon Keat	1,000,000	0.03	1,884,151,697	53.54
Tan Chin Nam Sendirian Berhad	14,482,888	0.41	1,881,373,230	53.47
Tan Kim Yeow Sendirian Berhad	2,879,665	0.08	1,881,272,032	53.46
Wah Seong (M) Trading Co. Sdn. Bhd.	26,079,992	0.74	1,854,866,695	52.71
Employees Provident Fund Board	327,891,513	9.32	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	13,739,081	0.39	1,884,151,697	53.54
Tan Boon Lee	1,705,025	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	2,999,000	0.09	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 8 February 2018
(continued)

TOP 30 UNITHOLDERS

No.	Name of Unitholder	No. of Issued Units	% of Issue Units
1	IGB Corporation Berhad	1,733,617,754	49.27
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	261,282,613	7.43
3	IGB REIT Management Sdn Bhd	118,821,841	3.38
4	Kumpulan Wang Persaraan (Diperbadankan)	113,355,800	3.22
5	Valuecap Sdn Bhd	93,311,300	2.65
6	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	60,607,000	1.72
7	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	54,602,031	1.55
8	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	42,378,828	1.21
9	Pertubuhan Keselamatan Sosial	39,173,550	1.11
10	Amanahraya Trustees Berhad Public Smallcap Fund	33,134,616	0.94
11	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Affin-Hwg)	32,608,900	0.93
12	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	31,736,492	0.90
13	Amanahraya Trustees Berhad Public Savings Fund	23,738,876	0.68
14	Amanahraya Trustees Berhad Public Dividend Select Fund	23,660,932	0.67
15	Wah Seong (Malaya) Trading Co. Sdn Bhd	21,805,823	0.61
16	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	20,000,000	0.57
17	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	19,557,904	0.56
18	HSBC Nominees (Asing) Sdn Bhd BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund	16,876,370	0.48
19	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Newton Asian Income Fund	16,670,100	0.47
20	Amanahraya Trustees Berhad Public Equity Fund	15,800,368	0.45
21	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group Inc	15,020,400	0.43
22	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Amundi)	14,000,000	0.40
23	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LSF)	13,017,000	0.37
24	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NBIF For Nuveen Real Asset Income Fund	12,102,608	0.34
25	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (Aff Hwg6939-403)	11,667,200	0.33
26	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	11,151,900	0.32
27	Robert Tan Chung Meng	11,005,755	0.31
28	Tan Chin Nam Sendirian Berhad	10,465,921	0.30
29	UOBM Nominees (Asing) Sdn Bhd Pledged Securities Account for Montego Assets Limited (PCB)	10,000,000	0.28
30	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Income Fund	9,880,000	0.28
Total		2,891,051,882	82.16

Notice of Sixth Annual General Meeting

NOTICE IS HEREBY GIVEN of the Sixth Annual General Meeting (6th 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 Monday, 23 April 2018 at 2.00 p.m. to transact the following business:

Ordinary Business

To lay Financial Statements of IGB REIT for the year ended 31 December 2017 together with reports issued by the Trustee, the Manager and the Auditors (Financial Statements and Reports FY2017).

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

Tina Chan
 Company Secretary (MAICSA 7001659)

Kuala Lumpur
 28 February 2018

Notes:

(1) Financial Statements and Reports FY2017

The Financial Statements and Reports FY2017 have been approved by the Board of IGB REIT Management Sdn Bhd and there is no requirement for unitholders to approve these reports. Unitholders will be given a reasonable opportunity to ask questions and make comments on the reports at the 6th 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 6th AGM. The lodging of Proxy Form does not preclude a unitholder from attending and voting in person at the 6th AGM, should the unitholder 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 16 April 2018 shall be eligible to attend and vote at the 6th AGM, or appoint proxy(ies) to attend and vote on their behalf.
- (f) The executed Proxy Form must be deposited at the Manager's Registered Office, no later than 21 April 2018 at 2.00 p.m.
- (g) Annual Report 2017 is available on IGB REIT's website www.igbreit.com, which unitholders can view or download at their convenience.

(3) Registration of unitholders/proxies

- (a) Registration will start at 12.00 noon on the day of the 6th 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 1.30 p.m.
- (e) The registration counters will only process verification of identities and registration. Other queries/clarification, please proceed to Help Desk counter.



IGB REAL ESTATE INVESTMENT TRUST
Managed by IGB REIT MANAGEMENT SDN BHD (908168-A)

PROXY FORM

Number of Units Held	
CDS Account Number	
CDS Account Number of Authorised Nominee	

*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 6th AGM as *my/our proxy to attend and vote on *my/our behalf, at the 6th 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 Monday, 23 April 2018 at 2.00 p.m. and at any adjournment thereof.

* Delete as appropriate

Dated this _____ day of _____ 2018

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.
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Fold this flap for sealing

Fold along this line (2)

PROXY FORM

AFFIX
RM0.80
STAMP

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

Fold along this line (1)

IGB REIT MANAGEMENT SDN BHD (908168-A)

the Manager of IGB REIT

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

Tel : +603 2289 8989

Fax : +603 2289 8802

Email : corporate-enquiry@igbreit.com

Website : www.igbreit.com

**THE EDGE
BILLION
RINGGIT
CLUB 2017**

SILVER

IGB REIT -
Highest Return
On Equity Over
Three Years



**THE EDGE
BILLION
RINGGIT
CLUB 2017**

GOLD

IGB REIT -
Highest Returns
To Shareholders
Over Three Years



**THE EDGE
BILLION
RINGGIT
CLUB 2017**

GOLD

IGB REIT -
Highest Growth
In Profit After Tax
Over Three Years



THE EDGE

Property Development
Excellence Award 2017
(Mid Valley Megamall)

