IGB REIT

IGB REAL ESTATE INVESTMENT TRUST

ANNUAL
REPORT | 2018

IGB REIT

IGB REAL ESTATE INVESTMENT TRUST

TABLE OF CONTENTS

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
Corporate : corporate-enquiry@igbreit.com
Investor Relation : investorrelations@igbreit.com
Feedback : feedback@igbreit.com

BOARD OF DIRECTORS OF THE MANAGER

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

Daniel Yong Chen-I
Non-Independent Executive Director

Elizabeth Tan Hui Ning
Non-Independent Executive Director

Tan Lei Cheng
Non-Independent Non-Executive Director

CHIEF EXECUTIVE OFFICER OF THE MANAGER

Antony Patrick Barragry

HEAD OF COMPLIANCE/COMPANY SECRETARY OF THE MANAGER

Tina Chan Lai Yin

TRUSTEE

MTrustee Berhad (163032-V)
Tingkat 15, Menara AmFirst
No. 1, Jalan 19/3, 46300 Petaling Jaya
Selangor Darul Ehsan
Telephone : 603 - 7954 6862
Telefax : 603 - 7954 3712

PROPERTY MANAGER

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

AUDITOR

PricewaterhouseCoopers 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

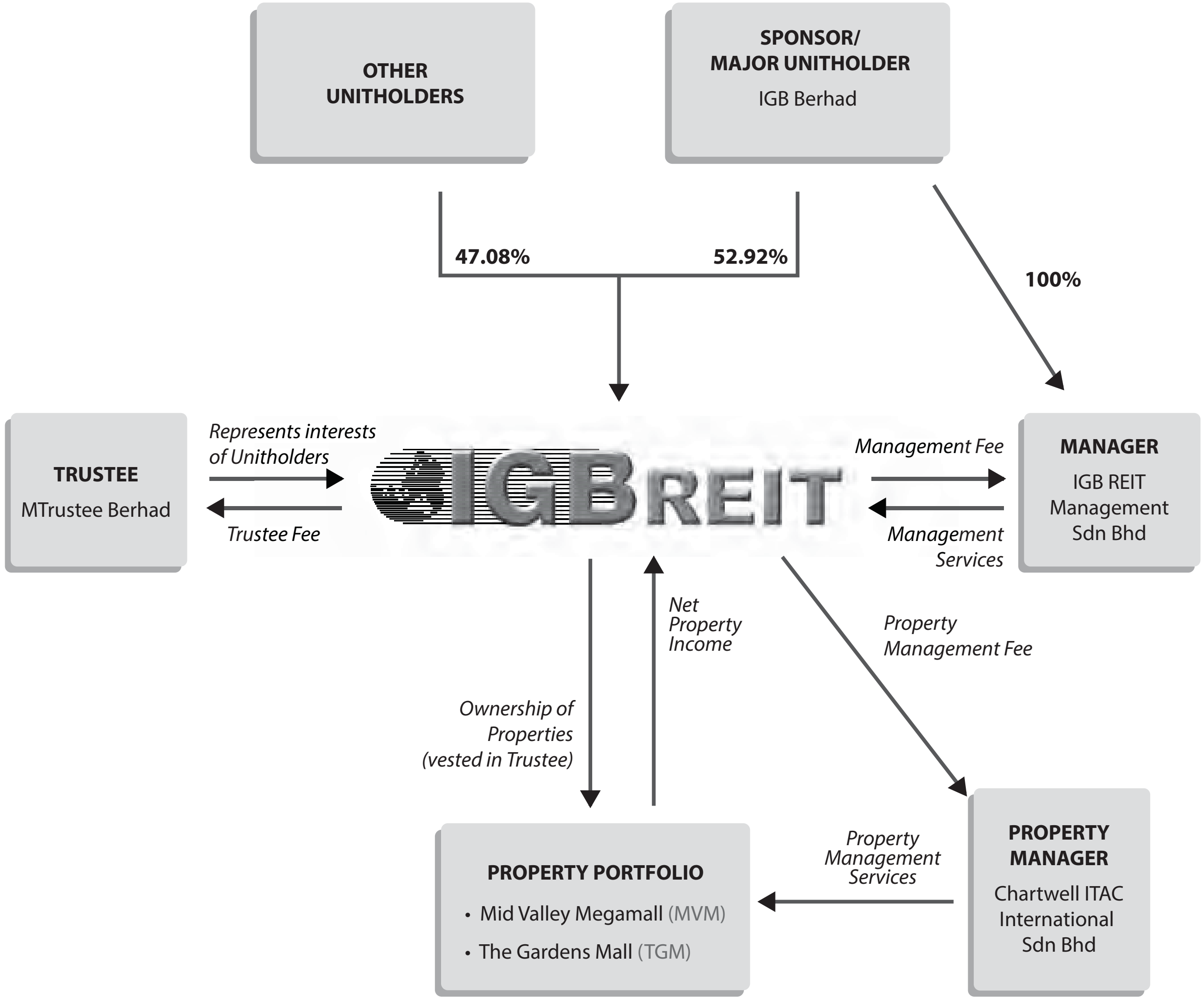
REGISTRAR

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 BANKER

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

Trust Structure



Salient Features

Fund Name	IGB REIT
Fund Category	Real Estate Investment Trust
Fund Type	Income and Growth
Fund Duration	The earlier of: ● the occurrence of any of events listed in Clause 27.2 of the deed of trust dated 18 July 2012, as amended by the first amending and restating deed dated 25 October 2018 (Deed); ● 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 27.1(b) of the Deed
Investment Policy	To invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes
Authorised Investments	(a) Real Estate; (b) Non-Real Estate Assets; (c) Cash, deposits, money market instruments; and (d) any other investments not covered by (a) to (c) but specified as a permissible investment in the Securities Commission Malaysia's (SC) Guidelines on Listed Real Estate Investment Trusts (REIT Guidelines) or as may be permitted by the SC
Investments Limits	The investments of IGB REIT are subject to the following investments limits imposed by REIT Guidelines: ● at least 75% of IGB REIT's total asset value (TAV) must be invested in real estate that generates recurrent rental income at all times; ● the aggregate investments in property development activities (property development costs) and real estate under construction must not exceed 15% of IGB REIT's TAV; and ● such other investment or limits as may be permitted by the SC or the REIT Guidelines
Distribution Policy	● At least 90% of IGB REIT's distributable income ● Quarterly distribution (or such other intervals as the Manager may determine at its absolute discretion)
Borrowing Limitations and Gearing Policy	Up to 50.0% of IGB REIT's TAV
Revaluation Policy	Annually by an independent valuer
Manager Fee	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: ● Base Fee: up to 1.0% per annum of IGB REIT's TAV (excluding cash and bank balances which are held in non-interest bearing accounts) [FY2018: RM15,367,000] ● Performance Fee: 5.0% per annum of IGB REIT's net property income [FY2018: RM19,313,000] ● Acquisition Fee: 1.0% of the transaction value ● Divestment Fee: 0.5% of the transaction value
Trustee Fee	Up to 0.03% per annum of IGB REIT's net asset value
Financial Year End	31 December
Listing	Main Market of Bursa Malaysia Securities Berhad
Listing Date	21 September 2012
Stock Name	IGB REIT
Stock Code	5227
Board Lot	100 units per board lot

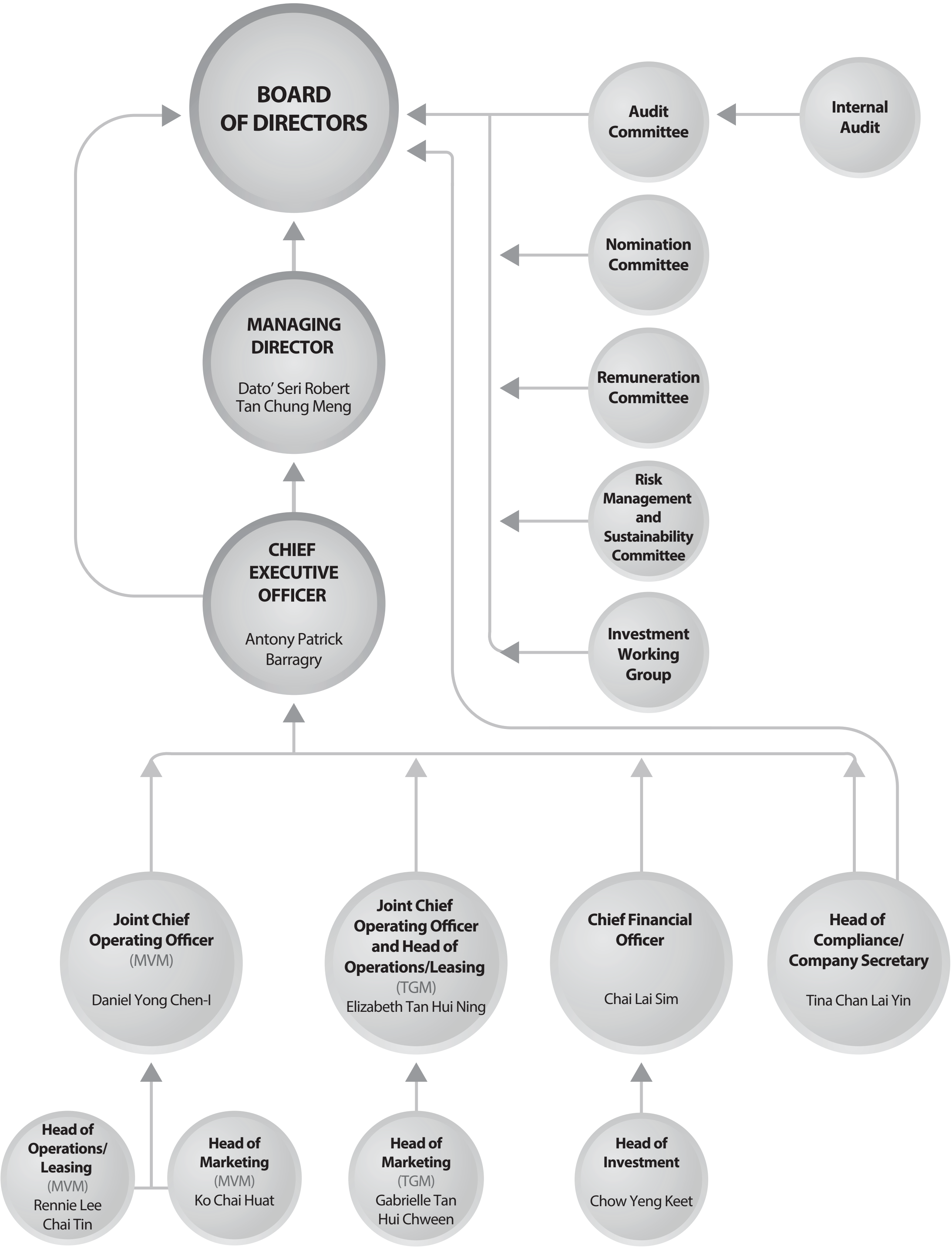
Property Portfolio

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	● 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	● 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 *(Tanah ini tidak boleh dipindahmilik, dipajak, dicagar atau digadai melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur)**	
Express conditions in master title	This land shall be used for commercial building only *(Tanah ini hendaklah hanya untuk bangunan perdagangan sahaja)*	This land shall be used for commercial building for purpose of commercial spaces, offices, hotels and service apartments only *(Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan ruang perniagaan, pejabat, hotel dan pangsapuri servis sahaja)*
Type	Retail	
Appraised Value as at 31 December 2018 (RM'000)	3,665,000	1,295,000
Purchase consideration (RM'000)	3,440,000	1,160,000
Net Lettable Area (NLA) as at 31 December 2018 (sq ft)	1,819,777	843,820
Gross Floor Area as at 31 December 2018 (sq ft)	6,107,103	3,540,796
Number of tenancies as at 31 December 2018	556	237
Occupancy rate as at 31 December 2018 (%)	99.3	97.2
Number of car park bays as at 31 December 2018	6,092	4,128

TGM is separately held under 3 issue documents of strata title. The transfer of these strata titles has been registered in favour of the Trustee.

* *The extended expiry date of the Authority's consent for the transfer of MVM in favour of the Trustee is 15 August 2019.*

Organisation and Reporting Structure



Profile of Directors

TAN SRI DATO' DR. LIN SEE YAN
(Malaysian, male, age 79)
Chairman, Independent Non-Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : Chairperson of Nomination and Remuneration Committees, and a member of Audit Committee

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

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

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

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

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

DATO' SERI ROBERT TAN CHUNG MENG
(Malaysian, male, age 66)
Managing Director, Non-Independent Executive Director

Board Appointment : 21 March 2012

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 firm of chartered surveyor 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 (IGBC) in 1995 when he was appointed Joint Managing Director and subsequently Group Managing Director in 2001.

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

Following the delisting of IGBC from the Official List of Bursa Malaysia Securities Berhad (Bursa Securities) on 16 March 2018, Dato' Seri Robert Tan was appointed as Group Chief Executive Officer of IGB Berhad (formerly, Goldis Berhad) (IGB) on 30 March 2018 and retains his position as a Director of IGBC and Tan & Tan Developments Berhad (a property division of IGBC) (Tan & Tan). He is also the Chairman of WSCB, a listed entity engaged in oil and gas, renewable energy, industrial trading and services, and others.

Public Company Directorship(s) : IGB (Group Chief Executive Officer)
IGBC
Tan & Tan
WSCB (Non-Executive Chairman)
Yayasan Tan Kim Yeow

Profile of Directors
(continued)

HALIM BIN HAJI DIN
(Malaysian, male, age 72)
Independent Non-Executive Director

Board Appointment	:	27 April 2012
Board Committee(s)	:	Chairperson of Audit Committee, and a member of Remuneration and Nomination Committees
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 from April 2009 to May 2013.
Public Company Directorship(s)	:	BNP Paribas Malaysia Berhad WSCB

LE CHING TAI @ LEE CHEN CHONG
(Malaysian, male, age 77)
Independent Non-Executive Director

Board Appointment	:	27 April 2012
Board Committee(s)	:	A member of Audit, Remuneration and Nomination Committees
Education and Experience	:	Lee Chen Chong is a Fellow of the Chartered Institute of Bankers, 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 group from 1989 until his retirement as Executive Director in end 2000. He was also Executive Director of Ipmuda Berhad from December 2001 until retiring in January 2008.

DANIEL YONG CHEN-I
(Malaysian, male, age 47)
Non-Independent Executive Director

Board Appointment	:	27 April 2012
Board Committee(s)	:	A member of Risk Management and Sustainability Committee
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, appointed Executive Director of MVC in 2003 and currently the Chief Executive Officer, responsible for overseeing the management and operation of MVM. 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.

Profile of Directors
(continued)

ELIZABETH TAN HUI NING
(Malaysian, female, age 34)
Non-Independent Executive Director

Board Appointment	: 27 April 2012
Board Committee(s)	: A member of Risk Management and Sustainability Committee
Education and Experience	: Elizabeth Tan Hui Ning graduated with First Class Honours from Cardiff University, Wales, United Kingdom with a degree in Business Administration (BSc) in June 2004. She is presently Joint Chief Operating Officer and Head of Operations/Leasing (TGM). She joined Mid Valley City Gardens Sdn Bhd (MVCG) in August 2004, appointed Executive Director in January 2011 and currently the Chief Executive Officer, responsible for the conceptualisation and strategy of the tenant mix of TGM as well as overseeing the leasing, retail development and customer service departments.

TAN LEI CHENG
(Malaysian, female, age 61)
Non-Independent Non-Executive Director

Board Appointment	: 27 April 2012
Board Committee(s)	: A member of Nomination and Remuneration Committees
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 the CEO of Tan & Tan from March 1995, a property development company that was listed on Bursa Securities until IGB took over its listing on 8 May 2002. Following the completion of the merger between IGBC, Tan & Tan and IGB, she then assumed the Executive Chairman and CEO until she retired from IGB on 31 December 2016 but remains as Non-Independent Non-Executive Chairman of IGB.
Public Company Directorship(s)	: IGB (Non-Independent Non-Executive Chairman) Tan & Tan Dato Tan Chin Nam Foundation

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, Daniel Yong Chen-I, Elizabeth Tan Hui Ning and Tan Lei Cheng.

*(ii) any conflicts of interest with the Manager or IGB REIT other than the significant related party transactions as disclosed in **Notes to the Financial Statements** of this Annual Report.*

(iii) any conviction of offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during FY2018.

Profile of Executive Team

ANTONY PATRICK BARRAGRY
(British/Permanent Resident of Malaysia, male, age 67)
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 Mid Valley Megamall (MVM); and subsequent, appointed Executive Director of Mid Valley City Sdn Bhd (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 (The Gardens Mall (TGM) and The Gardens Hotel & Residences), phase 3 (Menara Southpoint) 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 Mid Valley City Gardens Sdn Bhd (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 Developments Berhad (Tan & Tan) as Group Financial Controller in 1993. Following the completion of the merger between Tan & Tan and IGB Corporation Berhad (IGBC) in 2002, she was appointed Senior Group General Manager of Group Finance and subsequently as the Group Chief Financial Officer of IGBC.

Ms Chai was appointed as the Group Chief Financial Officer of IGB Berhad (formerly, Goldis Berhad) (IGB) following the delisting of IGBC from the Official List of Bursa Malaysia Securities Berhad (Bursa Securities) on 16 March 2018.

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 the Senior General Manager, Corporate Finance of IGB and Director of Finance of MVC. He has working 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 IGBC 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 accumulated more than 27 years of extensive experience in corporate secretarial work, having dealt with a wide-range of corporate exercises. She started her corporate secretarial career at a legal firm since 1990, and then took up the role of Joint Company Secretary in Tan & Tan, where she had been significantly involved in the floatation of Tan & Tan in 1993 (a property development company that was listed on Bursa Securities until Goldis Berhad now known as IGB took over its listing on 8 May 2002 following the completion of the merger between IGBC and Tan & Tan). She joined IGBC in 1997 and subsequently assumed the role as Senior General Manager (Corporate Secretarial), overseeing the governance processes and company secretarial matters of the group, particularly with regard to ensuring that the group complies and operates in accordance with statutory and regulatory requirements. She was also involved in successful listing of IGB REIT in September 2012, and assumed the present position.

She is also the Group Company Secretary of IGB following the delisting of IGBC from the Official List of Bursa Securities on 16 March 2018.

RENNIE LEE CHAI TIN

Head of Operations/Leasing (MVM)

Appointment : 1 September 2012

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

KO CHAI HUAT

Head of Marketing (MVM)

Appointment : 1 September 2012

Education and Experience : Ko Chai Huat joined MVC in 1999. He has 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 Executive Team 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 IGB REIT other than mandated related party transactions which have been declared.

(iii) any conviction of offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during FY2018.

Financial Highlights

	Group		Fund		
Statement of Comprehensive Income	**FYE 2018**	**FYE 2017**	**FYE 2016**	**FYE 2015**	**FYE 2014**
Gross Revenue (RM'000)	535,689	524,918	507,344	489,190	461,768
Net Property Income (NPI) (RM'000)	386,250	373,563	361,109	342,788	312,641
Distributable Income (RM'000)	341,430	342,801	316,306	290,980	268,795
Earnings per Unit (EPU) (realised) (sen)	8.60	8.64	7.96	7.33	6.76
Core EPU (sen)	9.45	9.78	7.96	7.33	9.23
Distribution per Unit (DPU) (sen)	9.19	9.28	8.71	8.19	7.79
Annualised DPU (sen)	9.19	9.28	8.71	8.19	7.79
Annualised Distribution Yield (%)	5.31	5.16	5.41	6.11	5.95
Management expense ratio (%)	0.96	0.94	0.93	0.91	0.87

	Group		Fund		
Gross Revenue	**FYE 2018 RM'000**	**FYE 2017 RM'000**	**FYE 2016 RM'000**	**FYE 2015 RM'000**	**FYE 2014 RM'000**
MVM	375,048	366,447	354,677	340,045	318,993
TGM	160,641	158,471	152,667	149,145	142,775
Total	**535,689**	**524,918**	**507,344**	**489,190**	**461,768**

	Group		Fund		
NPI	**FYE 2018 RM'000**	**FYE 2017 RM'000**	**FYE 2016 RM'000**	**FYE 2015 RM'000**	**FYE 2014 RM'000**
MVM	286,357	277,875	266,263	250,384	224,154
TGM	99,893	95,688	94,846	92,404	88,487
Total	**386,250**	**373,563**	**361,109**	**342,788**	**312,641**

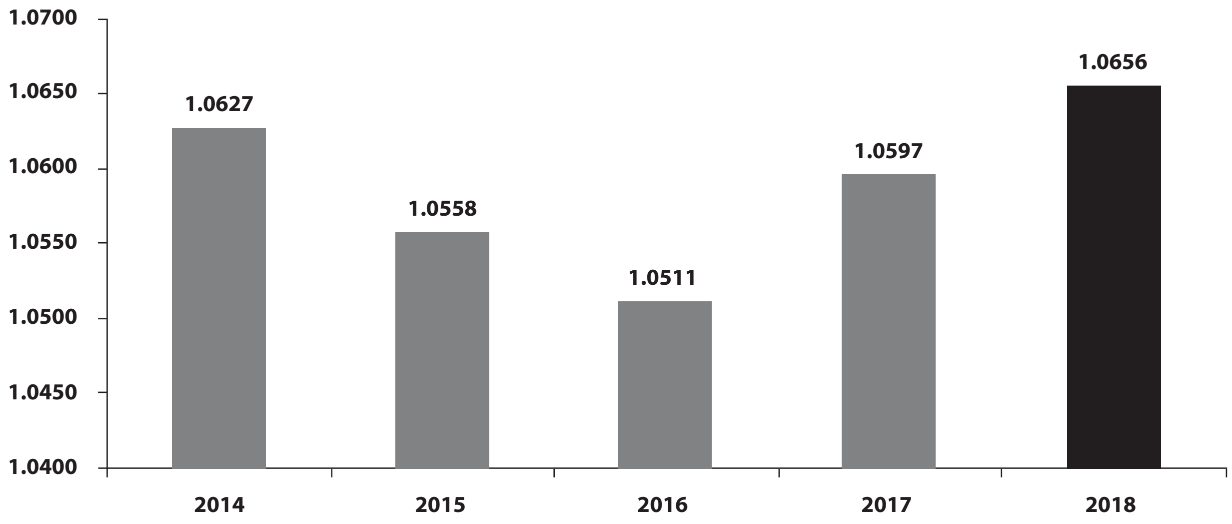
	Group		Fund		
Statement of Financial Position	**As at 31.12.2018**	**As at 31.12.2017**	**As at 31.12.2016**	**As at 31.12.2015**	**As at 31.12.2014**
Investment Properties (RM'000)	4,960,000	4,930,000	4,890,000	4,890,000	4,890,000
Total Asset Value (RM'000)	5,202,966	5,250,728	5,194,257	5,170,007	5,156,780
Total Liabilities (RM'000)	1,436,275	1,527,429	1,522,274	1,504,498	1,493,322
Net Asset Value (NAV) (RM'000)	3,766,691	3,723,299	3,671,983	3,665,509	3,663,458
NAV per Unit (RM)	1.0656	1.0597	1.0511	1.0558	1.0627

Notes:

1. *FYE Financial year ended 31 December.*
2. *The Group results include a subsidiary which was incorporated in 2017.*

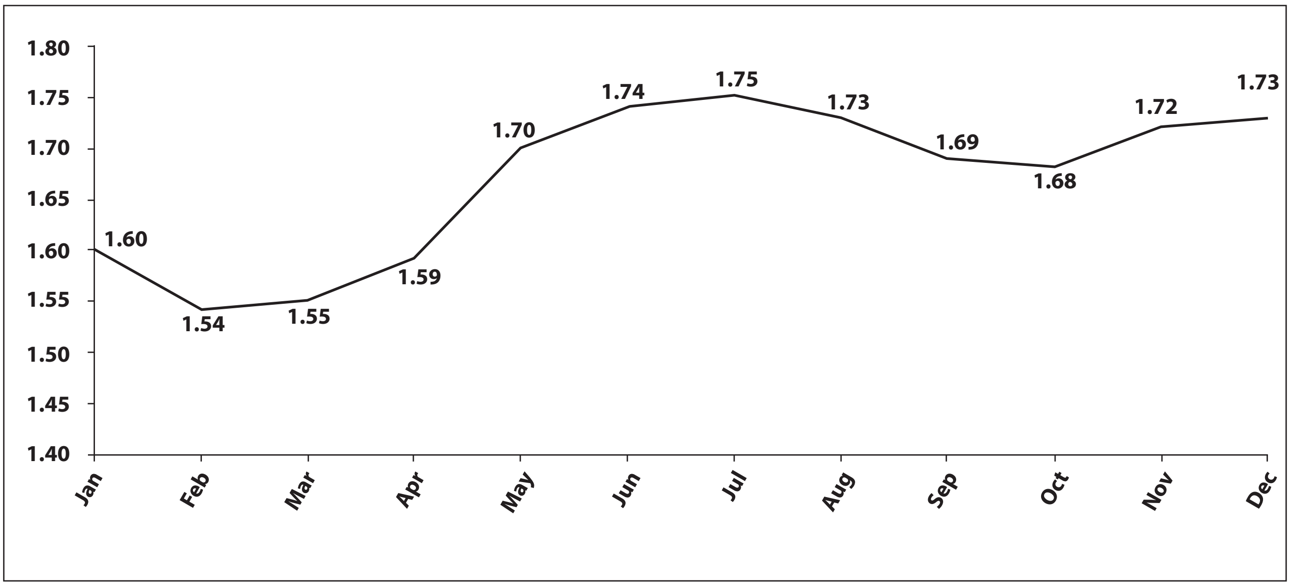
Financial Highlights
(continued)

NAV PER UNIT PERFORMANCE FOR IGB REIT (RM)



UNIT PRICE PERFORMANCE FOR IGB REIT

Month End Closing Price for 2018 (RM)



Trading performance for IGB REIT	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Closing price as at 31 December (RM)	1.73	1.80	1.61	1.34	1.31
Highest traded price (RM)	1.80	1.80	1.74	1.38	1.35
Lowest traded price (RM)	1.46	1.55	1.31	1.24	1.12
Issued units ('000)	3,534,810	3,513,452	3,493,474	3,471,789	3,447,328
Market capitalisation as at 31 December (RM'000)	6,115,221	6,324,214	5,624,493	4,652,197	4,515,999

Management Discussion and Analysis

Corporate Profile

Established on 25 July 2012, IGB REIT is a Malaysia-domiciled real estate investment trust. Listed on the Main Market of Bursa Malaysia Securities Berhad on 21 September 2012, it comprises two malls – Mid Valley Megamall (MVM) and The Gardens Mall (TGM) – located in the Klang Valley. IGB REIT's portfolio has a total net lettable area (NLA) of approximately 2.67 million square feet (sf), and as at 31 December 2018, had a market capitalisation of RM6.1 billion. Its investment properties are independently valued at RM4.96 billion.

2018 Highlights

Gross Revenue **RM535.7 million** RM524.9 million in 2017	Net Property Income (NPI) **RM386.3 million** RM373.6 million in 2017	NLA **2.67 million sf** 2.67 million sf in 2017
Occupancy Rate **98.6%** 98.6% in 2017	Distribution per unit (DPU) **9.19 sen** 9.28 sen in 2017	Distribution Yield **5.3%** 5.2% in 2017
Property Valuation **RM4.96 billion** RM4.93 billion in 2017	Net Asset Value (NAV) per unit **RM1.0656** RM1.0597 in 2017	Market Capitalisation **RM6.1 billion** RM6.3 billion in 2017

Working with the Community to Capture Growth Opportunities

On the whole, 2018 was a reasonably strong year, though it was not without its challenges. On the domestic front, political changes led to a period of policy uncertainties and a reduction in Government spending on selected mega projects. Globally, we continued to see growing US-China trade tensions, uncertainties around the UK Brexit deal, and slowing growth in China. As a business, we also mourned the passing of Dato' Tan Chin Nam, co-founder of IGB Corporation Berhad (which was delisted on 16 March 2018) and one of the visionaries behind the development of Mid Valley City, within which MVM and TGM are located.

Consumer sentiment through the year has generally been positive. This has been supported in part by a growing optimism around the country's growth prospects, and by the Goods and Services Tax (GST) holiday from 1 June 2018, when the new Government abolished the GST, to 31 August 2018, before the Sales and Service Tax was reintroduced on 1 September 2018. Having said that, Malaysians have continued to be prudent in their spending, and have been impacted by currency fluctuations and increasing tariffs.

During the year, IGB REIT remained steadfast in its commitment to bring exciting and fresh retail experiences to our customers, working with our community to create a dynamic hub of activity and lifestyle experiences for our shoppers. We conducted market analysis and surveys to identify emerging trends in the retail market, and understand consumer spending habits. The results of these efforts have informed our decisions to update our tenant mix. We also continued to proactively embark on asset enhancement initiatives (AEIs), reconfigure retail spaces in both MVM and TGM to enhance the shopping experience, and improve overall access and linkages throughout the malls and with the hospitality and commercial spaces around us.

Community also featured strongly in our plans for the year. We recognise that for many, a mall is a place where people come together, spend time with friends and family, and create shared memories. Experiences today, can therefore become shared traditions moving forward. As such, we have continued to make it a priority to actively engage our shoppers, both through on-ground events as well as through social media platforms. We have also worked with a greater number of tenants during the festive periods, collaborating with them to spread some festive cheer to those less fortunate. We also continued to work closely with S P Setia Berhad, the developers of KL Eco City, to put in place infrastructure that will support the creation of a vibrant hub that will benefit all businesses in the area.

Management Discussion and Analysis
(continued)

2018 has therefore been a mixed bag of events that have translated into a volatile year for the retail industry. Though overall sentiment has been positive, the year continued to be a challenging one as the nation adjusted to the new Government, the industry saw increased competition with the opening of new malls, and online shopping continued to gain in popularity.

As such, we are proud to report that against this landscape, IGB REIT recorded yet another year of positive growth in 2018 and received 3 awards at The Edge Billion Ringgit Club Awards 2018, under the REIT Category.

Steady Performance against a Volatile Landscape

(a) Group Key Financial Highlights

Key Financial Highlights	FY2018 RM'000	FY2017 RM'000	Change (%)
Gross Revenue	535,689	524,918	2.05
● *MVM*	*375,048*	*366,447*	*2.35*
● *TGM*	*160,641*	*158,471*	*1.37*
NPI	386,250	373,563	3.40
● *MVM*	*286,357*	*277,875*	*3.05*
● *TGM*	*99,893*	*95,688*	*4.39*
Net Profit (NP)	333,753	343,366	-2.80
DPU (sen)	9.19	9.28	-0.97

For FY2018, the Group delivered steady growth driven mainly by higher rental income. We posted a gross revenue of RM535.7 million and a NPI of RM386.3 million for the year, which were 2.05% and 3.40% higher respectively, than those recorded in FY2017.

Despite a higher gross revenue and higher NPI for FY2018, NP was RM333.8 million for the year, representing a 2.80% decrease compared with NP in FY2017. This was mainly due to lower fair value gain on investment properties in FY2018 and a one-time write back of step-up interest in FY2017.

(b) Statement of Financial Position

Group Statement of Financial Position	As at 31.12.2018	As at 31.12.2017	Change (%)
Investment Properties (RM'000)	4,960,000	4,930,000	0.61
● *MVM*	*3,665,000*	*3,645,000*	*0.55*
● *TGM*	*1,295,000*	*1,285,000*	*0.78*
Total Asset Value (TAV) (RM'000)	5,202,966	5,250,728	-0.91
Cash and bank balances (RM'000)	207,123	285,208	-27.38
Total Liabilities (RM'000)	1,436,275	1,527,429	-5.97
NAV (RM'000)	3,766,691	3,723,299	1.17
NAV per Unit (RM)	1.0656	1.0597	0.56
No. of Issued Units ('000)	3,534,810	3,513,452	0.61

Investment properties are stated at fair value based on valuations performed by independent registered valuer - One Asia Property Consultants (KL) Sdn Bhd. The company holds relevant professional qualifications and has recent experience in valuing investment properties in similar locations and categories. A revaluation of MVM and TGM has been conducted by One Asia Property Consultants (KL) Sdn Bhd, and based on the valuation reports dated 10 January 2019, the market values of MVM and TGM as at 31 December 2018 were RM3.665 billion and RM1.295 billion respectively, indicating a fair value gain of RM20.0 million and RM10.0 million, respectively.

Cash and bank balances as at 31 December 2018 was RM207.1 million, compared with RM285.2 million as at 31 December 2017. The variance was mainly due to change in frequency of distribution of income from half yearly to quarterly. Current year distribution represents payments for 5 quarters.

NAV as at 31 December 2018, after income distribution, was RM3.767 billion, compared with RM3.723 billion the year before, reflecting a growth of 1.17%.

Management Discussion and Analysis
(continued)

IGB REIT's issued units increased from 3,513.452 million as at 31 December 2017 to 3,534.810 million as at 31 December 2018, mainly due to the issuance of new units as payment for Manager fees.

(c) Income Distribution

	FY2018 (RM million)	FY2017 (RM million)
Income distribution	324.5	326.1
● *1st quarter*	*87.4*	-
● *2nd quarter*	*75.5*	-
● *3rd quarter*	*80.9*	-
● *4th quarter*	*80.7*	-
● *1st half*	-	*153.7*
● *2nd half*	-	*172.4*
Payout ratio (%)	95.0	95.0

For the first quarter ended 31 March 2018, the Manager paid a distribution amounting to RM87.4 million or 2.48 sen per unit (2.40 sen taxable and 0.08 sen non-taxable) on 31 May 2018.

For the second quarter ended 30 June 2018, the Manager paid a distribution amounting to RM75.5 million or 2.14 sen per unit (2.12 sen taxable and 0.02 sen non-taxable) on 20 August 2018.

For the third quarter ended 30 September 2018, the Manager paid a distribution amounting to RM80.9 million or 2.29 sen per unit (2.25 sen taxable and 0.04 sen non-taxable) on 29 November 2018.

For the fourth quarter ended 31 December 2018, the Manager will be making a distribution amounting to RM80.7 million or 2.28 sen per unit (2.24 sen taxable and 0.04 sen non-taxable), on 28 February 2019.

In aggregate, the distributable income for FY2018 amounted to 9.19 sen per unit.

The Manager has decided that at least 90% of IGB REIT's distributable income will be paid quarterly for FY2019, subject to IGB REIT's financial position, earnings, funding, and capital management requirements. This is in line with the Manager's objective of providing Unitholders with regular and stable income distribution.

A Broader Approach to Community Engagement

(a) MVM

To address the challenges faced in the year, MVM focused on keeping its tenant mix fresh and relevant, actively engaging its communities, and continuing with AEIs to enhance the customer shopping experience.

This year, as part of our efforts to improve the customer shopping experience, we took back space from AEON BiG, using it to create 21 additional retail outlets and 4 casual leasing spaces. This has allowed us to achieve higher rental returns. We also repositioned the escalators on the East side of the mall from the lower ground floor until the first floor, which has allowed for better accessibility for shoppers. New tenants were also welcomed, including NYX Professional Make Up, Honolulu Café, Victoria's Secret Full Assortment Store (1st in Malaysia), Macha & Co, iORA, Christy Ng Shoes, Osprey Packs, Popular Bookstore, Blunnis, Popcorn Food Hall, and Nene Chicken, amongst others.

Of particular focus for us in the year was increasing our engagement with our communities. This was done online as well as through on-ground activities. We carried out targeted events and promotions for example, that we felt would appeal to our shopper demographic. Events held in the year included family and children focused activities, creative weekend workshops, and exclusive product launches. A wider range of shopping rewards was also provided this year aimed at increasing overall shopper convenience. We also collaborated with world renowned partners including Disney and LEGO, and worked with the authorities and banks to provide further shopping incentives.

The team also worked to grow and engage the online community through offering informative and engaging content on our social media platforms. We worked closely with our tenants and created online activities that tied in with ongoing promotions in the shops. A denim giveaway was run for Dorothy Perkins for example, and online teasers were run in conjunction with the launch of new sneakers at JD Sports. We also engaged our online community by inviting them to take part in the production of online content. For Hari Raya, for example, we asked our Facebook community to share their favourite Hari Raya recipes. The person who posted the recipe which garnered the most likes was invited to come for a cooking demonstration where their favourite Hari Raya dish was prepared for them. This demonstration was captured and posted as a video on our Facebook page. Our online community were also treated to exclusive access to giveaways and contests.

As a whole, we believe that digital platforms are complementary to traditional forms of communication, and as part of our overall communications strategy, work to ensure that online activities tie-in with ongoing on-ground events. Moreover, engagement with our customers online provide us with another avenue through which to better understand their needs and wants, allowing us to ensure that our offerings remain relevant.

We also believe that our efforts to understand our customers and emerging retail trends have allowed us to continue to offer exciting shopping experiences. This continues to be done through the offering of a vibrant tenant mix, supportive infrastructure, and targeted community engagement. These in turn have allowed us to grow our overall footfall and support income growth in the year.

(b) TGM

A philosophy that has guided us through the years is that of the "Valued Guest". What this has meant for us is that we constantly strive to treat everyone who comes into our mall exceptionally, so that they go away with a fantastic experience that they can share with their friends and family. In order to achieve this, we have continued to improve the privileges for members of The Gardens Club Programme, and have ensured that all customer-facing employees receive regular customer service training and are encouraged to individually engage with shoppers. Additionally, as we refresh our tenant mix each year, we look for brands that are first in Malaysia, and that could bring into our fold, flagship stores. These not only excite our visitors, but keep our tenant mix interesting and vibrant. Examples of such brands that have opened at TGM include Nespresso, Dyson, Tea+, and Full Want. Other brands that we have introduced in the year include Wendy's, Jinjja Chicken, Mr Tuk Tuk, The Morning After, Godiva, COS, Sergent Major, Noir, The Fish Bowl, Mont Blanc, Omega, and ABC Cooking Studio.

To enhance the shopping experience at TGM and also improve accessibility, we increased the retail space on the lower ground floor by 18,000 sf. This space now houses 12 new stores and provides added accessibility to the lower ground floor at the North wing. We also started the first phase of upgrading our escalators. To date, 26 new escalators have been installed, each with improved energy saving and safety features. Works to upgrade the Riverview Entrance are also almost complete, and 2 new bridges that connect the first floor of TGM to KL Eco City and Menara Southpoint are also ongoing. We are targeting to open these to the public next year. These bridges will offer greater connectivity, particularly to the KTM and LRT lines.

TGM also increased its efforts to engage customers through both on-ground and online community activities. This year, a concerted effort was made to launch targeted marketing activities on social media platforms with the aim of growing our online community and better utilising this channel of communication. We also rewarded shoppers who commented on posts on our social media platforms. We have also changed our advertising approach and now focus more on digital formats which allow us to reach a wider demographic. More specifically, advertising through our social media platforms have increased this year to help boost interest and engagement around tenant products and events. For example, we worked with Sole What this year and gave away a limited edition pair of sneakers to followers of our Instagram page. We will also be looking to make our online advertisements more interactive moving forward.

It is important to us that people who come to TGM feel engaged. We have found that getting visitors to participate and interact with our team and ongoing activities allow us to cultivate a more engaging, approachable and friendly atmosphere within the mall. This helps to grow loyalty and affinity to TGM, as well as drive sales. Examples of activities carried out include those on Valentine's Day, Mother's Day, and Father's Day, where our teams were out and about in the mall giving away flowers, sweets, and even vouchers from our tenants.

Risk Management Integral to Sustained Success

We recognise that effective and proactive risk management is integral to our long term business strategy and sustained success as a business. It is only through establishing robust risk management procedures and policies that we can reasonably safeguard our assets and address strategic, operational, financial and compliance risks in a timely manner. As such, 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 attitudes 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 AAA-rated Medium Term Notes bearing a fixed coupon rate which is not subject to fluctuations.

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

Management Discussion and Analysis
(continued)

(b) Credit risk

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

To mitigate the 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, Golden Screen Cinemas (GSC), Isetan, Robinsons and GSC Signature, which contribute 10.0% (2017: 10.4%) 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 borrowings, abiding by the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts (REIT Guidelines) with regards to limits on total borrowings of IGB REIT.

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

(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 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 of the Group is as follows:-

	31.12.2018 RM million	**31.12.2017 RM million**
Borrowings	1,214	1,214
Cash and bank balances	(207)	(285)
Net gearing	1,007	929
Total Unitholders' fund	3,767	3,723
Net gearing (%)	27%	25%
Loan-to-value (LTV) (%)	23%	23%

In FY2018, net gearing was 27%. LTV was 23% for the year, which is below the limit (50% of TAV) allowed by the REIT Guidelines.

Management Discussion and Analysis
(continued)

(e) Business/Market Risk

IGB REIT is exposed to downturns in the global and domestic economy. Such events may negatively affect the income of tenants in our malls. As such, we are focused on being a valued partner to our tenants and work hard to ensure that their operations are well supported. This is done through understanding and delivering what is most important to them, and utilising their feedback to make improvements to our operations.

To support our business this year, we strengthened our community engagement efforts, bringing to our communities exciting on-ground activities and exclusive events, as well as increased our online initiatives. We also continued to enhance our tenant mix, embark on various AEIs, and work with our tenants and corporate partners to provide a wider range of shopper rewards and incentives. These efforts worked towards increasing footfall and supporting a growth in sales for the year.

As a result of our efforts, both MVM and TGM have reported positive growth in revenue (2.35% and 1.37% growth respectively when compared to 2017).

(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.

(g) Tenant Concentration Risk

Reliance on major anchor tenants for a substantial proportion of NLA may significantly expose IGB REIT to concentration risk.

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.

(h) Human Capital Risk

IGB REIT is managed by the Manager and does not employ any staff itself. The teams who run our malls are employed by Mid Valley City Sdn Bhd and Mid Valley City Gardens Sdn Bhd (Service Providers), who are engaged by the Property Manager, Chartwell ITAC International Sdn Bhd. The Service Providers are responsible for attracting, retaining, and developing the people who are central to our success.

The Service Providers work 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 talents with the right skills to support our business, they are also exploring the possibility of outsourcing selected job functions and automating processes. This will allow them to address the risks posed by staffing shortages and the challenges of attracting and retaining the right talents.

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. The Service Providers are cognisant of this need and actively identify next generation leaders, offering them the appropriate training, exposure and mentorship, preparing them for advancements into ever more challenging roles.

(i) Terrorist Threats

With the global incidence of terrorist attacks on the rise, the risk of an attack in Malaysia needs to be considered and planned for, as the impact of any attack could 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 continue to update our security procedures, revising the contingency plans we have in place where required. Annual training for our Polis Bantuan and in-house guards also continued in the year.

Management Discussion and Analysis
(continued)

(j) Health and Safety Risk

The operations of our malls expose our contractors, retailers and consumers to the risk of injury and/or illness. In addition, a health and safety incident could impact IGB REIT's reputation and/or subject it to claims for financial compensation.

Health and safety is therefore taken very seriously, with policies incorporated into our daily operations. We conduct regular safety briefings, trainings, and inspections to ensure compliance with the Occupational Safety and Health Act, and to manage safety risks within our malls. Fire drills are also held annually to ensure that all employees and tenants are familiar with escape routes as well as the actions needed to be taken in the event of an emergency. Our health and safety committee also meet once every quarter to review all matters pertaining to health and safety within our malls.

(k) Information and Cyber Security Risk

Breach or failure of IGB REIT's information technology (IT) systems could disrupt our operations, result in a breach of compliance obligations, cause reputational damage, and expose it to financial/data loss.

To mitigate these threats, the Group IT department of IGB Berhad, the Manager's parent company, have established policies and procedures to manage IGB REIT's IT security risks. They have worked to ensure that there are relevant preventive, detective, and recovery measures in place, including a Disaster Recovery Plan. The Group IT department also monitors the health of all systems and performs contingency planning for disruptions to critical systems and processes.

A Commitment to Evolve to Create Sustained Value

Malaysia's economic growth prospects are expected to remain weak in 2019, with slowing global growth, dampened external demand, and domestic uncertainties continuing to weigh on the economy. Private consumption and private investment are expected to remain key drivers of growth. Household earnings and the employment outlook are expected to remain strong, while ongoing infrastructure projects and the Government's decision to repay tax refunds to businesses are expected to support consumption and investment activities in the private sector.

For the retail industry in particular, 2019 is expected to continue to be a challenging one. Despite the lacklustre outlook however, we believe that it is more important than ever to push ahead with our AEIs, and continue to work with our communities. In particular, we will continue to work with businesses in the area - other malls, offices, and hotels, amongst others, as we believe that each of us has a role to play in creating a vibrant and dynamic hub that will in turn continue to attract visitors and new businesses. Additionally, we will be carrying out some major AEIs to our malls, with tenant renovations also set to take place.

E-commerce continues to be a trend that we watch closely. However at this point, it does not seem to pose an immediate threat in Malaysia as the proportion of shoppers who choose to shop online remain small. Having said that, it is not a trend that we take lightly, given the tremendous impact that it has had on established retailers in countries like the United States of America, Europe, and China. It is therefore important that we continually evolve with the changing preferences of our customers. For example, consumers are increasingly turning to digital payment platforms and are expecting retail outlets to support them. As such, we will continue to work with companies such as Touch 'N Go to bring more convenient forms of payment to our shoppers. We will also continue to monitor emerging technologies and platforms and explore the possibility of implementing them should they resonate with our community and support the overall enhancement of the shopping experience at our malls.

Malls are no longer just places to go to buy things, but destinations to share with family and friends where people can engage with their community and create lasting memories. It is therefore important to us that we give our shoppers peace of mind when they visit us. As such, our teams work to ensure that our amenities are clean, safe, and accessible, and that visitors enjoy a security presence both within and around the malls, as well as in the car parks. In addition, we will continue to bring to our community creative activities and exclusive events, working with our tenants and corporate partners to increase the on-ground activities available to our shoppers throughout the year. Through these efforts, we hope to continue building loyalty and create family traditions that will carry through to the next generation.

We therefore approach 2019 cautiously, but with a clear strategy and approach. As with previous years, we remain firm in our commitment to create long term value for our stakeholders and look forward to bringing to life cutting edge retail experiences that will continue to excite the market.

This Statement has been approved by the Board of Directors and is current as at 18 February 2019.

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 Listed Real Estate Investment Trusts (REIT Guidelines) and Capital Markets and Services Act 2007 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 (IGB REIT Management or Manager) pursuant to the deed of trust dated 18 July 2012 as amended by the first amending and restating deed dated 25 October 2018 (collectively, the Deed) made between IGB REIT Management 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 granted a Capital Markets Services Licence for REIT management by SC. The Manager is a wholly-owned subsidiary of IGB Corporation Berhad (IGBC), which in turn is wholly owned by IGB Berhad (IGB), a controlling UH and the Sponsor 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 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 (TSL) (Board Chairman), who is an Independent Non-Executive Director (INED). He is joined on the Board by Halim bin Haji Din (HHD) (INED), Lee Chen Chong (LCC) (INED), Dato' Seri Robert Tan Chung Meng (DSRT) (Managing Director/MD), Daniel Yong Chen-I (DYCI) (Executive Director/ED), Elizabeth Tan Hui Ning (ETHN) (ED) and Tan Lei Cheng (TLC) (Non-INED). Each Director is 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 business management, property investment, accounting, finance 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 (MVM), Head of Marketing (TGM) and Head of Compliance/Company Secretary (HOC/CS). In this Statement, references to the "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 CG 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 CG 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 CG framework, policies and practices that were in place for the financial year ended 31 December 2018 (FY2018) and to the date of this Statement. The Board recognises the value of MCCG and believes that reporting against the principles and practices of MCCG (MCCG Practices), and by reference CG Guide, will provide UHs with better information. However, some of MCCG Practices are not relevant to IGB REIT's position, being an externally managed trust. To the extent MCCG Practices are applicable, the Board has made appropriate statements reporting on the adoption of 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 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 Deed, Constitution, Board Charter (Charter), Directors' Code of Business Conduct and Ethics (Code), the terms of reference (ToR) of each of the Board Committees (BCs) 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 2019.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices		**Explanation**
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 (SHs) and other stakeholders are understood and met.	The Board is committed to effectively representing and promoting IGB REIT, and thereby adding long-term value to UHs. The Board is accountable to UHs for the business conduct, performance, operations and overall governance of IGB REIT, in each case including the protection of UH interests, developing strategic direction, establishing goals for Executive Management and monitoring the achievement of these goals. The Board has established a governance framework which sets out the functions reserved to the Board and provides for the delegation of certain decision-making and/or oversight responsibilities to various BCs and Executive Management. The key matters specifically reserved for the Board's approval as set out in its Charter include: ■ guiding the strategic business direction of the Manager and IGB REIT; ■ overseeing and evaluating the conduct of business of the Manager and IGB REIT; ■ reviewing and approving major capital expenditure, acquisitions and divestitures, and monitoring capital management; ■ 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; ■ monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting and ensuring compliance with financial reporting requirements; and ■ developing and reviewing the Manager's CG principles and policies. There are 4 standing BCs which the Board has delegated its authority to assist in reviewing and monitoring the above functions. These BCs are Audit Committee (AC), Nomination Committee (NC), Remuneration Committee (RC) and Risk Management and Sustainability Committee (RMSC). While these BCs have the authority to examine particular issues in their respective areas, the BCs report to the Board with their decisions and/or recommendations as the ultimate responsibility on all matter lies with the entire Board. The Board may also establish such other committees as it deems appropriate and delegate to such committees such authority permitted by applicable law and the Constitution as the Board sees fit.
1.2	A Chairman of the board who is responsible for instilling good CG practices, leadership and effectiveness of the board is appointed.	TSL, the Board Chairman, was independent of the Manager and IGB REIT at the time of his appointment and remains so. Board Chairman also chairs NC and 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 the Manager and IGB REIT. With the full support of the Board and Executive Management, Board Chairman spearheads the Manager's drive to promote, attain and maintain high standards of CG and transparency.
1.3	The positions of Chairman and CEO are held by different individuals.	The positions of Board Chairman, MD and CEO are held by 3 different individuals who are not related to each other in order to maintain effective checks and balances. Board Chairman is primarily responsible for ensuring the Board's effectiveness and conduct as described in **Box 1.2**. MD as a representative of the Board, provides stewardship of the business directions and the strategy implementation of the Manager and IGB REIT. CEO focuses on the business and daily management of the Manager and IGB REIT, as well as provides close oversight, guidance, advice and leadership to Executive Team. The separation of roles of Board Chairman, MD and CEO and the clarity of roles provide a healthy relationship between the Board and Executive Management, and facilitate robust deliberations on the business activities of the Manager and IGB REIT. The financial authority of the Board, MD and CEO is explicitly provided in the Manager's authority matrix – approval limit.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices		**Explanation**
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.	The Board is supported by HOC/CS, Tina Chan, a Fellow of the Institute of Chartered Secretaries and Administrators. HOC/CS has overall responsibility for the corporate secretarial function and is directly accountable to the Board on all matters to do with the proper functioning of the Board. This includes supervising, monitoring and advising on governance matters and compliance by the Manager and 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 Team, and performing such other duties of HOC/CS, as required under laws and regulations or as specified in REIT Guidelines and MMLR, or as required by Board Chairman or Directors (or any of them), as the case may be. In order to play an effective advisory role to the Board, HOC/CS remains informed of the latest regulatory changes, evolving industry developments and best practices in CG through continuous training.
1.5	Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.	Directors are expected to prepare for, attend, and contribute meaningfully in all Board and applicable BC meetings in order to discharge their obligations. Where it is not possible for a Director to attend in person, he/she may participate via teleconferencing, videoconferencing, or other similar means of electronic or instantaneous communication. To facilitate participation of Directors' attendance at the Board and BC meetings as well as annual general meeting (AGM), the calendar of meetings is drawn up and distributed to the Board before the end of the preceding financial year. The Board believes it is critical for members to have materials on topics to be discussed sufficiently in advance of meeting date and for Directors to be kept abreast of developments between the Board meetings. Meeting materials are uploaded onto personal electronic tablets to enable Directors to access the documents in a timely manner. Meeting materials generally provided to Directors at least 5 business days (unless in unavoidable circumstances) prior to date set for meetings to enable Directors to review the information and to obtain such details and explanations where necessary. Meeting materials that are deemed to be price-sensitive or highly confidential may not be available in advance of the meeting. The Board also believes that attendance of Executive Team augments the meeting process to provide management insight into items being discussed by the Board relating to their areas of expertise. Directors are updated on the financial and operational performance of the Manager and IGB REIT, and informed of decisions and salient issues by the respective chairmen of BCs, as well as updates and changes to regulatory requirements that bear relevance to REIT industry, including changes in accounting standards and the applicable statutes and regulations affecting the Manager and IGB REIT. Where necessary or prudent, professional advisers may be on hand to provide further information and respond directly to Directors' queries. Consistent with their fiduciary duties, Directors are expected to maintain confidentiality of the deliberations of the Board. Minutes of meeting are circulated promptly to every Board member for their comments prior to confirmation of the minutes. The Board meets 4 times a year at approximately quarterly intervals. Special meetings are held where any direction or decision is required expeditiously from the Board between the scheduled meetings. 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. 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. The Board met 4 times during FY2018.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices		**Explanation**
1.5 Cont'd		In discharging their duties, Directors have direct access to Executive Team and have complete and unrestricted access to information pertaining to the businesses and affairs of the Manager and IGB REIT. The Board, whether as a group or individually, may at their discretion and where necessary, seek independent professional advice in the furtherance of their duties. NC has evaluated and is satisfied that each Director has provided sufficient time and attention to the affairs of the Manager to fulfil their responsibilities, notwithstanding their other commitments, and this was affirmed by their attendance and participation in at least a substantial number of meetings and Directors' training during FY2018 as disclosed in **Appendix 1**. The Board is of the view that, despite the external appointments, the Directors are not hindered from carrying out their duties as Directors of the Manager. Each member of the Board holds not more than 5 listed issuer seats.
2.1	The board has a charter which is periodically reviewed and published on the company's website. The board charter clearly identifies – ■ the respective roles and responsibilities of the board, BC, individual directors and management; and ■ issues and decisions reserved for the board.	The Board's functions are governed and regulated by its Charter, Constitution, REIT Guidelines, MMLR and various applicable legislation. The Charter sets out the respective authority, functions, responsibilities and processes of the Board, BCs, Executive Team and those matters expressly reserved to the Board and those delegated to BCs and Executive Team. The Charter is reviewed periodically to ensure its relevance with the statutory and regulatory requirements, as well as the operational and business direction of the Manager and IGB REIT. The Charter was last reviewed on 24 October 2018 to re-align the existing governance policies of the Manager and IGB REIT with the Deed as well as the MCCG, where possible or relevant. The Board is responsible for the governance of the Manager and IGB REIT as well as the overall strategy and business direction of the Manager and IGB REIT. The Board fulfils its mandate at regularly scheduled meetings and as warranted by particular circumstances, as described in **Box 1.5**. The Board does not have a lead INED given that Board Chairman and CEO are not the same person and are not immediate family members, and that Board Chairman is an INED. BC members are chosen for the skills and experience they can contribute to the respective BCs. Each BC is composed of members of the Board save for RMSC, 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 the 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 FY2018 showed that all BCs had effectively discharged their functions as described in **Box 5.1.** BC attendance records are disclosed in **Appendix 1**. Whilst the Board oversees the strategic plan and direction of the Manager and IGB REIT, MD has full executive responsibilities over the business directions and the strategy implementation of the Manager and IGB REIT as described in **Box 1.3.** CEO leads Executive Team in making and implementing day-to-day decisions on business operations and management of the Manager and 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 Executive Team delegated authority is clearly documented and cover areas such as operating and capital expenditure.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices		**Explanation**
3.1	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. The Code of Conduct and Ethics is published on the company's website.	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. Under the Deed, the Manager, the 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. Save as to resolution relating to the removal of the Manager, the Manager and its associates are prohibited from voting their units at, or being part of the quorum for, any meeting of UHs convened to approve any matter in which the Manager and/or its associates have an interest in the outcome of the transaction. When acting as Directors of the responsible entity of IGB REIT, 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, 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. HOC/CS quarterly solicits information from Directors in order to monitor potential COI and Directors are expected to be mindful of their fiduciary obligations to the Manager and IGB REIT. 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. The Manager has established controls and reporting measures for handling related party transactions (RPT) involving, among others, the Trustee, the Manager, Directors, CEO, major UHs and persons connected with them. These ensure that such transactions 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 RPT, who would ensure that transactions with related parties (RP) 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 all recurrent RPT (RRPT) in addition to other new RPT 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 RPT/RRPT which are entered into by IGB REIT. The internal audit's (IA) plan includes an annual review of all RPT/RRPT recorded in the register. The review includes the examination of the nature of the transactions and its supporting documents or such other data, as well as the adequacy of the Manager's procedures in identifying, monitoring and reviewing RPT/RRPT. AC reviews IA reports to ascertain that the guidelines and procedures established to monitor RPT/RRPT have been complied with. During FY2018, all RRPT 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 RRPT between IGB REIT and RP vis-à-vis nature of transactions and aggregate value transacted for the reporting 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 FY2018 or to the date of this Statement other than RRPT as disclosed in **Notes to Financial Statements** under the heading of **Significant Related Party Transaction** of this Annual Report.

Corporate Governance Overview Statement

(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices		**Explanation**
3.1 Cont'd		The Manager is seeking UH approval at the seventh AGM (7th AGM) to be held on 24 April 2019 for a general mandate under paragraph 10.09(2) of MMLR which will allow IGB REIT to enter into the category of RRPT with RP provided such transactions are made at arm's length and on normal commercial terms and are not prejudicial to the interests of IGB REIT and UHs (Proposed RRPT Mandate). The procurement of the Proposed RRPT Mandate is intended to meet the ordinary and usual course of business needs of IGB REIT at the best possible terms. As the RRPT are likely to occur with some degree of frequency and may be constrained by time-sensitivity and confidentially, it will be impractical for IGB REIT to seek UH approval on a case by case basis before entering into such RRPT. By obtaining the mandate on an annual basis will eliminate the need to announce and convene separate general meetings (GMs) on each occasion to seek UH approval for the entry by IGB REIT into such transactions. This will reduce the associated expenses, improve administrative efficiency and allow manpower, resource and time to be better channeled towards achieving other corporate objectives. Directors who have interests in the Proposed RRPT Mandate have abstained from all Board deliberations and voting and would ensure that they and any person connected with them would also abstain from voting on the Proposed RRPT Mandate at the 7th AGM. The details of which are set out in **Part A: Circular to Unitholders – Proposed RRPT Mandate**. 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. 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. HOC/CS issues quarterly reminders to Directors and Officers on the restrictions in dealing in IGB REIT units during the closed period. 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. Directors and Officers who do not have access to price-sensitive information may deal in IGB REIT units provide that the procedures set out in MMLR are strictly adhered to. Each Director or Officer is required to give notice to the Manager of his/her acquisition of IGB REIT 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 will be announced via the regulatory information service (BursaLINK), with the announcement posted on IGB REIT's website. The interests in IGB REIT units of Directors and CEO are shown in **Unitholding Statistics** in this Annual Report.
3.2	The board establishes, reviews and together with management implements policies and procedures on whistleblowing.	The parent company of the Manager, IGB, has a Whistleblowing Policy and Procedures (GWPP). GWPP provides an avenue for employees and third parties to raise concerns or observations in confidence to IGB 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 IGB Group or damage to IGB Group's reputation. All whistleblower reports are addressed to the Whistleblowing Committee, who is responsible for the administration, implementation and overseeing compliance with the GWPP, and to investigate, or determine the appropriate corrective or remedial actions that may be warranted in consultation with Group CEO or Senior INED of IGB. The salient terms of GWPP are made available at IGB's website (**www.igbbhd.com**).

Corporate Governance Overview Statement

(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices		Explanation
4.1	At least half of the board comprises independent directors (IDs). For Large Companies, the board comprises a majority IDs.	There have been changes to the Board since last AGM. During calendar year 2018, the Manager initially had 5 NEDs of whom 3 are INEDs and 4 EDs (including MD). As part of the Manager's efforts towards meeting with regulatory requirements and best practices specially pertaining to board governance, the Board and BCs had been reconstituted on 24 October 2018, with the resignation of Tan Boon Lee (TBL) (ED) and Tan Yee Seng (TYS) (Non-INED) as Directors and the composition of AC and RC made up solely of INEDs and NEDs, respectively. As at the date of this Statement, the Board comprises 7 members of whom 4 are NEDs and 3 are EDs (including MD) with 43% of Directors being independent (exceeding REIT Guidelines' requirement of one-third or 33.3%) and 29% women representation. The Manager adopts the principles that an effective Board is one which is constituted with the right core competencies and diversity of experience, so that the collective wisdom of the Board can give guidance and provide insights as well as strategic thinking to Executive Team. All Directors, whether independent or not, are required to bring independent judgement to bear on Board decisions, and to put the best interests of the Manager and UHs ahead of all other interests. Additional policies, such as Directors are 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. For corporate proposal requiring UH approval, interested Directors will abstain from voting in respect of their unitholding in IGB REIT and will ensure that persons connected to them similarly abstain from voting on the resolution. NC has conducted its annual review FY2018 on the new Board structure, size and composition appropriate to the efficient governance and management of the Manager. Considerations that factor into the assessment process included, among others, the nature and scope of the operations of the Manager and IGB REIT, the Board's skillset and the number of Directors needed to discharge the duties of the Board and BCs. NC was satisfied that the Board as presently constituted is of optimal size and diversity of skills, experience, talent and knowledge of the business operations and activities of the Manager and IGB REIT to consider and make decisions objectively and independently on issues relating to the Manager and IGB REIT with a balanced exchange of views, robust deliberations and discussions among the members, and provides for effective oversight over Executive Team. The Board has considered NC's views, and concurred that its current Board size is appropriate for the nature and scope of its operations and facilitates effective decision-making for the existing needs and demands of the operations of the Manager and IGB REIT. The Board was also of the view that the composition of the Board and BCs, as a group, provides an appropriate balance and diversity of skills, experience and knowledge of the operations of the Manager and IGB REIT, and the INEDs have the experience and business acumen necessary to carry sufficient weight in the Board's decisions, and act in the best interests of UHs. Further, the Board was of the view that with the current Board size, there was no disproportionate imbalance of power and authority on the Board between the non-independent and independent Directors. The Board would continue to review its composition periodically, taking into account the need for progressive renewal of the Board to ensure that the Board has the appropriate balance and diversity to maximise its effectiveness.
4.2	The tenure of an ID does not exceed a cumulative term limit of 9 years. Upon completion of 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 SH approval. If the board continues to retain the ID after the 12th year, the board should seek annual SH 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 REIT Guidelines and MMLR, 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. The presence of INEDs provides objectivity and independent judgement to decision-making process of the Board. The 3 INEDs are independent from IGB REIT's substantial UHs and are not involved in the day-to-day management of the Manager, nor do they participate in any of its business dealings. They are actively involved in the various BCs, providing guidance, unbiased, independent and objective views, advice and judgement to various areas such as performance monitoring, enhancement of CG and controls so as to safeguard the interests of UHs and stakeholders and to ensure that the highest standards of conduct and integrity are maintained by the Manager and IGB REIT.

Corporate Governance Overview Statement

(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices		**Explanation**
4.2 Cont'd		The independence of INEDs is assessed annually. INEDs are required to complete the independence checklist, declaring their independence and disclosing any relationships or appointments which would impair their independence to the Board. In its review for FY2018, NC has 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 the Manager and IGB REIT, and they had and would continue to provide the necessary checks and balances to the Board in discharging their responsibilities in an independent manner with integrity and competency. The Board (without participation by related INEDs) has ascertained that TSL, HHD and LCC 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 the Manager and IGB REIT with their wealth of knowledge, skillsets and experience would continue to provide invaluable contribution to the Board. The 3 INEDs were appointed in April 2012, and their 9-year terms due in April 2021. Each of the 3 INEDs has provided an annual self-declaration of his independence to the Board.
4.3 Step Up	The board has a policy which limits the tenure of its IDs to 9 years.	The Board does not favour term limits for Directors, but believes that it is important to monitor overall Board performance. Therefore, the Board through NC will review each Director's continuation on the Board annually to assess his/her performance and suitability.
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 ultimate responsibility for selection of new Director candidates resides in the Board. NC has, as one of its responsibilities, the recommendation of Director candidates to the full Board after receiving input from all Directors. 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. NC's 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 the Manager and IGB REIT. Other considerations include, but are not limited to background, gender, age, and ethnicity. 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 FY2018. Talent development and succession planning are key priorities to the Board in ensuring a high-performing management which contributes to the Manager's and IGB REIT's sustainability and competitiveness. Individuals appointed to Executive Team will be based on experience and expertise relative to the duties, education level, competencies, probity and personal integrity.
4.5	The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets.	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, ensuring that the individuals appointed to the Board and Executive Team have the appropriate fitness and propriety to discharge their prudential responsibilities during the course of their appointment. Considerations on the Board's and Executive Team's dynamics and balance are also to be given to the distinctive skills, perspective and experiences that the candidate can bring to the boardroom and the organisation as a whole. The Board recognises the importance of encouraging and developing female talent at all levels. However, the Board does not feel that it would be appropriate to set gender diversity target 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, and the appropriate particular roles in Executive Team.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices		**Explanation**
4.5 Cont'd		As the current Board composition had been effective, the Board will consider the appointment of women Director as and when there is a casual vacancy. As at 31 December 2018, the proportion of women employed by the Manager was, Board @ 29%, and Executive Team @ 57%.
4.6	In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major SHs. 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. Directors of the Manager are not subject to periodic retirement by rotation under the Manager's Constitution. The Board, however, recognises that Board renewal is a continuous process and one that is essential for ensuring the Board remains relevant in IGB REIT's business environment. As part of the search and nomination process for new Directors, NC will identify the relevant or desired skills and experience which candidates should possess and may engage independent search companies if necessary, as well as leverage on business and other contacts. Nominations, which may be made by the Board members or the Manager's SH, are openly discussed and objectively evaluated by NC before any appointment is made.
4.7	NC is chaired by an ID or senior ID.	NC comprises 3 INEDs and 1 Non-INED. NC is chaired by TSL who is also the Board Chairman. The role of NC is to make recommendations to the Board on all board appointments, having regard to the composition and progressive renewal of the Board; the development of a process for evaluation of the performance of the Board, BCs and individual Directors including the independent status of NEDs; and the review of training and professional development programs for the Board. NC Chair continues to lead NC to assist the Board in fulfilling their responsibilities on the yearly board performance-assessment exercise as described in **Box 1.5**, **Box 2.1**, **Box 4.1**, **Box 4.2** and **Box 5.1**.
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.	Directors are aware that they need to continually monitor and improve performance and recognise this can be achieved through regular board performance-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 as a whole, each BC and individual 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 performance evaluation forms. Each Director is required to objectively assess his/her personal performance and collectively, the performance of the Board as a whole and its BCs. The evaluation of the Board's performance as a whole deal with matters on the Board composition and processes, Board decision-making and meeting processes and Board responsibilities in relation to strategies and direction, accountability and oversight, risk management and internal controls and standards of conduct. BCs' evaluation deals with the efficiency and effectiveness of each BC in assisting the Board. The criteria for evaluation of individual Directors include, among others, the Director's attendance, preparedness, candour, participation and contribution. The independence of each INED is also considered as part of this process. HOC/CS compiles the Directors' responses to the performance evaluation forms into a summary 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.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS		
MCCG Practices		**Explanation**
5.1 Cont'd		The last performance evaluation was carried out in January 2019 in respect of FY2018. 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 notwithstanding the Directors have multiple listed company board representations and/or other principal commitments. No material issues or areas of concern were identified in these reviews. The Board has considered NC's views, and concurred that each Director has 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 has the appropriate size and mix of expertise and experience, taking into account the skills, experience, knowledge and contribution of the Directors in FY2018, including the level of attendance and participation at the Board and BC meetings. 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.
6.1	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.	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. 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. The Manager has established and maintained a formal and transparent RPP for Directors and Executive Management. RPP sets out an objective remuneration structure for Directors and Executive Management and enables periodic review of the remuneration packages by RC. RC exercises broad discretion and independent judgement in ensuring the amount and mix of remuneration are in line with market practices, aligned with the interests of UHs and promote the long-term success of IGB REIT. Remuneration of NEDs is based on each Director's level of responsibilities on the Board and its BCs, and is benchmarked against market practices. Board Chairman and AC Chairman are paid a higher fee compared with members of the Board and of such BC in view of the greater responsibility carried by that office. NEDs are paid annual fees which are subject to the approval of IGBC, and sitting fees for attending meetings of the Board and BCs. MD, EDs and CEO do not receive any fee nor meeting allowance as they are salaried employees of the Manager. 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. None of the NEDs has a service contract with the Manager. Details on remuneration of Directors are shown in **Box 7.1**. In establishing the remuneration structure of Executive Management, the Manager adopts a remuneration system that is responsive to the market elements and performance of both the Manager and IGB REIT as well as the individual. The remuneration of Executive Management comprises base salary, performance bonus and other 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 bonus is linked to and determined based on achievement of the Manager's key qualitative financial, operational and strategic measures in the year.

Corporate Governance Overview Statement
(continued)

<table>
<tr><th colspan="3">PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS</th></tr>
<tr><th colspan="2">MCCG Practices</th><th>Explanation</th></tr>
<tr>
<td>6.2</td>
<td>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.

RC has written ToR which deals with its authority and duties and these terms are disclosed on the company's website</td>
<td>RC comprises 3 INEDs and 1 Non-INED and is chaired by TSL who is also the Board Chairman.

Remuneration of the Directors and Executive Management are paid by the Manager and not by IGB REIT. 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, as described in <u>Box 6.1.</u> No Director or Officer is involved in the deliberation and decision in respect of his/her own individual fees/remuneration.

The remuneration levels for Directors and Executive Management 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 Management was carried out on 24 October 2018. RC had considered the quantum of NED fees (in respect of the 2018 financial year) and meeting allowances (in respect of year 2019), and having noted that the annual retainer fees of the Manager had been set at an inadequate level to companies in the comparator group, had recommended to the Board the annual fees for Board Chairman, AC Chairman and NED be revised respectively to RM120,000, RM90,000 ad RM80,000 for FY2018, while the meeting allowances, presently set at RM3,000 for the chair of meeting, and RM2,500 for the members, to maintain status quo. This recommendation had been endorsed by the Board and will be submitted to IGBC for approval.

In determining the actual quantum of the annual adjustment to base salaries and the year-end performance bonuses for Executive Management, RC had, in arriving at its decision, considered the satisfactory performance of IGB REIT's investment portfolio notwithstanding the retail industry challenges faced in 2018 and acknowledged the achievements were the result of the continued commitment and dedication of the team behind IGB REIT, and had applied its judgement in determining a balanced fair outcome of merit increases in 2019 and year-end performance bonuses for Executive Management.</td>
</tr>
<tr>
<td>7.1</td>
<td>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.</td>
<td>Details of each individual Director's remuneration paid and payable in respect of FY2018 are set out in the table below:
<table>
<tr><th>Name of Directors[1]</th><th>Salary and Bonus[2] RM</th><th>Fee RM</th><th>Meeting Allowance RM</th><th>Total RM</th></tr>
<tr><td>TSL</td><td>-</td><td>120,000</td><td>31,000</td><td>151,000</td></tr>
<tr><td>DSRT</td><td>5,644,800</td><td>-</td><td>-</td><td>5,644,800</td></tr>
<tr><td>HHD</td><td>-</td><td>90,000</td><td>19,000</td><td>109,000</td></tr>
<tr><td>LCC</td><td>-</td><td>80,000</td><td>27,500</td><td>107,500</td></tr>
<tr><td>TBL[3]</td><td>336,000</td><td>-</td><td>-</td><td>336,000</td></tr>
<tr><td>DYCI</td><td>564,480</td><td>-</td><td>-</td><td>564,480</td></tr>
<tr><td>ETHN</td><td>564,480</td><td>-</td><td>-</td><td>564,480</td></tr>
<tr><td>TLC</td><td>-</td><td>80,000</td><td>17,500</td><td>97,500</td></tr>
<tr><td>TYS[3]</td><td>-</td><td>66,667[4]</td><td>7,500</td><td>74,167</td></tr>
<tr><td>Total</td><td>7,109,760</td><td>436,667</td><td>102,500</td><td>7,648,927</td></tr>
</table>
<u>Notes</u>:
[1] None of the Directors receive BIK and other emoluments
[2] Salary and Bonus including EPF contributions
[3] Resigned on 24 October 2018
[4] Fee is pro-rated from his date of resignation</td>
</tr>
</table>

Corporate Governance Overview Statement

<table>
<tr><th colspan="3">PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS</th></tr>
<tr><th colspan="2">MCCG Practices</th><th>Explanation</th></tr>
<tr><td>7.2</td><td>The board discloses on a named basis the top 5 SM's remuneration component including salary, bonus, BIK & other emoluments in bands of RM50,000.</td><td>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.

Remuneration paid to the top 5 Officers in bands of RM50,000 for FY2018 is as follows:

<table>
<tr><th>Remuneration Bands</th><th>No. of Officer</th><th>Salary and Bonus</th><th>BIK</th><th>Total</th></tr>
<tr><td>Between RM50,000 – RM100,000</td><td>2</td><td>197,120</td><td>-</td><td>100%</td></tr>
<tr><td>Between RM350,000 – RM400,000</td><td>1</td><td>383,040</td><td>-</td><td>100%</td></tr>
<tr><td>Between RM550,000 – RM600,000</td><td>1</td><td>564,480</td><td>-</td><td>100%</td></tr>
<tr><td>Between RM800,000 – RM850,000</td><td>1</td><td>695,600</td><td>109,749</td><td>100%</td></tr>
</table>

The annual aggregate remuneration paid to the top 5 Officers of the Manager for FY2018 was RM1,949,989.</td></tr>
<tr><td>7.3 Step Up</td><td>Companies are encouraged to fully disclose the detailed remuneration of each member of SM on a named basis.</td><td>As explained in Box 7.2, the Board has assessed and decided against the disclosure of the exact quantum of the remuneration of the top 5 Officers on a named basis, and has instead disclosed the remuneration of the top 5 Officers in bands of RM50,000. The Manager believes that such disclosure is sufficient for providing transparency to UHs without prejudicing the interests of UHs. The composition of the current Executive Team has been quite stable and to ensure the continuity of business and operations of the Manager and IGB REIT, it is important that the Manager continues to retain its team of competent and committed Executive Team to drive IGB REIT's businesses to greater growth, efficiency and profitability.</td></tr>
</table>

<table>
<tr><th colspan="3">PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT</th></tr>
<tr><th colspan="2">MCCG Practices</th><th>Explanation</th></tr>
<tr><td>8.1</td><td>The chairman of AC is not the chairman of the Board.</td><td>AC comprises 3 INEDs. AC is chaired by HHD, an INED. Board Chairman is a member of AC but does not act as AC Chairman.</td></tr>
<tr><td>8.2</td><td>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 AC member.</td><td>AC's ToR include a requirement that a former key audit partner must observe a cooling-off period of 2 years before being appointed as AC member.

None of AC members are former partners of PricewaterhouseCoopers PLT (PwC) who has been the external auditors (EA) of IGB REIT since listing. PwC has a policy of rotating audit partner at least every 7 years and providing an annual declaration of independence.</td></tr>
<tr><td>8.3</td><td>AC has policies and procedures to assess the suitability, objectivity and independence of the EA.</td><td>AC monitors and reviews the effectiveness of the external audit process for the financial statements of IGB REIT and undertakes a detailed review of the audit plan and the audit 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 FY2018.

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 the 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 By-Laws on Professional Independence of the Malaysian Institute of Accountants and their firm's requirements for the audit of IGB REIT Financial Statements FY2018. The statement of EA's responsibilities on IGB REIT Financial Statements FY2018 is set out in this Annual Report under the heading Independent Auditors' Report.</td></tr>
</table>

Corporate Governance Overview Statement
(continued)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT		
MCCG Practices		**Explanation**
8.3 Cont'd		AC has reviewed the summary of the non-audit services provided by PwC during FY2018 and 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 amount incurred by IGB REIT in respect of audit fees and non-audit related fees for services rendered by PwC in FY2018 were respectively RM132,000 and RM15,150.
8.4 Step Up	AC should comprise solely of IDs.	AC comprises solely 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.
8.5	Collectively, AC should possess a wide range of necessary skills to discharge its duties. All AC members should be financially literate and are able to understand matters under the purview of AC including the financial reporting process. All members of AC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.	AC is responsible for the oversight and monitoring of IGB REIT's financial reporting and accounting policies, the Manager's internal controls, including financial, operational, compliance and information technology (IT), risk management policies, the procedures established to regulate RPT/RRPT, including ensuring compliance with the provisions of REIT Guidelines and MMLR, the IA's function, including its resources, audit plans and the scope and effectiveness of IA procedures and the independence and objectivity of EA. AC has full access to and the cooperation of Executive Team and reasonable resources to enable it discharge its function properly. AC meetings are held quarterly to review the quarterly financial results of IGB REIT before recommending to the Board for approval on the release of the financial results. During FY2018, AC reviewed the audit plans from the external and internal auditors to ensure that the scope of the plans have covered sufficiently the audit of the internal controls of IGB REIT. AC has met EA without presence of the Executive Management once in FY2018 and again in January 2019. In the review of IGB REIT Financial Statements FY2018, AC discussed with CFO the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, AC reviewed the key audit matter as reported by EA for FY2018. Tasks performed by AC during FY2018 are described in greater details under the heading **Audit Committee Report** in this Annual Report. 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 I**. The Board has determined that HHD, TSL and LCC are financially literate and possess financial background or knowledge as well as necessary experience to discharge their responsibilities as AC members.
9.1	The board should establish an effective risk management and internal control framework.	The Board is fully committed to maintaining a sound system of internal controls and has instituted a risk management and internal control framework, as well as good CG measures to monitor the effectiveness in safeguarding IGB REIT's assets and UH interests. The risk management and internal control systems are designed to identify, assess and manage risks that may impede the achievement of the business objectives and strategies of IGB REIT rather than to eliminate these risks. The risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement, fraud or loss, and this is achieved through a combination of preventive, detective and corrective measures. The Manager adopts a robust risk management framework (Framework) that is aligned with the principles of Committee of Sponsoring Organisations Framework and the 3 lines of defence concept, mainly promoting the risk ownership and continuous risk management of key business risks identified, as well as providing independent assurance. The principles of the Framework are embedded into key operational activities and form an important part of the decision-making process of IGB REIT. The Framework includes the roles and responsibilities of each management level in the risk management process and outlines the tolerance limits consistent with the risk appetite set by the Board. In supporting the implementation of the Framework effectively, the Manager has established appropriate risk governance structure to assign responsibility for risk management and facilitates the process for assessing and communicating risk issue from operational levels to the Board.

Corporate Governance Overview Statement
(continued)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT		
MCCG Practices		**Explanation**
9.1 Cont'd		The Board's oversight, review and monitoring of the effectiveness of IGB REIT's risk management and internal controls are supported by Risk Management and Sustainability Committee (RMSC), AC and IA. RMSC oversees the implementation of the risk management framework and risk culture within IGB REIT. RMSC is supported by Group Strategy and Risk (GSR) division under the Manager's parent company, IGB, to review the Manager's risk management activities and ensuring the implementation of appropriate internal control systems are in place to identify, evaluate, monitor and manage risks and opportunities as they arise and on an ongoing basis. AC assists by providing an objective non-executive review of the effectiveness of the risk management 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.
9.2	The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.	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 risk management framework established and maintained by the Manager, work performed by the internal and external auditors, and reviews performed by RMSC, and assurance from MD, CEO and CFO, the Board with the concurrence of AC, is of the opinion that the Manager's risk management and internal controls put in place during FY2018, addressing financial, operational, compliance and IT risks, and risk management systems were adequate and effective taking into account the nature, scale and complexity of the operations of IGB REIT. An overview of the state of internal control in IGB REIT, which includes the risk management and key internal control processes is described in greater details in this Annual Report under the heading **Statement on Risk Management and Internal Control** which has been reviewed by PwC.
9.3 Step Up	The board establishes a Risk Management Committee (RMC), which comprises a majority of IDs, to oversee the company's risk management framework and policies	RMSC comprises Executive Team and is chaired by CEO. As described in **Box 9.1**, RMSC, with the support of GSR, is tasked with the responsibility to oversee the risk management activities of IGB REIT as well as IGB REIT's policies and strategies as they pertain to sustainability by identifying, evaluating, monitoring and managing the 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. Risk management reports such as key risk indicators and risk survey are issued to track and monitor risks faced by IGB REIT in the areas of strategic, operational, financial, compliance and IT. These reports are updated on a periodic basis and the matters deliberated at RMSC meetings are presented to the Board on a quarterly basis. 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 have not indicated any material exposures in the areas of environmental and social sustainability. IGB REIT's sustainability strategies are disclosed in this Annual Report under the heading **Sustainability Statement**.
10.1	AC should ensure that IA function is effective and able to function independently.	The IA function of the Manager is outsourced to GIA division of IGB, to support the Board through AC in discharging its duties and governance responsibilities of maintaining a system of internal controls, procedures and processes for safeguarding UHs and IGB REIT's assets. GIA is independent of the functions and activities that it audits and operates under an audit charter mandated by AC which gives it unrestricted access to review all activities of the Manager and IGB REIT. GIA's charter outlines among others, GIA's objectives, mission, scope, responsibility, accountability, authority, independence, as well as standards and ethics. GIA adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of the Manager and 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 the Manager's and IGB REIT's policies, procedures and regulatory responsibilities. GIA also performs investigations and ad-hoc reviews as and when need arises, or when requested by Executive Management. In addition, GIA provides advisory services to RMSC on risk management, sustainability and business continuity matters.

Corporate Governance Overview Statement
(continued)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

MCCG Practices		Explanation
10.1 Cont'd		AC is satisfied that GIA function is adequately resourced to perform its functions, is independent and free from COI and has appropriate standing within the Manager and IGB REIT to perform its functions effectively. This is evidenced through the unimpeded access to the Manager's documents and records and the access AC has to GIA without the presence of Executive Management.
10.2	The board should disclose: ▪ 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.	The Head of GIA, Christine Ong May Ee, who has a Bachelor of Accountancy (Singapore), Certified Internal Auditor (USA), Certified Risk Management Assurance (USA), Fellow Chartered Accountant (Australia), Fellow member of the Institute of Internal Auditors (IIA) (Malaysia) and Chartered Accountant (Malaysia), reports directly and functionally to AC and administratively to MD and CEO. To ensure that it performs its function adequately and effectively, auditors within GIA are given relevant training and development opportunities to update their technical knowledge and auditing skills and are encouraged to obtain professional certification relevant to their work. As at 31 December 2018, GIA is adequately resourced with 11 persons in the department. GIA's activities are guided by the International Standards for the Professional Practice of Internal Auditing (Standards) set by the IIA, and incorporated these Standards into its audit practices. Each quarter, GIA submits reports to AC for review and deliberation. AC reviews and deliberates on the control lapses highlighted by GIA along with the audit recommendations as well as the management's responses and action plans to rectify these lapses. All significant issues deliberated at AC of the Manager are also reported to AC of IGB, for information. During FY2018, GIA conducted audit reviews based on the annual IA plan approved by AC 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 key activities reviewed in FY2018 included high-level reviews in the areas of sustainability, CG and RPT, operational audits for procurement function, carpark operations, safety and health, housekeeping and leasing, progress reports for audits of building services, finance, leasing, IT operations, procurement and carpark operations, tenant sales verification audits, as well as the documentation of crisis management manual. In relation to the 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. Details of IA function and activities are disclosed in this Annual Report under the heading **Audit Committee Report**. A quality assurance review on GIA function was performed by IIA Malaysia in 2015. The review concluded that GIA function conformed to the Standards. The next review would be due in year 2020.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

MCCG Practices		Explanation
11.1	The board ensures there is effective, transparent and regular communication with its stakeholders.	The Manager recognises the importance of timely disclosure of information to UHs, and upholds a strong culture of continuous disclosure and transparent communication with UHs and investing community. The Manager's disclosure policy requires timely and balanced disclosure of all material information relating to IGB REIT by way of public releases or announcements via BursaLINK at first instance and then including the release on IGB REIT's website. The Manager places a high priority on communication with UHs, 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 tools 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.

Corporate Governance Overview Statement
(continued)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS		
MCCG Practices		**Explanation**
11.1 Cont'd		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 briefings and meetings for the analysts and media representatives as well as presentations to the 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.
11.2	Large Companies are encouraged to adopt integrated reporting based on a globally recognised framework.	An overview of IGB REIT's business and operations; discussion and analysis of the financial results and financial condition; review of operating activities; discussion on identified and anticipated or known risks; and forward-looking statements comprising trends and the inclusion of the business review is included in this Annual Report under the heading **Management Discussion and Analysis**. The Board recognises the benefits having an integrated report which establish integrated thinking and reporting that is designed to support sustainable business and financial stability. This recommendation will be satisfied at the appropriate time in IGB REIT's future.
12.1	Notice for an AGM should be given to SHs at least 28 days prior to the meeting.	The annual report, which contains AGM notice together with the related circular/statement to UHs is issued to UHs at least a month before the scheduled date of such meeting to give sufficient time to UHs to consider the resolutions that will be discussed and decided at AGM. AGM notice, which sets out the businesses to be transacted at AGM with explanatory notes for each resolution proposed to enable UHs to make informed decisions in exercising their voting rights, is also published in a nationally circulated newspapers alongside an announcement on the website of Bursa Securities.
12.2	All directors attend GMs. The chair of AC, NC, RMC and other committees provide meaningful response to questions addressed to them.	AGM serves as a principal forum for dialogue and interaction between the Board of the Manager and UHs of IGB REIT. The Manager is in full support of UH participation at AGM of IGB REIT to stay informed of the strategies and goals of IGB REIT. The standard proceedings adopted by IGB REIT at its AGM would involve a brief overview by CEO of the operations and performance of IGB REIT, before proceeding with the voting of the resolutions. UHs are accorded the opportunity to raise relevant questions on IGB REIT's financial performance and business operational related matters and to communicate their views at AGM. The Board will ensure the presence of all Board members, particularly the chairperson of each BC to facilitate engagement with UHs and to address any relevant questions and concerns raised by UHs. EA will be present at AGM to respond to any queries from UHs on the independent audit review of IGB REIT's financial position. All Directors will attend AGMs and will take any relevant questions addressed to them unless unforeseen circumstances preclude them from attending AGMs. All Directors, including the chairmen of AC, NC, RC and RMSC, and Executive Team, attended the 6th AGM in 2018. 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 6th AGM were posted on IGB REIT's website. At AGMs, each distinct issue is proposed as a separate resolution and put to vote by electronic poll voting (e-Voting). An independent scrutineer is appointed to conduct e-Voting and verify the votes. The results of e-Voting are announced instantaneously at AGM and the detailed results showing the number of votes cast for and against each resolution and the respective percentages is also promptly announced to Bursa Securities and uploaded to IGB REIT's website after each AGM.
12.3	Listed companies with a large number of SHs or which have meetings in remote locations should leverage technology to facilitate – ▪ voting including voting in absentia; and ▪ remote SHs' participation at GMs.	The Deed does not allow a UH to vote in absentia at AGMs but allows any UH to appoint representative or proxy to attend and vote on his/her behalf at the GMs. IGB REIT's AGMs have always been held at venue within Mid Valley City which is easily accessible by public transportation.

Corporate Governance Overview Statement

(continued)

Appendix 1

DIRECTORS AND EXECUTIVE TEAM'S ATTENDANCE AT THE MANAGER'S BOARD AND BC MEETINGS HELD DURING FY2018

The number of Board and BC meetings held in FY2018 and the attendance by each of the Directors and Officers at these meetings are set out below:

Director	Board	AC	NC	RC	RMSC
TSL, INED	4 out of 4	4 out of 4	2 out of 2	1 out of 1	
HHD, INED	4 out of 4	4 out of 4	2 out of 2	1 out of 1	
LCC, INED	4 out of 4	4 out of 4	2 out of 2	1 out of 1	
DSRT, Non-Independent Executive Director (NIED)/MD	4 out of 4			1 out of 1	
DYCI, NIED	4 out of 4				3 out of 3
ETHN, NIED	4 out of 4				3 out of 3
TLC, Non-INED	4 out of 4	4 out of 4	2 out of 2		
TBL, NIED (resigned on 24 October 2018)	3 out of 4				
TYS, Non-INED (resigned on 24 October 2018)	4 out of 4				
Officer					
Antony Patrick Barragry, CEO	4 out of 4				3 out of 3
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			3 out of 3
Rennie Lee Chai Tin, Head of Leasing (MVM)					3 out of 3
Tina Chan, HOC/CS	4 out of 4	4 out of 4	2 out of 2	1 out of 1	

DIRECTORS' TRAINING AND DEVELOPMENT

The Board is committed to the continual enhancement of the capabilities of each Director and the performance of the Board generally. The Board is updated on any material change to relevant laws, regulations and accounting standards either during Board meetings or at specially convened sessions involving relevant professionals. Individual Directors are also afforded opportunities for continuing education in areas such as Director's duties and responsibilities, changes to laws, regulations, accounting standards, and industry-related matters so as to be updated on matters that may affect or enhance their performance as Directors of the Manager. 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 FY2018, 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:

Training Focus	Conferences, Seminars and Training Programme
CG and Sustainability	■ The Asian Institute of Management Manila: Board of Governors of Trustees Meeting ■ Bursa Securities: Sharing Session – Analysis of Sustainability Practices and Disclosures in Annual Reports and/or Sustainability Reports ■ Bursa Securities: CG Briefing Sessions – MCCG Reporting and CG Guide ■ Bursa Securities: Environmental, Social and Governance Briefing Session ■ Bursa Securities: FTSE4Good Bursa Malaysia Index Briefing
Social Enterprise and Ethics	■ Jeffrey Cheah Institute on Southeast Asia and Jeffrey Sachs Centre on Sustainable Development: Transformasi Nasional 2050 – The Road Ahead ■ Sunway University: Sunway University Strategy Workshop
Economics, Finance and Accounting	■ Certified Public Accountants (CPA) Australia Workshop: Creative accounting resulting in fraud ■ Financial Institutions Directors Education Forum: Dialogue with a Leader – Reflections on crucial lessons learned in dealing with complexity ■ Hitotsubashi University: Asian Shadow Financial Regulatory Committee Meeting ■ The National Institute of Development Administration Bangkok: Asian Shadow Financial Regulatory Committee Meeting ■ The South East Asian Central Banks (SEACEN) Indonesia: SEACEN Leadership Masterclass 1 Workshop on "Leading Adaptively in Complex Times"*
Law and Taxation	■ Ancom Berhad: In-House Training Programme on Key Amendments to the Listing Requirements arising from the Companies Act 2016 (CA 2016) ■ CPA Australia Workshop: Practical CA2016 Issues and Updates ■ PwC: Fiscal discipline in driving sustainable growth – Budget 2019
Industry	■ BNP Paribas Wealth Management: Single Family Office Forum Asia 2018 ■ Jeffrey Cheah Institute and the International Academy Advisory Council: ASEAN and New Challenges* ■ Morgan Stanley Capital International: Executive Briefing on the future of APAC (Asia Pacific) property and the global trends affecting performance

* TSL as speaker/guest speaker

Audit Committee Report

The Audit Committee (AC), formed on 7 May 2012, is to assist the Board of Directors (Board or Director) of IGB REIT Management Sdn Bhd (IGB REIT Management or 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 the Manager and IGB REIT, 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 management of the Manager 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 2018 (FY2018) 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 2019.

COMPOSITION

AC comprises 3 members, all of whom are Independent Non-Executive Directors. AC is chaired by Halim bin Haji Din (AC Chairman) and the members are Tan Sri Dato' Dr. Lin See Yan and Lee Chen Chong, whose biographies are set out in this Annual Report under the heading **Profile of Directors**. None of AC members are employed by or otherwise affiliated with the external auditors (EA) of IGB REIT. 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 Performance-assessment. Based on the evaluation for FY2018, the Board was satisfied that AC has continued to show strong performance over the years, and AC members, as indicated in their profiles, have sound judgement, objectivity, independent attitude, management experience, integrity, knowledge of the industry, and financially literate. With balanced diversity of skills and experience, they have discharged their functions, duties and responsibilities, supporting the Board in ensuring that the Manager and IGB REIT uphold appropriate corporate governance (CG) standards.

MEETINGS AND ATTENDANCE

AC meetings for 2018 were pre-arranged in April 2017 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, external and internal auditors.

4 meetings were held during FY2018 which were attended by all AC members. 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 the Manager and IGB REIT. In addition, Chief Financial Officer (CFO), Head of Compliance/Company Secretary, Head of Investment and the senior internal audit executive and EA (twice a year to discuss their audit plan and audit findings on IGB REIT's annual financial statements) were permanent invitees to AC meetings to present their respective reports. AC also had 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 MD and 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 FY2018 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 the unaudited quarterly financial results of IGB REIT for Q4FY2017, Q1FY2018, Q2FY2018 and Q3FY2018, which were announced via the regulatory information service (BursaLINK) immediately after the Board's approvals, respectively on 23 January 2018, 23 April 2018, 13 July 2018 and 24 October 2018, and IGB REIT Financial Statements FY2017 which was submitted via BursaLINK on 28 February 2018. AC concluded that the quarterly financial results and IGB REIT Financial Statements FY2017 complied with appropriate Malaysian Financial Reporting Standards (MFRS) and regulatory requirements.

(c) Reviewed the Manager's Audited Financial Statements FY2017 (AFS2017), and concluded that the AFS2017 complied with appropriate MFRS. A copy of the AFS2017 was submitted to the Securities Commission Malaysia (SC) on 30 March 2018.

(d) Considered IGB REIT's distributable income for the first, second and third quarters of 2018 of 2.48 sen per unit @ 2.40 sen taxable and 0.08 sen non-taxable (First Interim Distribution), 2.14 sen per unit @ 2.12 sen taxable and 0.02 sen non-taxable (Second Interim Distribution) and 2.29 sen per unit @ 2.25 sen taxable and 0.04 sen non-taxable (Third Interim Distribution), which were paid to the unitholders (UHs) respectively on 31 May 2018, 20 August 2018 and 29 November 2018 after the Board's approvals. IGB REIT had changed its distribution period from half-yearly to quarterly in FY2018.

(e) Noted significant changes and amendments to MFRS and other regulatory requirements that could affect the financial reporting of IGB REIT.

Subsequent to FY2018, AC had at its meeting on 23 January 2019, considered and reviewed the financial reporting checklist FY2018 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 FY2018 and, in all material respects, IGB REIT Financial Statements FY2018 complied with the applicable MFRS as well as disclosure provisions of Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, 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 fourth quarter of 2018 of 2.28 sen per unit @ 2.24 sen taxable and 0.04 sen non-taxable (Fourth Interim Distribution), which would be paid to UHs on 28 February 2019. Cumulatively, for FY2018, the income distribution was 9.19 sen per unit.

2. External Audit

(a) Reviewed EA's audit report on the audit of IGB REIT Financial Statements FY2017 setting out their comments and conclusions on the significant auditing and accounting issues highlighted, including management's judgements, estimates and/or assessments made, and adequateness of disclosures in the financial statements.

(b) Reviewed, with both EA and management, the audit approach and methodology applied, and in particular of those key audit matters included in the year end EA's report.

(c) Reviewed EA's audit plan for FY2018, encompassing the proposed 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.

(d) 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.

(e) Obtained assurance from EA that their independence has not been impaired.

(f) Reviewed, in consultation with management, the terms of engagement of PricewaterhouseCoopers PLT (PwC) for the statutory audit of IGB REIT Financial Statements FY2018 in respect of cost, scope and performance, upon confirmation of their independence and objectivity including non-audit services related to tax consultancy.

(g) Conducted a private session with EA without the presence of management on 23 January 2018 to apprise on matters in regard to the audit and financial statements. No major concerns were highlighted by EA and they had received full support and cooperation from management.

Subsequent to FY2018, AC carried out the following duties at its meeting on 23 January 2019:

(a) Reviewed the results of EA's audit report on the conduct of IGB REIT Financial Statements FY2018, the audit findings together with recommendations, including the key audit matters raised and management's response as set out in the management representation letter issued to EA.

(b) Reviewed and deliberated on matters relating to internal control highlighted by EA in the course of their statutory audit of IGB REIT Financial Statements FY2018.

(c) 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 FY2018, AC was satisfied with EA's technical competency in terms of their skills, execution of audit plan, reporting and overall performance, and the reasonableness of their audit fees. Requisite assurance was sought and provided by EA that internal governance processes within PwC demonstrate and support the firm's independence.

Audit Committee Report

(continued)

3. Internal Audit (IA)

IA function is outsourced and undertaken by the Manager's parent company, IGB Berhad (IGB), Group Internal Audit (GIA) division. The Head of GIA is Christine Ong May Ee, Certified Internal Auditor (USA), Certified Risk Management Assurance (USA), Fellow Chartered Accountant (Australia), Fellow member of the Institute of Internal Auditors (IIA) (Malaysia), Chartered Accountant (Malaysia) and Bachelor of Accountancy (Hons.) (Singapore). She is assisted by a team of suitably qualified and experienced internal auditors. The Head of GIA reports to AC functionally to maintain its independence. On an annual basis, AC evaluates the performance of IA function and obtains confirmation on its independence and objectivity.

IA function provides AC with risk-based independent and objective assurance, advice and insight on the adequacy and effectiveness of internal controls, risk management and governance processes of IGB REIT. IA carries out its responsibilities in conformance to the International Standards for the Professional Practice of Internal Auditing (Standards) as confirmed by a quality assurance review conducted by the IIA Malaysia in 2015. IA function also engages in quality improvement programs on an on-going basis to ensure that IA activities keep up with the latest developments in the practice of internal auditing.

IA function carries out audit engagements based on the annual plan which is approved by AC. Upon completion of each audit engagement, a report is issued to management who are responsible for ensuring that corrective actions are taken on weaknesses in risk management, controls and governance highlighted in the report within a reasonable time frame. IA follows up with management on the status of implementation of all audit recommendations every 3 months until all recommendations have been implemented and addressed.

Other than planned assurance engagements that have been included in the IA plan, IA also conducts ad hoc special reviews and investigations as and when the need arises or when a significant change in risk has been identified. The scope of these engagements is discussed with management and reported to AC for their approval. All reports issued for such engagements are communicated to the relevant members of management and AC.

IA function also provides advisory services to the Risk Management and Sustainability Committee (RMSC) in the areas of risk management, sustainability and business continuity. In addition, the Head of IA is a member of the Whistleblowing Committee for IGB Group.

The following is a summary of the IA's work reviewed and/or approved by AC during FY2018 and to the date of this report:

(a) Reviewed and approved the IA plan for FY2018 in AC meeting held on 8 November 2017 to ensure adequate scope and coverage of key risk areas and processes in the operations, compliance with regulations and internal controls of IGB REIT. The plan described the risk-based methodology for the selection of the scope and areas to be audited in the ensuing year.

(b) Reviewed and approved the IA charter which was revised to be in line with the updated International Professional Practices Framework for Internal Auditing, a globally recognised framework for IA practices issued by IIA Inc.

(c) Reviewed a total of 21 IA reports issued during the year. The audit engagements included high-level reviews in the areas of sustainability, CG and related party transactions (RPT), and operational audits for procurement function, carpark operations, safety and health (S&H), housekeeping and leasing. Progress reports were also issued for audits of building services, finance, leasing, information technology operations, procurement, and carpark operations. Tenant sales verification audits were also conducted on 5 tenants. AC engaged with management on issues and recommendations raised in the audit reports and obtained assurances that all weaknesses were addressed by management promptly. All areas audited were rated satisfactory and the progress reports indicated that management had taken prompt action to implement the audit recommendations stated in the reports.

(d) Noted the reports on key risk indicators (KRI) for IGB REIT as identified by management and discussed on risk areas where the indicators showed higher risk trends. AC obtained explanations from management on the mitigating measures taken and risk management process in place to monitor the risk areas of operations.

(e) Noted that IA undertook to compile the crisis management manual for IGB REIT operations as part of a special consultancy project that was agreed with management. AC was briefed on the project and was informed that upon completion of the manual, the responsibility for the updating of the manual and the related training and briefing of operations staff were handed to S&H team under IGB REIT.

IGB REIT and the Manager have paid RM105,830 for the IA services in FY2018.

Audit Committee Report

(continued)

4. **Risks and Control Environment**

   The Board has assigned oversight of IGB REIT's risk management function to RMSC which is supported by the Group Risk and Strategy division of IGB. 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 risk management reports tabled by RMSC such as risk survey as well as half-yearly KRI reports 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 FY2018.

   An overview of the state of internal control in IGB REIT, which includes the risk management and key internal control processes is described in greater details in this Annual Report under the heading **Statement on Risk Management and Internal Control**.

5. **Recurrent RPT (RRPT)**

   During FY2018, IGB REIT entered into certain RRPT as disclosed in the **Corporate Governance Overview Statement** contained in this Annual Report. AC reviewed, on a quarterly basis, the RRPT entered into by IGB REIT with related parties, and ensured proper disclosures were made in accordance with SC's Guidelines on Listed Real Estate Investment Trusts and MMLR. AC was satisfied that all transactions were entered into in IGB REIT's ordinary and usual course of business, and on normal commercial terms or on terms no more favourable than terms available to independent third parties, and the monitoring procedures to regulate such transactions were appropriate and sufficient.

   Subsequent to FY2018, AC had at its meeting on 23 January 2019, reviewed the circular to unitholders in relation to the proposed general mandate for IGB REIT to enter into the category of RRPT with the mandated related party during the mandate period (Proposed RRPT Mandate) which would be sought at the Seventh Annual General Meeting (7th AGM), to be held on 24 April 2019, and having considered, among others, the nature of RRPT to be made were intended to meet the ordinary and usual course of business needs of IGB REIT and likely to occur with some degree of frequency and such transaction to be undertaken at arm's length and on normal commercial terms consistent with IGB REIT's usual practices and policies, as well as the procedures and processes established to regulate RRPT, was satisfied that adequate processes and controls were in place for an effective and efficient process in the monitoring, tracking and identifying RRPT in a timely and orderly manner.

6. **Annual Reporting**

   Reviewed the extent of IGB REIT's compliance with the requirements of MMLR for the purpose of preparing Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in Annual Report 2018, and whereupon recommendations were 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 FY2018 are set out in **Appendix 1** annexed to **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 2019.

Statement on Risk Management and Internal Control

Introduction

The Board of Directors (Board) of IGB REIT Management Sdn Bhd (Manager) is pleased to present the Statement on Risk Management and Internal Control. This statement is prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements (MMLR) and in accordance with the guidelines as set out in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Responsibility

The Board has overall responsibility for IGB REIT's risk management and internal control systems, and for reviewing their adequacy and effectiveness as set up by the Manager. The review covers financial, operational and compliance controls, and risk management procedures of IGB REIT. However, such procedures are designed to manage and mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, misstatement, losses or fraud.

Risk Management Framework

The Manager adopts a robust risk management framework (Framework) for IGB REIT that is aligned with the principles of Committee of Sponsoring Organisations (COSO) Framework and the 3 lines of defence concept, mainly promoting the risk ownership and continuous risk management of key business risks identified as well as providing independent assurance. The principles of the Framework are embedded into key operational activities and form an important part of the decision-making process for IGB REIT.

The Framework includes the roles and responsibilities of each management level in the risk management process and outlines the tolerance limits consistent with the risk appetite set by the Board. In supporting the implementation of the Framework effectively, the Manager has established appropriate risk governance structure to assign responsibility for risk management and facilitates the process for assessing and communicating risk issue from operational levels to the Board.

Risk Management

Risk management in IGB REIT involves an on-going process for identifying, evaluating, managing and reviewing any changes in the significant risks including emerging risks impacting the achievement of business objectives and strategies of IGB REIT on a periodical and regular basis.

It also involved the assessment of the impact and likelihood of such risks and of the effectiveness of controls in place to manage them. The process included the enhancement of the system of internal controls when there are changes to business environment or regulatory guidelines. This process has been embedded in various aspects of IGB REIT's activities and has been in place for the year under review and up to the date of approval of this Statement for inclusion in IGB REIT Annual Report 2018.

Responsibility for managing risks lies primarily with the Management Functional Unit within the Manager. The Management Functional Unit assist the Board in the implementation of the Board's policies and procedures on risks and internal controls for IGB REIT by identifying and assessing the risks in its operations. They are responsible for the design, operation and monitoring of suitable internal controls to mitigate and control these risks. They are also accountable for operating within these policies. The Heads of Management Functional units have also identified key risk indicators for their respective operations and monitoring is done to ensure that significant changes in risk levels are identified in a timely manner and corrective actions are taken appropriately to address the risks and deficiencies, if any.

The Board through the Risk Management and Sustainability Committee (RMSC) provides oversight over the risk management activities to ensure that IGB REIT's risk management processes are functioning effectively and efficiently. The RMSC in discharging its risk management function, is assisted by the Manager's parent company, IGB Berhad (IGB), Group Strategy & Risk division which monitors and evaluates the effectiveness of IGB REIT's risk management & internal control systems on an on-going basis.

The Internal Audit (IA) function is also undertaken by IGB's Group IA department which provides further independent assurance on the adequacy and effectiveness of the risk management and internal control system as part of their audit reviews. All reports relating to the risk management process are brought to the attention of the Board through RMSC and Audit Committee (AC).

Statement on Risk Management and Internal Control
(continued)

Other Key Elements of Internal Control and Risk Management

The Manager has put in place system of internal control and a set of procedures and processes to safeguard the assets of IGB REIT and interest of the Unitholders as well as to manage risk.

The main elements in the system of internal control framework included as follows:

- An organisational structure with formally defined lines of roles and responsibility and delegation of authority for the Management Functional Unit within the Manager;
- Structured limits of authority, which provides a framework of authority and accountability which facilitates timely decision making at the appropriate levels within the Manager;
- Preparation of annual operating budgets and capital expenditure plans by the Management Functional Unit which are reviewed and approved by the Chief Executive Officer (CEO) and the Board;
- Assessment of quarterly performance of IGB REIT against approved budgets and reporting of significant variances to the Board;
- Review standard operating policies and procedures to ensure compliance with internal controls and the relevant laws and regulations and which are reviewed regularly and approved by the management;
- Regular reporting updates of accounting and legal developments and significant issues to the Board;
- Implementation of proper guidelines for hiring and termination of staff, guidance and training programmes for staff, annual performance appraisals and other procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.
- Periodical meeting of heads of the Management Functional Unit to alert and address any issues in relation to known and emerging risks of changing operational landscape and regulatory environment as well as risks scenarios.

The IA function evaluates the effectiveness of the governance, risk management and internal control framework and recommends enhancement, where appropriate. The work of the IA function is focused on areas of priority as identified by risk analysis and in accordance with an annual audit plan approved each year by AC. The head of this function reports directly to AC. AC determines the scope of IA function which includes review of the adequacy and effectiveness of the internal control over the risks for IGB REIT. AC receives reports on IA function's work and findings and is updated regularly on issues that required further follow-up and rectification by management.

The Board, through AC, has reviewed the effectiveness of IGB REIT's system of risk management and internal control. There were no significant internal control aspects that would have resulted in any material losses, contingencies, or uncertainties that would require disclosure in IGB REIT Annual Report 2018.

The Board has received assurances from CEO and Chief Financial Officer that IGB REIT's risk management and internal control systems are operating adequately and effectively in all material aspects.

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement. Their limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of IGB REIT.

This Statement has been approved by the Board and is current as at 18 February 2019.

Sustainability Statement

1. Introduction

We are pleased to present IGB REIT's Sustainability Statement for the financial year ended 31 December 2018 (FY2018). This report discloses our management of material economic, environmental, and social risks and opportunities, as we work towards achieving our goal of sustainably managing our portfolio of investment properties.

The reporting period covered in this report is from 1 January 2018 to 31 December 2018, on the performance of the two malls within our portfolio, namely – Mid Valley Megamall (MVM) and The Gardens Mall (TGM). MVM and TGM operate under the same management and are both located in the Klang Valley.

2. Sustainability Built on the Values of Honesty, Humility, Integrity, and Community

IGB REIT is focused on creating sustainable long term value through delivering innovative and engaging customer experiences, leveraging our communities to create dynamic encounters, and pushing the boundaries of the traditional retail model.

This year, with the passing of Dato' Tan Chin Nam, one of the visionaries behind Mid Valley City, we are reminded of how far we have come and the values that guided our founders in the early years. These values continue to be important pillars that form the foundation of our business today, and it is these values of Honesty, Humility, Integrity, and Community that have allowed us to remain a key player in the industry and enjoy sustained growth.

In particular, we are reminded of the importance of community, and how it was through the support of our community, that we were able to transform a piece of land on the outskirts of Kuala Lumpur into one of Malaysia's top retail destinations and one of the largest integrated developments in the world. The importance of community is no more diminished today, particularly with the opening of KL Eco City, which we see as a boon to the community. Together, we are able to create a hub that will benefit the area, bolstering footfall, sales, accessibility, and dynamism.

Sustainability continues to be an important part of our long term strategy, guiding how we engage with our stakeholders and make business decisions. We remain committed to upholding the highest standards of corporate governance (CG) and transparency to safeguard Unitholder interest and have in place frameworks that enhance our business resilience and agility, ultimately working to future proof our business.

This year, we remained focused on building a sustainable business, pushing forward with initiatives to enhance the retail experience at both our malls, and working with our community. In particular, we have worked with our neighbours to enhance the infrastructure and accessibility to the area.

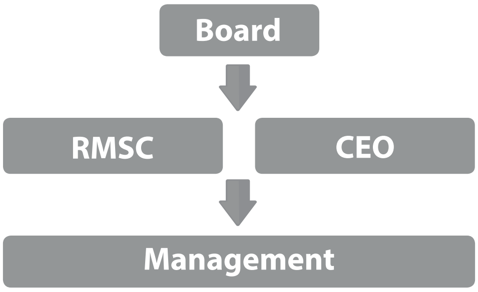
The Board of Directors (Board) of IGB REIT Management Sdn Bhd, the Manager of IGB REIT, remains firmly committed to driving sustainability within its business, propelling continued growth through proactive asset management. We believe that it is by doing so that we can continue to enhance the value proposition of both MVM and TGM, ensuring their continued commercial viability without compromising the environment for future generations.

3. Our Sustainability Governance Structure

IGB REIT has in place a CG framework which supports its long term success, both allowing it to act in the interest of its Unitholders, deliver regular and stable distributions, and achieve sustained growth in the value of its properties. As part of this framework, the Board has set up a Risk Management and Sustainability Committee (RMSC), chaired by the Chief Executive Officer, to take the lead in driving sustainable practices within IGB REIT. Other members of RMSC include the Joint Chief Operating Officers, the Head of Operations, and the Head of Investment. Management within each department and function are responsible for the communication and implementation of key sustainability initiatives in the year.

The Board is ultimately responsible for IGB REIT's sustainability strategy and performance, and is assisted by RMSC who is responsible for identifying, evaluating, monitoring, and managing IGB REIT's economic, environmental, and social risks and opportunities as they relate to sustainability. RMSC regularly reports to the Board, providing updates and a review of sustainability policies and practices that are in place.

IGB REIT's Sustainability Governance Structure is as follows:



Sustainability Statement
(continued)

4. Materiality Process

Material sustainability matters are defined as matters that sustainably impact IGB REIT and its stakeholders. They are matters that influence how its stakeholders make decisions, which in turn impact IGB REIT's performance and ability to achieve its long and medium term goals. In identifying IGB REIT's material sustainability matters, it was important to us that we actively engaged our stakeholders through various feedback channels as well as through interactions our teams have with them as part of their day-to-day operations.

Feedback Channels

Table 1: Summary of Stakeholder Feedback Channels

Economy	● Regular dialogue and engagement with our community, including neighbouring developments e.g. KL Eco City, Hotels in Mid Valley City, etc.
Environment	● Regular dialogue with government agencies ● Industry benchmarking
Social	● Regular dialogue with government agencies ● Regular dialogue with the police department and security of malls in the Klang Valley ● Regular employee engagement survey ● Feedback received from customers through various feedback channels

In 2017, RMSC organised a workshop for the management of the departments and functions within IGB REIT to help raise awareness around sustainability matters relevant to our business. The workshop also included a session which was used to identify material sustainability matters relevant to IGB REIT using the materiality matrix included in Bursa Malaysia Securities Berhad's Sustainability Reporting Guide.

IGB REIT's Material Sustainability Matters, in no particular order, as determined by the 2017 workshop is set out below.

Table 2: List of Material Sustainability Matters

Material Sustainability Matters
Enriching Communities
Human Capital Management
Health and Safety
Community Engagement
Energy Conservation
Water Management
Waste Management
Security

This year, as part of an internal assessment of the sustainability framework, policies and practices that we have in place, we conducted an exercise to ascertain if a reprioritising of the sustainability matters previously identified needed to take place. Following the review, it was found that the identified materiality matters from last year remained relevant to our stakeholders and business. The results of the assessment were included in a report and tabled to RMSC as well as the Audit Committee.

(a) Economic
Enriching Communities

The continued success of our malls is built on a strong management team and the support of our communities. It is therefore extremely important to us that as a responsible corporate citizen, we work to enrich the communities in which we operate. To this end, we continue to upgrade the infrastructure within our malls, and work with our neighbours, including commercial, hospitality, residential, and retail businesses within the vicinity of Mid Valley City, to improve overall accessibility and convenience for visitors to the area. We believe that by working together, we can create a vibrant hub that benefits all.

MVM, for example, repositioned the escalators on the East side of the mall on the lower ground, ground and first floors, allowing for better accessibility for our shoppers. We also took back some space from AEON BiG and created additional retail lots. Through efforts to increase retail space on the lower ground floor at TGM, accessibility was also improved at the North entrance.

Sustainability Statement
(continued)

Additionally, 2 new bridges that connect the first floor of TGM to KL Eco City and Menara Southpoint are also on track to open next year. These bridges will offer greater connectivity for all visitors to all buildings in the area, particularly to the KTM and LRT lines.

(b) Environmental
Water Management

The United Nations Environment Programme lists water shortage as one of the two major environmental issues facing the world today. Malaysia has not been spared from this despite the high rainfall that the country enjoys. In fact, a growing area of concern here is freshwater scarcity, with water rationing exercises affecting the Klang Valley just this year.

Against this backdrop, it is imperative that we do our part to use water responsibly. A concerted effort has been made to both reduce the consumption of water within our malls as well as increase the efficiency with which we use it. Since IGB REIT started its sustainability reporting, the overall consumption of water between the 2 malls has decreased from approximately 791,000 cubic metres in 2016 to 732,000 cubic metres in 2018. The reduction in consumption has been the result of the upgrading of the flushing systems, an exercise that was completed in 2017, as well as a reduction in water usage for landscaping, housekeeping, and for the fountains within the malls. Rainwater is also harvested and used for landscaping activities. In 2018, a total of 1,948,000 litres of rainwater was harvested. Additionally, the distribution line piping has been changed to a polypropylene blend to reduce water leakages and now also use underground water for flushing the toilets.

Table 3: Annual Water Consumption (2016 to 2018)

	m^3			
Year	**MVM**	**TGM**	**Total**	**Total Change (%)**
2016	452,713.70	338,708.39	791,422.09	Base Year
2017	438,784.57	341,023.64	779,808.21	(1.5)
2018	405,871.25	325,852.49	731,723.74	(6.2)

Today, the majority of water consumed by the malls is used for air-conditioning, accounting for approximately 61% of total water consumed. Another 11% (2017: 12%) is unaccounted for. Moving forward, we will continue to monitor water consumption on a monthly basis and carry out appropriate investigations should there be a significant increase in usage. Moreover, additional efforts will be spent to reduce the amount of water consumed by air-conditioning within the malls and explain the unaccounted for water consumption.

Waste Management

Around the world, raw materials are becoming more scare and energy more expensive. Additionally, the increased pollution of our air, soil, and water pose a serious threat to our sustainable development. A contributor to these issues is improper waste management, which has led to an ever growing pile of waste, plastics polluting our oceans and damaging fragile ecosystems, and the production of ozone depleting greenhouse gases, amongst others.

Proper waste management plays an important role in driving sustainability and as such we continue to work to educate our community about responsible waste management, and encourage them to use recyclable materials where possible. The malls have also taken steps to support responsible waste management. For example, all rubbish bins have a separate section for recyclable materials, and paper towels have been removed from the toilets to encourage shoppers to use the hand dryers, thus reducing the amount of paper used.

We measure the volume of waste disposed of by the number of pulls of standard sized bins performed by our waste disposal contractor. The size of each bin is 20 cubic yards. At a conversion of 2 tonnes per pull, the total amount of waste disposed of from 2016, when we first started our sustainability reporting, to 2018, is as follows:

Table 4: Annual Volume of Waste Disposed (2016 to 2018)

Year	Total Pulls	Total Tonnes	Total Change (%)
2016	2,547	5,094	Base year
2017	2,372	4,744	(6.9)
2018	2,087	4,174	(12.0)

Sustainability Statement
(continued)

The reduction in waste disposed of is accounted for by educational campaigns that have been carried out through the years to raise public awareness around the importance of recycling. Efforts were also made to require our tenants to separate recyclable items from general waste. Dewan Bandaraya Kuala Lumpur (DBKL) has also required properties to segregate waste, and as such we have placed 11 recycling bins at selected locations within the malls to encourage recycling by the public. Moving forward, we will be looking to place more recycling bins throughout our malls.

At an estimated conversion rate of 1.5 tonnes per pull, the total amount of recyclable materials collected from 2016 to 2018 is as set out in the table below.

Table 5: Total Volume of Recyclable Materials Collected (2016 to 2018)

Year	Total Pulls	Total Tonnes	Total Change (%)
2016	345	518	Base year
2017	345	518	0
2018	374	561	8.4

The malls also carry out food composting. These efforts have been in place since 2012, and are limited by the maximum capacity of our current food composting machine which has a capacity of 5,720kg per annum, or 110kg per week. This year unfortunately, we were unable to run our food composting machine from September 2018 as the supplier of the compost catalyst material ceased operations. Efforts are being made to source for a replacement supplier and we aim to resume our food composting efforts by the first quarter of 2019.

The volume of food composted from 2016 to 2018 is as set out below.

Table 6: Volume of Food Composted (2016 to 2018)

Year	Kg	% Change
2016	4,957	Base Year
2017	4,968	0.2%
2018	2,827	(43.1)

Moving forward, we will continue to ramp up our efforts to better manage our waste and will explore the adoption of additional measures such as supplementing the capacity of our food composting machine by outsourcing the composting of food waste to companies who specialise in this process, continuing to run public awareness campaigns around the importance of proper and responsible waste management, and providing support to our tenants to encourage the use of recyclable utensils and packaging. We are also targeting to implement a food waste separation programme for our food & beverages tenants which we aim to kick start by March 2019.

Energy Consumption

Globally, we are facing an energy crisis as the world's demand for limited natural resources that are used to power much of society is fast outpacing the supply. Governments and organisations around the world are working to increase the use of renewable energy sources so as to put less stress on the traditional natural resources used.

Energy makes up the largest cost component for our malls, accounting for 30% of IGB REIT's total operating cost. The annual cost of energy consumption in 2018 amounted to RM40.3 million, this compared with RM41.6 million in 2017.

Our malls have made a concerted effort to reduce total energy consumed through various initiatives which have worked to steadily reduce our overall energy consumption through the years.

Measures undertaken to reduce the consumption of electricity in our malls have included the replacement of all common area lights with LED lighting which are more efficient and consume less electricity. Currently, the exercise has been completed at MVM, but is still ongoing at TGM. We aim to replace all common area lights in TGM by the end of 2019.

We have also engaged an external consultant to optimise the performance of our chiller plants as they account for 51% of electricity consumed by the malls. We have also worked to determine the right number of chillers that need to be in operation to ensure a comfortable shopping environment.

Additionally, as part of our upgrading works, we make a conscious effort to replace old equipment with energy efficient equipment and fittings. An example of how this has been done this year is the escalator upgrading works that have taken place at TGM. So far, 26 escalators have been installed, each with improved energy saving and safety features.

Sustainability Statement

(continued)

Table 7: Annual Electricity Consumption (kwH) (2016 to 2018)

	kWh			Total Change
Year	**MVM**	**TGM**	**Total**	**(%)**
2016	50,707,660.00	45,709,489.60	96,417,149.60	Base
2017	47,861,707.64	43,789,735.64	91,651,443.27	(4.9)
2018	46,152,183.00	40,921,119.86	87,073,302.86	(5.0)

We remain committed to exploring new ways to continue to reduce our energy consumption and monitor total electricity consumed on a monthly basis. This way, we are able to monitor any fluctuations in electricity usage and can investigate and take the steps needed to address any unusual increases.

(c) Social

Health and Safety (H&S)

The H&S of our tenants, shoppers, and employees remain a priority for us. We continually review and update our H&S policies where required, and keep abreast of H&S incidences in malls in Malaysia and around the world. The latter is done so that our teams can work to minimise such incidents happening within our malls and also plan for emergency contingencies in the event any incident does occur.

H&S policies are incorporated into our daily operations. We conduct regular safety briefings, trainings, and inspections to ensure compliance with the Occupational Safety and Health Act, and to manage safety risks within our malls. Fire drills are also held annually to ensure that all employees and tenants are familiar with escape routes as well as the actions needed to be taken in the event of an emergency. Our H&S committee also meet once every quarter to review all matters pertaining to H&S within our malls.

All incidents that occur in our malls are recorded down by our security, as well as by our H&S personnel. Incidents are thoroughly investigated, allowing us to identify their cause, as well as take corrective and preventive measures so as to minimise their recurrence.

Through our efforts, we have seen a steady decline in the number of H&S incidents that have occurred in our malls. The number of cases reported since 2016 are set out below.

Table 8: Reported H&S Incidences (2016 to 2018)

Incidents Cases	**2016**	**2017**	**2018**
Death	-	-	-
Dangerous Occurrence	46	54	10
Injury	8	10	13
Near Misses	18	6	10
Occupational Poisoning or Disease	-	-	11
Motor Vehicle Accident	-	-	6
Total	**72**	**70**	**50**

A majority of reported incidents occur at escalators or travellators. We have therefore taken steps to remind the public to take extra care while on them, particularly if they are with children. Safety announcements are now regularly made, and notices have been placed near the escalators to remind customers not to engage in dangerous behaviours. We have also installed high glass barriers to prevent children from falling over the railings. These efforts have all contributed to a reduction in the number of incidents reported.

It should be noted that the increase in reported incidents of "Occupational Poisoning or Disease" was not directly or indirectly caused by the malls, and that they refer to reported instances where customers have suffered from epilepsy or have fainted. Additionally, the reported incidents of "Motor Vehicle Accidents" are the result of carelessness or the inebriation of drivers on the roads around our malls.

In 2018, 2 incidents of fire were reported in the food court – "Food Junction" – located at MVM. The first incident was due to an electrical fault in the washing area. The second incident which occurred in a store room area, is suspected to be due to improperly discarded cigarette butts based on evidence found on site. Minor damage to the property was reported, however no injuries were sustained. The first incident was the result of poor maintenance, and as such, we will work with the tenant to ensure proper ongoing maintenance moving forward. The tenant where the second incident occurred will conduct regular spot checks to ensure the store room remains litter free and no discarded cigarette butts are left behind.

IGB REIT takes the health and safety of our community very seriously and continues to work closely with our tenants and authorities to ensure that we provide a safe and secure environment for all who come through our doors. We regret the occurrence of all health and safety incidents that have occurred within our malls and continue to work hard to ensure the risk of them happening again are minimised.

Human Capital Management

Chartwell ITAC International Sdn Bhd (Property Manager) have engaged Mid Valley City Sdn Bhd and Mid Valley City Gardens Sdn Bhd (Service Providers) to manage the people who oversee the day to day running of our malls. This includes attracting new talent, as well as retaining and developing existing talent.

The Service Providers understand that the heart of our business is our people and that they are fundamental to our continued growth and success. To this end, they are committed to attracting, retaining, and developing talent with the right skillsets to support our business, and strive to cultivate a positive work environment, and create a workplace of choice.

The Service Providers uphold the highest standards of professionalism and strictly adhere to a non-discriminatory employment practice. All job applicants and staff are treated fairly regardless of their age, gender, or ethnicity, and recruitment is merit-based, with all applicants assessed on their experience, skills and ability. Employment policies and practices are available to all employees, and strictly abide by the Employment Act and other legal statutory provisions of the country, as well as international labour provisions, where applicable. Bribery and corruption in any form is also not tolerated, and employees understand that this applies not only to internal dealings, but to all dealings that they have with third parties as well.

Talent development is also supported, and all employees are provided with equal opportunities for training and development based on their strengths and needs. Central to the training provided is the belief that continual learning is a fundamental building block for growth and is necessary in order to achieve business excellence. Training offered to employees include both in-house as well as external programmes that are relevant to their personal and professional development. It is also through training programmes that future leaders are identified and groomed with the support of senior management. On average, all employees receive a minimum of 16 hours of training a year.

Employees also receive comprehensive and competitive remuneration packages that are 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.

Comprehensive medical coverage is also offered to all employees, providing not only for access to general practitioners, but also specialist treatments, as well as hospitalisation and surgical coverage where required. Our policies have also recently been updated to include annual check-ups for all employees across the board. Additionally, 10 point health check-ups as well as eye examinations are organized once a year in the office, and are free of charge to all employees who wish to sign up.

Good health and a work life balance are also actively encouraged. Recreational activities are regularly planned for employees such as futsal and badminton games, while access to subsidized gym memberships are also available. The flexi-hours programme which was introduced a few years ago has also been well received, and we continue to work towards transitioning all staff to a 5-day work week.

Security

The threat of terrorist attacks continue to be very real around the world. Malaysia has so far been fortunate, with Malaysia's law enforcement continuing to be vigilant about potential terrorist threats in the country. Likewise, we take the security within our malls extremely seriously, and our teams continue to work closely with the authorities and emergency personnel to ensure that we are kept abreast of the latest threats and risks. We also have in place appropriate emergency response plans should a terrorist attack occur, and conduct annual evacuation drills to familiarise our tenants and staff with what they need to do in the event of an emergency. Our Auxiliary Police also continue to train with Polis Diraja Malaysia.

5. Embracing a Spirit of Community

Community sits at the core of our business, it is what drives us, inspires us, and allows us to turn dreams into reality. Community is also what grounds us, and has allowed us to build a sustainable business. This year, we continued to embrace the spirit of community, bringing together our friends and neighbours to celebrate our diversity as a nation and give back to the less fortunate.

(a) Celebrating our Diversity

Through the year, MVM and TGM organized a series of festive events to celebrate the rich cultures that make Malaysia so unique. This year, we worked closely with our tenants, and sought the support of our customers to extend the festive cheer to our communities, including those in need.

Sustainability Statement
(continued)

(i) Chinese New Year

MVM invited 41 senior citizens from Persatuan Rumah Caring Kajang Selangor to the mall, not only to celebrate Chinese New Year, but to help them get ready for the festivities. The senior citizens were treated to a shopping spree at the Padini Concept store as well as to a Peranakan lunch at Chuck Two Sons, before getting pampered with new hairdos and manicures. All senior citizens also received a celebratory red packet (Ang Pow). Additionally, MVM donated electrical appliances such as televisions, hairdryers, juicers, and rice cookers, as well as food, to the home. These donations helped further support them during the festive period. Persatuan Rumah Caring Kajang Selangor is a non-profit organisation that supports the welfare of the needy in Malaysia.

Staff from TGM visited residents of the Beautiful Gate Foundation to celebrate the New Year over a festive meal. A donation was made to the Foundation in support of their cause. Additionally, a booth for the Foundation was set up at the South Atrium of TGM where shoppers could make donations or purchase handcrafted merchandise by residents of the Foundation. The booth also sought to educate the public about how the Foundation is helping the disabled in Malaysia, creating opportunities for them to learn new skills and gain independence. The Beautiful Gate Foundation provides accommodation, training and various other services to the disabled.

(ii) Hari Raya

MVM invited children from 3 homes for a day of fun at the mall. 95 children from Baitus Sakinah, Sepang, Tengku Budriah, Cheras, and Yayasan Chow Kit, played at the different fun zones at The Rift before shopping for new clothes at Good2U. They also got new haircuts before gathering at the Boulevard Hotel for a festive Buka Puasa dinner. Each child left with a celebratory green packet (Duit Raya).

During the Hari Raya period, the RC Deaf Mission Malaysia and Project 57, also received promotion area rental waivers.

This Hari Raya, TGM worked with Teach for Malaysia, supporting their mission to end education inequality in Malaysia. From 1st to 24th June 2018, TGM donated RM5 to Teach for Malaysia for every Gift-With-Purchase redemption made by shoppers. The mall also hosted a stationary drive, allowing shoppers to donate stationery to students at Teach for Malaysia through a kiosk set up in the mall's South Palm area.

At the end of the campaign, Teach for Malaysia received a shopping cart full of stationery as well as RM67,200.

(iii) Christmas

MVM invited 40 children from Yayasan Chow Kit to spend a day at the mall where they played arcade games at Holiday Planet, enjoyed a festive lunch at Nando's, and caught a movie at Golden Screen Cinemas. Each child also received a goodie bag.

The mall also raised a total of RM150,000 for 3 homes during the festive period – the Agathians Shelter, Pusat Penjagaan Cacat Taman Megah, and United Voice. Ticket sales from "Come Meet Santa" (RM10 per ticket) and the Carousel Rides (minimum donation of RM5 per ride) were collected and donated.

TGM extended their partnership with Teach for Malaysia this Christmas. Along with a donation, the mall also hosted a book drive, inviting shoppers to donate books at the Teach For Malaysia booth that was set up on the ground floor of the North Palm area. Donors were asked to sign a pledge card valued between RM50 and RM500 which would go towards supporting Teach for Malaysia.

At the end of the campaign, Teach for Malaysia received RM80,000. 300 books were also collected as part of the book drive.

(b) Mid Valley City Charity Run 2018

In its 5th year, the Mid Valley City Charity Run 2018 was held on 5 August. The run, which is jointly organised by MVM and TGM, saw its first collaboration with the Global Environment Centre (GEC) to promote environmental education as well as raise awareness around global environmental issues. A total of 2,000 people participated, raising RM100,000, which was channelled towards supporting GEC's efforts.

In the lead up to the run, a booth and photo exhibition was set up on the ground floor of the South Palm area of TGM. The aim of the booth and exhibition was to allow shoppers to learn more about GEC's efforts, as well as provide an avenue for them to support GEC by buying merchandise, and registering for their monthly tree planting initiative. The tree planting initiative is held to help conserve the various species of the North Selangor Peat Swamp Forest and restore the area to its former glory. The booth and exhibition were up from 27 July to 5 August 2018.

(c) Sponsorship and Charitable Support

In addition to the events organized over the festive periods, MVM lent its support to various charitable causes through monetary donations as well as the provision of free promotional spaces for campaigns. This year, we supported the campaigns listed below:

Estee Lauder Pink Golf Event	Sponsorship of RM4,000
AEON Charity Golf	Sponsorship of RM9,010
AEON Charity Gala Dinner	Sponsorship of RM20,000
Hospis Malaysia	Donation of RM3,000
DBKL Tax Assessment Collection Counter 2018 (February to August)	Promotional Space Rental Waiver of RM31,900
Malaysia Retail Chain Association (MRCA) 26th Anniversary	Sponsorship of RM25,000

(d) Supporting a Legacy in the Arena of Chess

Chess was a lifelong passion of IGB Corporation Berhad's (IGBC) co-founder, Dato' Tan Chin Nam. In 1974, he initiated the Malaysian Chess Federation that took over from the Chess Association of Malaysia, and was both an avid supporter and chess player until his passing this year. Fuelled by his interest in the game, MVM has supported the development of chess in Malaysia, and is proud to continue to do so, supporting the legacy of Dato' Tan in this arena.

This year, MVM assisted the 15th Malaysia Chess Festival 2018, which was held from 17th to 27th August 2018. The festival covered 9 events, and saw the participation of 1,893 chess players from across 23 countries. MVM also assisted the 45th Selangor Open Chess Tournament 2018 which was held at Cititel Mid Valley from 27 April to 1 May 2018. IGBC supported both events, donated RM349,032 to the 15th Malaysia Chess Festival 2018, and RM30,000 to the 45th Selangor Open Chess Tournament 2018. The donations were presented to the Dato' Tan Chin Nam Foundation.

6. Looking Ahead

A formal approach to sustainability for IGB REIT is still in its nascent stages, but we continue to remain committed to putting in place policies and processes that support a formal approach to sustainable growth. In particular, we will be working towards setting up goals to track our progress towards improving the economic, environmental, and social well-being of our communities, and incorporate processes to facilitate a more timely reporting of ongoing sustainable initiatives.

As we move forward, we remain committed to enhancing our positive contribution to the sustainable development agenda and continuing to deliver long term value to our Unitholders. In a world where the power of public opinion is the strongest it's ever been, we are cognisant of the need for timely and open communication, as well as to remain purpose driven as a business and adaptable. Despite the changes in the environment, our values of Honesty, Humility, Integrity, and Community, continue to underpin our journey, guiding us as we push ahead with our sustainability agenda.

2019 will see us continue to bring fresh and exciting retail experiences to our shoppers, broadening our avenues of communication, and increasing our interaction with our communities. Through our efforts, we hope to continue to work closely with everyone in our community to build a sustainable business that pushes the boundaries of the traditional retail model for many years to come.

This Statement has been approved by the Board and is current as at 18 February 2019.

IGB REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS

31 December 2018

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 the Group (i.e. IGB REIT and its wholly-owned subsidiary, IGB REIT Capital Sdn Bhd) and of the Fund for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trust ("REIT"). 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 REIT established on 25 July 2012 pursuant to the deed of trust dated 18 July 2012, as amended by the first amending and restating deed dated 25 October 2018 ("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 Malaysia's Guidelines on Listed 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 27 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:-

- 2.48 sen per unit (@ 2.40 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2018 to 31 March 2018, which was paid on 31 May 2018;

- 2.14 sen per unit (@ 2.12 sen taxable and 0.02 sen non-taxable) for the period from 1 April 2018 to 30 June 2018, which was paid on 20 August 2018;

- 2.29 sen per unit (@ 2.25 sen taxable and 0.04 sen non-taxable) for the period from 1 July 2018 to 30 September 2018, which was paid on 29 November 2018; and

- 2.28 sen per unit (@ 2.24 sen taxable and 0.04 sen non-taxable) for the period from 1 October 2018 to 31 December 2018, which is payable on 28 February 2019.

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 (resigned on 24.10.2018)
Halim bin Haji Din
Le Ching Tai @ Lee Chen Chong
Tan Lei Cheng
Daniel Yong Chen-I
Elizabeth Tan Hui Ning
Tan Yee Seng (resigned on 24.10.2018)

Manager's Report

(continued)

DIRECTORS' BENEFITS

During and at 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.

Since the end of the previous financial year, 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).

DIRECTORS' INTEREST

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

	Number of units			
	Balance at 01.01.2018	Addition	Disposal/ Transferred	Balance at 31.12.2018
Dato' Seri Robert Tan Chung Meng				
Direct	13,739,081	1,000,000	-	14,739,081
Indirect	1,878,781,813	21,358,284	-	1,900,140,097
Tan Lei Cheng				
Direct	1,853,742	-	-	1,853,742
Indirect	345,722	-	-	345,722
Daniel Yong Chen-I				
Direct	622,132	-	-	622,132
Indirect	1,080,898	-	-	1,080,898
Elizabeth Tan Hui Ning				
Direct	2,999,000	280,000	-	3,279,000

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

Before the financial statements of the Group and of the Fund were prepared, the Manager took reasonable steps:-

(a) 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

(b) to ensure that any current assets, which were unlikely to realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Fund had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances:-

(a) 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;

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Fund misleading; or

(c) 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.

Manager's Report

(continued)

OTHER INFORMATION (continued)

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

(a) 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

(b) 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.

In the opinion of the Manager:-

(a) 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.

SOFT COMMISSION

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

HOLDING COMPANY

With effect from 28 December 2018, upon completion of transfer of its entire direct holding of Units in IGB REIT by IGB Corporation Berhad to IGB Berhad, The Manager regards IGB Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Securities, as the holding company.

AUDITORS

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

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 25 February 2019.

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 2018 and of its financial performance and cash flows for the year ended 31 December 2018.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 25 February 2019.

DATO' SERI ROBERT TAN CHUNG MENG	**HALIM BIN HAJI DIN**
MANAGING DIRECTOR	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 in the Federal Territory on 25 February 2019.

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 2018. 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 2018 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 2018 as follows:-

- 2.48 sen per unit (@ 2.40 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2018 to 31 March 2018, which was paid on 31 May 2018;

- 2.14 sen per unit (@ 2.12 sen taxable and 0.02 sen non-taxable) for the period from 1 April 2018 to 30 June 2018, which was paid on 20 August 2018;

- 2.29 sen per unit (@ 2.25 sen taxable and 0.04 sen non-taxable) for the period from 1 July 2018 to 30 September 2018, which was paid on 29 November 2018; and

- 2.28 sen per unit (@ 2.24 sen taxable and 0.04 sen non-taxable) for the period from 1 October 2018 to 31 December 2018, which is payable on 28 February 2019.

For and on behalf of the Trustee,
MTRUSTEE BERHAD

NURIZAN BINTI JALIL
CHIEF EXECUTIVE OFFICER

Selangor,
Date: 25 February 2019

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Group and of the Fund, which comprise the statements of financial position as at 31 December 2018 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 on pages 61 to 103.

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 operate.

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**
<u>Fair value of investment properties</u> As at 31 December 2018, the Group's and the Fund's investment properties, carried at fair value, amounted to RM4.96 billion. The fair value of the Group's and the Fund's investment properties were carried out by an external valuer. 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.	We evaluated the competence of the external valuer which included consideration of their qualifications, expertise and objectivity. We met with external valuer to discuss the methodology and assumptions used in the valuation. 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.

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 (continued)

Key audit matters	**How our audit addressed the key audit matters**
Fair value of investment properties (continued) 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. *Refer to Note 3(b) (Summary of Significant Accounting Policies – Investment Properties), Note 4 (Critical Accounting Estimates and Judgements) and Note 6 (Investment Properties).*	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. We reviewed the disclosures of the sensitivity analysis on the capitalisation rates on term and reversionary periods and the outgoings, underpinning the valuation. Based on the above procedures performed, we did not identify any material exceptions.

Information other than the financial statements and auditors' report thereon

The Directors of the Manager are responsible for the other information. The other information comprises the Corporate Information, Corporate Overview, Business Review, Corporate Governance and Accountability, 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 of the Manager 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.

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 or 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.

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)

Auditors' responsibilities for the audit of the financial statements (continued)

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 or 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 or 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.

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

GAN WEE FONG
03253/01/2021 J
Chartered Accountant

Kuala Lumpur
25 February 2019

Statements of Financial Position

As at 31 December 2018

		Group		Fund	
		2018	**2017**	**2018**	**2017**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current assets					
Plant and equipment	5	**7,964**	10,220	**7,964**	10,220
Investment properties	6	**4,960,000**	4,930,000	**4,960,000**	4,930,000
Investment in subsidiary	7	**-**	-	**- ***	- *
Total non-current assets		**4,967,964**	4,940,220	**4,967,964**	4,940,220
Current assets					
Trade and other receivables	8	**27,879**	25,300	**55,371**	51,514
Cash and bank balances	9	**207,123**	285,208	**179,631**	258,994
Total current assets		**235,002**	310,508	**235,002**	310,508
Total assets		**5,202,966**	5,250,728	**5,202,966**	5,250,728
Financed by					
Unitholders' fund					
Unitholders' capital	10	**4,436,366**	4,401,760	**4,436,366**	4,401,760
Accumulated losses		**(669,675)**	(678,461)	**(669,675)**	(678,461)
Total unitholders' fund		**3,766,691**	3,723,299	**3,766,691**	3,723,299
Non-current liabilities					
Borrowings	11	**1,199,025**	1,198,765	**-**	-
Trade and other payables	12	**-**	-	**1,199,025**	1,198,765
Total non-current liabilities		**1,199,025**	1,198,765	**1,199,025**	1,198,765
Current liabilities					
Borrowings	11	**14,900**	14,900	**-**	-
Trade and other payables	12	**222,350**	313,764	**237,250**	328,664
Total current liabilities		**237,250**	328,664	**237,250**	328,664
Total liabilities		**1,436,275**	1,527,429	**1,436,275**	1,527,429
Total unitholders' fund and liabilities		**5,202,966**	5,250,728	**5,202,966**	5,250,728
Net asset value ("NAV")					
- before income distribution		**4,091,658**	4,049,189	**4,091,658**	4,049,189
- after income distribution		**3,766,691**	3,723,299	**3,766,691**	3,723,299
Number of units in circulation ('000 units)	10	**3,534,810**	3,513,452	**3,534,810**	3,513,452
NAV per unit (RM)					
- before income distribution		**1.1575**	1.1525	**1.1575**	1.1525
- after income distribution		**1.0656**	1.0597	**1.0656**	1.0597

* *Denotes RM2 share capital in IGB REIT Capital Sdn Bhd*

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

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2018

		Group and Fund	
		2018	**2017**
	Note	**RM'000**	**RM'000**
Gross rental income		**451,397**	439,884
Revenue from contracts with customers		**84,292**	85,034
Gross revenue	13	**535,689**	524,918
Utilities expenses		**(48,054)**	(48,802)
Maintenance expenses		**(25,319)**	(22,558)
Quit rent and assessment		**(15,024)**	(15,040)
Reimbursement costs	14	**(48,669)**	(52,649)
Other operating expenses/upgrades		**(12,373)**	(12,306)
Property operating expenses		**(149,439)**	(151,355)
Net property income		**386,250**	373,563
Changes in fair value on investment properties		**30,000**	40,000
Interest income		**6,756**	8,335
Net investment income		**423,006**	421,898
Manager's management fees	15	**(34,680)**	(34,044)
Trustees' fees		**(320)**	(320)
Valuation fees		**(312)**	(73)
Other trust expenses		**(881)**	(418)
Finance costs	16	**(53,060)**	(43,677)
Profit before taxation		**333,753**	343,366
Taxation	17	**-**	-
Profit after taxation		**333,753**	343,366
Other comprehensive income, net of tax		**-**	-
Total comprehensive income attributable to unitholders		**333,753**	343,366
Profit after taxation is made up as follows:-			
Realised		**303,753**	303,366
Unrealised		**30,000**	40,000
		333,753	343,366
Basic earnings per unit (sen)	18	**9.45**	9.78
Diluted earnings per unit (sen)	18	**9.45**	9.78
Total comprehensive income		**333,753**	343,366
Distribution adjustments	19	**7,677**	(565)
Distributable income		**341,430**	342,801
Distribution per unit (sen)	19	**9.19**	9.28

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

Statements of Changes in Net Asset Value

For the Financial Year Ended 31 December 2018

	Note	Unitholders' capital RM'000	Accumulated losses* RM'000	Total unitholders' funds RM'000
Group and Fund				
As at 1 January 2018		**4,401,760**	**(678,461)**	**3,723,299**
Total comprehensive income for the year attributable to unitholders		**-**	**333,753**	**333,753**
Distribution to unitholders	19	**-**	**(324,967)**	**(324,967)**
Net total comprehensive income for the year attributable to unitholders		**-**	**8,786**	**8,786**
Unitholders' transactions				
Issue of new Units				
- Manager's management fees paid in Units	10	**34,606**	**-**	**34,606**
Increase in net assets resulting from unitholders' transactions		**34,606**	**-**	**34,606**
As at 31 December 2018		**4,436,366**	**(669,675)**	**3,766,691**
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

* *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.

Statements of Cash Flows

For the Financial Year Ended 31 December 2018

		Group		Fund	
		2018	**2017**	**2018**	**2017**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities					
Profit before taxation		**333,753**	343,366	**333,753**	343,366
Adjustments for:-					
Changes in fair value on investment properties (Note 6)		**(30,000)**	(40,000)	**(30,000)**	(40,000)
Manager's management fee payable in Units (Note 15)		**34,680**	34,044	**34,680**	34,044
Amortisation of fit-out incentives		**-**	42	**-**	42
Finance costs		**53,060**	43,677	**53,060**	43,677
Interest income		**(6,756)**	(8,335)	**(6,756)**	(8,335)
Movement of allowance for impairment of trade receivables		**(453)**	1,151	**(453)**	1,151
Depreciation of plant and equipment		**2,737**	2,617	**2,737**	2,617
Plant and equipment written-off		**99**	51	**99**	51
Gain on disposal of plant and equipment		**-**	(2)	**-**	(2)
Operating income before changes in working capital		**387,120**	376,611	**387,120**	376,611
Net change in trade and other receivables		**(3,170)**	(6,454)	**(3,417)**	(32,668)
Net change in trade and other payables		**(142)**	6,714	**(142)**	6,714
Net cash generated from operating activities		**383,808**	376,871	**383,561**	350,657
Cash flows from investing activities					
Purchase of plant and equipment		**(580)**	(2,432)	**(580)**	(2,432)
Proceeds from disposal of plant and equipment		**-**	2	**-**	2
Interest received		**7,800**	7,702	**6,769**	7,702
Movement in fixed deposits with maturity of more than 3 months		**147,299**	(147,329)	**147,300**	(147,300)
Movement in pledged deposit		**(1,277)**	4,198	**-**	30,382
Net cash generated from/(used in) investing activities		**153,242**	(137,859)	**153,489**	(111,646)
Cash flows from financing activities					
Interest paid		**(52,800)**	(53,382)	**(52,800)**	(53,382)
Income distribution paid to unitholders		**(416,313)**	(304,089)	**(416,313)**	(304,089)
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)
Net cash used in financing activities		**(469,113)**	(371,330)	**(469,113)**	(371,330)
Net increase/(decrease) in cash and cash equivalents		**67,937**	(132,318)	**67,937**	(132,319)
Cash and cash equivalents at beginning of the year		**111,695**	244,013	**111,694**	244,013
Cash and cash equivalents at end of the year	9	**179,632**	111,695	**179,631**	111,694

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

Notes to the Financial Statements

1 GENERAL

(A) Background

IGB Real Estate Investment Trust ("IGB REIT" or "Fund") is a Malaysia-domiciled real estate investment trust established on 25 July 2012 pursuant to the deed of trust dated 18 July 2012, as amended by the first amending and restating deed dated 25 October 2018 ("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 Malaysia's Guidelines on Listed 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 27 of the Deed. The addresses of the Manager's registered office and principal place of business are as follows:-

Registered office	**Principal place of business**
Level 32, The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur	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 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.

With effect from 28 December 2018, upon completion of transfer of entire direct holding of Units in IGB REIT by IGB Corporation Berhad to IGB Berhad, The Manager regards IGB Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Securities, as the holding company.

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution by the Directors of the Manager on 25 February 2019.

(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 sales and service 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 2016.

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 standards and amendments for the first time for the financial year beginning on 1 January 2018:-

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'

The Group and the Fund applied MFRS 9 'Financial Instruments' for the first time in the 2018 financial statements with the date of initial application of 1 January 2018. The standard is applied retrospectively.

In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

The impact of this change in accounting policy on financial instruments is disclosed in Note 3(v).

The Group and the Fund applied MFRS 15 'Revenue from Contracts with Customers' for the first time in the 2018 financial statements with the date of initial application of 1 January 2018 by using the modified retrospective transition method.

There is no impact to the retained earnings and current year total comprehensive income on adoption of MFRS 15. The comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 118 'Revenue'.

Notes to the Financial Statements
(continued)

2 BASIS OF PREPARATION (continued)

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

The new standards and amendments to standards and interpretations that are effective for financial year beginning after 1 January 2019 and are applicable to the Group and the Fund are as follows:-

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

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

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

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

  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.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in the statement of comprehensive income, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. The tax consequences are recognised in the statement of comprehensive income when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The Group and the Fund will continue to assess the potential impact of the above new standards and amendments on the financial statements and expect the assessment to be completed prior to effective date of such standards and amendments.

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.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(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 the statement of comprehensive income.

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 9 in the statement of comprehensive income. 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.

(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 and the Fund.

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 registered valuers who hold recognised and relevant professional qualifications and have relevant experience in valuing the investment properties.

Notes to the Financial Statements
(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment properties (continued)

The fair value of investment properties reflects, among others, rental income from current leases and other assumptions that market participants would make when pricing the investment properties 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 Fund 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 and the Fund disposes of an investment 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 or loss from fair value adjustment on such 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.

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 Fund, 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 and the Fund 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(i)).

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

Accounting policies applied until 31 December 2017

(i) Classification

The Group and the Fund classify the 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 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 ("FVTPL"). Financial assets at FVTPL 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

The Group and the Fund assess 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 based on an incurred loss basis 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 ("Loss Event") and that Loss Event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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 indicates 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 the statement of comprehensive income. If loans and receivables 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 and the Fund 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 and the Fund has transferred substantially all risks and rewards of the ownership.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets (continued)

Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group and the Fund classifies its financial assets at amortised cost. The classification depends on the Group and the Fund business model for managing the financial assets and the contracted terms of the cash flows.

(ii) Recognition and derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Fund has transferred substantially all the risks and rewards of ownership.

(iii) Initial measurement

At initial recognition, the Group and the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

(iv) Subsequent measurement – gain or loss

Subsequent measurement of financial asset depends on the Group's and the Fund's business model for managing the asset and the cash flow characteristics of the asset.

The Group and the Fund classifies its financial assets at amortised cost.

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising from derecognition is recognised directly in the statement of comprehensive income and presented in other gain or loss together with foreign exchange gain and loss. Impairment losses are presented as separate line item in the statement of comprehensive income.

(v) Subsequent measurement – Impairment

The Group and the Fund assesses on a forward looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Trade and other receivables are subject to the ECL model.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Fund expects to receive, over the remaining life of the financial instrument.

Simplified approach for trade receivables

The Group and the Fund applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 24.1(b) sets out measurement details of ECL.

General 3-stage approach for other receivables and non-trade intercompany balances

At each reporting date, the Group and the Fund measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 24.1(b) sets out measurement details of ECL.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(v) Subsequent measurement – Impairment (continued)

Significant increase in credit risk

The Group and the Fund considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Fund compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group and the Fund takes into account the available, reasonable and supportable forward-looking information in the measurement of ECL.

The following indicators are incorporated:-

- internal credit rating and/or external credit rating (if available);
- actual or expected significant changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; or
- significant changes in the expected credit performance and payment behaviour of the debtor, including changes in the payment status of debtor in the group.

Definition of default and credit-impaired financial assets

The Group and the Fund defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when the financial asset meets one or more of the following criteria:-

Quantitative criteria
The Group and the Fund defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days when fall due and/or when legal action is taken against the counterparty.

Qualitative criteria
The debtor meets unlikeliness to pay criteria, which indicates the debtor is in a financial difficulty or it is becoming probable that the debtor will enter bankruptcy, financial restructuring or will become insolvent.

Financial instruments that are credit-impaired were assessed on individual basis.

Write-off – trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators of no reasonable expectation of recovery include, amongst others, failure of a debtor to engage in a repayment or settlement plan with the Group and the Fund, and/or legal action is taken against the debtor.

Impairment losses on trade receivables are presented as net impairment losses within the net property income. Subsequent recoveries of amounts previously written off are credited within the net property income.

Write-off – other receivables and non-trade intercompany balance

The Group and the Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

(e) Offsetting financial instruments

Financial assets and liabilities can be offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Notes to the Financial Statements
(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and the Fund. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less impairment allowance.

(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, vendors or contractors. 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. Deposits received from tenants are classified as current liabilities.

Trade payables, deposits received from tenants and other payables are recognised initially at fair value, net of transaction costs incurred, which include transfer taxes and duties, if applicable, and subsequently measured at amortised cost using the effective interest method.

(h) Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Fund becomes a party to the contractual provisions of the financial instrument.

When financial liabilities are recognised initially, they are measured at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Fund classifies its financial liabilities in the following categories: other financial liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the other financial liabilities are derecognised, and through the amortisation process.

(i) Impairment of non-financial assets

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

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

(j) 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.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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 and the Fund have 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.

(m) Revenue recognition

Accounting policies applied for financial year ended 31 December 2017 and 31 December 2018

Lease income on operating leases

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight line basis. Lease income is shown net of rebates and discounts. Lease income includes base rent, percentage rent, service and promotional charges and other leasing income from tenants. Base rent is recognised on a straight line basis over the lease term. Percentage rent is recognised based on sales reported by tenants. When the Group and the Fund provide incentives or rebates to the tenants, the cost of incentives or rebates is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Initial direct cost incurred by the Group and the Fund in negotiating and arranging an operating lease is recognised as an asset and amortised over the non-cancellable lease term on the same basis as the lease income.

Revenue from contracts with customers

Revenue which represents income from the Group's principal activities within the ordinary course of business and is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Fund transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and the Fund and their customer have approved the contract and intend to perform their respective obligations, the Group's and the Fund's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Fund will collect the consideration to which it will be entitled to in exchange of such goods or services.

Specific revenue recognition criteria for each of the Group's principal business activities are as described below:-

(i) Utilities recoveries

Recoveries from utilities are recognised upon supply and distribution of utilities to the customer and the customer receives and consumes the utilities.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(ii) Advertising and promotional income

Advertising and promotional income is recognised in the accounting period in which the services are rendered and the customer receives and consumes the economic benefits provided by the Group and the Fund, and the Group and the Fund have a present right to receive payment for such services.

(iii) Car park income and other income

Car park income and other income are recognised upon services being rendered.

Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period of maturity, unless collectability is in doubt, in which case it is recognised on a cash receipt basis.

(n) 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).

(o) 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 investment 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.

(p) 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.

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.

(q) Functional and presentation currency

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

Notes to the Financial Statements
(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Earnings per unit

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

Basic EPU is calculated by dividing the total comprehensive income attributable to unitholders by the weighted average number of Units outstanding during the period.

Diluted EPU is determined by adjusting the total comprehensive income attributable to unitholders against the weighted average number of Units outstanding adjusted for the effects of all dilutive potential units.

(s) 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.

(t) Net asset value ("NAV")

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

(u) 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.

(v) Changes in accounting policies

<u>MFRS 9 'Financial Instruments'</u>

As disclosed in Note 2(b), the Group and the Fund have adopted MFRS 9, which resulted in changes in accounting policies and adjustments to the financial position. The main changes are as follows:-

(a) Classification and measurement of financial assets

Until 31 December 2017, financial assets of the Group and the Fund were classified as loans and receivables.

From 1 January 2018, the Group and the Fund applied MFRS 9's classification and classified financial asset at amortised costs.

There were no changes made to measurement of financial assets upon adoption of MFRS 9.

(b) Impairment

Until 31 December 2017, the Group and the Fund assessed the impairment of loan and receivables based on the incurred impairment loss model. Note 3(d) set out the accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group and the Fund apply ECL model to determine impairment on financial assets at amortised costs. The new accounting policies for impairment under MFRS 9 are set out in Note 3(d).

<u>Trade receivables</u>

For trade receivables, the Group and the Fund apply the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life.

The change in impairment methodology did not have a significant credit loss exposure on the Group's and the Fund's financial assets. Hence there was no additional impairment allowance to be recognised for trade receivables on 1 January 2018 and 31 December 2018.

Notes to the Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Changes in accounting policies (continued)

MFRS 9 'Financial Instruments' (continued)

(b) Impairment (continued)

Other receivables and non-trade intercompany balances

Other receivables and non-trade intercompany balances are classified as financial asset at amortised cost in the financial statements because the Group's and the Fund's business model is to hold and collect the contractual cash flows and those cash flows represent SPPI. The Group and the Fund applied the general 3-stage approach when determining ECL for other receivables.

No additional impairment allowance is to be recognised on other receivables upon adoption of MFRS 9 as there is no indication that the Group and the Fund could not fully recover the outstanding balance of the other receivables.

(c) Modification of financial liabilities

Until 31 December 2017, when a financial liability measured at amortised cost was modified without resulting in derecognition, the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate is recognised over the remaining life of the modified financial liability.

From 1 January 2018, 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, is recognised immediately in the statement of comprehensive income.

There was no modification of financial liability and hence no impact upon adoption of MFRS 9.

MFRS 15 'Revenue from contracts with Customers'

There is no impact to the retained earnings and current year total comprehensive income on adoption of MFRS 15. The 2017 comparative information was not restated and continued to be reported under the previous accounting policies governed under MFRS 118 'Revenue'.

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 and the Fund make 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 and the Fund'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 ("Valuer"), an independent registered 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 the Valuer is disclosed in Note 6.

Notes to the Financial Statements
(continued)

5 PLANT AND EQUIPMENT

Group and 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 2018	**691**	**2,692**	**15,923**	**2,088**	**28**	**457**	**21,879**
Additions	**-**	**134**	**138**	**185**	**-**	**123**	**580**
Disposals	***-**	**-**	**-**	**-**	**-**	**-**	***-**
Write-offs	**-**	**(131)**	**(186)**	**(18)**	**-**	**-**	**(335)**
Reclassification	**-**	**-**	**457**	**-**	**-**	**(457)**	**-**
As at 31 December 2018	**691**	**2,695**	**16,332**	**2,255**	**28**	**123**	**22,124**
Accumulated depreciation							
As at 1 January 2018	**562**	**1,597**	**7,804**	**1,682**	**14**	**-**	**11,659**
Depreciation charge for the financial year	**67**	**337**	**2,108**	**222**	**3**	**-**	**2,737**
Disposals	***-**	**-**	**-**	**-**	**-**	**-**	***-**
Write-offs	**-**	**(97)**	**(124)**	**(15)**	**-**	**-**	**(236)**
As at 31 December 2018	**629**	**1,837**	**9,788**	**1,889**	**17**	**-**	**14,160**
Carrying amounts							
As at 31 December 2018	**62**	**858**	**6,544**	**366**	**11**	**123**	**7,964**

* *Amount below RM1,000*

Group and 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 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

Notes to the Financial Statements

(continued)

6 INVESTMENT PROPERTIES

	Group and Fund	
	2018	**2017**
	RM'000	**RM'000**
As at 1 January	**4,930,000**	4,890,000
Fair value gain	**30,000**	40,000
As at 31 December	**4,960,000**	4,930,000

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 ("MVM")	3,413	710	4,123
The Gardens Mall ("TGM")	837	490	1,327
Total	**4,250**	**1,200**	**5,450**

The title deed of the land for MVM is currently being held in trust by a related company.

MVM is charged as a security for borrowings as disclosed in Note 11.

Investment properties as at 31 December 2018 and 31 December 2017 are stated at fair value based on valuations performed by an independent registered valuer, the Valuer, who holds a recognised relevant professional qualification and have relevant experience in valuing investment properties. These valuations were reviewed by the Manager and approved by the Board of Directors of the Manager as the determination fair value using the income approach involves the use of certain estimates that reflect the current market conditions.

Based on the valuation reports dated 10 January 2019 issued by the Valuer, the fair values of MVM and TGM as at 31 December 2018 were RM3.665 billion (2017: RM3.645 billion) and RM1.295 billion (2017: RM1.285 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, upgrades expenses 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/upgrades 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.

6 INVESTMENT PROPERTIES (continued)

The fair value measurements using Level 3 inputs as at 31 December 2018 are as follows:-

Group and Fund

			Parameters						Sensitivity analysis on fair value measurements*1			
			Capitalisation rates									
	Valuation technique	Fair value	Term period	Reversionary period	Car park income	Other income*2	Outgoings	Allowance for void	Impact of lower rate	Impact of higher rate	Impact of lower outgoings	Impact of higher outgoings
		RM'000	%	%	%	%	RM psf	%	RM'000	RM'000	RM'000	RM'000
MVM	**Income approach**	**3,665,000**	**5.60-6.60**	**6.10-7.10**	**7.00**	**7.00-8.75**	**3.80**	**3.00**	**105,700**	**(98,800)**	**65,300**	**(65,300)**
TGM	**Income approach**	**1,295,000**	**5.60-6.60**	**6.10-7.10**	**7.00**	**7.00-8.75**	**4.60**	**3.00**	**34,900**	**(31,100)**	**30,900**	**(29,300)**
		4,960,000							**140,600**	**(129,900)**	**96,200**	**(94,600)**

Notes:-

[1] Changes in 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 are the key inputs subjected to changes in market conditions.

[2] Includes percentage rent.

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	Term period	Reversionary period	Car park income	Other income*2	Outgoings	Allowance for void	Impact of lower rate	Impact of higher rate	Impact of lower outgoings	Impact of higher outgoings
		RM'000	%	%	%	%	RM psf	%	RM'000	RM'000	RM'000	RM'000
MVM	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)
TGM	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)
		4,930,000							140,000	(130,900)	96,300	(96,300)

Notes:-

[1] Changes in 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 are the key inputs 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:-

Group and Fund

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2018	Fair value as at 31.12.2018	Initial acquisition cost on 20.09.2012	Percentage of fair value to NAV*[2] as at 31.12.2018
					%	RM'000	RM'000	%
MVM	**20.09.2012**	**31.12.2018**	**Kuala Lumpur**	**Leasehold*[1]**	**99**	**3,665,000**	**3,440,000**	**97.3**
TGM	**20.09.2012**	**31.12.2018**	**Kuala Lumpur**	**Leasehold*[1]**	**97**	**1,295,000**	**1,160,000**	**34.4**
						4,960,000	**4,600,000**	

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2017	Fair value as at 31.12.2017	Initial acquisition cost on 20.09.2012	Percentage of fair value to NAV*[2] as at 31.12.2017
					%	RM'000	RM'000	%
MVM	20.09.2012	31.12.2017	Kuala Lumpur	Leasehold*[1]	99	3,645,000	3,440,000	97.9
TGM	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	

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	
	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	-*	-*

* *Denotes RM2*

Name of company	Principal activities	Place of incorporation	Group's effective interest (%) 2018	Group's effective interest (%) 2017
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**	100

8 TRADE AND OTHER RECEIVABLES

	Group		Fund	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	**3,387**	3,903	**3,387**	3,903
Amount owing by holding company	**-**	25	**-**	25
Amounts owing by related companies	**694**	1,323	**694**	1,323
Less: Allowance for impairment of trade receivables	**(2,643)**	(3,096)	**(2,643)**	(3,096)
Trade receivables – net	**1,438**	2,155	**1,438**	2,155
Accrued billings	**17,773**	13,023	**17,773**	13,023
	19,211	15,178	**19,211**	15,178
Other receivables	**583**	1,879	**548**	1,598
Deposits	**7,586**	7,580	**7,586**	7,580
Amount owing by subsidiary	**-**	-	**27,527**	26,495
	8,169	9,459	**35,661**	35,673
Prepayments	**499**	663	**499**	663
	8,668	10,122	**36,160**	36,336
Total trade and other receivables	**27,879**	25,300	**55,371**	51,514

The carrying amounts of trade and other receivables as at 31 December 2018 and 31 December 2017 approximated their fair values. The fair values of trade and other receivables are the discounted amount of the estimated future cash flows expected to be recoverable. Expected cash flows are discounted at current market rates to determine fair values.

The credit terms of trade receivables were seven (7) days (2017: seven (7) days).

The amounts owing by holding and related companies are trade in nature, unsecured and with credit terms of seven (7) days (2017: 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% (2017: 3.80%) per annum.

Notes to the Financial Statements

(continued)

9 CASH AND CASH EQUIVALENTS

	Group		Fund	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash in hand	**615**	525	**615**	525
Bank balances	**14,521**	43,574	**14,516**	43,569
Deposits placed with licensed banks	**191,987**	241,109	**164,500**	214,900
Cash and bank balances	**207,123**	285,208	**179,631**	258,994
Less:-				
Fixed deposits with maturity of more than 3 months	**(30)**	(147,329)	**-**	(147,300)
Pledged deposit	**(27,461)**	(26,184)	**-**	-
Cash and cash equivalents	**179,632**	111,695	**179,631**	111,694

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 3.63% per annum (2017: 3.68%) and 3.60% per annum (2017: 3.67% per annum) respectively.

Deposits with licensed banks of the Group and the Fund have a weighted average maturity of 48 days (2017: 93 days) and 41 days (2017: 93 days) respectively.

Included in the deposits placed with licensed banks of the Group is pledged deposit of RM27.5 million (2017: RM26.2 million), 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** **RM'000**	**Current borrowings** **RM'000**	**Distribution payable to unitholders** **RM'000**	**Total** **RM'000**
As at 1 January 2018	**1,198,765**	**14,900**	**172,074**	**1,385,739**
Cash flows:-				
Interest paid	**-**	**(52,800)**	**-**	**(52,800)**
Income distribution paid to unitholders	**-**	**-**	**(416,313)**	**(416,313)**
	-	**(52,800)**	**(416,313)**	**(469,113)**
Non-cash changes:-				
Amortisation of transaction costs	**260**	**-**	**-**	**260**
Accrual for interest	**-**	**52,800**	**-**	**52,800**
Distribution to unitholders	**-**	**-**	**324,967**	**324,967**
	260	**52,800**	**324,967**	**378,027**
As at 31 December 2018	**1,199,025**	**14,900**	**80,728**	**1,294,653**

Notes to the Financial Statements
(continued)

9 CASH AND CASH EQUIVALENTS (continued)

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

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
Distribution to unitholders	-	-	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

Fund	**Non-current – amount due to subsidiary**	**Current – amount due to subsidiary**	**Distribution payable to unitholders**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
As at 1 January 2018	**1,198,765**	**14,900**	**172,074**	**1,385,739**
Cash flows:-				
Interest paid	**-**	**(52,800)**	**-**	**(52,800)**
Income distribution paid to unitholders	**-**	**-**	**(416,313)**	**(416,313)**
	-	**(52,800)**	**(416,313)**	**(469,113)**
Non-cash changes:-				
Amortisation of transaction costs	**260**	**-**	**-**	**260**
Accrual for interest	**-**	**52,800**	**-**	**52,800**
Accrual for income distribution	**-**	**-**	**324,967**	**324,967**
	260	**52,800**	**324,967**	**378,027**
As at 31 December 2018	**1,199,025**	**14,900**	**80,728**	**1,294,653**

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 RM'000	Current borrowings RM'000	Distribution payable to unitholders RM'000	Non-current – amount due to subsidiary RM'000	Current – amount due to subsidiary RM'000	Total 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			
	2018		2017	
	Number of units '000	Value RM'000	Number of units '000	Value RM'000
Issued and fully paid up:				
At 1 January	**3,513,452**	**4,401,760**	3,493,474	4,367,920
Creation of units				
Issue of new Units	**21,358**	**34,606**	19,978	33,840
As at 31 December	**3,534,810**	**4,436,366**	3,513,452	4,401,760

Notes to the Financial Statements
(continued)

11 BORROWINGS

	Group	
	2018 **RM'000**	**2017** **RM'000**
Current (secured):		
Medium term notes	**14,900**	14,900
	14,900	14,900
Non-current (secured):		
Medium term notes	**1,199,025**	1,198,765
	1,199,025	1,198,765
Total	**1,213,925**	1,213,665

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

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 previous Fixed Rate Term Loan facility. 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 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;

(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.

Notes to the Financial Statements
(continued)

11 BORROWINGS (continued)

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 2018					
Tranche 1, MTN	**14,900**	**-**	**-**	**1,199,025**	**1,213,925**
	14,900	**-**	**-**	**1,199,025**	**1,213,925**
As at 31 December 2017					
Tranche 1, MTN	14,900	-	-	1,198,765	1,213,665
	14,900	-	-	1,198,765	1,213,665

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

	Group	
	2018 % per annum	2017 % per annum
Tranche 1, MTN	**4.38%**	4.38%

12 TRADE AND OTHER PAYABLES

		Group		Fund	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Amount due to subsidiary	a	**-**	-	**1,199,025**	1,198,765
Current					
Trade payables	b	**12,340**	11,869	**12,340**	11,869
Tenants' deposits	c	**97,640**	92,141	**97,640**	92,141
		109,980	104,010	**109,980**	104,010
Other payables and accrued expenses		**10,829**	15,144	**10,829**	15,144
Indirect tax payable		**360**	1,789	**360**	1,789
Prepaid rental		**8,235**	8,489	**8,235**	8,489
Amount due to subsidiary	a	**-**	-	**14,900**	14,900
Amounts due to related companies	d	**12,218**	12,258	**12,218**	12,258
Distribution payable to unitholders		**80,728**	172,074	**80,728**	172,074
		112,370	209,754	**127,270**	224,654
Total current trade and other payables		**222,350**	313,764	**237,250**	328,664
Total trade and other payables		**222,350**	313,764	**1,436,275**	1,527,429

Notes to the Financial Statements
(continued)

12 TRADE AND OTHER PAYABLES (continued)

(a) The amount due to subsidiary represents advances from the issuance of Tranche 1, MTN, which are secured and carries interest rate at 4.40% (2017: 4.40%) per annum, in which the repayment terms mirror the terms stated in Note 11.

(b) Credit terms for trade payables range from 30 days to 90 days (2017: 30 days to 90 days).

(c) 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.

(d) Amounts due to related companies are unsecured, interest-free (2017: interest free) and repayable on demand.

13 GROSS REVENUE

	Group and Fund	
	2018	**2017**
	RM'000	**RM'000**
Gross rental income		
- Rental income	**423,691**	413,152
- Kiosk rent and other leasing income	**27,706**	26,732
	451,397	439,884
Revenue from contract with customers		
- Car park income	**45,212**	45,095
- Utilities recoverable	**25,999**	26,025
- Advertising and promotional income	**7,994**	8,538
- Others	**5,087**	5,376
	84,292	85,034
Gross revenue	**535,689**	524,918
Revenue from contract with customers is represented by:-		
- Over time	**84,292**	85,034

14 REIMBURSEMENT COSTS

	Group and Fund	
	2018	**2017**
	RM'000	**RM'000**
Manpower costs	**31,547**	31,198
Marketing expenses	**5,363**	6,213
Administration expenses	**6,307**	9,058
Management expenses	**3,265**	4,049
Insurance premium	**2,187**	2,131
	48,669	52,649

Notes to the Financial Statements

(continued)

15 MANAGER'S MANAGEMENT FEES

	Group and Fund	
	2018	**2017**
	RM'000	**RM'000**
Base fee	**15,367**	15,366
Performance fee	**19,313**	18,678
	34,680	34,044

For the financial year ended 31 December 2018, 100% of the total Manager's management fees has been paid/payable in Units (2017: 100%).

16 FINANCE COSTS

	Group		Fund	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Borrowing costs	**52,800**	40,945	**-**	26,045
Interest on advances from subsidiary	**-**	-	**52,800**	14,900
Amortisation of transaction costs	**260**	2,732	**260**	2,732
	53,060	43,677	**53,060**	43,677

17 TAXATION

	Group and Fund	
	2018	**2017**
	RM'000	**RM'000**
Reconciliation of tax expense		
Profit before taxation	**333,753**	343,366
Income tax using Malaysian tax rate of 24% (2017: 24%)	**80,101**	82,408
Non-deductible expenses	**4,197**	4,441
Fair value gain on investment properties not subject to tax	**(7,200)**	(9,600)
Income exempted from tax	**(77,098)**	(77,249)
	-	-

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 2018 is approximately 95.0% (2017: 95.0%) of the total distributable income, no provision for income taxation has been made for the current and prior financial year.

Notes to the Financial Statements
(continued)

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	
		2018	**2017**
	Note	**RM'000**	**RM'000**
Total comprehensive income			
- Realised		**303,753**	303,366
- Unrealised		**30,000**	40,000
Total		**333,753**	343,366
Weighted average number of units ('000)			
Weighted average number of Units in issue		**3,525,443**	3,503,884
Adjustment for Manager's management fees payable in Units	a	**5,011**	5,370
Weighted average number of Units for diluted EPU		**3,530,454**	3,509,254
Basic/Diluted EPU (sen)			
- Realised		**8.60**	8.64
- Unrealised		**0.85**	1.14
Total		**9.45**	9.78

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

Note (a):-

	Group and Fund			
	2018		2017	
	Number of units '000	**Value RM'000**	**Number of units '000**	**Value RM'000**
Manager's management fees payable in Units				
- from 1 October 2018 to 31 December 2018 at RM1.74 per Unit listed on 30 January 2019	**5,011**	**8,720**	-	-
- from 1 October 2017 to 31 December 2017 at RM1.61 per Unit listed on 30 January 2018	-	-	5,370	8,646
	5,011	**8,720**	5,370	8,646

Notes to the Financial Statements

(continued)

19 DISTRIBUTION TO UNITHOLDERS

		Group and Fund	
		2018	2017
	Note	RM'000	RM'000
Total comprehensive income		**333,753**	343,366
Distribution adjustments	a	**7,677**	(565)
Distributable income		**341,430**	342,801
Distribution per unit (sen)			
- for the period from 1 January 2018 to 31 March 2018		**2.48**	-
- for the period from 1 April 2018 to 30 June 2018		**2.14**	-
- for the period from 1 July 2018 to 30 September 2018		**2.29**	-
- for the period from 1 October 2018 to 31 December 2018		**2.28**	-
- 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
		9.19	9.28
Sources of distribution			
Gross rental income		**451,397**	439,884
Revenue from contract with customers		**84,292**	85,034
Interest income		**6,756**	8,335
Changes in fair value on investment properties		**30,000**	40,000
		572,445	573,253
Less: Expenses		**(238,692)**	(229,887)
Total comprehensive income		**333,753**	343,366
Distribution adjustments	a	**7,677**	(565)
Distributable income		**341,430**	342,801
Income distribution of 2.48 sen per unit (@ 2.40 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2018 to 31 March 2018		**(87,410)**	-
Income distribution of 2.14 sen per unit (@ 2.12 sen taxable and 0.02 sen non-taxable) for the period from 1 April 2018 to 30 June 2018		**(75,534)**	-
Income distribution of 2.29 sen per unit (@ 2.25 sen taxable and 0.04 sen non-taxable) for the period from 1 July 2018 to 30 September 2018		**(80,947)**	-
Income distribution of 2.28 sen per unit (@ 2.24 sen taxable and 0.04 sen non-taxable) for the period from 1 October 2018 to 31 December 2018		**(80,728)**	-
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)
Adjustment for prior year income distribution		**(348)**	(156)
Income distributed		**(324,967)**	(325,890)
Income retained		**16,463**	16,911

Notes to the Financial Statements
(continued)

19 DISTRIBUTION TO UNITHOLDERS (continued)

		Group and Fund	
		2018	**2017**
	Note	**RM'000**	**RM'000**
Note (a):-			
Distribution adjustments comprise:-			
Changes in fair value on investment properties		**(30,000)**	(40,000)
Manager's management fees payable in Units	15	**34,680**	34,044
Amortisation of fit-out incentives		**-**	42
Amortisation of transaction costs		**260**	2,732
Depreciation of plant and equipment	5	**2,737**	2,617
		7,677	(565)

Withholding tax will be deducted for distributions as follows:-

	Withholding Tax rate	
	2018	**2017**
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*

20 PORTFOLIO TURNOVER RATIO

	Group and Fund	
	2018	**2017**
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	
	2018	**2017**
Management expense ratio ("MER") (%)	**0.96**	0.94

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.

Notes to the Financial Statements

(continued)

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 MVM and TGM 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.

23 FINANCIAL INSTRUMENTS BY CATEGORY

		Group		Fund	
		2018	**2017**	**2018**	**2017**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets at amortised cost					
Assets as per statement of financial position:-					
- Trade and other receivables excluding prepayments and accrued billings	8	**9,607**	11,614	**37,099**	37,828
- Cash and bank balances	9	**207,123**	285,208	**179,631**	258,994
Total financial assets		**216,730**	296,822	**216,730**	296,822
Financial liabilities at amortised cost					
Liabilities as per statement of financial position:-					
- Borrowings	11	**1,213,925**	1,213,665	**-**	-
- Trade and other payables excluding indirect tax and prepaid rental	12	**213,755**	303,486	**1,427,680**	1,517,151
Total financial liabilities		**1,427,680**	1,517,151	**1,427,680**	1,517,151

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

24.1 Financial risk factors

The Group's and the Fund'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 and the Fund's overall financial risk management objective is to ensure that it creates value for its unitholders. The Group and the Fund focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the financial performance of the Group and the Fund. 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 and the Fund's financial risk management policies.

(a) Interest rate risk

The Group's and the Fund'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 and the Fund does not use variable rates in managing its cash flow interest rate risk.

Notes to the Financial Statements
(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 Financial risk factors (continued)

(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 risk with respect to trade receivables is limited due to the nature of business which is mainly rental related and cash-based. 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, GSC, Isetan, Robinsons and GSC Signature, which contribute 10.0% (2017: 10.4%) of the rental income, the Group and the Fund do not have any significant exposure to any individual or group of tenants or counterparties.

Financial year ended 31 December 2018

Simplified approach for trade receivables

The Group and the Fund apply simplified approach which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

To measure the expected credit loss, the expected loss rates are based on the historical payment profiles of tenants and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the tenants to settle the receivables. The Group and the Fund have identified the credit profile and sales performance of tenants to be the most relevant forward looking factors, and accordingly adjusted the historical loss rates based on expected changes in these factors. The Group and the Fund have determined the default rate for trade receivables based on their historical default rate and applied the historical default rate on trade receivables balance in the financial year.

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 expected credit losses is inherent in the Group's and the Fund's trade receivables.

Bank deposits are placed with licensed financial institutions with high credit ratings assigned by credit rating agencies, hence, the credit risk is considered to be low although the Group and the Fund has significant deposits placed with a single financial institution.

General 3-stage approach for other receivables and non-trade intercompany balances

The other receivables and non-trade intercompany balances impairment are assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs.

The analysis of credit risk exposure of trade and other receivables is as follows:-

Trade receivables

Group and Fund

	1-7 days RM'000	8-30 days RM'000	31-60 days RM'000	61-90 days RM'000	>90 days RM'000	Total RM'000
As at 31 December 2018						
Trade receivables (gross)	**938**	**1,230**	**329**	**171**	**1,413**	**4,081**
Impairment	**(9)**	**(887)**	**(272)**	**(62)**	**(1,413)**	**(2,643)**
Trade receivables (net)	**929**	**343**	**57**	**109**	**-**	**1,438**
Expected loss rate	**1.0%**	**72.1%**	**82.7%**	**36.3%**	**100.0%**	

Notes to the Financial Statements

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 Financial risk factors (continued)

(b) Credit risk (continued)

Financial year ended 31 December 2018 (continued)

<u>Other receivables and non-trade intercompany balances</u>

There is no impairment of other receivables and non-trade intercompany balances as the rate of default and expected loss rate is low.

Financial year ended 31 December 2017

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 and the Fund's trade receivables.

Bank deposits are placed with licensed financial institutions with high credit ratings assigned by credit rating agencies, hence, the credit risk is considered to be low although the Group and the Fund has significant deposits placed with a single financial institution.

As at 31 December 2017, trade receivables of RM910,000 were past due but not impaired. Such trade receivables are due from tenants in MVM and TGM who have paid security deposits for the tenancy and with no known recent history or expected occurrence of default.

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

	Group and Fund
	2017
	RM'000
Not past due:	
- 1 to 7 days	1,245
Past due but not impaired:	
- 8 to 30 days	278
- 31 to 60 days	468
- 61 to 90 days	164
	910
Impaired	3,096
	5,251

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

Notes to the Financial Statements
(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

	Group and Fund	
	2018	**2017**
	RM'000	**RM'000**
As at 1 January	**3,096**	1,945
Allowance for impairment	**2,655**	2,479
Reversal during the year	**(3,108)**	(1,328)
As at 31 December	**2,643**	3,096

The decrease in the allowance for impairment of RM453,000 is due to higher receipt and recovery from trade debtors.

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

(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 2018 of the Group and of the Fund of RM207 million (2017: RM285 million) and RM180 million (2017: RM259 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 is as follows:-

Group	**<1 year**	**1 to 2 years**	**2 to 3 years**	**>3 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31 December 2018					
Borrowings	**67,700**	**52,800**	**52,800**	**1,238,625**	**1,411,925**
Trade and other payables and accruals excluding indirect tax and prepaid rental	**213,755**	**-**	**-**	**-**	**213,755**
At 31 December 2017					
Borrowings	67,700	52,800	52,800	1,291,165	1,464,465
Trade and other payables and accruals excluding indirect tax and prepaid rental	303,486	-	-	-	303,486

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 (continued)

Fund	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	>3 years RM'000	Total RM'000
At 31 December 2018					
Trade and other payables and accruals excluding indirect tax and prepaid rental	**281,455**	**52,800**	**52,800**	**1,238,625**	**1,625,680**
At 31 December 2017					
Trade and other payables and accruals excluding indirect tax and prepaid rental	371,186	52,800	52,800	1,291,165	1,767,951

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.

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

	Group		Fund	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total borrowings	**1,213,925**	1,213,665	**-**	-
Total intercompany borrowings	**-**	-	**1,213,925**	1,213,665
Total assets	**5,202,966**	5,250,728	**5,202,966**	5,250,728
Borrowings to total assets ratio (%)	**23.3**	23.1	**23.3**	23.1

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.

Notes to the Financial Statements

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.2 Capital risk management (continued)

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 Group and the Fund complied with the financial covenants for both the financial years.

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 quarterly basis (or such other interval as determined by the Manager at its absolute discretion).

For the financial year ended 31 December 2018, the Group and the Fund distributed approximately 95.0% (2017: 95.0%) of its distributable income.

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	
	2018	**2017**
	RM'000	**RM'000**
Level 3		
Recurring fair value measurements:-		
Investment properties	**4,960,000**	4,930,000

Level 3 fair values of the investment properties have been derived from the income approach method based on valuations performed by independent registered valuer, the Valuer, 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.

Notes to the Financial Statements

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.3 Fair value (continued)

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			
	2018		2017	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Level 2				
Borrowings	**1,213,925**	**1,223,960**	1,213,665	1,217,408

	Fund			
	2018		2017	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Level 2				
Intercompany borrowings	**1,213,925**	**1,223,960**	1,213,665	1,217,408

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	
	2018 RM'000	2017 RM'000
Less than one (1) year	**351,165**	321,363
Between one (1) and five (5) years	**421,743**	347,981
More than five (5) years	**215,415**	229,243
	988,323	898,587

26 CAPITAL COMMITMENTS

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

	Group and Fund	
	2018 RM'000	2017 RM'000
Plant and equipment		
Authorised by Directors of the Manager but not contracted	**3,397**	2,539

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 Berhad ("IGB")	Major unitholder, the sponsor and holding company of the Fund
IGB Corporation Berhad ("IGBC")	A subsidiary of IGB
IGB REIT Management Sdn Bhd	The Manager of the Fund, a subsidiary of IGBC
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 IGBC
IGB Properties Sdn Bhd	A subsidiary of IGBC
Mid Valley City Developments Sdn Bhd	A subsidiary of IGBC
Mid Valley City Energy Sdn Bhd	A subsidiary of IGBC
Mid Valley City Enterprise Sdn Bhd	A subsidiary of IGBC
Mid Valley City Hotels Sdn Bhd	A subsidiary of IGBC
Mid Valley City North Tower Sdn Bhd	A subsidiary of IGBC
Mid Valley City South Tower Sdn Bhd	A subsidiary of IGBC
MVC Centrepoint North Sdn Bhd	A subsidiary of IGBC
MVC Centrepoint South Sdn Bhd	A subsidiary of IGBC
MVC CyberManager Sdn Bhd	A subsidiary of IGBC
MVEC Exhibition and Event Services Sdn Bhd	A subsidiary of IGBC
Tanah Permata Sdn Bhd	A subsidiary of IGBC
Technoltic Engineering Sdn Bhd	An associate of IGBC
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		Fund	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Significant related party transactions for the financial year:-				
Receivables				
1) Utilities charges				
- IGB Properties Sdn Bhd	**470**	693	**470**	693
- Mid Valley City Enterprise Sdn Bhd	**1,449**	1,535	**1,449**	1,535
- MVC Centrepoint South Sdn Bhd	**956**	924	**956**	924
- MVC Centrepoint North Sdn Bhd	**986**	1,109	**986**	1,109
- Mid Valley City Hotels Sdn Bhd	**3,134**	3,602	**3,134**	3,602
- Tanah Permata Sdn Bhd	**1,252**	1,365	**1,252**	1,365
- Mid Valley City South Tower Sdn Bhd	**1,903**	1,910	**1,903**	1,910
- Mid Valley City North Tower Sdn Bhd	**2,081**	2,029	**2,081**	2,029
- Mid Valley City Energy Sdn Bhd	**802**	701	**802**	701
- Mid Valley City Developments Sdn Bhd	**67**	81	**67**	81
- Ensignia Construction Sdn Bhd	**54**	625	**54**	625
- Strass Media Sdn Bhd	**137**	124	**137**	124
- IGB Corporation Berhad	**59**	35	**59**	35
	13,350	14,733	**13,350**	14,733
2) Rental of premises				
- MVEC Exhibition and Event Services Sdn Bhd	**5,333**	5,202	**5,333**	5,202
- MVC CyberManager Sdn Bhd	**60**	60	**60**	60
- JVP Venture Sdn Bhd	**206**	203	**206**	203
- Fast Casual Hospitality Sdn Bhd	**278**	271	**278**	271
	5,877	5,736	**5,877**	5,736
3) Rental of light box				
- Strass Media Sdn Bhd	**986**	1,086	**986**	1,086
4) Rental of car park				
- IGB Corporation Berhad	**201**	180	**201**	180
- Tanah Permata Sdn Bhd	**177**	179	**177**	179
	378	359	**378**	359
5) Interest charges to				
- IGB REIT Capital Sdn Bhd	**-**	-	**1,031**	281

Notes to the Financial Statements
(continued)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Group		Fund	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Significant related party transactions for the financial year:- (continued)				
Payables				
1) Utilities charges				
- Mid Valley City Energy Sdn Bhd	**39,386**	40,057	**39,386**	40,057
- Tanah Permata Sdn Bhd	**64**	68	**64**	68
	39,450	40,125	**39,450**	40,125
2) Manager's management fee				
- IGB REIT Management Sdn Bhd	**34,680**	34,044	**34,680**	34,044
3) Repair and maintenance				
- Technoltic Engineering Sdn Bhd	**794**	2,451	**794**	2,451
- Ensignia Construction Sdn Bhd	**1,380**	829	**1,380**	829
- Wah Seong (Malaya) Trading Co. Sdn Bhd	**151**	985	**151**	985
- Syn Tai Hung Trading Sdn Bhd	**110**	136	**110**	136
	2,435	4,401	**2,435**	4,401
4) Hotel facilities and services				
- Tanah Permata Sdn Bhd	**112**	130	**112**	130
- Mid Valley City Hotels Sdn Bhd	**33**	69	**33**	69
	145	199	**145**	199
5) Interest charged by				
- IGB REIT Capital Sdn Bhd	**-**	-	**53,060**	14,900
6) Advances from				
- IGB REIT Capital Sdn Bhd (Note 11)	**-**	-	**-**	1,200,000
Significant related party balances as at reporting date:-				
1) Deposits place with				
- Mid Valley City Energy Sdn Bhd	**7,431**	7,424	**7,431**	7,424
2) Amount owing by				
- IGB REIT Capital Sdn Bhd (Note 11)	**-**	-	**27,527**	26,495
3) Amount owing to				
- IGB REIT Management Sdn Bhd	**8,720**	9,001	**8,720**	9,001
- IGB REIT Capital Sdn Bhd (Note 11)	**-**	-	**1,213,925**	1,213,665

Unitholding Statistics

As at 11 February 2019

ISSUED UNITS
3,539,821,587 Units (voting right : 1 vote per Unit)

PUBLIC SPREAD
45.15%

DISTRIBUTION OF UNITHOLDINGS

Range of Unitholdings	No. of Unitholders	% of Unitholders	No. of Issued Units	% of Issued Units
Less than 100	1,738	7.95	49,983	0.00
100 – 1,000	7,954	36.40	3,977,191	0.11
1,001 – 10,000	8,704	39.84	36,616,317	1.04
10,001 – 100,000	2,739	12.54	87,894,461	2.48
100,001 to less than 5% of Issued Units	713	3.26	1,410,231,315	39.84
5% and above of Issued Units	2	0.01	2,001,052,320	56.53
Total	**21,850**	**100.00**	**3,539,821,587**	**100.00**

SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

	Direct		Deemed*	
Name	No. of Issued Units	% of Issued Units	No. of Issued Units	% of Issued Units
IGB Berhad (formerly, Goldis Berhad)	1,733,617,754	48.97	139,821,587	3.95
Dato' Seri Robert Tan Chung Meng	14,739,081	0.42	1,905,151,443	53.82
Pauline Tan Suat Ming	Nil	Nil	1,905,151,443	53.82
Tony Tan Choon Keat	1,000,000	0.03	1,905,151,443	53.82
Tan Chin Nam Sendirian Berhad	155,988	0.00	1,902,372,976	53.74
Tan Kim Yeow Sendirian Berhad	2,879,665	0.08	1,902,271,778	53.74
Wah Seong (Malaya) Trading Co. Sdn. Bhd.	26,079,992	0.74	1,875,866,441	52.99
Employees Provident Fund Board	372,256,166	10.52	Nil	Nil

DIRECTORS AND CEO UNITHOLDINGS

	Direct		Deemed*	
Name	No. of Issued Units	% of Issued Units	No. of Issued Units	% of Issued Units
Dato' Seri Robert Tan Chung Meng	14,739,081	0.42	1,905,151,443	53.82
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	3,279,000	0.09	Nil	Nil
Antony Patrick Barragry	151,300	0.00	Nil	Nil

* *Deemed to have interests in Units held by other corporations by virtue of section 4 of the Capital Markets and Services Act 2007*

Unitholding Statistics

As at 11 February 2019
(continued)

TOP 30 UNITHOLDERS

No.	Name of Unitholder	No. of Issued Units	% of Issue Units
1	IGB Berhad	1,733,617,754	48.97
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	267,434,566	7.56
3	IGB REIT Management Sdn Bhd	139,821,587	3.95
4	Kumpulan Wang Persaraan (Diperbadankan)	96,485,000	2.73
5	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	52,733,600	1.49
6	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	52,304,198	1.48
7	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	48,726,300	1.38
8	Pertubuhan Keselamatan Sosial	38,379,550	1.08
9	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Affin-Hwg)	35,289,100	1.00
10	Valuecap Sdn Bhd	33,534,500	0.95
11	Amanahraya Trustees Berhad Public Smallcap Fund	33,134,616	0.94
12	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	31,236,492	0.88
13	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	23,361,304	0.66
14	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (Life PAR)	23,141,100	0.65
15	Amanahraya Trustees Berhad Public Dividend Select Fund	22,716,432	0.64
16	Wah Seong (Malaya) Trading Co. Sdn Bhd	21,805,823	0.62
17	Amanahraya Trustees Berhad Public Savings Fund	21,474,076	0.61
18	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	16,580,070	0.47
19	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group Inc	15,993,000	0.45
20	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund	14,000,000	0.40
21	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LSF)	13,017,000	0.37
22	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (Aff Hwg6939-403)	12,122,300	0.34
23	Dato' Seri Robert Tan Chung Meng	12,005,755	0.34
24	Amanahraya Trustees Berhad Public Equity Fund	11,339,768	0.32
25	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NBIF for Nuveen Real Asset Income Fund	10,536,055	0.30
26	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Amundi)	10,000,000	0.28
27	UOBM Nominees (Asing) Sdn Bhd Pledged Securities Account for Montego Assets Limited (PCB)	10,000,000	0.28
28	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad - Kenanga Growth Fund	9,658,200	0.27
29	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	9,631,200	0.27
30	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	9,519,900	0.27
	Total	**2,829,599,246**	**79.95**

Notice of Seventh Annual General Meeting

NOTICE IS HEREBY GIVEN of the Seventh Annual General Meeting (7th 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 Wednesday, 24 April 2019 at 4.00 p.m. to transact the following business:

AGENDA

Ordinary Business

1.0 To receive the Financial Statements of IGB REIT for the year ended 31 December 2018 together with reports issued by the Trustee, the Manager and the Auditors (Financial Statements and Reports FY2018).

Special Business

2.0 To consider and, if thought fit, to pass the following ordinary resolutions:

(a) Proposed RRPT Mandate **(Resolution 1)**

THAT authorisation of the Unitholders be and is hereby accorded to IGB REIT to enter into all arrangements and/or transactions involving the interests of the Mandated Related Party as specified in Part A, Section 2.0 of the Circular to Unitholders dated 28 February 2019 (Circular), provided that such arrangements and/or transactions are:

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for IGB REIT's day-to-day operations;
(iii) carried out in the ordinary course of business, at arm's length and on normal commercial terms not more favorable to the Mandated Related Party than those generally available to third party; and
(iv) not detrimental to the minority Unitholders

(Proposed RRPT Mandate)

THAT the Proposed RRPT Mandate, unless revoked or varied by IGB REIT in general meeting, shall continue for the period ending on the date of the annual general meeting to be held in 2020;

AND THAT the Directors be and are hereby authorised to do all such acts, matters, deeds and things as they may consider expedient or necessary or in the interests of IGB REIT to give effect to the Proposed RRPT Mandate and/or this resolution.

(b) Proposed Management Fee Units **(Resolution 2)**

THAT authorisation of the Unitholders be and is hereby accorded to the Directors to allot and issue new Units to the Manager (Management Fee Units) on a staggered basis as part of the Management Fee due to the Manager provided that the aggregate number of new Management Fee Units must not exceed 200,000,000 (Proposed Management Fee Units);

THAT the Management Fee Units shall, upon allotment and issuance, rank equally in all aspects with the existing Units, save and except that (i) the Management Fee Units shall not be entitled to any distributable income, rights, benefits, entitlements and/or other distributions which may be declared, made or paid, the entitlement date of which is before the date of the allotment of the Management Fee Units; and (ii) the Manager is prohibited from exercising the voting rights for the Management Fee Units it or its nominees hold (including all other Units held by the Manager or its nominees), in any Unitholders' meeting, save for matters in relation to its removal pursuant to paragraphs 13.26 and 13.27 of the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts;

AND THAT in order to implement, complete and give full effect to the Proposed Management Fee Units, the Directors be authorised to do or procure to be done all acts, deeds and things to execute, sign and deliver on behalf of IGB REIT, all such documents as it may deem necessary, expedient and/or appropriate to implement, give full effect to and to complete the Proposed Management Fee Units.

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

Tina Chan (MAICSA 7001659)
Company Secretary

Kuala Lumpur
28 February 2019

Notice of Seventh Annual General Meeting
(continued)

Notes:

(1) Financial Statements and Reports FY2018

Agenda 1.0 is for presentation of the Financial Statements and Reports FY2018 to Unitholders for discussion, and no voting is required.

(2) Proposals

The Proposals for which approval by way of ordinary resolutions are required from Unitholders:

(a) General Mandate – Proposed RRPT Mandate

Unitholders should note that by approving the Resolution 1 relating to the Proposed RRPT Mandate, Unitholders will be authorising IGB REIT to enter into RRPT with the Mandated Related Party during the Mandate Period, the details of which are set out in Part A of the Circular which is sent together with the abridged version of Annual Report 2018.

(b) Specific Mandate – Proposed Management Fee Units

Unitholders should note that by approving the Resolution 2 relating to the Proposed Management Fee Units, Unitholders will be authorising the Directors of the Manager to allot and issue up to 200,000,000 new Units on a staggered basis as Management Fee Units, the details of which are set out in Part B of the Circular which is sent together with the abridged version of Annual Report 2018.

(3) Poll Voting

Pursuant to paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of 7th AGM will be put to vote by way of poll. For these resolutions to be passed more than 50% of the votes cast must be in favour. The results of the voting at the meeting will be available on IGB REIT's website after the meeting.

(4) Appointment of proxy

(a) Unitholder is entitled to appoint 1 or 2 proxies (none of whom need be a Unitholder of IGB REIT).
(b) 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) The Proxy Form in the case of an individual shall be signed by the appointor or his/her attorney, and in the case of a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
(d) Where a Unitholder appoints 2 proxies, the appointment shall be invalid unless the proportion of the unitholdings to be represented by each proxy is specified.
(e) Only Unitholders whose names appear on Record of Depositors as at 17 April 2019 shall be entitled to attend and vote at the 7th AGM or appoint proxy(ies) to attend and vote on their behalf.
(f) IGB REIT shall have the right to reject Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on Proxy Form.
(g) The Proxy Form and power of attorney or other authority, if any, under which it is signed or certified or office copy of such power or authority must be deposited at the Manager's registered office, not later than 4.00 p.m. on Tuesday, 23 April 2019.
(h) Annual Report 2018 and Circular can be downloaded at **www.igbreit.com**.

(5) Registration of Unitholders/proxies

(a) Registration will start at 2.00 p.m. on the day of the 7th 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 3.00 p.m.
(e) The registration counters will only process verification of identities and registration. Other queries/clarification, please proceed to Help Desk counter.
(f) Each Unitholder and/or proxy attending the 7th AGM in person will be entitled for only one gift voucher. Where Unitholder and/or proxy is also appointed as proxy for different Unitholders to attend the 7th AGM, he or she will only be entitled to one gift voucher regardless of the number of Unitholders he or she is representing.

This page has been intentionally left blank.

IGB REAL ESTATE INVESTMENT TRUST

(constituted in Malaysia pursuant to the deed of trust dated 18 July 2012
as amended by the first amending and restating deed dated 25 October 2018)

PROXY FORM – 7TH AGM

CDS Account No.	
No. of Units Held	

*I/We (full name as per NRIC No./Certificate of Incorporation) ______________________________

NRIC No./Company No. ______________________ of (full address) ______________________________

____

being a Unitholder of IGB REIT hereby appoint the following person(s):

Name of proxy, NRIC No. & Address	**No. of Units to be represented by proxy**
1. ______________________________ ______________________________	______________
2. ______________________________ ______________________________	______________

or, both of whom failing, the Chairman of the 7th AGM as my/our proxy to attend and to vote for me/us on my/our behalf, at the 7th 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 Wednesday, 24 April 2019 at 4.00 p.m. or at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the 7th AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

		First Proxy		**Second Proxy**	
No.	**Ordinary Resolution**	**For***	**Against***	**For***	**Against***
1.	Proposed RRPT Mandate				
2.	Proposed Management Fee Units				

* If you wish to exercise all your votes “For” or “Against”, please tick (✓) within the box provided.

Dated this ________ day of ____________________ 2019

____
Signature/Common Seal of Unitholder

Notes:

(a) Unitholder is entitled to appoint 1 or 2 proxies (none of whom need be a Unitholder of IGB REIT).
(b) 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) The Proxy Form in the case of an individual shall be signed by the appointor or his/her attorney, and in the case of a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
(d) Where a Unitholder appoints 2 proxies, the appointment shall be invalid unless the proportion of the unitholdings to be represented by each proxy is specified.
(e) Only Unitholders whose names appear on Record of Depositors as at 17 April 2019 shall be entitled to attend and vote at the 7th AGM or appoint proxy(ies) to attend and vote on their behalf.
(f) IGB REIT shall have the right to reject Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on Proxy Form.
(g) The Proxy Form and power of attorney or other authority, if any, under which it is signed or certified or office copy of such power or authority must be deposited at the Manager’s registered office, not later than 4.00 p.m. on Tuesday, 23 April 2019.
(h) Annual Report 2018 and Circular to Unitholders can be downloaded at www.igbreit.com.

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)

THE EDGE BILLION RINGGIT CLUB 2018

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

IGB REIT -
Highest Returns
To Shareholders
Over Three Years

IGB REIT -
Highest Return
On Equity
Over Three Years

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

www.igbreit.com