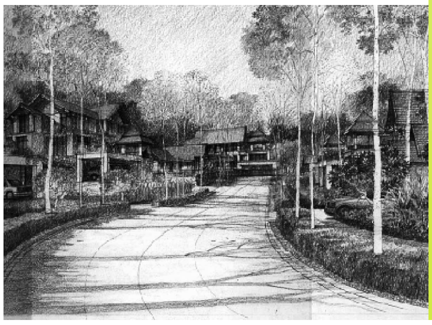
Kenny Vale



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company and of the Group for financial year ended 31 December 2002.

For the year under review, the Group achieved significant growth in both revenue and pretax profit. Revenue for the year was RM405.7 million, more than double that recorded in the previous financial year, while pretax profit increased by 84.9% to RM114.5 million from RM61.9 million. Net profit increased by 56.1% to RM78.8 million.

The Board of Directors has recommended a dividend of 1.5 sen per share less tax for the year.

Operations Review

The year under review remained a challenging one in the face of increased competition, both in the local and regional markets, and a sluggish economic landscape. Against this backdrop, the Group persevered in its single-minded objective of creating and enhancing shareholders wealth.

8 May 2002 marked the final chapter in the Group's RM645 million rationalization exercise with Tan & Tan with the listing on the KLSE of the 166 million new ordinary shares and 178 million new preference shares issued to acquire Tan & Tan's property assets as part of the merger. The much improved performance has laid to rest concerns among some quarters about the possible dilution of the Group's earnings given that there were no plans to develop vacant lands and that the absorption of Tan & Tan's mostly upscale properties and hotel assets may expose IGB to a segment of the market facing a glut.

Following the merger with Tan & Tan, the Group instituted an internal restructuring exercise that saw business reorganized under five areas : property development, Mid Valley City ("MVC"), hotels, construction and asset management.

In fact, the year's positive results can be attributed to revenue consolidation from the Tan & Tan acquisition and better performance from all business segments, particularly the property development and hotels divisions.

Property development's contribution was greater this year in light of a series of very well-received property launches under the enlarged IGB group; namely Sri Bukit Persekutuan, Seri Maya, Sierramas West and Kundang Jaya. The hotels division also showed significant improvement in profitability as a result of more competitive rates, increased occupancy and tighter cost management. With Phase 1 fully operational, MVC continued to record commendable rental returns, complemented by increased patronage and spending from an estimated two million visitors each month to the Mid Valley Megamall. Our asset management activities also recorded respectable results in light of better than average tenancy rates for the four commercial properties under its portfolio. The construction division continued to slowly but steadily expand its order book to register positive growth.

The Way Forward

The merger with Tan & Tan has enhanced the Group's profile in the property sector. Taking advantage of Tan & Tan's experience and reputation in creating innovative lifestyle properties, the Group is poised to focus on niche high-end condominiums, townhouses and bungalow developments.

For MVC, the challenge will be to maintain its position as one of the leading shopping destinations for residents and visitors to the city by capitalizing on its location, infrastructure and healthy mix of tenants whilst work commences on the development's second phase.

In line with the Group's plan to consolidate and streamline the businesses by disposing of non-core assets, the Group has undertaken to relinquish its 19.6% stake in associate IJM Corporation Berhad to Tronoh Mines (Malaysia) Berhad. The completion of the divestment exercise has been deferred due to circumstances outside the Group's control. However, we are optimistic the sale will be concluded in the new financial year.

Similarly, as the Group undertakes to reposition its involvement in the hospitality industry away from the five-star and luxury class categories to the more affordable four-star sector, we will look to channel our resources behind the MiCasa, SuCasa and Cititel brands. The different concept behind each of the three brands affords the Group the ability to cater to specific niches and in turn, capture a larger slice of the overall mid-range business market, both domestically and regionally.

Although both domestic and global economic outlook remains uncertain, the Board is confident that the Group's strong fundamentals will hold it in good stead to successfully take on the challenges it has set for itself.

Boardroom
On behalf of the Board, I wish to express our deepest appreciation to executive director Lai Meng, who has decided not to seek re-election. We thank him for his wise counsel and his contribution to the Group's growth during his tenure.

Acknowledgement & Appreciation
I also wish to express our sincere appreciation to the management and staff for their contribution, untiring commitment and dedication, and loyalty, and I look forward to your continued support and contribution to the Group's future growth and prosperity.

To our business partners, customers, tenants, financiers and shareholders, I am grateful for your continued trust and confidence in the Group.

And last but not least, I wish to place on record my thanks to my fellow directors for their advice and support.

Tan Sri Abu Talib bin Othman
Chairman
30 April 2003

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Sri Bukit Persekutuan

Review of Operations

REVIEW OF OPERATIONS

Dear Shareholders,

The year under review saw the five core business divisions i.e., property development, Mid Valley City ("MVC"), hotels, asset management and construction, perform commendably.

Property development led the way with total sales in excess of RM400 million. The excellent results can be attributed to the successful maiden launch of Sri Bukit Persekutuan and Seri Maya, and the sales from various other developments. In fact, Sri Bukit Persekutuan, Seri Maya, Sierramas West and Kundang Jaya all achieved between 70% and 90% take-up rates.

We also added 37.7 acres of developable land to the Group's land bank following the conclusion of an agreement with Melawati Development Sdn Bhd.

For MVC, Mid Valley Megamall ("Megamall") continued to be the star performer, building on its reputation as the shopping destination for residents and visitors to Kuala Lumpur with an impressive two million visitors per month. The Megamall enjoyed high occupancy levels for both its retail and promotional spaces. In addition, the retail mix has been upgraded to higher mid-market positioning and a rental increase has facilitated higher gross rentals.

Phase 1 of MVC is now fully operational with a weekday population in excess of 7,000 office and shop workers alone. With convenience for shoppers, visitors and tenants utmost in our minds, efforts to improve the surrounding road infrastructure and upgrading works to the developments under Phase 1 continued unabated. The newest addition is a bridge linkage connecting MVC to the Federal Highway Route 2 that was opened in January 2003.

The merger with Tan & Tan expanded IGB's hotel portfolio by four, to eleven properties with over 4,500 rooms in total. The Group's shareholding in MiCasa Hotel Apartments Yangon was also enlarged from 30% to 60%. The additional properties are MiCasa Hotel Apartments Kuala Lumpur and Phnom Penh, SuCasa Service Apartments Kuala Lumpur and Stanford Hotel Kuala Lumpur. Of the eleven hotels, two are managed properties and five located overseas in Cambodia (Phnom Penh), Myanmar (Yangon), Vietnam (Ho Chi Minh City) and the United Kingdom (London and Heathrow).

Despite the overhang in the commercial property sector and suppressed rental market, all four commercial properties under asset management enjoyed high occupancy in the year under review. Located in Kuala Lumpur, Menara IGB, Menara Tan & Tan, The Ampwalk and Plaza Permata generated a total annual rental income of RM22.8 million.

For construction, wholly-owned subsidiary Ensignia Construction Sdn Bhd ("Ensignia") completed its third year of operation with commendable results.

A summary of the core divisions' performance during the financial year ended December 31, 2002, is as follows:

PROPERTY DEVELOPMENT

We were bestowed another FIABCI honour in 2002. This time, the recipient was Sierramas, a gated private residential estate in Sungai Buloh, which won the Award of Distinction for Best Residential Development.

The year witnessed several launches under the enlarged group. Of note were Sri Bukit Persekutuan; which saw all 38 townhouses and 6 semi-detached houses taken up, and Seri Maya; which also enjoyed 95% take up for the 600 low and high rise condominium apartments introduced in the first and second phases. Response was also excellent for the Courtyard homes and two-storey detached SierraHomes that went on the market in Sierramas West, and for Yarra apartment block in Belimbing Heights, located in the mixed housing development of Belimbing Hills.

The backbone of the Group's property development division is the provision of after-sales service to customers on completion of their units. Tasked with this responsibility is our wholly-owned subsidiary Kondoservis Sdn Bhd, which currently manages 1,402 apartments from 13 properties under its wing. Providing management services from security and housekeeping to repair and maintenance, Kondoservis is the value added our buyers' receive from their investment.

MID VALLEY CITY

Mid Valley City

The 'city within a city' concept for the Mid Valley City project continues to develop as the existing components mature and new elements come online.

Whilst attention is understandably focused on the Megamall's performance, the other components of Phase 1 are performing beyond expectations.

The Cititel Mid Valley, a 646-room business class hotel achieved an occupancy rate of 84.6% which exceeded the average industry occupancy rates by 32.8%, and this despite a 4.3% increase in average room rates.

Similarly, the 210,000 sq ft Menara IGB and 738,000 sq ft Signature Offices have been well-received by the market and its newest corporate residents include Panasonic Industrial Sdn Bhd, Volvo Car Malaysia Sdn Bhd, Rating Agency Malaysia Bhd and Halim Mazmin Bhd. Occupancy levels at both properties are well above 90%.

In the pipeline is a 350-room four-star hotel for which construction is scheduled to start in the second half of 2003, as well as additional office space and Phase 2 of MVC.

Designed to complement and increase the range of offerings within MVC, the RM600 million Phase 2 development will provide an additional 2.5 million sq ft comprising retail space, offices, hotels and service apartments.

Mid Valley Megamall

Since commencing operations in 1999, the 2.5 million sq ft Megamall has emerged as one of the benchmarks for mid-price shopping centers in the country.

The self-managed Megamall currently hosts more than 24 million visitors and 6 million cars a year.

The first major cycle of three-year tenancy renewals were completed in November 2002. Occupancy continued to be at near-full levels, and rental income has improved. Demand for retail space in the Megamall also remains strong.

An aggressive marketing campaign has seen a significant increase in both advertising and on-site promotional activities. Focused advertising formats and design schemes have reinforced the Megamall's brand identity whilst new category-specific promotions, developed in conjunction with tenants, endeavour to enhance exposure and communicate the depth and variety on offer at the Megamall.

An upgrading and enhancing of infrastructure and facilities is underway to improve customer convenience and comfort.

Mid Valley Condominium

Construction activities continued on the 450 apartments located in parcel four of the development. In light of the positive market feedback, we anticipate brisk sales when the project is launched in mid-2003.

HOTELS

The 11 properties now under the IGB hotels division are Renaissance Kuala Lumpur Hotel, New World Hotel Saigon, MiCasa Hotel Apartments Kuala Lumpur, MiCasa Hotel Apartments Phnom Penh, MiCasa Hotel Apartments Yangon, SuCasa Service Apartments Kuala Lumpur, Stanford Hotel Kuala Lumpur, Cititel Mid Valley Kuala Lumpur, Pan Pacific Resort Pangkor, St Giles London and St Giles Heathrow.

For the year under review, most of the hotels improved their performance over the preceding year with the majority performing favourably against budget.

The Malaysian and Asean hotels focused more on regional and domestic travel instead of traditional long-haul markets such as the US and the UK. Growth markets such as China, India and the Middle East are also beginning to show double digit arrival rates and greater emphasis has been placed on attracting new and repeat visitors from these areas.

For our two UK properties, given the still depressed London hotel market, both hotels turned in commendable results. Overall occupancy increased, albeit at the expense of a decline in average rates. However, the more aggressive and focused marketing strategy adopted by both properties is paying off and the coming year is expected to follow a similar trend, with the objective being to increase awareness and patronage among the respective surrounding communities.

ASSET MANAGEMENT

Given the conditions in the commercial property market, we are pleased to report that all four properties continue to record commendable occupancy levels.

The 26-storey Menara IGB enjoy 100% occupancy while Menara Tan & Tan, home to many well-known multinationals and eight embassies, has achieved near-full occupancy levels. Steps have been taken to revamp and upgrade Ampwalk, a shopping-cum-office complex on Jalan Ampang's Embassy Row, as well as Plaza Permata which is located close to the Star LRT and coming PRT Monorail in the vicinity of Jalan Ipoh, in an effort to achieve higher occupancy.

CONSTRUCTION

For the year under review, Ensignia recorded a turnover of RM81.42 million and a profit before tax of RM802,448.

The company completed two projects for Jaya Jusco; its latest RM31.2 million store in Skudai, Johor, and a RM6.4 million contract for renovation of its Arena Food Court and Supermarket at 1 Utama Shopping Centre. There are also several projects on hand totaling approximately RM153.3 million. These include the Desa Damansara Phase 2 Condominium, College of Allied Health Sciences at Sungei Buloh Hospital, Mid Valley Condominium Phase 1 and earthworks for Taman Tanamera in Shah Alam.

MANPOWER DEVELOPMENT

Following the merger with Tan & Tan, which resulted in an enlarged business entity and bigger staff numbers, Human Resource gave priority to team building programmes to foster greater understanding amongst employees. At the same time, many on-going training sessions aimed at enhancing daily work skills were also carried out.

The challenging global economic outlook has also influenced the local human resource scenario. These uncertainties have lowered the consumer's confidence and spending levels, and IGB was not spared this cautious atmosphere. This has not been helped by the perceived rising cost of doing business in Malaysia and seeming shift of foreign investments to countries such as China, Vietnam and Thailand, where the cost of labour is lower.

The main challenge for Human Resource therefore lies in increasing our employees' productivity level whilst being flexible in facing these challenges. Several reorganisation exercises have been carried out within the Group to enhance efficiency and to reduce work duplication among subsidiaries.

CORPORATE PLANS AND DIRECTION

With the merger now a closed chapter, the Group has moved to rationalise its activities, strategies and resources into five core business divisions in an endeavour to enhance management efficiency and operations, and to synergise more effectively in the areas of human resource planning, marketing and project management to enable the Group to be more competitive in the open market.

More so than before, property development remains a key contributor to Group earnings. For this reason, the Group has decided to capitalise on the brand franchise built-up by Tan & Tan over the years by assigning the subsidiary to spearhead the property development division. The combination of Tan & Tan's strong record in the middle to high-end residential market and IGB's reputation as a strong corporate player in the real estate and property development sectors will lift IGB's profile and position it as a major player in the property development arena.

The expansion of MVC, with the aim of increasing visitor levels and to add value to the entire development and its attractions, is all but ready to commence, and is in line with our strategy of diversifying the Group's earnings base by venturing into property investments with sustained rental income. Without doubt, the Group remains committed to ensuring that the Megamall remains one of the premier shopping centers in the Klang Valley, and Malaysia.

For hotels, which are self-managed by IGB, the corporate direction for the coming year will be to upgrade the older properties and to improve on service and productivity levels whilst looking to reduce overhead costs. In addition, the Group will be exploring new investment opportunities for its self-managed brands such as Cititel, MiCasa, SuCasa and St Giles, in both Malaysia and regionally.

IGB's externally-managed hotels, that is New World Hotel Kuala Lumpur, Renaissance Kuala Lumpur Hotel and Pan Pacific Pangkor Resort, will also be undergoing some renovations in the coming year to ensure they maintain their competitiveness. The luxury properties will be reviewing their marketing programmes to focus more effort on new emerging markets like China, India and the Middle East to offset an expected dip in arrivals from traditional long haul markets in Europe and the US.

The Group will endeavour to continue efforts to strengthen IGB from within and shape a stronger future with the on-going review of all growth opportunities, to ensure they benefit the Group in terms of return on investment and enhancing the Group's financial position.

Barring any adverse developments in the local, regional and global arenas, the Group's reorganisation has placed it in a more focused position to explore and exploit relevant opportunities to grow the core business activities.

CONCLUSION

I would like to take this opportunity to thank my fellow Board members, the management and staff for their dedication and continuing good work. Your cooperation and willingness to accept and adapt to the changes brought about by the internal restructuring is most appreciated and demonstrates your commitment to the Group's new direction. You are the key to IGB's success today and will continue to be so as the Group moves forward to take on the new challenges ahead.

Robert Tan Chung Meng
Managing Director
30 April 2003