

# **IGB REAL ESTATE INVESTMENT TRUST**

## **Interim Financial Report for the 3-month ended 30 June 2019**

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**IGB Real Estate Investment Trust**

**Condensed Consolidated Statement of Comprehensive Income**

*(The figures have not been audited)*

|  | Quarter              |                      | Period-To-Date       |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 30.06.2019<br>RM'000 | 30.06.2018<br>RM'000 | 30.06.2019<br>RM'000 | 30.06.2018<br>RM'000 |
| Gross rental income                                  | 114,510              | 108,375              | 236,466              | 226,175              |
| Revenue from contracts with customers                | 20,464               | 19,593               | 39,740               | 38,583               |
| <b>Gross revenue</b>                                 | <b>134,974</b>       | <b>127,968</b>       | <b>276,206</b>       | <b>264,758</b>       |
| Utilities expenses                                   | (13,571)             | (11,874)             | (25,179)             | (23,027)             |
| Maintenance expenses                                 | (5,630)              | (6,054)              | (10,926)             | (12,009)             |
| Quit rent and assessment                             | (3,762)              | (3,762)              | (7,511)              | (7,511)              |
| Reimbursement costs                                  | (11,960)             | (12,834)             | (26,154)             | (25,668)             |
| Other operating expenses/upgrades                    | (1,528)              | (2,716)              | (4,437)              | (3,302)              |
| <b>Property operating expenses</b>                   | <b>(36,451)</b>      | <b>(37,240)</b>      | <b>(74,207)</b>      | <b>(71,517)</b>      |
| <b>Net property income</b>                           | <b>98,523</b>        | <b>90,728</b>        | <b>201,999</b>       | <b>193,241</b>       |
| Interest income                                      | 1,892                | 1,358                | 3,694                | 3,548                |
| <b>Net investment income</b>                         | <b>100,415</b>       | <b>92,086</b>        | <b>205,693</b>       | <b>196,789</b>       |
| Manager fee  | (8,801)              | (8,350)              | (17,803)             | (17,277)             |
| Trustees' fee  | (80)                 | (80)                 | (159)                | (159)                |
| Other trust expenses                                 | (375)                | (247)                | (611)                | (609)                |
| Finance costs  | (13,229)             | (13,229)             | (26,313)             | (26,313)             |
| <b>Profit before taxation</b>                        | <b>77,930</b>        | <b>70,180</b>        | <b>160,807</b>       | <b>152,431</b>       |
| Taxation   | -                    | -                    | -                    | -                    |
| <b>Profit after taxation</b>                         | <b>77,930</b>        | <b>70,180</b>        | <b>160,807</b>       | <b>152,431</b>       |
| Other comprehensive income, net of tax               | -                    | -                    | -                    | -                    |
| <b>Total comprehensive income for the period</b>     | <b>77,930</b>        | <b>70,180</b>        | <b>160,807</b>       | <b>152,431</b>       |
| Distribution adjustments <sup>*1</sup>               | 6,453                | 9,130                | 13,031               | 18,778               |
| <b>Distributable income</b>                          | <b>84,383</b>        | <b>79,310</b>        | <b>173,838</b>       | <b>171,209</b>       |
| <b>Profit for the period comprise the following:</b> |                      |                      |                      |                      |
| - Realised   | 77,930               | 70,180               | 160,807              | 152,431              |
| - Unrealised   | -                    | -                    | -                    | -                    |
|  | <b>77,930</b>        | <b>70,180</b>        | <b>160,807</b>       | <b>152,431</b>       |
| <b>Basic earnings per Unit (sen)</b>                 |                      |                      |                      |                      |
| - before Manager fee                                 | 2.45                 | 2.23                 | 5.05                 | 4.82                 |
| - after Manager fee                                  | 2.20                 | 1.99                 | 4.54                 | 4.33                 |

**IGB Real Estate Investment Trust**

**Condensed Consolidated Statement of Comprehensive Income (continued)**

*(The figures have not been audited)*

**Note:**

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

|   | <b>Quarter</b>    |            | <b>Period-To-Date</b> |            |
|---|-------------------|------------|-----------------------|------------|
|   | <b>30.06.2019</b> | 30.06.2018 | <b>30.06.2019</b>     | 30.06.2018 |
|   | <b>RM'000</b>     | RM'000     | <b>RM'000</b>         | RM'000     |
| Manager fee payable in Units                | <b>5,721</b>      | 8,350      | <b>11,572</b>         | 17,277     |
| Amortisation of capitalised borrowing costs | <b>65</b>         | 65         | <b>130</b>            | 130        |
| Depreciation of plant & machinery           | <b>667</b>        | 715        | <b>1,329</b>          | 1,371      |
| <b>Distribution Adjustments</b>             | <b>6,453</b>      | 9,130      | <b>13,031</b>         | 18,778     |

**Statement of Income Distribution:-**

|  | <b>Quarter</b>    |            | <b>Period-To-Date</b> |            |
|--|-------------------|------------|-----------------------|------------|
|  | <b>30.06.2019</b> | 30.06.2018 | <b>30.06.2019</b>     | 30.06.2018 |
|  | <b>RM'000</b>     | RM'000     | <b>RM'000</b>         | RM'000     |
| Gross rental income                              | <b>114,510</b>    | 108,375    | <b>236,466</b>        | 226,175    |
| Revenue from contracts with customers            | <b>20,464</b>     | 19,593     | <b>39,740</b>         | 38,583     |
| Interest income                                  | <b>1,892</b>      | 1,358      | <b>3,694</b>          | 3,548      |
|  | <b>136,866</b>    | 129,326    | <b>279,900</b>        | 268,306    |
| Less: Expenses                                   | <b>(58,936)</b>   | (59,146)   | <b>(119,093)</b>      | (115,875)  |
| Total comprehensive income for the period        | <b>77,930</b>     | 70,180     | <b>160,807</b>        | 152,431    |
| Distribution adjustment                          | <b>6,453</b>      | 9,130      | <b>13,031</b>         | 18,778     |
| Distributable income                             | <b>84,383</b>     | 79,310     | <b>173,838</b>        | 171,209    |
| Previous period undistributed realised income    | <b>4,492</b>      | 4,489      | -                     | -          |
| Total realised income available for distribution | <b>88,875</b>     | 83,799     | <b>173,838</b>        | 171,209    |
| Less: Proposed/declared income distribution      | <b>(80,212)</b>   | (75,345)   | <b>(165,175)</b>      | (162,755)  |
| Balance undistributed realised income            | <b>8,663</b>      | 8,454      | <b>8,663</b>          | 8,454      |
| Distribution per Unit ("DPU") (sen)              | <b>2.26</b>       | 2.14       | <b>4.66</b>           | 4.62       |

The unaudited condensed consolidated statement of comprehensive income and statement of income distribution should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 ("AFS FY2018") and the accompanying notes attached to this Interim Financial Report.

**IGB Real Estate Investment Trust**

**Condensed Consolidated Statement of Financial Position**

*(The figures have not been audited)*

|  | As at<br>30.06.2019<br>RM'000 | As at<br>31.12.2018<br>RM'000 |
|--|-------------------------------|-------------------------------|
| <b>Non-current assets</b>                      |                               |                               |
| Investment properties                          | 4,960,000                     | 4,960,000                     |
| Plant and equipment                            | 6,788                         | 7,964                         |
|  | 4,966,788                     | 4,967,964                     |
| <b>Current assets</b>                          |                               |                               |
| Trade and other receivables                    | 28,135                        | 27,879                        |
| Cash and bank balances                         | 218,435                       | 207,123                       |
|  | 246,570                       | 235,002                       |
| <b>TOTAL ASSET VALUE</b>                       | <b>5,213,358</b>              | <b>5,202,966</b>              |
| <b>FINANCED BY:</b>                            |                               |                               |
| <b>Unitholders' fund</b>                       |                               |                               |
| Unitholders' capital                           | 4,450,937                     | 4,436,366                     |
| Accumulated losses                             | (669,675)                     | (678,461)                     |
| Current year profit                            | 160,807                       | 333,753                       |
| Income distribution                            | (165,175)                     | (324,967)                     |
| <b>Total unitholders' fund</b>                 | <b>3,776,894</b>              | <b>3,766,691</b>              |
| <b>Non-current liabilities</b>                 |                               |                               |
| Borrowings                                     | 1,199,155                     | 1,199,025                     |
|  | 1,199,155                     | 1,199,025                     |
| <b>Current liabilities</b>                     |                               |                               |
| Borrowings                                     | 14,900                        | 14,900                        |
| Trade and other payables                       | 222,409                       | 222,350                       |
|  | 237,309                       | 237,250                       |
| <b>Total liabilities</b>                       | <b>1,436,464</b>              | <b>1,436,275</b>              |
| <b>TOTAL UNITHOLDERS' FUND AND LIABILITIES</b> | <b>5,213,358</b>              | <b>5,202,966</b>              |
| Number of Units in circulation ('000 units)    | 3,542,951                     | 3,534,810                     |
| <b>NET ASSET VALUE ("NAV") (RM'000)</b>        |                               |                               |
| - Before income distribution                   | 3,942,069                     | 4,091,658                     |
| - After income distribution                    | 3,776,894                     | 3,766,691                     |
| <b>NAV per Unit (RM)</b>                       |                               |                               |
| - Before income distribution                   | 1.1127                        | 1.1575                        |
| - After income distribution                    | 1.0660                        | 1.0656                        |

The unaudited condensed consolidated statement of financial position should be read in conjunction with the AFS FY2018 and the accompanying notes attached to this Interim Financial Report.

**IGB Real Estate Investment Trust**

**Condensed Consolidated Statement of Changes in Net Asset Value**

*(The figures have not been audited)*

|   | <b>Unitholders'<br/>Capital<br/>RM'000</b> | <b>Accumulated<br/>Losses<br/>RM'000</b> | <b>Total<br/>Unitholders'<br/>Fund<br/>RM'000</b> |
|---|--|--|---|
| <b>As at 1 January 2019</b>                                     | 4,436,366                                  | (669,675)                                | 3,766,691   |
| Total comprehensive income for the year                         | -  | 160,807                                  | 160,807   |
| Income distribution   | -  | (165,175)                                | (165,175)   |
| Net total comprehensive loss for the year                       | -  | (4,368)                                  | (4,368)   |
| <b>Unitholders' transactions</b>                                |  |  |   |
| - Issue of new Units  | 14,571*                                    | -  | 14,571  |
| Manager fee paid in Units                                       | -  | -  | -   |
| Increase in net assets resulting from unitholders' transactions | 14,571                                     | -  | 14,571  |
| <b>As at 30 June 2019</b>                                       | <b>4,450,937</b>                           | <b>(674,043)</b>                         | <b>3,776,894</b>                                  |
| <b>As at 1 January 2018</b>                                     | <b>4,401,760</b>                           | <b>(678,461)</b>                         | <b>3,723,299</b>                                  |
| Total comprehensive income for the year                         | -  | 152,431                                  | 152,431   |
| Income distribution   | -  | (163,103)                                | (163,103)   |
| Net total comprehensive income for the year                     | -  | (10,672)                                 | (10,672)  |
| <b>Unitholders' transactions</b>                                |  |  |   |
| - Issue of new Units  | 17,573                                     | -  | 17,573  |
| Manager fee paid in Units                                       | -  | -  | -   |
| Increase in net assets resulting from unitholders' transactions | 17,573                                     | -  | 17,573  |
| <b>As at 30 June 2018</b>                                       | <b>4,419,333</b>                           | <b>(689,133)</b>                         | <b>3,730,200</b>                                  |

**Note:**

Issue of new Units involves:

|  | <b>Units<br/>'000</b> | <b>Amount<br/>RM'000</b> |
|--|-----------------------|--------------------------|
| Manager fee paid in Units:                         |                       |                          |
| - for the financial quarter ended 31 December 2018 | 5,012                 | 8,720                    |
| - for the financial quarter ended 31 March 2019    | 3,129                 | 5,851                    |
|  | <b>8,141</b>          | <b>14,571*</b>           |

The unaudited condensed consolidated statement of changes in net asset value should be read in conjunction with the AFS FY2018 and the accompanying notes attached to this Interim Financial Report.

**IGB Real Estate Investment Trust**

**Condensed Consolidated Statement of Cash Flows**

*(The figures have not been audited)*

|  | <b>Period-To-Date<br/>30.06.2019<br/>RM'000</b> | <b>Period-To-Date<br/>30.06.2018<br/>RM'000</b> |
|--|---|---|
| <b>Operating activities</b>                                    |   |   |
| Profit before tax  | <b>160,807</b>                                  | 152,431   |
| Adjustment for:  |   |   |
| Non-cash items   | <b>19,951</b>                                   | 20,112  |
| Non-operating items  | <b>22,619</b>                                   | 22,765  |
| Operating profit before changes in working capital             | <b>203,377</b>                                  | 195,308   |
| Net change in current assets                                   | <b>(1,066)</b>                                  | (2,136)   |
| Net change in current liabilities                              | <b>(2,609)</b>                                  | (8,271)   |
| <b>Net cash generated from operating activities</b>            | <b>199,702</b>                                  | 184,901   |
| <b>Investing activities</b>                                    |   |   |
| Purchase of plant and equipment                                | <b>(160)</b>                                    | (240)   |
| Interest received  | <b>3,692</b>                                    | 4,459   |
| Movement in fixed deposits with maturity of more than 3 months | <b>30</b>                                       | 100,400   |
| Movement in pledged deposit                                    | <b>(505)</b>                                    | (754)   |
| <b>Net cash generated from investing activities</b>            | <b>3,057</b>                                    | 103,865   |
| <b>Financing activities</b>                                    |   |   |
| Interest paid  | <b>(26,183)</b>                                 | (26,183)  |
| Distribution paid to unitholders                               | <b>(165,739)</b>                                | (259,832)                                       |
| <b>Net cash used in financing activities</b>                   | <b>(191,922)</b>                                | (286,015)                                       |
| <b>Net increase in cash and cash equivalents</b>               | <b>10,837</b>                                   | 2,751   |
| Cash and cash equivalents at beginning of period               | <b>179,632</b>                                  | 111,695   |
| <b>Cash and cash equivalents at end of period</b>              | <b>190,469</b>                                  | 114,446   |
| <b>Note:</b>   |   |   |
| <i>Cash and bank balances</i>                                  | <b>218,435</b>                                  | 188,313   |
| <i>Less:-</i>  |   |   |
| <i>Fixed deposits with maturity of more than 3 months</i>      | <b>-</b>  | (46,929)  |
| <i>Pledged deposit</i>   | <b>(27,966)</b>                                 | (26,938)  |
| <i>Cash and cash equivalents</i>                               | <b>190,469</b>                                  | 114,446   |

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the AFS FY2018 and the accompanying notes attached to this Interim Financial Report.

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

**A1 Basis of preparation**

This Interim Financial Report is unaudited and has been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board, the MMLR and the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts (“REIT Guidelines”). This Interim Financial Report should be read in conjunction with the AFS FY2018 and the accompanying notes attached to this Interim Financial Report. The accounting policies and methods of computation adopted in this Interim Financial Report are consistent with those disclosed in the AFS FY2018.

**A2 Auditors’ report of preceding financial statements**

The auditors’ report for FY2018 was not subject to any audit qualification.

**A3 Seasonal or cyclical factors**

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

**A4 Significant unusual items**

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

**A5 Material changes in estimates**

Not applicable.

**A6 Debt and equity securities**

Issue of new Units:-

|  | <b>Units<br/>‘000</b> | <b>Amount<br/>RM’000</b> |
|--|-----------------------|--------------------------|
| Manager fee paid                                   |                       |                          |
| - for the financial quarter ended 31 December 2018 | 5,012                 | 8,720                    |
| - for the financial quarter ended 31 March 2019    | 3,129                 | 5,851                    |
|  | <u>8,141</u>          | <u>14,571</u>            |

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

## **IGB Real Estate Investment Trust**

### **A7 Income distribution**

The Board of Directors of the Manager has decided to make a distribution of at least 90% of IGB REIT's distributable income on a quarterly basis for the year ending 31 December 2019 (or such other intervals as the Manager may determine at its absolute discretion).

For the first quarter ended 31 March 2019, the Manager paid a distribution amounting to RM85.0 million or 2.40 sen per Unit (@ 2.36 sen taxable and 0.04 sen non-taxable) on 31 May 2019, representing approximately 95% of total distributable income.

For the second quarter ended 30 June 2019, the Manager made a distribution of 95% of IGB REIT's quarterly distributable income amounting to RM80.2 million or 2.26 sen per Unit (@ 2.22 sen taxable and 0.04 sen non-taxable), to be payable on 30 August 2019 to every unitholder who is entitled to receive such distribution as at 4.00 p.m. on 7 August 2019.

### **A8 Segmental reporting**

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

### **A9 Valuation of investment properties**

A revaluation on Mid Valley Megamall and The Gardens Mall had been conducted by One Asia Property Consultants (KL) Sdn Bhd (as an independent registered valuer) and based on the valuation reports dated 1 July 2019, the market value of Mid Valley Megamall and The Gardens Mall as at 30 June 2019 remained at RM3.665 billion and RM1.295 billion respectively from previous quarter.

### **A10 Material events subsequent to the end of the interim period**

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

### **A11 Changes in the composition of IGB REIT**

IGB REIT's fund size increased from 3,534.810 million Units as at 31 December 2018 to 3,542.951 million Units as at 30 June 2019 arising from the issuance of new Units as disclosed in Note A6.

### **A12 Contingent liabilities and contingent assets**

There were no material contingent liabilities or contingent assets as at 30 June 2019.

### **A13 Capital commitment**

There were no major capital commitments as at 30 June 2019.



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

**B1 Review of performance**

|   | Quarter              |                      |               | Period-To-Date       |                      |               |
|---|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
|   | 30.06.2019<br>RM'000 | 30.06.2018<br>RM'000 | Variance<br>% | 30.06.2019<br>RM'000 | 30.06.2018<br>RM'000 | Variance<br>% |
| Gross revenue                             | <b>134,974</b>       | 127,968              | 5.5%          | <b>276,206</b>       | 264,758              | 4.3%          |
| Net property income                       | <b>98,523</b>        | 90,728               | 8.6%          | <b>201,999</b>       | 193,241              | 4.5%          |
| Profit before taxation                    | <b>77,930</b>        | 70,180               | 11.0%         | <b>160,807</b>       | 152,431              | 5.5%          |
| Profit after taxation                     | <b>77,930</b>        | 70,180               | 11.0%         | <b>160,807</b>       | 152,431              | 5.5%          |
| Total comprehensive income for the period | <b>77,930</b>        | 70,180               | 11.0%         | <b>160,807</b>       | 152,431              | 5.5%          |

**Current quarter results**

For the current quarter, IGB REIT's gross revenue was RM135.0 million, up 5.5% against the corresponding quarter in 2018 of RM128.0 million. This was mainly due to higher rental income in the current quarter.

Net property income was RM98.5 million, up 8.6% compared with the corresponding quarter in 2018 of RM90.7 million. This was mainly due to higher rental income and lower property operating expenses in the current quarter.

The distributable income for the current quarter amounted to RM84.4 million, consisting of realised profit of RM77.9 million and the non-cash adjustments arising mainly from Manager fee payable in Units of RM5.7 million.

**Current period-to-date results**

For the current period-to-date, IGB REIT's gross revenue was RM276.2 million, up 4.3% against the corresponding period-to-date in 2018 of RM264.8 million. This was mainly due to higher rental income in the current period-to-date.

Net property income was RM202.0 million, up 4.5% compared with the corresponding period-to-date in 2018 of RM193.2 million. This was mainly due to higher rental income in the current period-to-date.

The distributable income for the current period-to-date amounted to RM173.8 million, consisting of realised profit of RM160.8 million and the non-cash adjustments arising mainly from Manager fee payable in units of RM11.6 million.

**B2 Material changes in quarterly results**

|   | Quarter              |                      |               |
|---|----------------------|----------------------|---------------|
|   | 30.06.2019<br>RM'000 | 31.03.2019<br>RM'000 | Variance<br>% |
| Gross revenue                             | <b>134,974</b>       | 141,232              | -4.4%         |
| Net property income                       | <b>98,523</b>        | 103,476              | -4.8%         |
| Profit before taxation                    | <b>77,930</b>        | 82,877               | -6.0%         |
| Profit after taxation                     | <b>77,930</b>        | 82,877               | -6.0%         |
| Total comprehensive income for the period | <b>77,930</b>        | 82,877               | -6.0%         |

For the current quarter, IGB REIT’s gross revenue was RM135.0 million, 4.4% lower compared with the immediate preceding quarter of RM141.2 million, mainly due to lower rental income in the current quarter.

Net property income was RM98.5 million, 4.8% lower compared with net property income of RM103.5 million in the preceding quarter, mainly due to lower rental income in the current quarter.

**B3 Prospects**

Retail Group Malaysia (“RGM”) has revised upwards its 2019 growth forecast for the country’s retail sales to 4.9% (RM108.3 billion), from 4.5% estimated in March 2019, following the better-than-expected growth in 1Q’19 and a pick-up in 2Q’19. On a quarterly basis, the retail trade performed better-than-expected at 3.8% for 1Q’19, compared with a year ago. Despite lackluster sales during the Chinese New Year celebrations, retailers managed to generate higher turnover than expected. For 2Q’19, the higher growth of 4.8% reflected mainly buoyant spending during the Hari Raya Aidilfitri festivities.

RGM is maintaining retail sale growth at 3.9% for 3Q’19, with growth likely to slacken after the major festival celebrations. However, it estimated growth in 4Q’19 at 5.8%, supported by the school holidays and year-end festivals. RGM views are consistent with sentiment reflected in the Consumer Sentiment Index published by Malaysian Institute of Economic Research (“MIER”). The rising cost of living and stagnant take-home pay continue to weaken the purchasing power of Malaysian consumers.

Given the above, IGB REIT would continue to push ahead with its Asset Enhancement Initiatives, and bring on creative activities and exclusive events by working with tenants as well as corporate partners, to raise on-ground promotional activities for shoppers and visitors. IGB REIT is committed to create long term value for stakeholders, and looks forward to bringing real-life retail experiences that excites the market.

## **IGB Real Estate Investment Trust**

### **B4 Investment objectives and strategies**

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

### **B5 Portfolio composition**

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

### **B6 Utilisation of proceeds raised from issuance of new Units**

A total of 8.14 million new Units were issued by IGB REIT as payment for Manager fee in the current period-to-date.

### **B7 Taxation**

#### **(i) Taxation of IGB REIT**

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

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

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

As the Manager has decided to declare more than 90% of the total taxable income of IGB REIT to unitholders for the year ending 31 December 2019, no provision for taxation has been made for the current financial period ended 30 June 2019.

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

## IGB Real Estate Investment Trust

### B7 Taxation (continued)

(i) Taxation of IGB REIT (continued)

With effect from 1 January 2019, any gains on disposal of real properties or shares in real property companies would be subject to RPGT at the following rates:-

| <b>Disposal time frame</b>              | <b>Rates</b> |
|---|--------------|
| Disposal within 3 years of acquisition  | 30%          |
| Disposal in the 4th year of acquisition | 20%          |
| Disposal in the 5th year of acquisition | 15%          |
| Disposal after 5 years of acquisition   | 10%          |

(ii) Taxation of Unitholders

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

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

Where 90% or more of the total taxable income is distributed by IGB REIT, distributions to unitholders will be subject to tax based on a withholding tax mechanism. The current withholding tax rates are as follows:-

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

## **IGB Real Estate Investment Trust**

### **B7 Taxation (continued)**

#### **(ii) Taxation of Unitholders (continued)**

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

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

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

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

### **B8 Status of corporate proposal**

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

For Mid Valley Megamall, the application for amalgamation of Lot 80 and Lot 20004 (formerly known as Lot 25), was approved by Pejabat Pengarah Tanah dan Galian Wilayah Persekutuan on 27 June 2019 and pending for new title to be issued.

The extended validity period of the consent of the State Authority for the transfer of Mid Valley Megamall in favour of MTrustee Berhad (acting in its capacity as trustee for IGB REIT) expires on 15 February 2020.

## IGB Real Estate Investment Trust

### B9 Borrowings and debt securities

IGB REIT's debts securities as at 30 June 2019 were as follows:-

|                             | As at<br>30.06.2019<br>RM'000 | As at<br>30.06.2018<br>RM'000 |
|-----------------------------|-------------------------------|-------------------------------|
| Non-current borrowings      |                               |                               |
| - secured medium term notes | 1,199,155                     | 1,198,895                     |
| Current borrowings          |                               |                               |
| - secured medium term notes | 14,900                        | 14,900                        |
|                             | <u>1,214,055</u>              | <u>1,213,795</u>              |

All debt securities are denominated in Ringgit Malaysia.

### B10 Material litigation

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

### B11 Soft commission received

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

### B12 Summary of NAV, EPU, DPU and market price

|  | Unit of<br>measurement | Current<br>quarter ended<br>30.06.2019 | Immediate preceding<br>quarter ended<br>31.03.2019 |
|--|------------------------|--|--|
| Number of Units in issue                     | '000 units             | 3,542,951                              | 3,539,822  |
| NAV (after income distribution)              | RM'000                 | 3,776,894                              | 3,773,325  |
| NAV per Unit (after income<br>distribution)  | RM                     | 1.0660                                 | 1.0660   |
| Total comprehensive income                   | RM'000                 | 77,930                                 | 82,877   |
| Weighted average number of<br>Units in issue | '000 units             | 3,540,091                              | 3,538,207  |
| Earnings per Unit after<br>Manager fee       | sen                    | 2.20                                   | 2.34   |
| Distributable income                         | RM'000                 | 84,383                                 | 89,455   |
| DPU  | sen                    | 2.26                                   | 2.40   |
| Closing market price per Unit                | RM                     | 1.91                                   | 1.85   |

## IGB Real Estate Investment Trust

### B13 Manager fee

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

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

Total Manager fee for the current period-to-date was RM17,803,000, as follows:-

| Type            | Quarter      | Quarter      | Period-To-    | Period-To-    |
|-----------------|--------------|--------------|---------------|---------------|
|                 | 30.06.2019   | 30.06.2018   | Date          | Date          |
|                 | RM'000       | RM'000       | RM'000        | RM'000        |
| Base fee        | 3,875        | 3,814        | 7,703         | 7,615         |
| Performance fee | 4,926        | 4,536        | 10,100        | 9,662         |
| Total           | <u>8,801</u> | <u>8,350</u> | <u>17,803</u> | <u>17,277</u> |

For the current period-to-date, 65% of the total Manager fee had been paid and would be payable in Units.

### B14 Trustee fee

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

### B15 Unitholdings of the Manager and parties related to the Manager

Based on the Register of Unitholders of IGB REIT as at 30 June 2019, the unitholdings of the Manager and parties related to the Manager were as follows:-

| Unitholders of IGB REIT                | Direct        |        | Indirect      |        |
|--|---------------|--------|---------------|--------|
|  | No. of Units  | %      | No. of Units  | %      |
| IGB REIT Management Sdn Bhd            | 142,950,790   | 4.035  | -             | -      |
| IGB Berhad                             | 1,733,617,754 | 48.931 | 142,950,790   | 4.035  |
| Dato' Seri Robert Tan Chung Meng       | 14,739,081    | 0.416  | 1,908,280,646 | 53.861 |
| Pauline Tan Suat Ming                  | -             | -      | 1,908,280,646 | 53.861 |
| Tony Tan Choon Keat                    | 1,000,000     | 0.028  | 1,908,280,646 | 53.861 |
| Tan Chin Nam Sendirian Berhad          | 155,988       | 0.004  | 1,905,502,179 | 53.783 |
| Tan Kim Yeow Sendirian Berhad          | 2,879,665     | 0.081  | 1,905,400,981 | 53.780 |
| Wah Seong (Malaya) Trading Co. Sdn Bhd | 26,079,992    | 0.736  | 1,878,995,644 | 53.035 |

## IGB Real Estate Investment Trust

### B16 Notes to the Statement of Comprehensive Income

|   | <b>Quarter<br/>30.06.2019<br/>RM'000</b> | <b>Quarter<br/>30.06.2018<br/>RM'000</b> | <b>Period-To-<br/>Date<br/>30.06.2019<br/>RM'000</b> | <b>Period-To-<br/>Date<br/>30.06.2018<br/>RM'000</b> |
|---|--|--|--|--|
| Depreciation                                  | <b>667</b>                               | 715                                      | <b>1,329</b>   | 1,371  |
| Allowance for<br>impairment on<br>receivables | <b>24</b>                                | 941                                      | <b>811</b>   | 1,429  |

### B17 Responsibility statement

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of IGB REIT as at 30 June 2019 and of its financial performance and cash flows for the financial period/year ended on that date and duly authorised for release by the Board of Directors of the Manager on 23 July 2019.