

**Interim Financial Report
for the period ended 30 September 2021**

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Condensed Consolidated Statement of Comprehensive Income
(The figures have not been audited)

	Current Period 30.09.2021 RM' 000
Gross rental income	4,760
Revenue from contract with customers	<u>2,347</u>
Gross revenue	7,107
Utilities expenses	(558)
Maintenance expenses	(588)
Quit rent and assessment	(540)
Reimbursement costs and operating expenses	(589)
Property operating expenses	(2,275)
Net Property Income	4,832
Interest income	-
Changes in fair value of investment properties	-
Net investment income	<u>4,832</u>
Manager fee	(592)
Trustee's fee	(18)
Other trust expenses	(89)
Finance costs	<u>(1,299)</u>
Profit before taxation	<u>2,834</u>
Taxation	-
Profit after taxation	<u>2,834</u>
Other comprehensive income, net of tax	-
Total comprehensive income for the period	<u>2,834</u>
Distribution adjustments ^{note 1}	<u>676</u>
Distributable income	<u><u>3,510</u></u>
Profit for the period comprise the following:	
- realised	3,510
- unrealised	-
	<u><u>3,510</u></u>
Basic earnings per Unit (sen)	
- before Manager fee	<u>0.15</u>
- after Manager fee	<u>0.12</u>

Condensed Consolidated Statement of Comprehensive Income (continued)

(The figures have not been audited)

Note 1:

The composition of distribution adjustments is as follows:

	Current Period 30.09.2021 RM' 000
Manager fee payable in units	592
Amortisation of capitalised borrowing costs	84
Distribution adjustments	676
 Statement of Income Distribution	
Gross rental income	4,760
Revenue from contract with customers	2,347
Interest income	-
	<u>7,107</u>
Less: expenses	<u>(4,273)</u>
Total comprehensive income for the period	2,834
Distribution adjustment	676
Distribution income	3,510
Previous period undistributed realised income	-
Total realised income available for distribution	<u>3,510</u>
Less: proposed declared income distribution	-
Balance undistributed realised income	<u>3,510</u>
 Distribution Per Unit ("DPU") (sen)	 -

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the financial information in the Prospectus and Supplemental Prospectus of IGB Commercial REIT dated 10 June 2021 and 28 July 2021 respectively and the accompanying notes attached to this Interim Financial Report.

The Interim Financial Report cover the period from 31 March 2021 to 30 September 2021.

No comparative figures are available as this is the first Interim Financial Report of IGB Commercial REIT since its establishment on 31 March 2021. The acquisitions of the properties by IGB Commercial REIT were completed on 17 September 2021 and IGB Commercial REIT was listed on 20 September 2021.

Condensed Consolidated Statement of Financial Position

(The figures have not been audited)

	As at 30.9.2021 RM' 000
Non-current assets	
Investment properties	3,160,500
Other receivables	142
	<u>3,160,642</u>
Current assets	
Trade and other receivables	11,822
Cash and bank balances	70,716
	<u>82,538</u>
TOTAL ASSET	<u>3,243,180</u>
Financed by:	
Unitholders' fund	
Unitholders' capital	2,302,425
Current year profit	2,834
Total Unitholders' fund	<u>2,305,259</u>
Non-current liabilities	
Borrowings	<u>847,052</u>
Current liabilities	
Borrowings	4,079
Trade and other payables	86,790
	<u>90,869</u>
Total liabilities	<u>937,921</u>
Total Unitholders' fund and liabilities	<u>3,243,180</u>
Number of units in circulation ('000 units)	<u>2,307,300</u>
Net Asset Value ("NAV") (RM '000)	
- before income distribution	<u>2,305,259</u>
- after income distribution	<u>2,305,259</u>
NAV per Unit (RM)	
- before income distribution	<u>0.9991</u>
- after income distribution	<u>0.9991</u>

Condensed Consolidated Statement of Changes in Net Asset Value

(The figures have not been audited)

	Unitholders' Capital RM '000	Current year profit RM '000	Total Unitholders' Fund RM '000
As at 31 March 2021	-	-	-
Total comprehensive income for the period	-	2,834	2,834
Income distribution	-	-	-
Net total comprehensive loss for the period	-	2,834	2,834
Unitholders' transactions			
Issue of new Units	2,307,300	-	2,307,300
Listing expenses	(4,875)	-	(4,875)
Manager's fee paid in Units	-	-	-
Increase in net assets resulting from Unitholders' transactions	2,302,425	-	2,302,425
As at 30 September 2021	2,302,425	2,834	2,305,259

The unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of changes in net asset value should be read in conjunction with the financial information in the Prospectus and Supplemental Prospectus of IGB Commercial REIT dated 10 June 2021 and 28 July 2021 respectively and the accompanying notes attached to this Interim Financial Report.

The Interim Financial Report cover the period from 31 March 2021 to 30 September 2021.

No comparative figures are available as this is the first Interim Financial Report of IGB Commercial REIT since its establishment on 31 March 2021. The acquisitions of the properties by IGB Commercial REIT were completed on 17 September 2021 and IGB Commercial REIT was listed on 20 September 2021.

Condensed Consolidated Statement of Cash Flows

(The figures have not been audited)

	Period to-date 30.09.2021 RM' 000
Operating activities	
Profit before tax	2,834
Adjustments for:	
Non-operating items	1,299
Operating profit before changes in working capital	<u>4,133</u>
Net change in current assets	(12,022)
Net change in current liabilities	81,987
Net cash generated from operating activities	<u>74,098</u>
Operating activities	
Acquisition of investment properties	(853,200)
Movement in pledged deposits	(15,683)
Net cash used in investing activities	<u>(868,883)</u>
Financing activities	
Financing expenses	(3,363)
Proceeds from borrowings	853,200
Listing expenses	(4,875)
Advance from ultimate holding company	4,856
Net cash generated from financing activities	<u>849,818</u>
Net increase/(decrease) in cash and cash equivalents	55,033
Cash and cash equivalents at 31 March 2021	<u>-</u>
Cash and cash equivalents at 30 September 2021	<u>55,033</u>
Note:	
Cash and bank balances	70,716
Less: pledged deposits	(15,683)
Cash and cash equivalents	<u>55,033</u>

Non-cash transaction:

The principal non-cash transaction is the issuance of 2,307.3 million Units for the settlement of purchase consideration for the acquisition of investment properties.

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the financial information in the Prospectus and Supplemental Prospectus of IGB Commercial REIT dated 10 June 2021 and 28 July 2021 respectively and the accompanying notes attached to this Interim Financial Report.

The financial results cover the period from 31 March 2021 to 30 September 2021.

No comparative figures are available as this is the first Interim Financial Report of IGB Commercial REIT since it was established on 31 March 2021. The acquisitions of the properties by IGB Commercial REIT were completed on 17 September 2021 and IGB Commercial REIT was listed on 20 September 2021.

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 Listed Real Estate Investment Trusts (“REIT Guidelines”). This Interim Financial Report should be read together with the accompanying notes attached. There are no comparative figures as IGB Commercial REIT was established on 31 March 2021 and listed on 20 September 2021 and this is the first Interim Financial Report.

A2 Auditors’ report of preceding financial statements

IGB Commercial REIT was established on 31 March 2021 and the acquisitions of the properties was completed on 17 September 2021. IGB Commercial REIT was listed on 20 September 2021 and this is the first Interim Financial Report.

A3 Seasonal or cyclical factors

IGB Commercial REIT’s operations were not significantly affected by seasonal or cyclical factors, other than disclosed in this Report.

A4 Significant unusual items

Save and except for disclosure in Note A10, 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	Amount
	'000	RM '000
Acquisition of investment properties		
- for the financial period ended 30 September 2021	<u>2,307,300</u>	<u>2,307,300</u>

Save for the issuance of new Units of IGB Commercial REIT as payment for the acquisition of investment properties, there were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period-to-date.

A7 Income distribution

It is the intention of the Manager to distribute at least 90% of IGB Commercial REIT’s distributable income on a half-yearly basis or such other intervals as the Manager may determine as its absolute discretion. For the period to 31 December 2021, the Manager has decided to distribute 100% of the Distributable Income which will be paid by the Manager within two months from 31 December 2021.

A8 Segmental reporting

The segmental financial information by operating segments is not presented as IGB Commercial REIT is the owner of The MVC Properties (comprising of seven properties ie. Menara IGB & Annexe, Centrepoint South, Centrepoint North, The Gardens South Tower, The Gardens North Tower, Boulevard Properties and Menara Southpoint) and The KL Properties (comprising of three properties ie. Menara Tan & Tan, GTower and Hampshire Place Office), all located in Kuala Lumpur, Malaysia, which is considered as one operating segment.

A9 Valuation of investment properties

Independent professional valuations will be obtained annually or such other shorter interval as the Manager deems necessary and these valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines. Henry Butcher (Malaysia) Sdn Bhd was engaged to carry out the valuation of the Subject Properties as at 31 December 2020. In accordance with IGB Commercial REIT's valuation policy, the next valuation will be carried out on 31 December 2021.

The market valuation of the investment properties as at 31 December 2020 were as follows:

		Market Valuation 31.12.2020 RM '000
	Investment Property	
1	Menara IGB & Annexe	188,900
2	Centrepoint South	190,500
3	Centrepoint North	196,500
4	The Gardens South Tower	391,500
5	The Gardens North Tower	382,100
6	Southpoint Properties	573,500
7	Boulevard Offices, Blocks 25 & 27	78,000
8	Menara Tan & Tan	239,100
9	GTower	739,800
10	Hampshire Place Office	180,600
	TOTAL	3,160,500

A10 Material events subsequent to the end of the financial period

There were no material events subsequent to the end of the current financial period up to the date of this Interim Financial Report.

A11 Changes in the composition of IGB Commercial REIT

There is no change in IGB Commercial REIT's fund size of 2,307.3 million Units as at 30 September 2021 which arose from the issuance of new Units for the acquisition of the investment properties as disclosed in Note A6.

A12 Contingent liabilities and contingent assets

There were no material contingent liabilities or contingent assets as at 30 September 2021.

A13 Capital commitment

There were no major capital commitments as at 30 September 2021.

Part B – Additional Disclosures Pursuant to Paragraph 9.44 of the MMLR
B1 Review of performance

	Current Period 30.9.2021 RM' 000
Gross revenue	7,107
Net Property Income	4,832
Profit before taxation	2,834
Profit after taxation	2,834
Total comprehensive income for the period	2,834
Distributable Income	<u>3,510</u>

Current quarter results

For the current quarter, which is for the period from 17 September 2021 to 30 September 2021, IGB Commercial REIT's gross revenue and net property income was RM7.1 million and RM4.8 million respectively. Profit after taxation was RM2.8 million.

The distributable income for the current quarter amounted to RM3.5 million, consisting of realised profit of RM2.8 million and the non-cash adjustments arising mainly from Manager fee payable in Units of RM0.6 million.

As at the end of the current quarter, the Occupancy Rate and Average Rental Rate of the investment properties were as follows:

	Investment Property	Occupancy Rate 30.09.2021	Average Rental Rate 30.09.2021
	MVC Properties	75.0%	6.42
	KL Properties	65.5%	6.02
	TOTAL	71.4%	6.27

B2 Material changes in quarterly results

No comparative figures are available as this is the first Interim Financial Report of IGB Commercial REIT since its establishment on 31 March 2021. The acquisitions of the investment properties were completed on 17 September 2021 and IGB Commercial REIT was listed on 20 September 2021.

B3 Prospects

Knight Frank Malaysia, in its Klang Valley Office Market Report for 2H2021, estimated that by the end of 2021, the Klang Valley office market will see an influx of new supply that will add significant pressure on landlords in rentals and occupancies. The overall occupancy rate for purpose-built office space in KL City showed a decline to 67.9% as at 1H2021 (2H2020: 69.1%), due to imbalanced supply-demand and the detrimental effects of the Covid-19 pandemic. As for the KL fringe, the market is more stable, with overall occupancy remaining at 85.9% (2H2020: 85.8%).

The performance of the commercial office market is closely related to the country's economic recovery, which faced strong headwind resulting from the strict containment measures to curb the spread of rising Covid-19 infections. The gradual reopening of more economic sectors coupled with the government's RM530 billion in financial aid has given hope to a brighter outlook for the office market. More staff are returning to their offices and leasing enquiries from agents and prospective tenants have increased. However, Knight Frank Malaysia's office market outlook for KL City will remain challenging as supply continues to outstrip demand. *(Source: Knight Frank Malaysia's Real Estate Highlights dated 27 July 2021).*

Still, the outlook for space take-up remains challenging. IGB Commercial REIT remains focused on close engagement with existing tenants, catering to their needs for expansion as well as providing a safe and healthy environment for staff returning to work. Special attention is being paid to enhance the indoor air quality of buildings. At the same time, aggressive marketing and extensive outreach to agents and other intermediaries are being deployed, supported by the provision of flexible and attractive rental packages to attract and secure new tenancies.

The resumption of business activities is expected to drive demand for commercial space although the recovery would be uneven in the immediate term and would only improve from 2022 onwards.

Office occupancies have remained relatively stable and as at 30 September 2021, the average rate of IGB Commercial REIT's ten buildings is 71.4%.

Rental support for eligible tenants remains minimal and rental reversion is envisaged to be flat for the fourth quarter of 2021. Rental rates are expected to remain compressed amid the incoming office supply, uneven economic recovery and the evolving commercial space landscape. Business strategies, workforce and workplace solutions of the tenants would be key drivers to sustain the demand for commercial space in the fourth quarter of 2021 and 2022.

Despite some initial signs for potential recovery of economic conditions, the prospect for commercial office has remained cautiously optimistic in this challenging and volatile business environment. IGB Commercial REIT is determined to stay resilient and remains committed to bringing about long-term value for its stakeholders.

B4 Profit forecast

The profit forecast should be read in conjunction with the financial information in the Prospectus and Supplemental Prospectus of IGB Commercial REIT dated 10 June 2021 and 28 July 2021 respectively and the accompanying notes attached to this Interim Financial Report.

	Actual	Pro-rated	Profit forecast
	17.09.2021 to	17.09.2021 to	01.04.2021 to
	30.09.2021	30.09.2021	31.12.2021
	RM '000	RM '000	RM '000
Gross rental income	4,760	4,790	94,076
Revenue from contract with customers	2,347	2,565	50,392
Total Revenue	7,107	7,355	144,468
Utilities expenses	(558)	(826)	(16,233)
Maintenance expenses	(588)	(862)	(16,923)
Quit rent and assessment	(540)	(541)	(10,632)
Reimbursement costs and other property operating expenses	(589)	(452)	(8,867)
Property Operating Expenses	(2,275)	(2,681)	(52,655)
Net Property Income	4,832	4,674	91,813
Changes in fair value of investment properties	-	-	-
Net Investment Income	4,832	4,674	91,813
Management fees	(592)	(596)	(11,702)
Trustee's fee	(18)	(26)	(518)
Other trust expenses	(89)	(57)	(1,125)
Finance costs	(1,299)	(1,161)	(22,814)
Profit before taxation	2,834	2,834	55,654
Taxation	-	-	-
Profit after taxation	2,834	2,834	55,654
Add: Non-cash items	676	604	11,873
Distributable Income	3,510	3,438	67,527

Based on the above results as at 30 September 2021 and barring any unforeseen circumstances, the Directors of the Manager are of the opinion that IGB Commercial REIT should achieve the Profit Forecast for the financial period to 31 December 2021.

B5 Investment objectives and strategies

The Manager's key objective for IGB Commercial REIT is to provide Unitholders with regular and stable distributions, sustainable long-term Unit price and Distributable Income and capital growth, while maintaining an appropriate capital structure.

The Manager intends to achieve the investment objectives by having a pro-active asset management and asset enhancement strategy, seeking potential yield accretive investments, seeking acquisitions that may enhance the diversification of the portfolio by location and tenant profile and adopting an appropriate mix of debt and equity to finance acquisitions.

B6 Portfolio composition

During the financial period under review, the portfolio of IGB Commercial REIT consists of ten (10) investment properties as listed in Note A9 above.

B7 Utilisation of proceeds raised from issuance of new Units

A total of 2,307.3 million new Units were issued by IGB Commercial REIT as payment for the acquisition of investment properties as disclosed in Note A6.

B8 Taxation

(i) Taxation of IGB Commercial REIT (“IGBCR”)

IGBCR is regarded as Malaysian resident for Malaysian income tax purpose since the Trustee is resident in Malaysia. The income of IGBCR will be taxable at corporate tax rate.

The tax transparency system under Section 61A of the Malaysian Income Tax Act 1967 (‘Act’) however, exempts IGBCR from such taxes in a year of assessment (“YA”) if IGBCR 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 IGBCR would continue to be taxed. Income which has been taxed at IGBCR level will have tax credits attached when subsequently distributed to unitholders.

As the Manager has decided to declare 100% of the total distributable income of IGBCR to unitholders for the year ending 31 December 2021, no provision for taxation has been made for the current financial period ended 30 September 2021.

Generally, gains on disposal of investments by IGBCR 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 2019, 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	10%

(ii) Taxation of Unitholders

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

(a) IGBCR distributes 90% or more of total taxable income

Where 90% or more of the total taxable income is distributed by IGBCR, distributions to unitholders will be subject to tax based on a withholding tax mechanism. The current 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%

B8 Taxation (continued)

(b) IGBCR distributes less than 90% of total taxable income

Where less than 90% of the total taxable income is distributed by IGBCR, then exemption under Section 61A of the Act will not apply and IGBCR would have to pay taxes on the taxable income for the year. The distributions made by IGBCR 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 IGBCR.
- 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 IGBCR 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 IGBCR level will not be subjected to further income tax when distributed to all unitholders.

B9 Status of corporate proposal

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

B10 Borrowings and debt securities

IGB Commercial REIT's debts securities as at 30 September 2021 were as follows:

	As at 30.9.2021 RM' 000
Non-current borrowings	
- secured un-rated Medium Term Notes	847,052
Current borrowings	
- secured un-rated Medium Term Notes	1,206
- revolving credit	2,873
	851,131

All debt securities are denominated in Ringgit Malaysia.

B11 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.

B12 Soft commission received

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

B13 Summary of NAV, EPU, DPU and market price

	Unit of measurement	Current period ended 30.09.2021
Number of Units in issue	'000	2,307,300
Weighted average number of Units in issue	'000	2,307,300
NAV after income distribution	RM '000	2,305,259
Total comprehensive income	RM '000	2,834
Distributable Income	RM '000	3,510
Earnings per Unit after Manager fee	sen	0.12
DPU	sen	-
NAV per Unit (after income distribution)	RM	0.9991
Closing market price per Unit	RM	<u><u>0.62</u></u>

B14 Manager fee

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

- (i) Base fee of up to 1.0% per annum of total asset value;
- (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 was RM592,000, as follows:

Type	Current Period 30.9.2021 RM' 000
Base fee	351
Performance fee	241
TOTAL	<u><u>592</u></u>

For the current period, 100% of the total Manager fee will be paid in Units.

B15 Trustee fee

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

B16 Unit holdings of the Manager and parties related to the Manager

Based on the Register of Unitholders of IGB REIT as at 30 September 2021, the unit holdings of the Manager and parties related to the Manager were as follows:

	Direct		Indirect	
	No. of Units	%	No. of Units	%
IGB Berhad	1,199,890,022	52.004%	-	-
Dato' Seri Robert Tan Chung Meng	5,230,424	0.227%	1,463,426,628	63.426%
Tan Chin Nam Sendirian Berhad	202,181,732	8.763%	1,410,278,541	61.122%
Tan Kim Yeow Sendirian Berhad	64,596,607	2.800%	1,398,830,021	60.626%
Wah Seong (Malaya) Trading Co. Sdn Bhd	170,941,912	7.409%	1,227,888,109	53.218%
Pauline Tan Suat Ming	3,427,185	0.149%	1,463,426,628	63.426%
Tony Tan Choon Keat	-	-	1,463,426,628	63.426%

B17 Notes to the Statement of Comprehensive Income

	Current Period
	30.9.2021
	RM' 000
Depreciation	-
Allowance for impairment on receivables	-

B18 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 Commercial REIT as at 30 September 2021 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of Directors of the Manager on 26 October 2021.