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FINANCIALS

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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 2020.

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' Mohammed Hussein (Chairman) – Appointed as Director on 1 May 2020 and re-designated as Chairman on 1 July 2020
Dato' Agil Natt (Chairman) – Resigned on 1 July 2020
Datuk David Chua Kok Tee
Dato' Haji Syed Moheeb Syed Kamarulzaman
Encik Teoh Kok Lin
Encik Suresh Menon
Dato' Ong Eng Bin
Encik Choong Tuck Oon
Encik Adnan Zaylani Mohamad Zahid
Encik Faisal Ismail
Puan Saleha M. Ramly
Puan Nadzirah Abdul Rashid – Resigned on 1 February 2020

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	108,541	110,761

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 21 to the financial statements.

DIRECTORS' REPORT

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 2020.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 41 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 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.

(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 Company misleading or inappropriate.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

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

(i) any charge on the assets of the Group and Company which has arisen since the end of the financial year which secures the 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 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 38 to the financial statements.

SIGNIFICANT EVENT AND EVENT OCCURING AFTER BALANCE SHEET DATE

Details of significant event and event occurring after balance sheet date are set out in Note 45 to the financial statements.

DIRECTORS' REPORT

BUSINESS REVIEW

Following the global Covid-19 pandemic, 2020 will be marked as the most challenging year in recent history, leaving national economies and businesses incurring losses. Bank Negara Malaysia reported that the economy contracted by 5.6 percent in 2020, from 4.3 percent growth in 2019. The decline was attributed to commodity supply disruptions due to labour shortages and facility closures, mainly in the services, agriculture, mining and construction sectors. However, the introduction of national stimulus packages such as PRIHATIN, PRIHATIN PKS+ and PENJANA helped cushion the blow from the pandemic.

CGC continued to register a healthy financial performance in the face of the challenging economic environment. Our guarantee approvals recorded double-digit growth, on top of new scheme launches aimed at enhancing financial inclusion, and assisting MSMEs to survive and recover from the health and economic crises.

(a) Overall Performance

In 2020, CGC earned a total revenue of RM193.0 million, mainly derived from Portfolio Guarantee (PG) and Wholesale Guarantee (WG) products. The guarantee and financing base grew by RM2.7 billion. This growth reflect CGC's intensified outreach efforts in driving forward its core business functions. CGC approved more than 13,400 new guarantee and financing accounts, registering RM5.9 billion in total value.

Guarantee scheme approvals grew by 53 percent year-on-year, totalling RM5.8 billion in 2020. PG and WG schemes continued to be the major contributors with 46 percent share, while BizJamin/-i SRF contributed 43 percent of the year's total approval value.

CGC launched BizMikro-i during the year, a micro-financing scheme using psychometric assessment instead of the conventional credit assessment tool. This is a significant step towards enhancing the financial inclusion agenda among micro entrepreneurs, who often lack credit records and collateral.

Various initiatives in the CGC Developmental Programme™, held in collaboration with strategic partners, have been progressively making their mark, with an outreach of 30,102 MSMEs nationwide as of December 2020. imSME, a CGC Beyond Guarantee initiative has over 3,400 accounts with more than RM350 million approved financing since its inception on 9 February 2018. It won an international award in 2020 from The Asset Triple 'A': Islamic Finance Awards 2020 for Best Digital Banking Solution. The Khidmat Nasihat Pembiayaan (MyKNP@CGC) offers MSMEs, whose financing applications were rejected by banks, an opportunity to seek advisory services to improve their eligibility. It has received more than 847 enquiries from MSMEs since it was established in August 2019.

(b) Key Performance Indicators ("KPIs")

As of 31 December 2020, all 25 initiatives under the five strategic objectives of the 5-Year Strategic Plan 2016-2020 have been achieved. CGC has exceeded most of its headline targets, and achieved the rest of its targets, except for Graduation Rate, realising 94 percent.

DIRECTORS' REPORT

BUSINESS REVIEW (CONTINUED)

(c) Key Risks and Mitigations

CGC practises credit risk and portfolio risk management through consistent monitoring, data analytics and insightful reporting. The standards to mitigate risk adhere with the Malaysian Financial Reporting Standards (MFRS) and Bank Negara Malaysia's (BNM) Internal Capital Adequacy Assessment Process (ICAAP).

CGC is continuously enhancing its Enterprise Risk Management (ERM) Framework to further strengthen the robustness of its risk management and compliance capabilities against any potential external shocks, while allowing it to capitalise on any potential upsides at the same time. Despite heightened operational risks during the pandemic, there were no business or operational disruptions, nor a spike in operational risk incidents.

CGC successfully activated a business continuity plan, which enabled continued provision of critical business functions while protecting the health and well being of staff and customers. Nevertheless, there was increased exposure to cyber-attack risks arising from implementation of teleworking arrangements and greater reliance on digital platforms, and risks of data and information leakage from operations conducted in home-based environments. Cybersecurity risk profile and IT strategies have been reassessed to manage the digital risks, and key risks are closely monitored. CGC continues to keep abreast of regulatory and legal requirements to ensure compliance with all applicable laws, regulations and 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.

CGC's Human Capital Strategy has been focusing on five (5) Focus Areas; Improving Organisational Effectiveness, Building, Strengthening & Sustaining Leadership Capabilities, Fostering Performance Culture, Intensifying Employee Engagement, and Building Competitive HR Practices. These themes have been reinforced through multiple deliverables since 2018. In the next 12 months, the Human Capital Focus Areas remain unchanged with new initiatives planned to accelerate the CGC Transformation Journey and much focus on accelerating alignment of new capabilities with digital transformation.

DIRECTORS' REPORT

BUSINESS REVIEW (CONTINUED)

(e) Community Building

At CGC, our Corporate Responsibility (CR) initiatives aim to enable the underserved and underprivileged communities to attain better quality of life through our four pillars of engagements, namely Community Building, Education, Health and Sport. In 2020, CGC collaborated with various authorities and agencies to help those adversely affected by the Covid-19 pandemic, especially the B40 sector. In support of the Malaysian Government's effort in combating the global health crisis, CGC contributed to Tabung Bantuan Covid-19, set up by the National Disaster Management Agency (NADMA). Other relief efforts included collaborations with PERTIWI Soup Kitchen to distribute meals to the homeless and urban poor; sponsoring eye operations for elderly Warga Emas members in the B40 group by the Tun Hussein Onn National Eye Hospital (THONEH), contributing to Medical Relief Society (MERCY) Malaysia, for its Third Wave Strategic Preparedness and Response Plan Fund, and supporting Yayasan Kebajikan Negara (YKN) in their efforts to assist the unserved and underserved communities impacted by these health and economic crises.

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 22 April 2021. Signed on behalf of the Board of Directors:

DATO' MOHAMMED HUSSEIN
Chairman

FAISAL ISMAIL
Director

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

		Group		Company	
	Note	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
ASSETS					
Property, plant and equipment	6	**19,615**	28,361	**19,615**	28,361
Intangible assets	7	**17,685**	16,037	**17,685**	16,037
Right-of-Use assets ("ROU")	8	**2,306**	2,303	**2,306**	2,303
Investment in a subsidiary	9	**-**	-	**-**	-
Investments in associates	10	**8,421**	216	**7,341**	200
Assets held for sale	11	**901,150**	912,403	**500,000**	500,000
Investment securities: Fair value through profit or loss ("FVTPL")	12	**1,065,727**	952,001	**1,065,727**	952,001
Investment securities: Fair value through other comprehensive income ("FVOCI")	13	**2,305,593**	1,784,688	**2,305,593**	1,784,688
Investment securities: Amortised cost	14	**262,702**	182,333	**262,702**	182,333
Derivative financial assets	15	**11,131**	5,798	**11,131**	5,798
Term deposits	16	**553,564**	1,161,329	**553,564**	1,161,329
Financing, loans and advances	17	**193,449**	163,582	**193,449**	163,582
Amount due from a subsidiary	18	**-**	-	**-**	3,970
Amount due from Bank Negara Malaysia ("BNM")	19	**-**	151	**-**	151
Amount due from an associate		**31**	-	**31**	-
Other receivables	20	**31,804**	35,191	**31,804**	35,191
Cash and cash equivalents		**239,374**	99,660	**239,374**	99,660
TOTAL ASSETS		**5,612,552**	5,344,053	**5,210,322**	4,935,604

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

		Group		Company	
	Note	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
EQUITY AND LIABILITIES					
Equity attributable to the shareholders of the company					
Share capital	21	**1,785,600**	1,785,600	**1,785,600**	1,785,600
Reserves	22	**1,079,754**	1,016,918	**1,079,754**	1,016,918
Retained earnings		**1,138,847**	1,093,142	**752,916**	704,991
FVOCI reserve	23	**141,539**	98,300	**125,240**	82,001
		4,145,740	3,993,960	**3,743,510**	3,589,510
Non-controlling interest		**-**	1,304	**-**	-
TOTAL EQUITY		**4,145,740**	3,995,264	**3,743,510**	3,589,510
LIABILITIES					
Amount due to Bank Negara Malaysia ("BNM")	19	**1,648**	-	**1,648**	-
Funds from BNM	24	**958,136**	919,321	**958,136**	919,321
Small Entrepreneurs Guarantee Scheme ("SEGS")	25	**13,411**	21,633	**13,411**	21,633
Tabung Usahawan Kecil ("TUK")	26	**43,263**	41,550	**43,263**	41,550
Government funds	27	**26,121**	32,159	**26,121**	32,159
Small Entrepreneurs Financing Fund ("SEFF")	28	**25**	33	**25**	33
Derivative financial liabilities	29	**2,917**	244	**2,917**	244
Expected credit losses for guarantee schemes	30	**275,540**	199,656	**275,540**	199,656
Liabilities held for sale	11	**-**	2,695	**-**	-
Claims payable		**1,684**	1,480	**1,684**	1,480
Other payables	31	**141,715**	127,667	**141,715**	127,667
Lease liability	8	**2,352**	2,351	**2,352**	2,351
TOTAL LIABILITIES		**1,466,812**	1,348,789	**1,466,812**	1,346,094
TOTAL EQUITY AND LIABILITIES		**5,612,552**	5,344,053	**5,210,322**	4,935,604

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

		Group		Company	
Continuing operations	**Note**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Revenue	34	**193,030**	191,830	**193,030**	191,830
Investment income	35	**210,149**	234,134	**210,149**	234,134
		403,179	425,964	**403,179**	425,964
Other operating income	36	**48,117**	59,842	**51,927**	68,792
Total income		**451,296**	485,806	**455,106**	494,756
Staff costs	37	**82,293**	78,949	**82,293**	78,949
Depreciation on property, plant and equipment		**6,451**	6,099	**6,451**	6,099
Amortisation of intangible assets		**6,176**	5,968	**6,176**	5,968
Expected credit losses for guarantee schemes		**151,955**	103,906	**151,955**	103,906
Expected credit losses of financing, loans and advances		**14,087**	8,689	**14,087**	8,689
Expected credit losses for investment securities and others		**29,327**	11,388	**29,327**	11,388
Interest expense for Government loans		**3,092**	3,422	**3,092**	3,422
Other operating expenses		**50,964**	52,977	**50,964**	52,977
Total operating expenses		**344,345**	271,398	**344,345**	271,398
Share of profit/(loss) after tax of an associate		**1,065**	(9)	**-**	-
Profit from continuing operations		**108,016**	214,399	**110,761**	223,358
Profit from discontinuing operations	11	**525**	940	**-**	-
Net profit for the financial year		**108,541**	215,339	**110,761**	223,358

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
- Net fair value gain on FVOCI investments		**14,677**	43,873	**14,677**	43,873
- Changes in expected credit losses for FVOCI investments		**28,562**	10,986	**28,562**	10,986
- Share of other comprehensive income from discontinued operation	11	**-**	12,362	**-**	-
Other comprehensive income for the financial year		**43,239**	67,221	**43,239**	54,859
Total comprehensive income for the financial year		**151,780**	282,560	**154,000**	278,217
Net profit/(loss) for the financial year attributable to:					
Shareholders of the Company		**108,541**	215,451	**110,761**	223,358
Non-controlling interest		**-**	(112)	**-**	-
		108,541	215,339	**110,761**	223,358
Total comprehensive income/(loss) for the financial year attributable to:					
Shareholders of the Company		**151,780**	282,672	**154,000**	278,217
Non-controlling interest		**-**	(112)	**-**	-
		151,780	282,560	**154,000**	278,217
Total comprehensive income for the year attributable to Shareholders of the Company arises from:					
Continuing operations		**108,016**	214,399	**110,761**	223,358
Discontinued operations		**525**	1,052	**-**	-
		108,541	215,451	**110,761**	223,358

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

		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 2020		**1,785,600**	**329,200**	**17,405**	**670,313**	**98,300**	**1,093,142**	**1,304**	**3,995,264**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**43,239**	**108,541**	**-**	**151,780**
Transfer between reserves	22	**-**	**19,016**	**-**	**43,820**	**-**	**(62,836)**	**-**	**-**
Deemed disposal of a subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**(1,304)**	**(1,304)**
Balance as at 31 December 2020		**1,785,600**	**348,216**	**17,405**	**714,133**	**141,539**	**1,138,847**	**-**	**4,145,740**
Balance as at 1 January 2019		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	22	-	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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

		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 2020		**1,785,600**	**329,200**	**17,405**	**670,313**	**82,001**	**704,991**	**3,589,510**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**43,239**	**110,761**	**154,000**
Transfer between reserves	22	**-**	**19,016**	**-**	**43,820**	**-**	**(62,836)**	**-**
Balance as at 31 December 2020		**1,785,600**	**348,216**	**17,405**	**714,133**	**125,240**	**752,916**	**3,743,510**
Balance as at 1 January 2019		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	22	-	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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	**108,541**	215,339	**110,761**	223,358
Adjustments for:				
Depreciation on property, plant and equipment	**6,451**	6,099	**6,451**	6,099
Depreciation on ROU assets	**1,688**	1,574	**1,688**	1,574
Amortisation of intangible assets	**6,176**	5,968	**6,176**	5,968
Write-off of property, plant and equipment	**3,809**	2,526	**3,809**	2,526
Write-off of intangible assets	**-**	114	**-**	114
Interest expense for lease liability	**136**	140	**136**	140
Realised loss/(gain) on FVOCI investments	**480**	(760)	**480**	(760)
Realised gain on FVTPL investments	**(16,672)**	(11,271)	**(16,672)**	(11,271)
Realised gain on structured investments	**-**	(1,454)	**-**	(1,454)
Unrealised fair value gain on FVTPL investments	**(10,532)**	(35,050)	**(10,532)**	(35,050)
Amortisation of premiums on FVTPL investments	**1,422**	2,463	**1,422**	2,463
Amortisation of premium on FVOCI investments	**1,798**	1,511	**1,798**	1,511
Realised (gain)/loss on derivatives	**(99)**	455	**(99)**	455
Unrealised gain on derivatives	**(2,425)**	(4,523)	**(2,425)**	(4,523)
Expected credit losses for guarantee schemes	**151,955**	103,906	**151,955**	103,906
Expected credit losses of financing, loans and advances (net)	**14,087**	8,689	**14,087**	8,689
Expected credit losses charge for investment securities	**29,219**	11,388	**29,219**	11,388
Expected credit losses for P2P	**-**	(1)	**-**	(1)
Amortisation of deferred income	**(2,491)**	(2,728)	**(2,491)**	(2,728)
Accretion of Government loans	**2,491**	2,728	**2,491**	2,728
Interest expense on Government loans	**3,092**	3,422	**3,092**	3,422
Share of profit after tax of associates	**(1,065)**	(4,112)	**-**	-
Gain on deemed disposal of a subsidiary	**(3,331)**	-	**-**	-
Gain of fair value remeasurement of retained interest in associate company	**-**	-	**(7,141)**	-
	294,730	306,423	**294,205**	318,554
(Increase)/decrease in interest receivable for investments	**10,469**	10,762	**10,469**	10,762
(Decrease)/increase in amount due from a subsidiary	**(5,113)**	-	**3,970**	535
Decrease/(increase) in other receivables	**3,387**	(17,073)	**3,387**	(17,073)
(Decrease)/increase in financing, loans and advances	**(43,954)**	9,512	**(43,954)**	9,512
Decrease in claims payable	**(75,867)**	(113,778)	**(75,867)**	(113,778)
Increase in amount due from an associate	**(31)**	-	**(31)**	-
Decrease in Lease held for sale	**(2,695)**	-	**-**	-
Increase in Asset held for sale	**11,253**	-	**-**	-
Increase/(decrease) in other payables	**16,539**	(12,948)	**16,539**	(12,948)
Cash generated from operations	**208,718**	182,898	**208,718**	195,564
Net cash inflows from operating activities	**208,718**	182,898	**208,718**	195,564

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(4,239)**	(12,481)	**(4,239)**	(12,481)
Purchase of intangible assets	**(5,099)**	(2,882)	**(5,099)**	(2,882)
Purchase of lease liability	**(1,827)**	(1,665)	**(1,827)**	(1,665)
Purchase of FVTPL investments	**(688,566)**	(791,869)	**(688,566)**	(791,869)
Purchase of FVOCI investments	**(659,107)**	(342,512)	**(659,107)**	(342,512)
Purchase of Amortised Cost investments	**(80,000)**	(100,000)	**(80,000)**	(100,000)
Proceeds from disposal of FVOCI investments	**156,583**	302,004	**156,583**	302,004
Proceeds from disposal of FVTPL investments	**583,146**	674,710	**583,146**	674,710
Proceeds from disposal of structured investments	**-**	150,000	**-**	150,000
Proceeds from disposal of amortised cost investments	**-**	90,000	**-**	90,000
Decrease in derivative financial liabilities – net	**(136)**	(557)	**(136)**	(557)
Decrease/(increase) in term deposits	**660,063**	(472,570)	**660,063**	(472,570)
Dividend received from associates	**-**	8,950	**-**	-
Net cash outflows from investing activities	**(39,182)**	(498,872)	**(39,182)**	(507,822)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Small Entrepreneurs Guarantee Scheme	**(9,000)**	(9,000)	**(9,000)**	(9,000)
Repayment of Small Entrepreneurs Financing Fund	**(8)**	1	**(8)**	1
Repayment of HPT & New Investment Fund	**(6,038)**	(10,397)	**(6,038)**	(10,397)
Payment of interest on Government funds	**(3,092)**	(3,422)	**(3,092)**	(3,422)
Decrease/(increase) in amount due to BNM	**1,799**	(378)	**1,799**	(378)
Increase in BizMula-i and BizWanita-i funds from BNM	**38,815**	78,232	**38,815**	78,232
Net cash inflows from financing activities	**22,476**	55,036	**22,476**	55,036
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	**192,012**	(260,938)	**192,012**	(257,222)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**279,072**	540,010	**279,072**	536,294
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**471,084**	279,072	**471,084**	279,072
Cash and cash equivalents comprise the following:				
Cash and bank balances	**239,374**	99,660	**239,374**	99,660
Term deposits	**553,564**	1,161,329	**553,564**	1,161,329
	792,938	1,260,989	**792,938**	1,260,989
Less:				
Term deposits with original maturity more than three months	**321,854**	981,917	**321,854**	981,917
	471,084	279,072	**471,084**	279,072

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020

Group	At 1 January 2020 RM'000	Cash flows RM'000	Non-cash changes Interest accretion RM'000	Non-cash changes Interest accrual RM'000	At 31 December 2020 RM'000
Amount due (from)/to Bank Negara Malaysia ("BNM")	**(151)**	**1,799**	**-**	**-**	**1,648**
Funds from BNM	**919,321**	**38,815**	**-**	**-**	**958,136**
Small Entrepreneurs Guarantee Scheme ("SEGS")	**21,633**	**(9,000)**	**778**	**-**	**13,411**
Tabung Usahawan Kecil ("TUK")	**41,550**	**-**	**1,713**	**-**	**43,263**
Government funds	**32,159**	**(9,130)**	**-**	**3,092**	**26,121**
Small Entrepreneurs Financing Fund ("SEFF")	**33**	**(8)**	**-**	**-**	**25**
	1,014,545	**22,476**	**2,491**	**3,092**	**1,042,604**

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/(from) 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
Small Entrepreneurs Financing Fund ("SEFF")	32	1	-	-	33
	953,359	55,036	2,728	3,422	1,014,545

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2020

Company	At 1 January 2020 RM'000	Cash flows RM'000	Non-cash changes Interest accretion RM'000	Non-cash changes Interest accrual RM'000	At 31 December 2020 RM'000
Amount due (from)/to Bank Negara Malaysia ("BNM")	**(151)**	**1,799**	**-**	**-**	**1,648**
Funds from BNM	**919,321**	**38,815**	**-**	**-**	**958,136**
Small Entrepreneurs Guarantee Scheme ("SEGS")	**21,633**	**(9,000)**	**778**	**-**	**13,411**
Tabung Usahawan Kecil ("TUK")	**41,550**	**-**	**1,713**	**-**	**43,263**
Government funds	**32,159**	**(9,130)**	**-**	**3,092**	**26,121**
Small Entrepreneurs Financing Fund ("SEFF")	**33**	**(8)**	**-**	**-**	**25**
	1,014,545	**22,476**	**2,491**	**3,092**	**1,042,604**

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/(from) 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
Small Entrepreneurs Financing Fund ("SEFF")	32	1	-	-	33
	953,359	55,036	2,728	3,422	1,014,545

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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. 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 22 April 2021.

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 judgement in the process of applying the Group’s and Company’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 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 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 ‘Definition of Material’
- Amendments to MFRS 3 ‘Definition of a Business’
- Amendments to MFRS 9, MFRS 139 and MFRS 7 ‘Interest Rate Benchmark Reform’

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Conceptual Framework for Financial Reporting (Revised 2018)

The International Accounting Standard Board ("IASB") issued an update to the Conceptual Framework in April 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concept, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management's stewardship;
- Reintroduces the concept of prudence;
- Defines concept of measurement uncertainty;
- Reinstates an explicit reference to the need to "faithfully represent the substance of the phenomena that it purports to represent"; and
- Made changes to the definitions of an Asset and a Liability.

Amendments to MFRS 101 and MFRS 108 'Definition of Material'

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments also:

- clarify that an entity assess materiality in the context of the financial statements as a whole.

- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.

- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Amendments to MFRS 3 'Definition of a Business'

Amendments to MFRS 3 'Definition of a Business' 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Amendments to MFRS 3 'Definition of a Business' (continued)

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 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.

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 Group and the Company has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

(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 2020. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below:

- Amendments to MFRS 16 'Covid-19-Related Rent Concessions' (effective 1 June 2020) grant an optional exemption for lessees to account for a rent concession related to Covid-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

  The exemption only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

  (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
  (c) there is no substantive change to other terms and conditions of the lease.

  The amendments shall be applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Business Combinations: Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in the statements of comprehensive income.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts – cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

  The amendments shall be applied retrospectively.

2.2 Consolidation, subsidiaries and associates

(a) Subsidiaries

Subsidiaries are all entities over which the Group and the Company has control. The Group and the Company controls an entity when the Group and the Company 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 and the Company. They are deconsolidated from the date that control ceases.

The Group and the Company 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 and the Company. 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 and the Company 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 the statements of comprehensive income.

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 remeasurement are recognised in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation, subsidiaries and associates (continued)

(a) Subsidiaries (continued)

Any contingent consideration to be transferred by the Group and the Company 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 and the Company.

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.

(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 and the Company. 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 and the Company.

(c) Disposal of subsidiaries

When the Group and the Company 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 statements of comprehensive income. 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 and the Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation, subsidiaries and associates (continued)

(d) Associates

Associates are all entities over which the Group and the Company 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 and the Company's share of the post-acquisition profits or losses of the associate in the statements of comprehensive income, and the Group and the Company'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 and the Company'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 and the Company's net investment in the associate, the Group and the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group and the Company's investment in associates includes goodwill identified on acquisition.

The Group and the Company 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 and the Company 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 the Company and its associates are recognised in the Group and the Company'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 and the Company.

When the Group and the Company 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 comprehensive income. 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 and the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the statements of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of comprehensive income.

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. 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 statements of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in 'other operating income' in the statements of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of comprehensive income as incurred.

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

Amortisation is recognised in the statements of comprehensive income 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.

2.6 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 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 profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets

Classification

The Group and the Company classifies its financial assets in the following measurement categories:

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

Recognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commits to purchase or sell the asset.

Measurement

At initial recognition, the Group and the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's 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 statements of comprehensive income and presented in investment income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(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 profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of comprehensive income 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 statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Debt instruments (continued)

(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 statement of comprehensive income and presented net within investment income in the period which it arises.

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 the statements of comprehensive income following the derecognition of the investments. Dividends from such investments continue to be recognised in the statements of comprehensive income 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 statement of comprehensive income.

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:

- Other 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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Impairment for debt instruments and financial guarantee contracts (continued)

(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 other 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 other receivables and contract assets. Note 44 sets out the measurement details of ECL.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Significant increase in credit risk ("SICR") (continued)

- 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.

- Derecognition 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.

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:

<u>Quantitative criteria:</u>

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.

<u>Qualitative criteria:</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

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

(ii) Individual assessment

Other receivables and contract assets which are in default or credit-impaired are assessed individually.

Write-off

(i) 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.

Modification of loans and financing

The Group and the Company sometimes renegotiate or otherwise modify the contractual cash flows of loans and financing to customers. When this happens, the Group and the Company assess whether or not the new terms are substantially different to the original terms. The Group and the Company do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share or equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collaterals, other securities or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group and the Company derecognise the original financial asset and recognise a 'new' asset at fair value and recalculate a new EIR for the asset. However, the Group and the Company also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in the income statements as a modification gain or loss on derecognition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Modification of loans and financing (continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Company recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the income statements. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

Reclassification of financial assets

The Group and the Company reclassify financial assets when and only when their business model for managing those assets changes.

Derecognition of financial assets

A financial asset is derecognised when there is substantial modification of terms and conditions or factors other than substantial modification.

(a) Derecognition due to substantial modification of terms and conditions

The Group and the Company derecognise a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss. The newly recognised financing are classified as Stage 1 for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate ("EIR"), the Group and the Bank record a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(b) Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group and the Company transfer substantially all the risks and rewards of ownership, or (ii) the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Company have not retained control.

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 statements of comprehensive income. Financial liabilities are derecognised when extinguished.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial liabilities (continued)

(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 remeasured 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 'other payables'.

(b) Derecognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.9 Offsetting financial instrument

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial guarantee contracts (continued)

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 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 statements of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, 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.

2.14 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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.

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 comprehensive income. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 statements of comprehensive income in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of comprehensive income 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.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 engaged 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.

2.24 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Foreign currencies (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statements of comprehensive income 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 statements of comprehensive income, 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

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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) ROU assets (continued)

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.

(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;
- 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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statements of comprehensive income 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 the statements of comprehensive income 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 statements of financial position. Interest expense on the lease liability is presented within the finance cost in the statements of comprehensive income.

(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 the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

(c) Sublease classification

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.

NOTES TO THE FINANCIAL STATEMENTS
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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 43(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 43(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.

<u>Management Overlay</u>

As the current MFRS 9 models are not expected to generate levels of expected credit loss with sufficient reliability in view of the unprecedented and on-going Covid-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2020.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes. The overlays were applied to Stage 1 high risk sectors inclusive of Real estate, Business services, Retail trade and Wholesale trade.

(c) Allowance for impairment on investment in an associate company

In the Company's separate financial statements, investments in associates are carried at cost less accumulated impairment losses. The Company assesses the impairment on investment in an associate company on an annual basis in accordance with its accounting policy in Note 2.6 to the financial statements. On disposal of investments in associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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.

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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.

	2020 RM'000	2019 RM'000
Carrying amounts of ROU asset by class of underlying assets:		
Properties	**1,682**	3,132
Machineries	**620**	744
	2,302	3,876
Additions to the ROU assets during the financial year:		
Properties	**1,692**	691
Machineries	**-**	567
	1,692	1,258
Depreciation charge of ROU assets by class of underlying assets:		
Properties	**1,539**	1,450
Machineries	**149**	124
	1,688	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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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.

NOTES TO THE FINANCIAL STATEMENTS
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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:

	2020 RM'000	2019 RM'000
Operating lease		
Lease income (excluding contingent rents)	**251**	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:

	2020 RM'000	2019 RM'000
Balance as at 1 January	**21**	21
Lease payments received during the financial year	**(251)**	(251)
Lease receivable during the financial year	**251**	251
Balance as at 31 December	**21**	21

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31 December 2020

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 2020	39,081	5,010	144	3,568	1,858	19,844	10,408	9,447	89,360
Additions	-	-	-	118	-	3	610	3,508	4,239
Write-off	-	-	-	-	-	-	(228)	(3,809)	(4,037)
Transfer from work in progress	-	-	-	-	-	2,408	-	(2,408)	-
Reclassification to intangible assets (Note 7)	-	-	-	-	-	-	-	(2,705)	(2,705)
As at 31 December 2020	39,081	5,010	144	3,686	1,858	22,255	10,790	4,033	86,857
Less: Accumulated depreciation									
As at 1 January 2020	35,957	2,919	143	2,189	1,018	10,743	8,030	-	60,999
Charge for the financial year	1,563	29	-	511	303	3,233	812	-	6,451
Write-off	-	-	-	-	-	-	(228)	-	(228)
Reclassification from intangible assets (Note 7)	-	-	-	-	-	-	20	-	20
As at 31 December 2020	37,520	2,948	143	2,700	1,321	13,976	8,634	-	67,242
Net book value									
As at 31 December 2020	1,561	2,062	1	986	537	8,279	2,156	4,033	19,615

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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 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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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 2020	39,081	5,010	144	3,568	1,858	19,844	10,408	9,447	89,360
Additions	-	-	-	118	-	3	610	3,508	4,239
Write-off	-	-	-	-	-	-	(228)	(3,809)	(4,037)
Transfer from work in progress	-	-	-	-	-	2,408	-	(2,408)	-
Reclassification to intangible assets (Note 7)	-	-	-	-	-	-	-	(2,705)	(2,705)
As at 31 December 2020	39,081	5,010	144	3,686	1,858	22,255	10,790	4,033	86,857
Less: Accumulated depreciation									
As at 1 January 2020	35,956	2,920	143	2,189	1,018	10,743	8,030	-	60,999
Charge for the financial year	1,563	29	-	511	303	3,233	812	-	6,451
Write-off	-	-	-	-	-	-	(228)	-	(228)
Reclassification from intangible assets (Note 7)	-	-	-	-	-	-	20	-	20
As at 31 December 2020	37,519	2,949	143	2,700	1,321	13,976	8,634	-	67,242
Net book value									
As at 31 December 2020	1,562	2,061	1	986	537	8,279	2,156	4,033	19,615

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

NOTES TO THE FINANCIAL STATEMENTS
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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 2020	**63,049**	**-**	**-**	**63,049**
Additions	**5,099**	**-**	**-**	**5,099**
Write-off	**(69)**	**-**	**-**	**(69)**
Reclassification from property, plant and equipment (Note 6)	**2,705**	**-**	**-**	**2,705**
As at 31 December 2020	**70,784**	**-**	**-**	**70,784**
Less: Accumulated amortisation				
As at 1 January 2020	**47,012**	**-**	**-**	**47,012**
Amortisation charge during the financial year	**6,176**	**-**	**-**	**6,176**
Write-off	**(69)**	**-**	**-**	**(69)**
Reclassification to property, plant and equipment (Note 6)	**(20)**	**-**	**-**	**(20)**
As at 31 December 2020	**53,099**	**-**	**-**	**53,099**
Net book value				
As at 31 December 2020	**17,685**	**-**	**-**	**17,685**
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

7. INTANGIBLE ASSETS (CONTINUED)

Company	Software RM'000	Total RM'000
Cost		
As at 1 January 2020	**63,049**	**63,049**
Additions	**5,099**	**5,099**
Write-off	**(69)**	**(69)**
Reclassification from property, plant and equipment (Note 6)	**2,705**	**2,705**
As at 31 December 2020	**70,784**	**70,784**
Less: Accumulated amortisation		
As at 1 January 2020	**47,012**	**47,012**
Amortisation charge during the financial year	**6,176**	**6,176**
Write-off	**(69)**	**(69)**
Reclassification to property, plant and equipment (Note 6)	**(20)**	**(20)**
As at 31 December 2020	**53,099**	**53,099**
Net book value		
As at 31 December 2020	**17,685**	**17,685**
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		
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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Right-of-Use assets:		
Properties	**1,834**	1,682
Machineries	**472**	621
	2,306	2,303
Lease liabilities:		
Properties	**(1,828)**	(1,709)
Machineries	**(524)**	(642)
	(2,352)	(2,351)

The statements of comprehensive income as at 31 December 2020 shows the following amounts relating to leases:

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Depreciation charge on right-of-use assets		
Properties	**1,539**	1,450
Machineries	**149**	124
	1,688	1,574
Accumulated depreciation during the financial year		
Properties	**2,989**	1,450
Machineries	**273**	124
	3,262	1,574

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

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

Future minimum lease payments at 31 December are as follows:

Group/Company	Within 1 year RM'000	1-3 years RM'000	More than 3 years RM'000	Total RM'000
31.12.2020				
Lease payment	**1,331**	**1,178**	**-**	**2,509**
Finance cost	**(97)**	**(60)**	**-**	**(157)**
Net present value	**1,234**	**1,118**	**-**	**2,352**
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

Included in property, plant and equipment, there is RM2,061,000 (2019: RM2,090,000) of right of use assets in relation to leasehold land.

9. INVESTMENT IN A SUBSIDIARY

	Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Unquoted shares, at cost	-	23,650
Less: Allowance for impairment	-	(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	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Credit Bureau Malaysia Sdn Bhd ("CBM")	-	71.67%	-	28.33%

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

CBM completed its restructuring exercise on 3 June 2020 which eventually changed the shareholding in CBM. With Dun & Bradstreet (D&B) Malaysia Sdn Bhd and ABM Investment Sdn Bhd exiting from CBM, CGC's shareholding diluted from 71.7% to 49% and Sunway Holdings Sdn Bhd ("SHSB") became the majority shareholder with 51% shareholding in CBM.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Unquoted shares, at cost	**7,341**	500,200	**7,341**	500,200
Group's share of post-acquisition reserves	**1,080**	16	**-**	-
Reclassification to assets held for sale (Note 11)	**-**	(500,000)	**-**	(500,000)
	8,421	216	**7,341**	200

Details of the associates are as follows:

Name of associates	Principal activities	Percentage of equity held 31.12.2020	Percentage of equity held 31.12.2019
Aureos CGC Advisers Sdn Bhd ("Aureos CGC")	Advisory services	**40%**	40%
Credit Bureau Malaysia Sdn Bhd ("CBM")	Credit reference services, credit rating and such other services related to a credit bureau	**49%**	-
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^		CBM	Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2020 RM'000	2019 RM'000
Assets							
Current assets	**1,711,183**	1,639,659	**628**	628	**12,240**	**1,724,051**	1,640,287
Non-current assets	**1,002,140**	1,152,420	**-**	-	**7,159**	**1,009,299**	1,152,420
Total assets	**2,713,323**	2,792,079	**628**	628	**19,399**	**2,733,350**	2,792,707
Liabilities							
Current liabilities	**(10,841)**	(10,403)	**(86)**	(86)	**(2,255)**	**(13,182)**	(10,489)
Non-current liabilities	**(818,308)**	(979,379)	**-**	-	**(398)**	**(818,706)**	(979,379)
Total liabilities	**(829,149)**	(989,782)	**(86)**	(86)	**(2,653)**	**(831,888)**	(989,868)
Net assets	**1,884,174**	1,802,297	**542**	542	**16,746**	**1,901,462**	1,802,839

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31 December 2020

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^		CBM	Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2020 RM'000	2019 RM'000
Revenue	**169,486**	160,930	**-**	-	**13,276**	**182,762**	160,930
Net profit/(loss) for the financial year	**76,484**	2,684	**-**	(23)	**2,905**	**79,389**	2,661
Total comprehensive income/(loss) for the financial year	**81,877**	27,452	**-**	(23)	**2,905**	**84,782**	27,429

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

	Danajamin		Aureos CGC^		CBM	Total	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Net assets as at 1 January	**1,802,297**	1,792,793	**542**	565	**5,321**	**1,808,160**	1,793,358
New share subscription as at 3 June	**-**	-	**-**	-	**9,252**	**9,252**	-
Net profit/(loss) for the financial year	**76,484**	2,684	**-**	(23)	**2,172**	**78,656**	2,661
Dividend paid	**-**	(17,900)	**-**	-	**-**	**-**	(17,900)
Other comprehensive income for the financial year	**5,393**	24,720	**-**	-	**-**	**5,393**	24,720
Net assets as at 31 December	**1,884,174**	1,802,297	**542**	542	**16,745**	**1,901,461**	1,802,839
Opening carrying value	**901,150**	901,150	**216**	216	**8,205**	**909,571**	901,366
Reclassification to asset held for sale (Note 11)	**(901,150)**	(901,150)	**-**	-	**-**	**(901,150)**	(901,150)
Closing carrying value	**-**	-	**216**	216	**8,205**	**8,421**	216

^ No financial information available for financial year ended 31 December 2020. The last financial information received from management was for financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
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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, 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	**169,486**	160,930	**5,959**	12,500
Expenses	**(61,811)**	(148,617)	**(5,226)**	(12,906)
Profit before income tax	**107,675**	12,313	**733**	(406)
Taxation	**(31,191)**	(9,629)	**-**	7
Profit/(loss) from discontinued operations	**76,484**	2,684	**733**	(399)
Other comprehensive income for the financial year	**5,393**	24,768	**-**	-
Total comprehensive income/(loss) for the financial year	**81,877**	27,452	**733**	(399)

(ii) Summarised statements of cash flow

	Danajamin		CBM	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net cash inflow/(outflow) from operating activities	**25,982**	45,756	**2,230**	2,771
Net cash outflow from investing activities	**(422)**	(1,649)	**(2,889)**	(2,033)
Net cash outflow from financing activities	**(26,190)**	(43,969)	**8,973**	(251)

NOTES TO THE FINANCIAL STATEMENTS

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11. DISPOSAL GROUPS HELD FOR SALE (CONTINUED)

(iii) Summarised statements of financial position

	Danajamin		CBM	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets				
Current assets	**1,711,183**	1,639,659	**-**	5,503
Non-current assets	**1,002,140**	1,152,420	**-**	5,750
Total assets	**2,713,323**	2,792,079	**-**	11,253
Liabilities				
Current liabilities	**(10,841)**	(10,403)	**-**	(6,665)
Non-current liabilities	**(818,308)**	(979,379)	**-**	-
Total liabilities	**(829,149)**	(989,782)	**-**	(6,665)
Net assets	**1,884,174**	1,802,297	**-**	4,588

Reconcilation to carrying value of assets held for sales:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total assets from CBM	**-**	11,253	**-**	-
Transfer of investment in associates to asset held for sale (Note 10b)	**901,150**	901,150	**500,000**	500,000
Total assets held for sale	**901,150**	912,403	**500,000**	500,000
Total liabilities from CBM	**-**	(6,665)	**-**	-
Less:				
Amount due to immediate holding company	**-**	(3,970)	**-**	-
Total liabilities held for sale	**-**	(2,695)	**-**	-

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12. INVESTMENT SECURITIES: FVTPL

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
At fair value		
Money market instruments:		
Unquoted in Malaysia		
Malaysian Government Securities	54,919	28,241
Government Investment Issue ("GII")	27,627	-
	82,546	28,241
Unquoted securities:		
In Malaysia		
Private debt securities	586,659	613,931
Outside Malaysia		
Private debt securities	307,086	270,473
	893,745	884,404
Quoted securities:		
In Malaysia		
REITS	17,700	5,074
Outside Malaysia		
REITS	71,736	34,282
	89,436	39,356
	1,065,727	952,001

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13. INVESTMENT SECURITIES: FVOCI

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
At fair value		
Money market instruments:		
Unquoted in Malaysia		
Cagamas bonds	**59,905**	73,289
Malaysian Government Securities	**109,605**	62,134
GII	**101,087**	-
	270,597	135,423
Unquoted securities:		
In Malaysia		
Private debt securities	**2,034,996**	1,649,265
	2,305,593	1,784,688

Movements in allowance for impairment of FVOCI

		Group/Company	
		31.12.2020 RM'000	31.12.2019 RM'000
(i)	**Expected Credit Losses "ECL" Stage 2**		
	Balance as at 1 January	**9,786**	4
	Allowance made during the financial year	**28,693**	9,782
	Balance as at 31 December	**38,479**	9,786

		Group/Company	
		31.12.2020 RM'000	31.12.2019 RM'000
(ii)	**Expected Credit Losses "ECL" Stage 1**		
	Balance as at 1 January	**1,828**	677
	Allowance made during the financial year	**-**	1,151
	Amount written-back during the financial year	**(131)**	-
	Balance as at 31 December	**1,697**	1,828

NOTES TO THE FINANCIAL STATEMENTS
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14. INVESTMENT SECURITIES: FINANCIAL ASSETS AT AMORTISED COST

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
At amortised cost		
Unquoted securities:		
In Malaysia		
Private debt securities	**264,544**	183,517
Peer-to-peer ("P2P'')	**6**	7
	264,550	183,524
Less: Expected credit losses ("ECL")	**(1,848)**	(1,191)
	262,702	182,333

Movements in allowance for Impairment of amortised cost

		Group/Company	
		31.12.2020 RM'000	31.12.2019 RM'000
(i)	**Expected Credit Losses "ECL" Stage 2**		
	Balance as at 1 January	**-**	-
	Allowance made during the financial year	**241**	-
	Balance as at 31 December	**241**	-

		Group/Company	
		31.12.2020 RM'000	31.12.2019 RM'000
(ii)	**Expected Credit Losses "ECL" Stage 1**		
	Balance as at 1 January	**1,191**	790
	Allowance made during the financial year	**416**	401
	Balance as at 31 December	**1,607**	1,191

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15. DERIVATIVE FINANCIAL ASSETS

	Group/Company			
	31.12.2020		31.12.2019	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
Derivative assets				
- Currency forward contracts	**329,131**	**11,131**	317,842	5,798

16. TERM DEPOSITS

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
At amortised cost		
Licensed banks	**412,487**	1,037,600
Other financial institutions	**141,077**	123,729
	553,564	1,161,329

17. FINANCING, LOANS AND ADVANCES

(i) By schemes

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Redemption of Direct Access Guarantee Scheme ("DAGS") loans	**43,475**	78,801
Tabung Pemulihan dan Pembangunan Usahawan ("TPPU")	**2,052**	2,052
Tabung Pemulihan Peniaga Kecil ("TPPK")	**144**	169
Tabung Projek Usahawan Bumiputra-i ("TPUB-i")	**35,929**	47,079
BizMula-i	**151,635**	123,322
BizWanita-i	**41,282**	31,994
BizBina-i	**18,440**	-
BizMikro-i	**933**	-
Staff loans	**1,272**	1,358
Gross financing, loans and advances	**295,162**	284,775
Less: Expected credit losses ("ECL")		
- Stage 3	**(76,340)**	(104,054)
- Stage 2	**(20,793)**	(12,176)
- Stage 1	**(4,580)**	(4,963)
Total net financing, loans and advances	**193,449**	163,582

NOTES TO THE FINANCIAL STATEMENTS

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17. FINANCING, LOANS AND ADVANCES (CONTINUED)

(ii) By maturity structure

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Maturity within one year	**49,601**	59,786
One year to three years	**52,269**	56,125
Three years to five years	**158,590**	136,773
Over five years	**34,702**	32,091
	295,162	284,775

(iii) By interest rate/profit rate sensitivity

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Fixed rate		
- Redemption of DAGS loans	**43,475**	78,801
- Tabung Pemulihan dan Pembangunan Usahawan	**2,052**	2,052
- Tabung Pemulihan Peniaga Kecil	**143**	169
- Tabung Projek Usahawan Bumiputra-i	**35,929**	47,079
- BizMula-i	**151,636**	123,322
- BizWanita-i	**41,282**	31,994
- BizBina-i	**18,440**	-
- BizMikro-i	**933**	-
- Staff loans	**1,272**	1,358
	295,162	284,775

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

17. FINANCING, LOANS AND ADVANCES (CONTINUED)

(iv) By economic sectors

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Primary agriculture	**3,388**	2,340
Education, health and others	**18,241**	15,618
Construction	**31,260**	45,319
Electricity, gas & water supply	**2,285**	2,186
Financing, insurance, real estate & business services	**46,896**	39,126
Manufacturing	**29,691**	34,223
Mining & quarrying	**206**	185
Transport, storage & communication	**10,581**	6,596
Wholesale, retail trade, restaurants & hotels	**149,146**	135,603
Others	**3,468**	3,579
	295,162	284,775

(v) By economic purpose

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Working capital	**293,890**	283,417
Others	**1,272**	1,358
	295,162	284,775

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

17. FINANCING, LOANS AND ADVANCES (CONTINUED)

(vi) By geographical distribution

	Group/Company	
	31.12.2020 RM'000	**31.12.2019 RM'000**
Johor	**45,898**	46,866
Kedah	**11,258**	13,932
Kelantan	**15,394**	13,414
Melaka	**14,462**	11,123
Negeri Sembilan	**14,656**	15,607
Pahang	**14,931**	12,599
Perak	**20,222**	15,567
Pulau Pinang	**19,436**	21,017
Sabah	**21,500**	21,932
Sarawak	**27,227**	22,858
Selangor	**47,576**	55,463
Terengganu	**16,902**	15,309
Wilayah Persekutuan – Kuala Lumpur	**25,700**	19,088
	295,162	284,775

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

	Group/Company	
	31.12.2020 RM'000	**31.12.2019 RM'000**
Balance as at 1 January	**104,054**	119,980
Add: Classified as impaired	**46,988**	22,567
Less: Reclassified as non-impaired	**(571)**	(225)
Less: Amount written-back	**(40,565)**	(10,413)
Less: Amount written-off/waived	**(33,566)**	(27,855)
Balance as at 31 December	**76,340**	104,054

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

17. FINANCING, LOANS AND ADVANCES (CONTINUED)

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

	Group/Company	
	31.12.2020 RM'000	**31.12.2019 RM'000**
Working capital	**76,186**	103,900
Others	**154**	154
	76,340	104,054

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

	Group/Company	
	31.12.2020 RM'000	**31.12.2019 RM'000**
Johor	**13,909**	14,416
Kedah	**1,641**	5,411
Kelantan	**3,951**	4,724
Melaka	**1,463**	1,934
Negeri Sembilan	**7,019**	8,850
Pahang	**2,022**	2,457
Perak	**2,084**	2,616
Pulau Pinang	**4,475**	6,713
Sabah	**6,104**	9,536
Sarawak	**5,388**	8,287
Selangor	**17,170**	27,369
Terengganu	**5,747**	4,873
Wilayah Persekutuan – Kuala Lumpur	**5,367**	6,868
	76,340	104,054

NOTES TO THE FINANCIAL STATEMENTS
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17. FINANCING, LOANS AND ADVANCES (CONTINUED)

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

	Group/Company	
	2020 RM'000	**2019 RM'000**
Expected Credit Losses "ECL" STAGE 3		
Balance as at 1 January	**104,054**	119,980
Allowance made during the financial year	**46,989**	22,567
Amount written-back during the financial year	**(41,137)**	(10,638)
Amount written-off/waived during the financial year	**(33,566)**	(27,855)
Balance as at 31 December	**76,340**	104,054
Expected Credit Losses "ECL" STAGE 2		
Balance as at 1 January	**12,176**	10,060
Allowance made during the financial year	**16,216**	9,397
Amount written-back during the financial year	**(7,599)**	(7,281)
Balance as at 31 December	**20,793**	12,176
Expected Credit Losses "ECL" STAGE 1		
Balance as at 1 January	**4,963**	10,318
Allowance made during the financial year	**3,022**	2,553
Amount written-back during the financial year	**(3,405)**	(7,908)
Balance as at 31 December	**4,580**	4,963
Total	**101,713**	121,193

18. AMOUNT DUE FROM A SUBSIDIARY

	Company	
	31.12.2020 RM'000	**31.12.2019 RM'000**
Amount due from a subsidiary	**-**	3,970

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

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19. AMOUNT DUE (TO)/FROM BNM

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Amount due (to)/from BNM	**(1,648)**	151

The amount due (to)/from 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.

(d) Income generated from SRF which is to be utilised for claims payment.

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

20. OTHER RECEIVABLES

	Group		Company	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Receivables due from financial institutions	**14,538**	19,307	**14,538**	19,307
Deposits	**1,168**	1,136	**1,168**	1,136
Prepayments	**4,787**	2,308	**4,787**	2,308
Other receivables	**237**	1,010	**237**	1,010
Invoice accrual for guarantee fees	**11,074**	11,430	**11,074**	11,430
	31,804	35,191	**31,804**	35,191

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.

21. SHARE CAPITAL

	Group/Company	
	2020 RM'000	2019 RM'000
Issued and fully paid ordinary shares:		
As at 1 January/31 December at no par value	**1,785,600**	1,785,600

NOTES TO THE FINANCIAL STATEMENTS

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22. RESERVES

	Group		Company	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Special Programme reserve (a)	**348,216**	329,200	**348,216**	329,200
SPI reserve (b)	**17,405**	17,405	**17,405**	17,405
Special reserve (c)	**714,133**	670,313	**714,133**	670,313
	1,079,754	1,016,918	**1,079,754**	1,016,918

(a) Special Programme reserve

	Group/Company	
	2020 RM'000	2019 RM'000
As at 1 January	**329,200**	308,612
Transfer from retained earnings during the financial year	**19,016**	20,588
As at 31 December	**348,216**	329,200

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 32), and Projek Usahawan Bumiputra Dalam Bidang Peruncitan ("PROSPER") (Note 33) 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 28).

(b) SPI reserve

	Group/Company	
	2020 RM'000	2019 RM'000
As at 1 January	**17,405**	16,509
Transfer from retained earnings during the financial year	**-**	896
As at 31 December	**17,405**	17,405

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.

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22. RESERVES (CONTINUED)

(c) Special reserve

	Group/Company	
	2020 RM'000	**2019 RM'000**
As at 1 January	**670,313**	620,745
Transfer from retained earnings during the financial year	**43,820**	49,568
As at 31 December	**714,133**	670,313

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.

23. FVOCI RESERVE

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
As at 1 January	**98,300**	31,079	**82,001**	27,142
Fair value gain during the financial year	**14,677**	43,873	**14,677**	43,873
Amount made during the financial year	**28,562**	10,986	**28,562**	10,986
Share of FVOCI of associates	**-**	12,362	**-**	-
As at 31 December	**141,539**	98,300	**125,240**	82,001

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24. FUNDS FROM BANK NEGARA MALAYSIA

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
TPUB-i	**301,500**	301,500
Shares of Danajamin	**500,000**	500,000
BizWanita-i	**31,214**	22,061
BizMula-i	**125,422**	95,760
	958,136	919,321
Repayable within 12 months	**33,179**	33,241
Repayable after 12 months	**924,957**	886,080
	958,136	919,321

Details of the balance outstanding as at 31 December 2020 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.

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25. SMALL ENTREPRENEURS GUARANTEE SCHEME ("SEGS")

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Repayable within 12 months	**10,000**	9,000
Repayable after 12 months	**3,411**	12,633
	13,411	21,633

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.

26. TABUNG USAHAWAN KECIL ("TUK")

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Repayable after 12 months	**43,263**	41,550

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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27. GOVERNMENT FUNDS

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
As at 1 January	**32,159**	42,556
Repayment during the financial year	**(6,130)**	(10,739)
Interest payable	**92**	342
As at 31 December	**26,121**	32,159
Repayable within 12 months	**10,697**	10,842
Repayable after 12 months	**15,424**	21,317
	26,121	32,159

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").

28. SMALL ENTREPRENEURS FINANCING FUND ("SEFF")

	Group/Company	
	2020 RM'000	2019 RM'000
As at 1 January	**33**	32
Repayment during the financial year	**(33)**	(32)
Recovery during the financial year	**25**	33
As at 31 December	**25**	33
Repayable within 12 months	**25**	33

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

In addition to the above, the Ministry of Cooperative & Entrepreneur Development ("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 22).

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

29. DERIVATIVE FINANCIAL LIABILITIES

	Group/Company			
	31.12.2020		31.12.2019	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
Derivative financial liabilities				
- currency forward contracts	**84,734**	**2,917**	50,644	244

NOTES TO THE FINANCIAL STATEMENTS

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30. EXPECTED CREDIT LOSSES FOR GUARANTEE SCHEMES

		Group/Company	
		2020 RM'000	2019 RM'000
(i)	**Expected Credit Losses "ECL" STAGE 3**		
	Balance as at 1 January	**36,939**	21,366
	Allowance made during the financial year	**56,407**	128,735
	Transfer to claims payable during the financial year	**(76,070)**	(113,162)
	Balance as at 31 December	**17,276**	36,939
(ii)	**Expected Credit Losses "ECL" STAGE 2**		
	Balance as at 1 January	**93,639**	112,845
	Allowance made during the financial year	**41,212**	(19,206)
	Balance as at 31 December	**134,851**	93,639
(iii)	**Expected Credit Losses "ECL" STAGE 1**		
	Balance as at 1 January	**69,078**	74,700
	Allowance written back during the financial year	**54,335**	(5,622)
	Balance as at 31 December	**123,413**	69,078
	Total	**275,540**	199,656

31. OTHER PAYABLES

	Group		Company	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Guarantee fee due unearned	**65,513**	64,485	**65,513**	64,485
Refundable proceed TPUB and TPUB-i	**576**	1,031	**576**	1,031
Sinking fund – TPUB-i	**459**	435	**459**	435
Deferred income				
- ERF	**39**	39	**39**	39
- Government grant	**7,326**	9,817	**7,326**	9,817
Green Technology Financing Scheme	**28,420**	18,574	**28,420**	18,574
Accruals	**29,009**	27,446	**29,009**	27,446
Other payables	**10,373**	5,840	**10,373**	5,840
	141,715	127,667	**141,715**	127,667

NOTES TO THE FINANCIAL STATEMENTS

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32. 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 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

33. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

34. REVENUE

	Group/Company	
	2020 RM'000	2019 RM'000
Guarantee fees – Portfolio Guarantee scheme	**161,582**	147,227
Guarantee fees – Wholesale Guarantee scheme	**1,404**	3,428
Guarantee fees – Other schemes	**20,258**	22,675
Interest income – Redemption schemes	**3,581**	7,318
Interest income – TPUB	**12**	24
Profit income – TPUB-i	**1,188**	3,257
Profit income – BizMula-i	**3,948**	6,174
Profit income – BizWanita-i	**1,051**	1,727
Profit income – BizMikro-i	**6**	-
	193,030	191,830

During the current financial year, the Company has granted an automatic payment moratoriums on certain loan/financing to individuals and SMEs for a period of six months from 1 April 2020. As a result of the payment moratorium, the Company has recognised a loss arising from the modification of cash flows of the loan/financing amount to RM5.81 million. The modification loss has been fully unwound during the financial year.

35. INVESTMENT INCOME

	Group/Company	
	2020 RM'000	2019 RM'000
Interest income		
- Term deposits	**25,366**	40,146
- Investment securities: FVTPL	**48,288**	45,297
- Structured investments: FVTPL	**-**	4,313
- Investment securities: FVOCI	**110,467**	84,051
- Investment securities: Amortised Cost	**-**	11,698
	184,121	185,505
Realised gain/(loss) on disposal		
- Investment securities: FVTPL	**16,672**	11,271
- Structured investments: FVTPL	**-**	1,454
- Derivatives	**99**	(455)
- Investment securities: FVOCI	**(480)**	760
	16,291	13,030

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35. INVESTMENT INCOME (CONTINUED)

	Group/Company	
	2020 RM'000	2019 RM'000
Unrealised fair value gain		
- Investment securities: FVTPL	**10,532**	35,050
- Derivatives	**2,425**	4,523
	12,957	39,573
Amortisation of premiums		
- Investment securities: FVTPL	**(1,422)**	(2,463)
- Investment securities: FVOCI	**(1,798)**	(1,511)
	(3,220)	(3,974)
	210,149	234,134

36. OTHER OPERATING INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Rental income	**262**	257	**262**	257
Management fees	**2,479**	2,634	**2,479**	2,634
Dividend income from an associate	**-**	-	**-**	8,950
Administrative fee – TPUB-i	**313**	54	**313**	54
Recovery income	**37,281**	46,634	**37,281**	46,634
Amortisation of deferred income – Government grant	**2,486**	2,728	**2,486**	2,728
Gain on fair value remeasurement of retained interest in associate company	**-**	-	**7,141**	-
Gain on deemed disposal of a subsidiary	**3,331**	-	**-**	-
Other income	**1,965**	7,535	**1,965**	7,535
	48,117	59,842	**51,927**	68,792

NOTES TO THE FINANCIAL STATEMENTS

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37. STAFF COSTS

	Group/Company	
	2020 RM'000	2019 RM'000
Salaries	**49,929**	45,797
Bonus	**16,270**	14,973
Employees' Provident Fund	**10,044**	9,092
Others	**6,050**	9,087
	82,293	78,949

38. PROFIT BEFORE TAXATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation is arrived at after charging/ (crediting):				
Computer maintenance	**11,166**	10,775	**11,166**	10,775
Recovery expenses	**3,730**	5,080	**3,730**	5,080
Accretion of Government loans	**2,486**	2,728	**2,486**	2,728
Fund managers expenses	**2,869**	3,575	**2,869**	3,575
Rental	**192**	244	**192**	244
Electricity	**928**	1,180	**928**	1,180
Directors remuneration excluding benefit-in-kind	**886**	856	**834**	756
Directors meeting allowance	**1,130**	903	**1,102**	833
Promotional expenses	**562**	1,243	**562**	1,243
Auditors remuneration:				
- statutory audit	**383**	451	**383**	451
- non-audit services	**101**	40	**101**	40
Write-off of property, plant and equipment	**3,809**	2,526	**3,809**	2,526
Depreciation on property, plant and equipment (Note 6)	**6,451**	6,099	**6,451**	6,099
Amortisation of intangible assets (Note 7)	**6,176**	5,968	**6,176**	5,968
Expected credit losses for guarantee schemes	**151,955**	103,906	**151,955**	103,906
Expected credit losses made/(written back) on:				
- financing, loans and advances	**14,087**	8,689	**14,087**	8,689
- investment securities	**29,327**	11,227	**29,327**	11,227
- P2P	**-**	(1)	**-**	(1)
Interest expense for Government loans	**3,092**	3,422	**3,092**	3,422
Gain on fair value remeasurement of retained interest in an associate company	**-**	-	**7,141**	-
Gain on deemed disposal of a subsidiary	**3,331**	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

39. 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	
	31.12.2020 RM'000	31.12.2019 RM'000
Financial guarantees	**8,848,262**	6,355,201
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**31,411**	38,309
Foreign exchange related contracts:		
- maturity not exceeding one year	**413,865**	368,486
	9,293,538	6,761,996

Out of the total financial guarantees balances of RM8.848 billion (2019: RM6.355 billion) as at 31 December 2020, RM1.118 billion (2019: RM1.107 billion) is reimbursable under Government Back Scheme ("GBS") arrangement.

(i) Commitments and Contingencies

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Full Risk		
(a) Conventional		
DAGS	**45,560**	43,922
BizSME	**18,683**	19,062
(b) Islamic		
DAGS	**101**	183
Shared Risk		
(a) Conventional		
BizJamin	**431,885**	85,072
Flexi Guarantee Scheme	**169,320**	97,491
Franchise Financing Scheme	**2,886**	3,057
Small Biz Express	**217**	688
Portfolio Guarantee	**3,299,611**	2,877,442
Wholesale Guarantee	**15,122**	18,766

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

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

(i) Commitments and Contingencies (continued)

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Shared Risk (continued)		
(b) Islamic		
BizJamin	**131,419**	58,151
Flexi Guarantee Scheme	**89,616**	210,841
Portfolio Guarantee	**2,210,686**	2,016,823
Wholesale Guarantee	**9,654**	16,469
Gross Full/Shared Risk Financial guarantees	**6,424,760**	5,447,967
Less: Expected Credit Losses		
- Stage 3	**(17,276)**	(36,940)
- Stage 2	**(134,851)**	(93,638)
- Stage 1	**(123,413)**	(69,078)
Full/Shared Risk Financial guarantees	**6,149,220**	5,248,311

(ii) Government Initiated Schemes

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Government Initiated Schemes		
(a) Conventional	**1,123,230**	-
(b) Islamic	**457,470**	-
Government Initiated Schemes	**1,580,700**	-

(iii) Government Backed Schemes

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Other Shared Risk – Government Backed Schemes		
(a) Conventional	**476,111**	439,710
(b) Islamic	**642,231**	667,180
Others Shared Risk – Government Backed Schemes Guarantees	**1,118,342**	1,106,890
Total financial guarantees	**8,848,262**	6,355,201

The disclosed amount above are inclusive of RM1.581 billion resulting from CGC's participation in government initiated scheme.

NOTES TO THE FINANCIAL STATEMENTS
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40. CAPITAL COMMITMENTS

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	**4,204**	11,413
Authorised and not contracted for	**10,409**	-
	14,613	11,413

41. 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	Associate
Aureos CGC Advisers Sdn Bhd	Associate
Danajamin Nasional Berhad	Associate

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

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
Non-Executive Directors' fees	**2,176**	1,911
Other key management personnel (including President/CEO):		
- Short-term employee benefits	**6,013**	5,346
- Contribution to Employees' Provident Fund	**1,028**	931
Total compensation	**9,217**	8,188

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.

NOTES TO THE FINANCIAL STATEMENTS
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41. 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 2020	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	-	90	35	55	180
Dato' Mohammed Hussein[1]	-	102	67	56	225
Datuk David Chua Kok Tee	-	72	145	6	223
Dato' Haji Syed Moheeb Syed Kamarulzaman	-	80	141	6	227
Datuk Mohd Zamree Mohd Ishak	-	20	14	-	34
Datuk Hamirullah Boorhan[***]	-	8	4	-	12
Encik Teoh Kok Lin	-	72	122	6	200
Encik Suresh Menon	-	80	123	6	209
Dato' Ong Eng Bin[*]	-	72	105	6	183
Encik Kevin Koo Chiang[**]	-	8	4	-	12
Puan Nadzirah Abd. Rashid	-	6	9	1	16
Encik Choong Tuck Oon	-	72	88	6	166
Encik Adnan Zaylani Mohamad Zahid	-	60	64	-	124
Encik Faisal Ismail	-	72	111	6	189
Puan Saleha M. Ramly	-	72	98	6	176
Total Directors' remuneration	**-**	**886**	**1,130**	**160**	**2,176**

NOTES TO THE FINANCIAL STATEMENTS
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41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other significant related parties are 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)

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	-	6	3	-	9
Puan Saleha M. Ramly	-	6	7	-	13
Total Directors' remuneration	-	856	903	152	1,911

NOTES TO THE FINANCIAL STATEMENTS
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41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other significant related parties are 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 2020	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	-	90	35	55	180
Dato' Mohammed Hussein[1]	-	102	67	56	225
Datuk David Chua Kok Tee	-	72	145	6	223
Dato' Haji Syed Moheeb Syed Kamarulzaman	-	72	139	6	217
Encik Teoh Kok Lin	-	72	122	6	200
Encik Suresh Menon	-	72	119	6	197
Dato' Ong Eng Bin[*]	-	72	105	6	183
Puan Nadzirah Abd. Rashid	-	6	9	1	16
Encik Choong Tuck Oon	-	72	88	6	166
Encik Adnan Zaylani Mohamad Zahid	-	60	64	-	124
Encik Faisal Ismail	-	72	111	6	189
Puan Saleha M. Ramly	-	72	98	6	176
Total Directors' remuneration	**-**	**834**	**1,102**	**160**	**2,096**

NOTES TO THE FINANCIAL STATEMENTS

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41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other significant related parties are as follows: (continued)

(i) Directors' fees and remuneration (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	-	6	3	-	9
Puan Saleha M. Ramly	-	6	7	-	13
Total Directors' remuneration	-	756	833	152	1,741

* 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 May 2020

During the financial year, Directors and Officers are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers was RM15.0 million. The total amount of contribution paid for the Directors' & Officers' Liability Insurance paid by the Company was RM0.05 million (2019: RM0.05 million).

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31 December 2020

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other significant related parties are 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	31.12.2019 RM'000
Amount due from subsidiary (Note 18)	-	3,970

Amount due (to)/from BNM:

	Group/Company	
	31.12.2020 RM'000	31.12.2019 RM'000
(i) SRGF, SRGF-2, SRF and SME AGS (Note 19)	**(1,648)**	151
(ii) Government funds (Note 27)	**(26,121)**	32,159
(iii) Danajamin Nasional Berhad (Note 24)	**(500,000)**	(500,000)
(iv) TPUB-i (Note 24)	**(301,500)**	(301,500)
(v) BizMula-i (Note 24)	**(125,422)**	(95,760)
(vi) BizWanita-i (Note 24)	**(31,214)**	(22,061)

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

	Group/Company	
	2020 RM'000	2019 RM'000
Subscription fee charged by an associate/subsidiary	**5**	5
Report fees charged by an associate/subsidiary	**917**	311
Office rental charged to an associate/subsidiary	**(251)**	(251)
Management/secretarial fee charged to an associate/subsidiary	**(22)**	(129)
Interest expense on loan charged by BNM	**3,092**	3,422

42. 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 2020 and 2019.

The Company monitors its capital and ability to guarantee by reference to its GRR, which stands at 3.1 times as at 31 December 2020 (2019: 2.7 times). The Company's policy is to maintain a GRR of less than 6 times.

43. 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 other receivables, bond investments as well as financing, loans and advances.

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.

NOTES TO THE FINANCIAL STATEMENTS
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43. 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

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43. 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:

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

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.

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43. 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)

A summary of the assumptions underpinning the Group's and the Company's ECL model is as follows: (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	
	2020 Maximum credit exposure RM'000	2019 Maximum credit exposure RM'000	2020 Maximum credit exposure RM'000	2019 Maximum credit exposure RM'000
Credit risk exposures of on-balance sheet assets:				
Investment securities: FVTPL*	**976,291**	912,645	**976,291**	912,645
Other receivables#	**27,017**	32,883	**27,017**	32,883
Cash and cash equivalents^	**239,354**	99,642	**239,354**	99,642
Credit risk exposure of off-balance sheet items:				
Financial guarantees	**8,848,262**	6,355,201	**8,848,262**	6,355,201
Credit related commitments and contingencies	**31,411**	38,309	**31,411**	38,309
Total maximum credit risk exposure	**10,122,335**	7,438,680	**10,122,335**	7,438,680

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

43. FINANCIAL RISK MANAGEMENT (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 2020	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
Investment securities: FVTPL*	6,157	58,715	48,284	387,540	130,097	-	39,382	-	124,782	178,558	2,776	976,291
Investment securities: FVOCI	56,628	-	72,465	429,849	78,579	51,409	438,179	-	690,076	377,152	111,256	2,305,593
Investment securities: Amortised cost	-	-	-	212,613	-	-	-	-	-	-	50,089	262,702
Derivative financial assets	-	-	-	11,131	-	-	-	-	-	-	-	11,131
Term deposits	-	-	-	553,564	-	-	-	-	-	-	-	553,564
Financing, loans and advances	2,880	13,459	5,613	31,690	18,615	52	8,117	111,356	-	549	1,118	193,449
Other receivables#	-	-	46	25,670	-	-	-	-	163	-	1,138	27,017
Cash and cash equivalents^	-	-	-	239,354	-	-	-	-	-	-	-	239,354
	65,665	72,174	126,408	1,891,411	227,291	51,461	485,678	111,356	815,021	556,259	166,377	4,569,101
Financial guarantees	135,600	446,916	487,391	1,060,985	1,222,046	17,681	473,494	4,045,880	-	958,269	-	8,848,262
Credit related commitments and contingencies	-	-	15,896	7,153	1,506	-	1,800	4,851	-	205	-	31,411
Total off balance sheet	135,600	446,916	503,287	1,068,138	1,223,552	17,681	475,294	4,050,731	-	958,474	-	8,879,673

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit risk concentration (continued)

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
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
Financing, loans and advances	2,037	11,516	16,357	24,964	16,578	26	5,034	85,345	-	521	1,204	163,582
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

Excludes prepayments of RM4,787,000 (2019 : RM2,308,000)
^ Excludes cash in hand of RM20,000 (2019 : RM18,000)
* Excludes investment in REITS of RM89,436,000 (2019: RM39,356,000)

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31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit risk concentration (continued)

Company 2020	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
Investment securities: FVTPL*	6,157	58,715	48,284	387,540	130,097	-	39,382	-	124,782	178,558	2,776	976,291
Investment securities: FVOCI	56,628	-	72,465	429,849	78,579	51,409	438,179	-	690,076	377,152	111,256	2,305,593
Investment securities: Amortised cost	-	-	-	212,613	-	-	-	-	-	-	50,089	262,702
Derivative financial assets	-	-	-	11,131	-	-	-	-	-	-	-	11,131
Term deposits	-	-	-	553,564	-	-	-	-	-	-	-	553,564
Financing, loans and advances	2,880	13,459	5,613	31,690	18,615	52	8,117	111,356	-	549	1,118	193,449
Amount due from a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables#	-	-	46	25,670	-	-	-	-	163	-	1,138	27,017
Cash and cash equivalents^	-	-	-	239,354	-	-	-	-	-	-	-	239,354
	65,665	72,174	126,408	1,891,411	227,291	51,461	485,678	111,356	815,021	556,259	166,377	4,569,101
Financial guarantees	135,600	446,916	487,391	1,060,985	1,222,046	17,681	473,494	4,045,880	-	958,269	-	8,848,262
Credit related commitments and contingencies	-	-	15,896	7,153	1,506	-	1,800	4,851	-	205	-	31,411
Total off balance sheet	135,600	446,916	503,287	1,068,138	1,223,552	17,681	475,294	4,050,731	-	958,474	-	8,879,673

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. FINANCIAL RISK MANAGEMENT (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
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
Financing, loans and advances	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
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

Excludes prepayments of RM4,787,000 (2019 : RM2,308,000)
^ Excludes cash in hand of RM20,000 (2019 : RM18,000)
* Excludes investment in REITS of RM89,436,000 (2019: RM39,356,000)

NOTES TO THE FINANCIAL STATEMENTS

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43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality

(i) Financing, loans and advances

All financing, loans and advances 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 financing, loans and advances by credit quality

Group/Company	2020 12-Month ECL Performing Stage 1 RM'000	2020 Lifetime ECL Under-performing Stage 2 RM'000	2020 Lifetime ECL Impaired Stage 3 RM'000	2020 Total RM'000
Carrying amount of financing, loans and advances by credit quality:				
Neither past due nor impaired (A)	172,722	2,022	-	174,744
Past due but not impaired (B)	-	44,078	-	44,078
Impaired (C)	-	-	76,340	76,340
Gross financing, loans and advances	172,722	46,100	76,340	295,162
Less: Allowances for impairment losses				
- Expected Credit lossess 'ECL'	(4,580)	(20,793)	(76,340)	(101,713)
Net financing, loans and advances	168,142	25,307	-	193,449

	2019 12-Month ECL Performing Stage 1 RM'000	2019 Lifetime ECL Under-performing Stage 2 RM'000	2019 Lifetime ECL Impaired Stage 3 RM'000	2019 Total RM'000
Carrying amount of financing, loans and advances 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 financing, loans and advances	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 financing, loans and advances	139,098	24,484	-	163,582

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43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Financing, loans and advances (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:

	2020			
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	172,722	2,022	-	174,744
Total	172,722	2,022	-	174,744

	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

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.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Financing, loans and advances (continued)

(B) Past due but not impaired

	2020			
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	-	28,120	-	28,120
Past due 30-60 days	-	15,958	-	15,958
Total	-	44,078	-	44,078

	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

(C) Impaired

	2020			
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	-	-	76,340	76,340
Individually impaired loans	-	-	76,340	76,340

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Financing, loans and advances (continued)

(C) Impaired (continued)

	2019			
	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

(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:

Investment securities: FVTPL

	2020			
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)	**43,307**	**-**	**-**	**43,307**
Investment grade (AAA to BBB-)	**759,182**	**-**	**-**	**759,182**
Unrated	**173,802**	**-**	**-**	**173,802**
Total	**976,291**	**-**	**-**	**976,291**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

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

Investment securities: FVTPL (continued)

Group/Company	2019 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

Investment securities: FVOCI

Group/Company	2020 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)	**583,456**	**-**	**-**	**583,456**
Investment grade (AAA to BBB-)	**1,627,612**	**94,525**	**-**	**1,722,137**
Total	**2,211,068**	**94,525**	**-**	**2,305,593**

Group/Company	2019 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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. 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:

Investment securities: Amortised cost

	2020			
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	264,550	-	-	264,550
Expected credit losses ('ECL')	(1,848)	-	-	(1,848)
Total	262,702	-	-	262,702

	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

Derivative financial assets

	2020			
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-)	11,131	-	-	11,131
Total	11,131	-	-	11,131

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. 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 (continued)

	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

Term deposits

	2020			
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-)	**524,241**	**-**	**-**	**524,241**
Unrated	**29,323**	**-**	**-**	**29,323**
Total	**553,564**	**-**	**-**	**553,564**

	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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. 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

	2020			
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-)	239,354	-	-	239,354
Total	239,354	-	-	239,354

	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

The following have been excluded for the purpose of maximum credit risk exposure calculations:
^ Cash in hand of RM20,000 (2019: RM18,000)

	2020			
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-)	239,354	-	-	239,354
Total	239,354	-	-	239,354

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. 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

The following have been excluded for the purpose of maximum credit risk exposure calculations:
^ Cash in hand of RM20,000 (2019: 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:

	2020			
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				
Other receivables#	**16,077**	**-**	**-**	**16,077**
Total	**16,077**	**-**	**-**	**16,077**

NOTES TO THE FINANCIAL STATEMENTS
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43. 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**
Neither past due not impaired				
Other receivables#	30,856	-	-	30,856
Total	30,856	-	-	30,856

	2020			
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				
Other receivables#	**10,940**	**-**	**-**	**10,940**
Total	**10,940**	**-**	**-**	**10,940**

	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				
Other receivables#	2,027	-	-	2,027
Total	2,027	-	-	2,027

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43. 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)

	2020			
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				
Other receivables#	**16,077**	-	-	**16,077**
Total	**16,077**	-	-	**16,077**

	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
Other receivables#	30,856	-	-	30,856
Total	34,826	-	-	34,826

	2020			
	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				
Other receivables#	**10,940**	-	-	**10,940**
Total	**10,940**	-	-	**10,940**

NOTES TO THE FINANCIAL STATEMENTS
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43. 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			
	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				
Other receivables#	2,027	-	-	2,027
Total	2,027	-	-	2,027

The following have been excluded for the purpose of maximum credit risk exposure calculations:
Prepayments for the Group and the Company amounting RM4,787,000 (2019: RM2,308,000) and RM4,787,000 (2019: RM2,308,000) respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(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:

Financing, loans and advances

	2020			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2020	4,963	12,176	104,054	121,193
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(733)	8,420	-	7,687
Transfer from Stage 1 to Stage 3	(265)	-	7,658	7,393
Transfer from Stage 2 to Stage 3	-	(1,928)	4,515	2,587
Transfer from Stage 3 to Stage 2	-	455	(1,308)	(853)
Transfer from Stage 3 to Stage 1	34	-	(4,565)	(4,531)
Transfer from Stage 2 to Stage 1	430	(5,093)	-	(4,663)
New financial assets originated or purchased	1,407	5,556	(448)	6,515
Financial assets derecognised during the financial year other than write-offs	(1,256)	1,207	-	(49)
Written-off/waived during the financial year	-	-	(33,566)	(33,566)
	4,580	20,793	76,340	101,713

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. 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)

Financing, loans and advances (continued)

	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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. 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

	2020			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loss allowance as at 1 January 2020	**1,828**	**9,786**	**-**	**11,614**
Movements with P&L impact				
Change due to change in credit risk	**(477)**	**28,693**	**-**	**28,216**
New financial assets originated or purchased	**347**	**-**	**-**	**347**
	1,698	**38,479**	**-**	**40,177**

	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

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31 December 2020

43. 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: Amortised cost

	2020			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loss allowance as at 1 January 2020	**1,191**	**-**	**-**	**1,191**
Movements with P&L impact				
Change due to change in credit risk	**416**	**241**	**-**	**657**
	1,607	**241**	**-**	**1,848**

	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

NOTES TO THE FINANCIAL STATEMENTS
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43. 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:

Financing, loans and advances

	2020			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Gross carrying amount as at 1 January 2020	144,059	36,662	104,054	284,775
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(21,788)	19,208	-	(2,580)
Transfer from Stage 1 to Stage 3	(8,741)	-	7,659	(1,082)
Transfer from Stage 2 to Stage 3	-	(4,828)	4,515	(313)
Transfer from Stage 3 to Stage 2	-	1,119	(1,308)	(189)
Transfer from Stage 3 to Stage 1	453	-	(4,566)	(4,113)
Transfer from Stage 2 to Stage 1	13,109	(15,950)	-	(2,841)
New financial assets originated or purchased	70,166	11,468	(448)	81,186
Financial assets derecognised during the financial year other than write-offs	(24,537)	(1,578)	-	(26,115)
Written-off/waived during the financial year	-	-	(33,566)	(33,566)
Gross carrying amount as at 31 December 2020	172,721	46,101	76,340	295,162

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43. 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)

Financing, loans and advances (continued)

	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

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31 December 2020

43. 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:

	2020				
	Allowances as 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
Financing, loans and advances	**104,054**	**46,989**	**(41,137)**	**(33,566)**	**76,340**
	104,054	**46,989**	**(41,137)**	**(33,566)**	**76,340**

	2019				
	Allowances as 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
Financing, loans and advances	119,980	22,567	(10,638)	(27,855)	104,054
	119,980	22,567	(10,638)	(27,855)	104,054

Investment securities: FVOCI

	2020			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2020	**1,649,551**	**135,137**	**-**	**1,784,688**
Movements with P&L impact				
Change due to change in credit risk	**(112,120)**	**(57)**	**-**	**(112,177)**
New financial assets originated or purchased	**633,082**	**-**	**-**	**633,082**
Gross carrying amount as at 31 December 2020	**2,170,513**	**135,080**	**-**	**2,305,593**

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43. 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)

Investment securities: FVOCI (continued)

Group/Company	2019 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

Investment securities: Amortised cost

Group/Company	2020 Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2020	**183,524**	**-**	**-**	**183,524**
Movements with P&L impact				
Change due to change in credit risk	**(50,321)**	**-**	**-**	**(50,321)**
New financial assets originated or purchased	**131,347**	**-**	**-**	**131,347**
Gross carrying amount as at 31 December 2020	**264,550**	**-**	**-**	**264,550**

Group/Company	2019 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

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31 December 2020

43. 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			
	31.12.2020		31.12.2019	
	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")	**39,008**	**39,467**	38,824	39,806
- 100 bps	**(39,008)**	**(39,467)**	(38,824)	(39,806)

	Company			
	31.12.2020		31.12.2019	
	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	**39,008**	**39,440**	38,824	39,643
- 100 bps	**(39,008)**	**(39,440)**	(38,824)	(39,643)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

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 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.

Group/Company 2020	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	37,530	153,332	865,431	9,434	1,065,727
Investment securities: FVOCI	205,005	750,820	1,349,768	-	2,305,593
Investment securities: Amortised cost	50,089	212,613	-	-	262,702
Derivative financial assets	11,131	-	-	-	11,131
Term deposits	550,620	-	-	2,944	553,564
Financing, loans and advances - not impaired*	6,719	183,508	28,595	(25,373)	193,449
Amount due from an associate	-	-	-	31	31
Other receivables^	-	-	-	27,017	27,017
Cash and cash equivalents	-	-	-	239,374	239,374
Total financial assets	861,094	1,300,273	2,243,794	253,427	4,658,588
Liabilities					
Funds from BNM	33,179	424,957	-	500,000	958,136
Small Entrepreneurs Guarantee Scheme	-	-	-	13,411	13,411
Tabung Usahawan Kecil	-	-	-	43,263	43,263
Government Funds	10,697	15,424	-	-	26,121
Small Entrepreneurs Financing Fund	-	-	-	25	25
Derivative financial liabilities	2,917	-	-	-	2,917
Other liabilities@	-	-	-	422,939	422,939
Total financial liabilities	46,793	440,381	-	979,638	1,466,812
Net interest sensitivity gap	814,301	859,892	2,243,794		

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43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

Group/Company 2019	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
Financing, loans and advances - not impaired*	15,230	159,445	6,045	(17,138)	163,582
Amount due from a subsidiary	-	-	-	3,970	3,970
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		

* The negative balance represents collective allowance for financing, loans and advances.
^ Excludes prepayment amounting to RM4,787,000 (2019: RM2,308,000).
@ Other liabilities includes amount due to BNM, expected credit losses, claims payable, other payables and lease liabilities.

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31 December 2020

43. 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.

Group/Company 2020	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	**218,609**	**105,161**	**14,016**	**8,931**	**32,105**	**378,822**
Derivatives	**8,353**	**2,750**	**-**	**-**	**28**	**11,131**
Cash and cash equivalents	**5,777**	**320**	**10**	**278**	**291**	**6,676**
Net on-balance sheet financial position	**232,739**	**108,231**	**14,026**	**9,209**	**32,424**	**396,629**
Liability						
Derivatives	**228**	**2,186**	**210**	**134**	**159**	**2,917**
Net on-balance sheet financial position	**228**	**2,186**	**210**	**134**	**159**	**2,917**
Off-balance sheet commitments	**216,666**	**32,840**	**13,155**	**7,599**	**30,776**	**301,036**

Group/Company 2019	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	78,404	1,179	-	25,238	304,755
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	78,687	1,274	-	25,990	321,159
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

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43. 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	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
+ 1%				
United States Dollar	**5,191**	4,421	**5,191**	4,421
Singapore Dollar	**1,795**	877	**1,795**	877
Australian Dollar	**270**	24	**270**	24
Great Britain Pound	**167**	-	**167**	-
Euro	**630**	507	**630**	507
- 1%				
United States Dollar	**(5,191)**	(4,421)	**(5,191)**	(4,421)
Singapore Dollar	**(1,795)**	(877)	**(1,795)**	(877)
Australian Dollar	**(270)**	(24)	**(270)**	(24)
Great Britain Pound	**(167)**	-	**(167)**	-
Euro	**(630)**	(507)	**(630)**	(507)

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Group 2020	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities				
Amount due to BNM	**1,648**	**-**	**-**	**1,648**
Funds from BNM	**33,179**	**424,957**	**500,000**	**958,136**
Small Entrepreneurs Guarantee Scheme	**10,000**	**4,000**	**-**	**14,000**
Tabung Usahawan Kecil	**-**	**50,000**	**-**	**50,000**
Government Funds	**15,507**	**10,819**	**-**	**26,326**
Small Entrepreneurs Financing Fund	**25**	**-**	**-**	**25**
Expected credit losses for guarantee schemes	**275,540**	**-**	**-**	**275,540**
Claims payable	**1,684**	**-**	**-**	**1,684**
Other payables	**141,715**	**-**	**-**	**141,715**
	479,298	**489,776**	**500,000**	**1,469,074**

Group 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
Other payables	127,667	-	-	127,667
	374,046	463,555	515,000	1,352,601

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Company 2020	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities				
Amount due to BNM	**1,648**	**-**	**-**	**1,648**
Funds from BNM	**33,179**	**424,957**	**500,000**	**958,136**
Small Entrepreneurs Guarantee Scheme	**10,000**	**4,000**	**-**	**14,000**
Tabung Usahawan Kecil	**-**	**50,000**	**-**	**50,000**
Government Funds	**15,507**	**10,819**	**-**	**26,326**
Small Entrepreneurs Financing Fund	**25**	**-**	**-**	**25**
Expected credit losses for guarantee schemes	**275,540**	**-**	**-**	**275,540**
Claims payable	**1,684**	**-**	**-**	**1,684**
Other payables	**141,715**	**-**	**-**	**141,715**
	479,298	**489,776**	**500,000**	**1,469,074**

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
Other payables	127,667	-	-	127,667
	374,046	463,555	515,000	1,352,601

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Derivative financial liabilities based on contractual undiscounted cash flows:

Group/Company 2020	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	**87,650**	**-**	**-**	**87,650**
- inflow	**(84,733)**	**-**	**-**	**(84,733)**
	2,917	**-**	**-**	**2,917**

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. 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 (2019: 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

Group/Company 31.12.2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Investment securities: FVTPL				
- Money market instruments	-	82,546	-	82,546
- Private debt securities	-	893,745	-	893,745
Investment securities: REITS				
- REITS	89,436	-	-	89,436
Investment securities: FVOCI				
- Private debt securities	-	2,034,996	-	2,034,996
- Money market instruments	-	270,597	-	270,597
Derivative financial assets	-	11,131	-	11,131
	89,436	3,293,015	-	3,382,451
Liabilities				
Small Entrepreneurs Guarantee Scheme	-	13,411	-	13,411
Tabung Usahawan Kecil	-	43,263	-	43,263
Derivative financial liabilities	-	2,917	-	2,917
	-	59,591	-	59,591

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

Recurring fair value measurements (continued)

Group/Company 31.12.2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Investment securities: FVTPL				
- Money market instruments	-	28,241	-	28,241
- Private debt securities	-	884,404	-	884,404
Investment securities: REITS				
- REITS	39,356	-	-	39,356
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
	39,356	2,703,131	-	2,742,487
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

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:

Group/Company 31.12.2020	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	**262,702**	**-**	**257,937**	**-**	**257,937**
Financing, loans and advances	**193,449**	**-**	**193,756**	**-**	**193,756**
Financial liabilities					
Funds from BNM	**958,136**	**-**	**606,360**	**-**	**606,360**
Government funds	**26,121**	**-**	**4,220**	**-**	**4,220**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

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

Group/Company 31.12.2019	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
Financing, loans and advances	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

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.

Financing, loans and advances

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

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.

44. 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.

Group/Company 2020	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	-	-	-
Financial liabilities			
Amount due to BNM	-	1,648	1,648

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

45. SIGNIFICANT EVENT AND EVENT OCCURING AFTER BALANCE SHEET DATE

Coronavirus Disease (Covid-19) Pandemic

The World Health Organisation declared the outbreak of Coronavirus disease (Covid-19) as a global pandemic in March 2020. The direct and indirect effects of the Covid-19 outbreak have impacted the global economy, markets and the Company's counterparties and clients.

The Covid-19 effects have a material negative impact on the Company's results of operations. In particular, the process to determine expected credit losses requires numerous estimates and assumptions, some of which require a high degree of judgement. Changes in the estimates and assumptions can result in significant changes in ECL. The Company is not able to predict the Covid-19's potential future direct or indirect effects.

On 13 January 2021, the Government of Malaysia reintroduced the movement control order to curb the soaring number of Covid-19 cases. The lockdown may have a negative impact on the Company results of operation. The Company is not able to predict the potential future direct or indirect effects resulted from the movement control order.

Overall, the Company is taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

Modification loss

During the current financial year, the Company has granted an automatic payment moratorium on certain financing, loans and advances to individuals and MSMEs for a period of six months from 1 April 2020 to 30 September 2020. As a result of the payment moratorium, the Company has recognised modification loss of RM5.8 million of which the impact was fully unwound during the financial year. Thus, giving a zero impact to the profit and loss statement for the year ended 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. The exercise is expected to be completed by 2021.

Company's position in Aureos CGC Advisers Sdn Bhd

As at 31 December 2020, Aureos CGC is currently undergoing member's voluntary liquidation, and the process is yet to be completed.

MEX II Sdn Bhd (MEX II) RM1.30 billion Sukuk Murabahah Programme

As at 31 December 2020, the Company held investment securities in MEX II which were measured using FVOCI method. The initial cost of investment was RM127.2 million and the value had been adjusted downward through recognition of RM38.5 million expected credit loss, bringing the net book value to RM88.7 million. On 9 February 2021, MEX II's sukuk rating was downgraded from BBB to BB position by Malaysian Rating Corporation Berhad ("MARC"). Subsequently, on 26 March 2021, MARC further downgraded MEX II's sukuk rating from BB to C. The sukuk downgrade was based on the increasing likelihood that MEX II might not be able to meet its obligation to repay the principal and profit due on 29 April 2021 nor securing any financing facility that it had originally planned by end of 2020. The fair value of investment securities as of 31 March 2021 based on Bond Pricing Agency Malaysia ("BPAM") for C rating was at RM50.4 million.

The Company also held investment securities measured using FVTPL method in MEX II via external fund manager amounting to RM11.3 million as at 31 Dec 2020. The fair value of investment securities as of 31 March 2021 based on BPAM for C rating was at RM6.3 million.

Meanwhile, the restructuring exercise is still ongoing and sukuk holders have agreed to grant a deferment to second half of 2021.

STATEMENT BY DIRECTORS

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

We, **DATO' MOHAMMED HUSSEIN** 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 168 to 288 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 2020 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended 31 December 2020 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 22 April 2021.

DATO' MOHAMMED HUSSEIN
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 168 to 288 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 22 April 2021.

Before me,

PESURUHJAYA SUMPAH
NO. B 536
AZLINI BINTI NORDIN
01 JAN 2021 - 31 DIS 2023
MALAYSIA

No. 21A, 1st Floor,
Jalan SS6/12,
Kelana Jaya,
47301 Petaling Jaya,
Selangor Darul Ehsan.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of Credit Guarantee Corporation Malaysia Berhad

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 2020, 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 2020 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 168 to 288.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

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.

INDEPENDENT AUDITORS' REPORT

To the Members of Credit Guarantee Corporation Malaysia Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

(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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LEE TZE WOON KELVIN
03482/01/2022 J
Chartered Accountant

Kuala Lumpur
22 April 2021

CORPORATE INFORMATION

Board of Directors

1. **Dato' Mohammed Hussein**
   Independent Non-Executive Director (Chairman)
   (Appointed as Director on 1 May 2020 & re-designated as Chairman on 1 July 2020)

2. **Dato' Agil Natt**
   Independent Non-Executive Director (Chairman)
   (Resigned on 1 July 2020)

3. **Datuk David Chua Kok Tee**
   Independent Non-Executive Director

4. **Dato' Haji Syed Moheeb Syed Kamarulzaman**
   Independent Non-Executive Director

5. **Teoh Kok Lin**
   Independent Non-Executive Director

6. **Suresh Menon**
   Independent Non-Executive Director

7. **Dato' Ong Eng Bin**
   Independent Non-Executive Director

8. **Choong Tuck Oon**
   Independent Non-Executive Director

9. **Adnan Zaylani Mohamad Zahid**
   Non-Independent Non-Executive Director

10. **Faisal Ismail**
    Independent Non-Executive Director

11. **Saleha M. Ramly**
    Independent Non-Executive Director

Board Audit Committee

1. **Faisal Ismail**
   Independent Non-Executive Director (Chairman)

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

Board Risk Management Committee

1. **Datuk David Chua Kok Tee**
   Independent Non-Executive Director (Chairman)

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' Mohammed Hussein**
   Independent Non-Executive Director (Chairman)
   (Appointed as Member on 1 May 2020 & re-designated as Chairman on 1 July 2020)

2. **Dato' Agil Natt**
   Independent Non-Executive Director
   (Resigned as Chairman on 1 July 2020)

3. **Dato' Haji Syed Moheeb Syed Kamarulzaman**
   Independent Non-Executive Director

4. **Dato' Ong Eng Bin**
   Independent Non-Executive Director

5. **Adnan Zaylani Mohamad Zahid**
   Non-Independent Non-Executive Director

6. **Saleha M. Ramly**
   Independent Non-Executive Director

CORPORATE INFORMATION

Board Bumiputera Development Committee

1. **Dato' Haji Syed Moheeb Syed Kamarulzaman**
   Independent Non-Executive Director
   (Chairman)
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
5. **Saleha M. Ramly**
   Independent Non-Executive Director

Board Investment Committee

1. **Teoh Kok Lin**
   Independent Non-Executive Director
   (Chairman)
2. **Datuk David Chua Kok Tee**
   Independent Non-Executive Director
3. **Suresh Menon**
   Independent Non-Executive Director
4. **Faisal Ismail**
   Independent Non-Executive Director

Board IT Committee

1. **Choong Tuck Oon**
   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. **Saleha M. Ramly**
   Independent Non-Executive Director

President/ Chief Executive Officer

Datuk Mohd Zamree Mohd Ishak

Company Secretary

Daeng Hafez Arafat Zuhud
(LS0007002)
(SSM Practising Certificate No.: 202008003092)
General Counsel &
Company Secretary

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

Auditor

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
P O Box 10192
50706 Kuala Lumpur
Malaysia
Tel : (6)03-2173 1188
Fax : (6)03-2173 1288

Registered Office

Level 14, 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)03-7803 0458

NOTICE OF 48TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 48th Annual General Meeting ("AGM") of Credit Guarantee Corporation Malaysia Berhad ("CGC") will be held at Bangunan CGC, Kelana Business Centre, 97, Jalan SS 7/2, 47301 Petaling Jaya, Selangor Darul Ehsan on Thursday, 17 June 2021, at 12.00 p.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESSES:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 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) Dato' Syed Moheeb Syed Kamarulzaman; **Resolution 1**
   b) Encik Teoh Kok Lin; and **Resolution 2**
   c) Encik Adnan Zaylani Mohamad Zahid. **Resolution 3**

3. 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 48th AGM to the 49th AGM of CGC, payable in a manner as the Board of Directors may determine. **Resolution 4**

4. To approve the Directors' benefits up to an amount of RM1,290,200 payable to the Non-Executive Chairman and Non-Executive Directors from the 48th AGM to the 49th AGM of CGC, payable in a manner as the Board of Directors may determine. **Resolution 5**

5. To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of CGC for the financial year ending 31 December 2021 and to authorise the Board of Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS:

6. To consider and if thought fit, to pass the following Special Resolution: **Resolution 7**

   Proposed Amendments to the Constitution of CGC

   "THAT CGC's existing Constitution be altered, modified, added and/or deleted, as the case may be, in the form and manner as set out in Appendix A with immediate effect;

   AND THAT the Board of Directors be and are hereby authorised to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities, and to do all acts and things and take all such steps as may be considered necessary and/or expedient to give full effect to the Proposed Amendments to the Constitution of CGC."

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

BY ORDER OF THE BOARD

DAENG HAFEZ ARAFAT BIN ZUHUD
(LS0007002) (SSM PC No.: 202008003092)
Company Secretary

Petaling Jaya
19 May 2021

NOTICE OF 48TH 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 2020

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 Resolutions 1, 2 and 3 - Re-election of Directors who retire in accordance with Articles 76A and 76B of CGC's Constitution

6. The Board had on 22 February 2021 endorsed the Board Nomination and Remuneration Committee Meeting ("BNRC")'s recommendation for re-election of Dato' Syed Moheeb Syed Kamarulzaman, Encik Teoh Kok Lin and Encik Adnan Zaylani Mohamad Zahid, who shall retire in accordance with Articles 76A and 76B of CGC's Constitution. The directors had abstained from deliberation and decision on their eligibility to stand for re-election at the Board Meeting.

   The above three (3) directors have been the longest in office since their last election to retire and shall be eligible for re-election.

   A brief profile of Dato' Syed Moheeb Syed Kamarulzaman, Encik Teoh Kok Lin and Encik Adnan Zaylani Mohamad Zahid is set out in pages 111, 112 and 109 respectively of CGC Annual Report 2020.

Ordinary Resolution 4 – Directors' Fees

7. Section 230(1) of CA 2016 states that amongst others "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 regard, the Board had agreed to seek shareholders' approval at the 48th AGM.

   The proposed fees to be paid to Non-Executive Chairman and Non-Executive Directors from this AGM to the next AGM is the same as the fee structure which had been approved by the shareholders as follows:

	Chairman	Member	Date of Shareholders' Approval
Directors' Fees	RM180,000 per annum	RM72,000 per annum	Approved at the 45th AGM held on 25 June 2018

NOTICE OF 48TH ANNUAL GENERAL MEETING

Ordinary Resolution 5 – Directors' Benefits

8. The proposed Directors' Benefits payable to Non-Executive Chairman and Non-Executive Directors comprise allowances, benefits-in-kind and other emoluments payable to them. Details of the proposed benefits are as follows:

Type	Detail/Amount	Chairman	Members
Meeting Allowance	RM5,000 per meeting	√	
	RM3,500 per meeting		√
Mobile Phone Allowance	RM500.00 per month	√	√
Car Allowance	RM6,000 per month	√	
Entertainment Allowance	RM2,000 per month	√	
Company Driver	RM7,200 per annum (based on taxable rate)	√	
Other benefits	Medical coverage, travel & communication, working tool and other claimable benefits	√	√

The proposed Directors' Benefit amounting to RM1,290,200 will be paid to Non-Executive Chairman and Non-Executive Directors from the 48th AGM until the 49th AGM. Payment of Directors' Benefit will be made by CGC on monthly basis and/or as and when incurred.

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

Ordinary Resolution 6 – Re-appointment of Auditors

9. The Board Audit Committee ("BAC") had at its meeting on 1 April 2021 assessed the suitability and independence of the external auditors, Messrs. PricewaterhouseCoopers PLT ("PwC") in accordance with CGC's External Auditor Policy.

The BAC was satisfied with PwC's performance in 2020 based on the quality of audit, efficiency, independence and sufficiency of resources provided to complete their assignment. Subsequently, the BAC had recommended to the Board on the re-appointment of PwC as CGC's external auditors for the financial year ending 31 December 2021.

The Board at its meeting held on 22 April 2021 endorsed the BAC's recommendation for the shareholders' approval to be sought at the 48th AGM on the re-appointment of PwC as CGC's external auditors for the financial year ending 31 December 2021.

Special Resolution 7 – Proposed Amendments to the Constitution of CGC

10. The proposed amendments to the Constitution of CGC is made mainly for the following purposes:

(a) To introduce specific articles to conduct hybrid and virtual general meetings;
(b) To amend and/or enhance relevant existing articles to vote electronically at virtual/hybrid general meetings; and
(c) To reduce quorum to ease the number of compulsory attendees for general meetings.

This proposed Special Resolution, if passed, shall give full effect to the proposed amendments as set out in Appendix A of the AGM Notice circulated to the shareholders.

The Appendix A on the proposed amendments shall take effect once the proposed Special Resolution 7 has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote in person or by proxy at the 48th AGM of CGC.

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 48th 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 Thursday, 17 June 2021 at 12.00 p.m. and at any adjournment thereof for the following resolutions as set out in the Notice of the 48th 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	Dato' Syed Moheeb Syed Kamarulzaman		
2	Encik Teoh Kok Lin		
3	Encik Adnan Zaylani Mohamad Zahid		
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 48th AGM to the 49th AGM of CGC, payable in a manner as the Board of Directors may determine.		
5	To approve the Directors' benefits up to an amount of RM1,290,200 payable to the Non-Executive Chairman and Non-Executive Directors from the 48th AGM to the 49th AGM of CGC, payable in a manner as the Board of Directors may determine.		
6	To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of CGC for the financial year ending 31 December 2021 and to authorise the Board of Directors to fix their remuneration.		
	Special Resolution:		
7	Proposed amendments to the Constitution of CGC.		

(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 __________ 2021.

____
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

CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD

Registration No. 197201000831 (12441-M)

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No. 97 Jalan SS 7/2, 47301 Petaling Jaya
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