# Annual Report 2018

IGB BERHAD

GOLDIS BERHAD

IGB Corporation Berhad

TAN & TAN DEVELOPMENTS BERHAD

Corporation Berhad

Ipoh Garden Berhad

# Contents

# Corporate Information

## BOARD OF DIRECTORS

Tan Lei Cheng
*Non-Executive Non-Independent Chairman*

Lee Chaing Huat
*Senior Independent Non-Executive Director*

Dato' Dr. Zaha Rina binti Zahari
*Independent Non-Executive Director*

Dato' Seri Robert Tan Chung Meng
*Group Chief Executive Officer*

Daud Mah bin Abdullah @ Mah Siew Whye
*Independent Non-Executive Director*

Tan Boon Lee
*Alternate Director to Dato' Seri Robert Tan Chung Meng/*
*Deputy Group Chief Executive Officer*

## SECRETARY
Tina Chan Lai Yin

## REGISTERED OFFICE
Level 32, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone : 603-2289 8989
Telefax : 603-2289 8802

## AUDITORS
PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)
Level 10, 1 Sentral Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Telephone : 603-2173 1188
Telefax : 603-2173 1288

## REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Telephone : 603-2783 9299
Telefax : 603-2783 9222

## WEBSITE
www.igbbhd.com

## STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Date of Listing : 8 May 2002
Stock Name : IGBB
Stock Code : 5606

## PRINCIPAL BANKERS
Hong Leong Bank Berhad (97141-X)
Level 1, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Telephone : 603-2164 2525
Telefax : 603-2164 7922

HSBC Bank (Malaysia) Berhad (807705-X)
No. 2 Leboh Ampang
50100 Kuala Lumpur
Telephone : 603-2070 0744
Telefax : 603-2070 1146

Malayan Banking Berhad (3813-K)
G(E)-016, Ground Floor, Mid Valley Megamall
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone : 603-2289 0098
Telefax : 603-2282 5353

Maybank Investment Bank Berhad (15938-H)
33rd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Telephone : 603-2059 1888
Telefax : 603-2038 4194

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

# Profile of Directors

TAN LEI CHENG
(Malaysian, female, age 62)
*Non-Executive Non-Independent Chairman*

| | | |
|---|---|---|
| Board Appointment | : | 20 September 2000 |
| Board Committees | : | A member of Nomination Committee (NC), Remuneration Committee (RC) and Policy and Implementation Council (PIC) |
| 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 Young Presidents' Organisation (Gold), Malaysia Chapter.<br><br>She has 40 years experience in the property industry and corporate sector. She was Chief Executive Officer of Tan & Tan Developments Berhad (Tan & Tan) from March 1995, a property development company that was listed on Bursa Malaysia Securities Berhad (Bursa Securities). Following the completion of the merger between IGB Corporation Berhad (IGBC) and Tan & Tan on 8 May 2002, she assumed the role of Executive Chairman and Chief Executive Officer of Goldis Berhad (Goldis) (which took over the listing of Tan & Tan).<br><br>Following her retirement on 31 December 2016, she assumed the role as Non-Executive Chairman of Goldis. After the privatisation of IGBC by Goldis on 16 March 2018, she remains as Non-Executive Chairman of IGB Berhad (IGB). |
| Public Company Directorships | : | IGB REIT Management Sdn Bhd (IGB REIT Management), the Manager of IGB Real Estate Investment Trust (IGB REIT)<br>Tan & Tan, the property division of IGBC<br>Dato' Tan Chin Nam Foundation (DTCN Foundation) |

DATO' SERI ROBERT TAN CHUNG MENG
(Malaysian, male, age 66)
*Group Chief Executive Officer (GCEO)*

| | | |
|---|---|---|
| Board Appointment | : | 8 December 2014 (appointed as GCEO on 30 March 2018) |
| Board Committee | : | A member of PIC |
| 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 IGBC in 1995 when he was appointed Joint Managing Director and subsequently appointed Group Managing Director in 2001. Following the delisting of IGBC on 16 March 2018, he was appointed as GCEO of IGB on 30 March 2018.<br><br>Dato' Seri Robert Tan was involved in various development projects carried out by IGBC Group, in particular Mid Valley City (MVC). From inception to the realisation of Mid Valley Megamall (MVM) and The Gardens Mall (TGM), he was actively involved in every stage of their developments. He is instrumental to the development and success of MVM and TGM, and more importantly, in retaining their positions as prime shopping hotspots in the Klang Valley. |
| Public Company Directorships | : | IGB REIT Management (Managing Director), the Manager of IGB REIT<br>IGBC<br>Tan & Tan<br>Wah Seong Corporation Berhad (Non-Executive Chairman)<br>Yayasan Tan Kim Yeow |

# Profile of Directors
(continued)

LEE CHAING HUAT
(Malaysian, male, age 65)
*Senior Independent Non-Executive Director*

| | | |
|---|---|---|
| Board Appointment | : | 8 December 2014 (re-designated as Senior Independent Non-Executive Director on 30 August 2018) |
| Board Committees | : | Chairperson of Audit Committee (AC), and a member of NC and RC |
| Education and Experience | : | Lee Chaing Huat is a fellow member of Association of Chartered Certified Accountants, United Kingdom and a member of Malaysian Institute of Accountants.<br><br>He started his career as an auditor in 1971 with Messrs. Hanafiah Raslan & Mohamad/Touche Ross, Malaysia before joining the financial sector in 1980. He has wide banking experience having worked with several banks – The Chase Manhattan Bank (now known as JP Morgan Chase Bank) and Kwong Yik Bank Berhad thereafter RHB Bank Berhad when Kwong Yik Bank Berhad merged with DCB Bank Berhad in 1997. In 2004, he joined Hong Leong Credit Berhad as Group Chief Financial Officer and later Hong Leong Bank Berhad as Chief Operating Officer/Head of Business Banking Division. In December 2005, he started his own private management consultancy company. |
| Public Company Directorship | : | Sentoria Group Berhad (Senior Independent Non-Executive Director) |

DATO' DR. ZAHA RINA BINTI ZAHARI
(Malaysian, female, age 57)
*Independent Non-Executive Director*

| | | |
|---|---|---|
| Board Appointment | : | 1 June 2018 |
| Board Committees | : | Chairperson of NC, and a member of AC and RC |
| Education and Experience | : | Dato' Dr. Zaha holds Bachelor of Arts (Honours) degree in Accounting and Finance from Leeds Metropolitan University, United Kingdom, a Master in Business Administration from University of Hull, United Kingdom and a Doctorate in Business Administration from University of Hull, United Kingdom focusing on capital markets research and specialising in derivatives.<br><br>She has more than 25 years experience in the financial, commodities and securities industry and the development of the Malaysian Capital Market which includes managing a futures broking company. She is experienced in global financial markets both conventional and Islamic as well as technical knowledge of mergers and acquisitions in insurance and Takaful companies. She is an independent Board member in Financial Institutions and licensed by the Securities Commission of Malaysia for corporate advisory services.<br><br>She was Consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange launched in 2009. Prior to this, she was with Royal Bank of Scotland Group in Singapore from 2007 to 2008, Chief Executive Officer of RHB Securities Sdn Bhd from 2004 to 2006, Head of Exchanges, managing the operations of Kuala Lumpur Stock Exchange (KLSE), Malaysian Exchange of Securities Dealing and Automated Quotation, Malaysia Derivatives Exchange and Labuan International Financial Exchange in 2003 before KLSE was demutualised in 2004 and renamed as Bursa Malaysia Berhad. |
| Public Company Directorships | : | Manulife Holdings Berhad (Non-Executive Chairman)<br>Hibiscus Petroleum Berhad<br>Hong Leong Industries Berhad<br>Pacific & Orient Berhad<br>Pacific & Orient Insurance Co Berhad |

# Profile of Directors
(continued)

DAUD MAH BIN ABDULLAH @ MAH SIEW WHYE
(Malaysian, male, age 57)
*Independent Non-Executive Director*

| | | |
|---|---|---|
| Board Appointment | : | 15 January 2003 |
| Board Committees | : | Chairperson of RC, and a member of AC and NC |
| Education and Experience | : | Daud Mah holds a Bachelor of Science (Econs) degree from the London School of Economics and Political Science and Master in Business Administration majoring in Finance from Wharton School, University of Pennsylvania. He is a member of the Institute of Chartered Accountants of England and Wales and Malaysian Institute of Accountants.<br><br>His working experience commenced with Coopers & Lybrand, London from 1984 to 1989. After completing his Masters in Business Administration in 1992, he returned to Malaysia to join The Boston Consulting Group. In 1995, he set up a boutique fund management company called Kumpulan Sentiasa Cemerlang Sdn Bhd. |

TAN BOON LEE
(Malaysian, male, age 55)
*Alternate Director to Dato' Seri Robert Tan Chung Meng/Deputy Group Chief Executive Officer (DGCEO)*

| | | |
|---|---|---|
| Board Appointment | : | 30 August 2018 (appointed as DGCEO on 1 June 2018) |
| Board Committee | : | A member of PIC |
| Education and Experience | : | Tan Boon Lee holds a Bachelor of Economics from Monash University, Australia and a Master in Business Administration from Cranfield School of Management, United Kingdom.<br><br>He joined IGBC as Executive Director in June 2003 as well as assumed the role of Chief Executive Officer of Tan & Tan from January 2008 until he relinquished the post in January 2019. After the privatisation of IGBC on 16 March 2018, he was appointed DGCEO of IGB and Alternate to Dato' Seri Robert Tan on the Board of IGB.<br><br>He has more than 25 years experience in the property and hotel industry, giving management and technical assistance to hotel and hospitality projects in Malaysia and Asia. He was President of Malaysian Association of Hotel Owners from 2002 to 2004. |
| Public Company Directorships | : | IGBC<br>Tan & Tan<br>DTCN Foundation |

Note:

None of the Directors have:

(i) any family relationships with any Director and/or major shareholder of IGB save for Tan Lei Cheng, Dato' Seri Robert Tan Chung Meng and Tan Boon Lee.

(ii) any conflicts of interest with IGB other than mandated related party transactions which have been disclosed in Corporate Governance Overview Statement 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 Key Senior Management

CHAI LAI SIM
(Malaysian, female, age 58)
*Group Chief Financial Officer (GCFO)*

| | | |
|---|---|---|
| Appointment | : | 1 June 2018 |
| Education and Experience | : | Chai Lai Sim is a member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.<br><br>She has over 30 years experience in audit, corporate finance, capital management strategy including treasury, financial accounting and taxation in property development, commercial and retail property investment and hospitality industries. She began her career as an articled student with Coopers & Lybrand (now known as PriceWaterhouseCoopers) before joining Tan & Tan as Group Financial Controller in 1993. Following the completion of the merger between Tan & Tan and IGBC in 2002, she was appointed Senior Group General Manager (Group Finance) of IGBC and subsequently, GCFO. Following the delisting of IGBC on 16 March 2018, she assumed the role of GCFO of IGB. |

ANTONY PATRICK BARRAGRY
(British/Permanent Resident of Malaysia, male, age 67)
*Chief Executive Officer of IGB REIT Management, the Manager of IGB REIT - Property Investment (Retail) Division*

| | | |
|---|---|---|
| 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).<br><br>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 IGBC Group commenced with Renaissance Kuala Lumpur Hotel in 1993; then, as Project Director for phase 1 of MVC, including MVM; and subsequent, appointed Executive Director of Mid Valley City Sdn Bhd in 2002, where he spearheaded the development of more than 6 million square feet of commercial space in MVC's phase 2 (TGM and The Gardens Hotel & Residences), phase 3 (Menara Southpoint, which is currently under construction) and phase 4 (Northpoint). He was also Project Director for the design and construction of St Giles Hotel-Heathrow, London, and Pangkor Island Beach Resort upgrade in 2004. He was Chief Executive Officer of Mid Valley City Gardens Sdn Bhd from January 2008 until he relinquished the post in September 2012. He was appointed Chief Executive Officer of IGB REIT Management, the Manager of IGB REIT in September 2012. |

CHUA SENG YONG
(Malaysian, male, age 56)
*Executive Assistant to GCEO / ExCo Chairman - Hotel Division*

| | | |
|---|---|---|
| Appointment | : | 1 January 2019 |
| Education and Experience | : | Chua Seng Yong obtained a Bachelor of Economics degree from Monash University, Australia in 1985 and a Master in Business Administration from Cranfield School of Management, United Kingdom in 1991.<br><br>He has more than 30 years experience in property, construction, retail and hospitality industries and started his career in 1985 as the accountant in YBH Group which was involved in property development and retail of industrial diesel and petroleum products.<br><br>He joined Tan & Tan Developments Sdn Bhd as the Accounts Controller in 1988 and held various positions within the group in both hospitality and property development division. His last position was Group Accountant before being seconded to IGBC in 1994 as Financial Controller. He was appointed Executive Assistant to Group Managing Director and alternate to Dato' Seri Robert Tan on the Board of IGBC in 1999. Following the delisting of IGBC, he assumed the present position as Executive Assistant to GCEO. |

# Profile of Key Senior Management
(continued)

DATO' ERIC LIM HOCK KHENG
(Malaysian, male, age 68)
*Managing Director and Chief Executive Officer - Hotel Management Division*

| | | |
|---|---|---|
| Appointment | : | 1 November 1996 |
| Education and Experience | : | Dato' Eric Lim is a graduate of the Cornell University Hotel School General Managers' Programme. He has over 46 years of experience in the hospitality and tourism industry of which he spent 18 years with Shangri-La International Hotels & Resorts. He joined Cititel Hotel Management Sdn Bhd, a subsidiary of IGBC, in 1996 to spearhead the Cititel brandname and the development and management of hotel properties for the Group of which he is presently the Managing Director and Chief Executive Officer. Besides the professional career in the hospitality industry, he was also involved in tourism related activities over the years aimed at elevating standards and professionalism for the hotel industry fraternity. |

LIM GIK CHAY
(Malaysian, male, age 57)
*Executive Director of Ensignia Construction Sdn Bhd (Ensignia Construction) - Group Construction Division*

| | | |
|---|---|---|
| Appointment | : | 1 January 2007 |
| Education and Experience | : | Lim Gik Chay holds a Bachelor of Science in Civil Engineering from University of Memphis, USA. He is a graduate member of the Institution of Engineers, Malaysia.<br><br>He has over 30 years experience in construction, project management, design and development in various commercial, residential and high rise projects. He was involved in Singapore condominium construction work prior to joining IGBC. In 1994, he joined IGBC as Project Engineer involved in the construction of Renaissance Kuala Lumpur Hotel and New World Hotel. Upon completion of the hotels, he was assigned as Construction Manager for the construction of entire MVC development; Group projects such as Desa Damansara Condominium, U-Thant Residence, Seri Ampang Hilir Condominium, Cendana Condominum, G Residence; redevelopment of Pangkor Island Beach Resort; St Giles Hotel at Makati, Philippines; and Mid Valley Southkey.<br><br>He was appointed Executive Director of Ensignia Construction (the construction arm of IGBC) since 2007 to oversee construction projects of the Group. |

TAN YEE SENG
(Malaysian, male, age 39)
*Chief Executive Officer of Tan & Tan - Group Property Development Division*

| | | |
|---|---|---|
| Appointment | : | 1 January 2019 |
| Education and Experience | : | Tan Yee Seng holds a professional Diploma of Architecture (Royal Institute of British Architects, Part 2) from University of East London, United Kingdom.<br><br>His prior work experience includes being part of the pre-opening team member of GTower, an integrated offices and hotel building, where he oversaw the coordination of base building, fit out and operations. He was also involved in the aesthetic realisation of TGM while working at Ensignia Construction where he was Design Architect. There he used his training to create and fine tune the facades and key elements of TGM and MVM. He has also been a design architect at Eric Kuhne Associates in London where he worked on several large mixed-use proposals.<br><br>He joined IGBC as Senior General Manager in 2010 and appointed Head of Property Development in 2017; and Chief Executive Officer of Tan & Tan on 1 January 2019. |
| Public Company Directorship | : | Tan & Tan |

# Profile of Key Senior Management
(continued)

WONG KHIM CHON
(Malaysian, male, age 59)
*Chief Executive Officer of IGB Property Management Sdn Bhd - Property Investment (Commercial) Division*

| | | |
|---|---|---|
| Appointment | : | 1 January 2019 |
| Education and Experience | : | Wong Khim Chon holds a Master of Business Administration from University of Strathclyde, Scotland, a Bachelor of Engineering (Hons) in Civil Engineering from University of Malaya and a Certified Diploma in Accounting and Finance of the Association of Chartered Certified Accountants, United Kingdom.<br><br>He has over 30 years experience in the real estate industry, in the areas of building and civil construction, property development, project management, property management and asset management. He was Executive Director/Chief Executive Officer of AmREIT Managers Sdn Bhd, the REIT Manager of AmFIRST REIT which is listed on the main market of Bursa Securities.<br><br>He joined IGBC as Senior Group General Manager of Property Management in August 2018 and appointed as Chief Executive Officer of IGB Property Management Sdn Bhd on 1 January 2019. |

Note:

None of the Key Senior Management have:

(a) any family relationships with any Director and/or major shareholder of IGB save for Tan Yee Seng.
(b) any conflicts of interest with IGB other than mandated related party transactions which have been disclosed in **Corporate Governance Overview Statement** of this Annual Report.
(c) any conviction of offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during FY2018.

# Management Discussion and Analysis

## 1. Introduction

In March 2018, Goldis Berhad (Goldis) acquired the entire equity interest in IGB Corporation Berhad (IGBC) that it did not already own. IGBC was delisted from the Main Market of Bursa Malaysia on 16 March 2018, and Goldis was renamed IGB Berhad (IGB).

Today, the Group has a footprint which spans across Asia, Australia, the United States (US), and Europe. Its core principal businesses are in commercial properties, residential properties, construction, hospitality and retail. The Group is also in education, water treatment and information technology (IT) & data analytics.

## 2. Ushering in New Beginnings

Globally, 2018 was a tumultuous year. Trade tensions between the US and China, and the uncertainty around the Brexit deal in the United Kingdom (UK) continued to dominate headlines around the world. Domestically, we witnessed the surprise election win of Pakatan Harapan over the incumbent Barisan Nasional in Malaysia's 14th General Election in May 2018. This unexpected victory ushered in the first new Government for Malaysia in over 60 years, and led to a period of policy uncertainty as the new Government brought about changes which affected ongoing mega projects, government-linked companies, and consumer taxes, with the abolishment of the goods and services tax (GST) on 1 June 2018, and the introduction of the sales and service tax (SST) on 1 September 2018, amongst others.

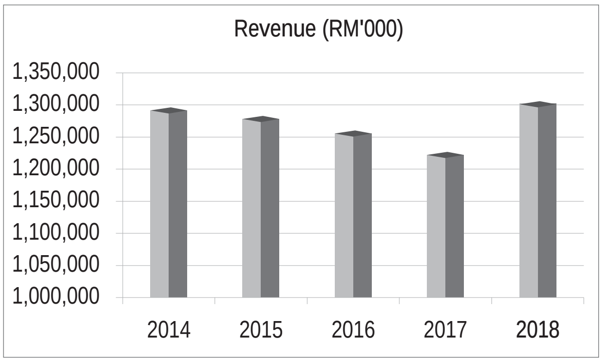
The corporate exercise which was completed in March 2018, was to allow the Group to create a more cohesive, effective and efficient operating structure. The year was focused on initiatives to streamline operations.

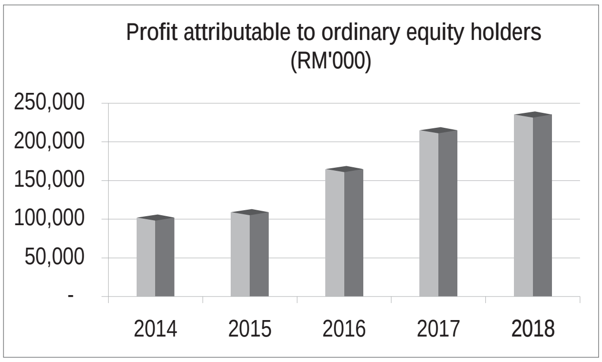
Several significant changes were made to the Group's operating structure in the year. Notably, back office functions were consolidated and all Goldis offices located at GTower were moved to Mid Valley City (MVC). The Group now share back office functions such as Finance, IT, Group Human Capital, Group Administration and Corporate Communications.

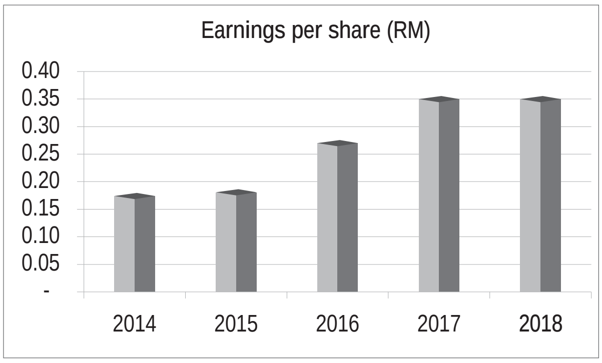
A rationalisation exercise was also carried out and non-core businesses were identified and disposed. In 2018, we started the sale of our organic fish farm, which is expected to be completed by 2019. We also disposed of the assets of Elements Medical Fitness. The operational side of GTower Hotel and MiCasa All-Suites Hotel were also consolidated, and both hotels now fall under a single management.

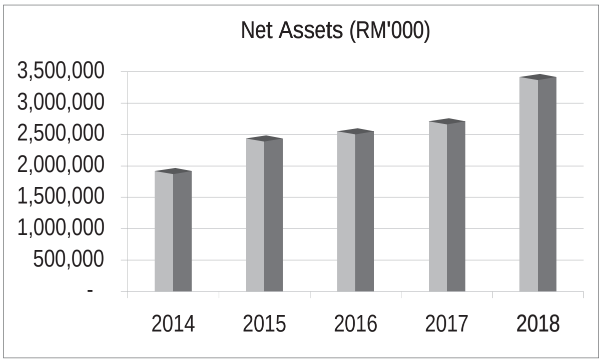
A large part of our consolidation efforts have now been completed and the Group will continue to look out for strategic business opportunities to further increase our value. Against this backdrop, IGB continued to perform well and remains committed to driving sustainability within our business and creating long term value for our shareholders.

## 3. Key Financial Highlights

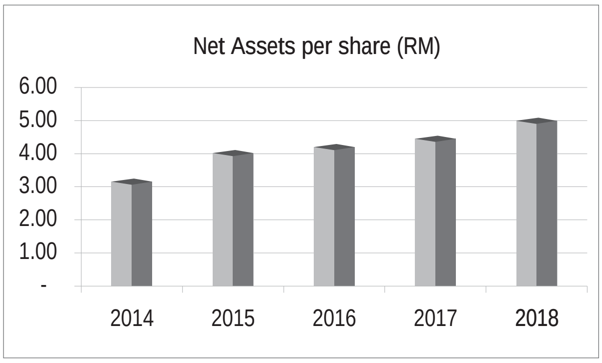


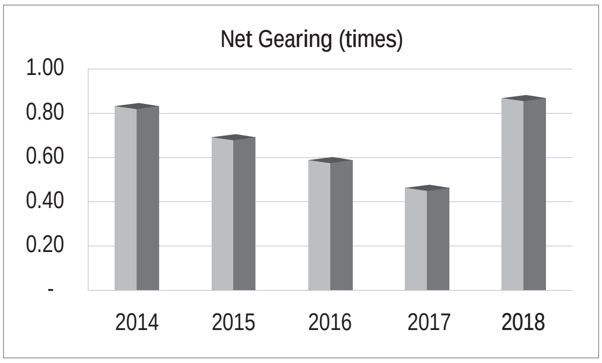



# Management Discussion and Analysis
(continued)




| | FY2014 RM'000 | FY2015 RM'000 | FY2016 RM'000 | FY2017 RM'000 | FY2018 RM'000 |
|---|---|---|---|---|---|
| Revenue | 1,291,302 | 1,278,218 | 1,255,473 | 1,222,250 | 1,302,010 |
| Profit before taxation | 450,191 | 390,379 | 482,908 | 491,319 | 480,591 |
| Taxation | (102,782) | (103,486) | (83,022) | (59,548) | (89,076) |
| Net profit | 347,409 | 286,893 | 399,886 | 431,771 | 391,515 |
| Profit attributable to ordinary equity holders | 102,165 | 109,105 | 165,027 | 215,143 | 235,643 |
| Capital and reserves attributable to equity holders/Net Assets | 1,916,057 | 2,437,881 | 2,551,886 | 2,710,768 | 3,435,006 |
| Earnings per share (RM) | 0.17 | 0.18 | 0.27 | 0.35 | 0.35 |
| Net Assets per share (RM) | 3.15 | 4.01 | 4.20 | 4.45 | 4.99 |
| Total interest bearing liabilities | 3,889,364 | 3,688,080 | 3,317,854 | 3,454,708 | 4,121,990 |
| Net debt* | 2,634,578 | 2,547,459 | 2,266,555 | 1,866,815 | 3,058,726 |
| Total equity | 3,167,277 | 3,685,885 | 3,851,266 | 4,033,615 | 3,542,277 |
| Net gearing (times) | 0.83 | 0.69 | 0.59 | 0.46 | 0.87 |

** Being total interest bearing liabilities less deposit, cash and bank balances*

4. Operations Overview

*Property Development Segment*

The real estate market remained soft in 2018, as domestic uncertainty and volatility in the global political and financial landscape weighed on consumer and investor sentiment. The Group has therefore continued to adopt a conservative position, slowing down project output and focusing on existing ongoing developments.

In 2018, we completed and soft launched a coliving space @ Damai Residence in November under Millennium Living Sdn. Bhd. The development offers flexible rental contracts for durations ranging from three months to a year. Residents can enjoy shared work and recreational spaces, leisure facilities, as well as social events organised by the management committee.

2018 also saw us obtaining masterplan approval for 129 acres of land in Wangsa Maju, which we are planning to develop into residential properties. Units at Damai 15, Seri Ampang Hilir, 328 Tun Razak, and Bentong Hills were fully sold in the year.

We continue to uphold the highest standards of professionalism at work, and remain committed to ensuring project quality across all our developments. To this end, our efforts are benchmarked against the local industry benchmark – Qlassic. Moreover, for properties that remain under our management, we work hard to ensure that they are maintained well and enjoy good occupancies.

2019 continues to remain challenging, with the market remaining soft for at least the first half of the year. With an oversupply of high-end developments in the city centre, and low rental demand, we remain cautious of the local market. Globally, UK, US, and China look set to continue to grapple with issues at home which will undoubtedly impact the global economic and political landscape.

We look forward to completing and handing over of Stonor 3 in the second half of 2019.

# Management Discussion and Analysis
(continued)

*Hotel Segment*

2018 was a challenging year for the hotel division which saw gross operating revenue declined by 11% to RM509 million, and gross operating profit (GOP) declined by 14% to RM215 million, as compared to 2017. These results were driven by a fall in both the overall room nights sold and the average transient rates achieved, which reflected the weaker hospitality market and the increasingly competitive operating environment. Overall GOP margin achieved for the year compressed marginally by 2% to 42% as a result of effective cost management and improvements in operating efficiencies.

The year 2018 also saw an increase in the number of rooms at St Giles Heathrow in UK, and the closure of The Court – a St Giles Hotel, in New York for redevelopment. As at 31 December 2018, our total room inventory was 5,248.

For 2019, we expect much of the economic headwinds from 2018 to remain, with uncertainties arising from the trade war between US and China, and Brexit. As such, we anticipate performance in 2019 to remain flat. Management will therefore be focused on realigning market segments and improving cost efficiencies, while delivering quality services and products. During the year, The Boulevard Hotel and Cititel Mid Valley, both located in MVC, will undergo refurbishment exercises which will see their rooms upgraded. Moving forward, we will also be adding to our portfolio with the addition of the 575-room St Giles Southkey in Johor Bahru. The St Giles Southkey is currently under construction and is scheduled to be opened in 2020.

*Property Investment and Management, Commercial Segment*

2018 was a challenging year for the Group's office segment with the market remaining soft due to an oversupply of office space and weaker demand. Occupancy for the Group's office portfolio decreased slightly from 87.4% as at 31 December 2017, to 84.6% as at 31 December 2018.

The year saw the inclusion of one building into the Group's portfolio, namely Menara Southpoint, with a confirmed tenancy of 54%. The total net lettable area under the Group's office portfolio increased to 3.8 million square feet (sf).

To address the challenges faced, our strategy this year remained the same as the year before. We continued to focus on maintaining rental rates and occupancies in our office buildings, and sought to provide attractive incentives to prospective tenants, including rental free periods, fit-out periods, and additional car parking bays. We also looked to secure longer term tenancies at attractive rates, and improve the tenancy mix so as to avoid exposing ourselves to concentration risk. In order to set ourselves apart from competitors in the market, we also focused on elevating the standard of customer service provided, and worked to create a conducive working environment where tenants can enjoy security, cleanliness and top-notch building maintenance.

2019 will see us continue to work to sustain and maintain a healthy occupancy rate amongst our buildings. We will keep in close contact with our tenants and work with them on any expansion exercises they may be undertaking. At the same time, we will continue to secure new preferred tenants. Lastly, we remain committed to building and nurturing a strong management team, a key component of our business, and the primary factor that has allowed us to continue to perform year on year.

*Property Investment and Management, Retail Segment*

The retail industry faced a tough year as the nation adjusted to the new Government, the popularity of online shopping continued to grow, and new malls opening in the Klang Valley contributed to an increasingly competitive landscape. Against this backdrop, IGB Real Estate Investment Trust (IGB REIT), which owns Mid Valley Megamall (MVM) and The Gardens Malls (TGM), recorded another year of positive growth and received 3 awards at The Edge Billion Ringgit Club Corporate Awards 2018, under the REIT Category.

Both malls focused on actively engaging their communities in the year, and continued carrying out asset enhancement initiatives (AEI) as well as refreshing their tenant mix. MVM welcomed new brands including NYX Professional Make Up, Honolulu Café, Victoria Secret, Macha & Co., iORA, and Christy Ng Shoes, while TGM welcomed Mr Tuk Tuk, The Morning After, Godiva, COS, Sergent Major, and the ABC Cooking Studio.

Particular effort was made in the year to enhance overall accessibility for the malls. TGM, for example, introduced 18,000 sf of additional retail space, which also allowed for added accessibility to the lower ground floor at the North wing. A new bridge connecting the first floor of MVM and Menara Southpoint opened in July 2018, and two new pedestrian bridges connecting the first floor of TGM to KL Eco City and Menara Southpoint are being built. Once opened, these bridges will offer greater connectivity, particularly to the KTM and LRT Abdullah Hukum lines.

Both malls also stepped up their efforts to engage their communities online as well as through on-ground events. MVM for example, carried out targeted events to appeal to its shopper demographic, collaborating with world renowned partners including Disney and LEGO. The mall also worked closely with its tenants to create online activities that tied in with ongoing promotions in stores.

These efforts have supported growth in footfall and income in the year.

# Management Discussion and Analysis
(continued)

IGB REIT remains cautious going into 2019 and expects another challenging year ahead. It remains firm in its commitment to creating long term value for its unitholders and will continue to bring innovative retail experiences that promise to excite the market.

*Construction Segment*

We continued to work on several large projects in 2018. The main challenge faced was in meeting deadlines while operating in an environment where it has become increasingly difficult to employ foreign workers. The erratic weather that Malaysia has encountered this year has also hindered our ability to stay on track. We have therefore worked hard to better manage both our costs and timelines, while maintaining our commitment to uphold the highest standards of quality.

(a) Menara Southpoint

Menara Southpoint, a 55-storey mixed-use building, is the last major component of our MVC development. A partial Certificate of Completion and Compliance was received in July 2018 for the first 36 storeys of the building, which consists mainly of offices. The remaining 19 storeys of the building, which will house residential units together with amenities, are undergoing the final stages of interior design and architectural works.

Work on the grand ballroom, which will have a seating capacity of more than 1,000 persons, has been rescheduled to commence in the second quarter of 2019.

(b) The Mall, Mid Valley Southkey, Johor Bahru

The Mall, Mid Valley Southkey is a shopping mall in Johor Bahru consisting of 5 levels of retail, 2 levels of basement carparks, and 5 levels of elevated carparks. Construction work, inclusive of interior fit out and infrastructure works, is expected to be completed in the second quarter of 2019. The mall will open its doors to the public within the second quarter of 2019.

**(c) St Giles Southkey, Johor Bahru**

The St Giles Southkey is a proposed 4-star hotel with 29 storeys housing 575 rooms offering banquet and recreational facilities. The hotel will be located above the podium roof of The Mall, Mid Valley Southkey.

Structural works were completed in the first quarter of 2019. Interior fit-out and mechanical & engineering works are currently in the tendering process. The hotel is targeted to be completed and handed over to the hotel operator by early 2020.

(d) Mid Valley Southkey North Tower and South Tower, Johor Bahru

Mid Valley Southkey North and South Towers are 30 storey buildings, each with 24 storeys of office space. Each tower has a gross floor area of 40,500 square metres (sm), and a net floor area of approximately 30,000 sm. Structural works for both towers started in July 2018, and completed in the first quarter of 2019. Both towers are scheduled to be completed in 2020.

*Other Operating Segments*

(a) Water Treatment in China

The China Water Group performed well in 2018. This was mainly due to the commencement of operations of the Zou Cheng Phase 1 Upgrade, and revised water tariffs for the Yantai New Water Plant.

In 2018, the management of our operating costs became more challenging as the authorities raised the waste water discharge standard, and we faced rising operating costs. Additionally, we faced challenges in attracting local key personnel in China with the right skills for our plants.

Moving forward, we will continue to closely monitor and prudently manage our plants' performance, and will work to maintain strong working relationships with the authorities to achieve a better water tariff as we progress.

As we look forward to 2019, we are confident of achieving a better performance as negotiations with the authorities regarding the revision of new water tariffs are already ongoing.

**(b) Education**

2018 saw IGB International School (IGBIS) continues to establish itself in the Malaysian market, heightening awareness around the curriculum offered as well as what sets it apart from other international schools in the country. In particular, marketing exercises were carried out with a focus on nearby communities. The school's digital platform was also enhanced in the year, and a special effort was made to ensure that online searches resulted in the school's website appearing higher up in search results. These initiatives have helped in increasing awareness around IGBIS throughout the year, and we are glad to report that student enrolment was up by 14%.

# Management Discussion and Analysis
(continued)

In 2018, the school was awarded full accreditation by the Council of International Schools (CIS) and the New England Association of Schools and Colleges (NEASC). These have provided us with international recognition for schoolwide practices, teaching, and learning, and enabled the accreditation of the IGBIS High School Diploma offered. Furthermore, the accreditation awards meant that IGBIS was able to apply for and gain membership with the East Asia Regional Council of Schools.

Today, IGBIS is the only International Baccalaureate (IB) continuum school in Malaysia authorised for all four IB programmes, namely - the Primary Years Programme (PYP), the Middle Years Programme (MYP), the Diploma Programme (DP), and the Career-related Programme (CP). As an IB continuum school we share a common commitment to providing a high quality, stimulating international education for all students who come through our doors. Our diverse and inclusive learning community supports our students as they pursue an IB education and become caring global citizens who are able to contribute to a sustainable and peaceful society both in Malaysia and around the world.

IGBIS students have continued to perform well this year, achieving outstanding results and scoring well above the world average on the IB Diploma. The graduating class has gone on to achieve acceptances to prestigious universities including the University of Cambridge, Imperial College London, University College London, Cornell, the National University of Singapore, and the University of Edinburgh.

As we look to 2019, we are confident that we will be able to continue to grow our student population as we push forward with our efforts to further grow awareness around our school through targeted marketing initiatives.

**(c) IT & Data Analytics**

In 2018, AFMS Solutions Sdn Bhd focused its efforts on penetrating new markets, broadening its scope to include the retail mall segment, and building strategic alliances. It is hoped that through the latter, we will be able to work with our partners to launch new products that will appeal to the market. One of the projects that we were involved in this year, saw us developing an E-Leasing Proof of Concept. The commercialisation of the project will be seen in 2019.

The announcement by the Government regarding the reduction of broadband rates by 30% to 50%, and the increase in bandwidth quotas, has had a significant impact on Macro Lynx Sdn Bhd. Coupled with continued competition from Tier 1 Service providers, the business faced a challenging year. As a result of the landscape, we saw a slowdown in take-ups, rising cost of provisions, as well as terminations. We therefore worked hard to retain existing customers through the provision of excellent customer support, and restructured our pricing to provide higher wireless bandwidth at lower prices. In 2018, we also expanded our services to include System Integration (SI) projects, leveraging our existing database. In the year, we have managed to bring in several SI projects, and we hope to grow these in 2019, improving overall revenue and profits for the business.

(d) Updates on New Ventures

(i) 18@Medini, a mixed development in Iskandar Malaysia, Johor Bahru, has been put on hold pending an improvement in market conditions.

(ii) Our 6-acre, mixed-use project in Thailand fronting the Chao Phraya River, is currently on hold and will await an opportune time to commence development.

(iii) We have obtained planning consent for our mixed-use development project in London. However, we have not commence development due to the uncertainties around Brexit.

5. Risk Management

The Board of IGB is responsible for overseeing and maintaining a sound system of internal controls and risk management so as to safeguard shareholder investments and the assets of the Group. We recognise that doing so is a fundamental requirement for our continued growth and that risk management is not about completely eliminating risk, but about managing it in a manner that allows for the Group to achieve its business objectives.

(a) Market Risk

The Group has operations and investments around the world which expose us to volatility in the global financial and property markets. A downturn in these markets could therefore result in revaluation losses, as well as reduced growth and profit for the Group.

In order to mitigate this, the Group holds a diverse portfolio of assets across geographies and industries, and have adopted a disciplined approach to financial management.

Our businesses closely monitor developments in the markets in which they operate as well as assess the implications of global developments on their performance and strategies. These factors may then impact their investment and strategic objectives.

# Management Discussion and Analysis
(continued)

*(i) Foreign currency exchange risk*

Currency risks arise as a result of monetary assets and liabilities denominated in a currency that is not the functional currency.

The Group and the Company are exposed to foreign currency risk as a result of advances from and to subsidiaries, associates, as well as joint ventures. We are also exposed through the deposits and borrowings we have with licensed banks.

To manage our exposure, management regularly monitors foreign currency fluctuations so that we can work to minimise any long-term adverse effects to our financial performance.

***(ii) Cash flow interest rate risk***

The Group and Company's cash flow interest rate risk arises from floating rate term loans, Medium Term Notes and revolving credit.

Our interest rate exposure is co-related with changes in the cost of funds of our lenders, and is part of the inherent risks associated with carrying on a business as a going concern. Management closely monitors our exposure and works to ensure that it is in accordance with the Group's financial risk management policies and in line with the overall financial objective of creating value for our stakeholders.

(b) Competition Risk

The Group faces ever-growing competition, both from established players as well as new entrants seeking to gain a foothold in the industry and grow their market share. As customer expectations continue to evolve, competitors are finding alternative ways to deliver innovative products and services. Emerging technologies also present new sources of competitive advantage.

In this challenging environment, meeting the needs of our customers with innovative solutions and superior experiences is critical in order to maintain high-quality relationships. Failure to recognise and adapt to changing competitive forces in a timely manner could erode the Group's earning and market position over time.

To remain relevant and competitive, the Group adopts a rigorous approach to strengthening their competitiveness through constantly monitoring the market, enhancing their offerings, bringing a fresh perspective to established industries, and innovating to stay ahead of the curve. We believe that the emergence of digital businesses will disrupt current ways of working and offer fresh opportunities for the Group to innovate.

**(c) Human Capital Risk**

The Group views human capital as a critical factor in driving growth through the execution of the Group's strategies. It is therefore very important to us that we work to be an employer of choice, through ensuring that we offer a professional work environment in which our employees can grow both personally and professionally. This means that we practice compensation benchmarking, regularly review employee benefits, as well as staff development programmes, amongst others.

Succession planning is also very important and as such, succession plans are in place for key management, and are reviewed on a regular basis.

Through these efforts, we strive to attract and retain the right people to support our business as well as minimise the risks associated with human capital management.

**(d) Legal & Regulatory Risk**

The Group is subject to a range of operational regulatory requirements including those related to occupational health and safety as well as technical standards. The Group is also subject to environmental laws and regulations. Changes in any such laws, regulations, or policies may increase compliance requirements and costs.

To ensure that the Group is up to date and in compliance with new regulatory developments, we engage legal, financial and tax experts in the countries in which we have a presence. We also have in place a framework which monitors ongoing legal, financial, taxation and regulatory developments, communicating these to the relevant businesses so that they can be embedded into their day-to-day operations.

# Management Discussion and Analysis
(continued)

**(e) IT and Cyber Security**

The Group relies on a number of IT systems, applications, and business processes to conduct our business and perform day-to-day operations.

As technology continues to evolve, the threat of cyber-attacks is becoming more sophisticated. Failure to ensure that information held by our businesses is kept safe and used in a way that regulators and customers expect, can significantly impact the relationships we have with our stakeholders and the broader community.

To mitigate these threats, our IT departments have an established framework to manage IT security risks, and have worked to ensure that there are relevant preventive, detective and recovery measures in place. For example, we have in place a Disaster Recovery Plan. IT department also monitors the health of all systems and performs contingency planning for disruptions to critical systems and process.

(f) Terrorist Threat

The frequency of reported terrorist attacks have increased around the world, imposing an urgent need for businesses to be prepared for such eventualities. To safeguard our communities, the Group regularly reviews and updates our security measures across our buildings, and works closely with the authorities to keep up to date on any potential threats. We also have a crisis management plan in place as well as a team of personnel who have been trained to respond to such circumstances.

(g) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group and the Company control these risks by the application of credit approvals, limits, and monitoring procedures. To minimise our credit risk, we ensure that we only work with business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis through our management reporting procedures, and we work to ensure that we do not have significant exposure to any individual customer or counterparty, or have any major concentration of credit risk related to any financial instrument.

The credit quality of trade receivables that are neither past due nor impaired are substantial amounts due from customers with a good collection track record with us, and management closely monitors any trade receivables that are past due. As a result, no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's and the Company's trade receivables.

**(h) Liquidity and cash flow risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall cost effectiveness. As at 31 December 2018, the Group held cash and cash equivalents of RM1,001.6 million (2017: RM1,293.6 million) as part of our management of liquidity risk. As at 31 December 2018, Group borrowings stood at RM4,122.0 million (31 December 2017: RM3,454.7 million).

(i) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

**6. Well-placed to Compete, Thrive, and Evolve**

Malaysia is expected to see lukewarm growth in 2019 as the economy continues to be weighted down by dampened external demand, slowing global growth, domestic political uncertainties, and lower public investments as the new Government adopts a more prudent approach to new infrastructure projects. Private consumption and private investment are expected to remain the key drivers of growth.

For IGB, 2019 will see the Group settling into its new structure, and with business pushing ahead as usual, the Group expects to begin to see the impact of the streamlined business model. We will continue our pursuit of excellence across our portfolio of diverse businesses, and will leverage our strong leadership team and dedicated workforce to embrace the challenges that lie ahead. We believe that we are in a much stronger position today, to compete and thrive, and are well-placed to continue to evolve as a business, capturing opportunities, creating sustained long-term value, and enhancing returns to our stakeholders.

This Statement has been approved by the Board and is current as at 1 April 2019.

# Top 10 Properties by Value
held by IGB Berhad Group as at 31 December 2018

| | Location/Address | Tenure | Age of Building (Years) | Description/ Existing use | Date of Acquisition/ Revaluation | Group Net Book Value As At 31 December 2018 RM'000 |
|---|---|---|---|---|---|---|
| 1 | HS(D) 493555 PTD 208568 and HS(D) 493556 PTD 208569 Mukim Plentong Daerah Johor Bahru | Leasehold expiring 2100 | - | 31.5 acres land for proposed mixed commercial development under construction at Southkey, Johore | 3-9-2013 | 1,221,362 |
| 2 | PT 15 HS(D) 105028 Section 95A Kuala Lumpur | Leasehold expiring 2103 | - | Proposed mix development under construction known as Mid Valley South Point at Mid Valley City | 28-12-2004 | 728,634 |
| 3 | Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur | Leasehold expiring 2103 | 12 | Shopping complex known as The Gardens Mall together with 4,128 car parking bays | 28-12-2004 | 481,338 |
| 4 | Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur | Leasehold expiring 2103 | 19 | Shopping complex known as Mid Valley Megamall together with 6,102 car parking bays | 17-12-1999 | 363,060 |
| 5 | Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur | Leasehold expiring 2103 | 19 | 646-room Cititel Hotel Mid Valley | 31-12-2011 | 258,012 |
| 6 | 199 Jalan Tun Razak Kuala Lumpur | Freehold | 10 | 32 storey commercial building known as GTower comprising retail, office and hotel | 31-1-2002 | 243,643 |
| 7 | 97-99 Pitt Street Sydney, Australia | Freehold | 4 | 281-room The Tank Stream, Sydney | 6-7-2011 | 213,048 |
| 8 | 207 Jalan Tun Razak Kuala Lumpur | Freehold | 25 | 330,000 square feet office space at Menara Tan & Tan | 31-1-2002 | 178,042 |
| 9 | 123 Nordin Street 10300 Pulau Pinang and 183 Jalan Magazine 10300 Pulau Pinang | Freehold | 4 | 234-room Cititel Express Penang and 415-room St Giles Premier Wembley, Penang | 19-9-2007 | 172,458 |
| 10 | Lot 15256 Mukim of Labu, District of Seremban, Negeri Sembilan | Freehold | - | 344.0 hectares vacant land approved for mixed development for residential and commercial use | 31-1-2002 | 170,627 |

# Corporate Governance Overview Statement

The Board of Directors (Board or Directors) of IGB 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 IGB's CG framework, as summarised in this Statement, and adherence to that framework are fundamental in demonstrating that the Board is accountable to the shareholders (SHs) and is appropriately overseeing the management of risk and the future direction of IGB and its subsidiaries (Group). In developing its CG framework, the Board is guided by the measures set out in the Main Market Listing Requirements (MMLR) and the Corporate Governance Guide (CG Guide) of Bursa Malaysia Securities Berhad (Bursa Securities) as well as the Malaysian Code on Corporate Governance (MCCG). The policies and practices of the Group, supported by existing internal control processes, are regularly reviewed and refined on the basis of new regulatory requirements and best practices as well as the needs and circumstances of the Group.

The Board comprises 5 members. All the members of the Board except for Group Chief Executive Officer (GCEO), are Non-Executive Directors (NEDs). Of the 4 NEDs, 3 of them, being half of the Board, are Independent Non-Executive Directors (INEDs), thus providing for a strong and independent element on the Board. The Board is headed by Tan Lei Cheng (TLC) (Board Chairman), who is a Non-INED. She is joined on the Board by Lee Chaing Huat (LCH) (Senior INED), Daud Mah bin Abdullah (DMA) (INED), Dato' Dr. Zaha Rina binti Zahari (DDZR) (INED) and Dato' Seri Robert Tan Chung Meng (DSRT) (GCEO and Non-Independent Executive Director) (NIED). Each Director is appointed on the strength of his/her calibre and experience. Together, the Directors from diverse professional and personal backgrounds provide a collective range of skills and expertise which is vital to effectively lead the Group. Biographical details of the Directors are set out in this Annual Report under the heading **Profile of Directors**.

This Statement provides an insight on IGB'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 SHs with better information. 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, in so far as CG practices of IGB diverge from MCCG Practices, the Board has offered full disclosure and reason for the adoption of its own practices.

IGB's key governance documents, including the Constitution, Board Charter (Charter), Directors' Code of Ethics (Code), the terms of reference (ToR) of each of the Board Committees (BCs), Remuneration Policies and Practices (RPP) and Group Whistleblowing Policy and Procedures (GWPP) are posted on IGB's website (**www.igbbhd.com**).

This Statement has been approved by the Board and is current as at 26 February 2019.

<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>1.1</td><td>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.<br><br>The board should set the company's values and standards, and ensure that its obligations to its SHs and other stakeholders are understood and met.</td><td>The Board is tasked with leading and governing IGB in an effective, efficient and responsible manner. The Board is accountable to SHs for the business conduct, performance, operations and overall governance of IGB, in each case including the protection of SH interests, developing strategic direction, establishing goals for management and monitoring the achievement of these goals.<br><br>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 management. The key matters specifically reserved for the Board's approval as set out in its Charter include:<br><br>▪ guiding the strategic business directions of the Group;<br>▪ overseeing and evaluating the conduct of business of the Group;<br>▪ reviewing and approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;<br>▪ 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 Group (including the management of material exposure to environmental, economic and social sustainability risks) and the implementation of appropriate systems to manage those risks;<br>▪ monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting and ensuring compliance with financial reporting requirements; and<br>▪ developing and reviewing the Group's CG principles and policies.<br><br>There are 4 standing BCs which the Board has delegated its authority to assist in reviewing and monitoring the above functions. These BCs are Policy and Implementation Council (PIC), Audit Committee (AC), Nomination Committee (NC) and Remuneration Committee (RC). 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 matters 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.</td></tr>
</table>

# Corporate Governance Overview Statement
(continued)

| PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS | | |
|---|---|---|
| **MCCG Practices** | | Explanation |
| 1.2 | A Chairman of the board who is responsible for instilling good CG practices, leadership and effectiveness of the board is appointed. | Board Chairman is TLC, a Non-INED. Board Chairman is also a member of PIC, 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 management on strategic, business and other key issues pertinent to the business and operations of the Group. With the full support of the Board and management, the Board Chairman spearheads IGB's drive to promote, attain and maintain high standards of CG and transparency. |
| 1.3 | The positions of Chairman and chief executive officer are held by different individuals. | The positions of Board Chairman and GCEO are held by 2 different individuals 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. GCEO, DSRT, who was appointed during the year, and also a PIC member, assumes the responsibilities of executing the Group's strategies and plans in line with the direction of the Board and PIC, oversees the Group's operations and drives the Group's businesses and performance towards achieving the Group's visions and goals. In carrying out his tasks, GCEO, is supported by Deputy GCEO (DGCEO), namely Tan Boon Lee (TBL), as well as divisional heads of the relevant key business and function units. GCEO, by virtue of his position as a Board member, also functions as the intermediary between the Board and management, as well as provides close oversight, guidance, advice and leadership to management. The financial authority of the Board, PIC, GCEO and DGCEO is explicitly provided in the Group's authority matrix – approval limits. |
| 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 a qualified and competent Group Company Secretary (GCS), Tina Chan, a Fellow of the Institute of Chartered Secretaries and Administrators. GCS 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 IGB 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 NEDs and management, and performing such other duties of GCS, as required under laws and regulations or as specified in 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, GCS 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 disseminated to Directors before the end of the preceding financial year.<br><br>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, both digital and hard copies, generally provided to Directors at least 5 business days (unless in unavoidable circumstances) prior to date set for meetings to enable them 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 senior executives 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 Group, and informed of decisions and salient issues by the respective chairmen of BCs, as well as updates and changes to regulatory requirements, including changes in accounting standards and the applicable statutes and regulations affecting the Group. 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.<br><br>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 GCS for the Board's consideration, with discussions and clarifications taking place between members of the Board and management, 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 6 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, the Directors have direct access to management and have complete and unrestricted access to information pertaining to the businesses and affairs of the Group. 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.<br><br>NC has evaluated and is satisfied that each Director has provided sufficient time and attention to the affairs of IGB 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 IGB. 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.<br><br>The board charter clearly identifies –<br><br>▪ the respective roles and responsibilities of the board, BC, individual directors and management; and<br>▪ issues and decisions reserved for the board. | The Board's functions are governed and regulated by its Charter, Constitution, MMLR and various applicable legislation. The Charter sets out the respective authority, functions, responsibilities and processes of the Board, BCs, management and those matters expressly reserved to the Board and those delegated to BCs and management. 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 Group. The Charter was last reviewed on 26 February 2019.<br><br>The Board is responsible for the governance of IGB as well as the overall strategy and business direction of the Group. The Board fulfils its mandate at regularly scheduled meetings and as warranted by particular circumstances, as described in Box 1.5.<br><br>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 PIC with 4 out of 6 members are Directors of the Group. 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.<br><br>GCEO has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Group, as described in Box 1.3. To ensure the business and operational efficacy is maintained without compromising the standard of CG, the scope of, and limitations to GCEO, DGCEO and management delegated authority is clearly documented and cover areas such as operating and capital expenditure. |
| 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.<br><br>The Code of Conduct and Ethics is published on the company's website. | IGB 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 IGB and act in good faith in the best interests of IGB and SHs. The Code is periodically reviewed to ensure new facts and circumstances and evolving governance issues are addressed and best practices are incorporated.<br><br>Directors are expected to avoid any action, position or interest that conflicts with an interest of IGB, or gives the appearance of a conflict. GCS quarterly solicits information from Directors in order to monitor potential COI and Directors are expected to be mindful of their fiduciary obligations to IGB. 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.<br><br>IGB has established controls and reporting measures for handling related party transactions (RPT) involving, among others, Directors, major SHs 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 MMLR. Management 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. |

# Corporate Governance Overview Statement
(continued)

| PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS | | |
|---|---|---|
| **MCCG Practices** | | Explanation |
| 3.1 Cont'd | | 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 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. IGB maintains a register to record all RPT/RRPT which are entered into by the Group. The Group Internal Audit's (GIA) 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 IGB's procedures in identifying, monitoring and reviewing RPT/RRPT to ensure that the terms concluded were fair, reasonable and based on commercial viability. AC reviews GIA reports to ascertain that the guidelines and procedures established to monitor RPT/RRPT have been complied with.<br><br>At its 18th AGM in 2018, IGB obtained a general mandate under paragraph 10.09(2) of MMLR for the Group to enter into RRPT (RRPT Mandate). Based on the actual amount transacted from the date of the 18th AGM up to the date of this Statement, none of the actual value of RRPT has exceeded the estimated value by 10% under the mandate. The details of RRPT entered into by the Group during FY2018 pursuant to the mandate are disclosed in Appendix 2.<br><br>IGB is seeking SH approval at the Nineteenth AGM (19th AGM) to be held on 29 May 2019 to renew the RRPT Mandate. 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 SH approval for the entry by the Group 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 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 RRPT Mandate at the 19th AGM. The details of which are set out in **Part B: Circular to Shareholders – RRPT Mandate**.<br><br>Directors and senior executives 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 securities as soon as they possess, become aware of or privy to such information until proper disclosure of the information in accordance with MMLR.<br><br>Directors and senior executives are notified of any announcement released to Bursa Securities and the impending restriction in dealing with IGB securities prior to the announcement of quarterly financial results or corporate proposal. GCS issues quarterly reminders to Directors and senior executives on the restrictions in dealing in IGB securities during the closed period. Directors and senior executives are also expected to observe insider trading laws at all times even when dealing with IGB securities within the permitted trading period. Directors and senior executives who do not have access to price-sensitive information may deal in IGB securities provided that the procedures set out in MMLR are strictly adhered to.<br><br>Each Director or senior executive is required to give notice to IGB of his/her acquisition of IGB securities or of changes in the number of securities 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 securities by Directors and senior executives will be announced via the regulatory information service (BursaLINK), with the announcement posted on IGB's website. The interests in IGB securities of Directors are shown in **Statistical Report** in this Annual Report. |
| 3.2 | The board establishes, reviews and together with management implements policies and procedures on whistleblowing. | IGB Group is committed to conduct its business and operations premised on the concepts of transparency, integrity and accountability, in compliance with applicable laws and regulations while adopting the highest standards of professionalism, honesty, integrity and ethics.<br><br>In line with this vision, IGB has put in place a GWPP. GWPP provides an avenue for employees and third parties to raise concerns or observations in confidence to the Group, about possible irregularities for independent investigation and appropriate follow up action to be taken. Such concerns include dishonesty, fraudulent acts, corruption, legal breaches and other serious improper conduct; unsafe work practices; and any other conduct that may cause financial or non-financial loss to the Group or damage to the Group's reputation. |

# Corporate Governance Overview Statement
(continued)

| PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS | | |
|---|---|---|
| **MCCG Practices** | | Explanation |
| 3.2 Cont'd | | All whistleblower reports are addressed to the Whistleblowing Committee (WBC), which comprises the heads of GIA, Group Human Capital and Group Legal Affairs, who are responsible for the administration, implementation and overseeing compliance with GWPP, and to investigate, or determine the appropriate corrective or remedial actions that may be warranted in consultation with GCEO or Senior INED. A whistleblower is assured confidentiality of identity, to the extent reasonably practicable. This includes protecting the whistleblower from detrimental action that may result from the disclosure of improper conduct, provided that the disclosure is made in good faith. |
| 4.1 | At least half of the board comprises Independent Directors (IDs).<br><br>For Large Companies, the board comprises a majority IDs. | There have been changes to the Board since last AGM. During calendar year 2018, IGB initially had 4 NEDs of whom 3 are INEDs and 4 NIEDs (including GCEO). As part of IGB's efforts towards meeting with regulatory requirements and best practices specially pertaining to board governance, the Board and BCs had been reconstituted on 1 June 2018 and 30 August 2018, with the resignation of Datuk Tan Kim Leong (DTKL) (INED), TBL (NIED), Daniel Yong Chen-I (DYCI) (NIED) and Tan Mei Sian (TMS) (NIED); the appointment of LCH as AC Chairman replacing DTKL, as well as the Senior INED serving as a liaison between Board Chairman and INEDs, DDZR as INED and TBL as alternate Director to DSRT; and the composition of AC made up solely of INEDs with TLC ceasing as AC member. As at the date of this Statement, the Board comprises 5 Directors of whom 3 are INEDs, 1 Non-INED and GCEO with 60% of Directors being independent and with 40% women representation.<br><br>NC has conducted its annual review FY2018 on the new Board structure, size and composition appropriate to the efficient governance and management of IGB. Considerations that factor into the assessment process included, among others, the nature and scope of the Group's operations, 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 with a diverse range of skills and expertise to consider and make decisions objectively and independently on issues relating to IGB with a balanced exchange of views, deliberations and discussions among the members, and provides for effective oversight over management.<br><br>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 Group's operations. 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 Group's operations. No individual or group dominates the Board's or BCs' decision-making process.<br><br>The Board will 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.<br><br>If the board intends to retain an ID beyond 9 years, it should justify and seek annual SHs approval.<br><br>If the board continues to retain the ID after the 12th year, the board should seek annual SHs approval through a 2-tier voting process. | The presence of INEDs provides objectivity and independent judgement to decision-making process of the Board. The 3 INEDs are independent from IGB's substantial SHs and are not involved in the day-to-day management of the Group, 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 judgment to various areas such as performance monitoring, enhancement of CG and controls so as to safeguard the interest of SHs and stakeholders and to ensure that the highest standards of conduct and integrity are maintained by the Group.<br><br>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.<br><br>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 interest of IGB, 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. |

# Corporate Governance Overview Statement
(continued)

| PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS | | |
|---|---|---|
| **MCCG Practices** | | Explanation |
| 4.2 Cont'd | | The Board (without participation by INEDs) has ascertained that LCH, DMA and DDZR 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 Group with their wealth of knowledge, skillsets and experience would continue to provide invaluable contribution to the Board. The Board also has confidence in DMA, whose term of office as INED had exceeded 12 years, to be tasked in discharging his duties and responsibilities independently and objectively notwithstanding his tenure on the Board, and would seek SH approval through a single-tier voting process to retain him as INED for the existing year. |
| 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 recommendation pay particular attention to the mix of skills, experience, expertise, diversity and other qualities of existing Directors, and how the candidate's attributes will balance and complement those qualities and address any potential skills gaps in light of the evolving strategic directions of IGB. Other considerations include, but are not limited to background, gender and age. This is the approach taken during the calendar year 2018 for the appointment of DDZR as INED. In its review, NC took into consideration the appropriate skillsets required, size, structure and composition of the Board, ensuring that it was not only well-balanced and supportive of good governance and efficient management, but also time commitment and contribution from the candidate.<br><br>The Constitution requires one-third of the Director to retire and stand for re-election at every AGM (1/3-rotation rule) and new Director to submit himself/herself for re-election at AGM immediately following his/her appointment. The Board expects Directors to communicate to Board Chairman, in advance of each annual re-election, confirmation of his/her desire to stand for re-election. Board Chairman shall refer such offer to NC for review. NC refers to the results of the individual assessments conducted via the annual board performance-assessment. NC also assesses Directors based on their roles and contributions to the Board and BCs, independence of view in respect of decision-making, adequacy of training and time commitment by Directors. NC's review and recommendation will be presented to the Board for determination whether the Director's offer should be accepted or rejected. Pursuant to the 1/3-rotation rule, LCH will retire and submit himself for re-election at the 19th AGM. DDZR who was appointed to the Board on 1 June 2018 will also stand for re-election. In its review for FY2018 assessment, NC assessed the individual Director's role contribution and performance, and after having satisfied that they have the appropriate skills and experience required to contribute to an effective Board, recommended (with the Board's concurrence without participation by LCH and DDZR) the 2 retiring Directors to be nominated for re-election at the 19th AGM. Information about LCH and DDZR is provided in this Annual Report under the headings **Notice of 19th AGM** and **Profile of Directors**.<br><br>Talent development and succession planning are key priorities to the Board in ensuring a high-performing SM which contributes to the Group's sustainability and competitiveness. Individuals appointed to SM will be based on experience and expertise relative to the duties, education level, competencies, probity and personal integrity. During FY2018, NC had assessed the suitability of 3 key senior executives namely DGCEO, Group Chief Financial Officer (GCFO) and GCS and recommended to the Board on their appointments which took effect on 1 June 2018 as well as reviewed the succession planning for senior executives where the second liners of the management to be considered as part of pool for selection as SM. |
| 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.<br><br>As described in Box 4.4, IGB makes its appointment decisions based on merits, ensuring that the individuals appointed to the Board and SM have the appropriate fitness and propriety to discharge their prudential responsibilities during the course of their appointment. Considerations on the Board's and SM'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. |

# Corporate Governance Overview Statement
(continued)

| PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS | | |
|---|---|---|
| **MCCG Practices** | | Explanation |
| 4.5 Cont'd | | 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 SM. As at 31 December 2018, the proportion of women employed by IGB was, Board @ 40%, and SM @ 35%. |
| 4.6 | In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, SM or major SHs. The board utilises independent sources to identify suitable qualified candidates. | The Board recognises that Board renewal is a continuous process and one that is essential for ensuring the Board remains relevant in IGB'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 major SHs, 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 DDZR since her appointment on 30 August 2018. 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 and the development of a process for evaluation of the performance of the Board, BCs and individual Directors including the independent status of NEDs.<br><br>NC Chair continues to lead NC to assist the Board in fulfilling its 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. | 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 the Board effectiveness, thus ensuring IGB is under the oversight and guidance of an accountable and competent Board.<br><br>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.<br><br>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. GCS compiles 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.<br><br>The last performance evaluation was carried out in February 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 IGB 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.<br><br>The Board had 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. |

# Corporate Governance Overview Statement
(continued)

| PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS | | |
|---|---|---|
| **MCCG Practices** | | Explanation |
| 5.1 Cont'd | | 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 Directors in FY2018, including the level of attendance and participation at the Board and BC meetings. The review also supported the Board's decision to endorse LCH and DDZR standing for re-election, as well as retention of DMA as an INED notwithstanding that he has served as INED for more than 12 years.<br><br>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. | IGB 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 IGB's mission and strategy. With this in mind, IGB 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 Group, at a competitive cost.<br><br>IGB 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.<br><br>The Board has established a remuneration framework which supports the Group's culture, objectives and strategy and reflects the responsibility and commitment of Directors and SM. The remuneration framework sets out an objective remuneration structure for Directors and SM and enables periodic review of the remuneration packages by RC for the Board's approval.<br><br>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 additional responsibility carried by that office. NEDs are paid annual fees which are subject to SH approval, and sitting fees for attending meetings of the Board and BCs. GCEO and DGCEO do not receive any fee nor meeting allowance as they are salaried employees of IGB. Directors are entitled to be reimbursed by IGB 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 IGB. Details on remuneration of Directors are shown in Box 7.1.<br><br>In establishing the remuneration structure of GCEO, DGCEO and senior executives, IGB adopts a remuneration system that is responsive to the market elements and performance of IGB as well as the individual. The remuneration of GCEO, DGCEO and senior executives comprises base salary, performance bonus and other benefits based on their respective service/employment contracts with IGB. Base salaries are reviewed annually taking into account a variety of factors, such as general economic and market conditions; particular circumstances such as changes in the scope and responsibility of the role; salary levels for comparable roles at relevant comparators; and individual performance. The performance-based bonus is linked to and determined based on achievement of IGB's key qualitative financial, operational and strategic measures in the year. |
| 6.2 | The board has a RC to implement its policies and procedures on remuneration including reviewing and recommending matters relating to remuneration of the board and SM. | RC comprises 3 INEDs and 1 Non-INED and is chaired by DMA.<br><br>The primary role of RC is to assist the Board to establish a framework and process on individual Directors' remuneration and this process include, among others, conducting regular assessments of individual Executive Directors (EDs) and senior executives to ensure that remuneration is directly related to corporate and individual performance; ensuring the level of remuneration commensurate with the skills, responsibility and time expected of a NED and is sufficient to attract and retain qualified and experienced NEDs; and performing benchmarking exercises from time to time on remuneration for both EDs and NEDs.<br><br>Assistance from external consultants may be used, if deemed necessary. No Director or senior executive is involved in the deliberation and decision in respect of his/her own individual fees/remuneration. |

# Corporate Governance Overview Statement
(continued)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**

| MCCG Practices | | Explanation |
|---|---|---|
| 6.2<br>Cont'd | | The remuneration levels for Directors and senior executives are reviewed each year through a structured and transparent assessment process. To ensure the competitiveness of IGB's remuneration levels, the levels are benchmarked against its peer group and the industry generally. The last performance evaluation for NED remuneration was performed on 28 August 2018. RC had considered the quantum of NED fees and meeting allowances, and having noted that the annual fees of IGB 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, and meeting allowances for the chair of the meeting and NED for each Board and BC meetings be revised to RM3,000 and RM2,500 respectively. This recommendation had been endorsed by the Board and to be tabled for SH approval at the 19th AGM.<br><br>The last review exercise for the remuneration packages for GCEO, DGCEO and senior executives was made on 13 November 2018. RC, after having reviewed the individual performances, responsibilities, expertise and complexity of the Group's activities, as well as comparative information obtained from independent remuneration sources within the industry, recommended (with the Board's concurrence) the annual salary increment and bonus quantum for GCEO and DGCEO, salary market adjustment for senior executives as well as the bonus pool for the Group. |
| 7.1 | There is detailed disclosure on named basis for remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits-in-kind (BIK) and other emoluments. | Details of each individual Director's remuneration paid and payable at IGB-level, and Group-level in respect of FY2018 are set out in the table below: |

| IGB-Level | Fees RM | Salary and Bonus[b] RM | BIK[c] RM | Meeting Allowance[d] RM | Total RM |
|---|---|---|---|---|---|
| TLC | 166,667 | - | - | 29,000 | 195,667 |
| DSRT[e] | - | - | - | 6,000 | 6,000 |
| LCH[f] | 83,333 | - | - | 46,000 | 129,333 |
| DMA | 80,000 | - | - | 46,500 | 126,500 |
| DDZR[g#] | 46,667 | - | - | 10,000 | 56,667 |
| TBL[h] | - | - | - | 7,500 | 7,500 |
| DTKL[i#] | 60,000 | - | - | 30,500 | 90,500 |
| DYCI[i] | - | - | - | 6,000 | 6,000 |
| TMS[i] | - | 616,523 | 418 | - | 616,941 |
| Total | 436,667[a] | 616,523 | 418 | 181,500 | 1,235,108 |

| GROUP-Level | Fees RM | Salary and Bonus[b] RM | BIK[c] RM | Meeting Allowance[d] RM | Total RM |
|---|---|---|---|---|---|
| TLC | 264,167 | - | - | 49,000 | 313,167 |
| DSRT[e] | - | 11,641,280 | 36,350 | 6,000 | 11,683,630 |
| LCH[f] | 83,333 | - | - | 46,000 | 129,333 |
| DMA | 80,000 | - | - | 46,500 | 126,500 |
| DDZR[g#] | 46,667 | - | - | 10,000 | 56,667 |
| TBL[h] | - | 2,204,160 | 29,836 | 7,500 | 2,241,496 |
| DTKL[i#] | 60,000 | - | - | 30,500 | 90,500 |
| DYCI[i] | - | 1,675,152 | 8,570 | 6,000 | 1,689,722 |
| TMS[i] | - | 616,523 | 418 | - | 616,941 |
| Total | 534,167 | 16,137,115 | 75,174 | 201,500 | 16,947,956 |

[a] Proposed fees of RM436,667 in respect of FY2018 (FY2017: RM260,000).
[b] Salary and Bonus (including EPF contributions).
[c] BIK includes car, driver, club membership, mobile communication devices, leave passage and other claimable benefits.
[d] Meeting allowances for the period from 1 January 2018 to 31 December 2018.
[e] Appointed as GCEO on 30 March 2018.
[f] Appointed as AC Chairman on 30 August 2018 to replace DTKL.
[g] Appointed as INED on 1 June 2018, and the Chair of NC as well as members of AC and RC on 30 August 2018.
[h] Appointed as DGCEO on 1 June 2018 and alternate Director to DSRT on 30 August 2018.
[i] Resigned on 30 August 2018.
[#] Fee is pro-rated from his/her date of appointment/resignation.

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(continued)

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<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 and 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 Group operates and the importance of ensuring stability and continuity of business operations with a competent and experienced SM in place, it is in the best interests of IGB not to disclose the remuneration of its top 5 senior executives on a named basis.<br><br>Remuneration paid to the top 5 senior executives in bands of RM50,000 for FY2018 is as follows:<br><br>
<table>
<tr><th>Remuneration Bands</th><th>No. of SM</th><th>Salary and Bonus[b]</th><th>BIK[c]</th><th>Other Emoluments**</th><th>Total</th></tr>
<tr><td>Between RM200,000 – RM250,000</td><td>1</td><td>75.45%</td><td>0.00%</td><td>24.55%</td><td>100%</td></tr>
<tr><td>Between RM300,000 – RM350,000</td><td>1</td><td>91.75%</td><td>0.06%</td><td>8.19%</td><td>100%</td></tr>
<tr><td>Between RM400,000 – RM450,000</td><td>1</td><td>84.21%</td><td>0.32%</td><td>15.47%</td><td>100%</td></tr>
<tr><td>Between RM650,000 – RM700,000</td><td>1</td><td>90.51%</td><td>0.00%</td><td>9.49%</td><td>100%</td></tr>
<tr><td>Between RM700,001 – RM750,000</td><td>1</td><td>44.20%</td><td>0.00%</td><td>55.80%</td><td>100%</td></tr>
</table>
<br>** Other Emoluments include car allowance, meal allowance, gratuity and leave pay.<br><br>The annual aggregate remuneration paid to the top 5 senior executives of IGB for FY2018 was RM2,350,464.</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 senior executives on a named basis, and has instead disclosed the remuneration of the top 5 senior executives in bands of RM50,000. IGB believes that such disclosure is sufficient for providing transparency to SHs without prejudicing the interest of SHs. The composition of the current senior executives has been quite stable and to ensure the continuity of business and operations of the Group, it is important that IGB continues to retain its team of competent and committed senior executives to drive the Group'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 LCH, the Senior INED. LCH is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants (MIA). He was appointed as AC member on 8 December 2014 and subsequently re-designated as AC Chairman on 30 August 2018.</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 a member of AC.</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.<br><br>None of AC members are former partners of PricewaterhouseCoopers PLT (PwC), the external auditors (EA) of IGB. 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 EA.</td><td>AC monitors and reviews the effectiveness of the external audit process for the financial statements of IGB and undertakes a detailed review of the audit plan and audit results report. Any concern with the effectiveness of the external audit process would be reported to the Board. No concerns were raised in respect of IGB Financial Statements FY2018.<br><br>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 GCFO who has 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, and recommended for the endorsement of the Board on the re-appointment of PwC as EA for FY2019 to be submitted for SH approval at the 19th AGM whereupon the Board has endorsed AC's recommendation.</td></tr>
</table>

# Corporate Governance Overview Statement
(continued)

| PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT | | |
|---|---|---|
| MCCG Practices | | Explanation |
| 8.3 Cont'd | | 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 MIA and their firm's requirements for the audit of IGB Financial Statements FY2018. The statement of EA's responsibilities on IGB Financial Statements FY2018 is set out in this Annual Report under the heading Independent Auditors' Report.<br><br>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. An analysis of fees paid to PwC, including a breakdown of fees for non-audit services, is disclosed in **Notes to the Financial Statements** of this Annual Report. |
| 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 members should be financially literate and are able to understand matters under the purview of AC including the financial reporting process.<br><br>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's financial reporting and accounting policies, the Group'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 MMLR, the GIA's function, including its resources, audit plans and the scope and effectiveness of GIA procedures and the independence and objectivity of EA.<br><br>AC has full access to and the cooperation of SM and reasonable resources to enable it discharges its function properly. AC meetings are held quarterly to review the quarterly financial results of IGB before recommending to the Board for approval on the release of the financial results.<br><br>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. AC has met EA without presence of management twice in FY2018 and again in February 2019. In the review of IGB Financial Statements FY2018, AC discussed with GCFO the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, AC reviewed the key audit matters 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.<br><br>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 1.<br><br>The Board has determined that LCH, DMA and DDZR 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 committed to establish and maintain a sound, effective and efficient system of risk management and internal control to monitor the Group's assets and SH investment.<br><br>The risk management and internal control systems are designed to identify, assess and manage risks that may impede the achievement of the Group's business objectives and strategies 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.<br><br>The Group 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 the Group. 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, IGB 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 |
| 9.2 | The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework. | The Board's oversight, review and monitoring of the effectiveness of the Group's risk management and internal controls are supported by PIC, AC and GIA. PIC responsibilities include, among others, assisting the Board in undertaking the supervisory role in risk management activities of the Group, determining the strategic approach to risk and setting the risk appetite, understanding the significant risks and ensuring the adequacy and reliability of the risk management processes and system of internal controls. Each divisional head will be responsible for the risk at the business unit that will report directly to the Head of Group Strategy and Risk (GSR), who in turn will report to PIC/GCEO. This structure supports an appropriate level of a central oversight while emphasising ownership and accountability for risk within the business segment. AC assists by providing an objective non-executive review of the effectiveness of the risk management and internal control framework. GIA provides independent assurance to the Board of the effectiveness of risk management, control and governance processes, employed to ensure compliance with the Group's risk appetite.<br><br>Each year, in consultation with PIC, AC and GIA, the Board assesses the adequacy and effectiveness of risk management and internal controls of the Group. The review covered all material controls, including financial, operational, compliance and IT as well as risk management functions. Based on the Framework established and maintained by IGB, work performed by the internal and external auditors, and reviews performed by PIC with the support of GSR, and assurance from GCEO and GCFO, the Board with the concurrence of AC, was of the opinion that the Group'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 Group's operations.<br><br>An overview of the state of internal control in IGB, 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 | As described in Box 9.2, PIC is tasked with the responsibility to oversee the risk management activities of the Group. GSR supports PIC to review the Group's risk management activities and ensuring the implementation of appropriate systems of internal control are in place by identifying, evaluating, monitoring and managing risks and opportunities as they arise and on an ongoing basis. GSR appraises the adequacy and effectiveness of the Group's risk management plans, systems, processes and procedures, as well as its risk portfolios, risk levels and risk mitigation and strategies. A risk matrix has been produced against which the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them.<br><br>The Board has been provided with the assurance that all of the Group's material business risks have been effectively managed for FY2018, up to and as of the date of this Statement. |
| 10.1 | AC should ensure that internal audit (IA) function is effective and able to function independently. | IGB has in place an adequately resourced GIA department 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 SHs and the Group'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 Group. GIA's charter outlines among others, GIA's objectives, mission, scope, responsibility, accountability, authority, independence, as well as standards and ethics.<br><br>GIA adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of the Group. 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 Group's policies, procedures and regulatory responsibilities.<br><br>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 Group to perform its functions effectively. This is evidenced through the unimpeded access to the Group's documents and records and the access AC has to GIA without the presence of management. |

# Corporate Governance Overview Statement
(continued)

| PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT | | |
|---|---|---|
| **MCCG Practices** | | Explanation |
| 10.2 | The board should disclose:<br>▪ whether IA personnel are free from any relationships/COI, which could impair their objectivity and independence;<br>▪ number of resources in IA department;<br>▪ name and qualification of the person responsible for IA; and<br>▪ whether IA function is carried out in accordance with a recognised framework. | GIA is led by 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 GCEO. 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 has 11 personnel in the team.<br><br>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 management's responses and action plans to rectify these lapses.<br><br>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 Group, and monitored the status of management action plans resulting from audit findings to ensure completion and reports progress each quarter to AC. A total of 56 audit reports (including progress reports and special reports) were issued by GIA for the assignments conducted on the Group based on the 2018 IA plan, and most findings were rated satisfactory while some required improvements relating to control weaknesses, compliance shortcoming, and documentation anomalies whereby all gaps had since been addressed. GIA is responsible only for the facilitation and assists GSR by assessing the adequacy and effectiveness of the developed or revised systems and procedures. Details of GIA function and activities are disclosed in this Annual Report under the heading Audit Committee Report.<br><br>Apart from the usual GIA function, GIA's other responsibilities include managing the feedback processes, attending the Group Tender Committee meetings as well as a member of WBC.<br><br>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. | IGB recognises the importance of timely disclosure of information to SHs, and upholds a strong culture of continuous disclosure and transparent communication with SHs and investing community. IGB's disclosure policy requires timely and balanced disclosure of all material information relating to IGB by way of public releases or announcements via BursaLINK at first instance and then including the release on IGB's website.<br><br>IGB places a high priority on communication with SHs, market participants and other stakeholders and aims to ensure they are kept informed of all major developments affecting the state of affairs of the Group. One of the key communication tools is IGB's website. The website contains the key governance documents, market announcements, annual reports, quarterly and annually financial results and other communications to stakeholders.<br><br>IGB has also provided SHs with contact details for investor relations (**investor-relation@igbbhd.com**) through which they can direct enquiries on investor related matters. The website also contains a facility (**feedback@igbbhd.com**) for SHs to direct inquiries to IGB. Designated personnel have been assigned to attend or respond to enquiries from SHs and investors. |
| 11.2 | Large Companies are encouraged to adopt integrated reporting based on a globally recognised framework. | An overview of the Group'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**.<br><br>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's future. |

# Corporate Governance Overview Statement
(continued)

| PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS | | |
|---|---|---|
| **MCCG Practices** | | Explanation |
| 12.1 | Notice for an AGM should be given to shareholders at least 28 days prior to the meeting. | The annual report, which contains AGM notice together with the related circular/statement is issued to SHs at least 28 days before the scheduled date of such meeting to give sufficient time to SHs to consider the resolutions that will be discussed and decided at AGM.<br><br>AGM notice, which sets out the businesses to be transacted at AGM with explanatory notes for each resolution proposed to enable SHs 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 general meetings (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 and SHs. IGB is in full support of SH participation at AGM to stay informed of the strategies and goals of the Group. SHs are accorded the opportunity to raise relevant questions on the Group'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 SHs and to address any relevant questions and concerns raised by SHs. EA will be present at AGM to respond to any queries from SHs on the independent audit review of IGB's financial position.<br><br>All Directors will attend GMs and will take any relevant questions addressed to them unless unforeseen circumstances preclude them from attending GMs. All Directors, including the chairmen of AC, NC and RC, and SM, attended the 18th AGM in 2018. Board Chairman, GCEO, GCFO and EA, subject to the line of questions and relevance, had attended questions raised and provided clarification as required by SHs. Minutes of the 18th AGM were posted on IGB's website.<br><br>At GMs, 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 GM 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's website after each GM. |
| 12.3 | Listed companies with a large number of SHs or which have meetings in remote locations should leverage technology to facilitate –<br><br>▪ voting including voting in absentia; and<br>▪ remote SH participation at GMs. | The Constitution does not allow SHs to vote in absentia at GMs but allows any SH to appoint representative or proxy to attend and vote on his/her behalf at the GMs.<br><br>IGB's GMs have always been held at venues with accessible transportation links to ease SHs' attendance. |

# Corporate Governance Overview Statement
(continued)

Appendix 1

DIRECTORS' ATTENDANCE AT IGB'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 at these meetings are set out below:

| DIRECTOR | BOARD | AC | NC | RC | PIC[a] |
|---|---|---|---|---|---|
| TLC, Non-INED/Board Chairman | 6 out of 6 | 4 out of 4[b] | 4 out of 4[c] | 3 out of 4 | 2 out of 2 |
| DSRT, NIED/GCEO | 6 out of 6 | 3 out of 4[b] | 1 out of 4[b] | 2 out of 4[b] | 2 out of 2 |
| LCH, Senior INED | 6 out of 6 | 4 out of 4[d] | 4 out of 4[d] | 4 out of 4 | |
| DMA, INED | 6 out of 6 | 4 out of 4 | 4 out of 4 | 4 out of 4 | |
| DDZR, INED (appointed on 1 June 2018) | 2 out of 6 | 1 out of 4[e] | [e] | 2 out of 4[e] | |
| TBL, NIED (resigned as Director and appointed as alternate to DSRT on 30 August 2018) | 6 out of 6 | | | 4 out of 4[f] | 2 out of 2 |
| DTKL, INED (resigned on 30 August 2018) | 5 out of 6 | 3 out of 4 | 3 out of 4 | 1 out of 4 | |
| DYCI, NIED (resigned on 30 August 2018) | 5 out of 6 | | | | |
| TMS, NIED (resigned on 30 August 2018) | 5 out of 6 | | | | |

Notes

[a] PIC was established on 1 June 2018. There were 2 meetings held in FY2018.
[b] Attended by invitation.
[c] Attended 3 NC meetings by invitation prior to her appointment as a member on 30 August 2018.
[d] Re-designated from AC member to AC Chairman (replacing DTKL), and NC Chairman to NC member, on 30 August 2018.
[e] Appointed as NC Chairman (replacing LCH) and members of AC and RC on 30 August 2018.
[f] Attended 2 RC meetings before resigned as a member on 30 August 2018 and 2 RC meetings by invitation in his capacity as DGCEO.

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 to periodically pursue or obtain appropriate programs, sessions or materials as to the responsibilities of directors of publicly traded companies. GCS 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 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 IGB:

| Training Focus | Conferences, Seminars and Training Programme |
|---|---|
| CG and Sustainability | ▪ Bursa Securities and Securities Commission Malaysia: MCCG and CG Guide<br>▪ Hibiscus Petroleum Berhad: Prevention of insider trading<br>▪ Securities Industry Development Corporation (SIDC): Deep dive into CG cases in Malaysia – "What Went Wrong" and "What Could Be Done Better" |
| Economics, Finance and Accounting | ▪ Business Identification<br>▪ Credit Pathway<br>▪ Fin Freedom Sdn Bhd: Financial Master Class – A simple yet practical financial plan tool<br>▪ Manulife Holdings Berhad: International Financial Reporting Standard 17 – Introduction and overview training and internal capital adequacy and assessment process review 2018<br>▪ Ministry of Finance Malaysia: CIMB/Maybank/RHB – Malaysia a new dawn 2018 conference<br>▪ Pacific and Orient Insurance Co Bhd: Malaysian Financial Reporting Standard 17<br>▪ Relationship Management: Loan Structuring<br>▪ SIDC: Cryptocurrency, Blockchain and Beyond – A Cautionary Tale |
| Law and Taxation | ▪ PwC: Fiscal discipline in driving sustainable growth – Budget 2019 |
| Industry | ▪ CHK Consultancy Sdn Bhd: Digital Economy and Capital Market Series – Financial Technology, Artificial Intelligence, Big Data and Internet of things<br>▪ Hibiscus Petroleum Berhad: Offshore Technology Conference Asia 2018<br>▪ Morgan Stanley Capital International: Executive briefing on the future of APAC (Asia Pacific) property and the global trends affecting performance |

# Corporate Governance Overview Statement
(continued)

Appendix 2

RRPT MANDATE

At the 18th AGM in 2018, IGB obtained a general mandate for the Group to enter into RRPT. Based on the actual amount utilised from the date of the 18th AGM up to the date of this Statement, none of the Actual Value of RRPT has exceeded the Estimated Value by 10% under the mandate. The following table set forth the RRPT entered into by IGB Group during FY2018 pursuant to the RRPT Mandate:

| Related Parties | Nature of RRPT | Actual Value FY2018 (RM'000) | Estimated Value (RM'000) | Interested Related Parties |
|---|---|---|---|---|
| IGB Real Estate Investment Trust (IGB REIT) | ▪ Lease of space and related facilities | 6,123 | | ▪ DSRT[a]<br>▪ TLC[b]<br>▪ TBL[c]<br>▪ Tan Boon Seng (TBS)[d]<br>▪ Tan Chin Nam Sdn Bhd (TCNSB)[e]<br>▪ Tan Kim Yeow Sdn Bhd (TKYSB)[f]<br>▪ Wah Seong (M) Trading Co Sdn Bhd (WSTSB)[g]<br>▪ Pauline Tan Suat Ming (PTSM)[h]<br>▪ Tony Tan Choon Keat (TTCK)[i]<br>▪ DYCI[j]<br>▪ Elizabeth Tan Hui Ning (ETHN)[k]<br>▪ Gabrielle Tan Hui Chween (GTHC)[l]<br>▪ Tan Yee Seng (TYS)[m]<br>▪ TMS[n] |
| | ▪ Provision/receipt of chilled water and liquefied petroleum gas | 13,032 | | |
| | ▪ Provision of information and communications technology (ICT) support services | 49 | | |
| | ▪ Provision of maintenance services, upgrading and enhancement works | 3,508 | | |
| | ▪ Provision of tenant sales verification and special review | 42 | | |
| | ▪ Management of real estate investment trust | 35,558 | | |
| | TOTAL | 58,312 | 100,000 | |
| Wah Seong Corporation Berhad (WSCB) group of companies | ▪ Lease of space and related facilities | 1,060 | | |
| | ▪ Purchase of building materials and related products/ services | 343 | | |
| | TOTAL | 1,403 | 10,000 | |
| WSTSB group of companies | ▪ Lease of space and related facilities | 198 | | |
| | ▪ Provision of management and consultancy services | 576 | | |
| | ▪ Purchase of building materials, audio equipment, electrical equipment/appliances and related products and services | 16,993 | | |
| | ▪ Receipt of installation and maintenance of light boxes, panels, signage, etc. and advertising | - | | |
| | ▪ Receipt of ICT support services | 4 | | |
| | TOTAL | 17,771 | 80,000 | |
| Subsidiaries of IGB:<br>▪ Cititel Hotel Management Sdn Bhd<br>▪ Tan & Tan Realty Sdn Bhd<br>▪ GTower Sdn Bhd | ▪ Lease of space and related facilities | 15,700 | | |
| | ▪ Provision/receipt of management consultancy and support services | 8,810 | | |
| | ▪ Receipt of ICT support services | 434 | | |
| | TOTAL | 24,944 | 30,000 | |
| Pavilion Projects Sdn Bhd (PPSB) | ▪ Receipt of renovation/makeover works TOTAL | 1,179 | 10,000 | ▪ TBL |

Notes:

[a] DSRT is GCEO and NIED of IGB; the Managing Director and NIED of IGB REIT Management Sdn Bhd (IGB REIT Management) (the Manager of IGB REIT); the Non-Independent Non-Executive Chairman of WSCB; a director of certain subsidiaries within IGB Group, WSTSB Group and TKYSB Group; a major SH of IGB; a major unitholder (UH) of IGB REIT; a substantial SH of WSCB and TKYSB; the father of ETHN and GTHC; and a brother of PTSM and TTCK.

[b] TLC is the Chairman and Non-INED of IGB; a Non-INED of IGB REIT Management; a director of certain subsidiaries within IGB Group, TCNSB and WSTSB; and a sister of TBL and TBS.

[c] TBL is DGCEO and alternate to DSRT on the Board of IGB; a director of certain subsidiaries within IGB Group, TCNSB and WSTSB Group; a brother of TLC and TBS; the spouse of Low Su Ming and the father of Tan Pei Jun, both of whom are substantial SHs of PPSB.

[d] TBS is a director of certain subsidiaries within WSTSB Group; a substantial SH of IGB; the father of TYS and TMS; and a brother of TLC and TBL.

# Corporate Governance Overview Statement
(continued)

[e] TCNSB is a major SH of IGB; a major UH of IGB REIT; a substantial SH of WSCB and WSTSB; and a person connected to TLC, TBL, TBS, TYS and TMS.

[f] TKYSB is a major SH of IGB; a major UH of IGB REIT; a substantial SH of WSCB and WSTSB; and a person connected to DSRT, PTSM, TTCK, DYCI, ETHN and GTHC.

[g] WSTSB is a major SH of IGB; a major UH of IGB REIT; a substantial SH of WSCB, CHM and TTR; and a person connected to DSRT, PTSM, TTCK, TCNSB and TKYSB.

[h] PTSM is a major SH of IGB; a major UH of IGB REIT; a substantial SH of WSCB and TKYSB; a director of certain subsidiaries within WSTSB Group and TKYSB Group; the mother of DYCI; and a sister of DSRT and TTCK.

[i] TTCK is a major SH of IGB; a major UH of IGB REIT; a substantial SH of WSCB and TKYSB; a director of certain subsidiaries within TKYSB Group; and a brother of DSRT and PTSM.

[j] DYCI is a NIED of IGB REIT Management; a director of certain subsidiaries within IGB Group; a son of PTSM; and alternate to PTSM on the board of WSTSB.

[k] ETHN is a NIED of IGB REIT Management; a director of certain subsidiaries within IGB Group; a daughter of DSRT; and a sister of GTHC.

[l] GTHC is a director of certain subsidiaries within IGB Group; a daughter of DSRT; and a sister of ETHN.

[m] TYS is a director of certain subsidiaries within IGB Group; the son of TBS; and the brother of TMS.

[n] TMS is a director of certain subsidiaries within IGB Group; the daughter of TBS; and the sister of TYS.

# Audit Committee Report

The Audit Committee (AC), formed on 6 May 2002, is to assist the Board of Directors (Board) in fulfilling its oversight responsibilities for the financial reporting process, the management of risk and system of internal controls, the governance processes, and the audit process of IGB and its subsidiaries (Group) as well as the Group'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's website, full access to and co-operation from management and full discretion to invite any Director or senior executive 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 26 February 2019.

## COMPOSITION

AC comprises 3 members, all of whom are Independent Non-Executive Directors. AC is chaired by Lee Chaing Huat (AC Chairman) and the members are Daud Mah bin Abdullah and Dato' Dr. Zaha Rina binti Zahari 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. 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 Group uphold appropriate corporate governance 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.

AC held 4 meetings during FY2018 and the members' attendance records are disclosed in Appendix 1 of the **Corporate Governance** Overview Statement in this Annual Report. Group Chief Executive Officer (GCEO) 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 Group. In addition, Group Chief Financial Officer (GCFO), Group Company Secretary and the Head of Group Internal Audit (GIA) were permanent invitees to AC meetings to present their respective reports. AC also had 2 private sessions with EA to enquire about management's co-operation with EA and their sharing of information as well as to 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 management. AC Chairman also permitted Head of GIA and EA 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 the Board meetings. AC minutes 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 the Group.

   (b) Reviewed the unaudited quarterly financial results of IGB for Q4FY2017, Q1FY2018, Q2FY2018 and Q3FY2018, which were announced via the regulatory information service immediately after the Board's approvals, respectively on 13 February 2018, 31 May 2018, 30 August 2018 and 14 November 2018, and IGB Financial Statements FY2017 which was submitted via the regulatory information service on 30 April 2018. AC concluded that the quarterly financial results and IGB Financial Statements FY2017 complied with the applicable Malaysian Financial Reporting Standards (MFRS) and regulatory requirements.

# Audit Committee Report
(continued)

(c) Noted significant changes and amendments to the regulations, MFRS and other regulatory requirements that could affect the financial reporting of the Group.

(d) Reviewed the declaration of the interim single tier dividend of 2.0 sen per ordinary share for FY2017, interim single tier dividend of 4.3% per annum (p.a.) (based on the issue price of RM3.28 per redeemable cumulative preference shares (RCCPS-dividend) for the 6-month period from 2 March 2018 up to 1 September 2018 and interim single tier dividend of 4.5% p.a. (based on the issue price of RM1.00 per redeemable convertible cumulative preference shares (RCPS-dividend) for the 6-month period from 16 February 2018 up to 15 August 2018 including the solvency test required under the Companies Act, 2016, ensuring that IGB would remain solvent for the next 12 months after the aforesaid dividend distributions were made, before such declarations of dividends were recommended for the approval of the Board.

Subsequent to FY2018, AC had at its meeting on 26 February 2019, considered and reviewed the financial reporting checklist FY2018 completed by GCFO, and assessed by GCEO, 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 Financial Statements FY2018 and, in all material respects, IGB Financial Statements FY2018 complied with the applicable MFRS as well as disclosure provisions of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, and fairly present the results of the operations, cash flow and financial position of the Group. AC had also reviewed the declaration of RCPS-dividend for the 6-month period from 16 August 2018 up to 15 February 2019 and RCCPS-dividend for the 6-month period from 2 September 2018 to 1 March 2019 including the solvency test, before such declarations of dividends were recommended for the approval of the Board.

2. External Audit

(a) Reviewed EA's audit report on the audit of IGB 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.

(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 PwC for the statutory audit of IGB 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 and compliance review.

(g) Conducted bi-annual private sessions with EA without the presence of management on 13 February 2018 and 14 November 2018 to apprise on matters with regard to the audit and financial statements. No major concerns were highlighted by EA and they had received full support and co-operation from management.

Subsequent to FY2018, AC carried out the following duties at its meeting on 26 February 2019:

(i) Reviewed the results of EA's audit report on the conduct of IGB Financial Statements FY2018, the audit findings together with recommendations, including key audit matters.

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

(iii) Evaluated EA's performance and effectiveness, quality of communication and interaction and its independence and objectivity, on the basis of AC meetings and a questionnaire-based internal review. Based on the assessment for 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. With that, AC had recommended for the endorsement of the Board on the re-appointment of PwC as EA for the financial year ending 31 December 2019 (FY2019). The Board had at its meeting held on 26 February 2019 approved AC's recommendation for shareholders' (SHs) approval to be sought at the upcoming 19th AGM on the reappointment of PwC as EA of the Group for FY2019.

# Audit Committee Report
(continued)

3. <u>Internal Audit</u> (IA)

The IA function assists AC in discharging some of its duties and responsibilities, as an integral part of the governance framework. The 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 the Group. The 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 Institute of Internal Auditors (IIA) Malaysia in 2015. The 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 internal auditing practices.

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 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 and administratively to GCEO. On an annual basis, AC evaluates the performance of IA function and obtains confirmation on its independence and objectivity.

The 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. The 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's plan, the IA also conducts ad hoc special reviews 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.

The IA function also provides advisory services to the Group Strategy and Risk (GSR) Unit in the areas of risk management, sustainability and business continuity. In addition, the Head of GIA is a member of the Whistleblowing Committee.

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 IA's plan presented by GIA Department (GIAD) for FY2018 in AC meeting held on 21 November 2017 to ensure adequate scope and coverage of key risk areas and processes in the operations, compliance with regulations and internal controls of the Group. The planning for the audit involved a risk-based approach which emphasised on effective planning and scoping of audit to suit the size and activities of functional areas and to concentrate audit resources on operational areas that are exposed to a greater degree of risk.

(b) Reviewed and approved at AC meeting held on 14 November 2018, the IA's charter which was revised to be in line with the updated International Professional Practices Framework for Internal Auditing, a globally recognised framework for internal audit practices issued by the IIA Inc.

(c) Reviewed GIAD reports on the effectiveness and adequacy of internal controls, risk management and governance process of the Group. A total of 35 IA reports, including progress reports and special reports, were issued during the year. The audit engagements covered the main business divisions of the Group, namely, property development, property management, hotel, construction, support functions, and other investments. AC engaged with management on issues and recommendations raised in the audit reports and obtained assurance that all weaknesses were addressed by management promptly. AC directed management to rectify and improve on internal control and workflow processes promptly and ensure that internal controls continue to operate effectively at all times.

(d) Monitored the corrective actions taken on outstanding audit issues through progress reports based on submissions by management on the status of implementation of audit recommendations, to ensure that control weaknesses have been addressed.

(e) Noted the 21 IA reports issued for IGB Real Estate Investment Trust (IGB REIT) and the minutes of AC meetings submitted by IGB REIT Management Sdn Bhd (IGB REIT Management), which is a significant contributor to the Group's operations. AC was satisfied that the independent board of directors of IGB REIT Management has provided adequate oversight over the operations and financial performance of IGB REIT.

The total cost incurred by GIAD for FY2018 was RM1,257,276.

# Audit Committee Report
(continued)

4. Risks and Control Environment

(a) The Board has assigned oversight of the Group's risk management function to the Policy and Implementation Council (PIC) whose responsibilities include, among others, assisting the Board in undertaking the supervisory role in risk management activities of the Group, determining the strategic approach to risk and setting the risk appetite, understanding the significant risks and ensuring the adequacy and reliability of the risk management processes and system of internal controls. Each divisional head will be responsible for the risk at the business unit that will report directly to the Head of GSR, who in turn will report to PIC/GCEO. AC assists the Board in examining the adequacy and effectiveness of the Group's risk management framework and the appropriateness of management's responses to key risk areas and recommendations for improvements to be implemented. Based on the periodic reports presented by PIC which shed insights on the areas of risks, likelihood, impact and management action on the Group's operating business and functional units, AC was thus able to keep under review the adequacy and effectiveness of the Group's risk management system along with their risk portfolio, risk levels and risk mitigation strategies.

(b) AC monitored GIAD assessment of the design, implementation and effectiveness of the control environment of the Group including financial, operational, compliance and management information systems. Based on the controls and regulation checklist FY2018 completed by the relevant divisional heads, as well as information and explanations given by management and discussion with EA on the results of their audit, AC was generally satisfied with the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines. 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 the Group, 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 Related Party Transactions** (RRPT)

During FY2018, the Group entered into RRPT as disclosed in the **Corporate Governance Overview Statement** contained in this Annual Report. AC reviewed, on quarterly basis, the RRPT entered into by the Group with related parties, tracked against their mandated thresholds, and ensured proper disclosures were made in accordance with the MMLR. AC was satisfied that all transactions were in the best interest of the Group, whereby the terms concluded were fair, reasonable and based on commercial viability, and were therefore not deemed to be detrimental to the interests of minority SHs, and the monitoring procedures to regulate such transactions were appropriate and sufficient.

Subsequent to FY2018, AC had at its meeting on 26 February 2019, reviewed the Circular to SHs in relation to the renewal of SH mandate for RRPT (RRPT Mandate) to be sought at the 19th AGM, 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 the Group 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 the Group'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 the Group's compliance with the requirements of MMLR for the purpose of preparing the Audit Committee Report (AC Report) and Statement on Risk Management and Internal Control for inclusion in Annual Report 2017, and recommended their adoption by the Board.

AC had at its meeting held on 26 February 2019 reviewed the AC Report for inclusion in Annual Report 2018, and whereupon recommendation was submitted and approved by the Board.

## AC'S TRAINING

During the year, AC members attended various conferences, seminars and training programmes to enhance their knowledge to efficiently discharge their duties as Directors of IGB 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 of the **Corporate Governance Overview Statement** of this Annual Report.

This Audit Committee Report has been approved by the Board and is current as at 26 February 2019.

# Statement on Risk Management and Internal Control

**Introduction**

The Board of Directors (Board) of IGB Berhad (IGB) is pleased to present the Statement on Risk Management and Internal Control (Statement). 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 (SORMIC Guidelines).

This Statement does not cover associates and joint ventures as the internal control systems of these companies are managed by the respective management teams.

## Responsibility

The Board has overall responsibility for the Group's risk management and internal control systems, and for reviewing its adequacy and effectiveness. The review covers financial, operational and compliance controls, and risk management procedures of the Group. 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 Group adopts a robust risk management framework (Framework) that is aligned with the principles of Committee of Sponsoring Organizations (COSO) framework and the three (3) lines of defence concept, 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 the Group.

The Framework includes the roles and responsibilities of each management level in the risk management process and outlines the risk appetite set by the Board. In supporting the implementation of the Framework effectively, the Group has established an appropriate risk governance structure to assign responsibility for risk management and facilitate the process for assessing and communicating risk issues from operational levels to the Board.

## Risk Management

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

It also involves 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 the Group'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 Annual Report 2018.

Responsibility for managing risks lies primarily with the Business Units within the Group. The Business Units assist the Board in implementation of the Board's policies and procedures on risks and internal controls by identifying and assessing the risks in its operations. The Business Units are also 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 Business Units have identified key risk indicators for their respective business divisions 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.

Previously, the Executive Committee (ExCo) of IGB was accountable to implement and monitoring the system of risk management and internal control for the Group. The Policy and Implementation Council (PIC) was set up in June 2018 to replace the ExCo that was dissolved in March 2018 to oversee the risk management and internal control of the Group.

The PIC assists the Board to review the Group's overall risk management frameworks and policies and is supported by the Group Strategy & Risk (GSR) division, which monitors and evaluates the effectiveness of the Group's risk management and internal control systems on an on-going basis. GSR division was set up in June 2018.

The Group Internal Audit (GIA) function provides further independent assurance on the adequacy and effectiveness of the risk management and internal control systems as part of their audit review. All reports relating to the risk management process are brought to the attention of the Board through the PIC and the Audit Committee (AC).

# Statement on Risk Management and Internal Control
(continued)

## Other Key Elements of Internal Control and Risk Management

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues. It has delegated to management the implementation of the system of internal controls in the operation of the Business Units in the Group.

The main elements in the system of internal controls framework included:

- An organisational structure with formally defined lines of roles and responsibilities and delegation of authority for all business and functional departments within the Group;
- Structured limits of authority, which provides a framework of authority and accountability within the Group, and which facilitates timely decision-making at the appropriate levels in the Group;
- Preparation of annual operating budgets and capital expenditure plans by the Business Units which are reviewed and approved by the Group Chief Executive Officer (GCEO) and the Board;
- Assessment of quarterly performance of the Group against approved budgets and reporting of significant variances to the Board;
- Establishment of 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 Business Units 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 GIA function evaluates the effectiveness of the governance, risk management and internal control framework and recommends enhancement, where appropriate. GIA function is focused on areas of priority as identified by risk analysis and in accordance with an annual audit plan approved each year by the AC. The head of GIA reports directly to the AC. The AC determines the scope of the internal audit function, which includes all companies in the Group except for associates and joint ventures. The AC receives reports on the function’s work and findings and is updated regularly on issues that required further follow-up and rectification by management.

The Board, through the AC, has reviewed the effectiveness of the Group’s system of risk management and internal controls. There were no significant internal control aspects that would have resulted in any material losses, contingencies, or uncertainties that would require disclosure in the Group’s annual report.

The Board has received assurances from the GCEO and the Group Chief Financial Officer that the Group’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 the Group.

This Statement has been approved by the Board and is current as at 1 April 2019.

# Sustainability Statement

## 1. Introduction

IGB Berhad (IGB) is an investment holding company with a diverse portfolio. Previously known as Goldis Berhad, we were renamed IGB in 2018 after we acquired the remaining shares in IGB Corporation Berhad (IGBC) that we did not already own. The acquisition was made by way of a Scheme of Arrangement, resulting in IGBC becoming our wholly owned subsidiary.

This Sustainability Statement formally sets out our approach to sustainability and includes the various sustainability initiatives that we have undertaken in the year. This Statement covers our business comprising commercial properties, retail, residential properties, hospitality, construction, information technology and data analytics, education, and water treatment assets in Asia, Australia, the United States, and Europe. The reporting period covered in this Statement is from 1 January 2018 to 31 December 2018.

## 2. Our Commitment to Sustainability

We believe in the importance of integrating sustainability into our business strategies and operations in our journey towards achieving sustainable growth, and delivering long-term value to our shareholders. This commitment to sustainability demands that as a business, we embrace a culture of responsible corporate citizenship that inspires our employees to ignite sustainable change through the work they do. It is only through this that we can truly embed sustainability within our business, allowing us to ensure continued commercial viability without compromising the environment for generations to come.

Following the completion of our corporate exercise in 2018, the Group spent much of the year streamlining our business and putting through changes to our corporate structure which will allow us to be more efficient, cost effective, and nimble. With the fast-paced environment in which we operate, and in particular, the increasing ability of public opinion to sway consumers and investors alike, it is more important than ever that we actively engage both internal and external stakeholders, and chart a sustainable growth journey that not only makes sense for our business but for our stakeholders and communities. We firmly believe that with our new structure, we are better placed to coherently chart the growth of our subsidiaries and continue to grow a resilient business that resonates with our stakeholders and communities.

## 3. Our Sustainability Governance Structure

IGB's sustainability efforts come under the purview of the Board of Directors (Board) who oversee the Group's sustainability strategies and initiatives. In 2019, quarterly updates from the various business units in the Group will be compiled for the Board.

For instance, at GTower, which is Malaysia's first green certified building, a Green Committee oversees the operations and maintenance of the building. The Green Committee comprises heads of department from its various operations and quarterly updates are submitted to track its green initiatives.

For IGB REIT, the company has in place a Corporate Governance 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 of Directors of IGB REIT Management Sdn Bhd, the manager of IGB REIT, 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 are 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 of directors 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 relating to sustainability. RMSC regularly reports to the board, providing updates and a review of sustainability policies and practices that are in place.

## 4. Materiality Process

IGB defines material sustainability issues as those that sustainably impact our business as well as our stakeholders. These issues influence how our stakeholders make decisions, which in turn impact our ability to achieve our long-term goals and thrive as a sustainable business.

IGB periodically reviews identified material sustainability issues to determine if they continue to be suitable for our business. This process is conducted by each of our businesses, who take into account updated feedback from both internal and external stakeholders.

Following this year's review, it was determined that the existing materiality issues identified continued to remain relevant for our business for the year. The results of the exercise were tabled and approved by the Board.

# Sustainability Statement
(continued)

**Feedback Channels**

*Table 1: Summary of Stakeholder Feedback Channels*

| | |
|---|---|
| Investors & Media | • Announcements and news releases filed with Bursa Malaysia Securities Berhad, and issued to analysts and media<br>• Annual General Meeting<br>• Dedicated Investor Relations webpage with our announcements and reports relating to our financial results and annual reports<br>• Engagement of key institutional investors through regular meetings |
| Employees | • Regular employee engagement sessions conducted by senior management<br>• Annual employee surveys and performance appraisals<br>• Feedback received via email<br>• Feedback received at exit Interviews |
| Customers | • Regular feedback / surveys completed by customers<br>• On-ground events and activities held<br>• Engagement through various social media platforms |
| Local Communities | • Engagement through on-ground activities held<br>• Planned activities and visits to local charitable organisations<br>• Engagement through various social media platforms |
| Suppliers & Contractors | • Regular engagement of contractors and suppliers on areas relating to quality of work and commitment to health & safety |
| Government Agencies & Regulators | • Regular dialogue with Government agencies<br>• Participation in stakeholder consultations organised by Government agencies |

**(a) Economic: Community, a Fundamental Pillar of Growth**

Community sits at the heart of everything that we do. It is one of the fundamental pillars upon which we have grown our business, and is a significant part of how we have managed to succeed year after year. Our community not only supports our day to day operations, they inspire us to push forward, break new boundaries, and innovate to meet emerging trends and preferences. It is for these reasons that we continue to centre our growth strategies around our communities, and work hard to ensure that we remain relevant to them. We strongly believe that it is only by doing so that we can continue to grow our business sustainably and create value for our stakeholders.

Through various initiatives across our business, we continue to support our communities, not only by giving back to the less fortunate, but by working to support local businesses and people. Close to 100% of the Group's employees, for example, are Malaysians. We believe in hiring local talents and only look for foreign hires if such person(s) could not be found.

Mid Valley Megamall (MVM) and The Gardens Mall (TGM) have worked to engage their communities through the years. This year in particular, they have been working with neighbouring malls, offices, and hotels, to help support the creation of a vibrant hub that will benefit all businesses in the area. More specifically, a new pedestrian bridge connecting the first floor of MVM to Menara Southpoint was built and opened in July 2018. Two additional pedestrian bridges are currently being built. These will connect the first floor of TGM to KL Eco City, a new development by S P Setia Berhad, and Menara Southpoint. The bridges are targeted to be opened to the public in 2019. These bridges will offer greater connectivity, particularly to the KTM and LRT Abdullah Hukum lines.

(b) Environmental: Safeguarding our Planet for Generations to Come

The need for environmental conservation is more pressing today than ever before as the delicate ecosystems that support the fundamentals of human life and civilisation are being destroyed. At IGB, we take our responsibility to protect the environment very seriously, and continuously strive to improve the way in which we operate so that we can play our part in safeguarding our planets future.

*Product and Service Responsibility*

Part of our responsibility as developers is to recognise that the decisions we make today can leave a lasting imprint on our planet for decades. Decisions made about materials used, techniques and approaches utilised, and designs undertaken, have an impact on the environment. As such, in our journey towards enriching communities through shaping the landscapes of our neighbourhoods, we strive to be both environmentally and socially responsible.

The property development and construction divisions work to incorporate green building designs, materials, and techniques into their projects as they continue to improve their green rating and support the development of sustainable designs.

The recently completed Menara Southpoint has received Green Building Index (GBI) certification. This means that throughout its development, from design, construction, and fit out, a conscious effort has been made to increase the efficiency of resources used, so as to reduce its impact on the environment and surrounding communities.

Stonor 3 KLCC, a residential development that is set to be completed in the second half of 2019, has been awarded the GreenRE Gold Certification (Provisional) under the residential category by the Real Estate and Housing Developer's Association Malaysia (REHDA). The certification recognises that the development has been designed to be environmentally responsible and resource efficient, and in particular, is energy and water efficient, has a good greenery plot ratio in the common areas, has used compost recycled from horticulture waste for landscaping, and has been designed to maintain a comfortable temperature within the building, amongst others. The latter has been achieved by having large windows that have been treated to minimise heat coming into each home whilst also bringing in light and ventilation.

*Water Conservation*

Water is essential across all aspects of life, and clean, potable water is vital to our well-being. Acute droughts, dwindling natural water resources, and growing water pollution however, are all contributing to water scarcity. Water conservation is therefore something that we work hard to support through various initiatives across our business.

The China Water Group seeks to improve the discharged water quality in 3rd and 4th tier cities in Eastern China, contributing to a cleaner water environment. Through their business, they work to ensure that the discharged water effluence complies with criteria set by the local authorities. They also strive to continually improve the standards which they adhere to. The business is looking to achieve the discharged parameters set under a Class A plant, and will be looking to upgrade their plant in Ganyu to a Class A category plant. The company also has its eyes set on growing its operations through expanding existing plants. In 2018, the China Water Group had a total capacity of 80,000 $m^3$, which they target to increase to 95,000 $m^3$ by the end of 2019.

Efforts to increase the efficiency of water use, as well as reducing the amount of water used, continued at MVM and TGM this year. Water consumption by both malls decreased from approximately 791,000 cubic metres in 2016 to 732,000 cubic metres in 2018, when IGB REIT started its sustainability reporting. The reduction was the result of an initiative undertaken to upgrade the flushing systems at the malls, as well as efforts to reduce water usage for landscaping and housekeeping, as well as for the fountains within the premises. Underground water is also now used for flushing the toilets. The malls also harvest rainwater which is used for landscaping activities. This year, a total of 1,948,000 litres of rainwater was harvested. Additionally, to reduce water wastage through leakages, the malls also changed their distribution line piping to a polypropylene blend.

In our property management discussion, we are looking at increasing water consumption efficiency. GTower for instance will be installing sub water meters in 2019 so that we can better monitor water usage, and more importantly, identify where most of the water is being used. Meters will be installed in April 2019.

*Waste Management*

Waste management refers to the disposal of solid, liquid, and gaseous waste. Proper waste management is important as proper disposal of all waste is critical in protecting both the environment as well as the health of our communities.

MVM and TGM have continued to work to educate their community about the importance of responsible waste management, and have taken steps to support it as well. Public awareness campaigns about the need to dispose waste responsibly have been running in both malls through the years, and all rubbish bins in the malls now have a separate section for recyclable materials. Paper towels have also been removed from the toilets to encourage shoppers to use hand dryers. Additionally, the malls have made it a requirement for mall tenants to separate recyclables items from general waste. Through these efforts, MVM and TGM have made some headway in both increasing the amount of waste that is recycled, and reducing the total amount of waste disposed of in general. At an estimated conversion rate of 1.5 tonnes per pull, the total amount of recyclable materials collected has increased from 518 tonnes in 2016, to 561 tonnes in 2018.

Our property development business has also played its part to ensure that they do not contribute to the pollution of water through their development activities. During the construction phase of all their projects, external consultants are hired to test bodies of water adjacent to their construction sites, where water from construction works originating from their site may have flowed into. Any readings that exceed the thresholds set by the local authorities are taken seriously, and steps to rectify the matter and improve water effluence is immediately undertaken.

In 2018, GTower collected 16,244 kilograms of recyclable materials, an increase of 3,662 kilograms as compared to the 12,582 kilograms which was collected in 2017. From the second quarter of 2018, GTower also started collecting e-waste, which include both electronic and electrical appliances. Two e-waste rubbish bins were placed within the building for this purpose. For the period May to December 2018, a total of 297 items were collected. These items will either be donated for reuse or recycled.

# Sustainability Statement
(continued)

*Energy Conservation*

Today, most of our energy comes from fossil fuels. Not only are fossil fuels non-renewable, the process of converting them into the energy we need contributes to the pollution of our environment. It is therefore important that we work to conserve energy in our bid to protect the earth, as well as our well-being.

Across our businesses, we work hard to both conserve energy as well as reduce our overall consumption of energy. One way that we have done this is through switching the light fittings across our developments to the more energy-efficient light-emitting diode (LED) lights. MVM has replaced all common area lights with LED lighting, and TGM is currently in the process of doing the same. The replacement of all common area lights across our office buildings is also ongoing. So far, all common area lights have been replaced with LED lighting at Menara IGB, as well as at the Centrepoint North and South Towers. Works are still ongoing at the Gardens North and South Towers and are expected to be completed in the second quarter of 2019. All new developments by our property development arm, such as Stonor 3 and our first coliving space @ Damai Residence, also have LED lights installed across their common areas.

As we have upgraded equipment used by our businesses, we have made it a point to ensure that replacements acquired are more energy efficient. Additionally, where deemed necessary, we have engaged external consultants to advise on how to optimise our equipment so as to ensure they are run efficiently. TGM is in the process of upgrading its escalators. So far, 26 escalators have been installed, each with improved energy saving and safety features.

We also believe strongly in the power of creating awareness through education. As such, within our offices, we work to educate our employees on energy conservation, and the role they can play to make a difference. As a result of this, all air conditioners are set at an energy efficient temperature, and both office lights and air conditioning are turned off after office hours and during lunch breaks.

GTower's targeted energy consumption for 2018 was set at 8,300,000 kilowatt hours. For the full year however, only 7,676,457 kilowatt hours were consumed. In 2019, GTower will be looking to further reduce energy consumed by changing all light fittings in the basement carpark, lift lobbies, and corridors, to the more energy-efficient LED lights. The exercise is targeted to be completed by the end of 2020.

**(c) Social: Looking After our Communities**

*Health and Safety*

The health and safety of our community is taken very seriously, as we believe that we have a responsibility to ensure that everyone who comes through our doors is accorded a reasonable level of care and security. For our employees, that care extends to their health.

As a Group, we work to ensure that we abide by and are up to date with all health and safety guidelines and regulations, and have in place health and safety committees who meet regularly to conduct safety audits, training, as well as safety walks. Annual fire drills and evacuations are also conducted to familiarise all employees and tenants with emergency procedures. A crisis committee has also been set up to help identify, run, and plan for potential crisis scenarios so that we are prepared for any such eventuality.

As part of our commitment to health and safety, we also provide our employees with access to a comprehensive healthcare plan. Employees are encouraged to attend annual health check-ups, have access to subsidised gym memberships, and are urged to participate in weekly sporting activities that are organised by the Group to support a healthy and active lifestyle. Employees also have access to workshops and talks organised by the Group which seek to help educate people about the importance of looking after their health and leading an active lifestyle.

*Human Capital Management*

IGB's success would not be possible without the people who make up who we are. Our employees not only run our day to day business, they are the people who are responsible for bringing to life our strategies, who are the face of IGB, and who ensure we stay ahead of our competition. As such, our approach to human capital management is extremely important to us, and we work tirelessly to ensure that we continue to attract and retain the right people to support our growth.

We adopt a rigorous hiring process that draws from a diverse pool of candidates. We strongly believe that diversity helps us do better as a business as it allows us to tap into a broader range of experiences and outlooks, which then feed into the decisions we make and the approaches we adopt as a business. This then leads to more dynamic solutions that cater to the increasingly varied needs and preferences of the communities we work with.

# Sustainability Statement
(continued)

*Table 1: Diversity within the Group, by Ethnicity*

| Ethnicity | % of Total Staff |
|---|---|
| Malay | 53 |
| Chinese | 26 |
| Indian | 9 |
| Other | 12 |

*Table 2: Diversity within the Group, by Gender*

| Gender | % of Total Staff |
|---|---|
| Male | 60 |
| Female | 40 |

*Table 3: Diversity within the Group, by Age*

| Age | % of Total Staff |
|---|---|
| 18-30 | 37 |
| 31-40 | 32 |
| 41-50 | 18 |
| 51-60 | 11 |
| Above 60 | 2 |

IGB provides competitive salaries and comprehensive benefits packages which include insurance policies, sick leave, access to panel doctors, and medical benefits. Medical coverage for example, covers access to general practitioners, specialist treatments, hospitalisation and surgery, as well as annual health check-ups. A yearly 10-point health check-up is also organised for staff in the office to provide a baseline assessment, and eye check-ups are also conducted inhouse. We also encourage all employees to lead a healthy work life balance. As such, we offer all employees subsidised gym memberships and organise weekly recreational activities such as futsal and badminton games, for them to take part. We also believe that organising such social activities outside of the work place helps employees build rapport amongst each other, which in turn supports an inclusive and cohesive work environment.

We do not tolerate any form of discrimination, and promote our employees based on merit and skill. All staff are also provided ample opportunity for development and growth and can attend both internal as well as external training programmes that are relevant to their job scope and career path. We conduct a training needs analysis exercise annually to identify any competency gaps, and work closely with the managers within each business to ensure that staff across the board are getting the support they need to continue to grow professionally within our business. All staff receive an average of 16 hours of training a year.

In order to cultivate a positive and professional work environment, we make it a point to ensure that our employees have an opportunity to be heard. All managers are encouraged to adopt an open-door policy, and appropriate feedback channels are available to all staff who wish to share concerns or suggestions. All grievances received are treated seriously and fully investigated. Depending on the severity of the matter, an independent committee may be set up to oversee the investigation.

*Supporting Communities*

IGB believes that a large part of our journey towards sustainability involves working and supporting the communities in which we operate. It is through these efforts that we can do our part to help those around us thrive and work towards a brighter and sustainable future that we can all share. Through the year, businesses within our Group have embarked on a variety of Corporate Social Responsibility (CSR) initiatives, engaging communities and supporting causes close to their hearts.

# Sustainability Statement
(continued)

(a) Celebrating our Diversity

***(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. The 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 stationery 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.

During Hari Raya, Tan & Tan Developments Berhad and the GTower Group hosted 100 underprivileged Malaysians from Pertubuhan Kebajikan Al-Firdausi to a Buka Puasa dinner. The guests, which included orphans, single mothers, and underprivileged children, enjoyed a festive meal and an evening of lively performances.

*(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) Charity Run and Games

*(i) Mid Valley 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.

# Sustainability Statement
(continued)

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.

***(ii) IGB International School 24-Hour Race***

IGBIS hosted the 24-Hour Race, a global charity movement which seeks to raise awareness and funds to combat human trafficking. The event, which is entirely student led, saw the participation of close to 1,000 people comprising student participants, teachers, and volunteers. The race raised over RM200,000 which will go towards supporting The Exodus Road, a non-profit organisation that focuses on combatting human trafficking, in a programme called "Operation 24". "Operation 24" aims to train and equip 24 national and local law enforcement officers, remove 240 victims and traffickers from the human trafficking world, as well as help fund 24,000 hours of investigations across 2,400 locations.

***(iii) IGB International School Special Olympics 2018***

IGBIS also hosted the Special Olympics in 2018. The Special Olympics is a global organisation that serves athletes with intellectual disabilities through providing year-round sports training, and an opportunity to participate in Olympic-type sports competitions. As the sports event was held at IGBIS, students had the opportunity to perform in the Opening Ceremony, act as ushers, and assist with coaching the athletes between events. They also provided a range of supporting roles at the charity concert held at University of Malaysia.

**(c) Sponsorship and Charitable Support**

***(i) GTower Monthly Donations for HIV Community***

In 2018, GTower continued to support the HIV community in Malaysia. Monthly events were organised, with funds raised donated across various HIV organisations. This year, a total of RM43,554 was raised and donated to organisations including: Wake KL, Malaysian AIDS Council, Malaysia AIDS Foundation, PKKUM, and PERTIWI.

***(ii) IGB International School Student's Support of Charitable Organisations***

IGBIS students also volunteered at various charitable organisations in the year to help support the less fortunate. For example, they visited various schools and organisations to help children improve their English language skills. Visits included those to Zomi Learning Centre, a refugee school for children from Myanmar, a school in Nepal, as well as to Achievers Academy where they worked with refugee students. They also volunteered their time at organisations such as Pertiwi Soup Kitchen, Lost Food Project, Kechara Food Bank Programme, and Bake with Dignity.

Students also helped to raise awareness around important issues through the use of film. Videos were made to support Zomi Learning Centre for Refugee Children and Community Service Centre for the Deaf, as well as to bring attention to the disappearance of the native textile art in Sarawak, and highlight the dangers of cyberbullying.

*(iii) MVM Donations to Charitable Organisations*

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 |

# Sustainability Statement
(continued)

(d) Championing a Cause

***(i) IGB International School Student Initiatives***

Students are also encouraged to take the initiative to champion causes that are important to them. A group of grade 4 students for example, identified the need to promote road safety, and in particular, to highlight the dangers of using mobile phones while driving. The students contacted Prudence Foundation, an organisation that runs a safety programme to create awareness around road safety in Malaysia. In April, the grade 4 students and the Prudence Foundation ran an assembly to educate IGBIS students on road safety. This was followed by a series of workshops on the same matter, created and presented by the grade 4 students to IGBIS students and parents.

***(ii) IGB International School Blood Donation Drives***

The school continued to organise blood donation drives, helping to replenish low blood inventories and raise awareness around the importance of donating blood.

**(e) Supporting a Legacy in the Arena of Chess**

*(i) MVM in Support of Malaysian Chess Federation*

Chess was a lifelong passion of 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 17 to 27 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.

5. Looking Ahead

2018 was a busy year for the Group as we carried out and completed the majority of our consolidation efforts. With a new corporate structure in place, 2019 will see the Group adjusting to our new norm, and carrying on with business as usual.

We remain confident that our new streamlined model will support our sustainable growth journey, allowing us to act quicker and in a more coordinated manner as we seek out new opportunities for growth.

With our new structure in place, we are also in a better position to review our sustainability structure, and will be looking to see how we can improve upon it. More specifically, we will be looking at how sustainability initiatives undertaken can be better coordinated across the Group, and how we can better monitor, track, and report our efforts, communicating it across our business so as to support a more coordinated and impactful approach.

IGB remains committed to positively and sustainably contributing to the communities in which we operate. With our new structure in place, we are excited about the new opportunities and avenues for growth ahead of us. We are extremely proud of our history, and as we embark on this new chapter in our story, we look forward to continuing to play a leading role in shaping the landscape here in Malaysia for our communities today, as well as for generations to come.

This Statement has been approved by the Board and is current as at 1 April 2019.

# Reports and **Financial** Statements

**For The Financial Year Ended 31 December 2018**

# Directors' Report
for the financial year ended 31 December 2018

The Directors are pleased to present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## DIRECTORS

The Directors in office since the date of the last Report are:

| | |
|---|---|
| Tan Lei Cheng | |
| Dato' Seri Robert Tan Chung Meng | |
| Lee Chaing Huat | |
| Daud Mah bin Abdullah @ Mah Siew Whye | |
| Dato' Dr. Zaha Rina binti Zahari | (appointed on 1 June 2018) |
| Tan Boon Lee | (resigned on 30 August 2018; appointed as alternate director to Dato' Seri Robert Tan Chung Meng on 30 August 2018) |
| Datuk Tan Kim Leong @ Tan Chong Min | (resigned on 30 August 2018) |
| Daniel Yong Chen-I | (resigned on 30 August 2018) |
| Tan Mei Sian | (resigned on 30 August 2018) |

The names of Directors of subsidiaries are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made part thereof.

## PRINCIPAL ACTIVITIES AND CORPORATE INFORMATION

The principal activities of the Company during the financial year are those of investment holding and the provision of management services. The principal activities of the Group mainly consist of property investment and management, owner and operator of malls, hotel operations, property development, construction, information and communication technology services, provision of engineering services for water treatment plants and related services, education, investment holding and management of real estate investment trust.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The address of the principal place of business and registered office of the Company is as follows:

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

## FINANCIAL RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year | 391,515 | 3,389,485 |
| Attributable to: | | |
| Owners of the parent | 235,643 | 3,389,485 |
| Non-controlling interests | 155,872 | - |
| | 391,515 | 3,389,485 |

# Directors' Report

for the financial year ended 31 December 2018
(continued)

## DIVIDENDS

Dividends paid since the end of the previous financial year are as follows:

| | RM'000 |
|---|---|
| An Interim Single Tier dividend of 4.0% per annum (based on the issue price of RM1.00 per Redeemable Convertible Cumulative Preference Shares ("RCPS")) for the six months period from and including 16 August 2017 up to and including 15 February 2018 was paid on 14 February 2018 | 9,070 |
| An Interim Single Tier dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2018 was paid on 28 September 2018 | 13,733 |
| An Interim Single Tier dividend of 4.5% per annum (based on the issue price of RM1.00 per RCPS) for the six months period from and including 16 February 2018 up to and including 15 August 2018 was paid on 28 September 2018 | 10,177 |
| An Interim Single Tier dividend of 4.3% per annum (based on the issue price of RM3.28 per Redeemable Convertible Cumulative Preference Shares ("RCCPS")) for the six months period from and including 2 March 2018 up to and including 1 September 2018 was paid on 28 September 2018 | 4,026 |

On 26 February 2019, the Directors declared an Interim Single Tier dividend of 4.5% per annum (based on the issue price of RM1.00 per RCPS) for the six months period from and including 16 August 2018 up to and including 15 February 2019 which was paid on 29 March 2019 and an Interim Single Tier dividend of 4.3% per annum (based on the issue price of RM3.28 per RCCPS) for the six months period from and including 2 September 2018 up to and including 1 March 2019 which was paid on 29 March 2019.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year have been disclosed in the financial statements.

## SHARE CAPITAL

During the financial year, the number of ordinary shares of the Company increased from 611,474,118 to 689,519,720 by the allotment of:

i) 506,404 ordinary shares arising from the conversion of 1,154,602 RCPS at a conversion price of RM2.28. The said conversion also resulted in the decrease of the number of RCPS from 453,492,452 to 452,337,850.

ii) 19,730,564 ordinary shares arising from the conversion of 19,730,564 RCCPS at a conversion price of RM3.28. The said conversion also resulted in the decrease of the number of RCCPS from 76,817,705 to 57,087,141.

iii) 57,808,634 ordinary shares at an issue price of RM3.00 for each ordinary share pursuant to the acquisition of the entire equity interest in IGB Corporation Berhad ("IGBC") not already owned by the Company by way of a members' scheme of arrangement pursuant to Section 366 of the Companies Act 2016 ("Act") ("Proposed Scheme") as detailed in Note 6A.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 2 March 2018, the Company issued 76,817,705 RCCPS at RM3.28 each to the shareholders of IGBC other than the Company, in respect of the Proposed Scheme.

## TREASURY SHARES

In the current financial year, shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting on 31 May 2018, approved the Company's plan to purchase its own shares up to a maximum of 10% of the total number of issued shares of the Company. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchase 2,452,400 of its ordinary share capital from the open market for RM6,203,515. The average price paid for these shares repurchased was RM2.53 per share.

As at 31 December 2018, the number of outstanding ordinary shares in issue after the set off of treasury shares is 684,209,300 (2017: 608,616,098).

# Directors' Report
for the financial year ended 31 December 2018
(continued)

## DIRECTORS' BENEFITS

Since the end of the previous financial period, no Director has received or become entitled to receive a benefit (other than the fees and other emoluments paid as disclosed in Note 9 by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 40 to the financial statements.

Except as disclosed above, neither during nor at the end of the financial year was the Company a party to any arrangement whose object or objects was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares, debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| In the Company | 1.1.2018 | Additions | Disposals | 31.12.2018 |
| Tan Lei Cheng | | | | |
| Direct | 8,899,651 | 350,000 | - | 9,249,651 |
| Indirect * | 3,862,176 | - | - | 3,862,176 |
| Dato' Seri Robert Tan Chung Meng | | | | |
| Direct | 1,483,509 | 62,000 | - | 1,545,509 |
| Indirect * | 193,277,776 | - | - | 193,277,776 |
| Daud Mah bin Abdullah @ | | | | |
| Mah Siew Whye | | | | |
| Direct | 99,458 | - | - | 99,458 |
| Tan Boon Lee | | | | |
| Direct | 4,157,380 | 104,000 | - | 4,261,380 |

| | Number of RCPS | | | |
|---|---|---|---|---|
| In the Company | 1.1.2018 | Additions | Disposals | 31.12.2018 |
| Tan Lei Cheng | | | | |
| Direct | 6,674,738 | - | - | 6,674,738 |
| Indirect * | 2,915,613 | - | - | 2,915,613 |
| Dato' Seri Robert Tan Chung Meng | | | | |
| Direct | 1,112,631 | - | - | 1,112,631 |
| Indirect * | 142,988,143 | - | - | 142,988,143 |
| Daud Mah bin Abdullah @ | | | | |
| Mah Siew Whye | | | | |
| Direct | 76,400 | - | - | 76,400 |
| Tan Boon Lee | | | | |
| Direct | 3,118,035 | - | - | 3,118,035 |

# Directors' Report
for the financial year ended 31 December 2018
(continued)

DIRECTORS' INTERESTS (continued)

| In the Company | Number of RCCPS | | | |
|---|---|---|---|---|
| | 1.1.2018 | Additions | Disposals | 31.12.2018 |
| Dato' Seri Robert Tan Chung Meng | | | | |
| Direct | - | 2,414,634 | - | 2,414,634 |
| Tan Boon Lee | | | | |
| Direct | - | 2,567,560 | - | 2,567,560 |

| In GTower Sdn Bhd (subsidiary) | Number of ordinary shares | | | |
|---|---|---|---|---|
| | 1.1.2018 | Additions | Disposals | 31.12.2018 |
| Tan Lei Cheng | | | | |
| Direct | 321,429 | - | - | 321,429 |
| Tan Boon Lee | | | | |
| Direct | 428,571 | - | - | 428,571 |

| In IGBC (delisted on 16.03.2018) (subsidiary) | Number of ordinary shares | | | |
|---|---|---|---|---|
| | 1.1.2018 | Additions | Transferred/ Disposed [1] | 31.12.2018 |
| Tan Lei Cheng | | | | |
| Direct | 500,000 | - | (500,000) | - |
| Dato' Seri Robert Tan Chung Meng | | | | |
| Direct | 1,000,000 | 2,000,000 | (3,000,000) | - |
| Indirect * | 980,291,803 | - | (980,291,803) | - |
| Tan Boon Lee | | | | |
| Direct | 1,690,000 | 1,500,000 | (3,190,000) | - |

| In IGBC (delisted on 16.03.2018) (subsidiary) | Number of options over ordinary shares | | | |
|---|---|---|---|---|
| | 1.1.2018 | Additions | Exercised [2] | 31.12.2018 |
| Dato' Seri Robert Tan Chung Meng | 2,000,000 | - | (2,000,000) | - |
| Tan Boon Lee | 1,500,000 | - | (1,500,000) | - |

# Directors' Report
for the financial year ended 31 December 2018
(continued)

## DIRECTORS' INTERESTS (continued)

| In IGB Real Estate Investment Trust (subsidiary) | Number of units | | | |
|---|---|---|---|---|
| | 1.1.2018 | Additions | Disposals | 31.12.2018 |
| Tan Lei Cheng | | | | |
| Direct | 1,853,742 | - | - | 1,853,742 |
| Indirect * | 345,722 | - | - | 345,722 |
| 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 Boon Lee | | | | |
| Direct | 1,705,025 | - | - | 1,705,025 |

* Deemed interest pursuant to Section 8(4) of the Act and/or persons connected as defined under Section 197(4) of the Act.

[1] Pursuant to acquisition by IGB Berhad ("IGB") of the entire equity interest in IGB Corporation Berhad ("IGBC") not already owned by IGB, by way of a members scheme of arrangement undertaken by IGBC pursuant to Section 366 of the Companies Act 2016.

[2] Pursuant to the completion of the acquisition of the entire equity interest in IGBC, the IGBC executive share option scheme had been terminated. The eligible directors and executives were allowed to exercise their options and those who had not exercised their options were paid on option offer price of RM0.12 for each option.

Other than as disclosed above, none of the Directors in office at the end of financial year held any interests in the shares in the Company or its related corporations during the financial year.

## DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 9 to the financial statements.

## INDEMNITY AND INSURANCE COSTS

The Group and Company maintain multiple corporate liability insurance policies for the Directors and principal officers of the Group and Company throughout the financial year, which provides appropriate insurance cover for the Directors and principal officers of the Group and Company. The amount of insurance premium paid by the Group and Company for the financial year ended 31 December 2018 amounted to RM203,270 (2017: RM135,160) and RM26,880 (2017: RM35,160) respectively.

## OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and Company were prepared the Directors took reasonable steps:

(i) 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

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

# Directors' Report
for the financial year ended 31 December 2018
(continued)

## OTHER STATUTORY INFORMATION (continued)

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; or

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

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and Company which has arisen since the end of the financial year which secures the liability of any other person; or

(ii) any contingent liability of the Group and Company which has arisen since the end of the financial year.

(d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and Company to meet its obligations when they fall due.

(e) At the date of this report, the Directors are 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.

(f) In the opinion of the Directors:

(i) the results of the Group and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) 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 Company for the financial year in which this report is made.

## SUBSIDIARIES

Details of subsidiaries are set out in Note 18 to the financial statements.

## AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 8 to the financial statements.

## 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 in accordance with a resolution of the Directors dated 23 April 2019.

Dato' Seri Robert Tan Chung Meng
Group Chief Executive Officer

Lee Chaing Huat
Director

# Income Statements
for the financial year ended 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| Revenue | 7 | 1,302,010 | 1,222,250 | 3,483,591 | 116,804 |
| Cost of sales | | (579,828) | (554,658) | - | - |
| Gross profit | | 722,182 | 667,592 | 3,483,591 | 116,804 |
| Other operating income | | 43,742 | 72,930 | 354 | 1,683 |
| Administrative expenses | | (192,130) | (189,032) | (21,814) | (10,435) |
| Other operating expenses | | (13,890) | (36,086) | (408) | - |
| Profit from operations | 8 | 559,904 | 515,404 | 3,461,723 | 108,052 |
| Finance income | 10 | 44,291 | 49,630 | 935 | 127 |
| Finance costs | 10 | (132,886) | (103,134) | (64,856) | (41,473) |
| Share of results of associates | | 11,061 | 28,896 | - | - |
| Share of results of joint ventures | | (1,779) | 523 | - | - |
| Profit before taxation | | 480,591 | 491,319 | 3,397,802 | 66,706 |
| Tax expense | 11 | (89,076) | (59,548) | (8,317) | (129) |
| Profit for the financial year | | 391,515 | 431,771 | 3,389,485 | 66,577 |
| Attributable to: | | | | | |
| Owners of the parent | | 235,643 | 215,143 | 3,389,485 | 66,577 |
| Non-controlling interests | | 155,872 | 216,628 | - | - |
| Profit for the financial year | | 391,515 | 431,771 | 3,389,485 | 66,577 |
| Earnings per share (sen): | | | | | |
| Basic | 12(a) | 35.24 | 35.36 | | |
| Diluted | 12(b) | 25.86 | 26.94 | | |

# Statements of Comprehensive Income

for the financial year ended 31 December 2018

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial year | 391,515 | 431,771 | 3,389,485 | 66,577 |
| Other comprehensive income/(loss): | | | | |
| Currency translation differences: | | | | |
| Equity holders | (28,349) | (17,370) | - | - |
| Non-controlling interests | (2,042) | (5,619) | - | - |
| Net change in fair values of available-for-sale financial assets | - | 1,821 | - | 1,821 |
| Share of other comprehensive income of: | | | | |
| Associates | (12,007) | (26,986) | - | - |
| Joint ventures | 1,499 | (465) | - | - |
| Items that may subsequently be reclassified to profit or loss | (40,899) | (48,619) | - | 1,821 |
| Net change in financial assets at fair value through other comprehensive income | 29,519 | - | 29,519 | - |
| Total comprehensive income for the financial year | 380,135 | 383,152 | 3,419,004 | 68,398 |
| Attributable to: | | | | |
| Owners of the parent | 226,305 | 183,023 | 3,419,004 | 68,398 |
| Non-controlling interests | 153,830 | 200,129 | - | - |
| Total comprehensive income for the financial year | 380,135 | 383,152 | 3,419,004 | 68,398 |

# Statements of Financial Position

as at 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 13 | 1,633,907 | 1,633,541 | 220 | 104 |
| Inventories | 14 | 435,542 | 286,576 | - | - |
| Investment properties | 15 | 3,522,105 | 2,931,959 | - | - |
| Long term prepaid lease | 16 | 369 | 395 | - | - |
| Intangible assets | 17 | 17,590 | 17,899 | - | - |
| Subsidiaries | 18 | - | - | 6,390,490 | 2,523,139 |
| Associates | 19 | 462,417 | 464,658 | - | - |
| Joint ventures | 20 | 371,142 | 382,813 | - | - |
| Available-for-sale financial assets | 21 | - | 53,088 | - | 53,088 |
| Financial assets at fair value through other comprehensive income | 24(B) | 93,761 | - | 93,563 | - |
| Concession receivables | 22 | 114,936 | 104,979 | - | - |
| Deferred tax assets | 23 | 22,060 | 27,559 | - | - |
| Prepayment | 26 | 1,141 | 1,516 | - | - |
| | | 6,674,970 | 5,904,983 | 6,484,273 | 2,576,331 |
| CURRENT ASSETS | | | | | |
| Inventories | 14 | 462,258 | 590,700 | - | - |
| Financial assets at fair value through profit or loss | 24(A) | - | 1,782 | - | 1,520 |
| Concession receivables | 22 | 3,925 | 4,061 | - | - |
| Amounts owing from subsidiaries | 36 | - | - | 39,905 | 356 |
| Amounts owing from associates | 25 | 37,210 | 42,869 | - | - |
| Amounts owing from joint ventures | 25 | 53,542 | 45,997 | - | - |
| Receivables and contract assets | 26 | 246,365 | 198,894 | 245 | 1,762 |
| Dividends receivable | | - | - | - | - |
| Tax recoverable | | 23,163 | 18,158 | 1,418 | 1,683 |
| Cash held under Housing Development Accounts | 27 | 32,309 | 26,020 | - | - |
| Deposits, cash and bank balances | 27 | 1,030,955 | 1,561,873 | 200,351 | 11,351 |
| | | 1,889,727 | 2,490,354 | 241,919 | 16,672 |
| Asset classified as held-for-sale | 28 | 800 | - | - | - |
| | | 1,890,527 | 2,490,354 | 241,919 | 16,672 |
| TOTAL ASSETS | | 8,565,497 | 8,395,337 | 6,726,192 | 2,593,003 |

# Statements of Financial Position

as at 31 December 2018
(continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2018 | 2017 | 2018 | 2017 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 29 | 884,327 | 645,030 | 884,327 | 645,030 |
| Treasury shares | 31 | (11,925) | (5,722) | (11,925) | (5,722) |
| Redeemable Convertible Cumulative Preference Shares | 29 | 504,038 | 365,847 | 504,038 | 365,847 |
| Other reserves | 33 | 10,105 | 27,273 | 28,337 | (1,182) |
| Retained earnings | | 2,048,461 | 1,678,340 | 3,975,174 | 601,259 |
| | | 3,435,006 | 2,710,768 | 5,379,951 | 1,605,232 |
| Non-controlling interests | | 107,271 | 1,322,847 | - | - |
| TOTAL EQUITY | | 3,542,277 | 4,033,615 | 5,379,951 | 1,605,232 |
| LIABILITIES | | | | | |
| NON-CURRENT LIABILITIES | | | | | |
| Deferred tax liabilities | 23 | 142,597 | 143,195 | 11,400 | 693 |
| Redeemable Convertible Cumulative Preference Shares | 32 | 49,256 | 31,746 | 49,256 | 31,746 |
| Interest bearing bank borrowings | 35 | 3,419,856 | 2,856,048 | 1,248,000 | 927,800 |
| | | 3,611,709 | 3,030,989 | 1,308,656 | 960,239 |
| CURRENT LIABILITIES | | | | | |
| Payables and contract liabilities | 34 | 709,371 | 670,984 | 1,520 | 2,110 |
| Amounts owing to subsidiaries | 36 | - | - | 6,798 | 7,171 |
| Amounts owing to associates | 25 | 4 | 4 | - | - |
| Current tax liabilities | | 49,258 | 92,831 | - | - |
| Redeemable Convertible Cumulative Preference Shares | 32 | 26,096 | 17,096 | 26,096 | 17,096 |
| Interest bearing bank borrowings | 35 | 626,782 | 549,818 | 3,171 | 1,155 |
| | | 1,411,511 | 1,330,733 | 37,585 | 27,532 |
| TOTAL LIABILITIES | | 5,023,220 | 4,361,722 | 1,346,241 | 987,771 |
| TOTAL EQUITY AND LIABILITIES | | 8,565,497 | 8,395,337 | 6,726,192 | 2,593,003 |

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2018

| Group | Note | Share capital (Note 29) | Treasury shares (Note 31) | RCPS and RCCPS (Note 29) | Other reserves (Note 33) | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the parent | | | | | | | |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 2018 | | | | | | | | | |
| At 1 January 2018 | | 645,030 | (5,722) | 365,847 | 27,273 | 1,678,340 | 2,710,768 | 1,322,847 | 4,033,615 |
| Comprehensive income | | | | | | | | | |
| Profit for the financial year | | - | - | - | - | 235,643 | 235,643 | 155,872 | 391,515 |
| Other comprehensive income | | - | - | - | (9,338) | - | (9,338) | (2,042) | (11,380) |
| **Total comprehensive income for the financial year** | | - | - | - | (9,338) | 235,643 | 226,305 | 153,830 | 380,135 |
| Transactions with owners | | | | | | | | | |
| Issuance of ordinary shares | | 173,426 | - | - | - | - | 173,426 | 20,285 | 193,711 |
| Issuance of RCCPS | | - | - | 187,206 | - | - | 187,206 | - | 187,206 |
| Share buy-back | | - | (6,203) | - | - | - | (6,203) | - | (6,203) |
| Conversion of RCPS and RCCPS into ordinary shares | | 65,871 | - | (49,015) | - | 6 | 16,862 | - | 16,862 |
| Dividends paid to ordinary shareholders | 37 | - | - | - | - | (13,733) | (13,733) | - | (13,733) |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | (157,173) | (157,173) |
| Changes in ownership interests in subsidiaries that do not result in a loss of control | | - | - | - | (7,830) | 148,205 | 140,375 | (1,232,518) | (1,092,143) |
| Total transactions with owners | | 239,297 | (6,203) | 138,191 | (7,830) | 134,478 | 497,933 | (1,369,406) | (871,473) |
| At 31 December 2018 | | 884,327 | (11,925) | 504,038 | 10,105 | 2,048,461 | 3,435,006 | 107,271 | 3,542,277 |

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2017

| | | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Group | Note | Share capital (Note 29) RM'000 | Share premium (Note 30) RM'000 | Treasury shares (Note 31) RM'000 | RCPS (Note 29) RM'000 | Other reserves (Note 33) RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| 2017 | | | | | | | | | | |
| At 1 January 2017 | | 610,891 | 32,809 | (5,722) | 366,921 | 59,658 | 1,487,329 | 2,551,886 | 1,299,380 | 3,851,266 |
| Transfer of share premium under Companies Act 2016* | 30 | 32,809 | (32,809) | - | - | - | - | - | - | - |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the financial year | | - | - | - | - | - | 215,143 | 215,143 | 216,628 | 431,771 |
| Other comprehensive income | | - | - | - | - | (32,120) | - | (32,120) | (16,499) | (48,619) |
| **Total comprehensive income for the financial year** | | - | - | - | - | (32,120) | 215,143 | 183,023 | 200,129 | 383,152 |
| **Transactions with owners** | | | | | | | | | | |
| Conversion of RCPS into ordinary shares | | 1,330 | - | - | (1,074) | - | (94) | 162 | - | 162 |
| Dividends to ordinary shareholders | 37 | - | - | - | - | - | (12,171) | (12,171) | - | (12,171) |
| Dividends to non-controlling interests | | - | - | - | - | - | - | - | (200,134) | (200,134) |
| Changes in ownership interests in subsidiaries that do not result in a loss of control | | - | - | - | - | (265) | (11,867) | (12,132) | 23,472 | 11,340 |
| **Total transactions with owners** | | 1,330 | - | - | (1,074) | (265) | (24,132) | (24,141) | (176,662) | (200,803) |
| At 31 December 2017 | | 645,030 | - | (5,722) | 365,847 | 27,273 | 1,678,340 | 2,710,768 | 1,322,847 | 4,033,615 |

* The Companies Act 2016 came into effect on 31 January 2017 and the credit standing in the share premium of RM32,809,000 was transferred to the share capital account.

# Company Statement of Changes in Equity

for the financial year ended 31 December 2018

| Company | Note | Share capital (Note 29) RM'000 | Treasury shares (Note 31) RM'000 | RCPS and RCCPS (Note 29) RM'000 | Other reserves (Note 33) RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|
| 2018 | | | | | | | |
| At 1 January 2018 | | 645,030 | (5,722) | 365,847 | (1,182) | 601,259 | 1,605,232 |
| Comprehensive income | | | | | | | |
| Profit for the financial year | | - | - | - | - | 3,389,485 | 3,389,485 |
| Other comprehensive income | | - | - | - | 29,519 | - | 29,519 |
| **Total comprehensive income for the financial year** | | - | - | - | 29,519 | 3,389,485 | 3,419,004 |
| Transactions with owners | | | | | | | |
| Issuance of ordinary shares | | 173,426 | - | - | - | (1,843) | 171,583 |
| Issuance of RCCPS | | - | - | 187,206 | - | - | 187,206 |
| Share buy-back | | - | (6,203) | - | - | - | (6,203) |
| Conversion of RCPS and RCCPS into ordinary shares | | 65,871 | - | (49,015) | - | 6 | 16,862 |
| Dividends paid to ordinary shareholders | 37 | - | - | - | - | (13,733) | (13,733) |
| Total transactions with owners | | 239,297 | (6,203) | 138,191 | - | (15,570) | 355,715 |
| At 31 December 2018 | | 884,327 | (11,925) | 504,038 | 28,337 | 3,975,174 | 5,379,951 |

# Company Statement of Changes in Equity
for the financial year ended 31 December 2017

| Company | Note | Share capital (Note 29) RM'000 | Share premium (Note 30) RM'000 | Treasury shares (Note 31) RM'000 | RCPS (Note 29) RM'000 | Other reserve (Note 33) RM'000 | Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| 2017 | | | | | | | | |
| At 1 January 2017 | | 610,891 | 32,809 | (5,722) | 366,921 | (3,003) | 546,947 | 1,548,843 |
| Transfer of share premium under Companies Act 2016* | 30 | 32,809 | (32,809) | - | - | - | - | - |
| Comprehensive income | | | | | | | | |
| Profit for the financial year | | - | - | - | - | - | 66,577 | 66,577 |
| Other comprehensive income | | - | - | - | - | 1,821 | - | 1,821 |
| **Total comprehensive income for the financial year** | | - | - | - | - | 1,821 | 66,577 | 68,398 |
| Transactions with owners | | | | | | | | |
| Conversion of Redeemable Convertible Cumulative Preference Shares into ordinary shares | | 1,330 | - | - | (1,074) | - | (94) | 162 |
| Dividends to ordinary shareholders | 37 | - | - | - | - | - | (12,171) | (12,171) |
| Total transactions with owners | | 1,330 | - | - | (1,074) | - | (12,265) | (12,009) |
| At 31 December 2017 | | 645,030 | - | (5,722) | 365,847 | (1,182) | 601,259 | 1,605,232 |

* The Companies Act 2016 came into effect on 31 January 2017 and the credit standing in the share premium of RM32,809,000 was transferred to the share capital account.

# Statements of Cash Flows
for the financial year ended 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Cash receipts from customers | | 1,289,991 | 1,167,838 | - | - |
| Cash paid to suppliers and employees | | (716,310) | (636,228) | (12,647) | (28,281) |
| Cash flows from/(used in) operations | | 573,681 | 531,610 | (12,647) | (28,281) |
| Dividends received | | - | - | 650,293 | 114,101 |
| Interests received | | - | - | 763 | 127 |
| Interests paid | | (170,713) | (147,075) | (58,108) | (36,868) |
| Income taxes refunded | | 57 | 229 | - | - |
| Income taxes paid | | (132,583) | (114,040) | - | (368) |
| **Net cash generated from operating activities** | | 270,442 | 270,724 | 580,301 | 48,711 |
| **Investing activities** | | | | | |
| Additional investment in: | | | | | |
| Subsidiaries | | (14,849) | - | (54,000) | - |
| Available-for-sale financial assets | 21 | - | (21,623) | - | (21,623) |
| Financial assets at fair value through other comprehensive income | 24(B) | (9,372) | - | (9,436) | - |
| Additions in: | | | | | |
| Investment properties | | (546,030) | (275,211) | - | - |
| Intangible assets | 17 | - | (139) | - | - |
| Proceeds from disposal of: | | | | | |
| Assets classified as held-for-sale | | - | 607,000 | - | - |
| Financial assets at fair value through profit or loss | | - | 16,979 | - | 9,615 |
| Proceeds from redemption of preference shares in associates | | 3,500 | 4,500 | - | - |
| Property, plant and equipment: | | | | | |
| Additions | 13 | (41,433) | (28,110) | (184) | (25) |
| Disposals | | 342 | 945 | 15 | - |
| Advances to subsidiaries: | | | | | |
| Advances | | - | - | (1,425) | (23,917) |
| Repayments | | - | - | 55,758 | 26,464 |
| Repayments from/(advances to) associates and joint ventures | | (253) | (18,414) | - | - |
| Interests received | | 41,119 | 44,946 | - | - |
| Dividends received from associates | | 69 | 167 | - | - |
| Deposits held with trustees | | (9,423) | (33,963) | - | - |
| Deposits released from trustees | | - | 30,383 | - | - |

# Statements of Cash Flows

for the financial year ended 31 December 2018
(continued)

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Investing activities (continued)** | | | | | |
| Acquisition of additional interests in a subsidiary from non-controlling interests | | - | - | (658,371) | (600) |
| Movement of fixed deposits with maturity of more than 3 months | | 244,070 | (251,404) | - | - |
| Deposits with licensed bank | | (2,019) | - | - | - |
| Acquisition of additional interests in a subsidiary from non-controlling interests | | - | - | - | - |
| **Net cash (used in)/generated from investing activities** | | (334,279) | 76,056 | (667,643) | (10,086) |
| **Financing activities** | | | | | |
| Acquisition of additional interests in a subsidiary from non-controlling interests | | (658,371) | (600) | - | - |
| Dividends paid to: | | | | | |
| Non-controlling interests | | (200,390) | (190,215) | - | - |
| Ordinary shareholders | 37 | (13,733) | (12,171) | (13,733) | (12,171) |
| Holders of RCPS and RCCPS | 37 | (23,273) | (18,169) | (23,273) | (18,169) |
| Purchase of treasury shares | 31 | (6,203) | - | (6,203) | - |
| Repayments of borrowings | | (506,672) | (1,354,212) | (365,000) | (107,600) |
| Proceeds from borrowings | | 1,145,389 | 1,518,835 | 685,200 | 115,300 |
| Payments of hire-purchase and finance lease liabilities | | - | (80) | - | - |
| Issuance of new ordinary shares to non-controlling interests | | 32,336 | 11,940 | - | - |
| Advances from subsidiaries: | | | | | |
| Advances | | - | - | - | 630 |
| Repayments | | - | - | (650) | (8,100) |
| **Net cash (used in)/generated from financing activities** | | (230,917) | (44,672) | 276,341 | (30,110) |
| Net (decrease)/increase in cash and cash equivalents during the financial year | | (294,754) | 302,108 | 188,999 | 8,515 |
| Currency translation differences | | 2,753 | (20,498) | 1 | (270) |
| Cash and cash equivalents at 1 January | | 1,293,635 | 1,012,025 | 11,051 | 2,806 |
| **Cash and cash equivalents at 31 December** | 27 | 1,001,634 | 1,293,635 | 200,051 | 11,051 |

# Statements of Cash Flows
for the financial year ended 31 December 2018
(continued)

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

| | Borrowings RM'000 | RCPS and RCCPS RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| At 1 January 2018 | 3,405,866 | 48,842 | 3,454,708 |
| Cash flows: | | | |
| Interest paid | (170,713) | - | (170,713) |
| Proceeds from borrowings | 1,145,389 | - | 1,145,389 |
| Repayments of borrowings | (506,672) | - | (506,672) |
| Dividend paid | - | (23,273) | (23,273) |
| Non-cash changes: | | | |
| Amortisation of transaction cost | 260 | 4,544 | 4,804 |
| Issuance of RCCPS | - | 61,255 | 61,255 |
| Interest charged during the financial year | 173,562 | - | 173,562 |
| Conversion to ordinary shares | - | (16,016) | (16,016) |
| Translation differences | (1,054) | - | (1,054) |
| At 31 December 2018 | 4,046,638 | 75,352 | 4,121,990 |
| At 1 January 2017 | 3,253,678 | 64,096 | 3,317,774 |
| Cash flows: | | | |
| Interest paid | (147,075) | - | (147,075) |
| Proceeds from borrowings | 1,518,835 | - | 1,518,835 |
| Repayments of borrowings | (1,354,212) | - | (1,354,212) |
| Dividend paid | - | (18,169) | (18,169) |
| Non-cash changes: | | | |
| Gain on extinguishment of loan | (11,843) | - | (11,843) |
| Interest charged during the financial year | 150,710 | - | 150,710 |
| Amortisation of transaction cost | - | 3,074 | 3,074 |
| Conversion to ordinary shares | - | (159) | (159) |
| Translation differences | (4,227) | - | (4,227) |
| At 31 December 2017 | 3,405,866 | 48,842 | 3,454,708 |

# Statements of Cash Flows

for the financial year ended 31 December 2018
(continued)

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

| | Borrowings | RCPS & RCCPS | Amounts owing to subsidiaries | Total |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Company | | | | |
| At 1 January 2018 | 928,955 | 48,842 | 7,171 | 984,968 |
| Cash flows: | | | | |
| Interest paid | (57,907) | - | (201) | (58,108) |
| Proceeds from borrowings | 685,200 | - | - | 685,200 |
| Repayments of borrowings | (365,000) | - | - | (365,000) |
| Dividend paid | - | (23,273) | - | (23,273) |
| Repayments of advances received from subsidiaries | - | - | (650) | (650) |
| Repayments received on advances provided to subsidiary | - | - | 607 | 607 |
| Payment on behalf of subsidiaries | - | - | (44) | (44) |
| Non-cash changes: | | | | |
| Issuance of RCCPS | - | 61,255 | - | 61,255 |
| Interest charged during the financial year | 59,923 | - | 207 | 60,130 |
| Amortisation of transaction cost | - | 4,544 | - | 4,544 |
| Management fee charges | - | - | (659) | (659) |
| Payment on behalf by subsidiary | - | - | 367 | 367 |
| Conversion to ordinary shares | - | (16,016) | - | (16,016) |
| At 31 December 2018 | 1,251,171 | 75,352 | 6,798 | 1,333,321 |
| At 1 January 2017 | 920,100 | 64,096 | 14,837 | 999,033 |
| Cash flows: | | | | |
| Interest paid | (36,664) | - | (204) | (36,868) |
| Proceeds from borrowings | 115,300 | - | - | 115,300 |
| Repayments of borrowings | (107,600) | - | - | (107,600) |
| Dividend paid | - | (18,169) | - | (18,169) |
| Advances received from subsidiaries | - | - | 630 | 630 |
| Repayments received on advances provided to subsidiaries | - | - | 377 | 377 |
| Repayments of advances received from subsidiaries | - | - | (8,100) | (8,100) |
| Payment on behalf of subsidiaries | - | - | (111) | (111) |
| Non-cash changes: | | | | |
| Interest charged during the financial year | 37,819 | - | 204 | 38,023 |
| Amortisation of transaction cost | - | 3,074 | - | 3,074 |
| Management fee charges | - | - | (681) | (681) |
| Payment on behalf by subsidiary | - | - | 219 | 219 |
| Conversion to ordinary shares | - | (159) | - | (159) |
| At 31 December 2017 | 928,955 | 48,842 | 7,171 | 984,968 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018

## 1 GENERAL INFORMATION

The principal activities of the Group mainly consist of property investment and management, owner and operator of malls, hotel operations, property development, construction, information and communication technology services, provision of engineering services for water treatment plants and related services, education, investment holding and management of real estate investment trust. The principal activities of the Company during the financial year are those of investment holding and the provision of management services.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in dealing with items that are considered material in relation to the financial statements.

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this 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 to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ from these estimates.

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.

#### (a) Standards, amendments and improvements to published standards and interpretations to existing standards that are effective and are applicable to the Group and the Company

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2018:

- Amendments to MFRS 140 'Classification on 'Change in Use' – Assets transferred to, or from, Investment Properties' clarify that to transfer to, or from investment properties there must be a change in use.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

- MFRS 9 'Financial Instruments' will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the income statement, unless this creates an accounting mismatch.

  There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  The Group and the Company 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.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Standards, amendments and improvements to published standards and interpretations to existing standards that are effective and are applicable to the Group and the Company (continued)

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2018: (continued)

- MFRS 9 'Financial Instruments' will replace MFRS 139 "Financial Instruments: Recognition and Measurement". (continued)

  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. There is no impact to the opening balance of retained earnings as at 1 January 2018 on adoption of MFRS 9 as the cumulative effects of initially applying MFRS 9 were not significant.

  The impact of this change in accounting policy on financial instruments is disclosed in Note 2.25.

- Clarification to MFRS 15 'Revenue from Contracts with Customers'.

- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments In Associates and Joint Ventures'.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards, amendments and improvements to published standards and interpretations to existing standards that are early adopted by the Group and the Company

There are no new accounting standards, amendments and improvements to published standards and interpretations that are early adopted by the Group and the Company.

(c) Standards, amendments and improvements to published standards and interpretations to existing standards that are applicable to the Group and the Company but are not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2019 which are applicable to the Group and Company as set out below:

- 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 operations (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that when income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profit were recognised. Accordingly, the tax consequences are recognised in profit or loss 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 9 'Prepayment features with negative compensation' (effective from 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendments and improvements to published standards and interpretations to existing standards that are applicable to the Group and the Company but are not yet effective (continued)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2019 which are applicable to the Group and Company as set out below: (continued)

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

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases. 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 expenses recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- Amendments to MFRS 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.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered as a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business with outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods and services provided to customers generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

Based on the Group's and Company's initial assessment, the adoption of these standards and amendments, effective for financial year beginning on or after 1 January 2019 will not have a material impact on the financial statements of the Group and Company in the year of initial application.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are 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. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statements (see Note 2.5(a) on goodwill).

Acquisition-related costs are expensed as incurred.

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

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

Intercompany 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Consolidation (continued)

#### (d) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of joint ventures' in the income statement.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

#### (e) Associates

Associates are all entities over which the Group has significant influence, but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(e) Associates (continued)

Where the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in the income statement.

(f) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

2.3 Property, plant and equipment

Property, plant and equipment are initially stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see Note 2.16 on borrowings and borrowing costs).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the income statements during the financial years in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective leases. Other property, plant and equipment are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

| | |
|---|---|
| Buildings, including hotel properties | 25 to 100 years |
| Leasehold land | 50 to 99 years |
| Plant and machinery | 5 to 10 years |
| Furniture, fixtures, fittings and equipment | 3 to 10 years |
| Motor vehicles | 5 years |

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period. The Group carries out assessment on residual values and useful lives of assets on an annual basis. There was no adjustment arising from the assessment performed in the financial year.

Depreciation on assets under construction commences when the assets are ready for their intended use.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 2.6 on impairment of non-financial assets).

Gains and losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in income statements.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Investment properties

Investment properties, comprising principally land, development rights and buildings are held for long term rental yields or for capital appreciation or both, and are not substantially occupied by the Group. Building fittings that are attached to the buildings are also classified as investment properties. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see Note 2.16 on borrowings and borrowing costs).

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 2.6 on impairment of non-financial assets). Freehold land is not depreciated as it has an infinite life. Assets under construction and land held for future development, both held for long term rental yields or for capital appreciation or both, are depreciated when the assets are ready for their intended use. Investment properties are depreciated on the straight line basis to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

| | |
|---|---|
| Retail property | 33 to 99 years |
| Commercial property – Leasehold property | 10 to 99 years |
| Commercial property – Freehold property | 10 to 50 years |

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

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in the income statements.

### 2.5 Intangible assets

#### (a) Goodwill

Goodwill or negative goodwill represents the excess or deficit of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in the statement of financial position as intangible assets whereas negative goodwill is recognised immediately in the income statements.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment losses on goodwill is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment (see Note 2.6 on impairment of non-financial assets).

Goodwill on acquisition of jointly controlled entities and associates is included in investments in jointly controlled entities and investments in associates. Such goodwill is tested for impairment as part of the overall balance.

#### (b) Building software development cost

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets (continued)

(b) Building software development cost (continued)

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled: (continued)

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight line basis over its useful life, not exceeding 5 years.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable (see Note 2.6 on impairment of non-financial assets).

(c) Licenses

Acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses. Amortisation is calculated using the straight line method to allocate the cost of the acquired licenses over their estimated useful lives of 10 to 50 years.

**2.6 Impairment of non-financial assets**

Non-financial assets 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 which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment is charged to the income statements unless it reverses a previous revaluation, in which case it is charged to revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statements. Reversals of impairment loss is recognised immediately in income statements and shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

2.7 Financial instruments

(a) Financial assets

<u>Accounting policies applied before 1 January 2018</u>

<u>Classification</u>

The Group and the Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets when acquired.

(i) Financial assets at fair value through profit or loss

The Group and the Company classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, e.g. are held for trading. Derivatives are also categorised as held for trading unless they are designated as hedges. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(a) Financial assets (continued)

Accounting policies applied before 1 January 2018 (continued)

Classification (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Concession receivables

Upon adoption of IC Interpretation 12 'Service Concession Arrangements', the Group recognises a financial asset arising from a service concession arrangement when the operator has an unconditional right to receive cash or another financial asset from the grantor in remuneration for concession services. Such financial assets are recognised in the statement of financial position, for the amount of the fair value of the infrastructure at initial recognition and subsequently at amortised cost.

The operator has such an unconditional right if the grantor contractually guarantees the payment of amounts specified or determined in the contract or the shortfall, if any, between amounts received and amounts specified or determined in the contract even if payment is contingent on the operator ensuring that the infrastructure meets specified quality or efficiency requirements.

An impairment loss is recognised if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial effective interest rate. The portion falling due within one year is included in current assets, while the portion falling due more than one year after the end of the reporting period is presented in the non-current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and initial measurement

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

Subsequent measurement – Gains and Losses

Available-for-sale assets and financial assets at fair value through profit or loss are subsequently carries at fair value. Loans and receivables financial asset are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the change arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see Note 2.7(a)).

Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(a) Financial assets (continued)

Accounting policies applied before 1 January 2018 (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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 income statement. 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 may measure impairment on the basis of an instrument's fair value using an observable market price.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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 income statement.

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 loss has been determined.

**Assets classified as available-for-sale**

For debt securities, the Group uses the criteria of impairment loss applicable for 'asset carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In the case of equity securities classified as available-for-sale, in addition to the criteria for assets carried at amortised cost above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indication that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative losses that have been recognised directly in equity is removed from equity and recognised in the income statement. The amount of cumulative loss that is reclassified to the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Impairment losses recognised in consolidated income statement on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Financial instruments (continued)

#### (a) Financial assets (continued)

Accounting policies applied before 1 January 2018 (continued)

Impairment of financial assets (continued)

**Assets classified as available-for-sale (continued)**

Investment in unquoted equity instruments which are classified as available-for-sale and whose fair value cannot be reliably measured are measured at cost. These investments are assessed for impairment at each reporting date.

Accounting policies applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('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 profit or loss.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassified debt investments when and only when its business model for managing those assets changes.

The Group classifies its debt instruments at amortised cost. 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 on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement and statement of other comprehensive income as applicable.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the income statement and statement of comprehensive income as applicable.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(a) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Group and the Company assesses on a forward-looking basis the expected credit loss (‘ECL’) associated with its debt instruments carried at amortised cost and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group’s and Company’s trade and other receivables, loans to subsidiaries, contract assets, concession receivables and financial guarantee contracts are subject to the ECL model.

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

ECL represent 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 Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for other receivables, financial guarantee contracts issued and amounts due from subsidiaries.

At each reporting date, the Group 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 3(b) sets out the measurement details of ECL.

(ii) Simplified approach for trade receivables, accrued billings, concession receivables and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, accrued billings, contract assets and concession receivables.

**Significant increase in credit risk**

The Group 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 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. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse 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;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(a) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Subsequent measurement – Impairment (continued)

**Significant increase in credit risk (continued)**

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

**Definition of default and credit-impaired financial assets**

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

Quantitative criteria:
The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:
The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

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

Groupings of instruments for ECL are measured on collective basis.

(i) Collective assessment

To measure ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress for property development activities and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) Individual assessment

Trade receivables and contracts assets which are in default or credit-impaired are assessed individually.

Loans to subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

Write-off

(i) Trade receivables, accrued billings, concession receivables and contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(a) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Subsequent measurement – Impairment (continued)

Write-off (continued)

(ii) Other receivables and amounts due from subsidiaries

The Group and the Company 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 may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

(b) 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 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 classifies its financial liabilities in the following categories: other financial liabilities and financial guarantee contracts. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

(i) 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.

(ii) Financial guarantee contracts

Accounting policies applied before 1 January 2018

The Group has issued corporate guarantee to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Group to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liabilities are initially recognised at their fair values plus transaction costs and subsequently at the higher of the amount determined in accordance with MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where appropriate, in the Group's statement of financial position.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Financial guarantees are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless it is probable that the Group will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Group's statement of financial position.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(b) Financial liabilities (continued)

(ii) Financial guarantee contracts (continued)

Accounting policies applied from 1 January 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

(c) 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 Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

**(d) Financial instruments recognised in the statements of financial position**

The particular recognition method adopted for financial instruments recognised in the statements of financial position is disclosed in the individual accounting policy statements associated with each item.

(e) Fair value estimation for disclosure purposes

The fair value of publicly traded securities is based on quoted market prices at the reporting date.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The fair value of financial assets and financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for each type of the financial liabilities of the Group.

The fair values for financial assets (less any estimated credit adjustments) and financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

**(f) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is presented in the statements 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.

2.8 Service concession arrangement

A portion of the Group's assets are within the framework of concession contracts granted by the government ("the grantor"). In order to fall within the scope of concession contract, a contract must satisfy the following two criterias:

- The grantor controls or regulates what services the operator must provide with the infrastructure assets, to whom it must provide them, and at what price; and
- The grantor controls the significant residual interest in the infrastructure assets at the end of the term of the arrangement.

Such infrastructure assets are not recognised by the Group as property, plant and equipment but as financial assets as described below.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction and operating services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2.7(a).

The Group recognises revenue from construction and operation of infrastructure assets in accordance with its revenue recognition policy set out in Note 2.20.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 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.

(a) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) is charged to the income statements on the straight line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in the income statements when incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the year in which termination takes place.

(b) Finance lease

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of the finance cost is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the income statements over the lease term on the same basis as the lease expense.

### 2.10 Asset classified as held-for-sale

Non-current asset are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

### 2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see Note 2.7(a) on impairment of financial assets).

### 2.12 Inventories

(a) Completed properties

The cost of completed properties is stated at the lower of historical cost and net realisable value. Historical cost includes, where relevant, cost associated with the acquisition of land, including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended case, related development costs to projects, direct building costs and other costs of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

(b) Hotel operating supplies

Cost is determined using the first-in, first-out method and comprises food and beverage, printing and stationeries and guestroom supplies.

Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Inventories (continued)

(c) Land held for property development

The cost of land held for property development is stated at the lower of cost and net realisable value. The cost of land held for property development consists of the purchase price of the land, professional fees, stamp duties, commissions, conversion fees, other relevant levies and direct development cost incurred in preparing the land for development.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

Land held for property development for which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle, is classified as non-current asset.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where development activities can be completed within the Group's normal operating cycle.

(d) Property development costs

Cost is determined based on a specific identification basis. Property development costs comprising costs of land, land enhancement costs, direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses. The property development costs is subsequently recognised as an expense in income statements when or as the control of the asset is transferred to the customer.

Property development costs for which work has been undertaken and development activities are expected to be completed within the Group's normal operating cycle, is classified as current asset.

(e) Other inventories

Cost is determined using the first-in, first-out method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and applicable variable selling expenses.

2.13 Cash and cash equivalents

For the purpose of the statements of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

In the statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

**(a) Classification**

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument (see Note 2.16 on borrowings and borrowing costs and Note 2.24 on compound financial instruments).

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share capital (continued)

(c) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(d) Purchase of own shares

Where any Company within the Group purchases the Company's equity instruments as a result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued or disposed. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

(e) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

(i) the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and

(ii) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

(i) the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

(ii) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.15 Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings and borrowing cost

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in the income statements over the period of the borrowings using the effective yield method.

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 drawdown occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility of which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Borrowings and borrowing cost (continued)

(b) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their 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. Qualifying assets of the Group includes inventories and investment properties that take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are recognised in the income statements in the financial year in which they are incurred.

2.17 Current and deferred income tax

Tax expense for the financial year comprises current and deferred income tax. The income tax expense or credit for the financial year is the tax payable on the current financial year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the income statements, 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 in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions 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.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, the deferred income tax is not recognised.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in the equity or other comprehensive income, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised as a reduction of current tax and no deferred tax asset is recognised when the tax credit arises.

**2.18 Employee benefits**

**(a) Short-term employee benefits**

Wages, salaries, bonuses, paid annual leave and sick leave and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related service are recognised in respect of employees' services up to the end of the financial year and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables in the statements of financial position.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**2.18 Employee benefits** (continued)

**(a) Short-term employee benefits** (continued)

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(b) Defined contribution plans**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The defined contribution plan of the Group relates to the contribution to the Group by various defined contribution plans in accordance with local conditions and practices in the countries in which it operates the national defined contribution plan.

The Group's contributions to defined contribution plans are charged to the income statements in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(c) Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

(d) Share-based payments

Employee options

The Group operates a number of equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share option reserve within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding of shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

In its separate financial statements of the Company, the grant by the Company of options over its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution to the subsidiary. The fair value of options granted to employees of the subsidiary in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity of the Company.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Contingent assets and contingent liabilities

The Group does not recognise contingent assets and liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.20 Revenue/income recognition

(a) Revenue from contracts with customers

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group 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 its customer has approved the contract and intend to perform their respective obligations, the Group'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 will collect the consideration to which it will be entitled to in exchange of those goods or services.

When the Group has performed by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset. The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as contract liability.

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

(i) Hotel room rental and food and beverages revenue

Room rental revenue is accrued over time on customer-occupied rooms. Revenue from the sales of food and beverage is recognised when the customer receives and consumes, and the Group has a present right to payment for, the food and beverage product. Hotel room rental and food and beverages revenue are recorded based on the published rates, net of discounts.

(ii) Revenue from property development, comprising residential and commercial properties and construction contract

Property development, comprising residential and commercial properties are specifically identified by its plot, lot or parcel number as set out in the sale and purchase agreement.

Property development contract with customers may include multiple performance obligations as the property development may not be highly integrated. Therefore, the transaction price will be allocated to each performance obligation based on the standalone selling price or based on the expected cost plus margin.

Revenue from property development, comprising residential and commercial properties are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Revenue from property development is recognised over time when control of the asset is transferred over time when Group's performance:

- creates and enhances an asset that the customer controls as the property development is being performed; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Revenue from construction contracts, which are highly integrated, are recognised as a single performance obligation. Revenue is recognised progressively based on the progress towards complete satisfaction of the performance obligation based on the inputs to the satisfaction of the performance obligation.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue/income recognition (continued)

(a) Revenue from contracts with customers (continued)

Specific revenue recognition criteria for each of the Group's activities are as described below: (continued)

(iii) Rendering of services and management fees

Service and management fees are recognised in the accounting period in which the services are rendered and the customer receives and consumes the benefits provided by the Group, and the Group has a present right to payment for, the services. Other rent related and car park income is recognised upon services being rendered.

(iv) Utilities revenue

Revenue from electricity sales are recognised upon supply and distribution of electricity to the customer and the customer receives and consumes the electrical energy.

(v) Revenue from concession arrangement

The revenue from rendering of waste water treatment services set out in the concession arrangement is recognised over the period in which the services are rendered and the customer receives and consumes the benefits provided by the Group and the Group has a present right to payment for the services.

The revenue from construction of the waste water treatment plant is recognised over the period of the construction as control of the asset transfers over time as the asset created has no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(vi) Others

Other revenue comprise of revenue from gym subscription fees. Revenue from delivering services on a time basis or as a fixed-price contract, with contract term is recognised in the period the services are provided, using a straight-line basis over the term of the contract.

Revenue is allocated to each performance obligation is based upon the relative fair value of the various elements. The fair value of each element is determined based on the current market price of each of the elements when sold separately. The revenue relating to the goods is recognised when the customer accepts the goods which occurs on delivery.

(b) 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 non-cancellable term of the lease on a straight-line basis. Lease income is shown net of rebates and discounts. Lease income includes base rent turnover or percentage rent, service and promotional charges from tenants. Base rent is recognised on a straight line basis over the lease. Initial direct cost incurred by the Group 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.

(c) Interest income

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

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statements within 'other operating income or expense'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statements, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement or separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates. Exchange differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to the income statement, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to the income statement.

Inter company loans, where settlement is neither planned nor likely to occur in the foreseeable future, are treated as part of the parent's net investment. Translation differences arising therefrom are recognised in other comprehensive income.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.21 Foreign currencies (continued)

#### (d) Net investment hedge

The Group is exposed to foreign currency fluctuation risks arising from transactions denominated in foreign currencies and as part of the Group's risk management strategy, the Group has entered into a net investment hedge on its investment in a foreign operation.

The Group documents at the inception of the transaction the relationship between the hedge instrument and hedged item, as well as its risk management objectives and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedge transaction is highly effective in offsetting changes in foreign currency fluctuations of the hedged item.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed of or sold.

### 2.22 Deferred revenue

Deferred revenue represents unearned revenue from school fees, web-site maintenance contracts, leasing and car park operations which will be recognised in profit or loss upon expiry, utilisation or performance of services.

### 2.23 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 maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors that makes strategic decisions.

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments.

Segment revenue, expenses, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process.

### **2.24 Compound financial instruments**

Compound financial instruments issued by the Group comprise convertible notes that can be converted to equity share capital at the option of the holder, and the number of equity shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity compound is recognised initially at the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability component. Any directly attributable contribution costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method until extinguished on conversion or maturity of the compound instrument. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except when the compound instrument is redeemed or repurchased before maturity. The equity instrument component is subject to deferred tax liability which is charged directly to equity.

Upon conversion of the compound instrument into equity shares, the amount credited to ordinary share capital and share premium is the aggregate of the carrying amounts of the liability components classified within liability and equity component at the time of conversion. No gain or loss is recognised.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.25 Changes in accounting policies

As disclosed in Note 2.1(a), the Group and the Company 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 asset**

Until 31 December 2017, financial assets were classified in the following categories: financial assets at fair value through profit or loss ('FVTPL'), loans and receivables, and available-for-sale ('AFS') financial assets. Note 2.7 set out the details of accounting policies for classification and measurement of financial instruments under MFRS 139.

From 1 January 2018, the Group and the Company applied the following MFRS 9's classification approach to all types of financial assets:

- *Investments in debt instruments*: There are 3 subsequent measurement categories: amortised cost, fair value with changes either recognised through other comprehensive income ('FVOCI') or through profit or loss ('FVTPL').
- *Investments in equity instruments*: These instruments are always measured at fair value with changes in fair value presented in profit or loss unless the Group and the Company has made an irrevocable choice to present changes in fair value in other comprehensive income ('OCI') for investments that are not held for trading.

To reflect this change in accounting policies, the Group and the Company have made the following reclassification of financial assets upon adoption of MFRS 9:

(i) The Group and the Company's trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified as financial assets at amortised cost.

(ii) The Group and the Company elected to present in OCI changes in the fair value of all its investments in equity securities previously classified as AFS, because these investments are not held for trading or arise from contingent consideration recognised by acquirer in business combination. As a result, investments in these equity securities were reclassified from AFS financial assets to financial assets at FVOCI. Related AFS reserves were reclassified to FVOCI reserve on 1 January 2018.

The impact of these changes on the Group and the Company's reserves is as follows:

Financial assets at fair value through other comprehensive income reserve

| | RM'000 |
|---|---|
| As previously reported at 31 December 2017 | - |
| Non-trading equity securities reclassified from AFS to FVOCI upon adoption of MFRS 9 | 1,182 |
| As restated at 1 January 2018 | 1,182 |

Available-for-sale reserve

| | RM'000 |
|---|---|
| As previously reported at 31 December 2017 | (1,182) |
| Non-trading equity securities reclassified from AFS to FVOCI upon adoption of MFRS 9 | 1,182 |
| As restated at 1 January 2018 | - |

Financial assets that were classified as FVTPL under MFRS 139 are reclassified as fair value in other comprehensive income as the Group and the Company has made an irrevocable choice to present changes in fair value in other comprehensive income ('OCI') for investments that are not held for trading.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Changes in accounting policies (continued)

As disclosed in Note 2.1(a), the Group and the Company have adopted MFRS 9, which resulted in changes in accounting policies and adjustments to the financial position. The main changes are as follows: (continued)

**(a) Classification and measurement of financial asset (continued)**

As disclosed above, the adoption of MFRS 9 resulted in reclassification of certain financial assets. The carrying amounts of financial assets in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are as follows:

| | | Measurement category | | |
|---|---|---|---|---|
| | Note | Original (MFRS 139) | **Reclassification** | New (MFRS 9) |
| | | RM'000 | RM'000 | RM'000 |
| Group | | | | |
| Non-current asset | | | | |
| AFS | 21 | 53,088 | (53,088) | - |
| FVOCI | 24(B) | - | 54,870 | 54,870 |
| Current asset | | | | |
| FVTPL | 24(A) | 1,782 | (1,782) | - |
| Company | | | | |
| Non-current asset | | | | |
| AFS | 21 | 53,088 | (53,088) | - |
| FVOCI | 24(B) | - | 54,608 | 54,608 |
| Current asset | | | | |
| FVTPL | 24(A) | 1,520 | (1,520) | - |

The new accounting policies for classification and measurement of financial instruments under MFRS 9 are set out in Note 2.7.

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 Company assessed the impairment of loan and receivables and AFS financial assets based on the incurred impairment loss model. Note 2.7 set out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group and the Company apply expected credit loss ('ECL') model to determine impairment on investment in debt instruments that are measured at amortised cost and financial guarantee contracts. The new accounting policies for impairment under MFRS 9 are set out in Note 2.7.

(i) Trade receivables and contract assets that do not contain significant financing components

For all trade receivables and contract assets that do not contain significant financing components, the Group 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 Company'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
for the financial year ended 31 December 2018
(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.25 Changes in accounting policies (continued)

As disclosed in Note 2.1(a), the Group and the Company have adopted MFRS 9, which resulted in changes in accounting policies and adjustments to the financial position. The main changes are as follows: (continued)

(b) Impairment (continued)

(ii) Other receivables

Other receivables are classified as financial asset at amortised cost in the financial statements because the Group and the Company's business model is to hold and collect the contractual cash flows and those cash flows represent SPPI. The Group and the Company 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 Company could not fully recover the outstanding balance of the other receivables.

(iii) Amounts due from subsidiaries

Amounts due from subsidiaries that are repayable on demand and interest-free are classified as financial cost at amortised cost in the Company's financial statements because the Company's business model is to hold and collect the contractual cash flows and those cash flows represent SPPI. The Company applied the general 3-stage approach when determining ECL for these loans to subsidiaries.

No additional loss allowance is recognised on these loans to subsidiaries upon adoption of MFRS 9 as all strategies indicate that the Company could fully recover the outstanding balance of the loans to subsidiaries.

(c) Financial guarantee contract

Until 31 December 2017, financial guarantee contracts issued to subsidiaries by the Company were assessed to be nil at initial recognition and were subsequently measured at the higher of amount determined based on MFRS 137 or amount initially recognised less cumulative amortisation in accordance with MFRS 118. The Company had assessed that it was not probable that the subsidiaries would default their obligations to the bank and had not recognised any provision amount under MFRS 137.

From 1 January 2018, financial guarantee contracts are required to be subsequently measured at the higher of ECL determined using general 3-stage approach or amount initially recognised less cumulative amount of income recognised in accordance with MFRS 15.

**(d) 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 income statement.

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

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and cash flow interest rate risk), credit risk, price risk and liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group financial risk management policies. The management regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

**(a) Market risk**

(i) Foreign currency exchange risk

The Group and the Company is exposed to foreign currency risk as a result of amounts owing to subsidiaries, advances to associates, advances to joint ventures, deposits with licensed banks and borrowings denominated in Great Britain Pound ("GBP"), Australian Dollar ("AUD") and United States Dollar ("USD"). Management regularly monitors the foreign exchange currency fluctuations.

As defined by MFRS 7 'Financial Instruments: Disclosure', currency risks arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency.

As at 31 December 2018, the Group's and the Company's GBP, AUD and USD denominated net monetary assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net monetary assets denominated in: | | | | |
| GBP | 78,866 | 70,150 | - | - |
| AUD | 58,870 | 61,643 | - | - |
| USD | 65,649 | 9,296 | 964 | 10,594 |

The effects to the Group's and the Company's profit before tax, had these GBP, AUD and USD strengthened by 10% (2017: 10%) against RM are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Increase/(Decrease) to profit before tax if the currency had strengthened by 10% (2017: 10%) | | | | |
| GBP | 7,887 | 7,015 | - | - |
| AUD | 5,887 | 6,164 | - | - |
| USD | 6,565 | 930 | 96 | 1,059 |

A 10% (2017: 10%) weakening of the above currencies against RM as at 31 December 2018 would have an equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

Except as disclosed above, other foreign currency exchange risks exposures are not material and did not have any significant impact on the financial statements of the Group and of the Company at 31 December 2018, hence sensitivity analysis is not presented.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(a) Market risk (continued)**

(ii) Cash flow interest rate risk

The Group's and Company's cash flow interest rate risk arises from floating rate term loans, Medium Term Notes and revolving credits.

The information on maturity dates and effective interest rates of these borrowings is disclosed in Note 35.

The Group's and Company's interest rate exposure is co-related with changes in cost of funds ("COF") of the lenders. The impact on the Group's and Company's profit after tax arising from changes in COF of the lenders by 25 (2017: 25) basis points arising from the Group's and Company's floating rate term loan and revolving credits with all other variables being held constant, would be as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impact to profit after tax due to interest rate (increase)/decrease: | | | | |
| COF increase by 25 (2017: 25) basis points | (3,438) | (3,295) | (2,371) | (2,320) |
| COF decrease by 25 (2017: 25) basis points | 3,438 | 3,295 | 2,371 | 2,320 |

**(b) Credit risk**

Credit risk arising from trade receivables, accrued billing and contract assets

Credit risk arises when sales are made on deferred credit terms. The Group and the Company control these risks by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's and the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's and the Company's management reporting procedures. The Group and the Company do not have any significant exposure to any individual customer or counterparty nor do they have any major concentration of credit risk related to any financial instrument.

- Credit risk arising from property development activities

  The Group does not have any significant credit risk from their property development activities as their products are predominantly rendered and sold to a large number of property purchasers using financing from reputable end-financiers.

  Credit risks with respect to trade receivables are limited as the legal title to the properties sold remain with the Group until the purchase consideration is fully paid.

- Credit risk arising from property investment – commercial and retail

  Credit risk with respect to rental receivables is limited due to the nature of business which is predominantly rental receivables in advance. Furthermore, the tenants have placed security deposits with the Group which acts as collateral if receivables due from the tenant are not settled or in case of breaches of contract. Due to these factors, no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's and the Company's trade receivables.

Upon the adoption of MFRS 9 on 1 January 2018, the Group applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of trade receivables, accrued billing and contract assets. To measure the expected credit loss, the expected loss rates are based on the historical payment profiles of the receivables 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 trade receivables to settle the receivables.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(b) Credit risk (continued)**

Credit risk arising from trade receivables, accrued billing and contract assets (continued)

Group

| | Not due RM'000 | 1-90 days RM'000 | 91-120 days RM'000 | >121 days RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| Aging analysis under MFRS 9 | | | | | |
| As at 31 December 2018 | | | | | |
| Trade receivables (gross) | 51,311 | 14,290 | 3,210 | 1,953 | 70,764 |
| Accrued billing (gross) | 17,773 | - | - | - | 17,773 |
| Contract assets (gross) | 45,363 | - | - | - | 45,363 |
| Total | 114,447 | 14,290 | 3,210 | 1,953 | 133,900 |
| Expected credit loss | - | (1,168) | (2,412) | (1,477) | (5,057) |
| Total (net) | 114,447 | 13,122 | 798 | 476 | 128,843 |
| Expected loss rate | 0% | 8.17% | 75.14% | 75.63% | |
| Aging analysis under MFRS 139 | | | | | |
| As at 31 December 2017 | | | | | |
| Trade receivables (gross) | 55,122 | 13,757 | 2,888 | 2,823 | 74,590 |
| Accrued billing (gross) | 14,144 | - | - | - | 14,144 |
| Contract assets (gross) | 4,694 | - | - | - | 4,694 |
| Total | 73,960 | 13,757 | 2,888 | 2,823 | 93,428 |
| Impairment | - | (1,733) | (1,416) | (1,724) | (4,873) |
| Total (net) | 73,960 | 12,024 | 1,472 | 1,099 | 88,555 |

Movement on the Group's provision for impairment of trade receivables was as follows:

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| At 1 January | 4,873 | 3,400 |
| Provision for impairment of receivables | 3,369 | 3,099 |
| Bad debts recovered | (63) | (141) |
| Receivables written off during the financial year as uncollected | (15) | (157) |
| Reversal of impairment loss | (3,107) | (1,328) |
| At 31 December | 5,057 | 4,873 |

The credit quality of trade receivables that are neither past due nor impaired are substantially amounts due from customers with good collection track record with the Group and the Company. Management will continuously monitor closely the trade receivables which are past due.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(b) Credit risk (continued)**

Credit risk arising from other receivables

The other receivables impairment are assessed individually to determine whether there was objective evidence that an impairment had been incurred but not yet identified. The Group's other receivables mainly comprise of deposits placed with utilities companies and final payment receivable from a purchaser for the disposal of an asset in prior year, all of which are not past due. Hence, the Group and the Company has determined that the other receivables are performing, and there is no indication that the amounts are not collectible and therefore the ECL allowance is not material.

The movement on the Group's and Company's provision for impairment which has been identified for specific other receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 1,903 | 1,376 | 450 | - |
| Provision for impairment | 15 | 680 | - | 450 |
| Bad debts recovered | (150) | (153) | - | - |
| Reversal of impairment loss | - | - | (150) | - |
| At 31 December | 1,768 | 1,903 | 300 | 450 |

Credit risk arising from concession receivables

Concession receivables was recognised to the extent that the Group has an unconditional right to receive cash for the construction and operating service of the water waste treatment plant. Credit risks are assessed to be low as the concession receivables are receivables from the respective province's local authorities. There is no indication that the amounts are not collectible as based on historical trend, payments were received within the expected periods. Hence, the ECL allowance is not material.

Credit risk arising from amounts due from associates

Credit risk with respect to amounts due from associates are assessed to be low as the significant amounts due from associates are companies which have sufficient liquid assets to repay the loan if demanded. Other amounts due from associates of hotel owners and operators and property investment companies where the recovery strategies indicate that the associates would be able to repay the outstanding balance. Hence, the impact of ECL is immaterial.

Credit risk arising from amounts due from joint ventures

Credit risk with respect to amounts due from joint ventures are assessed to be low due to the nature of their property development and property investment activities, where the recovery strategies indicate that the joint ventures would be able to recover the outstanding balance through sale of its assets. Hence, the impact of ECL is immaterial.

Credit risk arising from deposits with licensed banks

Credit risk also arises from deposits with licensed banks and financial institutions. The deposits are placed with credit-worthy financial institutions with high credit rating. The Group and the Company consider the risk of material loss in the event of non-performance by a financial counterparty to be unlikely and hence, the ECL allowance is not material.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(b) Credit risk (continued)**

Credit risk arising from amounts due from subsidiaries

The Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk except for amounts due from subsidiaries, which are repayable on demand. The Company has assessed that the subsidiaries has sufficient liquid assets to repay the loan if demanded. Therefore, there is no indication that the amounts are not collectible, hence the ECL allowance is not material.

| | 2018 | 2017 |
|---|---|---|
| | RM'000 | RM'000 |
| Company | | |
| At 1 January | 37,005 | 37,713 |
| Provision for impairment | 9,874 | - |
| Unused amounts reversed | - | (708) |
| At 31 December | 46,879 | 37,005 |

The Company is exposed to credit risk arising from financial guarantee contracts given to banks for subsidiaries' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the subsidiaries. Management is of the view that the financial guarantee contracts are unlikely to be called by the subsidiaries' banks. Balances as at year end are as follows:

| | 2018 | 2017 |
|---|---|---|
| | RM'000 | RM'000 |
| Company | | |
| Corporate guarantees provided to banks on subsidiaries' facilities | 41,360 | 40,480 |

Maximum exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statement of financial position.

**(c) Price risk**

The Group and Company is exposed to debt and equity securities price risk because of investments held by the Group and Company and classified on the statement of financial position as fair value through other comprehensive income (2017: available-for-sale or at fair value through profit or loss). To manage its price risk arising from investment in debt and equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. Thus, the exposure of price risk of the Group and Company is minimal.

The Group's investments in the debt and equity securities are listed on the Bursa Malaysia Securities Berhad ("Bursa Malaysia"), Singapore Stock Exchange, and Euronext Paris.

**(d) Liquidity and cash flow risks**

The Group and the Company actively manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group and the Company raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(d) Liquidity and cash flow risks (continued)**

As at 31 December 2018, the Group held cash and cash equivalents of RM1,001,634,000 (2017: RM1,293,635,000) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

| | Less than 1 year RM'000 | Between 1 and 2 years RM'000 | Between 2 and 3 years RM'000 | Over 3 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| 2018 | | | | | |
| Payables and contract liabilities (excluding deferred revenue and output tax) | 672,122 | - | - | - | 672,122 |
| Interest bearing bank borrowings | 773,775 | 1,159,603 | 1,316,524 | 1,252,800 | 4,502,702 |
| Amounts owing to associates | 4 | - | - | - | 4 |
| RCPS and RCCPS | 29,538 | 19,360 | 8,052 | 28,180 | 85,130 |
| | 1,475,439 | 1,178,963 | 1,324,576 | 1,280,980 | 5,259,958 |
| 2017 | | | | | |
| Payables and contract liabilities (excluding deferred revenue, output tax and contract liabilities) | 625,852 | - | - | - | 625,852 |
| Interest bearing bank borrowings | 683,348 | 171,170 | 1,133,458 | 1,920,145 | 3,908,121 |
| Amounts owing to associates | 4 | - | - | - | 4 |
| RCPS | 19,247 | 21,486 | 11,308 | - | 52,041 |
| | 1,328,451 | 192,656 | 1,144,766 | 1,920,145 | 4,586,018 |
| **Company** | | | | | |
| 2018 | | | | | |
| Payables and contract liabilities (excluding deferred revenue, output tax and contract liabilities) | 1,520 | - | - | - | 1,520 |
| Interest bearing bank borrowings | 58,160 | 966,138 | 332,697 | - | 1,356,995 |
| Amounts owing to subsidiaries | 6,798 | - | - | - | 6,798 |
| Corporate guarantees provided to banks on subsidiaries' facilities | 41,360 | - | - | - | 41,360 |
| RCPS and RCCPS | 29,538 | 19,360 | 8,052 | 28,180 | 85,130 |
| | 137,376 | 985,498 | 340,749 | 28,180 | 1,491,803 |
| 2017 | | | | | |
| Payables and contract liabilities (excluding deferred revenue, output tax and contract liabilities) | 2,110 | - | - | - | 2,110 |
| Interest bearing bank borrowings | 38,318 | 38,318 | 959,714 | - | 1,036,350 |
| Amounts owing to subsidiaries | 7,171 | - | - | - | 7,171 |
| Corporate guarantees provided to banks on subsidiaries' facilities | 40,480 | - | - | - | 40,480 |
| RCPS | 19,247 | 21,486 | 11,308 | - | 52,041 |
| | 107,326 | 59,804 | 971,022 | - | 1,138,152 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) **Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The debt to equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (excluding payables and contract liabilities) less deposit, cash and bank balances. Total equity is as shown in the statement of financial position.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as interest bearing net debt divided by total equity. Interest bearing liabilities is calculated as total interest bearing bank borrowings (including short term and long term borrowings), hire-purchase, finance lease payables, "RCPS" and "RCCPS" as shown in the statement of financial position.

The gearing ratios were as follows:

| | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| Group | | |
| Interest bearing liabilities | 4,121,990 | 3,454,708 |
| Less: Deposits, cash and bank balances (including cash held under Housing Development Accounts) | (1,063,264) | (1,587,893) |
| Interest bearing net debts | 3,058,726 | 1,866,815 |
| Total equity | 3,524,277 | 4,033,615 |
| Gearing ratio | 0.87:1.00 | 0.46:1.00 |
| Company | | |
| Interest bearing liabilities | 1,326,523 | 977,797 |
| Less: Deposits, cash and bank balances | (200,351) | (11,351) |
| Interest bearing net debts | 1,126,172 | 966,446 |
| Total equity | 5,379,951 | 1,605,232 |
| Gearing ratio | 0.21:1.00 | 0.60:1.00 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (f) Financial instruments by category

| Group | Financial assets at fair value through other comprehensive income | Financial assets at amortised cost | Total |
|---|---|---|---|
| 2018 | RM'000 | RM'000 | RM'000 |
| **Assets as per statement of financial position** | | | |
| Non-current | | | |
| Financial assets at fair value through other comprehensive income | 93,761 | - | 93,761 |
| Concession receivables | - | 114,936 | 114,936 |
| Current | | | |
| Concession receivables | - | 3,925 | 3,925 |
| Amounts owing from associates and joint ventures | - | 90,752 | 90,752 |
| Trade and other receivables (excluding prepayments, input tax and contract assets) | - | 161,056 | 161,056 |
| Cash held under Housing Development Accounts | - | 32,309 | 32,309 |
| Deposits, cash and bank balances | - | 1,030,955 | 1,030,955 |
| Total | 93,761 | 1,433,933 | 1,527,694 |

| Group | Financial liabilities at amortised cost | Total |
|---|---|---|
| 2018 | RM'000 | RM'000 |
| **Liabilities as per statement of financial position** | | |
| Non-current | | |
| Interest bearing bank borrowings | 3,419,856 | 3,419,856 |
| RCPS and RCCPS | 49,256 | 49,256 |
| Current | | |
| Trade and other payables (excluding deferred revenue and output tax) | 672,122 | 672,122 |
| Interest bearing bank borrowings | 626,782 | 626,782 |
| Amounts owing to associates | 4 | 4 |
| RCPS and RCCPS | 26,096 | 26,096 |
| Total | 4,794,116 | 4,794,116 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Financial instruments by category (continued)

| Group<br>2017 | Available-for-sale<br>RM'000 | Financial assets at fair value through profit or loss<br>RM'000 | Loans and receivables<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Assets as per statement of financial position** | | | | |
| Non-current | | | | |
| Available-for-sale financial assets | 53,088 | - | - | 53,088 |
| Concession receivables | - | - | 104,979 | 104,979 |
| Current | | | | |
| Financial assets at fair value through profit or loss | - | 1,782 | - | 1,782 |
| Concession receivables | - | - | 4,061 | 4,061 |
| Amounts owing from associates and joint ventures | - | - | 88,866 | 88,866 |
| Trade and other receivables (excluding prepayments, input tax and contract assets) | - | - | 161,507 | 161,507 |
| Cash held under Housing Development Accounts | - | - | 26,020 | 26,020 |
| Deposits, cash and bank balances | - | - | 1,561,873 | 1,561,873 |
| Total | 53,088 | 1,782 | 1,947,306 | 2,002,176 |

| Group<br>2017 | Other financial liabilities at amortised cost<br>RM'000 | Total<br>RM'000 |
|---|---|---|
| **Liabilities as per statement of financial position** | | |
| Non-current | | |
| Interest bearing bank borrowings | 2,856,048 | 2,856,048 |
| RCPS | 31,746 | 31,746 |
| Current | | |
| Trade and other payables (excluding deferred revenue, output tax and contract liabilities) | 625,852 | 625,852 |
| Interest bearing bank borrowings | 549,818 | 549,818 |
| Amounts owing to associates | 4 | 4 |
| RCPS | 17,096 | 17,096 |
| Total | 4,080,564 | 4,080,564 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Financial instruments by category (continued)

| Company | Financial assets at fair value through other comprehensive income | Financial assets at amortised cost | Total |
|---|---|---|---|
| 2018 | RM'000 | RM'000 | RM'000 |
| **Assets as per statement of financial position** | | | |
| Non-current | | | |
| Financial assets at fair value through other comprehensive income | 93,563 | - | 93,563 |
| Current | | | |
| Amounts owing from subsidiaries | - | 39,905 | 39,905 |
| Trade and other receivables (excluding prepayments and input tax) | - | 244 | 244 |
| Deposits, cash and bank balances | - | 200,351 | 200,351 |
| Total | 93,563 | 240,500 | 334,063 |

| Company | Financial liabilities at amortised cost | Total |
|---|---|---|
| 2018 | RM'000 | RM'000 |
| **Liabilities as per statement of financial position** | | |
| Non-current | | |
| Interest bearing bank borrowings | 1,248,000 | 1,248,000 |
| RCPS and RCCPS | 49,256 | 49,256 |
| Current | | |
| Trade and other payables (excluding output tax) | 1,520 | 1,520 |
| Interest bearing bank borrowings | 3,171 | 3,171 |
| Amounts owing to subsidiaries | 6,798 | 6,798 |
| RCPS and RCCPS | 26,096 | 26,096 |
| Total | 1,334,841 | 1,334,841 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Financial instruments by category (continued)

| Company<br>2017 | Available -for-sale<br>RM'000 | Financial assets at fair value **through profit** or loss<br>RM'000 | Loans and receivables<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Assets as per statement of financial position** | | | | |
| Non-current | | | | |
| Available-for-sale financial assets | 53,088 | - | - | 53,088 |
| Current | | | | |
| Financial assets at fair value through profit or loss | - | 1,520 | - | 1,520 |
| Amounts owing from subsidiaries | - | - | 356 | 356 |
| Trade and other receivables (excluding prepayments and input tax) | - | - | 25 | 25 |
| Deposits, cash and bank balances | - | - | 11,351 | 11,351 |
| Total | 53,088 | 1,520 | 11,732 | 66,340 |

| Company<br>2017 | **Other financial** liabilities at amortised cost<br>RM'000 | Total<br>RM'000 |
|---|---|---|
| **Liabilities as per statement of financial position** | | |
| Non-current | | |
| Interest bearing bank borrowings | 927,800 | 927,800 |
| RCPS | 31,746 | 31,746 |
| Current | | |
| Trade and other payables (excluding output tax) | 2,110 | 2,110 |
| Interest bearing bank borrowings | 1,155 | 1,155 |
| Amounts owing to subsidiaries | 7,171 | 7,171 |
| RCPS | 17,096 | 17,096 |
| Total | 987,078 | 987,078 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (g) Fair values

The carrying amounts of financial assets and liabilities such as deposits, cash and bank balances, current receivables and payables approximate their fair values due to the relatively short-term maturity of these financial instruments.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's assets that are measured at fair value:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Level 1 | | | | |
| Financial assets at fair value through other comprehensive income: | | | | |
| Trading securities | 1,432 | - | 1,234 | - |
| Financial assets at fair value through profit and loss: | | | | |
| Trading securities | - | 1,782 | - | 1,520 |
| Level 3 | | | | |
| Financial assets at fair value through other comprehensive income: | | | | |
| Equity securities | 92,329 | - | 92,329 | - |
| Available-for-sale financial assets: | | | | |
| Equity securities | - | 53,088 | - | 53,088 |
| | 93,761 | 54,870 | 93,563 | 54,608 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### (a) Valuation of property development inventories

Property development inventories (including land held for property development) are carried at the lower of cost or net realisable value estimated at the expected selling price less costs to sell.

Property development projects are long term in nature, hence judgement is required in assessing net realisable value particularly in:

- assessing the valuation of property development inventories where independent valuations are performed by independent valuers;
- estimating the budgeted cost to complete the property development for which inherent uncertainties may arise from estimating future costs which are impacted by changes in material prices and exchange rates; and
- estimating forecast selling prices.

Changes in these estimates can significantly affect the valuation of these inventories.

During the financial year, there is no material write down of property development inventories recorded in the financial statements of the Group.

### (b) Valuation of investment properties and hotel properties

The Group performs a valuation assessment of its investment properties and hotel properties whenever circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. Hence judgement is required in assessing the fair values and its value in use particularly for:

- assessing the methodology used in the fair value calculations undertaken by valuers;
- assessing the market inputs used in management's assessment of fair values based on the market approach; and
- assessing the management inputs and assumptions used in the value-in-use calculations.

Changes to any of these assumptions to the methodology, market inputs or management's inputs and assumptions would affect the amount of impairment.

During the financial year, there is no material impairment recorded in the financial statements of the Group.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 5 SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments.

Management has determined the operating segments based on the various reports prepared for the Board of Directors that are used to make strategic decisions.

The Group is organised into five main business segments:

(a) Property investment – retail - rental income and service charge from retail

(b) Property investment – commercial - rental income and service charge from office building

(c) Property development – development and sale of condominiums, bungalows, linked houses, shoplots and office suites and project management services

(d) Hotel - income from hotel operations

(e) Construction - civil and building construction

Other operations of the Group mainly comprise investment holding, sale of utilities, education services, waste water treatment services, information and communication technology and other operations; none of which are of a significant size to be reported separately.

The revenue from the respective operating segments (property investment – retail, property investment – commercial, property development, hotel and construction) includes incidental revenue generated within the respective segments that have been reclassified by their nature for presentation within the revenue note.

The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment.

The allocated assets include all non-current and current assets except for tax recoverable, deferred tax assets and cash and bank balances held by the respective investment holding companies as they are managed centrally by the Group.

The allocated liabilities include all non-current and current liabilities except for provisions for tax and deferred tax liabilities and general borrowings as the Group manages these funds through a centralised function.

Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

5 SEGMENT REPORTING (continued)

(a) Analysis by business segment

| Group<br>2018 | Property investment - retail<br>RM'000 | Property investment - commercial<br>RM'000 | Property development<br>RM'000 | Hotel<br>RM'000 | Construction<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|
| Segment revenue | 585,794 | 193,625 | 166,786 | 306,980 | 648,605 | 198,775 | 2,100,565 |
| Inter-segment revenue | (56,299) | (23,424) | - | (6,342) | (648,605) | (63,885) | (798,555) |
| Revenue from external customers | 529,495 | 170,201 | 166,786 | 300,638 | - | 134,890 | 1,302,010 |
| Segment results | 355,042 | 59,092 | 102,837 | 96,060 | 875 | 10,923 | 624,829 |
| Unallocated corporate expenses | | | | | | | (64,925) |
| Profit from operations | | | | | | | 559,904 |
| Finance income | 8,587 | 2,842 | 9,219 | 13,152 | 66 | 10,425 | 44,291 |
| Finance costs | (53,060) | (11,893) | (2,145) | (4,752) | - | (61,036) | (132,886) |
| Share of results of associates | - | 1,920 | 1,880 | 6,766 | - | 495 | 11,061 |
| Share of results of joint ventures | - | - | (102) | (1,677) | - | - | (1,779) |
| Profit before taxation | | | | | | | 480,591 |
| Taxation | (25,929) | (25,558) | (11,459) | (20,146) | (3,334) | (2,650) | (89,076) |
| Profit for the financial year | | | | | | | 391,515 |
| The timing of revenue from contract with customers | | | | | | | |
| - Point in time | - | - | 7,335 | 59,477 | - | - | 66,812 |
| - Over time | 65,511 | 11,643 | 154,492 | 241,022 | - | 134,684 | 607,352 |
| | 65,511 | 11,643 | 161,827 | 300,499 | - | 134,684 | 674,164 |
| Other information | | | | | | | |
| Assets | | | | | | | |
| Segment assets | 2,563,477 | 1,847,034 | 912,512 | 1,485,822 | 49,456 | 504,469 | 7,362,770 |
| Associates | - | 55,737 | 154,143 | 230,599 | - | 21,938 | 462,417 |
| Joint ventures | - | - | 75,576 | 295,566 | - | - | 371,142 |
| | | | | | | | 8,196,329 |
| Unallocated assets | | | | | | | 369,168 |
| Total assets | | | | | | | 8,565,497 |
| Liabilities | | | | | | | |
| Segment liabilities | 2,356,090 | 525,466 | 125,703 | 171,826 | 107,680 | 1,544,600 | 4,831,365 |
| Unallocated liabilities | | | | | | | 191,855 |
| Total liabilities | | | | | | | 5,023,220 |
| Incurred for the financial year: | | | | | | | |
| - Property, plant and equipment | 2,684 | 2,753 | 1,711 | 28,251 | 134 | 5,900 | 41,433 |
| - Investment properties | 519,679 | 154,488 | - | - | - | 125 | 674,292 |
| Depreciation: | | | | | | | |
| - Property, plant and equipment | 3,004 | 6,964 | 860 | 43,990 | 167 | 7,232 | 62,217 |
| - Investment properties | 21,830 | 21,492 | - | - | - | - | 43,322 |
| Amortisation: | | | | | | | |
| - Intangible assets | - | - | - | - | 240 | 69 | 309 |
| - Long term prepaid lease | - | - | - | 26 | - | - | 26 |
| Write-off of: | | | | | | | |
| - Property, plant and equipment | 99 | 233 | 4 | 1 | - | 383 | 720 |

The segmental financial information by geographical segment is not presented as the Group's activities are mainly carried out in Malaysia.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

5 SEGMENT REPORTING (continued)

(a) Analysis by business segment (continued)

| Group<br>2017 | Property investment - retail<br>RM'000 | Property investment - commercial<br>RM'000 | Property development<br>RM'000 | Hotel<br>RM'000 | Construction<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|
| Segment revenue | 573,981 | 197,804 | 102,326 | 332,485 | 319,613 | 163,531 | 1,689,740 |
| Inter-segment revenue | (55,714) | (24,595) | - | (8,367) | (319,613) | (59,201) | (467,490) |
| Revenue from external customers | 518,267 | 173,209 | 102,326 | 324,118 | - | 104,330 | 1,222,250 |
| Segment results | 340,631 | 72,274 | 25,722 | 136,008 | (3,460) | (3,120) | 568,055 |
| Unallocated corporate expenses | | | | | | | (52,651) |
| Profit from operations | | | | | | | 515,404 |
| Finance income | 10,241 | 4,093 | 16,002 | 13,459 | 61 | 5,774 | 49,630 |
| Finance costs | (43,677) | (9,621) | - | (5,444) | - | (44,392) | (103,134) |
| Share of results of associates | - | 3,109 | (135) | 25,575 | - | 347 | 28,896 |
| Share of results of joint ventures | - | - | (41) | 564 | - | - | 523 |
| Profit before taxation | | | | | | | 491,319 |
| Taxation | (46,961) | (18,539) | (1,282) | 11,163 | (1,148) | (2,781) | (59,548) |
| Profit for the financial year | | | | | | | 431,771 |
| The timing of revenue from contract with customers | | | | | | | |
| - Point in time | - | - | 62,848 | 62,012 | - | - | 124,860 |
| - Over time | 61,558 | 5,389 | 35,521 | 261,632 | - | 104,132 | 468,262 |
| | 61,558 | 5,389 | 98,369 | 323,644 | - | 104,132 | 593,122 |
| **Other information** | | | | | | | |
| **Assets** | | | | | | | |
| Segment assets | 2,306,558 | 1,691,599 | 752,936 | 1,955,255 | 13,281 | 423,847 | 7,143,476 |
| Associates | - | 57,318 | 150,063 | 235,765 | - | 21,512 | 464,658 |
| Joint ventures | - | - | 74,346 | 308,467 | - | - | 382,813 |
| Unallocated assets | | | | | | | 404,390 |
| Total assets | | | | | | | 8,395,337 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 2,089,002 | 363,844 | 87,536 | 212,997 | 81,603 | 1,184,669 | 4,019,651 |
| Unallocated liabilities | | | | | | | 342,071 |
| Total liabilities | | | | | | | 4,361,722 |
| Incurred for the financial year: | | | | | | | |
| - Property, plant and equipment | 2,525 | 1,701 | 882 | 17,335 | 3,424 | 2,243 | 28,110 |
| - Investment properties | 222,988 | 86,923 | - | - | - | 554 | 310,465 |
| - Intangible assets | - | - | - | - | - | 139 | 139 |
| Depreciation: | | | | | | | |
| - Property, plant and equipment | 2,655 | 14,652 | 823 | 58,726 | 140 | 8,386 | 85,382 |
| - Investment properties | 27,314 | 20,196 | - | - | - | - | 47,510 |
| Amortisation: | | | | | | | |
| - Intangible assets | - | - | - | - | - | 58 | 58 |
| - Long term prepaid lease | - | - | - | 27 | - | - | 27 |
| Write-off of: | | | | | | | |
| - Property, plant and equipment | 51 | 6 | - | 1,697 | - | 4 | 1,758 |

The segmental financial information by geographical segment is not presented as the Group's activities are mainly carried out in Malaysia.

6 CHANGES IN GROUP STRUCTURE

A. Changes in shareholdings of a subsidiary company during the financial year

On 23 February 2017, the Company had proposed to acquire the entire equity interest in IGBC not already owned by the Company by way of a members' scheme of arrangement pursuant to Section 366 of the Companies Act 2016 ("Proposed Scheme"), via the following three (3) options:

(i) 100% cash option whereby the entire Offer Price was satisfied in cash ("Cash Option"); or

(ii) Cash and ordinary shares option ("Cash and Share Option"), whereby the Offer Price was satisfied via a combination of cash and new ordinary shares of IGB Berhad in the following manner:

- 30% of the Offer Price, an amount equivalent to RM0.90 in cash; and

- 70% of the Offer Price, an amount equivalent to RM2.10 via the issuance of new shares at an issue price of RM3.00 for each IGB Berhad share; or

(iii) Cash and New RCCPS option ("Cash and New RCCPS Option") whereby, the Offer Price will be satisfied via a combination of Cash and New RCCPS in the following manner:

- 12% of the Offer Price, an amount equivalent to RM0.36 in cash; and

- 88% of the Offer Price, an amount equivalent to RM2.64 via the issuance of New RCCPS at an issue price of RM3.28 for each New RCCPS.

The Proposed Scheme was legally effective upon receiving the Order of the High Court of Malaya which was lodged with the Registrar of Companies Malaysia on 9 January 2018.

On 2 March 2018, the total cash settlement amounting to RM658,371,000 together with the issuance of 57,808,634 new ordinary shares and 76,817,705 new Redeemable Convertible Cumulative Preference Shares ("RCCPS") in the Company was made to the shareholders of IGBC other than the Company ("Scheme Shareholders"). All the IGBC's shares held by Scheme Shareholders had also been transferred to the Company on 2 March 2018.

Following the completion of the Proposed Scheme, IGBC became a wholly-owned subsidiary of the Company and IGBC was delisted from the official list of Bursa Malaysia on 16 March 2018.

B. Transfer of units in IGB REIT from IGBC to IGBB

On 30 August 2018, an announcement was made to Bursa Securities on the proposed transfer of IGBC's entire direct holding of 1,733,617,754 units in IGB REIT to IGBB. The transfer was undertaken by way of dividend-in-specie to be declared by IGBC out of its available profits to IGBB.

On 28 December 2018, the Group announced to Bursa Securities on the completion of transfer. As a result, IGBB now holds 1,733,617,764 units in IGB REIT directly.

C. Incorporation of subsidiary companies during the financial year.

On 11 July 2018, an announcement was made to Bursa Securities that IGBC, a wholly-owned subsidiary, had on even date incorporated six wholly-owned private limited companies namely, MVS North Tower Sdn Bhd, MVS South Tower Sdn Bhd, MVS Centrepoint North Tower Sdn Bhd, MVS Centrepoint South Tower Sdn Bhd, MVS Northpoint Hotel Sdn Bhd and MVS Southpoint Hotel Sdn Bhd, with each new subsidiary having an issued capital of two shares. The new subsidiaries are to be used as investment vehicles for future development projects.

D. Members' voluntary winding-up of existing subsidiary company during the financial year.

On 8 January 2019, an announcement was made to Bursa Securities that Micasa Hotel Limited, a 65% owned indirect subsidiary in Myanmar held through Earning Edge Sdn Bhd, had been placed under members' voluntary winding up and dissolved on 17 December 2018 following notification received from The Government of the Republic of the Union of Myanmar, Ministry of Investment and Foreign Economic Relations, Directorate of Investment and Company Administration, and therefore ceased to be a subsidiary of the Group.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 7 REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Lease income: | | | | |
| Retail malls | 397,998 | 387,419 | - | - |
| Office buildings | 163,530 | 168,026 | - | - |
| Rent related | 66,318 | 73,683 | - | - |
| | 627,846 | 629,128 | - | - |
| Contract with customers: | | | | |
| Hotel room revenue | 240,457 | 259,029 | - | - |
| Property development revenue | | | | |
| Sale of properties | 150,842 | 32,479 | - | - |
| Sale of land | 7,335 | 62,848 | - | - |
| Others | 826 | 695 | - | - |
| Sale of food and beverages | 59,477 | 62,012 | - | - |
| Rendering of services | 44,772 | 35,411 | - | - |
| Service concession arrangement | 60,368 | 30,438 | - | - |
| Car park | 49,866 | 50,046 | - | - |
| Utilities | 58,102 | 57,332 | - | - |
| Management services | - | - | 2,646 | 2,698 |
| Others | 2,119 | 2,832 | - | - |
| | 674,164 | 593,122 | 2,646 | 2,698 |
| Dividend income (gross) | - | - | 3,480,945 | 114,101 |
| Interest income on advances to subsidiaries | - | - | - | 5 |
| | 1,302,010 | 1,222,250 | 3,483,591 | 116,804 |
| Revenue from contract with customers is represented by: | | | | |
| Point in time | 66,812 | 124,860 | - | - |
| Over time | 607,352 | 468,262 | 2,646 | 2,698 |
| | 674,164 | 593,122 | 2,646 | 2,698 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 8 PROFIT FROM OPERATIONS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Profit from operations is stated after charging:** | | | | |
| Auditors' remuneration (statutory audit fees): | | | | |
| - PricewaterhouseCoopers PLT Malaysia | 1,484 | 1,333 | 93 | 110 |
| - Firm other than member firm of PricewaterhouseCoopers International Limited | 230 | 238 | - | - |
| Tax and other non-audit services: | | | | |
| - PricewaterhouseCoopers PLT | 165 | 259 | - | 44 |
| - PricewaterhouseCoopers Taxation Services | 453 | 419 | 49 | 104 |
| - Firm other than member firm of PricewaterhouseCoopers International Limited | 74 | 63 | - | - |
| Property development costs, land held for property development and cost of completed units sold | 88,186 | 59,777 | - | - |
| Depreciation: | | | | |
| - property, plant and equipment (Note 13) | 62,217 | 85,382 | 50 | 89 |
| - investment properties (Note 15) | 43,322 | 47,510 | - | - |
| Amortisation of long-term prepaid lease (Note 16) | 26 | 27 | - | - |
| Amortisation of intangible assets (Note 17) | 309 | 58 | - | - |
| Hire of plant and equipment | 841 | 1,035 | - | - |
| Operating lease rental | 440 | 438 | 1,000 | 1,333 |
| Rental of building | 594 | 855 | - | - |
| Staff costs (includes Directors' remuneration as disclosed in Note 9) | | | | |
| - Salaries* | 195,180 | 195,879 | 5,416 | 4,417 |
| - Defined contribution plan* | 20,645 | 20,858 | 537 | 498 |
| Net foreign exchange loss – realised | - | 94 | 239 | 133 |
| Net foreign exchange loss – unrealised | 1,950 | 4,404 | - | 270 |
| Write-off of property, plant and equipment | 720 | 1,758 | 3 | - |
| Loss on disposal of property, plant and equipment | 36 | - | - | - |
| Provision for impairment: | | | | |
| - trade and other receivables (Note 3(b)) | 3,384 | 3,779 | - | 450 |
| - amount owing by subsidiaries | - | - | 9,874 | - |
| - intangible assets | - | 2,600 | - | - |
| Quit rent and assessment | 32,341 | 31,831 | - | - |
| Utilities | 110,370 | 111,561 | 30 | 39 |
| and crediting: | | | | |
| Fair value gain of financial assets at fair value through profit or loss | - | 975 | - | 975 |
| Reversal of impairment loss: | | | | |
| - trade and other receivables (Note 3(b)) | 3,107 | 1,328 | 150 | - |
| - amounts owing by subsidiaries | - | - | - | 708 |
| Net foreign exchange gain – realised | 2,041 | - | - | - |
| Net foreign exchange gain – unrealised | - | - | 1 | - |
| Gain on disposal of assets classified as held-for-sale | - | 34,041 | - | - |
| Gain on disposal of property, plant and equipment | 155 | 248 | - | - |
| Exhibition business | 2,007 | 2,012 | - | - |

* Staff cost and defined contribution plan for the Group of RM6,057,000 (2017: RM5,175,000) and RM636,000 (2017: RM530,000) respectively were capitalised into inventory in progress and investment property in progress.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 9 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received/receivable by the Directors of the Group and of the Company during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fees | 534 | 298 | 437 | 260 |
| Salaries, bonus and allowances | 14,608 | 21,434 | 731 | 675 |
| Defined contribution plan | 1,731 | 2,537 | 66 | 65 |
| Benefits-in-kind | 75 | 72 | - | - |
| | 16,948 | 24,341 | 1,234 | 1,000 |

## 10 FINANCE INCOME AND COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income on: | | | | |
| Deposits with licensed banks | 37,930 | 42,320 | 935 | 127 |
| Concession receivables | 4,752 | 4,684 | - | - |
| Late payments from tenants | 501 | 650 | - | - |
| Others | 1,108 | 1,976 | - | - |
| Total finance income | 44,291 | 49,630 | 935 | 127 |
| Interest expense on: | | | | |
| Term loans, revolving credits and Medium Term Notes | 127,620 | 97,874 | 59,923 | 37,819 |
| RCPS and RCCPS (Note 32) | 4,544 | 3,074 | 4,544 | 3,074 |
| Amounts owing to subsidiaries | - | - | 207 | 204 |
| Others | 722 | 2,186 | 182 | 376 |
| Total finance costs | 132,886 | 103,134 | 64,856 | 41,473 |
| Net finance costs | 88,595 | 53,504 | 63,921 | 41,346 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 11 TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax: | | | | |
| Malaysian tax | 78,300 | 98,357 | 265 | 898 |
| Foreign tax | 5,648 | 7,257 | - | - |
| | 83,948 | 105,614 | 265 | 898 |
| Deferred tax | 5,128 | (46,066) | 8,052 | (769) |
| | 89,076 | 59,548 | 8,317 | 129 |
| Current tax: | | | | |
| Current financial year | 86,559 | 100,587 | 265 | - |
| (Over)/Under accrual in prior financial year | (2,611) | 5,027 | - | 898 |
| | 83,948 | 105,614 | 265 | 898 |
| Deferred tax: (Note 23) | | | | |
| Origination and reversal of temporary differences | 5,128 | (46,066) | 8,052 | (769) |
| Tax expense | 89,076 | 59,548 | 8,317 | 129 |

The reconciliation between the effective tax rate and the Malaysian tax rate are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian tax rate | 24 | 24 | 24 | 24 |
| Tax effects of: | | | | |
| Different tax rates | 1 | -* | - | - |
| Share of results of associates | -* | (1) | - | - |
| Expenses not deductible for tax purposes | 7 | 6 | -* | 18 |
| Income not subject to tax | (13) | (11) | (24) | (42) |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | -* | (2) | - | - |
| Current year tax losses and deductible temporary differences not recognised | 1 | 3 | - | - |
| (Over)/Under accrual of tax in prior financial year | (1) | 1 | - | 1 |
| Effect of changes in manner of recovery | - | (8) | - | - |
| Temporary differences arising from RCPS and RCCPS | -* | -* | -* | (1) |
| Effective tax rate | 19 | 12 | -* | -* |

* *The tax effects of these reconciling items are less than 1%*

Pursuant to Section 61A of Malaysia Income Tax Act, 1967 ("Act"), income of IGB Real Estate Investment Trust ("IGB REIT") will be exempted from tax provided that at least 90% of its 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 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's financial year which forms the basis period for a year of assessment, then IGB REIT will be subject to income tax at the prevailing rate on its total income. Income which has been taxed at the IGB REIT level will have tax credits attached when subsequently distributed to unit holders.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 12 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares purchased by the Company and held as treasury shares (Note 31).

| Group | | 2018 | 2017 |
|---|---|---|---|
| Profit attributable to equity holders of the Company | RM'000 | 235,643 | 215,143 |
| Weighted average number of ordinary shares in issue | '000 | 668,769 | 608,420 |
| Basic earnings per share | sen | 35.24 | 35.36 |

### (b) Diluted earnings per share

For diluted earnings per share of the Group, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares from maximum conversion of RCPS and RCCPS.

| Group | | 2018 | 2017 |
|---|---|---|---|
| Profit attributable to equity holders of the Company | RM'000 | 235,643 | 215,143 |
| Add: Interest on RCPS and RCCPS saved as a result of conversion | RM'000 | 4,544 | 3,074 |
| Less: Tax relief thereon | RM'000 | (1,132) | (724) |
| Adjusted earnings | RM'000 | 239,055 | 217,493 |
| Weighted average number of ordinary shares in issue | '000 | 668,769 | 608,420 |
| Adjustments for potential dilutive ordinary shares on conversion of RCPS and RCCPS | '000 | 255,481 | 198,900 |
| Weighted average number of ordinary shares for diluted earnings per share | '000 | 924,250 | 807,320 |
| Diluted earnings per share | sen | 25.86 | 26.94 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

13 PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land | Leasehold land | Hotel properties (Note 13(a)) | Buildings | Plant and machinery | Furniture, fixtures, fittings and equipment | Motor vehicles | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost | | | | | | | | | |
| At 1 January 2018 | 114,084 | 2,365 | 1,601,120 | 316,670 | 35,872 | 158,018 | 7,575 | 20,874 | 2,256,578 |
| Additions | - | - | 5,343 | 4,070 | 695 | 6,724 | 1,286 | 23,315 | 41,433 |
| Written off | - | - | (738) | - | (9) | (8,080) | (13) | (52) | (8,892) |
| Disposals | - | - | (1,414) | - | - | (4,411) | (941) | - | (6,766) |
| Transfer from investment properties (Note 15) | - | - | - | - | - | - | - | 40,824 | 40,824 |
| Transfer to assets held for sales (Note 28) | (1,075) | - | - | (2,733) | (4,272) | (1,870) | - | - | (9,950) |
| Reclassification | - | - | - | 40 | - | 457 | - | (497) | - |
| Currency translation differences | - | (27) | (20,024) | - | - | (6) | (17) | - | (20,074) |
| At 31 December 2018 | 113,009 | 2,338 | 1,584,287 | 318,047 | 32,286 | 150,832 | 7,890 | 84,464 | 2,293,153 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2018 | - | 726 | 417,444 | 41,132 | 21,120 | 127,527 | 6,585 | - | 614,534 |
| Charge for the financial year | - | 30 | 44,129 | 6,326 | 1,376 | 9,846 | 510 | - | 62,217 |
| Written off | - | - | (738) | - | (4) | (7,417) | (13) | - | (8,172) |
| Disposals | - | - | (1,335) | - | - | (4,267) | (941) | - | (6,543) |
| Transfer to assets held for sales (Note 28) | - | - | - | (138) | (128) | (386) | - | - | (652) |
| Currency translation differences | - | (13) | (2,111) | - | - | (5) | (9) | - | (2,138) |
| At 31 December 2018 | - | 743 | 457,389 | 47,320 | 22,364 | 125,298 | 6,132 | - | 659,246 |
| Accumulated impairment losses | | | | | | | | | |
| At 1 January 2018 | 275 | - | - | 2,595 | 4,144 | 1,489 | - | - | 8,503 |
| Reversal of impairment | - | - | - | - | - | (5) | - | - | (5) |
| Transfer to assets held for sales (Note 28) | (275) | - | - | (2,595) | (4,144) | (1,484) | - | - | (8,498) |
| At 31 December 2018 | - | - | - | - | - | - | - | - | - |
| **Net book value** | | | | | | | | | |
| At 31 December 2018 | 113,009 | 1,595 | 1,126,898 | 270,727 | 9,922 | 25,534 | 1,758 | 84,464 | 1,633,907 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 13 PROPERTY, PLANT AND EQUIPMENT (continued)

| Group | Freehold land | Leasehold land | Hotel properties (Note 13(a)) | Buildings | Plant and machinery | Furniture, fixtures, fittings and equipment | Motor vehicles | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 2017 | | | | | | | | | |
| Cost | | | | | | | | | |
| At 1 January 2017 | 114,084 | 2,397 | 1,592,985 | 318,454 | 35,862 | 153,479 | 7,499 | 23,210 | 2,247,970 |
| Additions | - | - | 17,111 | 292 | 376 | 4,475 | 467 | 5,389 | 28,110 |
| Written off | - | - | (1,659) | - | - | (986) | (3) | - | (2,648) |
| Disposals | - | - | (745) | (2,076) | (366) | (630) | (374) | - | (4,191) |
| Transfer to intangible assets (Note 17) | - | - | - | - | - | - | - | (6,000) | (6,000) |
| Reclassification | - | - | - | - | - | 1,725 | - | (1,725) | - |
| Currency translation differences | - | (32) | (6,572) | - | - | (45) | (14) | - | (6,663) |
| At 31 December 2017 | 114,084 | 2,365 | 1,601,120 | 316,670 | 35,872 | 158,018 | 7,575 | 20,874 | 2,256,578 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2017 | - | 690 | 358,594 | 35,050 | 19,041 | 112,582 | 6,318 | - | 532,275 |
| Charge for the financial year | - | 51 | 60,638 | 6,286 | 2,148 | 15,683 | 576 | - | 85,382 |
| Written off | - | - | (202) | - | - | (685) | (3) | - | (890) |
| Disposals | - | - | (707) | (204) | (69) | (44) | (298) | - | (1,322) |
| Currency translation differences | - | (15) | (879) | - | - | (9) | (8) | - | (911) |
| At 31 December 2017 | - | 726 | 417,444 | 41,132 | 21,120 | 127,527 | 6,585 | - | 614,534 |
| Accumulated impairment losses | | | | | | | | | |
| At 1 January 2017 | 275 | - | - | 4,467 | 4,438 | 1,495 | - | - | 10,675 |
| Disposals | - | - | - | (1,872) | (294) | (6) | - | - | (2,172) |
| At 31 December 2017 | 275 | - | - | 2,595 | 4,144 | 1,489 | - | - | 8,503 |
| **Net book value** | | | | | | | | | |
| At 31 December 2017 | 113,809 | 1,639 | 1,183,676 | 272,943 | 10,608 | 29,002 | 990 | 20,874 | 1,633,541 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(A) HOTEL PROPERTIES

| Group | Freehold land RM'000 | Hotel buildings RM'000 | Plant and machinery RM'000 | Furniture, fittings and equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| 2018 | | | | | |
| At cost | | | | | |
| At 1 January 2018 | 158,104 | 1,043,456 | 126,571 | 272,989 | 1,601,120 |
| Additions | - | 555 | 407 | 4,381 | 5,343 |
| Written off | - | - | - | (738) | (738) |
| Disposals | - | - | (61) | (1,353) | (1,414) |
| Currency translation differences | (4,267) | (13,606) | (1,639) | (512) | (20,024) |
| At 31 December 2018 | 153,837 | 1,030,405 | 125,278 | 274,767 | 1,584,287 |
| Accumulated depreciation | | | | | |
| At 1 January 2018 | - | 104,001 | 78,967 | 234,476 | 417,444 |
| Charge for the financial year | - | 21,654 | 10,977 | 11,498 | 44,129 |
| Written off | - | - | - | (738) | (738) |
| Disposals | - | - | (60) | (1,275) | (1,335) |
| Currency translation differences | - | (1,466) | (377) | (268) | (2,111) |
| At 31 December 2018 | - | 124,189 | 89,507 | 243,693 | 457,389 |
| **Net book value** | | | | | |
| At 31 December 2018 | 153,837 | 906,216 | 35,771 | 31,074 | 1,126,898 |
| 2017 | | | | | |
| Cost | | | | | |
| At 1 January 2017 | 159,490 | 1,039,566 | 126,284 | 267,645 | 1,592,985 |
| Additions | - | 3,219 | 7,370 | 6,522 | 17,111 |
| Written off | - | (1,659) | - | - | (1,659) |
| Disposals | - | - | - | (745) | (745) |
| Reclassification | - | 6,856 | (6,657) | (199) | - |
| Currency translation differences | (1,386) | (4,526) | (426) | (234) | (6,572) |
| At 31 December 2017 | 158,104 | 1,043,456 | 126,571 | 272,989 | 1,601,120 |
| Accumulated depreciation | | | | | |
| At 1 January 2017 | - | 81,968 | 61,407 | 215,219 | 358,594 |
| Charge for the financial year | - | 22,852 | 17,707 | 20,079 | 60,638 |
| Written off | - | (202) | - | - | (202) |
| Disposals | - | - | (1) | (706) | (707) |
| Currency translation differences | - | (617) | (146) | (116) | (879) |
| At 31 December 2017 | - | 104,001 | 78,967 | 234,476 | 417,444 |
| **Net book value** | | | | | |
| At 31 December 2017 | 158,104 | 939,455 | 47,604 | 38,513 | 1,183,676 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 13 PROPERTY, PLANT AND EQUIPMENT (continued)

| Group | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| Net book value of property, plant and equipment pledged as security for borrowings (Note 35) | 243,643 | 266,323 |

| Company | Furniture, fixtures, fittings and equipment 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | 944 | 919 |
| Additions | 184 | 25 |
| Disposals | (110) | - |
| Written off | (109) | - |
| At 31 December | 909 | 944 |
| **Accumulated depreciation** | | |
| At 1 January | 840 | 751 |
| Charge for the financial year | 50 | 89 |
| Disposals | (95) | - |
| Written off | (106) | - |
| At 31 December | 689 | 840 |
| **Net book value** | | |
| At 31 December | 220 | 104 |

## 14 INVENTORIES

| Group | Note | 2018 RM'000 | 2017 RM'000 |
|---|---|---|---|
| **Non-current** | | | |
| Land held for property development | (a) | 435,542 | 286,576 |
| **Current** | | | |
| Property development costs | (b) | 348,460 | 520,600 |
| At cost: | | | |
| Completed properties | (c) | 111,695 | 67,495 |
| Hotel operating supplies and raw materials | | 1,973 | 2,473 |
| At net realisable value: | | | |
| Finished goods | | 130 | 132 |
| | | 462,258 | 590,700 |

14 INVENTORIES (continued)

(a) Land held for property development

| Group | Note | At cost RM'000 | At net realisable value RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January 2018 | | | | |
| Land and development costs | | 113,254 | 173,322 | 286,576 |
| Costs incurred during the financial year: Development costs | | 321 | - | 321 |
| Transfer from property development cost: Land and development costs | 14(b) | 148,645 | - | 148,645 |
| | | 148,966 | - | 148,966 |
| At 31 December 2018 | | 262,220 | 173,322 | 435,542 |
| At 1 January 2017 | | | | |
| Land and development costs | | 81,332 | 171,574 | 252,906 |
| Costs incurred during the financial year: Development costs | | 1,115 | 1,851 | 2,966 |
| Disposal during the financial year: Land and development costs | | (36,750) | (103) | (36,853) |
| Transfer from property development cost: Land and development costs | 14(b) | 67,557 | - | 67,557 |
| | | 31,922 | 1,748 | 33,670 |
| At 31 December 2017 | | 113,254 | 173,322 | 286,576 |

Land held for property development at cost of RM73,833,000 (2017: nil) have been charged as security for interest bearing bank borrowings as disclosed in Note 35.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

14 INVENTORIES (continued)

(b) Property development costs

| Group | Note | 2018 RM'000 | 2017 RM'000 |
|---|---|---|---|
| At cost | | | |
| At 1 January | | | |
| Land and development costs | | 539,482 | 438,862 |
| Accumulated costs charged to income statements | | (18,882) | (5,724) |
| | | 520,600 | 433,138 |
| Less: | | | |
| Transfer to inventories - completed properties | 14(c) | (51,717) | (375) |
| Add land and development costs: | | | |
| Costs incurred during the financial year | | 108,891 | 112,272 |
| Transfer from investment properties | 15 | - | 56,280 |
| Transfer to inventories - land held for property development | 14(a) | (148,645) | (67,557) |
| Costs recognised to income statement in current financial year | | (80,669) | (13,158) |
| At 31 December | | 348,460 | 520,600 |
| Property development costs are analysed as follows: | | | |
| At cost | | | |
| Land and development costs | | 448,011 | 539,482 |
| Accumulated costs charged to income statement | | (99,551) | (18,882) |
| | | 348,460 | 520,600 |
| Land and development costs charged as security for borrowings | 35 | 175,666 | 207,722 |
| Interest costs capitalised as property development costs | | 2,855 | 14,715 |
| Costs to obtain or fulfil contract recognised as an expense in the income statements in current financial year | | 4,096 | 420 |

(c) Completed properties

| Group | Note | 2018 RM'000 | 2017 RM'000 |
|---|---|---|---|
| At cost | | | |
| At 1 January | | 67,495 | 76,886 |
| Transfer from property development costs | 14(b) | 51,717 | 375 |
| Disposals during the financial year | | (7,517) | (9,766) |
| At 31 December | | 111,695 | 67,495 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 15 INVESTMENT PROPERTIES

| Group<br>2018 | Land held for future development<br>RM'000 | Property investment-retail<br>RM'000 | Property investment-commercial<br>RM'000 | **Capital work-in-progress**<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January | 168,043 | 1,402,379 | 775,099 | 1,360,238 | 3,705,759 |
| Additions | 466 | - | 745 | 673,081 | 674,292 |
| Reclassification | (9,916) | - | 645,875 | (635,959) | - |
| Transfer to property, plant and equipment (Note 13) | - | - | - | (40,824) | (40,824) |
| At 31 December | 158,593 | 1,402,379 | 1,421,719 | 1,356,536 | 4,339,227 |
| Accumulated depreciation | | | | | |
| At 1 January | - | 514,440 | 259,360 | - | 773,800 |
| Charge for the financial year | - | 21,830 | 21,492 | - | 43,322 |
| At 31 December | - | 536,270 | 280,852 | - | 817,122 |
| **Net book value** | | | | | |
| At 31 December | 158,593 | 866,109 | 1,140,867 | 1,356,536 | 3,522,105 |
| 2017 | | | | | |
| Cost | | | | | |
| At 1 January | 164,161 | 1,402,379 | 771,023 | 1,114,011 | 3,451,574 |
| Additions | 3,882 | - | 4,076 | 302,507 | 310,465 |
| Transfer to property development cost (Note 14) | - | - | - | (56,280) | (56,280) |
| At 31 December | 168,043 | 1,402,379 | 775,099 | 1,360,238 | 3,705,759 |
| Accumulated depreciation | | | | | |
| At 1 January | - | 487,126 | 239,164 | - | 726,290 |
| Charge for the financial year | - | 27,314 | 20,196 | - | 47,510 |
| At 31 December | - | 514,440 | 259,360 | - | 773,800 |
| **Net book value** | | | | | |
| At 31 December | 168,043 | 887,939 | 515,739 | 1,360,238 | 2,931,959 |

Direct operating expenses from investment properties that generated rental income for the Group during the financial year amounted to approximately RM220,561,000 (2017: RM219,802,000).

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 15 INVESTMENT PROPERTIES (continued)

Included in direct operating expenses of the Group's investment properties were the following expenses:

| Group | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| Depreciation of investment properties | 43,322 | 47,510 |
| Quit rent and assessment | 23,343 | 22,944 |
| Repairs and maintenance | 27,305 | 33,346 |
| Staff costs | 48,902 | 42,539 |
| Utilities | 45,520 | 45,690 |

| | Fair value | | | |
|---|---|---|---|---|
| Group | 2018<br>RM'000 | 2017<br>RM'000 | Level | Valuation technique |
| Land held for future development | 183,800 | 183,800 | 3 | Market approach |
| Retail malls | 4,960,000 | 4,930,000 | 3 | Income approach |
| Commercial properties | 2,135,965 | 1,902,841 | 3 | Income approach |
| Total | 7,279,765 | 7,016,641 | | |

The fair value of the investment properties above were estimated based on either valuations by independent qualified valuers or management's estimates.

The fair value of the investment properties above excludes investment properties that are under construction as the fair value of these properties are not expected to be reliably measurable until construction completes.

The fair value of the investment properties is determined based on income approach and market approach using Level 3 inputs in the fair value hierarchy of MFRS 13 'Fair Value Measurement'. The fair value of the investment properties based on income approach is derived from an estimate of the market rental which the investment properties can reasonably be let for. Outgoings such as quit rent and assessment, property taxes, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement initiatives as well as management expenses, are deducted from the annual rental income and thereafter, the net annual rental income is capitalised at an appropriate current market yield to arrive at its fair value. The fair value of the investment properties based on market approach is derived from market evidences of transacted prices per square foot for similar properties in which the values have been adjusted for key attributes such as property size, location and date of transaction.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 15 INVESTMENT PROPERTIES (continued)

The Level 3 inputs (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; |
| Reversionary rental | - | the expected rental that the investment properties are expected to achieve upon expiry of term rental; |
| Car park income | - | refers to rental on car park bays; |
| Other income | - | comprising percentage rent, advertising income and others; |
| Outgoings | - | comprising quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement expenses and other general 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 investment properties; |
| Allowance for void | - | refers to allowance provided for vacancy periods, marketing and rent free periods; |
| Price per square foot ("psf") | - | estimated price psf for which a property should exchange on the date of valuation between a willing buyer and a willing seller. |

Investment property with net book value of RM1,584,421,000 (2017: RM1,203,747,000) have been charged as security for borrowings as disclosed in Note 35.

Included in the Group's investment properties' additions during the financial year were interest expense capitalised amounting to RM43,087,000 (2017: RM35,254,000).

## 16 LONG TERM PREPAID LEASE

| Group | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| **At cost** | | |
| At 1 January/31 December | 658 | 658 |
| **Accumulated amortisation** | | |
| At 1 January | 263 | 236 |
| Charge for the financial year | 26 | 27 |
| At 31 December | 289 | 263 |
| **Net book value** | | |
| At 31 December | 369 | 395 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 17 INTANGIBLE ASSETS

| Group | Building software development cost | License | Goodwill | Total |
|---|---|---|---|---|
| 2018 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost | | | | |
| At 1 January/31 December | 1,531 | 6,100 | 14,238 | 21,869 |
| Accumulated amortisation | | | | |
| At 1 January | 1,279 | 91 | - | 1,370 |
| Charge for the financial year | 60 | 249 | - | 309 |
| At 31 December | 1,339 | 340 | - | 1,679 |
| Accumulated impairment losses | | | | |
| At 1 January/31 December | - | - | 2,600 | 2,600 |
| **Net book value** | | | | |
| At 31 December | 192 | 5,760 | 11,638 | 17,590 |
| 2017 | | | | |
| Cost | | | | |
| At 1 January | 1,392 | 100 | 14,238 | 15,730 |
| Additions | 139 | - | - | 139 |
| Transfer from property, plant and equipment (Note 13) | - | 6,000 | - | 6,000 |
| At 31 December | 1,531 | 6,100 | 14,238 | 21,869 |
| Accumulated amortisation | | | | |
| At 1 January | 1,231 | 81 | - | 1,312 |
| Charge for the financial year | 48 | 10 | - | 58 |
| At 31 December | 1,279 | 91 | - | 1,370 |
| Accumulated impairment losses | | | | |
| At 1 January | - | - | - | - |
| Charge for the financial year | - | - | 2,600 | 2,600 |
| At 31 December | - | - | 2,600 | 2,600 |
| **Net book value** | | | | |
| At 31 December | 252 | 6,009 | 11,638 | 17,899 |

The transfer of cost from property, plant and equipment to intangible assets at the end of the financial year ended 31 December 2017 refers to an advertising license granted to a subsidiary of the Group in exchange for services performed.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 17 INTANGIBLE ASSETS (continued)

### Impairment test for goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the Group's cash-generating units ('CGUs') that are expected to benefit from that business combination.

A summary of the goodwill allocation to the Group's CGUs is shown as follows:

| Group | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| G City Club Hotel Sdn. Bhd. ("GCity") | 11,638 | 11,638 |

The Group tests goodwill for impairment annually, or more frequently if there are any indications that impairment may have arisen.

The recoverable amount of GCity's goodwill has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and terminal value cash flows. The growth rate does not exceed the long term average growth rate of GCity.

## 18 SUBSIDIARIES

| Company | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| Investment in subsidiaries, at cost | | |
| Quoted ordinary shares | 2,791,124 | 2,321,167 |
| Unquoted ordinary shares | 3,607,254 | 148,328 |
| Less: Accumulated impairment losses | (8,006) | (8,006) |
| | 6,390,372 | 2,461,489 |
| Advances to subsidiaries | 118 | 61,650 |
| Total | 6,390,490 | 2,523,139 |

The Company completed the acquisition of the entire equity interest in IGBC not already owned by the Company by way of a members' scheme of arrangement pursuant to Section 366 of the Companies Act 2016. As a result, IGBC became a wholly-owned subsidiary of the Company on 2 March 2018 and was delisted from the official list of Bursa Securities in 16 March 2018, as detailed in Note 6A.

The Company also recorded the transfer of units in IGB REIT from IGBC by way of dividend-in-specie at its market value at transfer date, as detailed in Note 6B.

The Company also acquired 54,000,000 numbers of Redeemable Convertible Preferences Shares at RM1.00 each in its subsidiary, Steady Paramount Sdn Bhd.

The market value of the quoted ordinary shares is RM2,999,158,714 (2017: RM2,901,367,737) which consist of shares in IGB REIT (2017: IGBC).

The increase in unquoted ordinary shares as at 31 December 2018 is the result of the privatisation of IGBC as detailed in Note 6A.

Ordinary shares with a carrying value of RM2.49 billion (2017: RM1.26 billion) have been charged as security for borrowings as detailed in Note 35(a).

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 18 SUBSIDIARIES (continued)

Set out below are the summarised financial information of Southkey Megamall Sdn Bhd ("SKM") and IGB Real Estate Investment Trust ("IGB REIT"), two subsidiaries that have material non-controlling interests and are based on amounts before intercompany eliminations with the Company.

| | | SKM | IGB REIT |
|---|---|---|---|
| | | 31.12.2018 | 31.12.2018 |
| | | RM'000 | RM'000 |
| Proportion of ordinary shares and voting rights held by non-controlling interests (%) | | 30.00 | 47.14 |
| (a) | Summarised statement of comprehensive income: | | |
| | Net profit for the financial year | 38,654 | 280,679 |
| | Total comprehensive income for the financial year | 38,654 | 280,679 |
| | Total comprehensive income attributable to non-controlling interests | 11,596 | 132,312 |
| | Dividends paid to non-controlling entities | - | 196,761 |
| **(b)** | **Summarised statement of financial position:** | | |
| | Current assets | 163,075 | 235,002 |
| | Current liabilities | (172,965) | (237,250) |
| | Net current liabilities | (9,890) | (2,248) |
| | Non-current assets | 1,226,164 | 906,326 |
| | Non-current liabilities | (875,642) | (1,199,025) |
| | Net non-current assets/(liabilities) | 350,522 | (292,699) |
| | Net assets/(liabilities) | 340,632 | (294,947) |
| | Attributable to: | | |
| | Owners of the parent | 238,442 | (155,909) |
| | Non-controlling interests | 102,190 | (139,038) |
| | | 340,632 | (294,947) |
| **(c)** | **Summarised statement of cash flows:** | | |
| | Net cash flows from operating activities | 16,447 | 383,808 |
| | Net cash flows (used in)/from investing activities | (309,477) | 153,242 |
| | Net cash flows from/(used in) financing activities | 280,000 | (469,113) |
| | Net (decrease)/increase in cash and cash equivalents during the financial year | (13,030) | 67,937 |
| | Cash and cash equivalents at 1 January | 117,765 | 111,695 |
| | Cash and cash equivalents at 31 December | 104,735 | 179,632 |

The controlling interests of the other subsidiaries totalling to RM144,119,000 (2017 : RM15,905,000) were individually immaterial.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

18 SUBSIDIARIES (continued)

Set out below are the summarised financial information of IGBC Group which had material non-controlling interests in prior year financial year and are based on amounts before intercompany eliminations with the Company.

| | | IGBC Group<br>31.12.2017<br>RM'000 |
|---|---|---|
| Proportion of ordinary shares and voting rights held by non-controlling Interests (%) | | 26.60 |
| (a) | Summarised statement of comprehensive income | |
| | Net profit for the financial year | 467,595 |
| | Total comprehensive income for the financial year | 421,053 |
| | Total comprehensive income allocated to non-controlling interests | 198,758 |
| | Dividends paid to non-controlling interests | 188,215 |
| **(b)** | **Summarised statement of financial position:** | |
| | Current assets | 2,429,617 |
| | Current liabilities | (1,083,824) |
| | Net current assets | 1,345,793 |
| | Non-current assets | 5,423,754 |
| | Non-current liabilities | (2,058,760) |
| | Net non-current assets | 3,364,994 |
| | Net assets | 4,710,787 |
| | Net assets of IGBC Group attributable to equity owner | 4,635,343 |
| | Attributable to: | |
| | Owners of the parent | 3,403,845 |
| | Non-controlling interests | 1,306,942 |
| | | 4,710,787 |
| **(c)** | **Summarised statement of cash flows:** | |
| | Net cash generated from operating activities | 320,186 |
| | Net cash generated from investing activities | 86,624 |
| | Net cash used in financing activities | (112,306) |
| | Net increase in cash and cash equivalents | 294,504 |
| | Cash and cash equivalents at 1 January | 984,426 |
| | Foreign currency exchange differences | (19,915) |
| | Cash and cash equivalents at 31 December | 1,259,015 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

18 SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

| | Name of company | Principal activities | Country of incorporation | Group's effective interest (%) 2018 | 2017 |
|---|---|---|---|---|---|
| * | AFMS Solutions Sdn. Bhd. | Research and development of automated facilities management solution system | Malaysia | 100.00 | 100.00 |
| | Elements Integrative Health Sdn. Bhd. | Integrated healthcare and wellness | Malaysia | 100.00 | 100.00 |
| | GoldChina Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 100.00 |
| | Goldis Capital Sdn. Bhd. | Dormant | Malaysia | 100.00 | 100.00 |
| | Goldis Water Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 100.00 |
| | Goldis Yu Sdn. Bhd. | Provision of money lending services to related companies | Malaysia | 100.00 | 100.00 |
| | GTower Sdn. Bhd. | Property investment holding | Malaysia | 80.00 | 80.00 |
| | G Fish (Asia) Sdn. Bhd. [1] | Aquaculture operations | Malaysia | 96.67 | 96.67 |
| | IGB Corporation Berhad | Investment holding and property development | Malaysia | 100.00 | 73.40 |
| | IGB Real Estate Investment Trust [2] | Real estate investment trust | Malaysia | 52.86 | 38.39 |
| | Lautan Bumimas Sdn. Bhd. | Dormant | Malaysia | 51.00 | 51.00 |
| | Macro Lynx Sdn. Bhd. | Provision of broadband internet access services, web enabling services, supply and service of computer and related products | Malaysia | 100.00 | 100.00 |
| | Multistock Sdn. Bhd. | Investment trading and investment holding | Malaysia | 100.00 | 100.00 |
| | Silver Sanctuary Sdn. Bhd. | Property investment holding | Malaysia | 100.00 | 100.00 |
| | Steady Paramount Sdn. Bhd. | Property investment holding | Malaysia | 100.00 | 100.00 |
| | Triple Hallmark Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 100.00 |
| | <u>Held by Elements Integrative Health Sdn. Bhd.</u> | | | | |
| | Elements Wellness Sdn. Bhd. | Wellness consultation and health services | Malaysia | 100.00 | 100.00 |
| | Elements Medical Fitness Sdn. Bhd. | Dormant | Malaysia | 100.00 | 100.00 |
| | <u>Held by GoldChina Sdn. Bhd.</u> | | | | |
| * | Crest Spring Pte. Ltd. | Investment holding | Singapore | 100.00 | 100.00 |
| | <u>Held by Crest Spring Pte. Ltd.</u> | | | | |
| * | Crest Spring (Shanghai) Co. Ltd. | Provision of engineering services for pure water and waste water treatment plants and related services | The People's Republic of China | 100.00 | 100.00 |
| * | New Water Co. Ltd. | Concession for management, operations and maintenance of waste water treatment plant | The People's Republic of China | 100.00 | 100.00 |
| | <u>Held by Crest Spring (Shanghai) Co. Ltd.</u> | | | | |
| * | Jiang Su Crest Spring Co. Ltd. | Investment holding and consultancy services in water treatment | The People's Republic of China | 100.00 | 100.00 |
| * | Lianyungang Ganyu Xin Cheng Sewage Treatment Co. Ltd. | Concession for management, operations and maintenance of waste water treatment plant | The People's Republic of China | 100.00 | 100.00 |
| * | Yantai Xin Cheng Wastewater Treatment Co. Ltd. | Concession for management, operations and maintenance of waste water treatment plant | The People's Republic of China | 100.00 | 100.00 |
| | <u>Held by Goldis Water Sdn. Bhd.</u> | | | | |
| * | Goldis Water Pte. Ltd. | Investment holding | Singapore | 100.00 | 100.00 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

18 SUBSIDIARIES (continued)

| | Name of company | Principal activities | Country of incorporation | Group's effective interest (%) 2018 | 2017 |
|---|---|---|---|---|---|
| | Held by Goldis Water Pte. Ltd. | | | | |
| * | ZouCheng XinCheng Waste Water Co. Ltd. | Concession for management, operations and maintenance of waste water treatment plant | The People's Republic of China | 100.00 | 100.00 |
| | Held by G Fish (Asia) Sdn. Bhd. | | | | |
| | OM3 Fish (Asia) Sdn. Bhd. | Dormant | Malaysia | 96.67 | 96.67 |
| | OM3 Fish Development Sdn. Bhd. | Dormant | Malaysia | 96.67 | 96.67 |
| | OM3 Fish Services Sdn. Bhd. | Dormant | Malaysia | 96.67 | 96.67 |
| | Held by Macro Lynx Sdn. Bhd. | | | | |
| | Mines Fiberlynx Sdn. Bhd. | Provision of broadband internet access services, web enabling services, supply and service of computer and related products | Malaysia | 100.00 | 100.00 |
| | MLynx Sdn. Bhd. | Provision of broadband internet access services, web enabling services, supply and service of computer and related products | Malaysia | 100.00 | 100.00 |
| | MVC Fiberlynx Sdn. Bhd. | Provision of broadband internet access services, web enabling services, supply and service of computer and related products | Malaysia | 100.00 | 100.00 |
| | Held by Triple Hallmark Sdn. Bhd. | | | | |
| | G City Club Hotel Sdn. Bhd. | Hotel operations | Malaysia | 100.00 | 100.00 |
| | Sonata Vision Sdn. Bhd. | Food and beverage operations | Malaysia | 100.00 | 100.00 |
| | Held by IGB Corporation Berhad and its subsidiaries | | | | |
| | Amandamai Dua Sdn. Bhd. [3] | Property development | Malaysia | 100.00 | 73.40 |
| | Amandamai Satu Sdn. Bhd. [3] *(members' voluntary liquidation completed in 2018)* | Property development | Malaysia | - | 73.40 |
| | Angkasa Gagah Sdn. Bhd. [3] | Property development | Malaysia | 100.00 | 73.40 |
| | Arabayu Sepakat Sdn. Bhd. [3] | Property investment and property development | Malaysia | 100.00 | 73.40 |
| * | Asian Equity Limited [4] | Investment holding | British Virgin Islands | 55.00 | 40.37 |
| | Atar Deras Sdn. Bhd. [3] | Property development | Malaysia | 100.00 | 73.40 |
| | Auspicious Prospects Ltd. [5] | Investment holding | Liberia | 100.00 | 73.40 |
| | Belimbing Hills Sdn. Bhd. [3] | Property development | Malaysia | 100.00 | 73.40 |
| * | Beswell Limited. [6] | Investment holding | Hong Kong | 100.00 | 73.40 |
| | Bintang Buana Sdn. Bhd. [3] | Property development | Malaysia | 90.00 | 66.06 |
| | Central Review (M) Sdn. Bhd. [3] | Hotelier | Malaysia | 100.00 | 73.40 |
| | Cipta Klasik (M) Sdn. Bhd. [3] | Property development | Malaysia | 70.00 | 51.38 |
| | Cititel Hotel Management Sdn. Bhd. | Hotel management services | Malaysia | 60.00 | 44.04 |
| | Corpool Holdings Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 73.40 |
| | Danau Bidara (M) Sdn. Bhd. [3] | Property investment | Malaysia | 100.00 | 73.40 |
| | Detik Harapan Sdn. Bhd. | Educational institution | Malaysia | 60.00 | 44.04 |
| | Dimensi Magnitud Sdn. Bhd. | Property investment | Malaysia | 70.00 | 51.38 |
| | Distinctive Ace Sdn. Bhd. [7] | Property investment and property development | Malaysia | 50.00 + 1 share | 36.70 + 1 share |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

18 SUBSIDIARIES (continued)

| | Name of company | Principal activities | Country of incorporation | Group's effective interest (%) 2018 | 2017 |
|---|---|---|---|---|---|
| | Held by IGB Corporation Berhad and its subsidiaries (continued) | | | | |
| | Earning Edge Sdn. Bhd. [8] | Investment holding | Malaysia | 65.00 | 47.71 |
| | Eastwind Alliance Sdn. Bhd. [3] | Property investment and property development | Malaysia | 100.00 | 73.40 |
| | Ensignia Construction Sdn. Bhd. | Building construction | Malaysia | 100.00 | 73.40 |
| | Ensignia Southkey City Sdn. Bhd. [9] | Building construction | Malaysia | 70.00 | 51.38 |
| | Future Pinnacle Sdn. Bhd. [10] | Property development | Malaysia | 100.00 | 73.40 |
| * | Grapevine Investments Pte. Ltd. | Investment holding | Singapore | 100.00 | 73.40 |
| | Great Union Properties Sdn. Bhd. | Dormant | Malaysia | 100.00 | 73.40 |
| | Harta Villa Sdn. Bhd. [3] | Property development | Malaysia | 100.00 | 73.40 |
| | ICDC Holdings Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 73.40 |
| | Idaman Spektra Sdn. Bhd. | Property investment | Malaysia | 100.00 | 73.40 |
| | IGB Development Management Services Sdn. Bhd. | Project management services | Malaysia | 100.00 | 73.40 |
| | IGB International School Sdn. Bhd. | Property investment | Malaysia | 100.00 | 73.40 |
| | IGB International Ventures Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 73.40 |
| | IGB Project Management Services Sdn. Bhd. | Project management services | Malaysia | 100.00 | 73.40 |
| | IGB Properties Sdn. Bhd. | Property investment and management | Malaysia | 100.00 | 73.40 |
| | IGB Property Management Sdn. Bhd. *(formerly known as Elements Nutrients Sdn. Bhd.)* | Property investment and management | Malaysia | 100.00 | 100.00 |
| | IGB REIT Capital Sdn. Bhd. [18] | Special purpose vehicle to raise financing | Malaysia | 52.86 | 38.39 |
| | IGB REIT Management Sdn. Bhd. | Management of real estate investment trust | Malaysia | 100.00 | 73.40 |
| | Innovation & Concept Development Co. Sdn. Bhd. [11] | Property development | Malaysia | 100.00 | 73.40 |
| | IST Building Products Sdn. Bhd. | Trading of building materials | Malaysia | 100.00 | 73.40 |
| | IT&T Engineering & Construction Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 73.40 |
| | Kemas Muhibbah Sdn. Bhd. [12] | Property development | Malaysia | 100.00 | 73.40 |
| | Kondoservis Management Sdn. Bhd.[3] *(formerly known as Kondoservis Sdn. Bhd.)* | Management services | Malaysia | 100.00 | 73.40 |
| | Lagenda Sutera (M) Sdn. Bhd. [6] | Hotelier | Malaysia | 100.00 | 73.40 |
| * | Lingame Company Limited | Investment holding | Hong Kong | 100.00 | 73.40 |
| | Majestic Path Sdn. Bhd. [6] | Investment holding | Malaysia | 100.00 | 73.40 |
| | Megan Prestasi Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 73.40 |
| * | MiCasa Hotel Limited [13] *(members' voluntary liquidation completed in 2018)* | Dormant | Myanmar | - | 47.71 |
| | Mid Valley City Sdn. Bhd. | Management services/service provider | Malaysia | 100.00 | 73.40 |
| | Mid Valley City Developments Sdn. Bhd. | Property development | Malaysia | 100.00 | 73.40 |
| | Mid Valley City Energy Sdn. Bhd. | Selling and distribution of utilities | Malaysia | 100.00 | 73.40 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 18 SUBSIDIARIES (continued)

| | Name of company | Principal activities | Country of incorporation | Group's effective interest (%) 2018 | 2017 |
|---|---|---|---|---|---|
| | Held by IGB Corporation Berhad and its subsidiaries (continued) | | | | |
| | Mid Valley City Enterprise Sdn. Bhd. | Hotelier | Malaysia | 100.00 | 73.40 |
| | Mid Valley City Gardens Sdn. Bhd. | Management services/service provider | Malaysia | 100.00 | 73.40 |
| | Mid Valley City Hotels Sdn. Bhd. | Hotelier | Malaysia | 100.00 | 73.40 |
| | Mid Valley City North Tower Sdn. Bhd. | Property investment | Malaysia | 100.00 | 73.40 |
| | Mid Valley City Property Services Sdn. Bhd.[14] | Building and maintenance services | Malaysia | 100.00 | 73.40 |
| | Mid Valley City South Tower Sdn. Bhd. | Property investment | Malaysia | 100.00 | 73.40 |
| | Mid Valley City Southpoint Sdn. Bhd. | Property investment | Malaysia | 100.00 | 73.40 |
| | Millennium Living Sdn. Bhd. [3] *(formerly known as Abad Flora Sdn. Bhd.)* | Property investment | Malaysia | 100.00 | 73.40 |
| | Murni Properties Sdn. Bhd. | Property investment | Malaysia | 100.00 | 73.40 |
| | MVC Centrepoint North Sdn. Bhd. | Property investment | Malaysia | 100.00 | 73.40 |
| | MVC Centrepoint South Sdn. Bhd. | Property investment | Malaysia | 100.00 | 73.40 |
| | MVC CyberManager Sdn. Bhd. | MSC cybercentre at Mid Valley City | Malaysia | 100.00 | 73.40 |
| | MVEC Exhibition and Event Services Sdn. Bhd. | Exhibition services | Malaysia | 100.00 | 73.40 |
| | MVS Centrepoint North Tower Sdn. Bhd. | Property investment | Malaysia | 100.00 | - |
| | MVS Centrepoint South Tower Sdn. Bhd. | Property investment | Malaysia | 100.00 | - |
| | MVS North Tower Sdn. Bhd. | Property investment | Malaysia | 100.00 | - |
| | MVS Northpoint Hotel Sdn. Bhd. | Hotelier | Malaysia | 100.00 | - |
| | MVS South Tower Sdn. Bhd. | Property investment | Malaysia | 100.00 | - |
| | MVS Southpoint Hotel Sdn. Bhd. | Hotelier | Malaysia | 100.00 | - |
| | Nova Pesona Sdn. Bhd. [3] | Property development | Malaysia | 100.00 | 73.40 |
| | OPT Ventures Sdn. Bhd. [3] | Property development and investment | Malaysia | 70.00 | 51.38 |
| | Outline Avenue (M) Sdn. Bhd. [3] | Property development | Malaysia | 89.57 | 65.77 |
| | Pacific Land Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 73.40 |
| * | Pacific Land Pte. Ltd. [6] | Investment holding | Singapore | 100.00 | 73.40 |
| | Pangkor Island Resort Sdn. Bhd. | Hotelier | Malaysia | 100.00 | 73.40 |
| | Pekeliling Land Sdn. Bhd. | Property holding | Malaysia | 100.00 | 73.40 |
| | Penang Garden Sdn. Bhd. | Property development and investment | Malaysia | 100.00 | 73.40 |
| | Permata Efektif (M) Sdn. Bhd. [3] | Property development | Malaysia | 100.00 | 73.40 |
| | Plaza Permata Management Services Sdn. Bhd. | Property management services | Malaysia | 100.00 | 73.40 |
| | Prima Condominium Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 73.40 |
| | Primanah Property Sdn. Bhd. | Property development | Malaysia | 100.00 | 73.40 |
| | Puncak Megah (M) Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 73.40 |
| | Rapid Alpha Sdn. Bhd. | Hotelier | Malaysia | 100.00 | 73.40 |
| | Reka Handal Sdn. Bhd. [3] | Property development | Malaysia | 75.00 | 55.05 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

18 SUBSIDIARIES (continued)

| | Name of company | Principal activities | Country of incorporation | Group's effective interest (%) 2018 | 2017 |
|---|---|---|---|---|---|
| | Held by IGB Corporation Berhad and its subsidiaries (continued) | | | | |
| | Riraiance Enterprise Sdn. Bhd. | Investment holding | Malaysia | 100.00 | 73.40 |
| | Salient Glory City Sdn. Bhd. | Hotelier | Malaysia | 100.00 | 73.40 |
| | Southkey Megamall Sdn. Bhd. | Property investment | Malaysia | 70.00 | 51.38 |
| * | St Giles Hotels (Asia) Limited [15] | Hotel management services | Labuan | 60.00 | 44.04 |
| | Tanah Permata Sdn. Bhd. [6] | Hotelier | Malaysia | 100.00 | 73.40 |
| | Tan & Tan Developments Berhad | Property development, project management services and investment holding | Malaysia | 100.00 | 73.40 |
| | Tan & Tan Realty Sdn. Bhd. [3] | Property investment | Malaysia | 80.00 | 58.72 |
| * | Tank Stream Holdings Pty. Ltd. [16] | Investment holding | Australia | 100.00 | 73.40 |
| | The Gardens Theatre Sdn. Bhd. | Lease auditorium space for performing arts | Malaysia | 100.00 | 73.40 |
| | TTD Sdn. Bhd. [3] | Hotelier | Malaysia | 100.00 | 73.40 |
| | Verokey Sdn. Bhd. | Property investment | Malaysia | 100.00 | 73.40 |
| | Wilmer Link Limited [17] | Investment holding | British Virgin Islands | 58.00 | 42.57 |
| | X-Speed Sdn. Bhd. *(members' voluntary liquidation completed in 2018)* | Property investment | Malaysia | - | 73.40 |

Notes:

1 - Held by IGB and Goldis Yu Sdn. Bhd., 74.17% and 22.5% respectively.
2 - Held by IGB and IGB REIT Management Sdn. Bhd., 49.04% and 3.82% respectively.
3 - Held by Tan & Tan Developments Berhad.
4 - Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd., 35.0% and 20.0% respectively.
5 - Held by Lingame Company Limited.
6 - Held by Pacific Land Sdn. Bhd.
7 - Held by Megan Prestasi Sdn. Bhd.
8 - Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd., 45.0% and 20.0% respectively.
9 - Held by Ensignia Construction Sdn. Bhd.
10 - Held by TTD Sdn. Bhd.
11 - Held by ICDC Holdings Sdn. Bhd.
12 - Held by IGB Project Management Services Sdn. Bhd.
13 - Held by Earning Edge Sdn. Bhd.
14 - Held by Mid Valley City Developments Sdn. Bhd.
15 - Held by Cititel Hotel Management Sdn. Bhd.
16 - Held by Pacific Land Sdn. Bhd. and IGBC, 19.6% and 80.4% respectively.
17 - Held by IGB International Ventures Sdn. Bhd.
18 - Held by IGB Real Estate Investment Trust via MTrustee Berhad.

* Companies audited by firms other than PricewaterhouseCoopers PLT Malaysia

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 19 ASSOCIATES

| Group | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| At cost | | |
| Unquoted shares in Malaysia | 67,919 | 71,419 |
| Unquoted shares outside Malaysia | 25,905 | 25,905 |
| Amounts owing by associates | 30,092 | 30,092 |
| | 123,916 | 127,416 |
| Group's share of post-acquisition results and reserves | 345,159 | 346,100 |
| | 469,075 | 473,516 |
| Less: Accumulated impairment losses | (6,658) | (8,858) |
| At 31 December | 462,417 | 464,658 |

The amounts owing from associates of which the Group does not expect repayment in the foreseeable future are considered as part of the Group's investment in the associates.

Set out below are associates of the Group as at 31 December 2018, which, in the opinion of the Directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. In the opinion of the Directors, all the other associates are immaterial to the Group.

There are no contingent liabilities relating to the Group's interest in associates.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

19 ASSOCIATES (continued)

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Ravencroft Investments Incorporated | New Commercial Investments Limited | Ravencroft Investments Incorporated | New Commercial Investments Limited |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Summarised statement of comprehensive income | | | | |
| Revenue | 56,365 | 9,639 | 56,257 | 9,988 |
| Other income | 18,584 | 6,115 | - | - |
| Total expense before interest and taxation | (15,849) | (14,341) | (13,542) | (1,785) |
| Interest income | 7,214 | 769 | 7,903 | 612 |
| Interest expense | (4,421) | (2,176) | (4,495) | (2,199) |
| Profit before taxation | 61,893 | 6 | 46,123 | 6,616 |
| Income tax | (8,895) | (1,236) | (7,670) | (1,323) |
| Net profit/(loss) for the financial year | 52,998 | (1,230) | 38,453 | 5,293 |
| Other comprehensive loss | (14,803) | (3,425) | (46,809) | (823) |
| Total comprehensive income/(loss) | 38,195 | (4,655) | (8,356) | 4,470 |
| **Summarised statement of financial position** | | | | |
| Cash and cash equivalents | 266,812 | 13,878 | 236,788 | 7,613 |
| Other current assets (excluding cash and cash equivalents) | 152,693 | 86,681 | 155,942 | 95,480 |
| Total current assets | 419,505 | 100,559 | 392,730 | 103,093 |
| Other current liabilities (including trade and other payables and provisions) | (227,755) | (76,232) | (250,645) | (77,676) |
| Total current liabilities | (227,755) | (76,232) | (250,645) | (77,676) |
| Non-current assets | 301,911 | 122,349 | 316,628 | 126,832 |
| Financial liabilities (excluding trade and other payables and provisions) | (85,781) | (24,257) | (89,028) | (25,175) |
| Total non-current liabilities | (85,781) | (24,257) | (89,028) | (25,175) |
| Net assets | 407,880 | 122,419 | 369,685 | 127,074 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 19 ASSOCIATES (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates is set out below:

| | Ravencroft Investments Incorporated | | New Commercial Investments Limited | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net assets as at 1 January | 369,685 | 378,041 | 127,074 | 122,604 |
| Net profit for the financial year | 52,998 | 38,453 | (1,230) | 5,293 |
| Other comprehensive income | (14,803) | (46,809) | (3,425) | (823) |
| Net assets as at 31 December | 407,880 | 369,685 | 122,419 | 127,074 |
| Interest in associates (%) | 49.47 | 49.47 | 49.55 | 49.55 |
| Share of net assets/carrying amount of interest in associates | 201,778 | 182,883 | 60,659 | 62,965 |

Set out below are the financial information of all individual immaterial associates on an aggregate basis:

| Group | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| Carrying amounts of interest in associates | 199,980 | 218,810 |
| Share of associates' (loss)/profit | (14,548) | 7,251 |
| Share of associates' other comprehensive loss | (2,987) | (3,422) |

Details of the associates are as follows:

| | Name of company | Principal activities | Country of incorporation | Group's effective interest (%) 2018 | Group's effective interest (%) 2017 |
|---|---|---|---|---|---|
| * | Cititel Express Pty Limited [2] | Investment holding | Australia | 39.00 | 28.63 |
| * | Cititel International Hospitality Limited [3] | Hotelier | Guernsey | 49.47 | 36.33 |
| * | DMV Sdn. Bhd. [4] | Property development | Malaysia | 38.45 | 28.26 |
| | Gleneagles Medical Centre (Kuala Lumpur) Sdn. Bhd. [1] *(members' voluntary liquidation completed in 2018)* | Dormant | Malaysia | - | 22.02 |
| | Hampshire Properties Sdn. Bhd. [1] | Property development and property investment | Malaysia | 50.00 | 36.70 |
| * | Harmony Streams Sdn. Bhd. [5] *(disposed in 2018)* | Dormant | Malaysia | - | 36.70 |
| * | Hilltop International Success Inc [6] *(struck off in 2018)* | Purchasing/Leasing of aircrafts | British Virgin Islands | - | 36.33 |
| * | Hicom Tan & Tan Sdn. Bhd. [1] | Property development | Malaysia | 50.00 | 36.70 |
| | Jutanis Sdn. Bhd. [1] | Property development | Malaysia | 45.00 | 33.03 |
| | Kumpulan Sierramas (M) Sdn. Bhd. [1] | Property development | Malaysia | 50.00 | 36.70 |
| | Kundang Properties Sdn. Bhd. | Property development | Malaysia | 50.00 | 36.70 |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

19 ASSOCIATES (continued)

| | Name of company | Principal activities | Country of incorporation | Group's effective interest (%) 2018 | 2017 |
|---|---|---|---|---|---|
| * | Merchant Firm Ltd. [3] | Investment holding | British Virgin Islands | 49.47 | 36.33 |
| * | New Commercial Investments Limited [7] | Investment holding | British Virgin Islands | 49.55 | 36.37 |
| | Orion Corridor Sdn. Bhd. [6] | Leasing of aircrafts | Malaysia | 24.74 | 18.13 |
| * | Pacific Land Co., Ltd [8] | Investment holding | Thailand | 48.90 | 35.89 |
| | Permata Alasan (M) Sdn. Bhd. [1] | Property development and property investment | Malaysia | 50.00 | 36.70 |
| * | Ravencroft Investments Incorporated [9] | Investment holding | British Virgin Islands | 49.47 | 36.31 |
| * | St Giles Hotel [6] | Construction and hotel management | Republic of Congo | 49.47 | 36.33 |
| * | St Giles Hotel, Inc [10] | Hotelier | United States of America | 49.47 | 36.33 |
| * | St Giles Hotel Limited [9] | Hotelier | United Kingdom | 49.47 | 36.33 |
| * | St Giles Hotel, LLC [11] | Hotelier | United States of America | 49.47 | 36.33 |
| * | St Giles Hotel (Heathrow) Limited [7] | Hotelier | United Kingdom | 49.55 | 36.41 |
| * | St Giles Hotel (Manila) Inc [6] | Hotelier | Philippines | 49.47 | 36.33 |
| * | Technoltic Engineering Sdn. Bhd. | Servicing, maintenance and installation of elevators | Malaysia | 40.00 | 29.36 |
| * | Tentang Emas Sdn. Bhd. [1] | Investment holding | Malaysia | 49.00 | 35.97 |

Notes:

1 - Held by Tan & Tan Developments Bhd.
2 - Held by Tank Stream Holdings Pty Ltd.
3 - Held by Ravencroft Investments Incorporated.
4 - Held by Tan & Tan Developments Berhad and IGBC, 25.63% and 12.82% respectively.
5 - Held by Kumpulan Sierramas (M) Sdn. Bhd.
6 - Held by Merchant Firm Ltd.
7 - Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd., 31.53% and 18.02% respectively.
8 - Held by Pacific Land Sdn. Bhd.
9 - Held by Pacific Land Sdn. Bhd., Beswell Limited and TTD Sdn. Bhd., 27.71%, 7.65% and 14.11% respectively.
10 - Held by St Giles Hotel Limited.
11 - Held by St Giles Hotel, Inc.

* Companies audited by firms other than PricewaterhouseCoopers PLT Malaysia.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 20 JOINT VENTURES

| Group | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| At cost | | |
| Unquoted shares outside Malaysia | 65,649 | 65,649 |
| Amounts owing by joint venture | 300,920 | 312,312 |
| | 366,569 | 377,961 |
| Group's share of post-acquisition results and reserves | 4,573 | 4,852 |
| At 31 December | 371,142 | 382,813 |

The amounts owing from joint ventures of which the Group does not expect repayment in the foreseeable future are considered as part of the Group's investment in the joint ventures.

Set out below are joint ventures of the Group as at 31 December 2018. The investment in joint ventures have share capital consisting solely of ordinary shares, which are held directly by the Group. In the opinion of the Directors, the other joint ventures are immaterial to the Group.

There are no contingent liabilities relating to the Group's interest in joint ventures.

| 2018 | **Black Pearl** Limited RM'000 | Mahanathee Chao Phraya Co. Ltd. RM'000 | **Blackfriars** Project Management Limited RM'000 |
|---|---|---|---|
| Summarised statement of comprehensive income | | | |
| Other income | - | - | 5,360 |
| Administrative expense | (2,270) | (208) | (6,443) |
| Loss before taxation | (2,270) | (208) | (1,083) |
| Income tax | - | - | - |
| Net loss for the financial year | (2,270) | (208) | (1,083) |
| Other comprehensive income/(loss) | 394 | 2,718 | (58) |
| Total comprehensive (loss)/income | (1,876) | 2,510 | (1,141) |
| **Summarised statement of financial position** | | | |
| Cash and cash equivalents | 813 | 133 | 3,034 |
| Other current assets (excluding cash and cash equivalents) | 604 | - | - |
| Total current assets | 1,417 | 133 | 3,034 |
| Other current liabilities (including trade and other payables and provision) | (4,669) | (606) | (2,085) |
| Total current liabilities | (4,669) | (606) | (2,085) |
| Financial liabilities (excluding trade and other payables and provision) | (693,359) | - | - |
| Total non-current liabilities | (693,359) | - | - |
| Non-current assets | 684,954 | 154,710 | - |
| Net (liabilities)/assets | (11,657) | 154,237 | 949 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

20 JOINT VENTURES (continued)

| 2017 | **Black Pearl** Limited RM'000 | Mahanathee Chao Phraya Co. Ltd. RM'000 | **Blackfriars** Project Management Limited RM'000 |
|---|---|---|---|
| Summarised statement of comprehensive income | | | |
| Other income | - | - | 8,532 |
| Administrative expense | (994) | (84) | (6,410) |
| (Loss)/Profit before taxation | (994) | (84) | 2,122 |
| Income tax | - | - | - |
| Net (loss)/profit for the financial year | (994) | (84) | 2,122 |
| Other comprehensive income/(loss) | 89 | (1,007) | (32) |
| Total comprehensive (loss)/income | (905) | (1,091) | 2,090 |
| Summarised statement of financial position | | | |
| Cash and cash equivalents | 3,312 | 129 | 803 |
| Other current assets (excluding cash and cash equivalents) | 57,700 | - | 2,217 |
| Total current assets | 61,012 | 129 | 3,020 |
| Other current liabilities (including trade and other payables and provision) | (1,272) | (385) | (1,157) |
| Total current liabilities | (1,272) | (385) | (1,157) |
| Financial liabilities (excluding trade and other payables and provision) | (694,146) | - | - |
| Total non-current liabilities | (694,146) | - | - |
| Non-current assets | 624,625 | 151,983 | 227 |
| Net (liabilities)/assets | (9,781) | 151,727 | 2,090 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

20 JOINT VENTURES (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures is set out below:

| | **Black Pearl** Limited | Mahanathee Chao Phraya Co. Ltd. | **Blackfriars** Project Management Limited | Total |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| 2018 | | | | |
| Net (liabilities)/assets as at 1 January | (9,781) | 151,727 | 2,090 | 144,036 |
| Net loss for the financial year | (2,270) | (208) | (1,083) | (3,561) |
| Other comprehensive income | 394 | 2,718 | (58) | 3,054 |
| Net (liabilities)/assets as at 31 December | (11,657) | 154,237 | 949 | 143,529 |
| Interest in joint venture (%) | 50.0 | 49.0 | 50.0 | - |
| Share of net (liabilities)/assets | (5,828) | 75,576 | 474 | 70,222 |
| Amounts owing to corporate shareholders | 300,920 | - | - | 300,920 |
| Carrying amount of interest in joint venture | 295,092 | 75,576 | 474 | 371,142 |
| 2017 | | | | |
| Net (liabilities)/assets as at 1 January | (8,876) | 152,818 | - | 143,942 |
| Net (loss)/profit for the financial year | (994) | (84) | 2,122 | 1,044 |
| Other comprehensive income | 89 | (1,007) | (32) | (950) |
| Net (liabilities)/assets as at 31 December | (9,781) | 151,727 | 2,090 | 144,036 |
| Interest in joint venture (%) | 50.0 | 49.0 | 50.0 | - |
| Share of net (liabilities)/assets | (4,890) | 74,346 | 1,045 | 70,501 |
| Amounts owing to corporate shareholders | 312,312 | - | - | 312,312 |
| Carrying amount of interest in joint venture | 307,422 | 74,346 | 1,045 | 382,813 |

Details of the joint ventures are as follows:

| | Name of company | Principal activities | Country of Incorporation | Group's effective interest (%) 2018 | Group's effective interest (%) 2017 |
|---|---|---|---|---|---|
| * | Black Pearl Limited [1] | Property development | Guernsey | 50.00 | 36.70 |
| * | Blackfriars Limited [2] | Property investment | Guernsey | 50.00 | 36.70 |
| * | Blackfriars Project Management Limited [1] | Provision of project management | United Kingdom | 50.00 | 36.70 |
| * | Mahanathee Chao Phraya Co. Ltd. [3] *(formerly known as Crystal Property Asia Company Limited)* | Property development | Thailand | 49.00 | 35.97 |

Notes:

1 - Held by Verokey Sdn. Bhd.
2 - Held by Black Pearl Limited
3 - Held by Majestic Path Sdn. Bhd.

* Companies audited by firms other than PricewaterhouseCoopers PLT Malaysia.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are unquoted shares outside Malaysia and are denominated in USD.

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current | | | | |
| At 1 January | 53,088 | 29,644 | 53,088 | 29,644 |
| Reclassification * | (53,088) | - | (53,088) | - |
| As restated at 1 January | - | 29,644 | - | 29,644 |
| Additions | - | 21,623 | - | 21,623 |
| Net gain transferred from equity | - | 1,821 | - | 1,821 |
| At 31 December | - | 53,088 | - | 53,088 |

* With the adoption of MFRS 9 – Financial Instruments, effective from 1 January 2018, available-for-sale financial assets have been reclassified to financial assets at fair value through other comprehensive income (Note 2.25 and Note 24(B)).

## 22 CONCESSION RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| Group | RM'000 | RM'000 |
| Non-current | 114,936 | 104,979 |
| Current | 3,925 | 4,061 |
| | 118,861 | 109,040 |

The Group has entered into service concession arrangements with the government of the People's Republic of China to construct and operate waste water treatment plants for a period ranging from 22 to 25 years. The terms of arrangement allow the Group to maintain and manage these treatment plants and receive consideration based on usage and rates as determined by the grantor for the entire duration of the concession subject to a minimum water volume calculated based on the waste water treatment plants normal capacity.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction and operating services.

| | 2018 | 2017 |
|---|---|---|
| Group | RM'000 | RM'000 |
| Fair value | 121,011 | 114,233 |

The fair values are based on cash flows discounted based on the discount rate of 4.37% (2017: 4.07%). The fair values are within level 3 of the fair value hierarchy.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 23 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax assets | 22,060 | 27,559 | - | - |
| Deferred tax liabilities | (142,597) | (143,195) | (11,400) | (693) |
| Deferred tax liabilities (net) | (120,537) | (115,636) | (11,400) | (693) |

The movements in deferred tax assets and liabilities of the Group and Company during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | (115,636) | (161,461) | (693) | (1,462) |
| (Charged)/Credited to statements of comprehensive income: | | | | |
| Property, plant and equipment and investment properties | (11,811) | 79,447 | 6 | 10 |
| RCPS and RCCPS | (1,481) | 727 | 1,132 | 727 |
| Unutilised tax losses and unabsorbed capital allowances | 4,611 | (30,736) | (32) | 32 |
| Rental received in advance | 1,945 | 6,856 | - | - |
| Provision and others | 1,608 | (10,228) | (9,158) | - |
| | (5,128) | 46,066 | (8,052) | 769 |
| Charged to equity: | | | | |
| RCPS and RCCPS | - | - | (2,655) | - |
| Currency translation difference | 227 | (241) | - | - |
| At 31 December | (120,537) | (115,636) | (11,400) | (693) |

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Subject to income tax | | | | |
| Deferred tax assets (before offsetting) | | | | |
| Property, plant and equipment | 3,230 | 3,392 | - | - |
| Provisions and others | 9,560 | 13,852 | - | - |
| Unutilised tax losses and unabsorbed capital allowances | 15,277 | 10,666 | - | 32 |
| Rental received in advance | 8,801 | 6,856 | - | - |
| | 36,868 | 34,766 | - | 32 |
| Offsetting | (14,808) | (7,207) | - | (32) |
| Deferred tax assets (after offsetting) | 22,060 | 27,559 | - | - |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 23 DEFERRED TAX (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax liabilities (before offsetting) | | | | |
| Property, plant and equipment and investment properties | (134,421) | (122,772) | - | (6) |
| RCPS and RCCPS | (2,200) | (719) | (2,242) | (719) |
| Others | (20,784) | (26,911) | (9,158) | - |
| | (157,405) | (150,402) | (11,400) | (725) |
| Offsetting | 14,808 | 7,207 | - | 32 |
| Deferred tax liabilities (after offsetting) | (142,597) | (143,195) | (11,400) | (693) |

Deferred tax assets are recognised for tax losses carried forward to the extent the realisation of related tax benefits through future taxable profit is probable.

The amounts of deductible temporary differences and unutilised tax losses for which no deferred tax asset is recognised in the statements of financial position are as follows:

| | 2018 | 2017 |
|---|---|---|
| Group | RM'000 | RM'000 |
| Unutilised tax losses | 206,563 | 183,312 |
| Deductible temporary differences | 217,104 | 212,454 |
| | 423,667 | 395,766 |
| Deferred tax assets not recognised at 24% (2017: 24%) | 101,680 | 94,984 |

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period amounting to RM206,563,000 as at 31 December 2018 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment. (i.e. from year of assessments 2019 to 2025).

## 24(A) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Quoted shares/unit trust held for trading in Malaysia | - | 262 | - | - |
| Quoted shares outside Malaysia | - | 1,520 | - | 1,520 |
| | - | 1,782 | - | 1,520 |

Changes in fair values of financial assets at fair value through profit or loss were recorded in the income statements. The fair values of equity securities were based on their current quoted prices in an active market.

With the adoption of MFRS 9 – Financial Instruments, effective from 1 January 2018, financial assets at fair value through profit and loss have been reclassified to financial assets at fair value through other comprehensive income (Note 2.25 and Note 24(B)).

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

24(B) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | - | - | - | - |
| Reclassification (Note 21 & 24(A)) | 54,870 | - | 54,608 | - |
| As restated at 1 January | 54,870 | - | 54,608 | - |
| Addition | 9,372 | - | 9,436 | - |
| Fair value gain | 29,519 | - | 29,519 | - |
| At 31 December | 93,761 | - | 93,563 | - |

Financial assets at fair value through other comprehensive income include the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Quoted shares in Malaysia | 198 | - | - | - |
| Quoted shares outside Malaysia | 1,234 | - | 1,234 | - |
| Unquoted shares outside Malaysia | 92,329 | - | 92,329 | - |
| | 93,761 | - | 93,563 | - |

Financial assets at fair value through other comprehensive income are denominated in the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| MYR | 198 | - | - | - |
| EURO | 821 | - | 821 | - |
| SGD | 413 | - | 413 | - |
| USD | 92,329 | - | 92,329 | - |
| | 93,761 | - | 93,563 | - |

The Group and the Company have irrevocably elected to reclassify the financial assets at initial recognition to present its fair value changes in other comprehensive income. The Group and the Company consider this classification to be more relevant as these instrument represent strategic investments and are not held for trading purpose.

In the prior financial year, the Group and the Company had designated these financial asset as available-for-sale and fair value through profit or loss financial assets as disclosed in Note 21 and Note 24(A).

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 25 AMOUNTS OWING FROM/(TO) ASSOCIATES AND JOINT VENTURES

| Group | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| Amounts owing from associates | 40,470 | 46,129 |
| Less: Allowance for impairment | (3,260) | (3,260) |
| | 37,210 | 42,869 |
| Amounts owing from joint ventures | 53,542 | 45,997 |
| Amounts owing to associates | (4) | (4) |

The amounts owing from associates and joint ventures represent advances which are unsecured, interest free (2017: interest free) and payable on demand, except for an amount owing from associate of RM19,954,000 (2017: RM18,408,000), which carries interest at a rate of 15% (2017: 15%) per annum.

The amounts owing to associates are unsecured, interest free (2017: interest free) and repayable on demand.

## 26 RECEIVABLES AND CONTRACT ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Non-current** | | | | |
| Prepayments | 1,141 | 1,516 | - | - |
| **Current** | | | | |
| (A) Trade and other receivables | | | | |
| Trade receivables | 70,764 | 74,590 | - | - |
| Accrued billing in relation to rental income | 17,773 | 14,144 | - | - |
| Less: Provision for impairment | (5,057) | (4,873) | - | - |
| | 83,480 | 83,861 | - | - |
| Other receivables | 56,417 | 57,160 | 528 | 459 |
| Deposits | 22,927 | 22,389 | 16 | 16 |
| Less: Provision for impairment | (1,768) | (1,903) | (300) | (450) |
| | 77,576 | 77,646 | 244 | 25 |
| Input tax | 30,473 | 21,594 | - | 84 |
| Prepayments | 9,473 | 11,099 | 1 | 1,653 |
| | 201,002 | 194,200 | 245 | 1,762 |
| (B) Contract assets in relation to property development activities | 45,363 | 4,694 | - | - |
| Total | 246,365 | 198,894 | 245 | 1,762 |

The carrying amounts of trade and other receivables as at 31 December 2018 and 31 December 2017 approximated their fair values.

As at 31 December 2018, included in trade receivables is an amount of RM9,414,000 (2017: RM13,375,000) being stakeholder sum for property development.

The remaining contractual billings to customers from property development activities amounted to RM109,693,000 (2017: RM43,674,900) and will be billed progressively upon the fulfilment of contractual milestones. The contractual billings period for property development ranges between 1 to 2 years.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 26 RECEIVABLES AND CONTRACT ASSETS (continued)

The creation and reversal of provision for impairment have been included in the income statements. Amounts charged to the provision account are generally written off, when there is no expectation of additional cash recovery. The other classes within receivables and contract assets do not contain impaired assets.

### (A) Trade and other receivables

The aging analysis of these trade receivables are disclosed in Note 3(b).

### (B) Contract assets

The contract assets and contract liabilities as at 31 December 2018 and 31 December 2017 were not impacted by significant changes in contract terms.

| Group | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| Net carrying amount of contract assets and liabilities is analysed as follows: | | |
| At 1 January | | |
| Contract assets | 4,694 | 2,125 |
| Contract liabilities (Note 34) | (11,800) | - |
| | (7,106) | 2,125 |
| Property development revenue recognised during the financial year | 150,842 | 32,479 |
| Less: Billings during the financial year | (98,373) | (41,710) |
| At 31 December | 45,363 | (7,106) |
| At 31 December | | |
| Contract assets | 45,363 | 4,694 |
| Contract liabilities (Note 34) | - | (11,800) |
| | 45,363 | (7,106) |

Revenue recognised in the current financial year ended 31 December 2018 for the Group that was included in the contract liabilties for property development as at 1 January 2018 is RM11,800,000 (1 January 2017: nil).

## 27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise of the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Deposits with licensed banks | 782,556 | 1,301,953 | 166,476 | 11,048 |
| Cash and bank balances | 248,399 | 259,920 | 33,875 | 303 |
| Deposits, cash and bank balances | 1,030,955 | 1,561,873 | 200,351 | 11,351 |
| Cash held under Housing Development Accounts (Note 27(a)) | 32,309 | 26,020 | - | - |
| Less: Restricted cash (Note 27(b)) | (54,296) | (42,854) | (300) | (300) |
| Less: Fixed deposit with maturity of more than 3 months | (7,334) | (251,404) | - | - |
| Cash and cash equivalents | 1,001,634 | 1,293,635 | 200,051 | 11,051 |

Deposits with licensed banks of the Group and the Company as at 31 December 2018 both have an average maturity period of 36 days (2017: 71 days) and 6 days (2017: 6 days) respectively.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 27 CASH AND CASH EQUIVALENTS (continued)

The weighted average effective interest rates of deposits with licensed banks as at 31 December were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | % | % | % | % |
| Deposits with licensed banks: | | | | |
| RM | 3.47 | 3.66 | 3.41 | 3.00 |
| USD | 2.32 | 1.38 | 2.20 | 1.23 |

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

(a) Cash held under Housing Development Accounts

Bank balances held under the Housing Development Accounts represent receipts from purchasers of residential properties less payments or withdrawals provided under Section 7A of the Housing Development (Control and Licensing) Amendment Act, 2002 held at call with banks and are denominated in Ringgit Malaysia.

The weighted average effective interest rates of bank balances under Housing Development Accounts during the financial year were 2% (2017: 2%) per annum.

(b) Restricted cash

Deposits pledged have been placed with licensed banks as securities for certain secured interest bearing bank borrowings of the Group and of the Company (Note 35), and are not available for use by the Group and the Company.

Included in the Group's deposits placed with licensed banks is an amount of RM53,006,000 (2017: RM41,564,000), which is maintained in a Debt Service Reserve Account with a facility agent to cover a minimum of 6 months interest as follows:

| | 2018 | 2017 |
|---|---|---|
| Group | RM'000 | RM'000 |
| Mid Valley City Southpoint Sdn. Bhd. | 2,019 | - |
| IGB REIT Capital Sdn. Bhd. | 27,461 | 26,184 |
| Southkey Megamall Sdn. Bhd. | 23,526 | 15,380 |
| | 53,006 | 41,564 |

## 28 ASSET CLASSIFIED AS HELD-FOR-SALE

On 26 November 2018, OM3 Fish Services Sdn Bhd, entered into a sale and purchase agreement for the disposal of its land and its related assets for a cash consideration of RM2,500,000.

On 15 August 2016, Great Union Properties Sdn. Bhd. entered into a conditional sale and purchase agreement for the disposal of Renaissance Kuala Lumpur Hotel for a cash consideration of RM765 million. The sale was subsequently completed on 20 January 2017.

The movements during the financial year relating to asset classified as held-for-sale are as follows:

| | 2018 | 2017 |
|---|---|---|
| Group | RM'000 | RM'000 |
| At 1 January | - | 708,025 |
| Completion of disposal | - | (708,025) |
| Transfer from property, plant and equipment (Note 13) | 800 | - |
| At 31 December | 800 | - |

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 29 SHARE CAPITAL

| Group and Company | Group and Company 2018 Number of shares '000 | Group and Company 2018 Value RM'000 | Group and Company 2017 Number of shares '000 | Group and Company 2017 Value RM'000 |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares: | | | | |
| At 1 January | - | - | 1,500,000 | 1,500,000 |
| Abolishment of the concept of authorised share capital on 31 January 2017 * | - | - | (1,500,000) | (1,500,000) |
| At 31 December | - | - | - | - |
| RCPS: | | | | |
| At 1 January | - | - | 1,000,000 | 10,000 |
| Abolishment of the concept of authorised share capital on 31 January 2017 * | - | - | (1,000,000) | (10,000) |
| At 31 December | - | - | - | - |
| **Issued and fully paid** | | | | |
| Ordinary shares: | | | | |
| At 1 January | 611,474 | 645,030 | 610,891 | 610,891 |
| Transfer from share premium (Note 30) | - | - | - | 32,809 |
| Issued during the financial year | 78,046 | 239,297 | 583 | 1,330 |
| At 31 December | 689,520 | 884,327 | 611,474 | 645,030 |
| RCPS: | | | | |
| At 1 January | 453,493 | 365,847 | 454,823 | 366,921 |
| Converted during the financial year | (1,155) | (931) | (1,330) | (1,074) |
| At 31 December | 452,338 | 364,916 | 453,493 | 365,847 |
| RCCPS: | | | | |
| At 1 January | - | - | - | - |
| Issued during the financial year | 76,818 | 187,206 | - | - |
| Converted during the financial year | (19,731) | (48,084) | - | - |
| At 31 December | 57,087 | 139,122 | - | - |

* The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM32,809,000 became part of the Company's share capital pursuant to the Section 618 (2) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transfer.

During the financial year, the number of ordinary shares of the Company increased from 611,474,118 to 689,519,720 by the allotment of:

i) 506,404 ordinary shares arising from the conversion of 1,154,602 RCPS at a conversion price of RM2.28. The said conversion also resulted in the decrease of the number of RCPS from 453,492,452 to 452,337,850.

ii) 19,730,564 ordinary shares arising from the conversion of 19,730,564 RCCPS at a conversion price of RM3.28. The said conversion also resulted in the decrease of the number of RCCPS from 76,817,705 to 57,087,141.

iii) 57,808,634 ordinary shares at an issue price of RM3.00 for each ordinary share pursuant to the acquisition of the entire equity interest in IGBC not already owned by the Company by way of a members' scheme of arrangement pursuant to Section 366 of the Companies Act 2016 ("Proposed Scheme") as detailed in Note 6A.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
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## 29 SHARE CAPITAL (continued)

On 2 March 2018, the Company issued 76,817,705 RCCPS at RM3.28 each to the shareholders of IGBC other than the Company, in respect of the Proposed Scheme.

The liability component and details of the RCPS and RCCPS issued is set out in Note 32.

## 30 SHARE PREMIUM

| Group and Company | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| At 1 January | - | 32,809 |
| Transfer to share capital | - | (32,809) |
| At 31 December | - | - |

Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act 2016, on 31 January 2017 any amount standing to the credit of the Company's share premium account shall become part of the Company's share capital. Subsequently, the Company transferred the amount standing to the credit of its share premium account of RM32,809,000 to become part of the share capital (see Note 29).

## 31 TREASURY SHARES

In the current financial year, shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting on 31 May 2018, approved the Company's plan to purchase its own shares up to a maximum of 10% of total number of issued shares of the Company. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchase 2,452,400 of its ordinary share capital from the open market for RM6,203,515. The average price paid for these shares repurchased was RM2.53 per share.

As at 31 December 2018, a total of 5,310,420 (2017: 2,858,020) ordinary shares were held as treasury shares. The cost of treasury shares as at 31 December 2018 and 31 December 2017 is summarised as follows:

| | | | Cost per share | | |
|---|---|---|---|---|---|
| | No. of shares | Cost | Low | High | Average cost per share |
| 2018 | | RM | RM | RM | RM |
| At 1 January | 2,858,020 | 5,721,421 | | | 2.00 |
| Repurchased in 2018: | | | | | |
| October | 352,900 | 891,742 | 2.43 | 2.57 | 2.53 |
| November | 705,300 | 1,817,378 | 2.50 | 2.61 | 2.58 |
| December | 1,394,200 | 3,494,395 | 2.39 | 2.57 | 2.51 |
| Total repurchased in 2018 | 2,452,400 | 6,203,515 | | | 2.53 |
| At 31 December | 5,310,420 | 11,924,936 | | | 2.25 |

| 2017 | No. of shares | Cost RM | Average cost per share RM |
|---|---|---|---|
| At 1 January/31 December | 2,858,020 | 5,721,421 | 2.00 |

The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 and carried at purchase cost. The Company has the right to distribute these shares as dividends to reward shareholders and/or resell the shares. As treasury shares, the rights attached as to voting, dividends and participation in other distribution is suspended.

As at 31 December 2018, the number of outstanding ordinary shares in issue after the setting off treasury shares against equity was 684,209,300 (2017: 608,616,098) ordinary shares.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 32 REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

On 16 February 2015, the Company issued 455,727,027 RCPS at an issue price of RM1.00 each.

The main features of the RCPS are as follows:

(i) The RCPS shall be convertible to new ordinary shares of the Company at a fixed conversion price of RM2.28, at the option of the holder, at any time commencing from date of listing up to and including the maturity date of 5 years from the issue date;

(ii) The Company has an option to redeem the RCPS from the third anniversary of the issue date of the RCPS up to the day immediately preceding the maturity date and any RCPS not redeemed or converted shall be automatically converted into new ordinary shares of the Company;

(iii) The holders of the RCPS shall have the right to receive a semi-annual preferential dividend at the rate of 4%, 4.5% and 5% from year 1 to 3, 4 and 5 respectively. Where there is no distributable profit, the entitlement to the preferential dividend shall be accumulated.

(iv) The RCPS will carry no right to vote at any general meeting of the Company except with regards to the following:

  (a) when the dividend or part of the dividend on the RCPS is in arrears for more than six (6) months;
  (b) on a proposal to reduce the Company's share capital in accordance with Section 116 or 117 of the Companies Act 2016;
  (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
  (d) on a proposal that affects rights attached to the RCPS;
  (e) on a proposal to wind up the Company; and
  (f) during the winding-up of the Company.

(v) The RCPS shall rank pari passu among themselves, and will rank ahead in regards to payment of dividends in all classes of shares of the Company.

(vi) The RCPS shall rank in priority to the Company's shares in any distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

On 2 March 2018, the Company issued 76,817,705 RCCPS at an issue price of RM3.28 each.

The main features of the RCCPS are as follows:

(i) The RCCPS shall be convertible to new ordinary shares of the Company at a fixed conversion price of RM3.28, at the option of the RCCPS holder, at any time commencing from date of listing up to and including the maturity date of 7 years from the issue date;

(ii) The RCCPS holder shall have the option to redeem the RCCPS from the fourth anniversary of the issue date of the RCPS up to the day immediately preceding the maturity date and any RCCPS not redeemed or converted shall be automatically converted into new ordinary shares of the Company;

(iii) The holders of the RCCPS shall have the right to receive a semi-annual preferential dividend at the rate of 4.3%. Where there is no distributable profit, the entitlement to the preferential dividend shall be accumulated.

(iv) The RCCPS will carry no right to vote at any general meeting of the Company except with regards to the following:

  (a) when the dividend or part of the dividend on the RCCPS is in arrears for more than six (6) months;
  (b) on a proposal to reduce the Company's share capital in accordance with Section 116 or 117 of the Act;
  (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
  (d) on a proposal that affects rights attached to the RCCPS;
  (e) on a proposal to wind up the Company; and
  (f) during the winding-up of the Company.

(v) The RCCPS shall rank pari passu among themselves, and will rank after the RCPS.

(vi) The RCCPS shall rank in priority to the Company's shares in any distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 32 REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES (continued)

The net proceeds received have been split between the liabilities and equity component.

The RCPS and RCCPS liabilities component recognised in the statements of financial position are summarised as follows:

| Group and Company | RCPS RM'000 | RCCPS RM'000 | 2018 Total RM'000 | 2017 Total RM'000 |
|---|---|---|---|---|
| Liabilities component: | | | | |
| At 1 January | 48,842 | - | 48,842 | 64,096 |
| RCCPS issued during the financial year | - | 61,255 | 61,255 | - |
| Amortisation of interest expense (Note 10) | 2,176 | 2,368 | 4,544 | 3,074 |
| Dividends paid (Note 37) | (19,247) | (4,026) | (23,273) | (18,169) |
| Converted into ordinary shares | (105) | (15,911) | (16,016) | (159) |
| At 31 December | 31,666 | 43,686 | 75,352 | 48,842 |
| Represented by: | | | | |
| Current | 20,402 | 5,694 | 26,096 | 17,096 |
| Non-current | 11,264 | 37,992 | 49,256 | 31,746 |
| | 31,666 | 43,686 | 75,352 | 48,842 |

The fair values of the liabilities component of the RCPS and RCCPS at 31 December 2018 amounted to RM75,352,000 (2017: RM48,842,000). The fair values are calculated using cash flows discounted at rates based on the borrowing rates of 5.79% and 5.97% respectively (2017: 5.79% and nil) and are within Level 3 of the fair value hierarchy.

## 33 OTHER RESERVES

| Group | Share option reserve RM'000 | Available-for-sale reserve RM'000 | Fair value through other comprehensive income reserve RM'000 | Exchange **fluctuation** reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| 2018 | | | | | |
| At 1 January | 7,830 | (1,182) | - | 20,625 | 27,273 |
| Reclassification | - | 1,182 | (1,182) | - | - |
| As restated at 1 January | 7,830 | - | (1,182) | 20,625 | 27,273 |
| Currency translation differences | - | - | - | (38,857) | (38,857) |
| Net change in fair values of financial assets at fair value through other comprehensive income | - | - | 29,519 | - | 29,519 |
| Share option exercised/lapsed | (7,830) | - | - | - | (7,830) |
| At 31 December | - | - | 28,337 | (18,232) | 10,105 |
| 2017 | | | | | |
| At 1 January | 8,095 | (3,003) | - | 54,566 | 59,658 |
| Currency translation differences | - | - | - | (33,941) | (33,941) |
| Net change in fair values of available-for-sale financial assets | - | 1,821 | - | - | 1,821 |
| Share option exercised/lapsed | (265) | - | - | - | (265) |
| At 31 December | 7,830 | (1,182) | - | 20,625 | 27,273 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 33 OTHER RESERVES (continued)

| Company | Financial assets at fair value through other comprehensive income RM'000 | Available-for-sale reserve RM'000 | Total RM'000 |
|---|---|---|---|
| 2018 | | | |
| At 1 January | - | (1,182) | (1,182) |
| Reclassification | (1,182) | 1,182 | - |
| Net change in fair values | 29,519 | - | 29,519 |
| At 31 December | 28,337 | - | 28,337 |
| 2017 | | | |
| At 1 January | - | (3,003) | (3,003) |
| Net change in fair values | - | 1,821 | 1,821 |
| At 31 December | - | (1,182) | (1,182) |

(a) Share option reserve

The Group's subsidiary, IGBC implemented an Executives Share Option Scheme ("ESOS") over IGBC's shares which came into effect on 26 May 2015 for a period of 5 years to 25 May 2020. The ESOS is governed by the By-Laws which were approved by the shareholders of IGBC at an Extraordinary General Meeting held on 22 May 2015. The main features of the ESOS are as follows:

(i) The eligible persons are selected Directors or executives of the subsidiaries of the Group who have been confirmed and served as a Director or who has been in the employment within the IGBC Group for at least 1 year before the offer date. The selection of eligible persons shall be at the discretion of the Options Committee.

(ii) The aggregate number of new IGBC shares that may be offered and allotted to any eligible person shall be determined at the discretion of the Options Committee subject to the following:

(a) the aggregate number of IGBC shares allocated shall not exceed the maximum number of IGBC shares available from the ESOS Scheme; and

(b) the number of IGBC shares allocated is subject to the maximum allowable allotment of new IGBC shares.

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 5% of the total issued and paid up share capital (excluding treasury share) of IGBC at any point of time during the tenure of the ESOS.

(iv) No option shall be granted pursuant to the ESOS on or after the 5th anniversary of the date on which the ESOS became effective.

(v) The exercise price of RM2.88 for each new ordinary IGBC share is calculated based on the weighted average market price quotation of the shares for the five (5) market days immediately preceding the date on which the options are granted.

(vi) The options granted under ESOS are not assignable.

(vii) The new shares issued upon the exercise of an option will be subject to all the provisions of IGBC's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Securities and shall rank pari passu in all respects with the then existing issued ordinary shares of IGBC, save that they will not entitle the holders thereof to receive any rights or bonus issue or dividends or distributions when the entitlement date precedes the date of the issue of such new shares.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 33 OTHER RESERVES (continued)

### (a) Share option reserve (continued)

Movements in the number of share options outstanding are as follows:

| | Number of options | |
|---|---|---|
| | 2018 | 2017 |
| IGBC Group | ’000 | ’000 |
| At 1 January | 23,777 | 24,580 |
| Exercised | (6,048) | (500) |
| Lapsed | (17,729) | (303) |
| At 31 December | - | 23,777 |

As at 31 December 2018, nil (2017: 23,777,000) options are exercisable.

The ESOS reserve comprises the cumulative value of services received for the issue of share options by IGBC. The fair value, measured at grant date, of the share options granted to the employee is recognised as an employee expenses in profit or loss and a corresponding increase in equity over the period that the employee becomes unconditionally entitled to the option. Any excess of the initial capital contribution initially recognised in equity is treated as a capital distribution and would be transferred to retained earnings.

Pursuant to the completion of the acquisition of the entire equity interest in IGBC, the IGBC ESOS had been terminated. The eligible directors and executives were allowed to exercise their options and those who had not exercised their options were paid an option offer price of RM0.12 for each option.

## 34 PAYABLES AND CONTRACT LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM’000 | RM’000 | RM’000 | RM’000 |
| **Current** | | | | |
| Trade and other payables: | | | | |
| Trade payables | 180,399 | 116,186 | - | - |
| Trade accruals | 33,801 | 33,805 | - | - |
| Other payables | 101,496 | 154,079 | 440 | 1,379 |
| Output tax | - | 802 | - | - |
| Accruals | 115,978 | 109,617 | 1,080 | 731 |
| Deposits received from tenants and customers | 240,448 | 212,165 | - | - |
| Deferred revenue | 37,249 | 32,530 | - | - |
| Contract liabilities in relation to property development activities (Note 26) | - | 11,800 | - | - |
| Total | 709,371 | 670,984 | 1,520 | 2,110 |

Included in trade and other payables of the Group is retention sum of RM73,941,000 (2017: RM58,226,000).

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 35 INTEREST BEARING BANK BORROWINGS

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Secured: | | | | | |
| Revolving credits | (a) | 1,248,000 | 927,800 | 1,248,000 | 927,800 |
| Term Loans | (b) | 97,189 | 135,000 | - | - |
| Medium Term Notes | (c) | 2,074,667 | 1,793,248 | - | - |
| | | 3,419,856 | 2,856,048 | 1,248,000 | 927,800 |
| **Current** | | | | | |
| Secured: | | | | | |
| Revolving credits | (a) | 119,686 | 120,780 | 3,171 | 1,155 |
| Term Loans | (b) | 45,163 | 106,024 | - | - |
| Medium Term Notes | (c) | 16,313 | 15,815 | - | - |
| Unsecured: | | | | | |
| Revolving credits | (a) | 445,620 | 307,199 | - | - |
| | | 626,782 | 549,818 | 3,171 | 1,155 |
| **Total:** | | | | | |
| Revolving credits | (a) | 1,813,306 | 1,355,779 | 1,251,171 | 928,955 |
| Term Loans | (b) | 142,352 | 241,024 | - | - |
| Medium Term Notes | (c) | 2,090,980 | 1,809,063 | - | - |
| | | 4,046,638 | 3,405,866 | 1,251,171 | 928,955 |

The carrying amounts of the Group's and the Company's borrowings denominated in the following currencies are as stated below:

| | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|
| Revolving credits: | | | | |
| RM | 1,771,946 | 1,283,692 | 1,251,171 | 928,955 |
| AUD | - | 31,607 | - | - |
| USD | 41,360 | 40,480 | - | - |
| | 1,813,306 | 1,355,779 | 1,251,171 | 928,955 |
| Term loans: | | | | |
| RM | 135,163 | 241,024 | - | - |
| RMB | 7,189 | - | - | - |
| | 142,352 | 241,024 | - | - |
| Medium Term Notes: | | | | |
| RM | 2,090,980 | 1,809,063 | - | - |
| Total | 4,046,638 | 3,405,866 | 1,251,171 | 928,955 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 35 INTEREST BEARING BANK BORROWINGS (continued)

The currency profile and weighted average effective interest rates per annum of the borrowings are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | % | % | % | % |
| Revolving credits: | | | | |
| RM | 4.67 | 4.11 | 4.66 | 4.13 |
| AUD | - | 2.96 | - | - |
| USD | 3.66 | 2.64 | - | - |
| Term loans: | | | | |
| RM | 4.62 | 4.99 | - | - |
| RMB | 5.70 | - | - | - |
| Medium Term Notes: | | | | |
| RM | 4.78 | 4.62 | - | - |

### Estimated fair values

The carrying amounts and fair values of the borrowings for the Group and the Company are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Group | RM'000 | RM'000 | RM'000 | RM'000 |
| Revolving credits | 1,813,306 | 1,813,306 | 1,355,779 | 1,355,779 |
| Term Loans | 142,352 | 142,352 | 241,024 | 241,024 |
| Medium Term Notes | 2,090,980 | 2,101,015 | 1,809,063 | 1,812,806 |
| | 4,046,638 | 4,056,673 | 3,405,866 | 3,409,609 |
| Company | | | | |
| Revolving credits | 1,251,171 | 1,251,171 | 928,955 | 928,955 |

The fair value of borrowings is estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile and within level 3 of the fair value hierarchy.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 35 INTEREST BEARING BANK BORROWINGS (continued)

| | Maturity profile | | | Total carrying amount |
|---|---|---|---|---|
| | < 1 year | 1 - 2 years | 2 - 5 years | |
| **Group** | RM'000 | RM'000 | RM'000 | RM'000 |
| 2018 | | | | |
| Revolving credits: | | | | |
| Floating interest rate, secured | 119,686 | 917,800 | 330,200 | 1,367,686 |
| Floating interest rate, unsecured | 445,620 | - | - | 445,620 |
| Term loans, secured: | | | | |
| Floating interest rate | 45,163 | 93,006 | 4,183 | 142,352 |
| Medium Term Notes, secured: | | | | |
| Floating interest rate | 1,413 | - | 875,642 | 877,055 |
| Fixed interest rate | 14,900 | - | 1,199,025 | 1,213,925 |
| | 626,782 | 1,010,806 | 2,409,050 | 4,046,638 |
| 2017 | | | | |
| Revolving credits: | | | | |
| Floating interest rate, secured | 120,780 | - | 927,800 | 1,048,580 |
| Floating interest rate, unsecured | 307,199 | - | - | 307,199 |
| Term loans, secured: | | | | |
| Floating interest rate | 5,171 | 45,000 | 90,000 | 140,171 |
| Fixed interest rate | 100,853 | - | - | 100,853 |
| Medium Term Notes, secured: | | | | |
| Floating interest rate | 915 | - | 594,483 | 595,398 |
| Fixed interest rate | 14,900 | - | 1,198,765 | 1,213,665 |
| | 549,818 | 45,000 | 2,811,048 | 3,405,866 |
| **Company** | | | | |
| 2018 | | | | |
| Revolving credits: | | | | |
| Floating interest rate, secured | 3,171 | 917,800 | 330,200 | 1,251,171 |
| 2017 | | | | |
| Revolving credits: | | | | |
| Floating interest rate, secured | 1,155 | - | 927,800 | 928,955 |

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 35 INTEREST BEARING BANK BORROWINGS (continued)

### (a) Revolving credits

A. The Company has a Revolving Credit ("RC 1") of up to RM960,000,000 with a tenure of 5 years from 31 October 2015 and bears a floating interest rate of aggregate effective cost of funds and a margin of 0.6% (2017: 0.6%) per annum.

The RC 1 is secured by way of a Memorandum of Deposit over shares in IGBC, including but not limited, in all cases, to bonus shares, rights shares and other new shares or rights entitlements at a minimum coverage of at least 1.2 times the loan amount. Upon delisting of IGBC (Note 6A), the minimum coverage was increased to 1.5 times.

B. On 26 February 2018, the Company obtained an additional Revolving Credit ("RC 2") of up to RM660,400,000 with a tenure of 3 years from 26 February 2018 and bears a floating interest rate of aggregate effective cost of funds and a margin of 0.9% per annum.

The RC 2 is secured by way of a Memorandum of Deposit over shares in IGBC, including but not limited, in all cases, to bonus shares, rights shares and other new shares or rights entitlements at a minimum coverage of at least 1.5 times the loan amount.

C. Other than the RC 1 and RC 2 above, the other RC's of the Group are secured by way of:

(i) Fixed charge on the freehold land of a subsidiary company together with a 30-storey commercial building constructed thereon (Note 13);

(ii) Deposit of master title of a piece of land classified under inventories – land held for property development and property development costs (Note 14(a) and (b));

(iii) Deposits pledged with licensed banks (Note 27); and

(iv) Corporate guarantee granted by the Company or its subsidiary company.

D. Undrawn revolving credit facility of the Company is secured by way of fixed deposits amounting to RM300,000 placed with a licensed bank (Note 27) and fixed charge on the freehold land of a subsidiary company together with a 30-storey commercial building constructed thereon (Note 13).

### (b) Term loans

Term loans ("TL") obtained by the Group comprise of the following:

A. A subsidiary has a TL of RM50 million with a tenure of five (5) years and bears a floating interest rate of the aggregate cost of funds and a margin of 1.2% (2017: 1.2%) per annum. During the current financial year an amount of RM5 million was repaid.

The TL is secured against a lienholder's caveat over the development land included within inventory of property development costs of the subsidiary company (Note 14(b)).

B. Another subsidiary has a fixed rate term loan facility ("FRTL") of RM100 million (2017: RM100 million) with a tenure of ten (10) years from the date of first drawdown and bears a fixed interest rate of 5.85% (2017: 5.85%) per annum. During the current financial year the amount of RM100 million was fully repaid.

The FRTL was secured against the hotel property of a subsidiary (Note 13(a)).

C. Another subsidiary has a TL of RM90 million with the following terms:

(a) RM90 million is repayable in full on 25 February 2020 with an option to extend the facility for another 3 years, subject to the lender's consent; and

(b) bears a floating interest rate of the aggregate cost of funds and a margin of 0.7% (2017: 0.7%) per annum.

The loan is secured against the freehold land together with commercial building of the subsidiary (Note 13).

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

35 INTEREST BEARING BANK BORROWINGS (continued)

(b) Term loans (continued)

Term loans ("TL") obtained by the Group comprise of the following: (continued)

D. On 26 November 2018, a subsidiary obtained a TL of China Ren Min Bi ("RMB") 40 million with a tenure of five (5) years from the date of first drawdown not later than 30 August 2023, with the following terms:

(a) the TL is repayable in instalment basis with the first instalment starting from 18 months after the date of first drawdown and the subsequent instalments falling due on every 6 months following the previous instalment;

(b) bears a floating interest rate of 120% of the applicable People's Bank of China Benchmark Lending Rate;

(c) secured by:

(i) Letter of awareness issued by the Company;

(ii) Pledged over account receivables provided by the subsidiary;

(iii) A control account arrangement that the subsidiary shall place all its sales revenue into an RMB control account opened with the bank ("Control Account") on monthly basis, and the use of the Control Account shall be subject to the bank's prior written consent except for normal business operating purposes;

(iv) Letter of endorsement or similar document issued by an insurance company acceptable to the bank to designate the bank as the first beneficiary under Property All Risk Insurance.

(c) Medium Term Notes ("MTN")

A. IGB REIT Capital Sdn. Bhd. ("IGBRC")

On 18 August 2017, IGBRC, a special purpose vehicle wholly-owned by IGB REIT via MTrustee Berhad ("MTrustee"), had lodged a Medium Term Notes ("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 its first issuance of MTN under the MTN Programme ("20 years 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 IGB REIT to fully settle the FRTL. The Tranche 1 MTN has a tenure of 7 years ("Legal Maturity") effective from 20 September 2017. For the first 5 years ("Expected Maturity"), the Tranche 1 MTN bears a fixed rate 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 MTrustee'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 MTrustee'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 MTrustee'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 MTrustee in favour of the security trustee (acting for and on behalf of the MTN holders) to manage and dispose MVM upon expiry of remedy period under the terms of Tranche 1 MTN.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

35 INTEREST BEARING BANK BORROWINGS (continued)

(c) Medium Term Notes ("MTN") (continued)

A. IGB REIT Capital Sdn. Bhd. ("IGBRC") (continued)

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

(vii) a letter of undertaking from the MTrustee 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.

B. Southkey Megamall Sdn. Bhd. ("SKM")

In November 2016, SKM entered into agreement for an unrated eight (8) years MTN Programme ("8 years MTN Programme") of up to RM1.0 billion in nominal value. The MTN is non-tradeable and non-transferrable.

On 20 December 2016, SKM issued the first RM300 million nominal value of 8 years MTN Programme with maturity date on 20 December 2021. In financial year 2017 and 2018, SKM further issued RM300 million and RM280 million respectively of the nominal value of 8 years MTN Programme, all with the same maturity date. The proceeds were utilised to part finance the development and construction of Mid Valley Megamall, Southkey ("MVM Southkey").The weighted average effective interest rate of the 8 years MTN Programme as at 31 December 2018 was 5.22% (2017: 5.06%) per annum.

The 8 years MTN Programme is secured against, among others, the following:

(i) First party first legal charge over the master title of the land where the MVM Southkey is erected;

(ii) First party first legal charge over the strata titles of the MVM Southkey;

(iii) First party first ranking debenture consisting of a fixed and floating charge over all the present and future assets of SKM;

(iv) Third party first ranking legal charge over 70% of the issued and paid-up ordinary share capital of SKM held by the Company;

(v) First party legal assignment over all present and future rights, titles, interests and benefits under all insurance policies in relation to the MVM Southkey;

(vi) First party legal assignment over all rights, titles, interests and benefits under all performance bonds granted by contractors of the MVM Southkey;

(vii) First party legal assignment over all rights, titles, interests and benefits under all construction contracts of the MVM Southkey;

(viii) First party assignment and charge over all the designated accounts;

(ix) First party legal assignment over all rights, titles and interests under all management contracts;

(x) First party legal assignment over all rights, titles and interests under all lease agreements;

(xi) Power of attorney granted to security agent to manage and dispose of the MVM Southkey upon declaration of a trigger event;

(xii) Letter of undertaking from the Company in relation to the required net property income is achieved upon commencement of operations; and

(xiii) First party legal assignment over all rights, titles and interests under the letter of undertaking from Southkey City Sdn. Bhd. who holds 30% of the issued and paid-up ordinary share capital in SKM.

# Notes to the Financial Statements

for the financial year ended 31 December 2018
(continued)

## 36 AMOUNTS OWING FROM/(TO) SUBSIDIARIES

| | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| Amount owing from subsidiaries | 40,905 | 356 |
| Less: Provision for impairment | (1,000) | - |
| | 39,905 | 356 |
| Amount owing to subsidiaries | 6,798 | 7,171 |

The amounts owing from/(to) subsidiaries are unsecured, repayable on demand and carry interest rates of nil % (2017: 4.08%) per annum.

The carrying amounts of owing from subsidiaries as at 31 December 2018 and 31 December 2017 approximated their fair values.

The amounts owing to subsidiaries are unsecured, have no fixed terms of repayment and carry interest rates that ranged from 2.95% to 3.00% (2017: 2.95% to 3.00%) per annum.

## 37 DIVIDENDS

Dividends on ordinary shares, RCPS and RCCPS paid or declared by the Company were as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Gross dividend per share % | Amount of dividend, net of tax RM'000 | Gross dividend per share % | Amount of dividend, net of tax RM'000 |
| RCPS | | | | |
| Single tier | 2.00 | 9,070 | 2.00 | 9,096 |
| Single tier | 2.25 | 10,177 | 2.00 | 9,073 |
| | 4.25 | 19,247 | 4.00 | 18,169 |
| RCCPS | | | | |
| Single tier | 2.15 | 4,026 | - | - |
| Ordinary shares | | | | |
| First interim single tier (sen) | 2.00 | 13,733 | 2.00 | 12,171 |

On 29 December 2017, the Directors declared an Interim Single Tier dividend of 4.0% (based on the issue price of RM1.00 per RCPS) for the six months period from and including 16 August 2017 up to and including 15 February 2018 which was paid on 14 February 2018.

On 30 August 2018, the Directors declared an Interim Single Tier of 4.5% (based on the issue price of RM1.00 per RCPS) for the six months period from and including 16 February 2018 up to and including 15 August 2018 which was paid on 28 September 2018.

On 30 August 2018, the Directors declared an Interim Single Tier of 4.3% (based on the issue price of RM3.28 per RCCPS) for the six months period from and including 2 March 2018 up to and including 1 September 2018 which was paid on 28 September 2018.

On 30 August 2018, the Directors declared an Interim Single Tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2018 which was paid on 28 September 2018.

On 26 February 2019, the Directors declared an Interim Single Tier of 4.5% (based on the issue price of RM1.00 per RCPS) for the six months period from and including 16 August 2018 up to and including 15 February 2019 which was paid on 29 March 2019.

On 26 February 2019, the Directors declared an Interim Single Tier of 4.3% (based on the issue price of RM3.28 per RCCPS) for the six months period from and including 2 September 2018 up to and including 1 March 2019 which was paid on 29 March 2019.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 38 RENTALS RECEIVABLES UNDER NON-CANCELLABLE OPERATING LEASE

The Group leases out its investment properties and property, plant and equipment under operating leases. The future minimum lease receivable under non-cancellable lease is as follows:

| Group | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| Less than 1 year | 581,268 | 489,305 |
| Between 1 year to 5 years | 895,294 | 512,515 |
| More than 5 years | 215,415 | 229,243 |
| | 1,691,977 | 1,231,063 |

## 39 CAPITAL COMMITMENTS

| Group | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| Approved and contracted for: | | |
| Property, plant and equipment | 25,866 | 472 |
| Investment properties | 127,005 | 209,993 |
| Others | 20,531 | 37,310 |
| | 173,402 | 247,775 |

## 40 SIGNIFICANT RELATED PARTY DISCLOSURES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

Key management personnel of the Group and of the Company are the Executive Directors and senior management of the Group and of the Company.

Key management compensation is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Salaries, bonus and allowances | 33,967 | 41,346 | 2,371 | 2,694 |
| Defined contribution plan | 3,847 | 4,689 | 288 | 320 |
| ESOS | 1,225 | - | - | - |
| Other short term benefits | 1,215 | 327 | 737 | 7 |
| | 40,254 | 46,362 | 3,396 | 3,021 |

Included in the key management compensation is Executive Director's remuneration as disclosed in Note 9 to the financial statements.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 40 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions agreed with the related parties.

| Related parties | Relationship |
|---|---|
| Cahaya Utara Sdn. Bhd. | An associate of Wah Seong (Malaya) Trading Co. Sdn. Bhd. |
| Strass Media Sdn. Bhd. | A subsidiary of Wah Seong (Malaya) Trading Co. Sdn. Bhd. |
| Wah Seong (Malaya) Trading Co Sdn. Bhd. | A company in which Dato' Seri Robert Tan Chung Meng and Tony Tan Choon Keat, Directors of the Company, have substantial financial interest |
| Wasco Management Services Sdn. Bhd. | A wholly-owned subsidiary of Wah Seong Corporation Berhad, a company in which Dato' Seri Robert Tan Chung Meng and Tony Tan Choon Keat, Directors of the Company, have substantial financial interest |

The significant related party transactions during the financial year are as follows:

| | 2018 | 2017 |
|---|---|---|
| **Group** | RM'000 | RM'000 |
| Light boxes rental, pedestrian bridge and office rental: | | |
| Strass Media Sdn. Bhd. | 986 | 1,086 |
| Provision of management and consultancy services: | | |
| Cahaya Utara Sdn. Bhd. | 581 | 1,305 |
| Lease of space and related facilities: | | |
| Wasco Management Services Sdn. Bhd. | 1,060 | 1,101 |
| Purchase of building materials and related services: | | |
| Wah Seong (Malaya) Trading Co Sdn. Bhd. | 16,993 | 1,185 |
| **Company** | | |
| Advances to subsidiaries | 1,425 | 23,917 |
| Repayments to subsidiaries | 55,758 | 26,464 |
| Advances from subsidiaries | - | 630 |
| Repayments from subsidiaries | 650 | 8,100 |
| Interest income from: | | |
| Lautan Bumimas Sdn. Bhd. | - | 5 |
| Dividend income from: | | |
| IGBC* | 3,435,019 | 98,101 |
| GTower Sdn. Bhd. | 6,400 | 8,000 |
| IGB REIT | 39,526 | - |
| Multistock Sdn. Bhd. | - | 8,000 |
| Rental of premises payable to GTower Sdn. Bhd. | 1,000 | 1,334 |
| Fees from management services receivable from GTower Sdn. Bhd. | 1,063 | 1,063 |

* Includes transfer of IGBC entire equity interest in IGB REIT by way of a dividend-in-specie of RM2,791.9 million.

# Notes to the Financial Statements
for the financial year ended 31 December 2018
(continued)

## 40 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

The significant related party balances are as follows:

| Group | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| Amount owing from associate: | | |
| New Commercial Investments Limited | 21,355 | 22,163 |
| Amount owing from joint venture: | | |
| Black Pearl Limited | 53,342 | 45,533 |
| Company | | |
| Amount owing from subsidiaries: | | |
| IGB REIT | 39,526 | - |
| Amount owing to subsidiaries: | | |
| IGB Corporation Berhad | (217) | (229) |
| Macro Lynx Sdn. Bhd. | (3,865) | (3,832) |
| AFMS Solutions Sdn. Bhd. | (2,548) | (3,107) |

## 41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 23 April 2019.

# Statement by Directors
pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Seri Robert Tan Chung Meng and Lee Chaing Huat, being two of the Directors of IGB Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 55 to 163 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance of the Group and of the Company for the financial year ended 31 December 2018, in accordance with Malaysian Financial Reporting Standards, International Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 23 April 2019.

Dato' Seri Robert Tan Chung Meng
Group Chief Executive Officer

Lee Chaing Huat
Director

# Statutory Declaration
pursuant to Section 251(1) of the Companies Act 2016

I, Chai Lai Sim, the Officer primarily responsible for the financial management of IGB Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 163 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
(MIA No. 5127)

Subscribed and solemnly declared by the abovenamed Chai Lai Sim at Kuala Lumpur in the Federal Territory on 23 April 2019.

Before me:

Mohan A.S. Maniam (No. W710)
Commissioner for Oaths

# Independent Auditors’ Report to the Members of IGB Berhad

(Incorporated in Malaysia)
(Company No: 515802 U)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of IGB Berhad (“the Company”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Company 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, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 163.

### 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 Company 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 the Company. In particular, we considered where the Directors 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 Company, the accounting processes and controls, and the industry in which the Group and the Company 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 Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditors' Report to the Members of IGB Berhad

(Incorporated in Malaysia)
(Company No: 515802 U)
(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** |
|---|---|
| Group<br><br>• **Valuation of hotel properties**<br><br>The carrying value of the Group's hotel properties amounted to RM1,127.0 million as at 31 December 2018.<br><br>The overall gross operating revenue and gross operating profit for the Group's hotel properties have declined as compared to 2017 due to weaker hospitality market and increasingly competitive operating environment. The carrying amount of the affected hotels amounted to RM691.90 million as at 31 December 2018.<br><br>Arising from the indicators above, management has performed assessments on the carrying amounts of the affected hotels against fair values determined by independent valuers or value-in-use calculations. The assessments of fair values and value-in-use calculations involve significant judgements and estimations that could result in material misstatement.<br><br>*Refer to Note 2.3 (Summary of Significant Accounting Policies), Note 4 (Critical Accounting Estimates and Judgements) and Note 13 (Property, Plant and Equipment).* | Our audit procedures included the following:<br><br>a) For hotel properties where external valuations were done, we have;<br><br>• reviewed the valuation methodologies used; and<br><br>• assessed the valuers' competency, capabilities and objectivity by checking the valuers' qualification and their registration to the respective boards;<br><br>b) For other hotel properties, we have assessed management's estimates of fair value by checking the underlying assumptions used by management in estimating the asset's value-in-use.<br><br>Based on the procedures above, no material exceptions were noted. |

# Independent Auditors' Report to the Members of IGB Berhad

(Incorporated in Malaysia)
(Company No: 515802 U)
(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** |
|---|---|
| Group and Company<br><br>• Purchase of remaining equity interest of IGB Corporation Berhad<br><br>On 2 March 2018, IGB Berhad has completed the purchase of the remaining 26.6% equity interest in IGB Corporation Berhad.<br><br>The Group made a cash settlement amounting to RM658.4 million and issued 57,808,634 new ordinary shares and 76,817,705 new Redeemable Convertible Cumulative Preference Shares ("RCCPS") in the Company to shareholders of IGB Corporation Berhad other than the Company. Subsequently, IGB Corporation Berhad became a wholly owned subsidiary of the Company.<br><br>*Impact to IGB Berhad Group*<br><br>Upon completion of the acquisition, management accounted for the reduction of the Group's non-controlling interest by 26.6% amounting to RM1,253.8 million.<br><br>*Impact to IGB Berhad Group and Company*<br><br>At the Group and Company level, management recorded an increase in ordinary shares of RM173.4 million and RCCPS issued of RM187.2 million within the statement of changes in equity. Management also computed the equity and liability component of the RCCPS issued and recognised RM187.2 million and RM61.3 million respectively.<br><br>Our audit focused on this area due to the significance of the transaction to the Group and the Company.<br><br>*Refer to Note 6A (Changes in Group structure), Note 29 (Share Capital) and Note 32 (Redeemable Convertible Cumulative Preference Shares).* | Our audit procedures included the following:<br><br>• Checked the total cash amount paid to the letter of remittance of payment to the registrars of IGB Berhad;<br><br>• Checked the accounting treatment for the issuance of the new ordinary shares and RCCPS and the computation of the equity and liability component of the new RCCPS issued;<br><br>• Checked the consolidation entries for the reduction in the Group's non-controlling interest of 26.6%; and<br><br>• Reviewed the presentation and disclosures made in the financial statements arising from the transaction.<br><br>Based on the audit procedures performed above, we did not identify any material exceptions. |
| Company<br><br>• Transfer of units in IGB Real Estate Investment Trust ("IGB REIT") from IGB Corporation Berhad to IGB Berhad<br><br>During the financial year, IGB Corporation Berhad transferred its entire equity interest in IGB REIT, by way of a dividend-in-specie to the Company at its market value at the transfer date.<br><br>As a result, the Company has recorded a dividend income of RM2,791.1 million and a corresponding amount as investment in IGB REIT.<br><br>Our audit focused on this area due to the significance of the transaction to the Company.<br><br>*Refer to Note 6B (Changes in Group structure), Note 7 (Revenue) and Note 18 (Subsidiaries).* | Our audit procedures included the following:<br><br>• Agreed the market value of the dividend income received to Bursa Malaysia website;<br><br>• Agreed the total units transferred to notice of distribution issued by IGB Corporation Berhad to IGB Berhad;<br><br>• Checked the accounting treatment on the transfer of units; and<br><br>• Reviewed the presentation and disclosures made in the financial statements arising from the transaction.<br><br>Based on the procedures above, we did not identify any material exceptions. |

# Independent Auditors' Report to the Members of IGB Berhad

(Incorporated in Malaysia)
(Company No: 515802 U)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Management Discussion and Analysis, Corporate Governance Overview Statement, Sustainability Statement, Statement on Risk Management and Internal Control and Audit Committee Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company 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 Company, 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 Company 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 for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company'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 either intend to liquidate the Group or the Company 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 Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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 Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' 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 Company'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 Company 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 Company to cease to continue as a going concern.

# Independent Auditors' Report to the Members of IGB Berhad

(Incorporated in Malaysia)
(Company No: 515802 U)
(continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company 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 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 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, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 18 to the financial statements.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia 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
23 April 2019

# Statistical Report
as at 29 March 2019

Class of Shares : Ordinary Shares
Issued Shares : 689,572,220
Treasury Shares : 9,325,920
Voting Rights : One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

| Range of Shareholdings | No. of Shareholders | % | No. of Shares | %# |
|---|---|---|---|---|
| Less than 100 | 496 | 11.57 | 17,473 | 0.00 |
| 100 - 1,000 | 425 | 9.91 | 236,131 | 0.03 |
| 1,001 - 10,000 | 2,641 | 61.60 | 9,437,040 | 1.39 |
| 10,001 - 100,000 | 583 | 13.60 | 16,700,533 | 2.46 |
| 100,001 - less than 5% of Issued Shares | 137 | 3.20 | 359,268,950 | 52.81 |
| 5% and above Issued Shares | 5 | 0.12 | 294,586,173 | 43.31 |
| Total | 4,287 | 100.00 | 680,246,300# | 100.00 |

## 30 LARGEST REGISTERED SHAREHOLDERS

| | Name of Shareholders | No. of Shares | %# |
|---|---|---|---|
| 1. | Tan Chin Nam Sdn Bhd | 92,851,895 | 13.65 |
| 2. | Wah Seong (Malaya) Trading Co. Sdn Bhd | 72,654,778 | 10.68 |
| 3. | Tan Kim Yeow Sdn Bhd | 48,564,437 | 7.14 |
| 4. | Tan Chin Nam Sdn Bhd | 46,299,716 | 6.80 |
| 5. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for Bank Julius Baer & Co. Ltd. (Singapore BCH) | 34,215,347 | 5.03 |
| 6. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for The HongKong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL) | 31,984,169 | 4.70 |
| 7. | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt an for DBS Bank Ltd (SFS-PB) | 25,343,045 | 3.72 |
| 8. | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100) | 19,721,308 | 2.90 |
| 9. | DB (Malaysia) Nominee (Asing) Sdn Bhd<br>Deutsche Bank AG Singapore for Pangolin Asia Fund | 18,488,340 | 2.72 |
| 10. | HLB Nominees (Asing) Sdn Bhd<br>Pledged securities account for Wang Tak Company Limited (KLM878929) | 18,070,051 | 2.66 |
| 11. | Wah Seong (Malaya) Trading Co. Sdn Bhd | 13,795,014 | 2.03 |
| 12. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>Maybank Kim Eng Securities Pte Ltd for Tan Kim Yeow Sdn Bhd | 12,289,597 | 1.81 |
| 13. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB for Tan Chin Nam Sdn Bhd (PB) | 11,342,800 | 1.67 |
| 14. | Wah Seong Enterprises Sdn Bhd | 11,253,359 | 1.65 |
| 15. | AmanahRaya Trustees Berhad<br>Public Smallcap Fund | 11,014,200 | 1.62 |
| 16. | BBL Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Dato' Tan Chin Nam (100171) | 10,564,664 | 1.55 |
| 17. | Scanstell Sdn Bhd | 9,281,618 | 1.36 |
| 18. | Tan Lei Cheng | 9,249,651 | 1.36 |
| 19. | Dato' Tan Chin Nam | 7,998,349 | 1.17 |

# Statistical Report
as at 29 March 2019
(continued)

| | Name of Shareholders | No. of Shares | %# |
|---|---|---|---|
| 20. | CIMSEC Nominees (Asing) Sdn Bhd<br>CIMB for Wang Tak Company Limited (PB) | 7,729,730 | 1.14 |
| 21. | HLIB Nominees (Asing) Sdn Bhd<br>Pledged securities account for Wang Tak Company Limited | 7,000,500 | 1.03 |
| 22. | Dato' Tan Chin Nam | 6,170,082 | 0.91 |
| 23. | Classlant Sdn Bhd | 5,976,338 | 0.88 |
| 24. | Amanahraya Trustees Berhad<br>Public Strategic Smallcap Fund | 5,506,203 | 0.81 |
| 25. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Tan Chin Nam Sdn Bhd (KLC) | 5,500,000 | 0.81 |
| 26. | Wah Seong (Malaya) Trading Co. Sdn Bhd | 5,496,800 | 0.81 |
| 27. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB for Wang Tak Majujaya Sdn Bhd (PB) | 5,146,794 | 0.76 |
| 28. | BBL Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Tan Chin Nam Sdn Bhd (106021) | 5,113,125 | 0.75 |
| 29. | Tan Kim Yeow Sdn Bhd | 5,091,196 | 0.75 |
| 30. | Lim Kuan Gin | 4,967,703 | 0.73 |

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

| | Direct Interest | | Deemed Interest* | |
|---|---|---|---|---|
| Name of Shareholders | No. of Shares | %# | No. of Shares | %# |
| Tan Chin Nam Sdn Bhd | 161,107,536 | 23.68 | 136,614,164 | 20.08 |
| Tan Kim Yeow Sdn Bhd | 65,945,230 | 9.69 | 127,332,546 | 18.72 |
| Pauline Tan Suat Ming | 350,000 | 0.05 | 193,277,776 | 28.41 |
| Dato' Seri Robert Tan Chung Meng | 1,545,509 | 0.23 | 193,277,776 | 28.41 |
| Tony Tan Choon Keat | - | - | 193,277,776 | 28.41 |
| Wah Seong (Malaya) Trading Co. Sdn Bhd | 102,632,471 | 15.09 | 24,700,075 | 3.63 |
| Tan Boon Seng | - | - | 47,020,742 | 6.91 |
| Lee Hing Development Limited | - | - | 47,020,742 | 6.91 |
| Wang Tak Company Limited | 37,803,948 | 5.56 | 9,216,794 | 1.35 |
| HSBC Holdings plc | - | - | 64,549,789 | 9.49 |
| HSBC Asia Holdings Limited | - | - | 64,549,789 | 9.49 |
| The HongKong and Shanghai Banking Corporation Limited | - | - | 64,549,789 | 9.49 |
| HSBC International Trustee (Holdings) Pte Ltd | - | - | 64,549,789 | 9.49 |
| HSBC International Trustee Limited | - | - | 64,549,789 | 9.49 |

*Notes:*
\# *Exclude a total of 9,325,920 treasury shares retained by IGB*
* *Deemed interest held by other corporations by virtue of Section 8(4) of the Companies Act 2016*

# Statistical Report
as at 29 March 2019
(continued)

| | | |
|---|---|---|
| Class of Shares | : | Redeemable Convertible Cumulative Preference Shares (RCPS) |
| Issued RCPS | : | 452,218,150 |
| Issue Price | : | RM1.00 per RCPS |
| Issued Date | : | 16 March 2015 |
| Conversion Ratio | : | 2.28 RCPS : 1 Ordinary Share |
| Maturity Date | : | 16 February 2020 |
| Voting Rights | : | RCPS holders shall not carry any right to vote at any general meeting of IGB except for the right to vote in person or by proxy or by attorney at such meeting in each of the following circumstances:- |

(a) when the dividend or part of the dividend payable on RCPS is in arrears for more than 6 months;
(b) on a proposal to reduce IGB's share capital;
(c) on a proposal for the disposal of the whole of IGB's property, business and undertaking;
(d) on a proposal that affects rights and privileges attached to RCPS;
(e) on a proposal to wind up IGB; and
(f) during the winding-up of IGB.

DISTRIBUTION OF RCPS HOLDINGS

| Range of RCPS holdings | No. of RCPS Holders | % | No. of RCPS | % |
|---|---|---|---|---|
| Less than 100 | 32 | 3.23 | 1,918 | 0.00 |
| 100 to 1,000 | 81 | 8.18 | 41,102 | 0.01 |
| 1,001 to 10,000 | 664 | 67.07 | 2,201,986 | 0.49 |
| 10,001 to 100,000 | 158 | 15.96 | 4,625,874 | 1.02 |
| 100,001 to less than 5% of Issued RCPS | 48 | 4.85 | 127,449,961 | 28.18 |
| 5% and above Issued RCPS | 7 | 0.71 | 317,897,309 | 70.30 |
| Total | 990 | 100.00 | 452,218,150 | 100.00 |

30 LARGEST REGISTERED RCPS HOLDERS

| | Name of RCPS Holders | No. of RCPS | % |
|---|---|---|---|
| 1. | Tan Chin Nam Sdn Bhd | 68,399,471 | 15.13 |
| 2. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB for Wang Tak Majujaya Sdn Bhd (PB) | 61,936,030 | 13.70 |
| 3. | Wah Seong (Malaya) Trading Co. Sdn Bhd | 59,643,500 | 13.19 |
| 4. | Tan Kim Yeow Sdn Bhd | 36,423,327 | 8.05 |
| 5. | Tan Chin Nam Sdn Bhd | 31,251,880 | 6.91 |
| 6. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for The HongKong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL) | 30,152,601 | 6.67 |
| 7. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for Bank Julius Baer & Co. Ltd (Singapore BCH) | 30,090,500 | 6.65 |
| 8. | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt an for DBS Bank Ltd (SFS-PB) | 18,511,158 | 4.09 |
| 9. | Wah Seong (Malaya) Trading Co. Sdn Bhd | 10,346,260 | 2.29 |
| 10. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>Maybank Kim Eng Securities Pte Ltd for Tan Kim Yeow Sdn Bhd | 9,217,197 | 2.04 |
| 11. | Wah Seong Enterprises Sdn Bhd | 8,440,019 | 1.87 |
| 12. | BBL Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Dato' Tan Chin Nam (100171) | 7,923,498 | 1.75 |
| 13. | Tan Lei Cheng | 6,674,738 | 1.48 |
| 14. | Dato' Tan Chin Nam | 6,298,761 | 1.39 |
| 15. | Amanahraya Trustees Berhad<br>Public Smallcap Fund | 4,648,000 | 1.03 |
| 16. | Dato' Tan Chin Nam | 4,627,561 | 1.02 |

# Statistical Report
as at 29 March 2019
(continued)

| | Name of RCPS Holders | No. of RCPS | % |
|---|---|---|---|
| 17. | Scanstell Sdn Bhd | 4,592,038 | 1.02 |
| 18. | Amanahraya Trustees Berhad<br>Public Strategic Smallcap Fund | 4,397,300 | 0.97 |
| 19. | Classlant Sdn Bhd | 3,770,556 | 0.83 |
| 20. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for Credit Suisse (SG BR-TST-ASING) | 3,686,219 | 0.82 |
| 21. | Tentang Emas Sdn Bhd | 3,650,655 | 0.81 |
| 22. | Wah Seong Enterprises Sdn Bhd | 2,988,405 | 0.66 |
| 23. | BBL Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Wah Seong (Malaya) Trading Co. Sdn Bhd (100007) | 2,896,875 | 0.64 |
| 24. | Dasar Mutiara (M) Sdn Bhd | 2,881,713 | 0.64 |
| 25. | Tan Boon Lee | 2,848,998 | 0.63 |
| 26. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Wah Seong (Malaya) Trading Co. Sdn Bhd (014011611150) | 2,685,402 | 0.59 |
| 27. | Tan Kim Yeow Sdn Bhd | 2,318,397 | 0.51 |
| 28. | Datin Choy Wor Lin | 1,955,179 | 0.43 |
| 29. | Malaysia Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Wah Seong Enterprises Sdn Bhd (30-00059-000) | 1,491,890 | 0.33 |
| 30. | MIDF Amanah Investment Nominees (Asing) Sdn Bhd<br>Pledged securities account for Connie Cheng Wai Ka (CTS-CCW0001C) | 1,459,068 | 0.32 |

# Statistical Report
as at 29 March 2019
(continued)

Class of Shares : Redeemable Convertible Cumulative Preference Shares (RCCPS)
Issued RCCPS : 57,087,141
Issue Price : RM3.28 per RCCPS
Issued Date : 2 March 2018
Conversion Ratio : 1 RCCPS : 1 Ordinary Share
Maturity Date : 2 March 2025
Voting Rights : RCCPS holders shall not carry any right to vote at any general meeting of IGB except for the right to vote in person or by proxy or by attorney at such meeting in each of the following circumstances:-
(a) when the dividend or part of the dividend payable on RCCPS is in arrears for more than 6 months;
(b) on a proposal to reduce IGB's share capital;
(c) on a proposal for the disposal of the whole of IGB's property, business and undertaking;
(d) on a proposal that affects rights and privileges attached to RCCPS;
(e) on a proposal to wind up IGB; and
(f) during the winding-up of IGB.

DISTRIBUTION OF RCCPS HOLDINGS

| Range of RCCPS holdings | No. of RCCPS Holders | % | No. of RCCPS | % |
|---|---|---|---|---|
| Less than 100 | 20 | 5.57 | 994 | 0.00 |
| 100 to 1,000 | 58 | 16.16 | 36,752 | 0.06 |
| 1,001 to 10,000 | 193 | 53.76 | 805,559 | 1.41 |
| 10,001 to 100,000 | 67 | 18.66 | 2,231,570 | 3.91 |
| 100,001 to less than 5% of Issued RCCPS | 19 | 5.29 | 15,303,524 | 26.81 |
| 5% and above Issued RCCPS | 2 | 0.56 | 38,708,742 | 67.81 |
| Total | 359 | 100.00 | 57,087,141 | 100.00 |

30 LARGEST REGISTERED RCCPS HOLDERS

| | Name of RCCPS Holders | No. of RCCPS | % |
|---|---|---|---|
| 1. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board | 35,823,892 | 62.75 |
| 2. | Amanahraya Trustees Berhad<br>Public Dividend Select Fund | 2,884,850 | 5.05 |
| 3. | Amanahraya Trustees Berhad<br>Public Sector Select Fund | 2,818,824 | 4.94 |
| 4. | Dato' Seri Robert Tan Chung Meng | 2,414,634 | 4.23 |
| 5. | Tan Boon Lee | 2,414,634 | 4.23 |
| 6. | Amanahraya Trustees Berhad<br>Public Savings Fund | 1,980,203 | 3.47 |
| 7. | Amanahraya Trustees Berhad<br>Public Far-East Property & Resorts Fund | 1,097,609 | 1.92 |
| 8. | Amanahraya Trustees Berhad<br>PB Growth Sequel Fund | 903,073 | 1.58 |
| 9. | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt an for DBS Bank Ltd (SFS-PB) | 589,734 | 1.03 |
| 10. | Amanahraya Trustees Berhad<br>PB Dividend Builder Equity Fund | 497,656 | 0.87 |
| 11. | UOB Kay Hian Nominees (Asing) Sdn Bhd<br>Exempt an for UOB Kay Hian Pte Ltd (A/c Clients) | 433,952 | 0.76 |
| 12. | Chai Lai Sim | 402,841 | 0.71 |
| 13. | Loh Hon Guen | 383,730 | 0.67 |
| 14. | Amanahraya Trustees Berhad<br>Public Regular Savings Sequel Fund | 281,707 | 0.49 |

# Statistical Report
as at 29 March 2019
(continued)

| | Name of RCCPS Holders | No. of RCCPS | % |
|---|---|---|---|
| 15. | HSBC Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Malaysia Trade & Transport Co Sdn Bhd (372-010587-089) | 228,025 | 0.40 |
| 16. | Teoh Jian Meng | 199,851 | 0.35 |
| 17. | Tunku Sara Binti Tunku Ahmad Yahaya | 170,714 | 0.30 |
| 18. | UOB Kay Hian Nominees (Tempatan) Sdn Bhd<br>Amara Investment Management Sdn Bhd for Tan Boon Lee | 152,926 | 0.27 |
| 19. | Ong Ah Kim | 120,719 | 0.21 |
| 20. | Soo Choon Swee | 112,183 | 0.20 |
| 21. | CIMSEC Nominess (Tempatan) Sdn Bhd<br>CIMB Bank for Douglas Cheng Heng Lee (PBCL-0G0627) | 100,509 | 0.18 |
| 22. | Tan Kim Seng | 90,146 | 0.16 |
| 23. | Lee Chai Tin | 85,317 | 0.15 |
| 24. | Yoong Swee Ping | 82,007 | 0.14 |
| 25. | Chin Yin Kee | 80,769 | 0.14 |
| 26. | Ong Shien Jin | 76,500 | 0.13 |
| 27. | Ong Kek Poh | 73,569 | 0.13 |
| 28. | Teow Yang Sock | 71,714 | 0.13 |
| 29. | Alpha Banyan Holdings Sdn Bhd | 65,034 | 0.11 |
| 30. | Clarence Gerard Boudville | 64,430 | 0.11 |

DIRECTORS' INTERESTS IN IGB AND RELATED CORPORATIONS

| | IGB | | | | | | | | | | | | IGB REAL ESTATE INVESTMENT TRUST | | | | GTOWER SDN BHD | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary shares | | | | RCPS | | | | RCCPS | | | | Units | | | | Ordinary Shares | |
| | Direct Interest | | Deemed Interest* | | Direct Interest | | Deemed Interest* | | Direct Interest | | Deemed Interest* | | Direct Interest | | Deemed Interest* | | Direct Interest | |
| Name of Directors | No. | %# | No. | %# | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Tan Lei Cheng | 9,249,651 | 1.36 | 3,862,176 | 0.57 | 6,674,738 | 1.48 | 2,915,613 | 0.64 | - | - | - | - | 1,853,742 | 0.05 | 345,722 | 0.01 | 321,429 | 0.64 |
| Dato' Seri Robert Tan Chung Meng | 1,545,509 | 0.23 | 193,277,776 | 28.41 | 1,112,631 | 0.25 | 142,988,143 | 31.62 | 2,414,634 | 4.23 | - | - | 14,739,081 | 0.42 | 1,905,151,443 | 53.82 | - | - |
| Daud Mah bin Abdullah @ Mah Siew Whye | 99,458 | 0.01 | - | - | 76,400 | 0.02 | - | - | - | - | - | - | - | - | - | - | - | - |
| Tan Boon Lee (Alternate Director to Dato' Seri Robert Tan Chung Meng) | 4,261,380 | 0.63 | - | - | 3,118,035 | 0.69 | - | - | 2,567,560 | 4.50 | - | - | 1,705,025 | 0.05 | - | - | 428,571 | 0.86 |

*Notes:*

# *Exclude a total of 9,325,920 treasury shares retained by IGB*

* *Deemed interest held by other corporations by virtue of Section 8(4) of the Companies Act 2016*

# Notice of Nineteenth Annual General Meeting

NOTICE IS HEREBY GIVEN of the Nineteenth Annual General Meeting (19th AGM) of IGB Berhad (IGB or Company) to be held at Klang Room, Mezzanine Floor, GTower, 199 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia on Wednesday, 29 May 2019 at 2.30 p.m. to transact the following business:

AGENDA

## Ordinary Business

1. To receive the Financial Statements of IGB for the year ended 31 December 2018 together with reports of Directors and Auditors thereon (Financial Statements and Reports FY2018).

2. To re-elect the following Directors who retire in accordance with IGB's Constitution and being eligible, have offered themselves for re-election:

   (a) Lee Chaing Huat, Senior Independent Non-Executive Director (INED) (Resolution 1)

   (b) Dato' Dr. Zaha Rina binti Zahari, INED (Resolution 2)

3. To approve the payment of the following fees and meeting allowances to Non-Executive Chairman (NEC) and Non-Executive Directors (NEDs):

   (a) Fees of RM436,667 in respect of FY2018 (FY2017: RM260,000); and

   (b) Meeting allowances of up to RM186,000 from 30 May 2019 until IGB's AGM in 2020. (Resolution 3)

4. To re-appoint Messrs. PricewaterhouseCoopers PLT (PwC) as Auditors of IGB and to authorise the Directors to determine their remuneration. (Resolution 4)

## Special Business

5. To consider and, if thought fit, to pass with or without any modification the following ordinary resolutions:

   (a) Retention of INED

   "THAT Daud Mah bin Abdullah @ Mah Siew Whye shall continue to serve as INED until IGB's AGM in 2020 notwithstanding that his tenure as INED has exceeded a cumulative term of 12 years." (Resolution 5)

   (b) Authority to issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016 (Sections 75 and 76 Mandate)

   "THAT the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016 (Act), to allot and issue not more than 10% of the total number of issued shares (excluding treasury shares) of IGB at any time at such price, upon such terms and conditions, for such purposes and to such person(s) as the Directors may in their absolute discretion deem fit and expedient in the interest of IGB and that such authority shall continue to be in force until IGB's AGM in 2020." (Resolution 6)

   (c) Share Buy-Back Mandate (SBB Mandate)

   "THAT the Directors be and are hereby authorised to make market purchases of the ordinary shares in IGB (IGB Shares) on such terms and in such manner as the Directors may, in their discretion deem fit, provided that:

   (i) the aggregate number of IGB Shares to be purchased and/or held by IGB shall not exceed 10% of the total number of issued IGB Shares at the time of purchase; and

   (ii) the funds allocated for the purchase of IGB Shares shall not exceed its retained profits,

   THAT the Directors be and are hereby authorised to deal with IGB Shares so purchased in their absolute discretion (which may be distributed as dividends, resold, transferred, cancelled and/or in any other manner as prescribed by the Act and the relevant rules, regulations and/or requirements);

   AND THAT the SBB Mandate, unless revoked or varied by IGB in general meeting, shall continue for the period ending on the date of the AGM to be held in 2020." (Resolution 7)

# Notice of Nineteenth Annual General Meeting
(continued)

(d) Recurrent Related Party Transactions Mandate (RRPT Mandate)

"THAT authorisation of the shareholders be and is hereby accorded to IGB and its subsidiary companies (Group) to enter into all arrangements and/or transactions involving the interests of the Related Parties as specified in Section 2.0 of Part B of the Statement/Circular to Shareholders dated 30 April 2019 (Statement/Circular), provided that such arrangements and/or transactions are:

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the Group'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 favourable to the Related Parties than those generally available to third party; and
(iv) not detrimental to the minority shareholders

THAT the RRPT Mandate, unless revoked or varied by IGB in general meeting, shall continue for the period ending on the date of the AGM 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 to give effect to the RRPT Mandate and/or this resolution." (Resolution 8)

6. To transact any other business of which due notice shall have been duly given in accordance with the Act.

By Order of the Board

Tina Chan (MAICSA 7001659)
Group Company Secretary

Kuala Lumpur
30 April 2019

## Explanatory Notes of each item on Agenda:

(1) Financial Statements and Reports FY2018

Agenda 1 is for presentation of the Financial Statements and Reports FY2018 to shareholders in accordance with Sections 248(2) and 340(1) of the Act for discussion, and no voting is required.

(2) Re-election of Directors

The following 2 INEDs are due to retire pursuant to IGB's Constitution at the 19th AGM and being eligible, have offered themselves for re-election:

(a) Lee Chaing Huat (LCH), who joined the Board on 8 December 2014, is the Senior INED, the Chairperson of Audit Committee (AC), as well as a member of Remuneration Committee (RC) and Nomination Committee (NC). His retirement pursuant to Clause 84 of IGB's Constitution that requires one-third of the Directors to retire from office by rotation at each AGM.

(b) Dato' Dr. Zaha Rina binti Zahari (DDZR), who was appointed to the Board on 1 June 2018, is an INED, the Chairperson of NC, as well as a member of AC and RC. Her retirement pursuant to Clause 90 of IGB's Constitution that requires new Director to submit himself/herself for re-election at AGM immediately following his/her appointment.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 19th AGM, NC had considered the performance and contribution of the individual Director's level of contribution to the Board through each of their skills, experience and strength in qualities. The Board (save for LCH and DDZR) was satisfied with their skills, contributions and independent judgement and concurred with NC's recommendation for their re-election to be tabled for shareholders' approval at the 19th AGM. LCH and DDZR had declared their independence to the Board. Biographical details of the 2 INEDs are set out in Annual Report 2018 under the heading **Profile of Directors**.

# Notice of Nineteenth Annual General Meeting
(continued)

(3) Payment of fees and meeting allowances

Fees are payable to NEC and NEDs only. Evaluation of fees for NEC and NEDs are performed once a year. RC had at its meeting on 28 August 2018 considered the quantum of fees and recommended that fees FY2018 for NEC, AC Chairman and NED, subject to shareholders' approval at the 19th AGM, be revised respectively to RM120,000, RM90,000 and RM80,000, and meeting allowances on a per meeting basis for the chairman of meeting and NED for each Board and Board Committee (BC) be revised to RM3,000 and RM2,500 respectively, whereupon the Board had endorsed RC's recommendation. RC also had at its meeting held on 13 November 2018 considered and recommended that NEC, being a non-executive member of the Policy and Implementation Council be entitled to an annual fee of RM80,000 and meeting allowance of RM2,000 on a per meeting basis.

In accordance with Section 230(1) of the Act, shareholders' approval to be sought for the payment of the aforesaid fees and meeting allowances to NEC and NEDs for such period at the quantum specified.

The remuneration of each Director is disclosed in Annual Report 2018 under the heading Corporate Governance Overview Statement.

(4) Re-appointment of Auditors

The appointment of PwC as Auditors ends at the conclusion of the 19th AGM. AC had at its meeting on 26 February 2019 completed the annual assessment on the Auditors, and being satisfied with PwC's technical competency and audit independence, recommended the re-appointment of PwC as Auditors for the financial year ending 31 December 2019, whereupon the Board had endorsed AC's recommendation. Details of the assessment and criteria used by AC on its review are set out in Annual Report 2018 under the heading Audit Committee Report.

(5) Retention of INED

Daud Mah bin Abdullah @ Mah Siew Whye (DMA), who joined the Board on 15 January 2003, is the Chairperson of RC, as well as a member of AC and NC. He had been re-appointed and retained as INED of IGB at the 18th AGM, and his term of office ends at the conclusion of the 19th AGM.

NC had on 26 February 2019 assessed the independence of DMA, and had determined that his independence has never been compromised and he would be able to continue exercising independent judgement to provide check and balance to the Board in discharging his responsibility in an independent manner notwithstanding that he has served as INED for more than 12 years. The Board (save for DMA) had deemed it appropriate that DMA to be retained as INED for the existing year and shareholders' approval via 1-tier voting process to be sought at the 19th AGM. DMA had declared his independence to the Board. DMA's profile is set out in Annual Report 2018 under the heading **Profile of Directors**.

(6) Sections 75 and 76 Mandate

Shareholders should note that by approving Resolution 6 relating to the Sections 75 and 76 Mandate, shareholders will be authorising the Directors to allot and issue up to 10% of the total number of issued shares (excluding treasury shares) of IGB without the need to convene a general meeting. The mandate, if granted, will provide flexibility to IGB for any strategic acquisition opportunities involving equity or partly equity or such purposes as the Directors consider to be in the interest of IGB.

(7) SBB Mandate

Shareholders should note that by approving Resolution 7 relating to the SBB Mandate, shareholders will be authorising the Directors to buy back and/or hold from time to time IGB Shares not exceeding 10% of the issued IGB Shares on such terms and in such manner as the Directors may deem fit and expedient in the interest of IGB, the details of which are set out in Part A of the Statement/Circular which are sent together with the abridged version of Annual Report 2018.

(8) RRPT Mandate

Shareholders should note that by approving Resolution 8 relating to the RRPT Mandate, shareholders will be authorising IGB Group to enter into RRPT with the Related Parties during the Mandate Period, the details of which are set out in Part B of the Statement/Circular which are sent together with the abridged version of Annual Report 2018.

(9) Poll Voting

All resolutions set out in this Notice of 19th AGM will be put to vote by way of poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements. For these resolutions to be passed more than 50% of the votes cast must be in favour. The results of the voting at the 19th AGM will be available on IGB's website after the meeting.

# Notice of Nineteenth Annual General Meeting
(continued)

(10) Abstention from Voting

(a) NEC and NEDs referred to in Resolutions 1, 2, 3 and 5, who is a shareholder of IGB will abstain from voting in respect of his/her reelection/retention as well as his/her fees and meeting allowances at the 19th AGM.

(b) Dato' Seri Robert Tan Chung Meng, Tan Lei Cheng and Tan Boon Lee and persons connected to them will abstain from voting on Resolution 8 relating to the RRPT Mandate. They had abstained from all Board deliberations and voting on this resolution.

Notes:

(1) Appointment of proxy

(a) A member is entitled to appoint 1 or 2 proxies (none of whom need be a member of IGB).
(b) A member, 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 member appoints 2 proxies, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
(e) Only members whose names appear on the Record of Depositors as at 17 May 2019 shall be entitled to attend and vote at the 19th AGM or appoint proxies to attend and vote on their behalf.
(f) IGB 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 Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than 2.30 p.m. on Monday, 27 May 2019.
(h) Annual Report 2018 and Statement/Circular can be downloaded at www.igbbhd.com.

(2) Registration of members/proxies

(a) Registration will start at 12.30 p.m. on the day of the 19th AGM.
(b) Members/proxies are required to produce original identification cards/documents during registration for verification.
(c) Parking spaces are available at GTower. Parking tickets can be validated at the registration counter.
(d) Each member/proxy will be given an identification wristband upon registration. No person will be allowed to enter the meeting room without wearing the identification wristband.

IGB BERHAD
(515802-U)

# PROXY FORM

| CDS account no. | |
|---|---|
| No. of Shares Held | |

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

NRIC No./Company No. ____________________ of (full address) ____________________

____________________

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

Name of proxy, NRIC No. & Address | No. of Shares to be represented by proxy

1. ____________________ ____________________

____________________

2. ____________________ ____________________

____________________

or, both of whom failing, the Chairman of the 19th AGM as my/our proxy to attend and to vote for me/us on my/our behalf, at the 19th AGM of IGB to be held at Klang Room, Mezzanine Floor, GTower, 199 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia on Wednesday, 29 May 2019 at 2.30 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 19th 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.

| No. | Ordinary Resolution | First Proxy | | Second Proxy | |
|---|---|---|---|---|---|
| | | For* | Against* | For* | Against* |
| 1. | Re-election of Lee Chaing Huat as INED | | | | |
| 2. | Re-election of Dato' Dr. Zaha Rina binti Zahari as INED | | | | |
| 3. | Payment of fees and meeting allowances | | | | |
| 4. | Re-appointment of PricewaterhouseCoopers PLT as Auditors | | | | |
| 5. | Retention of Daud Mah bin Abdullah @ Mah Siew Whye as INED | | | | |
| 6. | Sections 75 and 76 Mandate | | | | |
| 7. | SBB Mandate | | | | |
| 8. | RRPT Mandate | | | | |

* 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 Shareholder

Notes:
(a) A member is entitled to appoint 1 or 2 proxies (none of whom need be a member of IGB).
(b) A member, 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 member appoints 2 proxies, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
(e) Only members whose names appear on the Record of Depositors as at 17 May 2019 shall be eligible to attend and vote at the 19th AGM or appoint proxies to attend and vote on their behalf.
(f) IGB 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 Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than 2.30 p.m. on Monday, 27 May 2019.
(h) Annual Report 2018 and Statement/Circular can be downloaded at www.igbbhd.com.

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PROXY FORM

AFFIX
RM0.80
STAMP

The Company Secretary
**IGB Berhad** (515802-U)
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur

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www.igbbhd.com

IGB BERHAD 515802-U
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@igbbhd.com