2019 FINANCIAL STATEMENTS

Financial Statements

Additional Information

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Agil Natt (Chairman)
Datuk David Chua Kok Tee
Dato' Haji Syed Moheeb Syed Kamarulzaman
Encik Teoh Kok Lin
Encik Suresh Menon
Dato' Ong Eng Bin
Puan Nadzirah Abd. Rashid – Resigned on 1 February 2020
Encik Choong Tuck Oon
Encik Adnan Zaylani Mohamad Zahid
Encik Faisal Ismail – Appointed on 1 December 2019
Puan Saleha M. Ramly – Appointed on 1 December 2019

PRINCIPAL ACTIVITIES

The principal activities of the Company are provision of guarantees, loans and financing.

The principal activities of the Group consist of provision of guarantees, loans and financing, credit reference services, credit rating and such other services related to a credit bureau.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the financial year attributable to:		
Shareholders of the Company	215,451	223,358
Non-controlling interest	(112)	-
Net profit for the financial year	215,339	223,358

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUANCE OF SHARES

During the financial year, there were no changes in the issued and fully paid capital of the Company.

Details of the shares are set out in Note 22 to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related Company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIVIDENDS

No dividends were paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividends to be paid for the financial year ended 31 December 2019.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 42 to the financial statements.

SHARE OPTION SCHEME

No share options were issued by the Company during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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 value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

DIRECTORS' REPORT

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 provision 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 of the Company misleading; or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the 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 of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

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

(d) No contingent or other liability of any company in the Group 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 Company and its subsidiary to meet their 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 of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company 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 of the Company for the financial year in which this report is made.

SUBSIDIARY

Details of a subsidiary are set out in Note 9 to the financial statements.

There is no subsidiary's holding of shares in the Company.

AUDITOR'S REMUNERATION

Details of auditor's remuneration are set out in Note 39 to the financial statements.

SIGNIFICANT EVENT AND EVENT OCCURING AFTER BALANCE SHEET DATE

Details of significant event and event occuring after balance sheet date are set out in Note 46 to the financial statements.

BUSINESS REVIEW

Bank Negara Malaysia reported that in 2019 the Malaysian economy grew at its slowest pace since the 2009 global financial crisis. The economy, measured by GDP, expanded 4.3 per cent from the registered 4.7 per cent in 2018. This decline was attributed to lower output of palm oil, crude oil and natural gas and a fall in exports. Overall economic activity was also weighed down by slower than expected investment growth and weakening export demand, reported the World Bank.

However, Malaysia's diversified economy and the growth of domestic economy has helped to cushion the adverse impact. CGC, in strengthening the availability of its core products and services, registering another strong financial year results, recording double digit growth in its guarantee approvals and raising awareness through its Beyond Guarantee initiatives, especially the CGC Developmental Programme™.

(a) Overall Performance

In 2019 CGC achieved a total revenue of RM191.8 million, with majority of the income derived from Portfolio Guarantee ("PG") and Wholesale Guarantee ("WG") products. Despite the country's moderately slow economic growth, CGC approved more than 10,000 new guarantee and financing accounts, registering almost RM4.0 billion in total value.

PG and WG products were CGC's biggest contributors for MSMEs to access financing from participating Financial Institutions. In 2019, these approvals grew by 17% year-on-year ("Y-o-Y"), totalling RM3.3 billion. During the year, thematic and customised PG-based products were introduced to support specific sectors and industries.

Our Direct Financing schemes posted a lower achievement record in meeting our set targets, ending at RM158 million due to the construction-sector slowdown. This impacted our TPUB-i performance. As for BizMula-i and BizWanita-i products, both schemes grew by almost 80% Y-o-Y to a total approved of RM95 million from 2018's RM53 million.

As one of the Beyond Guarantee initiatives, the CGC Developmental Programme™, through its Mentoring Workshops have benefited more than 4,000 MSMEs since 2016. Looking ahead, CGC will continue to offer more workshops on Digital Transformation and Industrial Revolution 4.0 ("IR4.0"). Additionally over the same period, 107 MSMEs participated in Market Access initiatives (47 MSMEs – local market access, 60 MSMEs – international market access).

Our online platform imSME won two international awards: from the Association of Development Financing Institutions in Asia and the Pacific ("ADFIAP") and the European Organisation for Sustainable Development's ("EOSD") Karlsruhe Sustainable Finance Award. In the two years since its inception on 9 February 2018, more than 2,000 facilities were approved through imSME with close to RM200 million in total approved financing.

In 2019, Bank Negara Malaysia established the Khidmat Nasihat Pembiayaan ("MyKNP"), a collaborative effort between CGC and Agensi Kaunseling dan Pengurusan Kredit ("AKPK"). MyKNP@CGC offers MSMEs, whose financing applications are rejected by banks, the opportunity to seek advisory services to improve their eligibility.

(b) Key Performance Indicators ("KPIs")

As of 31 December 2019, out of the 25 strategic initiatives under our 5-Year Strategic Plan ("5SP+"), 19 were completed and six (6) are going as planned. We have managed to achieve five out of the six headline targets set out in our 5SP+ in 2019.

DIRECTORS' REPORT

BUSINESS REVIEW (CONTINUED)

(c) Key Risks and Mitigations

CGC practises credit risk and portfolio management through consistent monitoring, data analytics and insightful reporting. Standards to mitigate risk adhere to Malaysian Financial Reporting Standards ("MFRS") and Bank Negara Malaysia ("BNM") Internal Capital Adequacy Assessment Process ("ICAAP"). Operational risk has heightened, especially with extensive exposure to technology, with relevant controls to manage the digital risks. IT governance and cyber security, key risks now are closely monitored. CGC continues to keep abreast of regulatory and legal requirements to ensure compliance with all guidelines issued by regulators.

(d) Human Capital Development

Attracting, developing and retaining talent remain the key fundamentals for developing human capital in CGC, the cornerstones of our Employee Value Proposition. CGC embarked on an enterprise-wide Change Management Programme to ensure our staff's skill enhancement and continuous learning to stay relevant to both internal and external stakeholders. Our investment in our people also enables them to better manage rapidly evolving development of automation and FinTech in our business.

(e) Community Building

At CGC, our Corporate Responsibility ("CR") focusses on Community Building, Education, Health and Sports, and Environment initiatives. As we strive continuously to give back to society, we do it by supporting local communities, especially the underserved and underprivileged members. In 2019, CGC successfully carried out 20 corporate responsibility programmes.

In many of these programmes, we initiated and teamed up with reputable organisations, for example the PERTIWI Soup Kitchen for distribution of food to the homeless and urban poor. Together with Rakan IJN, CGC celebrated Christmas with 70 young heroes from the National Heart Institute. Our annual 'Jom Kembali ke Sekolah' programme, benefitted over 100 primary school students from Sekolah Kebangsaan Jeram, Selangor. In the spirit of inclusiveness, our branches in East Malaysia organised the Kaamatan and Hari Gawai celebrations for the underprivileged communities in Kota Kinabalu and Kuching.

AUDITORS

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

This report was approved by the Board of Directors on 23 April 2020. Signed on behalf of the Board of Directors:

DATO' AGIL NATT
Chairman

FAISAL ISMAIL
Director

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Property, plant and equipment	6	**28,361**	29,004	**28,361**	28,489
Intangible assets	7	**16,037**	20,247	**16,037**	15,253
Right-of-Use assets (ROU)	8	**2,303**	-	**2,303**	-
Investment in a subsidiary	9	**-**	-	**-**	-
Investments in associates	10	**216**	896,623	**200**	500,200
Assets held for sale	11	**912,403**	-	**500,000**	-
Structured investments: Fair value through profit or loss ("FVTPL")	12	**-**	148,546	**-**	148,546
Investment securities: FVTPL	13	**952,001**	801,786	**952,001**	801,786
Investment securities: Fair value through other comprehensive income ("FVOCI")	14	**1,784,688**	1,701,952	**1,784,688**	1,701,952
Investment securities: Amortised cost	15	**182,333**	171,800	**182,333**	171,800
Derivative financial assets	16	**5,798**	1,945	**5,798**	1,945
Term deposits	17	**1,161,329**	984,646	**1,161,329**	984,646
Loans, advances and financing	18	**163,582**	181,783	**163,582**	181,783
Amount due from a subsidiary	19	**-**	-	**3,970**	4,505
Amount due from Bank Negara Malaysia ("BNM")	20	**151**	-	**151**	-
Trade and other receivables	21	**35,191**	20,275	**35,191**	18,118
Cash and cash equivalents		**99,660**	64,712	**99,660**	60,996
TOTAL ASSETS		**5,344,053**	5,023,319	**4,935,604**	4,620,019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to the shareholders of the Company					
Share capital	22	**1,785,600**	1,785,600	**1,785,600**	1,785,600
Reserves	23	**1,016,918**	945,866	**1,016,918**	945,866
Retained earnings		**1,093,142**	948,743	**704,991**	552,685
FVOCI reserve	24	**98,300**	31,079	**82,001**	27,142
		3,993,960	3,711,288	**3,589,510**	3,311,293
Non-controlling interest		**1,304**	1,416	**-**	-
TOTAL EQUITY		**3,995,264**	3,712,704	**3,589,510**	3,311,293
LIABILITIES					
Amount due to Bank Negara Malaysia ("BNM")	20	**-**	227	**-**	227
Funds from BNM	25	**919,321**	841,089	**919,321**	841,089
Small Entrepreneurs Guarantee Scheme ("SEGS")	26	**21,633**	29,549	**21,633**	29,549
Tabung Usahawan Kecil ("TUK")	27	**41,550**	39,906	**41,550**	39,906
Government funds	28	**32,159**	42,556	**32,159**	42,556
Small Entrepreneurs Financing Fund ("SEFF")	29	**33**	32	**33**	32
Derivative financial liabilities	30	**244**	1,016	**244**	1,016
Expected credit losses for guarantee schemes	31	**199,656**	208,911	**199,656**	208,911
Liabilities held for sale	11	**2,695**	-	**-**	-
Claims payable		**1,480**	2,097	**1,480**	2,097
Trade and other payables	32	**127,667**	145,232	**127,667**	143,343
Lease liability	8	**2,351**	-	**2,351**	-
Deferred tax liabilities		**-**	-	**-**	-
TOTAL LIABILITIES		**1,348,789**	1,310,615	**1,346,094**	1,308,726
TOTAL EQUITY AND LIABILITIES		**5,344,053**	5,023,319	**4,935,604**	4,620,019

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
Continuing operations	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	35	**191,830**	172,903	**191,830**	172,903
Investment income	36	**234,134**	234,808	**234,134**	234,808
		425,964	407,711	**425,964**	407,711
Other operating income	37	**59,842**	58,161	**68,792**	63,861
Total income		**485,806**	465,872	**494,756**	471,572
Staff costs	38	**78,949**	68,932	**78,949**	68,932
Depreciation on property, plant and equipment		**6,099**	5,394	**6,099**	5,394
Amortisation of intangible assets		**5,968**	4,273	**5,968**	4,273
Expected credit losses		**103,906**	129,445	**103,906**	129,445
Expected credit losses of loans, advances and financing		**8,689**	9,472	**8,689**	9,472
Expected credit losses for investment securities and others		**11,388**	(266)	**11,388**	(266)
Interest expense for Government loans		**3,422**	3,525	**3,422**	3,525
Other operating expenses		**52,977**	40,161	**52,977**	40,161
Total operating expenses		**271,398**	260,936	**271,398**	260,936
Share of loss after tax of an associate		**(9)**	(10)	**-**	-
Profit before taxation	39	**214,399**	204,926	**223,358**	210,636
Taxation		**-**	-	**-**	-
Profit from continuing operations		**214,399**	204,926	**223,358**	210,636
Profit from discontinuing operations	11	**940**	57,614	**-**	-
Net profit for the financial year		**215,339**	262,540	**223,358**	210,636

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
- Net fair value gain on FVOCI investments		**43,873**	13,871	**43,873**	13,871
- Write-back of expected credit losses for FVOCI investments		**10,986**	(19)	**10,986**	(19)
- Share of other comprehensive income from discontinued operation	11	**12,362**	2,433	**-**	-
Other comprehensive income for the financial year		**67,221**	16,285	**54,859**	13,852
Total comprehensive income for the financial year		**282,560**	278,825	**278,217**	224,488
Net profit/(loss) for the financial year attributable to:					
Shareholders of the Company		**215,451**	263,095	**223,358**	210,636
Non-controlling interest		**(112)**	(555)	**-**	-
		215,339	262,540	**223,358**	210,636
Total comprehensive income/(loss) for the financial year attributable to:					
Shareholders of the Company		**282,672**	279,380	**278,217**	224,488
Non-controlling interest		**(112)**	(555)	**-**	-
		282,560	278,825	**278,217**	224,488
Total comprehensive income for the year attributable to Shareholders of the Company arises from:					
Continuing operations		**214,399**	204,926	**223,358**	210,636
Discontinued operations		**1,052**	58,169	**-**	-
		215,451	263,095	**223,358**	210,636

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to Shareholders of the Company							
Group	**Note**	**Share capital RM'000**	**Special Programme reserve RM'000**	**Skim Perbankan Islam ("SPI") reserve RM'000**	**Special reserve RM'000**	**FVOCI reserve RM'000**	**Retained earnings RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
Balance as at 1 January 2019 – as previously reported		**1,785,600**	**308,612**	**16,509**	**620,745**	**31,079**	**948,743**	**1,416**	**3,712,704**
Total comprehensive income/ (loss) for the financial year		**-**	**-**	**-**	**-**	**67,221**	**215,451**	**(112)**	**282,560**
Transfer between reserves	**23**	**-**	**20,588**	**896**	**49,568**	**-**	**(71,052)**	**-**	**-**
Balance as at 31 December 2019		**1,785,600**	**329,200**	**17,405**	**670,313**	**98,300**	**1,093,142**	**1,304**	**3,995,264**
Balance as at 1 January 2018		1,585,600	288,852	15,630	566,260	14,794	960,772	1,971	3,433,879
Total comprehensive income/ (loss) for the financial year		-	-	-	-	16,285	263,095	(555)	278,825
Redemption of redeemable preference shares		200,000	-	-	-	-	(200,000)	-	-
Transfer between reserves	23	-	19,760	879	54,485	-	(75,124)	-	-
Balance as at 31 December 2018		1,785,600	308,612	16,509	620,745	31,079	948,743	1,416	3,712,704

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Non-Distributable					Distributable	
Company	Note	Share capital RM'000	Special Programme reserve RM'000	Skim Perbankan Islam ("SPI") reserve RM'000	Special reserve RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 January 2019 – as previously reported		**1,785,600**	**308,612**	**16,509**	**620,745**	**27,142**	**552,685**	**3,311,293**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**54,859**	**223,358**	**278,217**
Transfer between reserves	23	**-**	**20,588**	**896**	**49,568**	**-**	**(71,052)**	**-**
Balance as at 31 December 2019		**1,785,600**	**329,200**	**17,405**	**670,313**	**82,001**	**704,991**	**3,589,510**
Balance as at 1 January 2018		1,585,600	288,852	15,630	566,260	13,290	617,173	3,086,805
Total comprehensive income for the financial year		-	-	-	-	13,852	210,636	224,488
Redemption of redeemable preference shares		200,000	-	-	-	-	(200,000)	-
Transfer between reserves	23	-	19,760	879	54,485	-	(75,124)	-
Balance as at 31 December 2018		1,785,600	308,612	16,509	620,745	27,142	552,685	3,311,293

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	**215,339**	262,540	**223,358**	210,636
Adjustments for:				
Depreciation on property, plant and equipment	**6,099**	5,593	**6,099**	5,394
Depreciation on ROU assets	**1,574**	-	**1,574**	-
Amortisation of intangible assets	**5,968**	5,959	**5,968**	4,273
Gain on disposal of property, plant and equipment	**-**	(34)	**-**	(34)
Write-off of property, plant and equipment	**2,526**	28	**2,526**	28
Write-off of intangible assets	**114**	-	**114**	-
Interest expense for lease liability	**140**	-	**140**	-
Unrealised fair value gain on structured investments	**-**	1,454	**-**	1,454
Realised gain on FVOCI investments	**(760)**	(279)	**(760)**	(279)
Realised (gain)/loss on FVTPL investments	**(11,271)**	4,880	**(11,271)**	4,880
Realised (gain)/loss on structured investments	**(1,454)**	2,051	**(1,454)**	2,051
Unrealised fair value gain on FVTPL investments	**(35,050)**	(18)	**(35,050)**	(18)
Amortisation of premiums on FVTPL investments	**2,463**	2,462	**2,463**	2,462
Amortisation of premium on FVOCI investments	**1,511**	1,209	**1,511**	1,209
Realised loss/(gain) on derivatives	**455**	(605)	**455**	(605)
Unrealised (gain)/loss on derivatives	**(4,523)**	1,282	**(4,523)**	1,282
Expected credit losses	**103,906**	129,445	**103,906**	129,445
Expected credit losses of loans, advances and financing (net)	**8,689**	9,472	**8,689**	9,472
Expected credit losses charge/(written back) for investment securities	**11,388**	(272)	**11,388**	(272)
Expected credit losses for P2P	**(1)**	6	**(1)**	6
Expected credit losses written back for trade receivables	**-**	(52)	**-**	-
Amortisation of deferred income	**(2,728)**	(2,953)	**(2,728)**	(2,953)
Accretion of Government loans	**2,728**	2,953	**2,728**	2,953
Interest expense on Government loans	**3,422**	3,525	**3,422**	3,525
Share of profit after tax of associates	**(4,112)**	(59,568)	**-**	-
Taxation	**-**	(17)	**-**	-
	306,423	369,061	**318,554**	374,910
Decrease/(increase) in interest receivable for investments	**10,762**	(4,816)	**10,762**	(4,816)
Decrease in amount due from a subsidiary	**-**	-	**535**	56
Increase in trade and other receivables	**(17,073)**	(1,835)	**(17,073)**	(1,944)
Increase/(decrease) in loans, advances and financing	**9,512**	(20,311)	**9,512**	(20,311)
Decrease in claims payable	**(113,778)**	(102,809)	**(113,778)**	(102,809)
Decrease in other payables	**(12,948)**	(66,444)	**(12,948)**	(65,983)
Cash generated from operations	**182,898**	172,846	**195,564**	179,103
Tax paid	**-**	(1)	**-**	-
Net cash inflows from operating activities	**182,898**	172,845	**195,564**	179,103

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	**-**	38	**-**	38
Purchase of property, plant and equipment	**(12,481)**	(9,957)	**(12,481)**	(9,897)
Purchase of intangible assets	**(2,882)**	(9,276)	**(2,882)**	(7,838)
Purchase of lease liability	**(1,665)**	-	**(1,665)**	-
Purchase of structured investments	**-**	(150,000)	**-**	(150,000)
Purchase of FVTPL investments	**(791,869)**	(439,599)	**(791,869)**	(439,599)
Purchase of FVOCI investments	**(342,512)**	(99,923)	**(342,512)**	(99,923)
Purchase of Amortised Cost investments	**(100,000)**	(21)	**(100,000)**	(21)
Proceeds from disposal of FVOCI investments	**302,004**	165,017	**302,004**	165,017
Proceeds from disposal of FVTPL investments	**674,710**	415,742	**674,710**	415,742
Proceeds from disposal of structured investments	**150,000**	145,010	**150,000**	145,010
Proceeds from disposal of amortised cost investments	**90,000**	-	**90,000**	-
Increase in derivative financial liabilities – net	**(557)**	586	**(557)**	586
(Increase)/decrease in term deposits	**(472,570)**	571,601	**(472,570)**	571,601
Dividend received from associates	**8,950**	5,700	**-**	-
Net cash inflows/(outflows) from investing activities	**(498,872)**	594,918	**(507,822)**	590,716
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Small Entrepreneurs Guarantee Scheme	**(9,000)**	(9,000)	**(9,000)**	(9,000)
Repayment of preference shares	**-**	(200,000)	**-**	(200,000)
Repayment of Small Entrepreneurs Financing Fund	**1**	(11,043)	**1**	(11,043)
Repayment of HPT & New Investment Fund	**(10,397)**	(107,786)	**(10,397)**	(107,786)
Payment of interest on Government funds	**(3,422)**	(3,525)	**(3,422)**	(3,525)
Repayment of loan due to non-controlling interest	**-**	(38)	**-**	-
Decrease in amount due to BNM	**(378)**	(282)	**(378)**	(282)
Increase in BizMula-i and BizWanita-i funds from BNM	**78,232**	39,589	**78,232**	39,589
Net cash inflows/(outflows) in financing activities	**55,036**	(292,085)	**55,036**	(292,047)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	**(260,938)**	475,678	**(257,222)**	477,772
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**540,010**	64,332	**536,294**	58,522
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**279,072**	540,010	**279,072**	536,294
Cash and cash equivalent comprise the following:				
Cash and bank balances	**99,660**	64,712	**99,660**	60,996
Term deposits	**1,161,329**	984,646	**1,161,329**	984,646
	1,260,989	1,049,358	**1,260,989**	1,045,642
Less:				
Term deposits with original maturity more than three months	**981,917**	509,348	**981,917**	509,348
	279,072	540,010	**279,072**	536,294

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	At 1 January 2019 RM'000	Cash flows RM'000	Non-cash changes Interest accretion RM'000	Non-cash changes Interest accrual RM'000	At 31 December 2019 RM'000
Amount due to Bank Negara Malaysia ("BNM")	**227**	**(378)**	**-**	**-**	**(151)**
Funds from BNM	**841,089**	**78,232**	**-**	**-**	**919,321**
Small Entrepreneurs Guarantee Scheme ("SEGS")	**29,549**	**(9,000)**	**1,084**	**-**	**21,633**
Tabung Usahawan Kecil ("TUK")	**39,906**	**-**	**1,644**	**-**	**41,550**
Government funds	**42,556**	**(13,819)**	**-**	**3,422**	**32,159**
Preference shares	**-**	**-**	**-**	**-**	**-**
Small Entrepreneurs Financing Fund ("SEFF")	**32**	**1**	**-**	**-**	**33**
	953,359	**55,036**	**2,728**	**3,422**	**1,014,545**

Group	At 1 January 2018 RM'000	Cash flows RM'000	Non-cash changes Interest accretion RM'000	Non-cash changes Interest accrual RM'000	At 31 December 2018 RM'000
Amount due to Bank Negara Malaysia ("BNM")	509	(282)	-	-	227
Funds from BNM	801,500	39,589	-	-	841,089
Small Entrepreneurs Guarantee Scheme ("SEGS")	37,176	(9,000)	1,373	-	29,549
Tabung Usahawan Kecil ("TUK")	38,326	-	1,580	-	39,906
Government funds	150,342	(111,311)	-	3,525	42,556
Preference shares	200,000	(200,000)	-	-	-
Small Entrepreneurs Financing Fund ("SEFF")	11,075	(11,043)	-	-	32
	1,238,928	(292,047)	2,953	3,525	953,359

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	At 1 January 2019 RM'000	Cash flows RM'000	Non-cash changes Interest accretion RM'000	Non-cash changes Interest accrual RM'000	At 31 December 2019 RM'000
Amount due to Bank Negara Malaysia ("BNM")	**227**	**(378)**	**-**	**-**	**(151)**
Funds from BNM	**841,089**	**78,232**	**-**	**-**	**919,321**
Small Entrepreneurs Guarantee Scheme ("SEGS")	**29,549**	**(9,000)**	**1,084**	**-**	**21,633**
Tabung Usahawan Kecil ("TUK")	**39,906**	**-**	**1,644**	**-**	**41,550**
Government funds	**42,556**	**(13,819)**	**-**	**3,422**	**32,159**
Preference shares	**-**	**-**	**-**	**-**	**-**
Small Entrepreneurs Financing Fund ("SEFF")	**32**	**1**	**-**	**-**	**33**
	953,359	**55,036**	**2,728**	**3,422**	**1,014,545**

Company	At 1 January 2018 RM'000	Cash flows RM'000	Non-cash changes Interest accretion RM'000	Non-cash changes Interest accrual RM'000	At 31 December 2018 RM'000
Amount due to Bank Negara Malaysia ("BNM")	509	(282)	-	-	227
Funds from BNM	801,500	39,589	-	-	841,089
Small Entrepreneurs Guarantee Scheme ("SEGS")	37,176	(9,000)	1,373	-	29,549
Tabung Usahawan Kecil ("TUK")	38,326	-	1,580	-	39,906
Government funds	150,342	(111,311)	-	3,525	42,556
Preference shares	200,000	(200,000)	-	-	-
Small Entrepreneurs Financing Fund ("SEFF")	11,075	(11,043)	-	-	32
	1,238,928	(292,047)	2,953	3,525	953,359

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

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. The address of the registered office of the Company is Level 14, Bangunan CGC, Kelana Business Centre, No. 97, Jalan SS 7/2, 47301 Petaling Jaya, Selangor.

The principal place of business of the Company is located at Level 8, Bangunan CGC, Kelana Business Centre, No. 97, Jalan SS 7/2, 47301 Petaling Jaya, Selangor.

The Company is principally engaged in the provision of guarantees, loans and financing. The principal activity of the subsidiary is the provision of credit reference services, credit rating and such other services related to a credit bureau. There have been no significant changes in the nature of principal activities during the financial year.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 23 April 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements unless otherwise stated.

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention, unless otherwise indicated 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 income and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Standards, amendments to published standards and interpretations that are effective.

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015-2017 Cycle

The Group and the Company have adopted MFRS 16 'Leases' issued by MASB with its mandatory adoption date of 1 January 2019. MFRS 16 supersedes MFRS 117 'Leases' and its related interpretations. As permitted by MFRS 16, the Group and the Company have adopted the simplified transitional approach and will not restate comparative amounts for the financial year prior to first adoption.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are effective. (continued)

Right of use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Company's borrowing rate as of 1 January 2019.

The reconciliation on the operating lease commitments disclosed under MFRS 117 to MFRS 16 are as follows:

	Group/ Company 2019 RM'000
Operating lease commitments as at 31 December 2018	**4,944**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**(1,815)**
(Less): short-term leases recognised on a straight-line basis as expense	**(739)**
Lease liability recognised as at 1 January 2019	**2,390**

The recognised right-of-use assets as at 1 January 2019 relate to properties.

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2019. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered 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 without 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 or 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 retrospectively.

2.2 Consolidation, subsidiaries and associates

(a) Subsidiaries

Subsidiaries are all 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 of 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 profit or loss.

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 remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in the 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 9 in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation, subsidiaries and associates (continued)

(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 the 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 remeasured to its fair value with the change in carrying amount recognised in the 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 the profit or loss.

(d) 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 the equity method of accounting. Under the equity method, the investment in an associate 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 the statements of comprehensive income, 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 on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate 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 in share of profit after tax of associates in statements of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation, subsidiaries and associates (continued)

(d) Associates (continued)

When the Group ceases to equity account its associates because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the 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 the 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 the profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in the profit or loss.

2.3 Investments in subsidiaries and associates in separate financial statements

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

The amount 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.

2.4 Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes 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.

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 Company 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 profit or loss during the financial period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in 'other operating income/(loss)' in the profit or loss.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Building	25 years
Leasehold land	Over the remaining lease period
Motor vehicles	5 years
Office equipment	5 years
Furniture, fittings and fixtures	5 years
Renovation	5 years
Computer equipment	5 years

At the end of the reporting period, the Group and the Company 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 accounting policy Note 2.6 on impairment of non-financial assets.

2.5 Intangible assets

Intangible assets consist of capitalised data cost acquired from Companies Commission of Malaysia and application software.

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets which it relates. All other expenditure is recognised in the profit or loss as incurred.

Intangible assets with finite useful lives are amortised from the date they are available for use.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated lives of the intangible assets, summarised as follows:

Capitalised data costs	5 years
Application software	5-10 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

At the end of the reporting period, the Group and the Company assess 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 written down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.6 on impairment of non-financial assets.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, 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 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 of disposal 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 groups 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 loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.7 Financial assets

Debt instruments

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

There are three measurement categories into which the Group and the Company classify the debt instruments:

(i) *Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in investment income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

(ii) *Fair value through other comprehensive income ("FVOCI")*

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in investment income. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in investment income and impairment expenses are presented as separate line item in the profit or loss.

(iii) *Fair value through profit or loss ("FVTPL")*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in the profit or loss and presented net within investment income in the period which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company'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 investments. Dividends from such investments continue to be recognised in the profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in investment income in the profit or loss.

Impairment for debt instruments and financial guarantee contracts

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

The Group and the Company have four types of financial instruments that are subject to the ECL model:

- Trade receivables
- Loans to subsidiaries
- Contract assets
- Financial guarantee contracts

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 expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Company expect to receive from the holder, the debtor or any other party.

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 and financial guarantee contracts issued

At each reporting date, the Group and the Company measure 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.

(ii) Simplified approach for trade receivables, contract assets and lease receivables

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 44 sets out the measurement details of ECL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Significant increase in credit risk ("SICR")

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare 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:

- Default risk

  The Group and the Company shall compare the risk of a default occuring on the financial instrument as at the reporting date with the risk of a default as at the date of initial recognition.

- Forward looking information

  When more forward looking than past due information is available, it must be used to assess SICR. Because credit risk typically increases significantly before a financial instrument becomes past due or other lagging customer-specific factors (for example, a modification or restructuring) are observed.

- Past due information

  When information that is more forward looking than past due status is not available, the Group and the Company may use past due information to determine SICR.

- Collective assessment

  Some factors or indicators may not be identifiable on an individual financial instrument level. In such a case, the factors or indicators should be assessed for appropriate portfolios, groups of portfolios or portions of a portfolio of financial instruments to determine SICR.

- Low credit risk at reporting date

  Financial instrument with low credit risk at reporting date could be considered as no SICR.

- Non funded product consideration

  For financing commitments, using changes in the risk of a default occuring on the financing to which a financing commitment relates. For financial guarantee contracts, an entity considers the changes in the risk that the specified debtor will default on the contract.

- De-recognition of SICR

  Financial instruments that move from stage 2 back to stage 1 need to have a history of timely payment performance against the modified contractual terms.

Macroeconomic information (such as unemployment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Definition of default and credit-impaired financial assets

The Group and the Company define 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 and the Company define 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 and the Company consider 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 measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables and contract assets arising from furniture manufacturing business have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group and the Company have 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 contract assets which are in default or credit-impaired are assessed individually.

Write-off

(i) Trade receivables

Trade receivables 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 the Company, and a failure to make contractual payments for a period of greater than days past due.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Write-off (continued)

(ii) Other receivables

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

2.8 Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at FVTPL. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at FVTPL. Financial liabilities at FVTPL are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial liabilities are de-recognised when extinguished.

(a) Recognition and initial measurement

Other financial liabilities measured at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are re-measured at amortised cost using the effective interest method.

Other financial liabilities measured at amortised cost are 'amount due to BNM', 'Funds from BNM', 'SEGS', 'TUK', 'Government funds', 'SEFF', 'loan due to non-controlling interest', 'amount due to a subsidiary', 'claims payable' and 'trade and other payables'.

(b) De-recognition

Financial liabilities are de-recognised when they have been redeemed or otherwise extinguished.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive, and as liabilities when fair values are negative.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Derivative financial instruments (continued)

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Group's and the Company's derivatives do not qualify for hedge accounting. They are classified as FVTPL and accounted for in accordance with the accounting policy set out in Note 2.7.

2.11 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of issuance is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premium is recognised.

Subsequently the financial guarantee contracts are measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

2.12 Trade and other receivables

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

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

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. See accounting policy Note 2.7 on impairment of financial assets.

2.13 Cash and cash equivalents

For the purpose of the statement 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, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Non-current Assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Immediately before the classification as held for sale, the assets and liabilities are measured in accordance to the Group's accounting policies and thereafter they are stated at the lower of carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

2.15 Share capital

Ordinary shares

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 substance of the contractual arrangement of the particular instrument. Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

Preference shares

Preference shares are classified as liability if they are redeemable on a specific date, or at the option of the preference shareholders or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the profit or loss.

2.16 Trade and claims payables

Trade and claims payables represent liabilities for goods or services provided to the Group and the Company prior to the end of financial year which are unpaid. Trade and claims 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 and claims payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade and claims payables are subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period'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 profit or loss, 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 Company and its 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

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

Deferred tax liability is recognised for all taxable temporary differences associated with property, plant and equipment and intangible assets.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

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.

2.18 Employee benefits

Short term employee benefits

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

The Group and the Company recognise a provision where contractually obliged or where there is a past practise that has created a constructive obligation.

Defined contribution plans

The Group and the Company contribute to the Employees' Provident Fund ("EPF"), a defined contribution plan. The Group's and the Company's contributions to the defined contribution plan are charged to the profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Government grants

The benefit of a Government loan at a below-market rate of interest is treated as a Government grant. The Government loan is recognised as a financial liability, and measured in accordance with MFRS 9 'Financial Instruments'. The Government grant is measured as the difference between the initial carrying value of the Government loan determined in accordance with MFRS 9 and the proceeds received. The Government grant is presented as deferred income in the statements of financial position.

Government grants are recognised when there is a reasonable assurance that the grants will be received, and the Group and the Company will comply with the conditions attached to the grants. Government grants are recognised in the statements of comprehensive income on a systematic basis over the periods in which the Group and the Company recognise as expenses the related costs for which the grants are intended to compensate.

The Group and the Company have applied the transitional provisions in MFRS 120 'Accounting for Government Grants and Disclosure of Government Assistance' and Amendment to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standard' on Government Loans whereby the accounting provisions of MFRS 120 shall be apply prospectively to grants receivable or repayable after the effective date of the standard. The grants are 'Tabung Usahawan Kecil' and 'Small Entrepreneurs Guarantee Scheme'.

The Government loans which existed at the date of transition are 'Funds from BNM' for Tabung Projek Usahawan Bumiputera-i and subscription for shares of Danajamin Nasional Berhad, 'Government funds', and 'Small Entrepreneurs Financing Fund'. These Government loans are stated at their previous carrying value.

2.20 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and the Company expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

2.21 Deferred income (excluding Government grants)

Deferred income comprises subscription fees paid in advance and fees from prepaid package. Deferred income is recognised as revenue in the profit or loss based on amortisation over period for subscription fees and based on utilisation of the prepaid package or the expiry of the agreement for prepaid package, whichever comes first.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Contingencies

The Group and the Company do 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 and the Company 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 case 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 and the Company. The Group and the Company do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and the Company's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group and the Company.

The Group and the Company base its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Guarantee fees are recognised on an accrual basis proportionately over the period of the respective guarantees.

(ii) Interest/profit income is recognised using the effective interest/profit method. When a loan and receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest/profit rate of the instrument, and continues unwinding the discount as interest/profit income. Interest/profit income on impaired loans and receivables are recognised using the original effective interest/profit rate.

(iii) Other interest income, including amortisation of premiums or accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

(iv) Rental income is recognised on a time proportion basis except where default in payment of rent has already occurred and the rent due remains outstanding, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

(v) Sales of services is engages in provision of credit reference services, credit scoring and such other services related to a credit bureau. These services are provided as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

(vi) Other revenue is recognised when a customer obtains control of the services rendered i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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 Group's and 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 remeasured. 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 profit or loss. 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 profit or loss within other comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as at fair value through other comprehensive income 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 profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

2.25 Leases in which the Group is a lessee

The Group as a lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(a) Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (d) below).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases in which the Group is a lessee (continued)

The Group as a lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

While the Group revalues land and building (presented as part of property, plant and equipment) that it owns, it has chosen not to revalue the ROU building held by the Group and the Company.

The Group applies the fair value model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment property owned by the Group and the Company. Refer to Note 8 for accounting policy on investment property.

The Group and the Company present ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

(c) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases in which the Group is a lessee (continued)

The Group as a lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(c) Lease liabilities (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group and the Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

(d) Reassessment of lease liabilities

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(e) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

Accounting policies applied until 31 December 2018

Finance lease

Until 31 December 2018, leases of property, plant and equipment where the Group and the Company, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, 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 cost. The finance cost is charged to the profit or loss 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 is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease

Leases in which a significant (substantially all) portion of the risks and rewards of ownership are not transferred to the Group and the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases in which the Group is a lessor

The Group as a lessor

As a lessor, the Group and the Company determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(a) Finance leases

The Group and the Company classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Company derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 2.7 on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group and the Company revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(b) Operating leases

The Group and the Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Company recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

(c) Sublease classification

Until the financial year ended 31 December 2018, when the Group and the Company was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group and the Company are an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group and the Company applies the exemption described above, then it classifies the sublease as an operating lease.

(d) Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group and the Company allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period, or in the period of revision and future periods if the revision affects both current and future periods. The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely 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 outlined below.

(a) Fair value of structured products and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group and the Company use its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Refer to Note 44(d) for key assumptions used to determine the fair values of financial instruments.

(b) Measurement of expected credit losses allowances

The measurement of ECL allowance for financial assets measured at amortised cost and at FVOCI, and guarantee schemes is an area that requires the use of significant assumptions about future economic conditions and credit behaviour of customers. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in Note 44(a). Areas of significant judgements involved in the measurement of ECL are detailed as follows:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(c) Allowance for impairment on investment in a subsidiary company (CBM)

The Company assesses the impairment on investment in a subsidiary company on an annual basis in accordance with its accounting policy in Note 2.6 to the financial statements. The recoverable amount of the investment in its subsidiary company is assessed based on its value-in-use. Value-in-use is determined using the present value of estimated future cash flow expected to be generated from the subsidiary's business, using the estimates as disclosed in Note 6 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Lease

The accounting for leases under MFRS 16 involves making various judgements and estimates which may need to be disclosed. The level of detail provided depends on the individual circumstances of the entity and the materiality of the amounts involved. For example, an entity may explain how it applies the judgment in the following areas:

(i) How the entity has determined whether a contract is, or contains, a lease.
(ii) How the entity has determined the incremental borrowing rate, for example where third party financing cannot be obtained (or can only be obtained at a significant premium), or by adjusting rates to reflect the term, security, value or economic environment.
(iii) What the entity considers to be an index or rate in determining lease payments.
(iv) How the entity accounts for costs incurred in connection with a lease that are not part of the cost of the ROU asset.

4. LESSEE

The objective of MFRS 16 disclosures is for lessee to disclose sufficient information about its lease contracts for users of financial statements to assess the effect of these contracts on the financial position, financial performance and cash flows of the lessee.

A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.

Where a lessee has elected to present ROU assets within the same line item as the corresponding underlying assets would be presented if they were owned, it should provide the same disclosures for the ROU assets as for the corresponding underlying assets. For example, where the ROU assets are presented as PPE, they would need to be included in the reconciliation that is required under MFRS 116 'Property, Plant and Equipment', with the same amount of detail as is required for other items of PPE.

If ROU assets are measured at revalued amounts applying MFRS 116, the lessee shall also disclose the following information required by MFRS 116.77 for those ROU assets:

(i) Effective date of the revaluation;
(ii) Whether an independent valuer was involved;
(iii) Carrying amount that would have been recognised had the ROU assets been carried under the cost model; and
(iv) Revaluation surplus, indicating the change for the period and any restriction on distribution of the balance to shareholders.

Lessee who chooses to apply the short-term lease exemption in MFRS 16.6 is not required to recognise any lease liability. Instead, the lessee shall recognise the lease payments associated with short-term leases as an expense. Accordingly, MFRS 16 requires such lessees to disclose the amount of its short-term lease commitments if the portfolio of short-term lease commitment at the end of the reporting period is dissimilar to the portfolio of short-term leases for the current reporting period. This is because the amount of lease expense for the next reporting period would be different from the current reporting period.

4. LESSEE (CONTINUED)

4.1 Disclosures about the ROU assets, expenses and cash flows related to leases

MFRS 16 prescribes specific items of information that, if material, should be disclosed by lessees to meet the information needs of users of financial information. A lessee shall disclose these information in tabular format unless another format is more appropriate.

The Group as a lessee

Information about ROU assets, expenses and cash flows related to leases.

	2019 RM'000	2018 RM'000
Carrying amounts of ROU asset by class of underlying assets:		
Properties	**3,132**	-
Machineries	**744**	-
	3,876	-
Additions to the ROU assets during the financial year:		
Properties	**691**	-
Machineries	**567**	-
	1,258	-
Depreciation charge of ROU assets by class of underlying assets:		
Properties	**1,450**	-
Machineries	**124**	-
	1,574	-

Accordingly, additional information may include, but not limited to, information that helps users of financial statements to assess:

(a) Nature of the lessee's leasing activities
(b) Future cash flows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from:
    (i) Variable lease payments
    (ii) Extension options and termination options
    (iii) Residual value guarantee; and
    (iv) Leases not yet commenced to which the lessee is committed.
(c) Restrictions or covenants imposed by leases
(d) Sale and leaseback transactions.

4. LESSEE (CONTINUED)

4.2 Additional entity specific qualitative and quantitative information about its leasing activities

Many leases contain more complex features, which can include variable payments, termination and extension options and residual value guarantee. These features of a lease are often determined on the basis of the individual circumstances of the parties to the contract. Accordingly, to meet the MFRS 16 disclosure objective, a lessee shall disclose additional qualitative and quantitative information about its leasing activities that is relevant to users of financial statements and is not apparent or disclose elsewhere in the financial statements.

Lessee should apply judgement in determining the most useful and relevant disclosures, which will depend on a lessee's individual circumstances. The information is likely to be relevant to users of financial statements if it helps those users to understand:

(i) the flexibility provided by leases. Leases may provide flexibility if, for example, a lessee can reduce its exposure by exercising termination options or renewing leases with favourable terms and conditions.

(ii) restrictions imposed by leases. Leases may impose restrictions, for example, by requiring the lessee to maintain particular financial ratios.

(iii) sensitivity of reported information to key variables. Reported information may be sensitive to, for example, future variable lease payments.

(iv) exposure to other risks arising from leases.

(v) deviations from industry practice. Such deviations may include, for example, unusual or unique lease terms and conditions that affect a lessee's lease portfolio.

Nature of the lessee's leasing activities and restrictions or covenants imposed by leases

The Group leases various offices, warehouses, retail stores, and equipment. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreement do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options and termination options

Extension and termination options are included in a number of equipment leases across the Group. Local teams are responsible for managing their leases and, accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are included, when possible, to provide local management with greater flexibility to align its need for access to equipment with the fulfilment of customer contracts. The individual terms and conditions used vary across the Group. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

In cases in which the Group is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

During 2019, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities of RM2,434,000.

5. LESSOR

MFRS 16 enhances the previous disclosure requirements of a lessor in MFRS 117 to meet the disclosure objective of MFRS 16. Specifically, a lessor is required to disclose sufficient information on its leasing activities so as to give a basis for users of financial statements to assess the effects of these activities on the financial position, financial performance and cash flows of the lessor.

5.1 Analysis of lease income

MFRS 16 requires a lessor to disclose information about the different component of lease income recognised during the reporting period. This requirement is similar to the requirement in MFRS 15 of which entities are required to disaggregate revenue recognised from contract with customers during the reporting period.

Lease income from lease contracts in which the Group acts as a lessor:

	2019 RM'000	2018 RM'000
Operating lease		
Lease income (excluding contingent rents)	**251**	-

5.2 Additional entity specific qualitative and quantitative information

A lessor shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in MFRS 16. This additional information includes, but is not limited to, information that helps users of financial statements to assess:

(a) the nature of the lessor's leasing activities; and

(b) how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor shall disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits.

5.3 Changes in the carrying amount of net investment in finance leases

MFRS 16 requires a lessor to provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases during the reporting period to allow users of financial statements to understand these significant changes. This disclosure was not required by MFRS 117.

During the financial year, the increase of finance lease receivables are due to the following reasons:

	2019 RM'000	2018 RM'000
Balance as at 1 January 2019	**-**	-
Lease payments received during the financial year	**251**	-
Balance as at 31 December 2019	**251**	-

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6. PROPERTY, PLANT AND EQUIPMENT

Group	Building RM'000	Long term leasehold land RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture fittings & fixtures RM'000	Renovation RM'000	Computer equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost									
As at 1 January 2019	39,081	5,010	144	4,085	5,838	15,346	15,758	8,838	94,100
Additions	-	-	-	722	338	2,976	937	7,508	12,481
Disposals	-	-	-	(2)	-	-	-	-	(2)
Write-off	-	-	-	(1,115)	(4,073)	(103)	(4,865)	(22)	(10,178)
Transfer from work in progress	-	-	-	-	-	2,082	811	(2,893)	-
Reclassification to intangible assets (Note 7)	-	-	-	-	-	-	-	(3,984)	(3,984)
Reclassification to assets held for sale (Note 11)	-	-	-	(122)	(245)	(457)	(2,233)	-	(3,057)
As at 31 December 2019	39,081	5,010	144	3,568	1,858	19,844	10,408	9,447	89,360
Less: Accumulated depreciation									
As at 1 January 2019	34,393	2,890	143	2,662	3,752	8,331	12,925	-	65,096
Charge for the financial year	1,564	29	-	494	354	2,844	814	-	6,099
Disposals	-	-	-	(2)	-	-	-	-	(2)
Write-off	-	-	-	(863)	(2,915)	(60)	(3,814)	-	(7,652)
Reclassification to assets held for sale (Note 11)	-	-	-	(102)	(173)	(372)	(1,895)	-	(2,542)
As at 31 December 2019	35,957	2,919	143	2,189	1,018	10,743	8,030	-	60,999
Net book value									
As at 31 December 2019	3,124	2,091	1	1,379	840	9,101	2,378	9,447	28,361

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Building RM'000	Long term leasehold land RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture fittings & fixtures RM'000	Renovation RM'000	Computer equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost									
As at 1 January 2018	39,081	5,010	144	3,828	4,871	12,564	14,482	4,792	84,772
Additions	-	-	-	522	1,017	3,093	1,279	4,046	9,957
Disposals	-	-	-	(218)	(50)	(113)	-	-	(381)
Write-off	-	-	-	(47)	-	(198)	(3)	-	(248)
As at 31 December 2018	39,081	5,010	144	4,085	5,838	15,346	15,758	8,838	94,100
Less: Accumulated depreciation									
As at 1 January 2018	32,829	2,862	143	2,456	3,249	6,605	11,956	-	60,100
Charge for the financial year	1,564	28	-	458	549	2,024	970	-	5,593
Disposals	-	-	-	(218)	(46)	(113)	-	-	(377)
Write-off	-	-	-	(34)	-	(185)	(1)	-	(220)
As at 31 December 2018	34,393	2,890	143	2,662	3,752	8,331	12,925	-	65,096
Net book value									
As at 31 December 2018	4,688	2,120	1	1,423	2,086	7,015	2,833	8,838	29,004

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Building RM'000	Long term leasehold land RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture fittings & fixtures RM'000	Renovation RM'000	Computer equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost									
As at 1 January 2019	39,081	5,010	144	3,963	5,593	14,889	13,525	8,838	91,043
Additions	-	-	-	722	338	2,976	937	7,508	12,481
Disposals	-	-	-	(2)	-	-	-	-	(2)
Write-off	-	-	-	(1,115)	(4,073)	(103)	(4,865)	(22)	(10,178)
Transfer from work in progress	-	-	-	-	-	2,082	811	(2,893)	-
Reclassification to intangible assets (Note 7)	-	-	-	-	-	-	-	(3,984)	(3,984)
As at 31 December 2019	39,081	5,010	144	3,568	1,858	19,844	10,408	9,447	89,360
Less: Accumulated depreciation									
As at 1 January 2019	34,392	2,891	143	2,560	3,579	7,959	11,030	-	62,554
Charge for the financial year	1,564	29	-	494	354	2,844	814	-	6,099
Disposals	-	-	-	(2)	-	-	-	-	(2)
Write-off	-	-	-	(863)	(2,915)	(60)	(3,814)	-	(7,652)
As at 31 December 2019	35,956	2,920	143	2,189	1,018	10,743	8,030	-	60,999
Net book value									
As at 31 December 2019	3,125	2,090	1	1,379	840	9,101	2,378	9,447	28,361

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Building RM'000	Long term leasehold land RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture fittings & fixtures RM'000	Renovation RM'000	Computer equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost									
As at 1 January 2018	39,081	5,010	144	3,708	4,660	12,107	12,273	4,792	81,775
Additions	-	-	-	520	983	3,093	1,255	4,046	9,897
Disposals	-	-	-	(218)	(50)	(113)	-	-	(381)
Write-off	-	-	-	(47)	-	(198)	(3)	-	(248)
As at 31 December 2018	39,081	5,010	144	3,963	5,593	14,889	13,525	8,838	91,043
Less: Accumulated depreciation									
As at 1 January 2018	32,829	2,862	143	2,361	3,093	6,256	10,213	-	57,757
Charge for the financial year	1,563	29	-	451	532	2,001	818	-	5,394
Disposals	-	-	-	(218)	(46)	(113)	-	-	(377)
Write-off	-	-	-	(34)	-	(185)	(1)	-	(220)
As at 31 December 2018	34,392	2,891	143	2,560	3,579	7,959	11,030	-	62,554
Net book value									
As at 31 December 2018	4,689	2,119	1	1,403	2,014	6,930	2,495	8,838	28,489

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7. INTANGIBLE ASSETS

Group	Software RM'000	Data costs RM'000	Capital work in progress RM'000	Total RM'000
Cost				
As at 1 January 2019	**69,353**	**10,228**	**10**	**79,591**
Additions	**2,882**	**-**	**-**	**2,882**
Write-off	**(462)**	**-**	**-**	**(462)**
Reclassification from property, plant and equipment (Note 6)	**3,984**	**-**	**-**	**3,984**
Reclassification to assets held for sale (Note 11)	**(12,708)**	**(10,228)**	**(10)**	**(22,946)**
As at 31 December 2019	**63,049**	**-**	**-**	**63,049**
Less: Accumulated amortisation				
As at 1 January 2019	**51,820**	**7,524**	**-**	**59,344**
Amortisation charge during the financial year	**5,968**	**-**	**-**	**5,968**
Write-off	**(348)**	**-**	**-**	**(348)**
Reclassification to assets held for sale (Note 11)	**(10,428)**	**(7,524)**	**-**	**(17,952)**
As at 31 December 2019	**47,012**	**-**	**-**	**47,012**
Net book value				
As at 31 December 2019	**16,037**	**-**	**-**	**16,037**
Cost				
As at 1 January 2018	61,334	8,981	-	70,315
Additions	8,019	1,247	10	9,276
As at 31 December 2018	69,353	10,228	10	79,591
Less: Accumulated amortisation				
As at 1 January 2018	46,983	6,402	-	53,385
Amortisation charge during the financial year	4,837	1,122	-	5,959
As at 31 December 2018	51,820	7,524	-	59,344
Net book value				
As at 31 December 2018	17,533	2,704	10	20,247

7. INTANGIBLE ASSETS (CONTINUED)

Company	Software RM'000	Data costs RM'000	Total RM'000
Cost			
As at 1 January 2019	**56,645**	**-**	**56,645**
Additions	**2,882**	**-**	**2,882**
Write-off	**(462)**	**-**	**(462)**
Reclassification from property, plant and equipment (Note 6)	**3,984**	**-**	**3,984**
As at 31 December 2019	**63,049**	**-**	**63,049**
Less: Accumulated amortisation			
As at 1 January 2019	**41,392**	**-**	**41,392**
Amortisation charge during the financial year	**5,968**	**-**	**5,968**
Write-off	**(348)**	**-**	**(348)**
As at 31 December 2019	**47,012**	**-**	**47,012**
Net book value			
As at 31 December 2019	**16,037**	**-**	**16,037**
Cost			
As at 1 January 2018	48,807	-	48,807
Additions	7,838	-	7,838
As at 31 December 2018	56,645	-	56,645
Less: Accumulated amortisation			
At 1 January 2018	37,119	-	37,119
Amortisation charge during the financial year	4,273	-	4,273
As at 31 December 2018	41,392	-	41,392
Net book value			
As at 31 December 2018	15,253	-	15,253

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8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The statement of financial position shows the following amounts relating to leases:

	Group/ Company
	31.12.2019 RM'000
Right-of-Use assets:	
Properties	1,682
Machineries	621
	2,303
Lease liabilities:	
Properties	(1,709)
Machineries	(642)
	(2,351)

The statement of profit or loss as at 31 December 2019 shows the following amounts relating to leases:

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Depreciation charge on right-of-use assets		
Properties	1,450	-
Machineries	124	-
	1,574	-
Accumulated Depreciation during the year:		
Properties	1,450	-
Machineries	124	-
	1,574	-

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Future minimum lease payments at 31 December 2019 are as follows:

Group/Company	Within 1 year RM'000	1-3 years RM'000	More than 3 years RM'000	Total RM'000
31.12.2019				
Lease payment	**1,439**	**1,069**	**30**	**2,538**
Finance cost	**(101)**	**(86)**	**-**	**(187)**
Net present value	**1,338**	**983**	**30**	**2,351**
01.01.2019				
Lease payment	**1,666**	**2,323**	**215**	**4,204**
Finance cost	**(140)**	**(176)**	**(11)**	**(327)**
Net present value	**1,526**	**2,147**	**204**	**3,877**

9. INVESTMENT IN A SUBSIDIARY

	Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Unquoted shares, at cost	**23,650**	23,650
Less: Allowance for impairment	**(23,650)**	(23,650)
	-	-

Details of the subsidiary which is incorporated in Malaysia are as follows:

	Percentage of equity held			
	Group		Non-controlling interest	
Name of subsidiary	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Credit Bureau Malaysia Sdn. Bhd. ("CBM")	**71.67%**	71.67%	**28.33%**	28.33%

The principal activity of CBM is provision of credit reference services, credit rating and such services related to a credit bureau.

10. INVESTMENTS IN ASSOCIATES

The principal place of business and country of incorporation of the associates are in Malaysia. All associates are measured using the equity method. There are no available quoted market prices of the associates.

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Unquoted shares, at cost	**500,200**	500,200	**500,200**	500,200
Group's share of post-acquisition reserves	**16**	396,423	**-**	-
Reclassification to assets held for sale (Note 11)	**(500,000)**	-	**(500,000)**	-
	216	896,623	**200**	500,200

Details of the associates are as follows:

Name of associates	Principal activities	Percentage of equity held 31.12.2019	Percentage of equity held 31.12.2018
Aureos CGC Advisers Sdn. Bhd. ("Aureos CGC")	Advisory services	**40%**	40%
Danajamin Nasional Berhad ("Danajamin")	Financial guarantee insurance	**50%**	50%

(a) Summarised financial information of the associates which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	Danajamin		Aureos CGC		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets						
Current assets	**1,639,659**	1,333,405	**628**	654	**1,640,287**	1,334,059
Non-current assets	**1,152,420**	1,414,182	**-**	-	**1,152,420**	1,414,182
Total assets	**2,792,079**	2,747,587	**628**	654	**2,792,707**	2,748,241
Liabilities						
Current liabilities	**(10,403)**	(12,310)	**(86)**	(89)	**(10,489)**	(12,399)
Non-current liabilities	**(979,379)**	(942,484)	**-**	-	**(979,379)**	(942,484)
Total liabilities	**(989,782)**	(954,794)	**(86)**	(89)	**(989,868)**	(954,883)
Net assets	**1,802,297**	1,792,793	**542**	565	**1,802,839**	1,793,358

10. INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Summarised financial information of the associates which are accounted for using the equity method is as follows: (continued)

(ii) Summarised statements of comprehensive income

	Danajamin		Aureos CGC		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	**160,930**	184,557	**-**	-	**160,930**	184,557
Net profit/(loss) for the financial year	**2,684**	119,155	**(23)**	(25)	**2,661**	119,130
Total comprehensive income/(loss) for the financial year	**27,452**	124,024	**(23)**	(25)	**27,429**	123,999

(b) Reconciliation of the summarised financial information to the carrying amount of the interest in the associates:

	Danajamin		Aureos CGC		Total	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Net assets as at 1 January	**1,792,793**	1,680,169	**565**	590	**1,793,358**	1,680,759
Net profit/(loss) for the financial year	**2,684**	119,155	**(23)**	(25)	**2,661**	119,130
Dividend paid	**(17,900)**	(11,400)	**-**	-	**(17,900)**	(11,400)
Other comprehensive income for the financial year	**24,720**	4,869	**-**	-	**24,720**	4,869
Net assets as at 31 December	**1,802,297**	1,792,793	**542**	565	**1,802,839**	1,793,358
Opening carrying value	**901,150**	896,397	**216**	226	**901,366**	896,623
Reclassification to asset held for sale (Note 11)	**(901,150)**	-	**-**	-	**(901,150)**	-
Closing carrying value	**-**	896,397	**216**	226	**216**	896,623

11. DISPOSAL GROUPS HELD FOR SALE

MFRS 5 specify that for non-current assets that meet the criteria to be classified as held for sale, it is to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease. Such assets also to be presented separately in the statement of financial position and the result of discontinued operations to be presented separately in the statement of comprehensive income.

Assets and liabilities of disposal groups held for sale

At 31 December 2019, the disposal groups were stated at the lower of its respective carrying amounts and fair values less costs to sell and comprised the following assets and liabilities:

(i) Summarised statements of comprehensive income

	Danajamin		CBM	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	**160,930**	184,557	**12,500**	11,409
Expenses	**(148,617)**	(66,987)	**(12,906)**	(13,391)
Profit before income tax	**12,313**	117,570	**(406)**	(1,982)
Taxation	**(9,629)**	1,585	**7**	17
Profit/(loss) from discontinued operations	**2,684**	119,155	**(399)**	(1,965)
Other comprehensive income for the financial year	**24,768**	4,869	**-**	-
Total comprehensive income/(loss) for the financial year	**27,452**	124,024	**(399)**	(1,965)

(ii) Summarised statements of cash flow

	Danajamin		CBM	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net cash inflow/(outflow) from operating activities	**45,756**	36,012	**2,771**	(2,691)
Net cash outflow from investing activities	**(1,649)**	(1,844)	**(2,033)**	(1,499)
Net cash outflow from financing activities	**(43,969)**	(35,532)	**(251)**	(163)

(iii) Summarised statements of financial position

	Danajamin	CBM
Assets		
Current assets	**1,639,659**	**5,503**
Non-current assets	**1,152,420**	**5,750**
Total assets	**2,792,079**	**11,253**
Liabilities		
Current liabilities	**(10,403)**	**(6,665)**
Non-current liabilities	**(979,379)**	**-**
Total liabilities	**(989,782)**	**(6,665)**
Net assets	**1,802,297**	**4,588**

11. DISPOSAL GROUPS HELD FOR SALE (CONTINUED)

Assets and liabilities of disposal groups held for sale (continued)

(iii) Summarised statements of financial position (continued)

Reconciliation to carrying value of assets held for sales:

	Group 2019 RM'000	Company 2019 RM'000
Total assets from CBM	**11,253**	**-**
Transfer of investment in associates to asset held for sale (Note 10b)	**901,150**	**500,000**
Total assets held for sale	**912,403**	**500,000**
Total liabilities from CBM	**(6,665)**	**-**
Less:		
Amount due to immediate holding company	**(3,970)**	**-**
Total liabilities held for sale	**(2,695)**	**-**

12. STRUCTURED INVESTMENTS: FVTPL

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
At fair value:		
Structured investments, unquoted in Malaysia	-	148,546

	Group/Company	
	2019 RM'000	2018 RM'000
Fair value gain/(loss):		
As at 1 January	**(6,444)**	(2,939)
Realised gain/(loss) during the financial year (Note 36)	**1,454**	(2,051)
Unrealised fair value (loss) during the financial year (Note 36)	**-**	(1,454)
As at 31 December	**(4,990)**	(6,444)

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13. INVESTMENT SECURITIES: FVTPL

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
At fair value		
Money market instruments:		
Unquoted in Malaysia		
Malaysian Government Securities	**28,241**	30,600
Unquoted securities:		
In Malaysia		
Private debt securities	**613,931**	544,680
Outside Malaysia		
Private debt securities	**270,473**	222,779
	884,404	767,459
Quoted securities:		
In Malaysia		
REITS	**5,074**	-
Outside Malaysia		
REITS	**34,282**	3,727
	39,356	3,727
	952,001	801,786

14. INVESTMENT SECURITIES: FVOCI

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
At fair value		
Money market instruments:		
Unquoted in Malaysia		
Cagamas bonds	**73,289**	71,819
Malaysian Government Securities	**62,134**	47,794
	135,423	119,613
Unquoted securities:		
In Malaysia		
Private debt securities	**1,649,265**	1,582,339
	1,784,688	1,701,952

14. INVESTMENT SECURITIES: FVOCI (CONTINUED)

Movements in allowance for impairment of FVOCI

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
(i) Expected Credit Losses "ECL" Stage 2		
Balance as at 1 January	**4**	60
Allowance made during the financial year	**9,782**	-
Amount written-back during the financial year	**-**	(56)
Balance as at 31 December	**9,786**	4

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
(ii) Expected Credit Losses "ECL" Stage 1		
Balance as at 1 January	**677**	640
Allowance made during the financial year	**1,151**	-
Amount written-back during the financial year	**-**	37
Balance as at 31 December	**1,828**	677

15. INVESTMENT SECURITIES: FINANCIAL ASSETS AT AMORTISED COST

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
At amortised cost		
Unquoted securities:		
In Malaysia		
Private debt securities	**183,517**	172,569
Peer-to-peer ("P2P")	**7**	21
	183,524	172,590
Less: Expected credit losses ("ECL")	**(1,191)**	(790)
	182,333	171,800

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15. INVESTMENT SECURITIES: FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Movements in allowance for Impairment of amortised cost

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
(i) Expected Credit Losses "ECL" Stage 1		
Balance as at 1 January	**790**	1,037
Allowance made during the financial year	**401**	-
Amount written-back during the financial year	**-**	(247)
Balance as at 31 December	**1,191**	790

16. DERIVATIVE FINANCIAL ASSETS

	Group/Company			
	31.12.2019		31.12.2018	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
Derivative assets				
- Currency forward contracts	**317,842**	**5,798**	113,463	1,945

17. TERM DEPOSITS

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
At amortised cost		
Licensed banks	**1,037,600**	905,581
Other financial institutions	**123,729**	79,065
	1,161,329	984,646

18. LOANS, ADVANCES AND FINANCING

(i) By schemes

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Redemption of Direct Access Guarantee Scheme ("DAGS") loans	**78,801**	108,506
Tabung Pemulihan dan Pembangunan Usahawan ("TPPU")	**2,052**	2,052
Tabung Pemulihan Peniaga Kecil ("TPPK")	**169**	198
Tabung Projek Usahawan Bumiputra-i ("TPUB-i")	**47,079**	109,746
BizMula-i	**123,322**	77,789
BizWanita-i	**31,994**	22,389
Staff loans	**1,358**	1,461
Gross loans, advances and financing	**284,775**	322,141
Less: Expected credit losses ("ECL")		
- Stage 3	**(104,054)**	(119,980)
- Stage 2	**(12,176)**	(10,060)
- Stage 1	**(4,963)**	(10,318)
Total net loans, advances and financing	**163,582**	181,783

(ii) By maturity structure

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Maturity within one year	**59,786**	76,243
One year to three years	**56,125**	95,456
Three years to five years	**136,773**	94,112
Over five years	**32,091**	56,330
	284,775	322,141

(iii) By interest rate/profit rate sensitivity

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Fixed rate		
- Redemption of DAGS loans	**78,801**	108,506
- Tabung Pemulihan dan Pembangunan Usahawan	**2,052**	2,052
- Tabung Pemulihan Peniaga Kecil	**169**	198
- Tabung Projek Usahawan Bumiputra-i	**47,079**	109,746
- BizMula-i	**123,322**	77,789
- BizWanita-i	**31,994**	22,389
- Staff loans	**1,358**	1,461
	284,775	322,141

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18. LOANS, ADVANCES AND FINANCING (CONTINUED)

(iv) By economic sectors

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Primary agriculture	**2,340**	2,747
Education, health and others	**15,618**	10,468
Construction	**45,319**	98,633
Electricity, gas & water supply	**2,186**	4,013
Financing, insurance, real estate & business services	**39,126**	38,753
Manufacturing	**34,223**	36,136
Mining & quarrying	**185**	260
Transport, storage & communication	**6,596**	9,390
Wholesale, retail trade, restaurants & hotels	**135,603**	118,030
Others	**3,579**	3,711
	284,775	322,141

(v) By economic purpose

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Working capital	**283,417**	320,680
Others	**1,358**	1,461
	284,775	322,141

(vi) By geographical distribution

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Johor	**46,866**	48,694
Kedah	**13,932**	17,248
Kelantan	**13,414**	9,702
Melaka	**11,123**	13,947
Negeri Sembilan	**15,607**	21,859
Pahang	**12,599**	10,710
Perak	**15,567**	14,127
Pulau Pinang	**21,017**	27,630
Sabah	**21,932**	20,225
Sarawak	**22,858**	24,253
Selangor	**55,463**	74,775
Terengganu	**15,309**	18,654
Wilayah Persekutuan – Kuala Lumpur	**19,088**	20,317
	284,775	322,141

18. LOANS, ADVANCES AND FINANCING (CONTINUED)

(vii) Movements in impaired gross loans, advances and financing

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Balance as at 1 January	**119,980**	124,098
Add: Classified as impaired	**22,567**	25,573
Less: Reclassified as non-impaired	**(225)**	(2,450)
Less: Amount written-back	**(10,413)**	(3,673)
Less: Amount written-off/waived	**(27,855)**	(23,568)
Balance as at 31 December	**104,054**	119,980

(viii) Impaired loans, advances and financing by economic purposes

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Working capital	**103,900**	119,826
Others	**154**	154
	104,054	119,980

(ix) Impaired loans, advances and financing by geographical distribution

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Johor	**14,416**	11,983
Kedah	**5,411**	6,407
Kelantan	**4,724**	5,073
Melaka	**1,934**	862
Negeri Sembilan	**8,850**	12,552
Pahang	**2,457**	3,471
Perak	**2,616**	2,688
Pulau Pinang	**6,713**	7,757
Sabah	**9,536**	9,535
Sarawak	**8,287**	12,510
Selangor	**27,369**	29,173
Terengganu	**4,873**	6,663
Wilayah Persekutuan – Kuala Lumpur	**6,868**	11,306
	104,054	119,980

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18. LOANS, ADVANCES AND FINANCING (CONTINUED)

(x) Movements in expected credit losses/allowance for impairment of loans, advances and financing

	Group/Company	
	2019 RM'000	2018 RM'000
Expected Credit Losses "ECL" STAGE 3		
Balance as at 1 January	**119,980**	124,098
Allowance made during the financial year	**22,567**	25,572
Amount written-back during the financial year	**(10,638)**	(6,122)
Amount written-off/waived during the financial year	**(27,855)**	(23,568)
Balance as at 31 December	**104,054**	119,980
Expected Credit Losses "ECL" STAGE 2		
Balance as at 1 January	**10,060**	13,627
Allowance made during the financial year	**9,397**	6,097
Amount written-back during the financial year	**(7,281)**	(9,664)
Balance as at 31 December	**12,176**	10,060
Expected Credit Losses "ECL" STAGE 1		
Balance as at 1 January	**10,318**	16,729
Allowance made during the financial year	**2,553**	7,130
Amount written-back during the financial year	**(7,908)**	(13,541)
Balance as at 31 December	**4,963**	10,318
Total	**121,193**	140,358

19. AMOUNT DUE FROM A SUBSIDIARY

	Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Amount due from a subsidiary	**3,970**	4,505

The amount due from a subsidiary is unsecured, interest-free and is repayable on demand.

20. AMOUNT DUE FROM/(TO) BNM

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Amount due from/(to) BNM	**151**	(227)

The amount due from/(to) BNM comprises:

(a) Claims paid by the Company for Special Relief Guarantee Facility ("SRGF"), Special Relief Guarantee Facility 2 ("SRGF-2"), Special Relief Facility ("SRF"), Disaster Recovery Fund ("DRF"), which are reimbursable by BNM;

(b) Management fees payable by BNM for services rendered by the Company in administering the SME Assistance Guarantee Scheme ("SME AGS"); and

(c) Recoveries from claims received from third parties payable to BNM which can be set-off against (a) and (b) above.

The amount due from/(to) BNM is unsecured, interest-free and has a 14 days to 21 days repayment terms.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Trade receivables	**-**	1,963	**-**	-
Receivables due from financial institutions	**19,307**	9,512	**19,307**	9,512
Deposits	**1,136**	1,129	**1,136**	1,082
Prepayments	**2,308**	2,465	**2,308**	2,385
Other receivables	**1,010**	624	**1,010**	549
Invoice accrual for guarantee fees	**11,430**	3,955	**11,430**	3,955
Receivables - legal fees	**-**	610	**-**	610
Amount due from Entrepreneur Rehabilitation Fund Sdn. Bhd.	**-**	25	**-**	25
Less: Allowance for impairment				
- Expected credit losses – Lifetime ECL	**-**	(8)	**-**	-
	35,191	20,275	**35,191**	18,118
Expected credit losses – Lifetime ECL				
Balance as at 1 January	**-**	60	**-**	-
Amount written-back during the financial year	**-**	(52)	**-**	-
Balance as at 31 December	**-**	8	**-**	-

Trade receivables are non-interest bearing and are generally on 45 days repayment terms. Receivables due from financial institutions are non-interest bearing and are generally on 30 working days repayment terms.

There are no financial liabilities being set off or subject to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral.

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22. SHARE CAPITAL

	Group/Company	
	2019	2018
	RM'000	RM'000
Issued and fully paid ordinary shares:		
As at 1 January/31 December at no par value	**1,785,600**	1,585,600
Redemption during the financial year	**-**	200,000
	1,785,600	1,785,600

On 7 September 2018, the Company had redeemed 200,000,000 non-cumulative redeemable preference shares ("RPS") at RM1.00 each held by BNM. The Company subsequently transferred the redemption of RM200,000,000 out of the retained earnings under Section 72 (5) of the Companies Act 2016.

23. RESERVES

	Group		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Special Programme reserve (a)	**329,200**	308,612	**329,200**	308,612
SPI reserve (b)	**17,405**	16,509	**17,405**	16,509
Special reserve (c)	**670,313**	620,745	**670,313**	620,745
	1,016,918	945,866	**1,016,918**	945,866

(a) Special Programme reserve

	Group/Company	
	2019	2018
	RM'000	RM'000
As at 1 January	**308,612**	288,852
Transfer from retained earnings during the financial year	**20,588**	19,760
As at 31 December	**329,200**	308,612

The Special Programme reserve was created to meet possible losses arising from the loans granted under the TUK, Small Entrepreneurs Financing Fund ("SEFF"), AIM, Franchise Financing Schemes Fund ("FFS") (Note 33), and Projek Usahawan Bumiputra Dalam Bidang Peruncitan ("PROSPER") (Note 34) schemes and is not distributable as cash dividend as designated by the Directors of the Company. It includes a guarantee fund of RM40 million granted by the Ministry of Entrepreneur and Cooperative Development ("MECD") in 1996 to absorb possible losses on loans granted under SEFF (Note 29).

23. RESERVES (CONTINUED)

(b) SPI reserve

	RM'000	RM'000
As at 1 January	**16,509**	15,630
Transfer from retained earnings during the financial year	**896**	879
As at 31 December	**17,405**	16,509

The SPI reserve was created to meet claim contingencies under Islamic Guarantees for SPI facilities and is not distributable as cash dividend as designated by the Directors of the Company.

(c) Special reserve

	Group/Company	
	2019 RM'000	2018 RM'000
As at 1 January	**620,745**	566,260
Transfer from retained earnings during the financial year	**49,568**	54,485
As at 31 December	**670,313**	620,745

The Special reserve was created to meet claim contingencies arising from loans guaranteed by the Company under all the other schemes and is not distributable as cash dividend as designated by the Directors of the Company. The Special reserve may be utilised to meet excess claim contingencies in respect of all other schemes should the need arise.

The amount transferred from retained earnings to various reserves is the proportion of investment income from investing in those reserves. The basis used for a transfer to any particular reserve is a percentage of the said reserve over total reserves (including retained earnings) at the beginning of the financial year multiply by gross investment income for the financial year. The amount transferred to any reserve also takes into account any movement in the funds during the financial year.

24. FVOCI RESERVE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As at 1 January	**31,079**	14,794	**27,142**	13,290
Fair value gain during the financial year	**43,873**	13,871	**43,873**	13,871
Amount made/(written-back) during the financial year	**10,986**	(19)	**10,986**	(19)
Share of FVOCI of associates	**12,362**	2,433	**-**	-
As at 31 December	**98,300**	31,079	**82,001**	27,142

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25. FUNDS FROM BANK NEGARA MALAYSIA

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
TPUB-i	**301,500**	301,500
Shares of Danajamin	**500,000**	500,000
BizWanita-i	**22,061**	7,575
BizMula-i	**95,760**	32,014
	919,321	841,089
Repayable within 12 months	**33,241**	311,639
Repayable after 12 months	**886,080**	529,450
	919,321	841,089

Details of the balance outstanding as at 31 December 2019 are as follows:

(a) RM300 million for TPUB-i Fund

In 2009, Bank Negara Malaysia ("BNM") agreed to contribute RM300 million to a fund known as TPUB-i which is to be administered in accordance with the Shariah principle of qard. The RM300 million financing is to be repaid on the 5th anniversary date of the disbursement. In June 2019, BNM has granted an extension of repayment for a period of 3 years starting from 1 July 2019 until 30 June 2022.

The financing is subject to profit charge of RM3 million per annum to be paid to BNM.

(b) RM500 million to subscribe for the shares of Danajamin

In 2009, BNM advanced RM500 million to the Company for establishing and subscribing to the shares of Danajamin which is jointly owned by the Government and the Company to primarily carry out the business of providing financial guarantee insurance.

The RM500 million loan is to be repaid in full within 14 days after either expiry of the loan tenure i.e. 30 years from 12 May 2009, or date the Company disposes of its entire shareholding in Danajamin, as determined by BNM, whichever is earlier.

(c) Funds for BizMula-i and BizWanita-i

Starting from 2018, the Small and Medium Enterprise ("SME") financing for BizMula-i and BizWanita-i is funded by BNM. The funding cost is 1.5% per annum and payable to BNM twice a year based on the outstanding amount of financing as at 30 June and 31 December each year. The principal amount is repayable to BNM within 10 working days upon receiving repayments of principal from SMEs.

26. SMALL ENTREPRENEURS GUARANTEE SCHEME ("SEGS")

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Repayable within 12 months	**9,000**	9,000
Repayable after 12 months	**12,633**	20,549
	21,633	29,549

The scheme's purpose is to assist small entrepreneurs to obtain financing of between RM10,000 to RM50,000 for working capital and/or asset acquisition.

On 15 May 2002, the Company entered into an agreement with the Ministry of Finance ("MOF") who contributed RM50 million to initiate a guarantee fund known as SEGS to meet possible loan losses.

This fund was to be repaid in one lump sum at the end of 6 years from the date of drawdown on 14 November 2002 and is subject to interest at 3% per annum. However, on 30 August 2005, MOF agreed to waive the interest which was previously charged to the Company.

On 30 August 2005, the Company entered into another agreement with MOF for an additional RM29 million contribution. It is an interest free fund and to be repaid in one lump sum at the end of 6 years.

On 15 June 2011, MOF agreed to reschedule the total repayment of RM79 million with interest free to 2025. The funds will be repaid in accordance with a repayment arrangement with fund providers.

27. TABUNG USAHAWAN KECIL ("TUK")

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Repayable after 12 months	**41,550**	39,906

The scheme seeks to assist small entrepreneurs to obtain financing of between RM2,000 to RM20,000 for the purposes of working capital and/or asset acquisition with financing for working capital not exceeding RM10,000.

On 10 December 1998, the Company entered into an agreement with the Government who contributed RM50 million to a fund known as TUK. This loanable fund is to be repaid in one lump sum either at the end of 10 years or when the scheme is wound down, whichever is earlier.

The Company ceased to disburse new loans under the TUK Fund as decided by the Minister of Entrepreneur and Cooperative Development effective from 1 January 2000. However, the Company continues to manage the loans disbursed under this scheme prior to the said date.

The earnings from the unutilised portion of the Fund has been transferred to the Special Programme Reserve and will be used to absorb possible losses on loans granted under this scheme.

On 15 June 2011, MOF agreed to reschedule the repayment of RM50 million with interest free to 2025. The funds will be repaid in accordance with a repayment arrangement with fund providers.

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28. GOVERNMENT FUNDS

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
As at 1 January	**42,556**	150,000
Repayment during the financial year	**(10,739)**	(107,786)
Interest payable	**342**	342
As at 31 December	**32,159**	42,556
Repayable within 12 months	**10,842**	10,738
Repayable after 12 months	**21,317**	31,818
	32,159	42,556

This comprises various placements from BNM amounting to RM150 million, intended for loanable funds, of which:

(i) RM50 million for HPT 1992 and is subject to interest at 1% per annum.

(ii) RM100 million for the New Investment Fund and is subject to interest at 1% per annum.

On 14 December 2008, MOF had agreed to reschedule the repayment table by instalment until 2023 as provided by Jabatan Akauntan Negara ("JAN").

29. SMALL ENTREPRENEURS FINANCING FUND ("SEFF")

	Group/Company	
	2019 RM'000	2018 RM'000
As at 1 January	**32**	11,075
Repayment during the financial year	**(32)**	(11,520)
Recovery during the financial year	**33**	477
As at 31 December	**33**	32
Repayable within 12 months	**33**	32

The purpose of this fund is to provide another avenue for small entrepreneurs to obtain financial assistance to improve and upgrade their businesses. The rate of interest charged on loans granted to small entrepreneurs under the SEFF shall not exceed 6% per annum and the amount of loan for each small entrepreneur shall not be more than RM50,000.

In 1996, the Company entered into an agreement with Permodalan Nasional Berhad ("PNB") who agreed to contribute RM200 million to the fund of which RM50 million was received in 1996. The RM50 million was subject to repayment by way of 5 equal annual instalments commencing on the 5th anniversary of the disbursement of each advance. In 2001, the Company shall on demand refund all unutilised sums advanced by PNB without interest. The Company had applied for an extension of the repayment for another 5 years. The Company has paid RM10 million in 2006 and 2007 respectively. In year 2008, the Company was requested to repay on the unutilised portion of the fund and upon recovery of the loans from the small entrepreneurs. As at to date, RM32.5 million was paid.

29. SMALL ENTREPRENEURS FINANCING FUND ("SEFF") (CONTINUED)

In addition to the above, the MECD contributed a guarantee fund of RM40 million which was received in 1996 and included under the Special Programme Reserve to absorb possible losses on loans granted under the SEFF. Correspondingly, the earnings from the unutilised portion of the fund was transferred to the Special Programme Reserve to be used to absorb possible losses on loans granted under this scheme (Note 23).

The remaining of the outstanding amount will be paid to PNB upon recovery of the defaulted loans.

30. DERIVATIVE FINANCIAL LIABILITIES

	Group/Company			
	31.12.2019		31.12.2018	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
Derivative financial liabilities				
- currency forward contracts	**50,644**	**244**	153,340	1,016

31. EXPECTED CREDIT LOSSES FOR GUARANTEE SCHEMES

		Group/Company	
		2019 RM'000	2018 RM'000
(i)	**Expected Credit Losses "ECL" STAGE 3**		
	Balance as at 1 January	**21,366**	12,446
	Allowance made during the financial year	**128,735**	112,346
	Transfer to claims payable during the financial year	**(113,162)**	(103,426)
	Balance as at 31 December	**36,939**	21,366
(ii)	**Expected Credit Losses "ECL" STAGE 2**		
	Balance as at 1 January	**112,845**	90,395
	Allowance made during the financial year	**(19,206)**	22,450
	Balance as at 31 December	**93,639**	112,845
(iii)	**Expected Credit Losses "ECL" STAGE 1**		
	Balance as at 1 January	**74,700**	80,051
	Allowance written back during the financial year	**(5,622)**	(5,351)
	Balance as at 31 December	**69,078**	74,700
	Total	**199,656**	208,911

32. TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Trade payables	**-**	877	**-**	-
Guarantee fee due unearned	**64,485**	62,903	**64,485**	62,903
Refundable proceed TPUB and TPUB-i	**1,031**	4,768	**1,031**	4,768
Sinking fund – TPUB-i	**435**	2,193	**435**	2,193
Deferred income				
- ERF	**39**	39	**39**	39
- Prepaid package and annual subscription fee	**-**	573	**-**	-
- Government grant	**9,817**	12,545	**9,817**	12,545
Green Technology Financing Scheme	**18,574**	23,359	**18,574**	23,359
Accruals	**27,446**	24,317	**27,446**	24,317
Other payables	**5,840**	13,658	**5,840**	13,219
	127,667	145,232	**127,667**	143,343

33. FRANCHISE FINANCING SCHEME FUND ("FFS")

On 27 October 1997, a Memorandum of Understanding ("MOU") was executed between the Company and the Government of Malaysia via Ministry of Cooperative & Entrepreneur Development ("MECD") aiming at promoting growth in franchise business under a fund known as FFS.

In this MOU, the Company was appointed by the Government to execute the scheme. The fund is to provide guarantee cover and subsidy of interest to borrowers, enabling entrepreneurs operating viable franchise businesses to have access to credit facilities up to a maximum of RM7.5 million each. Participating banks may charge interest up to a maximum of BLR + 1.5% per annum, the Company through FFS scheme will subsidies the interest payment and reduce the cost of borrowing.

Details of the Company's receipt from MECD in the form of guarantee fund and subsidy interest to borrowers as follow:

Year	Guarantee fund RM'000	Subsidy on interest RM'000	Total RM'000
1998	2,000	2,000	4,000
1999	2,000	-	2,000
2000	7,197	7,197	14,394
2002	1,450	1,450	2,900
2003	15,000	-	15,000

34. PROJEK USAHAWAN BUMIPUTRA DALAM BIDANG PERUNCITAN ("PROSPER")

The PROSPER scheme was introduced in August 2000 in an effort to encourage more Bumiputra entrepreneurs to be involved in the retail business throughout Malaysia. Under this scheme, four main parties are involved:

(i) Perbadanan Usahawan Nasional Berhad ("PUNB")
(ii) TPPT Sdn. Bhd.
(iii) Participating Financial Institutions (currently only Malayan Banking Berhad is involved), and
(iv) The Company

PROSPER scheme facilities are provided under CGC's Flexi Guarantee Scheme ("FGS") with 100% guarantee coverage. On 3 March 2005, the Company received an amount of RM30 million as a grant from the MOF. The fund is to be used to meet possible loan losses under the scheme.

35. REVENUE

	Group/Company	
	2019 RM'000	2018 RM'000
Guarantee fees – portfolio guarantee scheme	**147,227**	124,698
Guarantee fees – wholesale guarantee scheme	**3,428**	4,954
Guarantee fees – other schemes	**22,675**	22,082
Interest income – Redemption schemes	**7,318**	9,385
Interest income – TPUB	**24**	47
Profit income – TPUB-i	**3,257**	5,809
Profit income – BizMula-i	**6,174**	4,574
Profit income – BizWanita-i	**1,727**	1,354
	191,830	172,903

36. INVESTMENT INCOME

	Group/Company	
	2019 RM'000	2018 RM'000
Interest income		
- Term deposits	**40,146**	101,966
- Investment securities: FVTPL	**45,297**	42,033
- Structured investments: FVTPL	**4,313**	7,896
- Investment securities: FVOCI	**84,051**	84,979
- Investment securities: Amortised Cost	**11,698**	10,370
	185,505	247,244

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36. INVESTMENT INCOME (CONTINUED)

	Group/Company	
	2019 RM'000	2018 RM'000
Realised gain/(loss) on disposal		
- Investment securities: FVTPL	**11,271**	(4,880)
- Structured investments: FVTPL	**1,454**	(2,051)
- Derivatives	**(455)**	605
- Investment securities: FVOCI	**760**	279
	13,030	(6,047)
Unrealised fair value gain/(loss)		
- Investment securities: FVTPL	**35,050**	18
- Structured investments: FVTPL (Note 12)	**-**	(1,454)
- Derivatives	**4,523**	(1,282)
	39,573	(2,718)
(Amortisation of premiums)/Accretion of discounts		
- Investment securities: FVTPL	**(2,463)**	(2,462)
- Investment securities: FVOCI	**(1,511)**	(1,209)
	(3,974)	(3,671)
	234,134	234,808

37. OTHER OPERATING INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental income	**257**	262	**257**	262
Management fees	**2,634**	2,672	**2,634**	2,672
Dividend income from an associate	**-**	-	**8,950**	5,700
Administrative fee – TPUB-i	**54**	59	**54**	59
Recovery income	**46,634**	46,256	**46,634**	46,256
Amortisation of deferred income – Government grant	**2,728**	2,953	**2,728**	2,953
Other income	**7,535**	5,959	**7,535**	5,959
	59,842	58,161	**68,792**	63,861

38. STAFF COSTS

	Group/Company	
	2019 RM'000	2018 RM'000
Salaries	**45,797**	41,778
Bonus	**14,973**	11,622
Employees' Provident Fund	**9,092**	7,943
Others	**9,087**	7,589
	78,949	68,932

39. PROFIT BEFORE TAXATION

	Group/Company	
	2019 RM'000	2018 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Computer maintenance	**10,775**	9,276
Recovery expenses	**5,080**	4,112
Accretion of Government loans	**2,728**	2,953
Fund managers expenses	**3,575**	2,139
Rental	**244**	1,534
Electricity	**1,180**	1,286
Directors remuneration	**771**	684
Directors meeting allowance	**844**	572
Promotional expenses	**1,243**	1,011
Auditors remuneration :		
- statutory audit	**451**	630
- non-audit services	**40**	380
(Gain)/loss on disposal of property, plant and equipment	**-**	(34)
Write-off of property, plant and equipment	**2,526**	28
Depreciation on property, plant and equipment (Note 6)	**6,099**	5,394
Amortisation of intangible assets (Note 7)	**5,968**	4,273
Expected credit losses for guarantee schemes	**103,906**	129,445
Expected credit losses ("ECL") made/(written back) on:		
- loans, advances and financing	**8,689**	9,472
- investment securities	**11,227**	(272)
- P2P	**(1)**	6
Interest expense for Government loans	**3,422**	3,525

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40. COMMITMENTS, CONTINGENCIES AND GOVERNMENT BACKED SCHEMES

The guarantees provided in respect of credit facilities extended by member financial institutions to borrowers under the various schemes guaranteed by the Company are as follows:

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Financial guarantees	**6,355,201**	5,921,299
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**38,309**	130,693
Foreign exchange related contracts:		
- maturity not exceeding one year	**368,486**	266,803
	6,761,996	6,318,795

Out of the total financial guarantees balances of RM6.4 billion as at 31 December 2019, RM1.1 billion is reimbursable under Government Back Scheme ("GBS") arrangement.

(i) Commitments and Contingencies

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Full Risk		
(a) Conventional		
DAGS	**43,922**	55,361
BizSME	**19,062**	-
(b) Islamic		
DAGS	**183**	345
Shared Risk		
(a) Conventional		
BizJamin	**85,072**	91,830
Flexi Guarantee Scheme	**97,491**	111,947
Franchise Financing Scheme	**3,057**	3,742
Small Biz Express	**688**	1,447
Portfolio Guarantee	**2,877,442**	2,461,353
Wholesale Guarantee	**18,766**	-

40. COMMITMENTS, CONTINGENCIES AND GOVERNMENT BACKED SCHEMES (CONTINUED)

(i) Commitments and Contingencies (continued)

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Shared Risk (continued)		
(b) Islamic		
BizJamin	**58,151**	48,909
Flexi Guarantee Scheme	**210,841**	232,160
Portfolio Guarantee	**2,016,823**	1,596,755
Wholesale Guarantee	**16,469**	44,540
Gross Full/Shared Risk Financial guarantees	**5,447,967**	4,648,389
Less: Expected Credit Losses		
- Stage 3	**(36,940)**	(21,366)
- Stage 2	**(93,638)**	(112,845)
- Stage 1	**(69,078)**	(74,700)
Full/Shared Risk Financial guarantees	**5,248,311**	4,439,478

(ii) Government Backed Schemes

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Other Shared Risk – Government Backed Schemes		
(a) Conventional		
Special Relief Guarantee Facility	**-**	730
SME Assistance Facility	**-**	200
SME Assistance Guarantee Scheme	**-**	2,610
Green Technology Financing Scheme	**378,960**	474,730
Intellectual Property Financing Scheme	**-**	5,000
Special Relief Facility	**27,240**	28,870
Disaster Relief Facility	**33,510**	34,560
(b) Islamic		
Green Technology Financing Scheme	**606,870**	858,150
Intellectual Property Financing Scheme	**2,480**	11,480
SME Assistance Guarantee Scheme	**-**	520
Special Relief Facility	**42,560**	49,570
Disaster Relief Facility	**15,270**	15,401
Others Shared Risk – Government Backed Schemes Guarantees	**1,106,890**	1,481,821
Total financial guarantees	**6,355,201**	5,921,299

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41. CAPITAL COMMITMENTS

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	**11,413**	3,501
	11,413	3,501

42. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Other significant related parties are as follows:

Name of Company	Relationship
Bank Negara Malaysia ("BNM")	Substantial shareholder of the Company
Credit Bureau Malaysia Sdn. Bhd.	Subsidiary
Aureos CGC Advisers Sdn. Bhd.	Associate
Danajamin Nasional Berhad	Associate

(b) The key management personnel compensation is as follows:

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
Non-Executive Directors' fees	**1,911**	1,534
Other key management personnel (including President/CEO):		
- Short-term employee benefits	**5,346**	4,586
- Contribution to Employees' Provident Fund	**931**	779
Total compensation	**8,188**	6,899

Key management personnel comprises persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly and consist of the Board of Directors, President/Chief Executive Officer and five Chief Officers.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The key management personnel compensation is as follows: (continued)

(i) Directors' fees and remuneration

Total remuneration (including benefit-in-kind) of the Directors of the Group are as follows:

Group 2019	Salary and bonus RM'000	Fees RM'000	Meeting allowance RM'000	Benefit-in-kind RM'000	Total RM'000
Non-Executive Directors:					
Dato' Agil Natt	-	180	85	110	375
Datuk David Chua Kok Tee	-	72	120	6	198
Dato' Haji Syed Moheeb Syed Kamarulzaman	-	92	136	6	234
Datuk Mohd Zamree Mohd Ishak	-	20	14	-	34
Datuk Hamirullah Boorhan***	-	20	14	-	34
Encik Teoh Kok Lin	-	72	104	6	182
Encik Suresh Menon	-	92	102	6	200
Dato' Ong Eng Bin*	-	72	63	6	141
Encik Kevin Koo Chiang**	-	20	14	-	34
Puan Nadzirah Abd. Rashid	-	72	109	6	187
Encik Choong Tuck Oon	-	72	94	6	172
Encik Adnan Zaylani Mohamad Zahid	-	60	38	-	98
Encik Faisal Ismail[1]	-	6	3	-	9
Puan Saleha M. Ramly[2]	-	6	7	-	13
Total Directors' remuneration	-	856	903	152	1,911

Group 2018	Salary and bonus RM'000	Fees RM'000	Meeting allowance RM'000	Benefit-in-kind RM'000	Total RM'000
Non-Executive Directors:					
Dato' Agil Natt	-	163	42	60	265
Datuk David Chua Kok Tee	-	75	98	3	176
Dato' Haji Syed Moheeb Syed Kamarulzaman	-	86	93	3	182
Datuk Mohd Zamree Mohd Ishak	-	20	16	-	36
Datuk Hamirullah Boorhan***	-	20	14	-	34
Encik Teoh Kok Lin	-	66	73	3	142
Encik Suresh Menon	-	86	86	3	175
Dato' Ong Eng Bin*	-	66	52	3	121
Encik Kevin Koo Chiang**	-	20	16	-	36
Puan Nadzirah Abd. Rashid	-	66	83	3	152
Encik Choong Tuck Oon	-	66	53	3	122
Puan Jessica Chew Cheng Lian	-	47	26	-	73
Encik Adnan Zaylani Mohamad Zahid	-	12	8	-	20
Total Directors' remuneration	-	793	660	81	1,534

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The key management personnel compensation is as follows: (continued)

(i) Directors' fees and remuneration (continued)

Total remuneration (including benefit-in-kind) of the Directors of the Group are as follows: (continued)

Company 2019	Salary and bonus RM'000	Fees RM'000	Meeting allowance RM'000	Benefit-in-kind RM'000	Total RM'000
Non-Executive Directors:					
Dato' Agil Natt	-	**180**	**85**	**110**	**375**
Datuk David Chua Kok Tee	-	**72**	**120**	**6**	**198**
Dato' Haji Syed Moheeb Syed Kamarulzaman	-	**72**	**122**	**6**	**200**
Encik Teoh Kok Lin	-	**72**	**104**	**6**	**182**
Encik Suresh Menon	-	**72**	**88**	**6**	**166**
Dato' Ong Eng Bin*	-	**72**	**63**	**6**	**141**
Puan Nadzirah Abd. Rashid	-	**72**	**109**	**6**	**187**
Encik Choong Tuck Oon	-	**72**	**94**	**6**	**172**
Encik Adnan Zaylani Mohamad Zahid	-	**60**	**38**	-	**98**
Encik Faisal Ismail[1]	-	**6**	**3**	-	**9**
Puan Saleha M. Ramly[2]	-	**6**	**7**	-	**13**
Total Directors' remuneration	-	**756**	**833**	**152**	**1,741**

Company 2018	Salary and bonus RM'000	Fees RM'000	Meeting allowance RM'000	Benefit-in-kind RM'000	Total RM'000
Non-Executive Directors:					
Dato' Agil Natt	-	163	42	60	265
Datuk David Chua Kok Tee	-	66	88	3	157
Dato' Haji Syed Moheeb Syed Kamarulzaman	-	66	77	3	146
Encik Teoh Kok Lin	-	66	73	3	142
Encik Suresh Menon	-	66	70	3	139
Dato' Ong Eng Bin*	-	66	52	3	121
Puan Nadzirah Abd. Rashid	-	66	83	3	152
Encik Choong Tuck Oon	-	66	53	3	122
Puan Jessica Chew Cheng Lian	-	47	26	-	73
Encik Adnan Zaylani Mohamad Zahid	-	12	8	-	20
Total Directors' remuneration	-	684	572	81	1,337

* Director's fees payable to OCBC Bank (M) Berhad
** Director's fees payable to D&B Malaysia Sdn Bhd
*** Director's fees payable to Malayan Banking Berhad
1 Appointed as a Director with effect from 1 December 2019
2 Appointed as a Director with effect from 1 December 2019

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The key management personnel compensation is as follows: (continued)

(ii) The significant related party balances included in the statements of financial position are as follows:

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Amount due from subsidiary (Note 19)	-	-	3,970	4,505

Amount due (to)/from BNM:

	Group/Company	
	31.12.2019 RM'000	31.12.2018 RM'000
(i) SRGF, SRGF-2 and SME AGS (Note 20)	151	(227)
(ii) Government funds (Note 28)	(32,159)	(42,556)
(iii) Danajamin Nasional Berhad (Note 25)	(500,000)	(500,000)
(iv) TPUB-i (Note 25)	(301,500)	(301,500)
(v) BizMula-i (Note 25)	(22,061)	(7,575)
(vi) BizWanita-i (Note 25)	(95,760)	(32,014)

(iii) Details of significant transactions between the Company and its related parties are as follows:

	Group/Company	
	2019 RM'000	2018 RM'000
Subscription fee charged by a subsidiary	5	5
Report fees charged by a subsidiary	311	315
Office rental charged to a subsidiary	(251)	(251)
Management/secretarial fee charged to a subsidiary	(129)	(141)
Interest expense on loan charged by BNM	3,422	3,525

43. CAPITAL MANAGEMENT

The primary objective of the Company is to ensure that it maintains an adequate Guarantee Reserve Ratio ("GRR") in order to meet its mandate in promoting the growth and development of SMEs.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or return capital to the shareholders. No changes were made in the objectives and policies during the financial years ended 31 December 2019 and 2018.

The Company monitors its capital and ability to guarantee by reference to its GRR, which stands at 2.7 times as at 31 December 2019 (2018: 2.6 times). The Company's policy is to maintain a GRR of less than 6 times.

44. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Group and the Company are subjected to four main areas of risk, namely credit risk, market risk, liquidity risk and operational risk.

(a) Credit Risk

Credit risk is the risk of loss of principal or income that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, bond investments as well as loans, advances and financing.

The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

As for loans redeemed and guaranteed, the Group and the Company manage the credit risk by evaluating borrowers based on an in-house credit-scoring model. The Group and the Company use this model to measure the viability of loans vis-à-vis established thresholds.

For other financial assets (including investment securities and placements with fund managers), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

For financial assets recognised in the statements of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if the guarantees were to be called upon. For credit related commitments and contingencies, the maximum exposure to credit risk is full amount of the undrawn credit facilities granted to customers.

All financial assets of the Group and the Company are subject to credit risk except for cash in hand, prepayments as well as non-financial assets.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

In the normal course of business, the Group and the Company are subjected to four main areas of risk, namely credit risk, market risk, liquidity risk and operational risk. (continued)

(a) Credit Risk (continued)

Expected Credit Loss ("ECL")

The Group and the Company uses three categories for financial instruments in recognising ECL which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's and the Company's ECL model is as follows:

Category	Definition of category	Basis for recognising ECL
Stage 1 (Performing)	Debt Securities Debt securities with strong credit and financial support with minimum risk of debt service payment. Loans/Financing and Financial Guarantees Newly purchased or issued loans/financing.	12 month ECL
Stage 2 (Underperforming)	Debt Securities Significant Increase in Credit Risks: - Deteriorating financial position; - Significant widening of credit spread; - Credit watch, breach of covenants, etc; or - External rating watch or downgrade. Loans/Financing and Financial Guarantees - All restructured and rescheduled accounts; - Accounts with significant PD/Internal Risk Rating Model ("IRRM") change i.e. by 2 notches; - Accounts with related Non Performing Loan ("NPL"); - Accounts with high PD above 50% as per credit risk report provided by Credit Bureau Malaysia Sdn. Bhd. ("CBM"); - All Arrears Account (1MIA and 2MIA); - Watchlist accounts; - Accounts under Agensi Kaunseling dan Pengurusan Kredit ("AKPK"); or - Missing origination ratings (internal or external).	Lifetime ECL

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

In the normal course of business, the Group and the Company are subjected to four main areas of risk, namely credit risk, market risk, liquidity risk and operational risk. (continued)

(a) Credit Risk (continued)

Expected Credit Loss ("ECL") (continued)

Category	Definition of category	Basis for recognising ECL
Stage 3 (Impaired)	Debt Securities Determination of non-performing or credit-impaired assets: - Non-payment of coupon due by more than 14 days; - Non-payment of principal due by more than 7 days; or - Rating is downgraded to "D" Loans/Financing and Financial Guarantees (i) Obligatory triggers: - 90 days past due; - Leakage, cessation of contracts or cessation in business for TPUB-i product. (ii) Rating downgrade as follows: - Default in paying principal or interest/profit according to the repayment schedule; - Cease operation/filing of bankruptcy; - Winding up order (upon notice, includes borrowers and parties who provide source of repayment)/Receiver & Manager appointed; - Company classified under PN17 (or the equivalent classification for foreign capital markets); or - Material fraud with publicised news or upon appointment of financial advisor.	Lifetime ECL

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL using the following methodology:

$$Life\ time\ ECL = \sum_{t=1}^{Life\ time} [\ PD_t \times LGD_t \times EAD_t \times (1 + EIR)^{-t}\ ]$$

Legend:

PD the likelihood that a borrower will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of 1 year.
LGD the percentage of exposure the Group and the Company might lose in case the borrower defaults.
EAD an estimate of the Group's and the Company's exposure to its counterparty at the time of default.
* For financial guarantee contracts, EAD is lower of guarantee cover or outstanding amount x guarantee rate.
EIR discount rate computed based on Original Effective Profit Rate ("OEPR")/Effective Interest Rate ("EIR") or approximation thereof at time (t).

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

In the normal course of business, the Group and the Company are subjected to four main areas of risk, namely credit risk, market risk, liquidity risk and operational risk. (continued)

(a) Credit Risk (continued)

Expected Credit Loss ("ECL") (continued)

In deriving the PD and LGD, the Group and the Company consider historical data by each debtor by category and adjusts for forward-looking macroeconomic data. The Group and the Company have identified the unemployment rate which the debtor operates in, to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

The ECL computation is expected to include forward looking adjustment for the expected future macroeconomic conditions ("MEV").

Maximum exposure to credit risk

The maximum credit risk exposure of the Group and the Company equal their carrying amount in the statements of financial position as at reporting date, except for the following:

	Group		Company	
	2019 Maximum credit exposure RM'000	2018 Maximum credit exposure RM'000	2019 Maximum credit exposure RM'000	2018 Maximum credit exposure RM'000
Credit risk exposures of on-balance sheet assets:				
Investment securities: FVTPL*	**912,645**	798,059	**912,645**	798,059
Trade and other receivables#	**32,883**	17,810	**32,883**	15,733
Cash and cash equivalents^	**99,642**	64,692	**99,642**	60,978
Credit risk exposure of off-balance sheet items:				
Financial guarantees	**6,355,201**	5,921,299	**6,355,201**	5,921,299
Credit related commitments and contingencies	**38,309**	130,693	**38,309**	130,693
Total maximum credit risk exposure	**7,438,680**	6,932,553	**7,438,680**	6,926,762

The following have been excluded for the purpose of maximum credit risk exposure calculation:
* Investment in REITS
# Prepayments
^ Cash in hand

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

In the normal course of business, the Group and the Company are subjected to four main areas of risk, namely credit risk, market risk, liquidity risk and operational risk. (continued)

(a) Credit Risk (continued)

Credit risk concentration

The Group and the Company determine concentrations of credit risk by monitoring the industry sector profile. The following tables analyse the Group's and the Company's financial assets and commitments and contingencies by industry concentration as at the reporting date:

Group 2019	Primary agriculture RM'000	Education, health and others RM'000	Construction RM'000	Financing, insurance, real estate & business services RM'000	Manufacturing RM'000	Mining and quarrying RM'000	Transport, storage & communication RM'000	Wholesale, retail trade, restaurants & hotels RM'000	Government RM'000	Electricity, gas & water supply RM'000	Other RM'000	Total RM'000
Structured investments: FVTPL	-	-	-	-	-	-	-	-	-	-	-	-
Investment securities: FVTPL*	6,023	44,110	54,571	414,278	107,965	-	33,363	-	93,875	143,043	15,417	912,645
Investment securities: FVOCI	56,924	-	167,344	358,803	-	-	304,211	-	459,362	372,724	65,320	1,784,688
Investment securities: Amortised cost	-	-	132,975	2	-	-	-	-	-	-	49,356	182,333
Derivative financial assets	-	-	-	5,798	-	-	-	-	-	-	-	5,798
Term deposits	-	-	-	1,161,329	-	-	-	-	-	-	-	1,161,329
Loans, advances and financing	2,037	11,516	16,357	24,964	16,578	26	5,034	85,345	-	521	1,204	163,582
Trade and other receivables#	-	-	49	31,424	-	-	-	1	193	-	1,216	32,883
Cash and cash equivalents^	-	-	-	99,642	-	-	-	-	-	-	-	99,642
	64,984	55,626	371,296	2,096,240	124,543	26	342,608	85,346	553,430	516,288	132,513	4,342,900
Financial guarantees	79,144	447,386	635,475	969,822	644,065	1,015	195,576	3,315,695	-	20,256	46,767	6,355,201
Credit related commitments and contingencies	129	33	22,549	6,661	456	-	620	7,656	-	205	-	38,309
Total off balance sheet	79,273	447,419	658,024	976,483	644,521	1,015	196,196	3,323,351	-	20,461	46,767	6,393,510

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit risk concentration (continued)

Group 2018	Primary agriculture RM'000	Education, health and others RM'000	Construction RM'000	Financing, insurance, real estate & business services RM'000	Manufacturing RM'000	Mining and quarrying RM'000	Transport, storage & communication RM'000	Wholesale, retail trade, restaurants & hotels RM'000	Government RM'000	Electricity, gas & water supply RM'000	Other RM'000	Total RM'000
Structured investments: FVTPL	-	-	-	148,546	-	-	-	-	-	-	-	148,546
Investment securities: FVTPL*	1,155	51,689	11,116	409,147	98,497	8,770	23,552	-	30,600	137,951	25,582	798,059
Investment securities: FVOCI	66,980	-	183,226	310,661	-	-	317,175	-	436,385	377,271	10,154	1,701,952
Investment securities: Amortised cost	-	-	73,404	40,334	-	-	-	-	-	-	58,062	171,800
Derivative financial assets	-	-	-	1,945	-	-	-	-	-	-	-	1,945
Term deposits	-	-	-	984,646	-	-	-	-	-	-	-	984,646
Loans, advances and financing	2,003	7,480	54,408	26,356	17,366	57	7,291	61,828	-	3,687	1,307	181,783
Trade and other receivables#	-	-	80	13,814	4	-	-	29	272	-	3,611	17,810
Cash and cash equivalents^	-	-	-	64,692	-	-	-	-	-	-	-	64,692
	70,138	59,169	322,234	2,000,141	115,867	8,827	348,018	61,857	467,357	518,909	98,716	4,071,233
Financial guarantees	65,253	243,645	1,772,253	858,479	565,662	1,847	237,505	2,013,956	-	120,114	42,585	5,921,299
Credit related commitments and contingencies	116	577	73,039	30,105	1,650	-	1,619	18,767	-	4,820	-	130,693
Total off balance sheet	65,369	244,222	1,845,292	888,584	567,312	1,847	239,124	2,032,723	-	124,934	42,585	6,051,992

\# Excludes prepayments of RM2,308,000 (2018 : RM2,465,000)
^ Excludes cash in hand of RM18,000 (2018 : RM20,000)
* Excludes investment in REITS of RM39,356,000 (2018: RM3,727,000)

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

In the normal course of business, the Group and the Company are subjected to four main areas of risk, namely credit risk, market risk, liquidity risk and operational risk. (continued)

(a) Credit Risk (continued)

Credit risk concentration (continued)

Company 2019	Primary agriculture RM'000	Education, health and others RM'000	Construction RM'000	Financing, insurance, real estate & business services RM'000	Manufacturing RM'000	Mining and quarrying RM'000	Transport, storage & communication RM'000	Wholesale, retail trade, restaurants & hotels RM'000	Government RM'000	Electricity, gas & water supply RM'000	Other RM'000	Total RM'000
Structured investments: FVTPL	-	-	-	-	-	-	-	-	-	-	-	-
Investment securities: FVTPL*	6,023	44,110	54,571	414,278	107,965	-	33,363	-	93,875	143,043	15,417	912,645
Investment securities: FVOCI	56,924	-	167,344	358,803	-	-	304,211	-	459,362	372,724	65,320	1,784,688
Investment securities: Amortised cost	-	-	132,975	2	-	-	-	-	-	-	49,356	182,333
Derivative financial assets	-	-	-	5,798	-	-	-	-	-	-	-	5,798
Term deposits	-	-	-	1,161,329	-	-	-	-	-	-	-	1,161,329
Loans, advances and financing	2,037	11,516	16,357	24,964	16,578	26	5,034	85,345	-	521	1,204	163,582
Amount due from a subsidiary	-	-	-	3,970	-	-	-	-	-	-	-	3,970
Trade and other receivables#	-	-	49	31,424	-	-	-	1	193	-	1,216	32,883
Cash and cash equivalents^	-	-	-	99,642	-	-	-	-	-	-	-	99,642
	64,984	55,626	371,296	2,100,210	124,543	26	342,608	85,346	553,430	516,288	132,513	4,346,870
Financial guarantees	79,144	447,386	635,475	969,822	644,065	1,015	195,576	3,315,695	-	20,256	46,767	6,355,201
Credit related commitments and contingencies	129	33	22,549	6,661	456	-	620	7,656	-	205	-	38,309
Total off balance sheet	79,273	447,419	658,024	976,483	644,521	1,015	196,196	3,323,351	-	20,461	46,767	6,393,510

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit risk concentration (continued)

Company 2018	Primary agriculture RM'000	Education, health and others RM'000	Construction RM'000	Financing, insurance, real estate & business services RM'000	Manufacturing RM'000	Mining and quarrying RM'000	Transport, storage & communication RM'000	Wholesale, retail trade, restaurants & hotels RM'000	Government RM'000	Electricity, gas & water supply RM'000	Other RM'000	Total RM'000
Structured investments: FVTPL	-	-	-	148,546	-	-	-	-	-	-	-	148,546
Investment securities: FVTPL*	1,155	51,689	11,116	409,147	98,497	8,770	23,552	-	30,600	137,951	25,582	798,059
Investment securities: FVOCI	66,980	-	183,226	310,661	-	-	317,175	-	436,485	377,271	10,154	1,701,952
Investment securities: Amortised cost	-	-	73,404	40,334	-	-	-	-	-	-	58,062	171,800
Derivative financial assets	-	-	-	1,945	-	-	-	-	-	-	-	1,945
Term deposits	-	-	-	984,646	-	-	-	-	-	-	-	984,646
Loans, advances and financing	2,003	7,480	54,408	26,356	17,366	57	7,291	61,828	-	3,687	1,307	181,783
Amount due from a subsidiary	-	-	-	4,505	-	-	-	-	-	-	-	4,505
Trade and other receivables#	-	-	73	14,148	-	-	-	26	193	-	1,293	15,733
Cash and cash equivalents^	-	-	-	60,978	-	-	-	-	-	-	-	60,978
	70,138	59,169	322,227	2,001,266	115,863	8,827	348,018	61,854	467,278	518,909	96,398	4,069,947
Financial guarantees	65,253	243,645	1,772,253	858,479	565,662	1,847	237,505	2,013,956	-	120,114	42,585	5,921,299
Credit related commitments and contingencies	116	577	73,039	30,105	1,650	-	1,619	18,767	-	4,820	-	130,693
Total off balance sheet	65,369	244,222	1,845,292	888,584	567,312	1,847	239,124	2,032,723	-	124,934	42,585	6,051,992

\# Excludes prepayments of RM2,308,000 (2018 : RM2,385,000)
^ Excludes cash in hand of RM18,000 (2018 : RM18,000)
* Excludes investment in REITS of RM39,356,000 (2018: RM3,727,000)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality

(i) Loans, advances and financing

All loans, advances and financing are unrated and categorised into 'neither past due nor impaired', 'past due but not impaired' and 'impaired'. Past due loans refer to loans that are overdue by one day or more. Impaired loans are loans with months-in-arrears more than 3 months (i.e. 90 days) or with impairment allowances.

Distribution of loans, advances and financing by credit quality

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Carrying amount of loans, advances and financing by credit quality:				
Neither past due nor impaired (A)	144,061	1,821	-	145,882
Past due but not impaired (B)	-	34,839	-	34,839
Impaired (C)	-	-	104,054	104,054
Gross loans, advances and financing	144,061	36,660	104,054	284,775
Less: Allowances for impairment losses - Expected Credit lossess 'ECL'	(4,963)	(12,176)	(104,054)	(121,193)
Net loans, advances and financing	139,098	24,484	-	163,582

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Carrying amount of loans, advances and financing by credit quality:				
Neither past due nor impaired (A)	170,474	1,860	-	172,334
Past due but not impaired (B)	-	29,827	-	29,827
Impaired (C)	-	-	119,980	119,980
Gross loans, advances and financing	170,474	31,687	119,980	322,141
Less: Allowances for impairment losses - Expected Credit lossess 'ECL'	(10,318)	(10,060)	(119,980)	(140,358)
Net loans, advances and financing	160,156	21,627	-	181,783

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Loans, advances and financing (continued)

(A) Neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired analysed based on the Group's and the Company's internal grading system is as follows:

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Quality classification				
Satisfactory	**144,061**	**1,821**	**-**	**145,882**
Total	**144,061**	**1,821**	**-**	**145,882**

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Quality classification				
Satisfactory	170,474	1,860	-	172,334
Total	170,474	1,860	-	172,334

Quality classification definitions:

Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

Collateral and other credit enhancement obtained

During the financial year, there is no repossessed collateral as the Group and the Company do not have possession of collateral held as security or other credit enhancement.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Loans, advances and financing (continued)

(B) Past due but not impaired

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Past due up to 30 days	-	23,820	-	23,820
Past due 30-60 days	-	11,019	-	11,019
Total	-	34,839	-	34,839

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Past due up to 30 days	-	20,569	-	20,569
Past due 30-60 days	-	9,258	-	9,258
Total	-	29,827	-	29,827

(C) Impaired

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Gross impaired loans	-	-	104,054	104,054
Individually impaired loans	-	-	104,054	104,054

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Gross impaired loans	-	-	119,980	119,980
Individually impaired loans	-	-	119,980	119,980

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(ii) Investment securities, derivatives, term deposits and cash and cash equivalents

Investment securities: FVTPL and investment securities: FVOCI are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted investment securities are rated by external rating agencies. The Group and the Company mainly use external ratings provided by Rating Agency Malaysia Berhad ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), Moody's or Standard & Poor's ("S&P").

Analysis of financial assets by rating agency designation (where applicable) as at 31 December:

Structured investments: FVTPL

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Sovereign (no rating)	-	-	-	-
Total	-	-	-	-

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Sovereign (no rating)	-	148,546	-	148,546
Total	-	148,546	-	148,546

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(ii) Investment securities, derivatives, term deposits and cash and cash equivalents (continued)

Analysis of financial assets by rating agency designation (where applicable) as at 31 December: (continued)

Investment securities: FVTPL

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Sovereign (no rating)	21,415	-	-	21,415
Investment grade (AAA to BBB-)	718,411	-	-	718,411
Unrated	172,819	-	-	172,819
Total	912,645	-	-	912,645

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Sovereign (no rating)	30,600	-	-	30,600
Investment grade (AAA to BBB-)	667,829	-	-	667,829
Unrated	99,630	-	-	99,630
Total	798,059	-	-	798,059

Investment securities: FVOCI

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Sovereign (no rating)	341,039	-	-	341,039
Investment grade (AAA to BBB-)	1,324,589	119,060	-	1,443,649
Total	1,665,628	119,060	-	1,784,688

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(ii) Investment securities, derivatives, term deposits and cash and cash equivalents (continued)

Analysis of financial assets by rating agency designation (where applicable) as at 31 December: (continued)

Investment securities: FVOCI (continued)

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Sovereign (no rating)	322,655	-	-	322,655
Investment grade (AAA to BBB-)	1,369,087	10,210	-	1,379,297
Total	1,691,742	10,210	-	1,701,952

Investment securities: Amortised cost

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Unrated	**183,524**	**-**	**-**	**183,524**
Expected credit losses ('ECL')	**(1,191)**	**-**	**-**	**(1,191)**
Total	**182,333**	**-**	**-**	**182,333**

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Unrated	172,590	-	-	172,590
Expected credit losses ('ECL')	(790)	-	-	(790)
Total	171,800	-	-	171,800

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(ii) Investment securities, derivatives, term deposits and cash and cash equivalents (continued)

Analysis of financial assets by rating agency designation (where applicable) as at 31 December: (continued)

Derivative financial assets

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Investment grade (AAA to BBB-)	5,798	-	-	5,798
Total	5,798	-	-	5,798

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Investment grade (AAA to BBB-)	1,945	-	-	1,945
Total	1,945	-	-	1,945

Term deposits

	2019			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Investment grade (AAA to BBB-)	1,118,134	-	-	1,118,134
Unrated	43,195	-	-	43,195
Total	1,161,329	-	-	1,161,329

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(ii) Investment securities, derivatives, term deposits and cash and cash equivalents (continued)

Analysis of financial assets by rating agency designation (where applicable) as at 31 December: (continued)

Term deposits (continued)

	2018			
Group/Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Investment grade (AAA to BBB-)	940,813	-	-	940,813
Unrated	43,833	-	-	43,833
Total	984,646	-	-	984,646

Cash and cash equivalents

	2019			
Group	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Investment grade (AAA to BBB-)	**99,642**	**-**	**-**	**99,642**
Total	**99,642**	**-**	**-**	**99,642**

	2018			
Group	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Investment grade (AAA to BBB-)	64,692	-	-	64,692
Total	64,692	-	-	64,692

The following have been excluded for the purpose of maximum credit risk exposure calculations:
^ Cash in hand for the Group of RM18,000 (2018: RM20,000)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(ii) Investment securities, derivatives, term deposits and cash and cash equivalents (continued)

Analysis of financial assets by rating agency designation (where applicable) as at 31 December: (continued)

Cash and cash equivalents (continued)

	2019			
Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Investment grade (AAA to BBB-)	99,642	-	-	99,642
Total	99,642	-	-	99,642

	2018			
Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Investment grade (AAA to BBB-)	60,978	-	-	60,978
Total	60,978	-	-	60,978

The following have been excluded for the purpose of maximum credit risk exposure calculations:
^ Cash in hand for the Company of RM18,000 (2018: RM18,000)

There are no investment securities, term deposits and cash and cash equivalents which are past due but not impaired or impaired.

(iii) Other financial assets

The carrying amount of other financial assets of the Group and the Company are summarised as below:

	2019			
Group	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Neither past due not impaired				
Trade and other receivables#	30,856	-	-	30,856
Total	30,856	-	-	30,856

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(iii) Other financial assets (continued)

The carrying amount of other financial assets of the Group and the Company are summarised as below: (continued)

	2018			
Group	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Neither past due not impaired				
Trade and other receivables#	15,586	-	-	15,586
Total	15,586	-	-	15,586

	2019			
Group	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Past due but not impaired				
Trade and other receivables#	**2,027**	**-**	**-**	**2,027**
Total	**2,027**	**-**	**-**	**2,027**

	2018			
Group	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Past due but not impaired				
Trade and other receivables#	2,224	-	-	2,224
Total	2,224	-	-	2,224

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(iii) Other financial assets (continued)

The carrying amount of other financial assets of the Group and the Company are summarised as below: (continued)

	2019			
Group	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Impaired				
Trade and other receivables#	-	-	-	-
Allowance for impairment	-	-	-	-
Total	-	-	-	-

	2018			
Group	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Impaired				
Trade and other receivables#	-	-	8	8
Allowance for impairment	-	-	(8)	(8)
Total	-	-	-	-

	2019			
Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Neither past due not impaired				
Amount due from a subsidiary	3,970	-	-	3,970
Trade and other receivables#	30,856	-	-	30,856
Total	34,826	-	-	34,826

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(iii) Other financial assets (continued)

The carrying amount of other financial assets of the Group and the Company are summarised as below: (continued)

	2018			
Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Neither past due not impaired				
Amount due from a subsidiary	4,505	-	-	4,505
Trade and other receivables#	13,741	-	-	13,741
Total	18,246	-	-	18,246

	2019			
Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Past due but not impaired				
Trade and other receivables#	**2,027**	**-**	**-**	**2,027**
Total	**2,027**	**-**	**-**	**2,027**

	2018			
Company	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Past due but not impaired				
Trade and other receivables#	1,992	-	-	1,992
Total	1,992	-	-	1,992

The following have been excluded for the purpose of maximum credit risk exposure calculations:

Prepayments for the Group and the Company amounting RM2,308,000 (2018: RM2,465,000) and RM2,308,000 (2018: RM2,385,000) respectively.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(iii) Other financial assets (continued)

The carrying amount of other financial assets of the Group and the Company are summarised as below: (continued)

All other financial assets are categorised into 'neither past due nor impaired', 'past due but not impaired' and 'past due and impaired'. For financial assets categorised as 'neither past due nor impaired', there is a high likelihood of these assets being recovered in full and therefore, of no cause for concern to the Group and the Company. Financial assets categorised as 'past due but not impaired are receivables due from financial institutions with overdue more than 30 working days for the Company and 45 days for the subsidiary. Financial assets categorised as 'past due and impaired' are receivables deemed irrecoverable after assessment by the Group and the Company.

(iv) Movement in expected credit losses

The expected credit losses recognised in the period is impacted by a variety of factors:

(a) Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period.

(b) Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period:

Loans, advances and financing

	2019			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2019	10,318	10,061	119,980	140,359
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(420)	2,903	-	2,483
Transfer from Stage 1 to Stage 3	(638)	-	11,196	10,558
Transfer from Stage 2 to Stage 3	-	(4,060)	8,946	4,886
Transfer from Stage 3 to Stage 2	-	9	(88)	(79)
Transfer from Stage 3 to Stage 1	3	-	(617)	(614)
Transfer from Stage 2 to Stage 1	120	(1,588)	-	(1,468)
New financial assets originated or purchased	2,426	6,082	1,089	9,597
Financial assets derecognised during the financial year other than write-offs	(6,846)	(1,231)	(8,597)	(16,674)
Written-off/waived during the financial year	-	-	(27,855)	(27,855)
	4,963	12,176	104,054	121,193

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(iv) Movement in expected credit losses (continued)

The expected credit losses recognised in the period is impacted by a variety of factors: (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period: (continued)

Loans, advances and financing (continued)

	2018			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Balance as at 1 January 2018	16,729	13,627	124,098	154,454
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(702)	2,752	-	2,050
Transfer from Stage 1 to Stage 3	(1,440)	-	10,302	8,862
Transfer from Stage 2 to Stage 3	-	(5,391)	11,316	5,925
Transfer from Stage 3 to Stage 2	-	62	(346)	(284)
Transfer from Stage 2 to Stage 1	132	(1,420)	-	(1,288)
New financial assets originated or purchased	6,888	2,731	3,954	13,573
Financial assets derecognised during the financial year other than write-offs	(11,289)	(2,301)	(5,776)	(19,366)
Written-off/waived during the financial year	-	-	(23,568)	(23,568)
	10,318	10,060	119,980	140,358

Investment securities: FVOCI

	2019			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loss allowance as at 1 January 2019	**677**	**4**	**-**	**681**
Movements with P&L impact				
Change due to change in credit risk	**543**	**9,786**	**-**	**10,329**
New financial assets originated or purchased	**934**	**-**	**-**	**934**
Disposal	**(326)**	**(4)**	**-**	**(330)**
	1,828	**9,786**	**-**	**11,614**

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(iv) Movement in expected credit losses (continued)

The expected credit losses recognised in the period is impacted by a variety of factors: (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period: (continued)

Investment securities: FVOCI (continued)

	2018			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Balance as at 1 January 2018	640	60	-	700
Movements with P&L impact				
Change due to change in credit risk	(60)	(56)	-	(116)
New financial assets originated or purchased	139	-	-	139
Financial assets derecognised during the financial year other than write-offs	(42)	-	-	(42)
	677	4	-	681

Investment securities: Amortised cost

	2019			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2019	**790**	**-**	**-**	**790**
Movements with P&L impact				
Change due to change in credit risk	**415**	**-**	**-**	**415**
Disposal	**(14)**	**-**	**-**	**(14)**
	1,191	**-**	**-**	**1,191**

	2018			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Balance as at 1 January 2018	1,037	-	-	1,037
Movements with P&L impact				
Change due to change in credit risk	(253)	-	-	(253)
New financial assets originated or purchased	6	-	-	6
	790	-	-	790

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(v) Movement in gross carrying amount that contributed to changes in the expected credit losses:

Loans, advances and financing

	2019			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Gross carrying amount as at 1 January 2019	170,474	31,687	119,980	322,141
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(12,204)	9,738	-	(2,466)
Transfer from Stage 1 to Stage 3	(16,711)	-	11,196	(5,515)
Transfer from Stage 2 to Stage 3	-	(10,517)	8,946	(1,571)
Transfer from Stage 3 to Stage 2	-	55	(88)	(33)
Transfer from Stage 3 to Stage 1	87	-	(617)	(530)
Transfer from Stage 2 to Stage 1	4,209	(6,077)	-	(1,868)
New financial assets originated or purchased	69,821	16,228	1,089	87,138
Financial assets derecognised during the financial year other than write-offs	(71,617)	(4,452)	(8,597)	(84,666)
Written-off/waived during the financial year	-	-	(27,855)	(27,855)
Gross carrying amount as at 31 December 2019	144,059	36,662	104,054	284,775

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(v) Movement in gross carrying amount that contributed to changes in the expected credit losses: (continued)

Loans, advances and financing (continued)

	2018			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Gross carrying amount as at 1 January 2018	162,659	38,641	124,098	325,398
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(11,501)	9,425	-	(2,076)
Transfer from Stage 1 to Stage 3	(14,848)	-	10,302	(4,546)
Transfer from Stage 2 to Stage 3	-	(12,390)	11,316	(1,074)
Transfer from Stage 3 to Stage 2	-	258	(346)	(88)
Transfer from Stage 2 to Stage 1	4,080	(5,478)	-	(1,398)
New financial assets originated or purchased	98,726	6,838	3,954	109,518
Financial assets derecognised during the financial year other than write-offs	(68,642)	(5,607)	(5,776)	(80,025)
Written-off/waived during the financial year	-	-	(23,568)	(23,568)
Gross carrying amount as at 31 December 2018	170,474	31,687	119,980	322,141

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(v) Movement in gross carrying amount that contributed to changes in the expected credit losses: (continued)

Loans, advances and financing (continued)

An analysis of financial assets individually assessed as impaired (Stage 3) and the movements on the impairment allowance during the year are as follows:

	2019				
	Allowances At 1 January RM'000	Allowances Made During The Year RM'000	Recoveries/ Written Back RM'000	Write-Off RM'000	Allowances As At 31 December RM'000
Loans, advances and financing	**119,980**	**22,567**	**(10,638)**	**(27,855)**	**104,054**
	119,980	**22,567**	**(10,638)**	**(27,855)**	**104,054**

	2018				
	Allowances At 1 January RM'000	Allowances Made During The Year RM'000	Recoveries/ Written Back RM'000	Write-Off RM'000	Allowances As At 31 December RM'000
Loans, advances and financing	124,098	25,572	(6,122)	(23,568)	119,980
	124,098	25,572	(6,122)	(23,568)	119,980

Investment securities: FVOCI

	2019			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	**1,691,742**	**10,210**	**-**	**1,701,952**
Movements with P&L impact				
Change due to change in credit risk	**(183,508)**	**124,927**	**-**	**(58,581)**
New financial assets originated or purchased	**413,975**	**-**	**-**	**413,975**
Financial assets derecognised during the financial year other than write-offs	**(272,658)**	**-**	**-**	**(272,658)**
Gross carrying amount as at 31 December 2019	**1,649,551**	**135,137**	**-**	**1,784,688**

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(v) Movement in gross carrying amount that contributed to changes in the expected credit losses: (continued)

An analysis of financial assets individually assessed as impaired (Stage 3) and the movements on the impairment allowance during the year are as follows: (continued)

Investment securities: FVOCI (continued)

	2018			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2018	1,743,076	11,128	-	1,754,204
Movements with P&L impact				
Change due to change in credit risk	(10,362)	(918)	-	(11,280)
New financial assets originated or purchased	152,579	-	-	152,579
Financial assets derecognised during the financial year other than write-offs	(193,551)	-	-	(193,551)
Gross carrying amount as at 31 December 2018	1,691,742	10,210	-	1,701,952

Investment securities: Amortised cost

	2019			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	**172,590**	**-**	**-**	**172,590**
Movements with P&L impact				
Change due to change in credit risk	**10,948**	**-**	**-**	**10,948**
Disposal	**(14)**	**-**	**-**	**(14)**
Gross carrying amount as at 31 December 2019	**183,524**	**-**	**-**	**183,524**

	2018			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2018	172,575	-	-	172,575
Movements with P&L impact				
Change due to change in credit risk	(6)	-	-	(6)
New financial assets originated or purchased	21	-	-	21
Gross carrying amount as at 31 December 2018	172,590	-	-	172,590

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is defined as the risk of losses to the Group's and the Company's portfolio positions arising from movements in market factors such as interest rates, foreign exchange rates and changes in volatility. The Group and the Company are exposed to market risks from its trading and investment activities.

The Group's and the Company's exposure to market risk stems primarily from interest rate risk. Interest rate risk arises mainly from differences in timing between the maturities or repricing of assets, liabilities and derivatives.

Net interest income sensitivity analysis

The table below shows the profit after tax net interest income sensitivity for the financial assets and financial liabilities held at reporting date.

	Group			
	31.12.2019		31.12.2018	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
+ 100 basis points ("bps")	**38,824**	**39,806**	36,288	36,600
- 100 bps	**(38,824)**	**(39,806)**	(36,288)	(36,600)

	Company			
	31.12.2019		31.12.2018	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
+ 100 bps	**38,824**	**39,643**	36,288	36,561
- 100 bps	**(38,824)**	**(39,643)**	(36,288)	(36,561)

Interest/Profit rate risk

The table below summarise the Group's and the Company's exposure to interest/profit rate risks. Included in the table are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The net interest sensitivity gap for items not recognised in the statements of financial position represents the net notional amounts of all interest/profit rate sensitivity derivative financial instruments. As interest rate yield curves change over time, the Group and Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest/profit rates arises from mismatches in the repricing dates, cashflows and other characteristic of the financial assets and their corresponding financial liabilities funding.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	2019				
Group/Company	Within 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000
Assets					
Investment securities: FVTPL	17,855	230,464	693,557	10,125	952,001
Investment securities: FVOCI	110,929	596,938	1,057,238	19,583	1,784,688
Investment securities: Amortised cost	49,754	129,049	-	3,530	182,333
Derivative financial assets	5,798	-	-	-	5,798
Term deposits	1,155,408	-	-	5,921	1,161,329
Loans, advances and financing - not impaired*	15,230	159,445	6,045	(17,138)	163,582
Amount due from a subsidiary	-	-	-	3,970	3,970
Trade and other receivables^	-	-	-	32,883	32,883
Cash and cash equivalents	-	-	-	99,660	99,660
Total financial assets	1,354,974	1,115,896	1,756,840	158,534	4,386,244
Liabilities					
Funds from BNM	33,241	386,080	-	500,000	919,321
Small Entrepreneurs Guarantee Scheme	-	-	-	21,633	21,633
Tabung Usahawan Kecil	-	-	-	41,550	41,550
Government Funds	10,842	21,317	-	-	32,159
Small Entrepreneurs Financing Fund	-	-	-	33	33
Derivative financial liabilities	244	-	-	-	244
Other liabilities@	-	-	-	331,154	331,154
Total financial liabilities	44,327	407,397	-	894,370	1,346,094
Net interest sensitivity gap	1,310,647	708,499	1,756,840		

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	2018				
Group	**Within 12 months RM'000**	**1 to 5 years RM'000**	**Over 5 years RM'000**	**Non-interest/profit sensitive RM'000**	**Total RM'000**
Assets					
Structured investments: FVTPL	-	148,546	-	-	148,546
Investment securities: FVTPL	34,124	134,226	611,670	21,766	801,786
Investment securities: FVOCI	150,357	479,382	1,052,486	19,727	1,701,952
Investment securities: Amortised cost	90,000	71,409	-	10,391	171,800
Derivative financial assets	1,945	-	-	-	1,945
Term deposits	981,597	-	-	3,049	984,646
Loans, advances and financing - not impaired*	29,555	161,067	11,539	(20,378)	181,783
Trade and other receivables^	-	-	-	17,810	17,810
Cash and cash equivalents	-	-	-	64,712	64,712
Total financial assets	1,287,578	994,630	1,675,695	117,077	4,074,980
Liabilities					
Funds from BNM	1,599	339,490	-	500,000	841,089
Small Entrepreneurs Guarantee Scheme	-	-	-	29,549	29,549
Tabung Usahawan Kecil	-	-	-	39,906	39,906
Government Funds	-	-	42,556	-	42,556
Small Entrepreneurs Financing Fund	-	-	-	32	32
Derivative financial liabilities	1,016	-	-	-	1,016
Other liabilities@	-	-	-	356,467	356,467
Total financial liabilities	2,615	339,490	42,556	925,954	1,310,615
Net interest sensitivity gap	1,284,963	655,140	1,633,139		

* The negative balance represents collective allowance for loans, advances and financing

^ Excludes prepayment amounting to RM2,308,000 (2018: RM2,465,000)

@ Other liabilities includes amount due to BNM, expected credit losses, claims payable, trade and other payables

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	2018				
Company	Within 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000
Assets					
Structured investments: FVTPL	-	148,546	-	-	148,546
Investment securities: FVTPL	34,124	134,226	611,670	21,766	801,786
Investment securities: FVOCI	150,357	479,382	1,052,486	19,727	1,701,952
Investment securities: Amortised cost	90,000	71,409	-	10,391	171,800
Derivative financial assets	1,945	-	-	-	1,945
Term deposits	981,597	-	-	3,049	984,646
Loans, advances and financing - not impaired*	29,555	161,067	11,539	(20,378)	181,783
Amount due from a subsidiary	-	-	-	4,505	4,505
Trade and other receivables^	-	-	-	15,733	15,733
Cash and cash equivalents	-	-	-	60,996	60,996
Total financial assets	1,287,578	994,630	1,675,695	115,789	4,073,692
Liabilities					
Funds from BNM	1,599	339,490	-	500,000	841,089
Small Entrepreneurs Guarantee Scheme	-	-	-	29,549	29,549
Tabung Usahawan Kecil	-	-	-	39,906	39,906
Government Funds	-	-	42,556	-	42,556
Small Entrepreneurs Financing Fund	-	-	-	32	32
Derivative financial liabilities	1,016	-	-	-	1,016
Other liabilities@	-	-	-	354,578	354,578
Total financial liabilities	2,615	339,490	42,556	924,065	1,308,726
Net interest sensitivity gap	1,284,963	655,140	1,633,139		

* The negative balance represents collective allowance for loans, advances and financing

^ Excludes prepayment amounting to RM2,308,000 (2018: RM2,385,000)

@ Other liabilities includes amount due to BNM, expected credit losses, claims payable, trade and other payables

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Foreign exchange risk

The Group and the Company are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Limits are set on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Group's and the Company's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's and the Company's financial instruments at carrying amounts, categorised by currency.

	2019					
Group/Company	United States Dollar RM'000	Singapore Dollar RM'000	Australian Dollar RM'000	Great Britain Pound RM'000	Euro RM'000	Total RM'000
Assets						
Investment securities: FVTPL	**199,934**	**44,122**	**1,179**	**-**	**25,238**	**270,473**
Derivatives	**4,991**	**279**	**-**	**-**	**528**	**5,798**
Cash and cash equivalents	**10,283**	**4**	**95**	**-**	**224**	**10,606**
Net on-balance sheet financial position	**215,208**	**44,405**	**1,274**	**-**	**25,990**	**286,877**
Liability						
Derivatives	**-**	**13**	**3**	**-**	**228**	**244**
Net on-balance sheet financial position	**-**	**13**	**3**	**-**	**228**	**244**
Off-balance sheet commitments	**226,843**	**43,326**	**1,150**	**-**	**24,530**	**295,849**

	2018					
Group/Company	United States Dollar RM'000	Singapore Dollar RM'000	Australian Dollar RM'000	Great Britain Pound RM'000	Euro RM'000	Total RM'000
Assets						
Investment securities: FVTPL	161,011	24,564	11,619	2,349	23,236	222,779
Derivatives	663	88	363	66	765	1,945
Cash and cash equivalents	9,038	386	165	163	267	10,019
Net on-balance sheet financial position	170,712	25,038	12,147	2,578	24,268	234,743
Liability						
Derivatives	719	93	-	-	204	1,016
Net on-balance sheet financial position	719	93	-	-	204	1,016
Off-balance sheet commitments	165,483	27,992	11,367	2,327	23,877	231,046

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Foreign exchange risk (continued)

Foreign exchange risk sensitivity analysis

The following table sets out the analysis of the exposure to assess the impact of a 1% change in the exchange rates to the profit after tax:

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
+ 1%				
United States Dollar	**4,421**	3,355	**4,421**	3,355
Singapore Dollar	**877**	529	**877**	529
Australian Dollar	**24**	235	**24**	235
Great Britain Pound	**-**	49	**-**	49
Euro	**507**	479	**507**	479
- 1%				
United States Dollar	**(4,421)**	(3,355)	**(4,421)**	(3,355)
Singapore Dollar	**(877)**	(529)	**(877)**	(529)
Australian Dollar	**(24)**	(235)	**(24)**	(235)
Great Britain Pound	**-**	(49)	**-**	(49)
Euro	**(507)**	(479)	**(507)**	(479)

(c) Liquidity risk

Liquidity risk is the risk which arises when the Group and the Company have difficulty in raising funds to meet their financial obligations at a reasonable cost and in time. The liquidity risk is managed by diversifying its placements over various tenures based on maturity gaps. The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date.

Liquidity risk disclosure table which is based on contractual undiscounted cash flows

The table below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows (continued)

	2019			
Group	**Within 12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities				
Amount due to BNM	-	-	-	-
Funds from BNM	25,391	392,918	500,000	918,309
Small Entrepreneurs Guarantee Scheme	9,000	14,000	-	23,000
Tabung Usahawan Kecil	-	35,000	15,000	50,000
Government Funds	10,819	21,637	-	32,456
Small Entrepreneurs Financing Fund	33	-	-	33
Expected credit losses for guarantee schemes	199,656	-	-	199,656
Claims payable	1,480	-	-	1,480
Trade and other payables	127,667	-	-	127,667
	374,046	463,555	515,000	1,352,601

	2018			
Group	**Within 12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities				
Amount due to BNM	227	-	-	227
Funds from BNM	311,364	31,917	500,000	843,281
Small Entrepreneurs Guarantee Scheme	9,000	58,000	-	67,000
Tabung Usahawan Kecil	-	-	15,000	15,000
Government Funds	10,818	32,456	-	43,274
Small Entrepreneurs Financing Fund	32	-	-	32
Expected credit losses for guarantee schemes	208,911	-	-	208,911
Claims payable	2,097	-	-	2,097
Trade and other payables	145,232	-	-	145,232
	687,681	122,373	515,000	1,325,054

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows (continued)

Company	2019 Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities				
Amount due to BNM	-	-	-	-
Funds from BNM	25,391	392,918	500,000	918,309
Small Entrepreneurs Guarantee Scheme	9,000	14,000	-	23,000
Tabung Usahawan Kecil	-	35,000	15,000	50,000
Government Funds	10,819	21,637	-	32,456
Small Entrepreneurs Financing Fund	33	-	-	33
Expected credit losses for guarantee schemes	199,656	-	-	199,656
Claims payable	1,480	-	-	1,480
Trade and other payables	127,667	-	-	127,667
	374,046	463,555	515,000	1,352,601

Company	2018 Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities				
Amount due to BNM	227	-	-	227
Funds from BNM	311,364	31,917	500,000	843,281
Small Entrepreneurs Guarantee Scheme	9,000	58,000	-	67,000
Tabung Usahawan Kecil	-	-	15,000	15,000
Government Funds	10,818	32,456	-	43,274
Small Entrepreneurs Financing Fund	32	-	-	32
Expected credit losses for guarantee schemes	208,911	-	-	208,911
Claims payable	2,097	-	-	2,097
Trade and other payables	143,343	-	-	143,343
	685,792	122,373	515,000	1,323,165

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Derivative financial liabilities based on contractual undiscounted cash flows:

Group/Company	2019 Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on a gross basis				
Foreign exchange derivatives:				
- outflow	**50,888**	**-**	**-**	**50,888**
- inflow	**(50,644)**	**-**	**-**	**(50,644)**
	244	**-**	**-**	**244**

Group/Company	2018 Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on a gross basis				
Foreign exchange derivatives:				
- outflow	154,356	-	-	154,356
- inflow	(153,340)	-	-	(153,340)
	1,016	-	-	1,016

(d) Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities as well as fixed income securities such as government securities and corporate bonds.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Company determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. For structured investments, the fair value is obtained from the counterparty bank.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (2018: Nil).

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

Recurring fair value measurements

	31.12.2019			
Group/Company	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Structured investments: FVTPL	-	-	-	-
Investment securities: FVTPL				
- Money market instruments	-	28,241	-	28,241
- Private debt securities	-	884,404	-	884,404
Investment securities : REITS				
- REITS	34,282	-	-	34,282
Investment securities: FVOCI				
- Private debt securities	-	1,649,265	-	1,649,265
- Money market instruments	-	135,423	-	135,423
Derivative financial assets	-	5,798	-	5,798
	34,282	2,703,131	-	2,737,413
Liabilities				
Small Entrepreneurs Guarantee Scheme	-	21,633	-	21,633
Tabung Usahawan Kecil	-	41,550	-	41,550
Derivative financial liabilities	-	244	-	244
	-	63,427	-	63,427

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

Recurring fair value measurements (continued)

	31.12.2018			
Group/Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Structured investments: FVTPL	-	148,546	-	148,546
Investment securities: FVTPL				
- Money market instruments	-	30,600	-	30,600
- Private debt securities	-	767,459	-	767,459
- REITS	3,727	-	-	3,727
Investment securities: FVOCI				
- Private debt securities	-	1,582,339	-	1,582,339
- Money market instruments	-	119,613	-	119,613
Derivative financial assets	-	1,945	-	1,945
	3,727	2,650,502	-	2,654,229
Liabilities				
Small Entrepreneurs Guarantee Scheme	-	29,549	-	29,549
Tabung Usahawan Kecil	-	39,906	-	39,906
Derivative financial liabilities	-	1,016	-	1,016
	-	70,471	-	70,471

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

The following tables analyse within the fair value hierarchy the Group's and the Company's assets and liabilities not measured at fair value as at reporting date but for which fair value is disclosed:

	31.12.2019				
Group/Company	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Investment securities: amortised cost	**182,333**	**-**	**178,077**	**-**	**178,077**
Loans, advances and financing	**163,582**	**-**	**158,083**	**-**	**158,083**
Financial liabilities					
Funds from BNM	**919,321**	**-**	**553,812**	**-**	**553,812**
Government funds	**32,159**	**-**	**33,502**	**-**	**33,502**

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

Effect of changes in significant unobservable assumptions to reasonably possible alternatives (continued)

	31.12.2018				
Group/Company	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Investment securities: amortised cost	171,800	-	168,710	-	168,710
Loans, advances and financing	181,783	-	176,330	-	176,330
Financial liabilities					
Funds from BNM	841,089	-	519,539	-	519,539
Government funds	42,556	-	41,022	-	41,022

Other than as disclosed above, the fair value of each financial asset and liability presented on the statements of financial position as at the reporting date approximates the carrying amount.

The fair value estimates were determined by application of the methodologies and assumptions described below.

Investment securities at FVTPL, investment securities at FVOCI and investment securities at amortised cost

The fair values are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

Term deposits

For short-term term deposits with banks and other financial institutions with maturity of less than twelve months, the carrying amount is a reasonable estimate of fair value.

For amounts with maturities of more than twelve months, fair values have been estimated by reference to current rates at which similar deposits and placements would be made to banks with similar credit ratings and maturities.

Loans, advances and financing

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of expected credit losses, being the reasonable estimate of recoverable amount.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

Funds from BNM, Government funds, SEGS, TUK, Small Entrepreneurs Financing Fund and loan due to non-controlling interest

The estimated fair values of funds and borrowings with maturities of less than twelve months approximate the carrying values. For other funds and borrowings with maturities of more than twelve months, the fair values are estimated based on discounted cash flows using prevailing market rates for such instrument with similar risk profile.

Other assets and liabilities

The carrying values less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(e) Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems, or external events. The Group and the Company mitigate operational risk by having comprehensive internal control systems and procedures, which are reviewed regularly and subjected to periodical audits by internal auditors.

45. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 "Financial Instruments: Presentation", the Group and the Company report financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amounts" presented below are not intended to represent the Group's and the Company's actual exposure to credit risk.

	2019		
Group/Company	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts reported on statement of financial position RM'000
Financial assets			
Amount due from BNM	-	151	151
Financial liabilities			
Amount due to BNM	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

46. SIGNIFICANT EVENT AND EVENT OCCURING AFTER BALANCE SHEET DATE

Coronavirus Disease (COVID-19) Pandemic

The COVID-19 pandemic outbreak has developed rapidly in 2020, affecting global economic activities. More countries have taken preventive measures for the virus to stop spreading by imposing restrictions on the movement which include travelling and flight restrictions, getting people to stay at home and encouraging the practice of social distance. The measures have also resulted in temporary closures of businesses, schools, and cancellation of public events. As such, this has ramification on businesses in tourism, retails, transportation and entertainment, while other business segments have starting to feel the heat given the sluggish consumer demand.

Whilst it is premature to assess the impact of COVID-19 outbreak to CGC's financial position as a whole, based on CGC's preliminary assessment, CGC expect that this current situation will not normalise in the near term, and may impact CGC's earnings in 2020.

Given that such situation is unprecedented, it is extremely difficult to ascertain the extend of the impact to Malaysia's economy especially among the SMEs. Nevertheless, the Government's timely intervention through the introduction of various measures such as increasing the liquidity in the market (i.e. six months moratorium on loan and financing, Bantuan Prihatin Nasional etc.) are expected to cushion the impact and accelerate domestic consumptions. In fact, CGC participated in guaranteeing Bank Negara Malaysia Special Relief Fund to assist affected SMEs, and provide moratorium to CGC's existing customers.

Having said that, CGC is closely monitoring the situation to ensure that COVID-19 pandemic will not have a severe impact to CGC.

Company's position in Credit Bureau Malaysia Sdn Bhd

During the year 2019, the Company has commenced negotiations with a potential investor, which would result in dilution of Company's interest in CBM. The exercise is expected to be concluded in second quarter of 2020.

Company's position in Danajamin Nasional Berhad

Minister of Finance had proposed to consolidate Danajamin, Bank Pembangunan Malaysia Berhad (BPMB), Export-Import Bank of Malaysia Berhad (EXIM Bank) and Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) in two phases during the Budget 2020 announcement. Phase 1 involving restructuring exercise between BPMB and Danajamin while Phase 2 involving the enlarged entity of BPMB and Danajamin with EXIM Bank and SME Bank.

Bank Negara Malaysia has given its approval in December 2019 for the Phase 1 of the negotiation to commence. Whilst it is expected to be completed by fourth quarter of 2020, recent COVID-19 pandemic situation may result in delay on the execution of such exercise.

Company's position in Aureos CGC Advisers Sdn Bhd

As at 31 December 2019, Aureos CGC is currently undergoing member's voluntary liquidation, and the process is yet to be completed.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **DATO' AGIL NATT** and **FAISAL ISMAIL**, two of the Directors of **CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 165 to 276 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 2019 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended 31 December 2019 in accordance with Malaysian Financial Reporting Standards, International Financial 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 2020.

DATO' AGIL NATT
Chairman

FAISAL ISMAIL
Director

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, SHAZMEER MOKHTAR (CA 28369) , the Officer primarily responsible for the financial management of CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD, do solemnly and sincerely declare that, the financial statements set out on pages 165 to 276 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.

SHAZMEER MOKHTAR

Subscribed and solemnly declared by the abovenamed Shazmeer Mokhtar at Petaling Jaya, Selangor in Malaysia on 30 April 2020.

Before me,

COMMISSIONER FOR OATHS

No. 43, Kompleks Emporium
Makan Sek 52, Jalan Sultan
46200 Petaling Jaya, Selangor

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO. 197201000831 (12441-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Credit Guarantee Corporation Malaysia Berhad ("the Company") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial 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 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 165 to 276.

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.

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 and Annual 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO. 197201000831 (12441-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 of 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 on 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 CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO. 197201000831 (12441-M)

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.

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

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2021 J
Chartered Accountant

Kuala Lumpur
30 April 2020

CORPORATE INFORMATION

BOARD OF DIRECTORS

1. **Dato' Agil Natt**
   Independent Non-Executive Director
   (Chairman)
2. **Datuk David Chua Kok Tee**
   Independent Non-Executive Director
3. **Dato' Haji Syed Moheeb Syed Kamarulzaman**
   Independent Non-Executive Director
4. **Teoh Kok Lin**
   Independent Non-Executive Director
5. **Suresh Menon**
   Independent Non-Executive Director
6. **Dato' Ong Eng Bin**
   Independent Non-Executive Director
7. **Choong Tuck Oon**
   Independent Non-Executive Director
8. **Adnan Zaylani Mohamad Zahid**
   Non-Independent Non-Executive Director
9. **Faisal Ismail**
   Independent Non-Executive Director
   (Appointed on 1 December 2019)
10. **Saleha M. Ramly**
    Independent Non-Executive Director
    (Appointed on 1 December 2019)
11. **Nadzirah Abd. Rashid**
    Independent Non-Executive Director
    (Resigned on 1 February 2020)

BOARD AUDIT COMMITTEE

1. **Faisal Ismail**
   Independent Non-Executive Director
   (Chairperson)
   (Re-designated as Chairperson on 1 February 2020)
   (Appointed as member on 1 December 2019)
2. **Suresh Menon**
   Independent Non-Executive Director
3. **Dato' Ong Eng Bin**
   Independent Non-Executive Director
4. **Choong Tuck Oon**
   Independent Non-Executive Director
5. **Adnan Zaylani Mohamad Zahid**
   Non-Independent Non-Executive Director
6. **Nadzirah Abd. Rashid**
   Independent Non-Executive Director
   (Resigned on 1 February 2020)

BOARD RISK MANAGEMENT COMMITTEE

1. **Datuk David Chua Kok Tee**
   Independent Non-Executive Director
   (Chairperson)
2. **Dato' Haji Syed Moheeb Syed Kamarulzaman**
   Independent Non-Executive Director
3. **Teoh Kok Lin**
   Independent Non-Executive Director
4. **Suresh Menon**
   Independent Non-Executive Director
5. **Adnan Zaylani Mohamad Zahid**
   Non-Independent Non-Executive Director

BOARD NOMINATION & REMUNERATION COMMITTEE

1. **Dato' Agil Natt**
   Independent Non-Executive Director
   (Chairperson)
2. **Dato' Haji Syed Moheeb Syed Kamarulzaman**
   Independent Non-Executive Director
3. **Dato' Ong Eng Bin**
   Independent Non-Executive Director
4. **Adnan Zaylani Mohamad Zahid**
   Non-Independent Non-Executive Director
5. **Saleha M. Ramly**
   Independent Non-Executive Director
   (Appointed as a member on 1 February 2020)
6. **Nadzirah Abd. Rashid**
   Independent Non-Executive Director
   (Resigned on 1 February 2020)

CORPORATE INFORMATION

BOARD BUMIPUTERA DEVELOPMENT COMMITTEE

1. **Dato' Haji Syed Moheeb Syed Kamarulzaman**
   Independent Non-Executive Director
   (Chairperson)
2. **Datuk David Chua Kok Tee**
   Independent Non-Executive Director
3. **Dato' Ong Eng Bin**
   Independent Non-Executive Director
4. **Faisal Ismail**
   Independent Non-Executive Director
   (Appointed as a member on 1 December 2019)
5. **Saleha M. Ramly**
   Independent Non-Executive Director
   (Appointed as a member on 1 December 2019)
6. **Nadzirah Abd. Rashid**
   Independent Non-Executive Director
   (Withdrew as a member on 1 December 2019)

BOARD INVESTMENT COMMITTEE

1. **Teoh Kok Lin**
   Independent Non-Executive Director
   (Chairperson)
2. **Datuk David Chua Kok Tee**
   Independent Non-Executive Director
3. **Suresh Menon**
   Independent Non-Executive Director
4. **Faisal Ismail**
   Independent Non-Executive Director
   (Appointed as a member on 1 December 2019)
5. **Nadzirah Abd. Rashid**
   Independent Non-Executive Director
   (Withdrew as a member on 1 December 2019)

BOARD IT COMMITTEE

1. **Choong Tuck Oon**
   Independent Non-Executive Director
   (Chairperson)
2. **Datuk David Chua Kok Tee**
   Independent Non-Executive Director
3. **Dato' Haji Syed Moheeb Syed Kamarulzaman**
   Independent Non-Executive Director
4. **Teoh Kok Lin**
   Independent Non-Executive Director
5. **Saleha M. Ramly**
   Independent Non-Executive Director
   (Appointed as a member on 1 December 2019)

PRESIDENT/CHIEF EXECUTIVE OFFICER

Datuk Mohd Zamree Mohd Ishak

AUDITOR

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Malaysia
Tel : (6)03-2173 1188
Fax : (6)03-2173 1288

COMPANY SECRETARY

Daeng Hafez Arafat Zuhud
(LS0007002)
General Counsel & Company Secretary

REGISTERED OFFICE

Level 14, Bangunan CGC
Kelana Business Centre
No. 97, Jalan SS 7/2
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

BUSINESS AND CORRESPONDENCE ADDRESS

Level 8, Bangunan CGC
Kelana Business Centre
No. 97, Jalan SS 7/2
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (6)03-7806 2300
Fax : (6)03-7806 3308
Website : www.cgc.com.my

Social Media
Facebook : www.facebook.com/CGCmy

Instagram : cgcmalaysia

NOTICE OF 47TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting ("AGM") of Credit Guarantee Corporation Malaysia Berhad ("CGC") [Registration No.: 197201000831 (12441-M)] will be held at Bangunan CGC, Kelana Business Centre, 97, Jalan SS 7/2, 47301 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 24 June 2020 at 2.30 p.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who retire by rotation in accordance with Articles 76A and 76B of CGC's Constitution and who being eligible offer themselves for re-election:

   (a) Encik Suresh Kumar T.A.S Menon; — Resolution 1
   (b) Dato' Ong Eng Bin; and — Resolution 2
   (c) Datuk David Chua Kok Tee. — Resolution 3

3. To re-elect the following Directors who retire in accordance with Article 77 of CGC's Constitution and who being eligible offer themselves for re-election:

   (a) Encik Faisal Bin Ismail; — Resolution 4
   (b) Puan Saleha Binti M. Ramly; and — Resolution 5
   (c) Dato' Mohammed bin Haji Che Hussein. — Resolution 6

4. To approve the Directors' fees amounting to RM180,000 per annum for the Non-Executive Chairman and RM72,000 per annum for each Non-Executive Director from the 47th AGM to the 48th AGM of CGC, payable in a manner as the Directors may determine. — Resolution 7

5. To approve the Directors' benefits up to an amount of RM1,825,700 payable to the Non-Executive Chairman and Non-Executive Directors from the 47th AGM to the 48th AGM of CGC, payable in a manner as the Directors may determine. — Resolution 8

6. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of CGC for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration. — Resolution 9

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

BY ORDER OF THE BOARD

DAENG HAFEZ ARAFAT BIN ZUHUD
(LS0007002)
Company Secretary

Petaling Jaya
27 May 2020

NOTICE OF 47TH ANNUAL GENERAL MEETING

NOTES:

Proxy

1. A member entitled to attend, participate, speak and vote is entitled to appoint a proxy to attend, participate, speak and vote on his behalf. A proxy may but need not be a member of CGC and there shall be no restriction as to the qualification of a proxy.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a company under the hand of an officer or attorney of the company.

3. A company member having a share capital may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.

4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarial certified copy of that power of authority shall be deposited at the Registered Office of CGC – Level 14, Bangunan CGC, Kelana Business Centre, 97, Jalan SS7/2, 47301 Petaling Jaya, Selangor Darul Ehsan or email to CompanySecretarial@cgc.com.my, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Audited Financial Statements for financial year ended 31 December 2019

5. The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 ("CA 2016") for discussion only under Agenda 1 which do not require shareholders' approval and hence, will not be put for voting.

Ordinary Resolution 1, 2, 3, 4, 5 and 6 – Re-election of Directors who retire in accordance with Articles 76A and 76B, and 77 of CGC's Constitution

6. The Board had on 24 March 2020 endorsed the Board Nomination and Remuneration Committee Meeting ("BNRC")'s recommendation for re-election of the following directors who shall retire in accordance with Articles of CGC's Constitution:

   (i) Articles 76A and 76B:
   Encik Suresh Kumar T.A.S Menon, Dato' Ong Eng Bin and Datuk David Chua Kok Tee, who have been the longest in office since their last election to retire and shall be eligible for re-election.

   (ii) Article 77:
   Encik Faisal Bin Ismail and Puan Saleha Binti M. Ramly who were appointed as Independent Non-Executive Directors of CGC on 1 December 2019, shall hold office until the 47th AGM and shall be eligible for re-election.

   A brief profile of the abovementioned Non-Executive Directors is set out in pages 117, 118, 114, 120 and 121 respectively of CGC Annual Report 2019.

   The Board had on 23 April 2020 endorsed the BNRC's recommendation for re-election of the following director who shall retire in accordance with Articles of CGC's Constitution:

   (i) Article 77:
   Dato' Mohammed bin Haji Che Hussein who was appointed as Independent Non-Executive Directors of CGC on 1 May 2020, shall hold office until the 47th AGM and shall be eligible for re-election.

   A brief profile of Dato' Mohammed bin Haji Che Hussein is available on CGC's website.

   All the above Directors had abstained from deliberations and decision on their eligibility to stand for re-election at the Board Meeting.

Ordinary Resolution 7 – Directors' Fees

7. Section 230(1) of CA 2016 provides amongst others that "the fees" of the Directors and "any benefits" payable to the Directors of a public company shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval be sought at the 47th AGM.

   The following proposed Directors' fees to be paid to Non-Executive Chairman and Non-Executive Directors from this AGM to the 48th AGM is similar with the fee structure which had been earlier approved by the shareholders at the 45th AGM held on 25 June 2018:

	RM (per annum)
(i) Chairman	180,000
(ii) Members	72,000

Ordinary Resolution 8 – Directors' Benefits

8. The proposed Directors' Benefits comprises allowances, benefits-in-kind and other emoluments payable to Non-Executive Chairman and Non-Executive Directors, details of which are as follows:

Directors' Benefits	Chairman	Members
1. Meeting Allowance	RM5,000 per meeting	RM3,500 per meeting
2. Mobile Phone Allowance	RM500 per month	RM500 per month
3. Car Allowance	RM6,000 per month	
4. Entertainment Allowance	RM2,000 per month	
5. Company Driver	RM7,200 per annum (based on taxable rate)	
6. Other benefits	Medical coverage, travel & communication, working tool and other claimable benefits	

   The proposed Directors' Benefit amounting to RM1,825,700 will be paid to Non-Executive Chairman and Non-Executive Directors from the 47th AGM until the conclusion of the next AGM. CGC will pay the Directors' Benefit on monthly basis and/or and when incurred.

   The calculation of the Directors' Benefit is based on estimated number of scheduled Board and Board Committees Meetings, training organised for the Board, and also number of Non-Executive Directors involved in these meetings/trainings.

Ordinary Resolution 9 – Re-appointment of Auditor

9. The Board Audit Committee ("BAC") had at its meeting on 6 April 2020 assessed the suitability and independence of Messrs. PricewaterhouseCoopers ("PwC") in accordance with CGC's External Auditor Policy.

   Being satisfied with PwC's performance in 2019 which includes their quality of audit, efficiency, independence and resources allocated to complete their assignment, BAC recommended to the Board on the re-appointment of PwC as external auditors for the financial year ending 31 December 2020.

   The Board had at its 23 April 2020 meeting approved the BAC's recommendation for the shareholders' approval at the 47th AGM.

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FORM OF PROXY

CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD
Registration No. 197201000831 (12441-M)
(Incorporated in Malaysia)

I/We ____
(company name)

of ____
(full address)

being a member of Credit Guarantee Corporation Malaysia Berhad ("CGC"), hereby appoint ______________________

______________________________ NRIC/Passport No. ______________________
(full name)

or failing him/her ______________________________ NRIC/Passport No. ______________________
(full name)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the 47th Annual General Meeting ("AGM") of CGC to be held at Bangunan CGC, Kelana Business Centre, 97, Jalan SS 7/2, 47301 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 24 June 2020 at 2.30 p.m. and at any adjournment thereof for the following resolutions as set out in the Notice of the 47th AGM:-

Resolution No.	Resolution	For	Against
	Ordinary Resolutions:		
	To re-elect the following Directors who retire by rotation in accordance with Articles 76A and 76B of CGC's Constitution:-		
1	Encik Suresh Kumar T.A.S Menon		
2	Dato' Ong Eng Bin		
3	Datuk David Chua Kok Tee		
	To re-elect the following Directors who retire in accordance with Article 77 of CGC's Constitution:-		
4	Encik Faisal Bin Ismail		
5	Puan Saleha Binti M. Ramly		
6	Dato' Mohammed Bin Haji Che Hussein		
7	To approve the Directors' fees amounting to RM180,000 per annum for the Non-Executive Chairman and RM72,000 per annum for each Non-Executive Director from the 47th AGM to the 48th AGM of CGC, payable in a manner as the Directors may determine.		
8	To approve the Directors' benefits up to an amount of RM1,825,700 payable to the Non-Executive Chairman and Non-Executive Directors from the 47th AGM to the 48th AGM of CGC, payable in a manner as the Directors may determine.		
9	To re-appoint Messrs. PricewaterhouseCoopers as Auditors of CGC for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration.		

(Please indicate with a cross (x) in the spaces provided whether you wish your votes to be cast for or against the Resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit).

Signed this .... day of .... 2020.

....
Signature(s)/Common Seal of Member(s)

Notes:-

1. A member entitled to attend, participate, speak and vote is entitled to appoint a proxy to attend, participate, speak and vote on his behalf. A proxy may but need not be a member of CGC and there shall be no restriction as to the qualification of a proxy.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a company under the hand of an officer or attorney of the company.

3. A company member having a share capital may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.

4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarial certified copy of that power of authority shall be deposited at the Registered Office of CGC - Level 14, Bangunan CGC, Kelana Business Centre, 97, Jalan SS7/2, 47301 Petaling Jaya, Selangor Darul Ehsan or email to CompanySecretarial@cgc.com.my, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

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STAMP

COMPANY SECRETARY
CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD
Registration No. 197201000831 (12441-M)
Level 14, Bangunan CGC, Kelana Business Centre
No. 97 Jalan SS 7/2, 47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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www.cgc.com.my

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