

IGB REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 3-month ended 30 June 2016

Contents

	Page
Condensed Statement of Comprehensive Income	1-2
Condensed Statement of Financial Position	3
Condensed Statement of Changes in Net Asset Value	4
Condensed Statement of Cash Flows	5
Part A - Disclosure requirements pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134	6-7
Part B - Additional disclosures pursuant to the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”)	8-14

IGB Real Estate Investment Trust

Condensed Statement of Comprehensive Income

(The figures have not been audited)

	Quarter		Period-To-Date	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Gross rental income	96,003	93,694	199,330	192,326
Other income	28,598	27,668	56,481	54,476
Gross revenue	124,601	121,362	255,811	246,802
Utilities expenses	(13,017)	(12,967)	(25,283)	(25,633)
Maintenance expenses	(5,377)	(5,025)	(10,512)	(9,957)
Quit rent and assessment	(3,274)	(3,280)	(6,547)	(6,547)
Reimbursement costs	(14,357)	(12,104)	(28,745)	(25,035)
Other operating expenses	(1,937)	(1,641)	(4,463)	(3,240)
Property operating expenses	(37,962)	(35,017)	(75,550)	(70,412)
Net property income	86,639	86,345	180,261	176,390
Interest income	2,198	1,598	4,443	3,419
Changes in fair value on investment properties	-	-	-	-
Net investment income	88,837	87,943	184,704	179,809
Manager fee	(8,159)	(8,171)	(16,654)	(16,429)
Trustees' fee	(79)	(77)	(159)	(146)
Other trust expenses	(265)	(207)	(374)	(313)
Borrowings costs	(14,375)	(13,656)	(28,743)	(27,181)
Profit before taxation	65,959	65,832	138,774	135,740
Taxation	-	-	-	-
Profit after taxation	65,959	65,832	138,774	135,740
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	65,959	65,832	138,774	135,740
Distribution adjustments ^{*1}	9,508	9,622	19,350	19,309
Distributable income	75,467	75,454	158,124	155,049
Profit for the period comprise the following:				
- Realised	65,959	65,832	138,774	135,740
- Unrealised	-	-	-	-
	65,959	65,832	138,774	135,740
Basic earnings per unit (sen)				
- before Manager fee	2.13	2.14	4.47	4.41
- after Manager fee	1.90	1.91	3.99	3.93

IGB Real Estate Investment Trust

Condensed Statement of Comprehensive Income (continued)

(The figures have not been audited)

Note:

*1 *The composition of distribution adjustments is as follows:*

	Quarter		Period-To-Date	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Changes in fair value on investment properties	-	-	-	-
Manager fee payable in units	8,159	8,171	16,654	16,429
Amortisation of fit-out incentives	479	496	975	992
Amortisation of capitalised borrowing costs	242	339	484	678
Depreciation of plant & machinery	628	616	1,237	1,210
Distribution Adjustments	9,508	9,622	19,350	19,309

The unaudited condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 (“AFS FY2015”) and the accompanying notes attached to this Interim Financial Report.

IGB Real Estate Investment Trust

Condensed Statement of Financial Position

(The figures have not been audited)

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Non-current assets		
Investment properties	4,890,000	4,890,000
Plant and equipment	11,336	11,740
	4,901,336	4,901,740
Current assets		
Receivables	20,506	21,619
Cash and bank balances	272,436	246,648
	292,942	268,267
TOTAL ASSETS VALUE ("TAV")	5,194,278	5,170,007
FINANCED BY:		
Unitholders' fund		
Unitholders' capital	4,351,444	4,335,072
Accumulated losses	(669,563)	(639,384)
Current year profit	138,774	253,998
Income distribution	(154,171)	(284,177)
Total unitholders' fund	3,666,484	3,665,509
Non-current liabilities		
Borrowings	1,196,848	1,196,363
Payables and accruals	51,301	62,806
	1,248,149	1,259,169
Current liabilities		
Borrowings	38,377	36,752
Payables and accruals	241,268	208,577
	279,645	245,329
Total liabilities	1,527,794	1,504,498
TOTAL UNITHOLDERS' FUND AND LIABILITIES	5,194,278	5,170,007
Number of units in circulation ('000 units)	3,483,331	3,471,789
NET ASSET VALUE ("NAV") (RM)		
- Before income distribution	3,820,655	3,949,686
- After income distribution	3,666,484	3,665,509
NAV per unit (RM)		
- Before income distribution	1.0968	1.1377
- After income distribution	1.0526	1.0558

The unaudited condensed statement of financial position should be read in conjunction with the AFS FY2015 and the accompanying notes attached to this Interim Financial Report.

IGB Real Estate Investment Trust

Condensed Statement of Changes in Net Asset Value

(The figures have not been audited)

	Unitholders' Capital RM'000	Accumulated Losses RM'000	Total Unitholders' Fund RM'000
As at 1 January 2016	4,335,072	(669,563)	3,665,509
Total comprehensive income for the year	-	138,774	138,774
Income distribution		(154,171)	(154,171)
Net total comprehensive income for the year	-	(15,397)	(15,397)
Unitholders' transactions			
- Issue of new units			
Manager fee paid in units	16,372*	-	16,372
Increase in net assets resulting from unitholders' transactions	16,372	-	16,372
As at 30 June 2016	<u>4,351,444</u>	<u>(684,960)</u>	<u>3,666,484</u>
As at 1 January 2015	4,302,842	(639,384)	3,663,458
Total comprehensive income for the year	-	135,740	135,740
Income distribution	-	(155,049)	(155,049)
Net total comprehensive income for the year	-	(19,309)	(19,309)
Unitholders' transactions			
- Issue of new units			
Manager fee paid in units	15,936	-	15,936
Increase in net assets resulting from unitholders' transactions	15,936	-	15,936
As at 30 June 2015	<u>4,318,778</u>	<u>(658,693)</u>	<u>3,660,085</u>

Note:

Issue of new units involves:

	Units '000	Amount RM'000
Manager fee paid in units:		
- for the financial quarter ended 31 December 2015	5,879	7,878
- for the financial quarter ended 31 March 2016	5,663	8,494
	<u>11,542</u>	<u>16,372*</u>

The unaudited condensed statement of changes in net asset value should be read in conjunction with the AFS FY2015 and the accompanying notes attached to this Interim Financial Report.

IGB Real Estate Investment Trust

Condensed Statement of Cash Flows

(The figures have not been audited)

	Period-To-Date 30.06.2016 RM'000	Period-To-Date 30.06.2015 RM'000
Operating activities		
Profit before tax	138,774	135,740
Adjustment for:		
Non-cash items	18,949	18,636
Non-operating items	24,300	23,762
Operating profit before changes in working capital	182,023	178,138
Net change in current assets	864	6,098
Net change in current liabilities	(3,897)	(12,911)
Net cash generated from operating activities	178,990	171,325
Investing activities		
Purchase of plant and equipment	(961)	(2,368)
Interest received	3,717	2,861
Net cash generated from investing activities	2,801	493
Financing activities		
Interest paid	(26,633)	(26,190)
Distribution paid to unitholders	(129,370)	(134,676)
Net cash used in financing activities	(156,003)	(160,866)
Net increase in cash and cash equivalents	25,788	10,952
Cash and cash equivalents at beginning of year	217,456	203,801
Cash and cash equivalents at end of year	243,244	214,753
<i>Note:</i>		
<i>Cash and bank balances</i>	<i>272,436</i>	<i>242,850</i>
<i>Less: Restricted cash</i>	<i>(29,192)</i>	<i>(28,097)</i>
<i>Cash and cash equivalents</i>	<i>243,244</i>	<i>214,753</i>

The unaudited condensed statement of cash flows should be read in conjunction with the AFS FY2015 and the accompanying notes attached to this Interim Financial Report.

Part A – Disclosure Requirements Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134

A1 Basis of preparation

This Interim Financial Report is unaudited and has been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board, the MMLR and the Securities Commission’s Guidelines on Real Estate Investment Trusts (“REIT Guidelines”). This Interim Financial Report should be read in conjunction with the AFS FY2015 and the accompanying notes attached to this Interim Financial Report. The accounting policies and methods of computation adopted in this Interim Financial Report are consistent with those disclosed in the AFS FY2015.

A2 Auditors’ report of preceding financial statements

The auditors’ report for FY2015 was not subject to any audit qualification.

A3 Seasonal or cyclical factors

IGB REIT’s operations were not significantly affected by seasonal or cyclical factors.

A4 Significant unusual items

There were no significant unusual items that affect the assets, liabilities, equity, net property income or cash flow during the period-to-date under review.

A5 Material changes in estimates

Not applicable.

A6 Debt and equity securities

Issue of new units:

	Units ‘000	Amount RM’000
Manager fee paid:		
- for the financial quarter ended 31 December 2015	5,879	7,878
- for the financial quarter ended 31 March 2016	5,663	8,494
	11,542	16,372

Save for the issuance of new units of IGB REIT as payment for Manager fee, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period-to-date.

IGB Real Estate Investment Trust

A7 Income distribution

Pursuant to the distribution policy in clause 17.1 of the deed of trust between IGB REIT Management Sdn Bhd (“Manager”) and AmTrustee Berhad (“Trustee”) dated 18 July 2012 (“Deed”), the Manager intends to distribute at least 90% of IGB REIT’s distributable income on a half-yearly basis for each consecutive 6-month period on and ending 30 June and 31 December of each financial year (or such other intervals as the Manager may determine at its absolute discretion).

For the financial period ended 30 June 2016, the Manager declared an income distribution of 97.5% of distributable income amounting to RM154.2 million or 4.41 sen per unit (@ 4.32 sen taxable and 0.09 sen non-taxable), to be payable on 29 August 2016 to every unitholder who is entitled to receive such distribution as at 4.00 p.m. on 9 August 2016.

A8 Segmental reporting

The segmental financial information by operating segments is not presented as IGB REIT is the owner of Mid Valley Megamall and The Gardens Mall both located in Kuala Lumpur, Malaysia, which is considered as one operating segment.

A9 Valuation of investment properties

A revaluation on Mid Valley Megamall and The Gardens Mall had been conducted by Henry Butcher Malaysia Sdn Bhd and based on the valuation letters dated 1 July 2016, the market value of Mid Valley Megamall and The Gardens Mall as at 30 June 2016 remained at RM3.61 billion and RM1.28 billion respectively from previous quarter.

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current period-to-date under review up to the date of this Interim Financial Report.

A11 Changes in the composition of IGB REIT

IGB REIT’s fund size increased from 3,471.789 million units as at 31 December 2015 to 3,483.331 million units as at 30 June 2016 arising from the issuance of new units as disclosed in Note A6.

A12 Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 30 June 2016.

A13 Capital commitment

There were no major capital commitments as at 30 June 2016.

Part B – Additional Disclosures Pursuant to Paragraph 9.44 of the MMLR

B1 Review of performance

Current quarter results

For the current quarter, IGB REIT's gross revenue was RM124.6 million, up 2.6% against the corresponding quarter in 2015 of RM121.4 million. This was mainly due to higher total rental income in the current quarter.

Net property income was RM86.6 million, up 0.3% compared with the corresponding quarter in 2015 of RM86.3 million. This was mainly due to higher total rental income and higher property costs in the current quarter.

The distributable income for the current quarter amounted to RM75.5 million or 2.16 sen per unit, consisting of realised profit of RM66.0 million and the non-cash adjustment arising mainly from Manager fee payable in units of RM8.2 million.

Current period-to-date results

For the current period-to-date, IGB REIT's gross revenue was RM255.8 million, up 3.6% against the corresponding period-to-date in 2015 of RM246.8 million. This was mainly due to higher total rental income in the current period-to-date.

Net property income was RM180.3 million, up 2.2% compared with the corresponding period-to-date in 2015 of RM176.4 million. This was mainly due to higher total rental income in the current period-to-date.

The distributable income for the current period-to-date amounted to RM158.1 million or 4.53 sen per unit, consisting of realised profit of RM138.8 million and the non-cash adjustment arising mainly from Manager fee payable in units of RM16.7 million.

B2 Material changes in quarterly results

For the current quarter, IGB REIT's gross revenue was RM124.6 million, 5.0% lower compared with the immediate preceding quarter of RM131.2 million, mainly due to lower total rental income in current quarter.

Net property income was RM86.6 million, 7.5% lower when compared with net property income of RM93.6 million in the preceding quarter, mainly due to lower total rental income in the current quarter.

IGB Real Estate Investment Trust

B3 Prospects

According to Retail Group Malaysia, the Malaysian retail industry recorded a 4.4% fall in sales in the first quarter of 2016 compared to a 4.6% growth in 2015. The fall was attributed to higher pre-GST sales a year ago, as well as weak Chinese New Year sales in February 2016.

Although a negative first quarter growth rate was expected, the retail sales performances for members of the Malaysian Retailers Association (“MRA”) were below the industry expectation of a 4% fall in sales.

Prices of retail goods and services have been increasing gradually since early 2016, partly due to the weak ringgit. That had further reduced the spending power of Malaysian consumers.

Members of the MRA expect their businesses to improve during the second quarter of 2016 with an average growth rate of 9.9%. The estimated growth rates for the third and fourth quarters of 2016 are 5.0% and 5.5% respectively.

The greatest challenge in 2016 for the retail industry is still consumers’ sentiment. Consumers are still cautious on spending. Further increases in cost of living would worsen it.

Notwithstanding the above, the Manager would continue to embark on proactive asset management as well as asset enhancement initiatives of both Mid Valley Megamall and The Gardens Mall in order to maintain stable distribution and create long term value for Unitholders of IGB REIT.

B4 Investment objectives and strategies

The Manager’s key objective for IGB REIT is to provide the unitholders with regular and stable distributions and achieve long term growth in NAV per unit, while maintaining an appropriate capital structure. The Manager intends to increase the income and the value of the investment properties through active asset management, asset enhancement initiatives, acquisition growth as well as capital and risk management strategies.

B5 Portfolio composition

During the financial period under review, the portfolio of IGB REIT consists of two (2) investment properties, Mid Valley Megamall and The Gardens Mall.

B6 Utilisation of proceeds raised from issuance of new units

A total of 11.542 million new units were issued by IGB REIT as payment for Manager fee in the current period-to-date.

IGB Real Estate Investment Trust

B7 Taxation

(i) Taxation of IGB REIT

IGB REIT is regarded as Malaysian resident for Malaysian income tax purpose since the Trustee of IGB REIT is resident in Malaysia.

The income of IGB REIT, will be taxable at the normal corporate tax rate, currently at 24%.

The tax transparency system under Section 61A of the Malaysian Income Tax Act 1967 ('Act') however, exempts IGB REIT from such taxes in a year of assessment ("YA") if IGB REIT distributes at least 90% of its total taxable income in the same YA.

If less than 90% of its total taxable income is distributed in a YA, then the tax transparency system under Section 61A of the Act would not apply and total taxable income of IGB REIT would continue to be taxed, currently at the prevailing rate of 24%. Income which has been taxed at IGB REIT level will have tax credits attached when subsequently distributed to unitholders.

As the Manager intends to declare more than 90% of the distributable income of IGB REIT to unitholders for the year ending 31 December 2016, no provision for taxation has been made for the current financial period ended 30 June 2016.

Generally, gains on disposal of investments by IGB REIT are regarded as capital gains and hence, will not be subject to income tax. However, where the investments represent real properties and shares in real property companies, such gains will be subject to real property gains tax ("RPGT").

With effect from 1 January 2014, any gains on disposal of real properties or shares in real property companies would be subject to RPGT at the following rates:

Disposal time frame	Rates
Disposal within 3 years of acquisition	30%
Disposal in the 4th year of acquisition	20%
Disposal in the 5th year of acquisition	15%
Disposal after 5 years of acquisition	5%

IGB Real Estate Investment Trust

B7 Taxation (continued)

(ii) Taxation of Unitholders

The tax treatment is dependent on whether IGB REIT has distributed 90% or more of its total taxable income.

(a) REIT distributes 90% or more of taxable income

Where 90% or more of the total taxable income is distributed by IGB REIT, distributions to unitholders will be subject to tax based on a withholding tax mechanism. With effect from 1 January 2016, the withholding tax rates are as follows:

Unitholders	Withholding tax rate
Individuals & All Other Non-Corporate Investors such as institutional investors (resident and non-resident)	10%
Non-resident corporate investors	24%
Resident corporate investors	0%

(b) REIT distributes less than 90% of taxable income

Where less than 90% of the total taxable income is distributed by IGB REIT, then exemption under Section 61A of the Act will not apply and IGB REIT would have to pay taxes on the taxable income for the year. The distributions made by IGB REIT of such taxed income will have tax credits attached. The tax treatment for unitholders would be as follows:

- Resident individuals will be subject to tax at their own marginal rates on the distributions and be entitled to tax credits representing tax already paid by IGB REIT.
- Resident corporate investors are required to report the distributions from REITs in their normal corporate tax return and bring such income to tax at the normal corporate tax rate. Where tax has been levied at IGB REIT level, the resident corporate investors are entitled to tax credits.
- No further taxes or withholding tax would be applicable to foreign unitholders. Foreign unitholders may be subject to tax in their respective jurisdictions depending on the provisions of their country's tax legislation and the entitlement to any tax credits would be dependent on their home country's tax legislation.

Distributions representing specific exempt income or gains on disposal of investments at IGB REIT level will not be subject to further income tax when distributed to all unitholders.

IGB Real Estate Investment Trust

B8 Status of corporate proposal

There were no corporate proposals announced but not completed as at the date of this Interim Financial Report.

For Mid Valley Megamall, the amalgamation of Lot 80 and Lot 25 was submitted to Pejabat Pengarah Tanah dan Galian, Wilayah Persekutuan Kuala Lumpur (“PTG”) via Pusat Setempat, Dewan Bandaraya Kuala Lumpur on 23 April 2013. Federal Territories of Kuala Lumpur Land Working Committee has approved the application for surrender and re-alienation. Pending for new title to be issued.

For The Gardens Mall, the strata title application was submitted on 29 January 2013 to PTG for processing and we are awaiting for PTG to issue the strata title.

Mid Valley City Sdn Bhd obtained an extension of consent from the state authority for the transfer of Mid Valley Megamall in favour of AmTrustee Berhad as trustee for IGB REIT to be completed by 18 October 2016. Mid Valley City Developments Sdn Bhd and Mid Valley City Gardens Sdn Bhd obtained an extension of consent from the state authority for the transfer of The Gardens Mall in favour of AmTrustee Berhad as trustee for IGB REIT to be completed by 18 October 2016.

B9 Borrowings and debt securities

IGB REIT’s borrowings and debts securities as at 30 June 2016 were as follows:

	As at 30.06.2016 RM’000	As at 31.12.2015 RM’000
Non-current borrowings		
- secured term loans (“STL”)	1,196,848	1,196,363
Current borrowings		
- secured revolving credit	38,377	36,752
	<u>1,235,225</u>	<u>1,233,115</u>

All borrowings are denominated in Ringgit Malaysia.

B10 Material litigation

The Board of Directors of the Manager is not aware of any pending material litigation as at the date of this Interim Financial Report.

B11 Soft commission received

There was no soft commission received by the Manager and/or its delegates during the current period-to-date.

IGB Real Estate Investment Trust

B12 Summary of NAV, EPU, DPU and market price

	Unit of measurement	Current quarter ended 30.06.2016	Immediate preceding quarter ended 31.03.2016
Number of units in issue	'000 units	3,483,331	3,477,668
NAV (after income distribution)	RM'000	3,666,484	3,746,202
NAV per unit (after income distribution)	RM	1.0526	1.0772
Total comprehensive income	RM'000	65,959	72,815
Weighted average number of units in issue	'000 units	3,478,311	3,475,407
Earnings per unit ("EPU") after Manager fee	sen	1.90	2.10
Distributable income per unit ("DPU")	sen	2.17	2.36
Closing market price per unit	RM	1.61	1.53

B13 Manager fee

Based on the Deed, the Manager is entitled to receive the following fees from IGB REIT:

- (i) Base fee of up to 1.0% per annum on the TAV;
- (ii) Performance fee of 5.0% per annum of net property income;
- (iii) Acquisition fee of 1.0% of the transaction value of any real estate and real estate related assets directly or indirectly acquired from time to time by the Trustee; and
- (iv) Divestment fee of 0.5% of the transaction value of any real estate and real estate related assets directly or indirectly sold or divested from time to time by the Trustee.

Total Manager fee for the current period-to-date was RM16,654,000, as follows:

Type	Quarter 30.06.2016 RM'000	Quarter 30.06.2015 RM'000	Period-to- date 30.06.2016 RM'000	Period-to- date 30.06.2015 RM'000
Base fee	3,828	3,854	7,636	7,622
Performance fee	4,331	4,317	9,018	8,807
Total	<u>8,159</u>	<u>8,171</u>	<u>16,654</u>	<u>16,429</u>

For the current period-to-date, 100% of the total Manager fee had been paid and would be payable in units.

IGB Real Estate Investment Trust

B14 Trustee fee

Based on the Deed, an annual trustee fee of up to 0.03% per annum of the NAV of IGB REIT would be paid to the Trustee.

B15 Unitholdings of the Manager and parties related to the Manager

Based on the Register of Unitholders of IGB REIT as at 30 June 2016, the unitholdings of the Manager and parties related to the Manager were as follows:

Unitholders of IGB REIT	Direct		Indirect	
	No. of units	%	No. of units	%
IGB REIT Management Sdn Bhd	83,330,919	2.39	-	-
IGB Corporation Berhad	1,733,617,754	49.77	83,330,919	2.39
Goldis Berhad	-	-	1,816,948,673	52.16
Dato' Seri Robert Tan Chung Meng	9,289,081	0.27	1,848,660,775	53.07
Pauline Tan Suat Ming	-	-	1,848,660,775	53.07
Tony Tan (@) Choon Keat	1,000,000	0.03	1,848,660,775	53.07
Tan Chin Nam Sendirian Berhad	14,482,888	0.42	1,845,882,308	52.99
Tan Kim Yeow Sendirian Berhad	2,879,665	0.08	1,845,781,110	52.99
Wah Seong (Malaya) Trading Co. Sdn Bhd	26,079,992	0.75	1,819,375,773	52.23

B16 Responsibility statement

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of IGB REIT as at 30 June 2016 and of its financial performance and cash flows for the financial year ended on that date and duly authorised for release by the Board of Directors of the Manager on 26 July 2016.