FINANCIALS

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2022.

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 bin Haji Che Hussein (Chairman)
Datuk David Chua Kok Tee - retired on 14 February 2022
Dato' Syed Moheeb bin Syed Kamarulzaman - retired on 14 January 2023
Encik Teoh Kok Lin
Encik Suresh Kumar a/l T.A.S Menon
Dato' Ong Eng Bin
Encik Choong Tuck Oon
Encik Adnan Zaylani bin Mohamad Zahid - resigned on 19 April 2022
Encik Faisal bin Ismail
Puan Saleha binti M. Ramly
Encik Lim Choon Eng - appointed on 1 April 2022
Encik Suhaimi bin Ali - appointed on 28 April 2022

The Directors of the Company's subsidiary who has held office during the financial year and during the period from the end of the financial year to the date of this report (not including those Directors listed above) are:

<u>CGC Digital Sdn. Bhd.</u>
Encik Choong Tuck Oon - appointed on 5 July 2022
Datuk Mohamad Zamree bin Mohamad Ishak - appointed on 5 July 2022
Encik Lim Choon Eng - appointed on 1 February 2023
Encik Suhaimi bin Ali - appointed on 8 February 2023

PRINCIPAL ACTIVITIES

The principal activities of the Group are provision of guarantees, financing and loans and other internal services.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	60,144	58,613

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 16 to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Group and 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 have been 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 2022.

DIRECTORS' REMUNERATION

The remuneration in aggregate for Directors of the Group and the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Directors of the Group and the Company		
Directors' fees	806	806
Directors' other emoluments	916	916

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 capacities as 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 RM0.1 million (2021: RM0.1 million).

Details of Directors' remuneration are set out in Note 37 to the financial statements.

DIRECTORS' REPORT

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 the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including the value of current assets as shown in the accounting records of the Group and 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 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 the Company misleading or inappropriate.

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

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

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

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

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and 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 the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

AUDITOR'S REMUNERATION

Auditors' remuneration of the Group and the Company are RM467,000 and RM462,000. Details of auditors' remuneration are set out in Note 34 to the financial statements.

SIGNIFICANT EVENT AND EVENT OCCURRING AFTER BALANCE SHEET DATE

Details of significant event and event occurring after balance sheet date are set out in Note 42 to the financial statements.

BUSINESS REVIEW

Malaysia has not been spared from a few turbulent years, just like the other countries around the world facing multiple overlapping challenges like the Covid-19 pandemic, climate change and political tensions, which hindered and affected economic growth. Despite these challenges, Malaysia recorded a Gross Domestic Product (GDP) growth of 8.7% in 2022, exceeding the forecast of 6.5% - 7.0%, driven by strong domestic demand, recovery of private spending and investment, better labour market and the strengthening of the ringgit.

CGC which celebrated its 50th Anniversary on 5 July 2022, is a key player in the Micro, Small and Medium Enterprise (MSME) financing ecosystem. In 2022, CGC continued providing guarantees to support MSME financing especially through Targeted Relief and Recovery Facility (TRRF), High Tech Facility (HTF) and Disaster Relief Facility (DRF). CGC has also partnered with Agensi Kaunseling dan Pengurusan Kredit (AKPK) to elevate MSMEs' financial literacy. This partnership enables CGC to refer its MSME customers to AKPK's e-learning courses, workshops and webinars on topics related to financial literacy and financial management. In addition, when necessary, these MSME customers will be referred to AKPK for debt management initiatives.

CGC100, a collaboration between CGC and PINTAR Foundation was launched in 2022. This is a youth entrepreneurship programme, which aims to inculcate entrepreneurship in the youth and encourage entrepreneurship as a career option.

(a) Overall Performance

CGC continued to record higher total revenue, which grew by 5% to RM214.5 million (2021: RM205.1 million), mainly contributed by the guarantee fees on Portfolio Guarantee (PG)/Wholesale Guarantee (WG) schemes.

During the year, CGC approved more than 13,000 new guarantee and financing accounts with an aggregate approval value of RM3.5 billion. As CGC continued the focus to assist MSMEs to sustain their businesses in 2022, the guarantees provided for TRRF, DRF and HTF contributed 28% of the total guarantee scheme approval value. PG/WG schemes continued to be the significant contributors with over 60% of the year's total guarantee approval value.

In enhancing financial inclusion through CGC's direct financing schemes, over 1,300 accounts amounting to RM175.0 million were approved. TPUB-i contributed to nearly 50% of the direct financing approval value, while financing schemes such as start-up financing including BizMula-i, BizWanita-i and BizBina-i contributed to 92% of the total number of accounts.

The CGC Beyond Guarantee pillar which provides targeted developmental support to MSMEs recorded a significant increase in the number of MSMEs assisted, in line with CGC's focus to support MSME recovery. By working together with strategic partners, about 70,000 MSMEs have been assisted through the CGC Developmental Programme®. Apart from that, more than 5,500 accounts or RM580.0 million have been approved through the imSME platform, which enables MSMEs to secure financing products conveniently online, anywhere, at any time. Significant improvement was also seen with the Khidmat Nasihat Pembiayaan (MyKNP@CGC), which has received more than 2,800 enquiries from MSMEs since it was established in August 2019.

DIRECTORS' REPORT

BUSINESS REVIEW (CONTINUED)

(b) Key Performance Indicators ("KPIs")

2022 marked the second year of the 5-Year Strategic Plan 2021-2025 (5SP). CGC managed to record more than 90% achievement in four Headline Targets set in the 5SP i.e. Guarantee & Financing Base, Number of MSMEs Assisted, Guarantee Reserve Ratio and Cost to Income Ratio.

(c) Key Risks and Mitigations

CGC practices management of credit risk and portfolio risk through consistent monitoring, data analytics and insightful reporting in line with the standards imposed by the Malaysian Financial Reporting Standards (MFRS) and BNM Internal Capital Adequacy Assessment Process (ICAAP).

In addition, CGC continuously enhances its Enterprise Risk Management (ERM) Framework to further fortify both its risk management capabilities and its governance structure.

The Corporation successfully initiated a business continuity plan, enabling it to continue to provide critical business functions while protecting staff and customer health and well-being. Nevertheless, increased exposure to cyber-attack risk from teleworking arrangements, greater reliance on digital platforms, and risk of data and information leakage from conducting operations in home-based environments. Cybersecurity risk profiles and IT strategies were reassessed to manage digital risk, while key risks are closely monitored. CGC stays abreast of regulatory and legal requirements to comply with all applicable laws, regulations and guidelines issued by regulators.

CGC manages compliance risk by involving the Board of Directors, Senior Management and the Compliance Department. Their involvement is based on their roles and responsibilities set forth in CGC's Compliance Charter. Compliance risk in CGC encompasses, among other things, risk of legal or regulatory sanctions, material financial loss or reputational damage resulting from failure to comply with laws, regulations, rules and ethical standards regarding its customers and products. Apart from implementing comprehensive compliance policies and processes, the team ensure constant staff awareness of compliance risks and topics through a variety of training courses and knowledge-sharing sessions.

(d) Human Capital Development

Forming the basis of our Employee Value Proposition, attracting, nurturing and retaining talent remain vital to developing CGC's people. CGC created an enterprise-wide Change Management Programme to guarantee our staff's skills enhancement and continuous learning. This keeps their skills and knowledge relevant to both internal and external stakeholders. Our investment in our people also enables them to better manage our business as it rapidly develops, in line with evolving automation and financial technology (fintech).

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

BUSINESS REVIEW (CONTINUED)

(e) Corporate Social Responsibility ("CSR")

In 2022, CGC resumed its Corporate Social Responsibility (CSR) activities with vigour and enthusiasm, after two years of intermittent in-person events. Through strategic sustainable initiatives, CGC aimed to uplift marginalised communities by delivering long term, positive impact. This included programmes aimed at elevating the socioeconomic status of underprivileged communities adversely affected by annual floods and the prolonged pandemic. Initiatives ranged from providing festive cheer and contributing to physical and mental health to aiding social and welfare homes, disaster victims and B40 families. These are all aligned with the United Nations Sustainable Development Goals (SDGs).

A key innovation programme was started to empower young adults with business education and skills, along with mentorships. The CGC100: Youth Entrepreneurship Programme, in collaboration with PINTAR Foundation and supported by the Ministry of Education was launched in October 2022. The pioneering batch of young entrepreneurs in the 6-month Fast Track Programme could not emphasise enough the importance of confidence, quick decision-making, branding, communication, and experienced mentors in fast-tracking their current businesses.

AUDITORS

Ernst & Young PLT has expressed its willingness to accept appointment as auditors and will be nominated for appointment as the external auditors of the Company and its subsidiary in place of the retiring auditors, PricewaterhouseCoopers PLT, at the forthcoming Annual General Meeting.

This report was approved by the Board of Directors on 18 April 2023. Signed on behalf of the Board of Directors:

DATO' MOHAMMED BIN HAJI CHE HUSSEIN
Chairman

FAISAL BIN ISMAIL
Director

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group 31.12.2022 RM'000	Group 31.12.2021 RM'000	Company 31.12.2022 RM'000	Company 31.12.2021 RM'000
ASSETS					
Property, plant and equipment	4	**12,737**	12,070	**12,737**	12,070
Intangible assets	5	**13,957**	18,902	**13,957**	18,902
Right-of-Use ("ROU") assets	6	**2,328**	3,580	**2,328**	3,580
Investment in subsidiary	7	**-**	-	**-**	-
Investments in associates	8	**10,020**	7,978	**7,141**	7,341
Investment securities: Fair value through profit or loss ("FVTPL")	9	**1,078,990**	1,076,439	**1,078,990**	1,076,439
Investment securities: Fair value through other comprehensive income ("FVOCI")	10	**2,563,981**	2,100,065	**2,563,981**	2,100,065
Investment securities: Amortised cost	11	**181,266**	262,868	**181,266**	262,868
Derivative financial assets	12	**12,253**	7,249	**12,253**	7,249
Term deposits	13	**310,210**	1,075,693	**310,210**	1,075,693
Financing, loans and advances	14	**254,058**	230,530	**254,058**	230,530
Amount due from a subsidiary		**-**	-	**680**	-
Amount due from an associate		**16**	157	**16**	157
Other receivables	15	**30,903**	22,436	**30,903**	22,436
Deferred tax assets	39	**-**	-	**-**	-
Cash and cash equivalents		**488,158**	376,357	**488,158**	376,357
TOTAL ASSETS		**4,958,877**	5,194,324	**4,956,678**	5,193,687

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
EQUITY AND LIABILITIES					
Equity attributable to the Shareholders of the Company					
Share capital	16	**1,785,600**	1,785,600	**1,785,600**	1,785,600
Reserves	17	**925,110**	1,010,745	**925,110**	1,010,745
Retained earnings		**1,510,647**	1,364,868	**1,508,479**	1,364,231
FVOCI reserve	18	**(9,785)**	39,755	**(9,785)**	39,755
		4,211,572	4,200,968	**4,209,404**	4,200,331
Non-controlling interest		**-**	-	**-**	-
TOTAL EQUITY		**4,211,572**	4,200,968	**4,209,404**	4,200,331
Amount due to Bank Negara Malaysia ("BNM")	19	**30,194**	11,672	**30,194**	11,672
Funds from BNM	20	**225,786**	499,122	**225,786**	499,122
Small Entrepreneurs Guarantee Scheme ("SEGS")	21	**-**	3,873	**-**	3,873
Tabung Usahawan Kecil ("TUK")	22	**38,858**	45,046	**38,858**	45,046
Government funds	23	**14,605**	22,930	**14,605**	22,930
Small Entrepreneurs Financing Fund ("SEFF")	24	**-**	6	**-**	6
Derivative financial liabilities	25	**13,544**	5,116	**13,544**	5,116
Expected credit losses for guarantee schemes	26	**282,685**	242,163	**282,685**	242,163
Claims payable		**4,417**	8,682	**4,417**	8,682
Other payables	27	**134,774**	151,007	**134,743**	151,007
Lease liability	6	**2,442**	3,739	**2,442**	3,739
Deferred tax liabilities	39	**-**	-	**-**	-
TOTAL LIABILITIES		**747,305**	993,356	**747,274**	993,356
TOTAL EQUITY AND LIABILITIES		**4,958,877**	5,194,324	**4,956,678**	5,193,687

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	30	**214,523**	205,147	**214,523**	205,147
Investment income	31	**117,135**	139,681	**117,135**	139,681
		331,658	344,828	**331,658**	344,828
Other operating income	32	**74,862**	87,509	**74,862**	488,659
Total income		**406,520**	432,337	**406,520**	833,487
Staff costs	33	**(88,126)**	(79,648)	**(87,447)**	(79,648)
Depreciation on property, plant and equipment		**(4,464)**	(6,203)	**(4,464)**	(6,203)
Amortisation of intangible assets		**(6,524)**	(7,353)	**(6,524)**	(7,353)
Interest expense for Government loans		**(1,500)**	(3,032)	**(1,500)**	(3,032)
Other operating expenses		**(60,283)**	(45,032)	**(60,235)**	(45,032)
Total operating expenses		**(160,897)**	(141,268)	**(160,170)**	(141,268)
Total operating income before expected credit losses		**245,623**	291,069	**246,350**	692,219
Expected credit losses for guarantee schemes		**(169,177)**	(44,762)	**(169,177)**	(44,762)
Expected credit losses of financing, loans and advances		**(18,945)**	(4,376)	**(18,945)**	(4,376)
Expected credit gain/(losses) for investment securities and others		**385**	(100,775)	**385**	(100,775)
Total operating income		**57,886**	141,156	**58,613**	542,306
Share of profit/(loss) after tax of an associate		**2,258**	(443)	**-**	-
Profit from continuing operations		**60,144**	140,713	**58,613**	542,306
Taxation	39	**-**	-	**-**	-
Net profit for the financial year		**60,144**	140,713	**58,613**	542,306

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
- Net fair value loss on FVOCI investments	**(49,480)**	(186,556)	**(49,480)**	(186,556)
- Changes in expected credit losses ("ECL") for FVOCI investments	**(60)**	101,071	**(60)**	101,071
Other comprehensive loss for the financial year	**(49,540)**	(85,485)	**(49,540)**	(85,485)
Total comprehensive income for the financial year	**10,604**	55,228	**9,073**	456,821
Net profit for the financial year attributable to:				
Shareholders of the Company	**60,144**	140,713	**58,613**	542,306
	60,144	140,713	**58,613**	542,306
Total comprehensive income for the financial year attributable to:				
Shareholders of the Company	**10,604**	55,228	**9,073**	456,821
	10,604	55,228	**9,073**	456,821

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		← 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**	**Special Purpose 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 2022		**1,785,600**	**363,821**	**17,471**	**188,177**	**441,276**	**39,755**	**1,364,868**	**-**	**4,200,968**
Total comprehensive (loss)/income for the financial year		**-**	**-**	**-**	**-**	**-**	**(49,540)**	**60,144**	**-**	**10,604**
Transfer between reserves	17	**-**	**(363,821)**	**(17,471)**	**270,068**	**25,589**	**-**	**85,635**	**-**	**-**
Balance as at 31 December 2022		**1,785,600**	**-**	**-**	**458,245**	**466,865**	**(9,785)**	**1,510,647**	**-**	**4,211,572**
Balance as at 1 January 2021		1,785,600	348,216	17,405	714,133	-	141,539	1,138,847	-	4,145,740
Total comprehensive (loss)/income for the financial year		-	-	-	-	-	(85,485)	140,713	-	55,228
Transfer between reserves	17	-	15,605	66	(525,956)	441,276	-	69,009	-	-
Deemed disposal of associates	18	-	-	-	-	-	(16,299)	16,299	-	-
Balance as at 31 December 2021		1,785,600	363,821	17,471	188,177	441,276	39,755	1,364,868	-	4,200,968

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Company	Note	Share capital RM'000	Special Programme reserve RM'000	Skim Perbankan Islam ("SPI") reserve RM'000	Special reserve RM'000	Special Purpose reserve RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total equity RM'000
		Non-Distributable						Distributable	
Balance as at 1 January 2022		**1,785,600**	**363,821**	**17,471**	**188,177**	**441,276**	**39,755**	**1,364,231**	**4,200,331**
Total comprehensive (loss)/income for the financial year		**-**	**-**	**-**	**-**	**-**	**(49,540)**	**58,613**	**9,073**
Transfer between reserves	17		**(363,821)**	**(17,471)**	**270,068**	**25,589**	**-**	**85,635**	**-**
Balance as at 31 December 2022		**1,785,600**	**-**	**-**	**458,245**	**466,865**	**(9,785)**	**1,508,479**	**4,209,404**
Balance as at 1 January 2021		1,785,600	348,216	17,405	714,133	-	125,240	752,916	3,743,510
Total comprehensive (loss)/income for the financial year		-	-	-	-	-	(85,485)	542,306	456,821
Transfer between reserves	17	-	15,605	66	(525,956)	441,276	-	69,009	-
Balance as at 31 December 2021		1,785,600	363,821	17,471	188,177	441,276	39,755	1,364,231	4,200,331

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	**60,144**	140,713	**58,613**	542,306
Adjustments for:				
Depreciation on property, plant and equipment	**4,464**	6,203	**4,464**	6,203
Depreciation on ROU assets	**1,679**	1,755	**1,679**	1,755
Amortisation of intangible assets	**6,524**	7,353	**6,524**	7,353
Gain on disposal of property, plant and equipment	**-**	(126)	**-**	(126)
Write-off of property, plant and equipment	**216**	182	**216**	182
Write-off of intangible assets	**3,242**	116	**3,242**	116
Interest expense for lease liability	**151**	113	**151**	113
Realised gain on FVOCI investments	**-**	(2,910)	**-**	(2,910)
Realised gain on FVTPL investments	**14,245**	(7,863)	**14,245**	(7,863)
Realised gain on disposal of Danajamin	**-**	(38,906)	**-**	(440,056)
Unrealised fair value loss on FVTPL investments	**44,904**	44,903	**44,904**	44,903
Amortisation of premium on FVTPL investments	**(485)**	960	**(485)**	960
Amortisation of premium on FVOCI investments	**1,570**	2,008	**1,570**	2,008
Realised gain on derivatives	**17,353**	(1,479)	**17,353**	(1,479)
Unrealised loss on derivatives	**3,423**	6,341	**3,423**	6,341
Expected credit losses for guarantee schemes	**169,177**	44,762	**169,177**	44,762
Expected credit losses of financing, loans and advances	**18,945**	4,376	**18,945**	4,376
Expected credit (gain)/losses for investment securities	**(385)**	100,775	**(385)**	100,775
Derecognition of Government fund	**(8,325)**	-	**(8,325)**	-
Accretion of Government loans	**1,939**	2,245	**1,939**	2,245
Interest expense on Government loans	**1,500**	3,032	**1,500**	3,032

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)				
Loss on disposal of an associate	**19**	-	**3**	-
Share of (profit)/loss after tax of associate	**(2,258)**	443	**-**	-
	338,042	314,996	**338,753**	314,996
Increase in interest receivable for investments	**(3,366)**	(7,965)	**(3,366)**	(7,965)
Increase in amount due from a subsidiary	**-**	-	**(680)**	-
Increase in ROU	**(427)**	(3,029)	**(427)**	(3,029)
Increase in lease liability	**1,153**	3,051	**1,153**	3,051
(Increase)/decrease in other receivables	**(8,467)**	9,367	**(8,467)**	9,367
Increase in financing, loans and advances	**(42,475)**	(41,457)	**(42,475)**	(41,457)
Decrease in claims payable	**(132,920)**	(71,141)	**(132,920)**	(71,141)
Increase/(decrease) in amount due from an associate	**141**	(126)	**141**	(126)
(Decrease)/increase in other payables	**(16,233)**	9,292	**(16,264)**	9,292
Cash generated from operations	**135,448**	212,988	**135,448**	212,988
Tax paid	**-**	-	**-**	-
Net cash inflows from operating activities	**135,448**	212,988	**135,448**	212,988

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(8,445)**	(1,807)	**(8,445)**	(1,807)
Purchase of intangible assets	**(1,723)**	(5,719)	**(1,723)**	(5,719)
Repayment of lease liability	**(2,600)**	(1,777)	**(2,600)**	(1,777)
Purchase of FVTPL investments	**(439,760)**	(495,027)	**(439,760)**	(495,027)
Purchase of FVOCI investments	**(594,921)**	(290,783)	**(594,921)**	(290,783)
Proceeds from liquidation of investments in associate	**197**	-	**197**	-
Redemption of Amortised Cost investments	**80,000**	-	**80,000**	-
Proceeds from disposal of Danajamin	**-**	940,057	**-**	940,057
Proceeds from disposal of PPE	**-**	126	**-**	126
Proceeds from disposal of FVOCI investments	**85,000**	316,357	**85,000**	316,357
Proceeds from disposal of FVTPL investments	**378,794**	448,710	**378,794**	448,710
Decrease in derivative financial liabilities - net	**(17,352)**	1,219	**(17,352)**	1,219
Decrease/(increase) in term deposits - net	**765,483**	(753,839)	**765,483**	(753,839)
Net cash inflows from investing activities	**244,673**	157,517	**244,673**	157,517

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Small Entrepreneurs Guarantee Scheme	**(4,000)**	(10,000)	**(4,000)**	(10,000)
Repayment of Tabung Usahawan Kecil ("TUK")	**(8,000)**	-	**(8,000)**	-
Repayment of Hawkers and Petty Traders ("HPT") & New Investment Fund ("NIF")	**-**	(3,191)	**-**	(3,191)
Payment of interest on Government funds	**-**	(3,032)	**-**	(3,032)
Repayment of Small Entrepreneurs Financing Fund	**(6)**	(19)	**(6)**	(19)
Increase in amount due to BNM	**18,522**	10,024	**18,522**	10,024
Increase in BizMula-i and BizWanita-i funds from BNM	**26,664**	40,986	**26,664**	40,986
Repayment of loan due to BNM	**(301,500)**	(500,000)	**(301,500)**	(500,000)
Net cash outflows from financing activities	**(268,320)**	(465,232)	**(268,320)**	(465,232)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	**111,801**	(94,727)	**111,801**	(94,727)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**376,357**	471,084	**376,357**	471,084
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**488,158**	376,357	**488,158**	376,357
Cash and cash equivalents comprise the following:				
Cash and bank Balances	**106,114**	127,771	**106,114**	127,771
Term deposits	**382,044**	248,586	**382,044**	248,586
	488,158	376,357	**488,158**	376,357

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Group	At 1 January 2022 RM'000	Cash flows RM'000	Non-cash changes Interest accretion RM'000	Non-cash changes Interest accrual RM'000	At 31 December 2022 RM'000
Amount due to Bank Negara Malaysia ("BNM")	**11,672**	**18,522**	**-**	**-**	**30,194**
Funds from BNM	**499,122**	**(274,836)**	**-**	**1,500**	**225,786**
Small Entrepreneurs Guarantee Scheme ("SEGS")	**3,873**	**(4,000)**	**127**	**-**	**-**
Tabung Usahawan Kecil ("TUK")	**45,046**	**(8,000)**	**1,812**	**-**	**38,858**
Government funds	**22,930**	**-**	**(8,325)**	**-**	**14,605**
Small Entrepreneurs Financing Fund ("SEFF")	**6**	**(6)**	**-**	**-**	**-**
	582,649	**(268,320)**	**(6,386)**	**1,500**	**309,443**

	At 1 January 2021 RM'000	Cash flows RM'000	Non-cash changes Interest accretion RM'000	Non-cash changes Interest accrual RM'000	At 31 December 2021 RM'000
Amount due to Bank Negara Malaysia ("BNM")	1,648	10,024	-	-	11,672
Funds from BNM	958,136	(459,014)	-	-	499,122
Small Entrepreneurs Guarantee Scheme ("SEGS")	13,411	(10,000)	462	-	3,873
Tabung Usahawan Kecil ("TUK")	43,263	-	1,783	-	45,046
Government funds	26,121	(6,223)	-	3,032	22,930
Small Entrepreneurs Financing Fund ("SEFF")	25	(19)	-	-	6
	1,042,604	(465,232)	2,245	3,032	582,649

Company	**At 1 January 2022 RM'000**	**Cash flows RM'000**	**Non-cash changes: Interest accretion RM'000**	**Non-cash changes: Interest accrual RM'000**	**At 31 December 2022 RM'000**
Amount due to Bank Negara Malaysia ("BNM")	**11,672**	**18,522**	**-**	**-**	**30,194**
Funds from BNM	**499,122**	**(274,836)**	**-**	**1,500**	**225,786**
Small Entrepreneurs Guarantee Scheme ("SEGS")	**3,873**	**(4,000)**	**127**	**-**	**-**
Tabung Usahawan Kecil ("TUK")	**45,046**	**(8,000)**	**1,812**	**-**	**38,858**
Government funds	**22,930**	**-**	**(8,325)**	**-**	**14,605**
Small Entrepreneurs Financing Fund ("SEFF")	**6**	**(6)**	**-**	**-**	**-**
	582,649	**(268,320)**	**(6,386)**	**1,500**	**309,443**

	At 1 January 2021 RM'000	Cash flows RM'000	Non-cash changes: Interest accretion RM'000	Non-cash changes: Interest accrual RM'000	At 31 December 2021 RM'000
Amount due to Bank Negara Malaysia ("BNM")	1,648	10,024	-	-	11,672
Funds from BNM	958,136	(459,014)	-	-	499,122
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Tabung Usahawan Kecil ("TUK")	43,263	-	1,783	-	45,046
Government funds	26,121	(6,223)	-	3,032	22,930
Small Entrepreneurs Financing Fund ("SEFF")	25	(19)	-	-	6
	1,042,604	(465,232)	2,245	3,032	582,649

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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 providing services and provision on guarantees, financing and loans. 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 18 April 2023.

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 Group accounting policies. Although these estimates and judgements 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 2022:

- Amendment to MFRS 16 'Covid-19-Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS 116 'Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Annual Improvements to MFRS 1 ‘Subsidiary as First-time Adopter’
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141 ‘Taxation in Fair Value Measurements’
- Amendments to MFRS 3 ‘Reference to the Conceptual Framework’

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.

<u>Amendments to MFRS 116 ‘Proceeds before intended use’</u>

The amendments prohibit the Group and the Company 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 are instead recognised in profit or loss.

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.

<u>Amendments to MFRS 137 ‘Onerous Contracts – Cost of Fulfilling a Contract’</u>

The amendments 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. Before recognising a separate provision for an onerous contract, the Group recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The Group and the Company applies the amendments to the contracts for which it has not yet fulfilled all of its obligations at the date of initial application of 1 January 2022.

<u>Annual Improvements to MFRS 9 ‘Fees in the ‘10 per cent’ test for Derecognition of Financial Liabilities’</u>

The amendment 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 for derecognition of financial liabilities.

The Group and the Company applies the amendment to financial liabilities that are modified or exchanged on or after the date of initial application of 1 January 2022.

<u>Annual Improvements to MFRS 1 ‘Subsidiary as First-time Adopter’</u>

The amendments provide subsidiaries that adopt MFRS later than the parent an optional exemption to measure the cumulative translation differences for all their foreign operations which are aligned to the carrying amounts included in the parent’s consolidated financial statements (adjusted for consolidation adjustments).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Annual Improvements to MFRS 1 'Subsidiary as First-time Adopter' (continued)

An entity shall apply the amendments retrospectively for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives

The amendments removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of as lease incentive in MFRS 16.

Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'

The amendments removed the requirement to exclude cash flows for taxation when measuring fair value to align with the requirements in MFRS 13 Fair Value Measurements.

An entity shall apply the amendments retrospectively for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

Amendments to MFRS 3 'Reference to the Conceptual Framework'

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The Group adopted the amendments, which did not change its current accounting for business combinations on acquisition date.

The Group and the Company shall apply the amendments prospectively to business combinations for which the acquisition date is on or after 1 January 2022.

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

The Group applies the amendments prospectively to business combinations for which the acquisition date is on or after 1 January 2022.

The adoption of this standard did not have any significant impact on the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(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 2022. None of these are expected to have a significant effect on the financial statements of the Group, except for the following set out below:

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

  The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2024) 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. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period based on its compliance with the conditions required on or before the reporting date (even if tested only after period end). Conditions that an entity is required to comply only within 12 months after the reporting period do not affect the classification of liability as current or non-current at reporting date.

  The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation, subsidiaries and associates

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in 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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation, subsidiaries and associates (continued)

(a) Subsidiaries (continued)

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

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

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

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

(c) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the 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 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.

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

(d) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in the statements of comprehensive income, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation, subsidiaries and associates (continued)

(d) Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss in share of profit after tax of associates in statements of comprehensive income.

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

When the Group cease to equity account their 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 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.

2.3 Investments in subsidiaries and associates in separate financial statements

In the Group's separate financial statements, investments in subsidiaries 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 from which the Group does not expect repayment in the foreseeable future is considered as part of the Group'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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

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 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 write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.6 on impairment of non-financial assets.

2.5 Intangible assets

Acquired software costs and development costs that are directly associated with identifiable software products controlled by the Group and the Company that will generate probable future economic benefits exceeding costs beyond one year are recognised as intangible assets.

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 to 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:

Application software	5 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (continued)

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.

2.7 Financial assets

Classification

The Group and the Company classify their 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 commit to purchase or sell the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Measurement

At initial recognition, the Group and the Company measure 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 a separate line item in the statement of comprehensive income.

(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 are recognised in the statement of comprehensive income and presented net within investment income in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have 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 their 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 is immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the 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.

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 40 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. This is because credit risk typically increases significantly before a financial instrument becomes past due or other lagging customer-specific factors (for example, a modification or restructuring) are observed.

- Past-due information

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

- Collective assessment

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

- Low credit risk at reporting date

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

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

- 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 informations (such as unemployment rates, gross domestic product and others) is incorporated as part of the internal ECL 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:

Quantitative criteria:

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when it falls due.

Qualitative criteria:

The debtor meets unlikeliness-to-pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

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

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

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 they have exhausted all practical recovery efforts and have 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

Modification of loans and financing (continued)

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 amounts are also recognised in the income statements as a modification gain or loss on derecognition.

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 is 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 Company 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(a) Recognition and initial measurement

Other financial liabilities measured at amortised cost

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

Other financial liabilities measured at amortised cost are ‘amount due to BNM’, ‘funds from BNM’, ‘SEGS’, ‘TUK’, ‘Government funds’, ‘SEFF’, ‘claims payable’ and ‘other payables’.

(b) Derecognition

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

2.9 Offsetting financial instruments

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

2.10 Derivative financial instruments

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial guarantee contracts

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

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

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

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

2.12 Leases in which the Group and the Company is a lessee

The Group and the Company 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).

Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

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

(a) Lease term

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases in which the Group and the Company is a lessee (continued)

The Group and the Company as a lessee (continued)

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

(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 and the Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases in which the Group and the Company is a lessee (continued)

The Group and the Company as a lessee (continued)

(c) Lease liabilities (continued)

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.

2.13 Leases in which the Group and the Company is a lessor

The Group and the Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases in which the Group and the Company is a lessor (continued)

The Group and the Company as a lessor (continued)

(a) Finance leases (continued)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and the Company.

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.

2.15 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.

2.16 Share capital

Ordinary shares 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.

2.17 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 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.

2.18 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

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

2.19 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

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.

2.20 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 applied prospectively to grants receivable or repayable after the effective date of the standard. The grants are TUK and SEGS.

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

2.21 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions (continued)

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.

2.22 Contingencies

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

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

2.23 Revenue recognition

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (continued)

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. (continued)

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

(vi) Sales of services is engages in distributing and engaging in digital and advisory services.

(vii) 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 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.

2.25 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Foreign currencies (continued)

(b) Transactions and balances (continued)

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.

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 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 40(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 and counterparties. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in Note 40(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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Measurement of expected credit losses allowances (continued)

Management Overlay

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 2022.

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 2022.

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.

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

In the Group's separate financial statements, investments in associates are carried at cost less accumulated impairment losses. The Group assesses the impairment on investment in an associate Group 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.

(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 judgement 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. PROPERTY, PLANT AND EQUIPMENT

The Group and The 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 2022	39,081	5,010	144	4,103	1,871	22,867	6,499	941	80,516
Additions	-	-	-	327	33	4,115	330	3,640	8,445
Disposals	-	-	-	(528)	(22)	(16)	-	-	(566)
Reclassification	-	-	-	9	353	(362)	-	-	-
Write-off	-	-	-	-	-	(307)	-	-	(307)
Transfer from work in progress	-	-	-	-	-	55	-	(55)	-
Reclassification to intangible assets (Note 5)	-	-	-	-	-	-	-	(3,098)	(3,098)
As at 31 December 2022	39,081	5,010	144	3,911	2,235	26,352	6,829	1,428	84,990
Less: Accumulated depreciation									
As at 1 January 2022	39,080	2,978	143	3,140	1,544	16,721	4,840	-	68,446
Charge for the financial year	-	29	-	390	201	3,143	701	-	4,464
Disposals	-	-	-	(528)	(22)	(16)	-	-	(566)
Reclassification to expenses	-	-	-	-	102	(102)	-	-	-
Write-off	-	-	-	-	-	(91)	-	-	(91)
As at 31 December 2022	39,080	3,007	143	3,002	1,825	19,655	5,541	-	72,253
Net book value									
As at 31 December 2022	1	2,003	1	909	410	6,697	1,288	1,428	12,737

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group and The 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 2021	39,081	5,010	144	3,686	1,858	22,255	10,790	4,033	86,857
Additions	-	-	-	225	-	1,208	317	57	1,807
Disposals	-	-	-	-	-	-	(1,158)	-	(1,158)
Write-off	-	-	-	(6)	(39)	(471)	(3,450)	(57)	(4,023)
Transfer from work in progress	-	-	-	125	-	-	-	(125)	-
Reclassification to intangible assets (Note 5)	-	-	-	-	-	-	-	(2,967)	(2,967)
Reclassification from renovation	-	-	-	73	52	(125)	-	-	-
As at 31 December 2021	39,081	5,010	144	4,103	1,871	22,867	6,499	941	80,516
Less: Accumulated depreciation									
As at 1 January 2021	37,519	2,949	143	2,700	1,321	13,976	8,634	-	67,242
Charge for the financial year	1,561	29	-	435	255	3,109	814	-	6,203
Disposals	-	-	-	-	-	-	(1,158)	-	(1,158)
Write-off	-	-	-	(6)	(40)	(345)	(3,450)	-	(3,841)
Reclassification from renovation	-	-	-	11	8	(19)	-	-	-
As at 31 December 2021	39,080	2,978	143	3,140	1,544	16,721	4,840	-	68,446
Net book value									
As at 31 December 2021	1	2,032	1	963	327	6,146	1,659	941	12,070

5. INTANGIBLE ASSETS

The Group and The Company	Software RM'000	Total RM'000
Cost		
As at 1 January 2022	**75,618**	**75,618**
Additions	**1,723**	**1,723**
Write-off	**(3,321)**	**(3,321)**
Reclassification from property, plant and equipment (Note 4)	**3,098**	**3,098**
As at 31 December 2022	**77,118**	**77,118**
Less: Accumulated amortisation		
As at 1 January 2022	**56,716**	**56,716**
Amortisation charge during the financial year	**6,524**	**6,524**
Write-off	**(79)**	**(79)**
As at 31 December 2022	**63,161**	**63,161**
Net book value		
As at 31 December 2022	**13,957**	**13,957**
Cost		
As at 1 January 2021	70,784	70,784
Additions	5,719	5,719
Write-off	(3,852)	(3,852)
Reclassification from property, plant and equipment (Note 4)	2,967	2,967
As at 31 December 2021	75,618	75,618
Less: Accumulated amortisation		
At 1 January 2021	53,099	53,099
Amortisation charge during the financial year	7,353	7,353
Write-off	(3,736)	(3,736)
As at 31 December 2021	56,716	56,716
Net book value		
As at 31 December 2021	18,902	18,902

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	Group/Company	
	2022 RM'000	**2021 RM'000**
Right-of-Use assets:		
Properties	**2,154**	3,257
Machineries	**174**	323
	2,328	3,580
Lease liabilities:		
Properties	**(2,207)**	(3,339)
Machineries	**(235)**	(400)
	(2,442)	(3,739)

The statements of comprehensive income as at 31 December 2022 shows the following amounts relating to leases:

	Group/Company	
	2022 RM'000	**2021 RM'000**
Depreciation charge on right-of-use assets		
Properties	**1,530**	1,606
Machineries	**149**	149
	1,679	1,755
Accumulated Depreciation during the financial year:		
Properties	**2,467**	2,482
Machineries	**571**	422
	3,038	2,904

6. 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
31.12.2022				
Lease payment	**1,270**	**1,329**	**-**	**2,599**
Finance cost	**(89)**	**(68)**	**-**	**(157)**
Net present value	**1,181**	**1,261**	**-**	**2,442**
31.12.2021				
Lease payment	1,828	1,605	582	4,015
Finance cost	(144)	(108)	(24)	(276)
Net present value	1,684	1,497	558	3,739

Included in property, plant and equipment, there is RM2,003,000 (2021: RM2,032,000) of right of use assets in relation to leasehold land.

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7. INVESTMENT IN SUBSIDIARY

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

	Percentage of equity held			
	Group		Non-controlling interest	
Name of subsidiary	**2022**	2021	**2022**	2021
CGC Digital Sdn. Bhd. ("CGC Digital")	**100%**	-	**-**	-

The principal activity of CGC Digital Sdn. Bhd. is distributing and providing internal services to Credit Guarantee Corporation Malaysia Berhad.

In 2022, as part of CGC's digital initiative, CGC Digital Sdn. Bhd. has been formed as an independent entity to spearhead CGC's digital process with a share capital investment by CGC amounting to RM1.

8. 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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Unquoted shares, at cost	**7,341**	7,341	**7,341**	7,341
Group's share of post-acquisition reserves	**2,895**	637	**-**	-
Liquidation of associate	**(216)**	-	**(200)**	-
	10,020	7,978	**7,141**	7,341

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

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. (continued)

Details of the associates are as follows:

		Percentage of equity held	
Name of associates	**Principal activities**	**2022**	**2021**
Aureos CGC Advisers Sdn. Bhd. ("Aureos CGC")	Advisory services	**0%**	40%
Credit Bureau Malaysia Sdn. Bhd. ("CBM")	Credit reference services, credit rating and such other services related to a credit bureau	**49%**	49%

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.

Aureos CGC Advisers Sdn. Bhd. had completed its voluntary liquidation in the financial year ended 2022. Hence, CGC no longer has investment in Aureos CGC Advisers Sdn. Bhd.

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

(i) Summarised statements of financial position

	Aureos CGC^		CBM		Total	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Assets						
Current assets	**-**	628	**15,236**	13,142	**15,236**	13,770
Non-current assets	**-**	-	**10,445**	6,990	**10,445**	6,990
Total assets	**-**	628	**25,681**	20,132	**25,681**	20,760
Liabilities						
Current liabilities	**-**	(86)	**(4,844)**	(4,129)	**(4,844)**	(4,215)
Non-current liabilities	**-**	-	**(387)**	(163)	**(387)**	(163)
Total liabilities	**-**	(86)	**(5,231)**	(4,292)	**(5,231)**	(4,378)
Net assets	**-**	542	**20,450**	15,840	**20,450**	16,382

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

(ii) Summarised statements of comprehensive income

	Aureos CGC^		CBM		Total	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Revenue	**-**	-	**11,301**	9,216	**11,301**	9,216
Net profit/(loss) for the financial year	**-**	-	**4,608**	(905)	**4,608**	(905)
Total comprehensive income/(loss) for the financial year	**-**	-	**4,608**	(905)	**4,608**	(905)

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

	Aureos CGC^		CBM		Total	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Net assets as at 1 January	**-**	542	**15,840**	16,745	**15,840**	17,287
New share subscription as at 3 June	**-**	-	**-**	-	**-**	-
Net profit/(loss) for the financial year	**-**	-	**4,610**	(905)	**4,610**	(905)
Dividend paid	**-**	-	**-**	-	**-**	-
Other comprehensive income for the financial year	**-**	-	**-**	-	**-**	-
Net assets as at 31 December	**-**	542	**20,450**	15,840	**20,450**	16,382
Opening carrying value	**216**	216	**7,762**	8,205	**7,978**	8,421
Net profit/(loss) for the financial year	**-**	-	**2,258**	(443)	**2,258**	(443)
Liquidation of associate	**(216)**	-	**-**	-	**(216)**	-
Closing carrying value	**-**	216	**10,020**	7,762	**10,020**	7,978

^ No financial information available for financial year ended 31 December 2022. The last financial information received from the Company was for financial year ended 31 December 2019. The Company has completed the liquidation process in financial year ended 31 December 2022.

9. INVESTMENT SECURITIES: FVTPL

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
At fair value		
Money market instruments:		
Unquoted in Malaysia		
Malaysian Government Securities (MGS)	**28,927**	40,249
Government Investment Issues ("GII")	**29,941**	36,404
	58,868	76,653
Unquoted securities:		
In Malaysia		
Private debt securities	**637,220**	599,141
Outside Malaysia		
Private debt securities	**255,438**	283,089
	892,658	882,230
Quoted securities:		
In Malaysia		
Real Estate Investment Trusts (REITs)	**28,841**	14,631
Outside Malaysia		
Real Estate Investment Trusts (REITs)	**98,623**	102,925
	127,464	117,556
	1,078,990	1,076,439

10. INVESTMENT SECURITIES: FVOCI

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
At fair value		
Money market instruments:		
Unquoted in Malaysia		
Cagamas bonds	**70,813**	57,501
MGS	**101,116**	71,084
GII	**132,897**	83,062
Other Bonds	**306,576**	347,120
	611,402	558,767
Unquoted securities:		
In Malaysia		
Private debt securities	**1,952,579**	1,541,298
	2,563,981	2,100,065

Movements in allowance for impairment of FVOCI

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
(i) Expected credit losses - Stage 3		
Balance as at 1 January	**140,025**	-
Allowance made during the financial year	**-**	140,025
Balance as at 31 December	**140,025**	140,025

10. INVESTMENT SECURITIES: FVOCI (CONTINUED)

Movements in allowance for impairment of FVOCI (continued)

	Group/Company	
	31.12.2022 RM'000	31.12.2021 RM'000
(ii) Expected credit losses - Stage 2		
Balance as at 1 January	**-**	38,479
Amount written-back during the financial year	**-**	(38,479)
Balance as at 31 December	**-**	-

	Group/Company	
	31.12.2022 RM'000	31.12.2021 RM'000
(iii) Expected credit losses - Stage 1		
Balance as at 1 January	**1,222**	1,697
Amount written-back during the financial year	**(60)**	(475)
Balance as at 31 December	**1,162**	1,222

11. INVESTMENT SECURITIES: FINANCIAL ASSETS AT AMORTISED COST

	Group/Company	
	31.12.2022 RM'000	31.12.2021 RM'000
At amortised cost		
Unquoted securities:		
In Malaysia		
Private debt securities	**182,649**	264,576
Peer-to-peer ("P2P")	**5**	5
	182,654	264,581
Less: Expected credit loss	**(1,383)**	(1,713)
Amount written-off	**(5)**	-
	181,266	262,868

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

Movements in allowance for Impairment of amortised cost

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
(i) Expected credit losses - Stage 3		
Balance as at 1 January	**5**	5
Amount written-off during the financial year	**(5)**	-
Balance as at 31 December	**-**	5

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
(ii) Expected credit losses - Stage 2		
Balance as at 1 January	**241**	241
Allowance written-back during the financial year	**(3)**	-
Balance as at 31 December	**238**	241

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
(iii) Expected credit losses - Stage 1		
Balance as at 1 January	**1,467**	1,602
Allowance written back during the financial year	**(322)**	(135)
Balance as at 31 December	**1,145**	1,467

12. DERIVATIVE FINANCIAL ASSETS

	Group/Company			
	31.12.2022		31.12.2021	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
Derivative assets				
- Currency forward contracts	**295,370**	**12,253**	324,980	7,249

13. TERM DEPOSITS

	Group/Company	
	31.12.2022 RM'000	31.12.2021 RM'000
At amortised cost		
Licensed banks	**20,164**	212,801
Licensed Islamic banks	**249,631**	243,969
Other financial institutions	**-**	-
Other Islamic financial institutions	**40,415**	618,923
	310,210	1,075,693

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14. FINANCING, LOANS AND ADVANCES

(i) By schemes

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Redemption of Direct Access Guarantee Scheme ("DAGS") loans	**12,342**	22,963
Tabung Pemulihan dan Pembangunan Usahawan ("TPPU")	**2,052**	2,052
Tabung Pemulihan Peniaga Kecil ("TPPK")	**144**	144
Tabung Projek Usahawan Bumiputra-i ("TPUB-i")	**31,141**	29,598
BizMula-i	**203,684**	179,315
BizWanita-i	**42,543**	49,693
BizBina-i	**42,741**	22,475
BizMikro-i	**981**	2,055
Staff loans	**1,045**	1,119
Gross financing, loans and advances	**336,673**	309,414
Less: Expected credit losses		
- Stage 3	**(63,146)**	(49,991)
- Stage 2	**(14,285)**	(25,833)
- Stage 1	**(5,184)**	(3,060)
Total net financing, loans and advances	**254,058**	230,530

(ii) By maturity structure

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Maturity within one year	**32,853**	38,231
One year to three years	**62,701**	58,668
Three years to five years	**204,249**	177,249
Over five years	**36,870**	35,266
	336,673	309,414

14. FINANCING, LOANS AND ADVANCES (CONTINUED)

(iii) By interest rate/profit rate sensitivity

	Group/Company	
	31.12.2022 RM'000	31.12.2021 RM'000
Fixed rate		
- Redemption of DAGS loans	**12,342**	22,963
- Tabung Pemulihan dan Pembangunan Usahawan	**2,052**	2,052
- Tabung Pemulihan Peniaga Kecil	**144**	144
- Tabung Projek Usahawan Bumiputra-i	**31,141**	29,598
- BizMula-i	**203,684**	179,315
- BizWanita-i	**42,543**	49,693
- BizBina-i	**42,741**	22,475
- BizMikro-i	**981**	2,055
- Staff loans	**1,045**	1,119
	336,673	309,414

(iv) By economic sectors

	Group/Company	
	31.12.2022 RM'000	31.12.2021 RM'000
Construction	**24,091**	22,584
Education, health and others	**20,828**	19,359
Electricity, gas & water supply	**1,141**	2,588
Financing, insurance, real estate & business services	**58,210**	48,386
Manufacturing	**27,260**	29,319
Mining & quarrying	**41**	49
Others	**3,284**	3,314
Primary agriculture	**3,919**	4,029
Transport, storage & communication	**11,964**	10,359
Wholesale, retail trade, restaurants & hotels	**185,935**	169,427
	336,673	309,414

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14. FINANCING, LOANS AND ADVANCES (CONTINUED)

(v) By economic purpose

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Working capital	**335,628**	308,295
Others	**1,045**	1,119
	336,673	309,414

(vi) By geographical distribution

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Johor	**49,006**	43,696
Kedah	**14,483**	14,235
Kelantan	**16,767**	15,599
Melaka	**15,606**	12,465
Negeri Sembilan	**10,511**	10,655
Pahang	**19,008**	16,724
Perak	**23,104**	21,845
Pulau Pinang	**18,598**	20,035
Sabah	**20,804**	20,704
Sarawak	**36,207**	31,453
Selangor	**54,601**	55,232
Terengganu	**20,163**	16,536
Wilayah Persekutuan - Kuala Lumpur	**37,815**	30,235
	336,673	309,414

14. FINANCING, LOANS AND ADVANCES (CONTINUED)

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

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Balance as at 1 January	**49,991**	76,340
Add: Classified as impaired	**33,113**	7,204
Less: Reclassified as non-impaired	**(415)**	(2,358)
Less: Amount written-back	**(4,329)**	(3,990)
Less: Amount written-off/waived	**(15,214)**	(27,205)
Balance as at 31 December	**63,146**	49,991

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

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Working capital	**62,992**	49,837
Others	**154**	154
	63,146	49,991

14. FINANCING, LOANS AND ADVANCES (CONTINUED)

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

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Johor	**8,788**	9,919
Kedah	**1,720**	806
Kelantan	**5,348**	3,250
Melaka	**1,485**	1,120
Negeri Sembilan	**2,297**	2,120
Pahang	**2,740**	1,204
Perak	**2,222**	742
Pulau Pinang	**3,442**	2,963
Sabah	**5,090**	3,442
Sarawak	**4,687**	4,197
Selangor	**14,113**	13,869
Terengganu	**4,411**	3,478
Wilayah Persekutuan - Kuala Lumpur	**6,803**	2,881
	63,146	49,991

14. FINANCING, LOANS AND ADVANCES (CONTINUED)

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

	Group/Company	
	2022 RM'000	**2021 RM'000**
Expected credit losses - Stage 3		
Balance as at 1 January	**49,991**	76,340
Allowance made during the financial year	**33,113**	7,204
Amount written-back during the financial year	**(4,744)**	(6,348)
Amount written-off/waived during the financial year	**(15,214)**	(27,205)
Balance as at 31 December	**63,146**	49,991
Expected credit losses - Stage 2		
Balance as at 1 January	**25,833**	20,793
Allowance made during the financial year	**7,768**	18,252
Amount written-back during the financial year	**(19,316)**	(13,212)
Balance as at 31 December	**14,285**	25,833
Expected credit losses - Stage 1		
Balance as at 1 January	**3,060**	4,580
Allowance made during the financial year	**3,381**	2,392
Amount written-back during the financial year	**(1,257)**	(3,912)
Balance as at 31 December	**5,184**	3,060
Total	**82,615**	78,884

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15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Receivables due from financial institutions	**13,265**	14,068	**13,265**	14,068
Deposits	**1,158**	1,168	**1,158**	1,168
Prepayments	**9,218**	5,788	**9,218**	5,788
Other receivables	**648**	267	**648**	267
Invoice accrual for guarantee fees	**6,614**	1,145	**6,614**	1,145
	30,903	22,436	**30,903**	22,436

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.

16. SHARE CAPITAL

	Group/Company		Group/Company	
	Number of ordinary shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Issued and fully paid ordinary shares:				
As at 1 January/31 December at no par value	**1,585,600**	1,585,600	**1,785,600**	1,785,600

17. RESERVES

	Group		Company	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Special Programme reserve (a)	**-**	363,821	**-**	363,821
Skim Perbankan Islam (SPI) reserve (b)	**-**	17,471	**-**	17,471
Special reserve (c)	**458,245**	188,177	**458,245**	188,177
Special Purpose reserve (d)	**466,865**	441,276	**466,865**	441,276
	925,110	1,010,745	**925,110**	1,010,745

17. RESERVES (CONTINUED)

In the financial year ended 31 December 2022, the Group had made a transfer from SPI and Special Programme reserve to Special Reserve for a more general scope of utilisation for the purpose of claims.

(a) Special Programme reserve

	Group/Company	
	2022 RM'000	**2021 RM'000**
As at 1 January	**363,821**	348,216
Transfer to Special Reserve during the financial year	**(363,821)**	-
Transfer from retained earnings during the financial year	**-**	15,605
As at 31 December	**-**	363,821

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 28), and Projek Usahawan Bumiputra Dalam Bidang Peruncitan ("PROSPER") (Note 29) 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 24). As the schemes are no longer active, the Group had transferred the balances into Special reserve during the year.

(b) Skim Perbankan Islam (SPI) reserve

	Group/Company	
	2022 RM'000	**2021 RM'000**
As at 1 January	**17,471**	17,405
Transfer to Special reserve during the financial year	**(17,471)**	-
Transfer from retained earnings during the financial year	**-**	66
As at 31 December	**-**	17,471

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. As the schemes under Islamic Guarantees are no longer active, the Group had transferred the balances into Special reserve during the year.

17. RESERVES (CONTINUED)

(c) Special reserve

	Group/Company	
	2022 RM'000	**2021 RM'000**
As at 1 January	**188,177**	714,133
Transfer to retained earnings during the financial year	**(111,224)**	(525,956)
Transfer from Special Programme and SPI reserves during the financial year	**381,292**	-
As at 31 December	**458,245**	188,177

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.

(d) Special purpose reserve

	Group/Company	
	2022 RM'000	**2021 RM'000**
As at 1 January	**441,276**	-
Transfer from retained earnings during the financial year	**25,589**	441,276
As at 31 December	**466,865**	441,276

The Special purpose reserve was created from the gain on the disposal of Danajamin. The reserve may be utilised to meet potential claim in respect of all other reason due to the disposal transaction should the need arise. The reserve can be utilised if there are potential claims arising from Special Schemes/Initiatives, or any other Initiatives or agendas to address market failure/imbalance. During the year, the Group had recovered RM14.6 million from Danajamin and this had been ringfenced in Special purpose reserve.

18. FVOCI RESERVE

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
As at 1 January	**39,755**	141,539	**39,755**	125,240
Fair value loss during the financial year	**(49,480)**	(186,556)	**(49,480)**	(186,556)
ECL allowance (written back)/made during the financial year	**(60)**	101,071	**(60)**	101,071
Deemed disposal of associates	**-**	(16,299)	**-**	-
As at 31 December	**(9,785)**	39,755	**(9,785)**	39,755

19. AMOUNT DUE TO BANK NEGARA MALAYSIA ("BNM")

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Amount due to BNM	**30,194**	11,672

The amount due to BNM comprises:

(a) Claims paid by the Company for 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 ("SMEAGS"); 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. FUNDS FROM BNM

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
TPUB-i (a)	**-**	301,500
BizWanita-i (b)	**36,633**	40,892
BizMula-i (b)	**189,153**	156,730
	225,786	499,122
Repayable within 12 months	**70,198**	363,500
Repayable after 12 months	**155,588**	135,622
	225,786	499,122

Details of the movement and balance outstanding as at 31 December 2022 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.

On 30 June 2022, the Group had fully paid the principal and interest amounting to RM300.0 million and RM1.5 million respectively to BNM.

(b) 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. The Company acts as the financier for these schemes.

21. SMALL ENTREPRENEURS GUARANTEE SCHEME ("SEGS")

	Group/Company	
	31.12.2022 RM'000	31.12.2021 RM'000
Repayable within 12 months	**-**	3,873
Repayable after 12 months	**-**	-
	-	3,873

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 as the financier 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.

On 22 December 2022, the Group had paid the SEGS loan amounting RM3.9 million to MOF.

22. TABUNG USAHAWAN KECIL ("TUK")

	Group/Company	
	31.12.2022 RM'000	31.12.2021 RM'000
Repayable within 12 months	**11,102**	8,127
Repayable after 12 months	**27,756**	36,919
	38,858	45,046

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.

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22. TABUNG USAHAWAN KECIL ("TUK") (CONTINUED)

On 10 December 1998, the Company entered into an agreement as the financier 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.

23. GOVERNMENT FUNDS

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
As at 1 January	**22,930**	26,121
Repayment during the financial year	**-**	(3,223)
Interest payable	**-**	32
Derecognition of principal amount	**(8,325)**	-
As at 31 December	**14,605**	22,930
Repayable within 12 months	**14,605**	4,218
Repayable after 12 months	**-**	18,712
	14,605	22,930

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.

The Hawkers and Petty Traders (HPT) Loan Scheme was introduced in 1986 with the Company as the financier. The scheme was aimed at helping to boost economic activity post the mid-1980's recession other than to serve BNM's financial inclusion agenda to draw the underserved segments of the community into the financial system. Financial assistance (RM10,000 and below) was provided to encourage and assist the unemployed in generating income through hawking and petty trading. Traders included tailors, barbers and those in motor repair and tourism related industries.

23. GOVERNMENT FUNDS (CONTINUED)

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

The New Investment Fund (NIF) Loan Scheme was introduced in 2010 with the Company as the financier. The scheme was aimed at serving BNM's financial inclusion agenda to draw the underserved segments of the community into the financial system.

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

24. SMALL ENTREPRENEURS FINANCING FUND ("SEFF")

	Group/Company	
	2022 RM'000	**2021 RM'000**
As at 1 January	**6**	25
Repayment during the financial year	**(6)**	(25)
Recovery during the financial year	**-**	6
As at 31 December	**-**	6
Repayable within 12 months	**-**	6

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

In 1996, the Company entered into an agreement with Permodalan Nasional Berhad ("PNB") who agreed to contribute RM200 million to the fund of which RM50 million was received in 1996. The RM50 million was subject to repayment by way of 5 equal annual instalments commencing on the 5th anniversary of the disbursement of each advance. In 2001, the Company shall on demand refund all unutilised sums advanced by PNB without interest. The Company had applied for an extension of the repayment for another 5 years. The Company has paid RM10 million in 2006 and 2007 respectively. In year 2008, the Company as an agent, 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, RM59.7 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 17).

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25. DERIVATIVE FINANCIAL LIABILITIES

	Group/Company			
	31.12.2022		31.12.2021	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
Derivative financial liabilities				
- currency forward contracts	**61,918**	**13,544**	50,024	5,116

26. EXPECTED CREDIT LOSSES FOR GUARANTEE SCHEMES

	Group/Company	
	31.12.2022 RM'000	31.12.2021 RM'000
(i) Expected credit losses - Stage 3		
Balance as at 1 January	**23,677**	17,276
Allowance made during the financial year	**214,631**	84,540
Transfer to claims payable during the financial year	**(128,655)**	(78,139)
Balance as at 31 December	**109,653**	23,677
(ii) Expected credit losses - Stage 2		
Balance as at 1 January	**138,550**	134,851
Allowance (written-back)/made during the financial year	**(40,883)**	3,699
Balance as at 31 December	**97,667**	138,550
(iii) Expected credit losses - Stage 1		
Balance as at 1 January	**79,936**	123,413
Allowance written-back during the financial year	**(4,571)**	(43,477)
Balance as at 31 December	**75,365**	79,936
Total	**282,685**	242,163

27. OTHER PAYABLES

	Group		Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**	**31.12.2022 RM'000**	**31.12.2021 RM'000**
Guarantee fee due unearned	**77,585**	85,170	**77,585**	85,170
Refundable proceed TPUB and TPUB-i	**702**	564	**702**	564
Sinking fund - TPUB-i	**346**	346	**346**	346
Deferred income				
- ERF	**39**	39	**39**	39
- Government grant	**3,142**	5,081	**3,142**	5,081
Green Technology Financing Scheme	**13,653**	21,914	**13,653**	21,914
Accruals	**28,663**	26,073	**28,653**	26,073
Other payables	**10,644**	11,820	**10,623**	11,820
	134,774	151,007	**134,743**	151,007

28. 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 subsidise 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

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29. 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.

30. REVENUE

	Group/Company	
	2022 RM'000	**2021 RM'000**
Guarantee fees - portfolio guarantee scheme	**171,340**	163,158
Guarantee fees - wholesale guarantee scheme	**3,588**	3,495
Guarantee fees - other schemes	**22,644**	22,634
Interest income - Redemption schemes	**1,188**	2,286
Profit income - TPUB-i	**1,023**	980
Profit income - BizMula-i	**11,321**	9,444
Profit income - BizWanita-i	**2,500**	2,534
Profit income - BizBina-i	**699**	504
Profit income - BizMikro-i	**220**	112
	214,523	205,147

During the current financial year, the Company has offered relief facilities i.e Flood Relief Assistance (FRA) on financing, loans and advances to individuals and SMEs in comparison to Financial Relief Assistance, Targeted Relief Assistance (TRA) and PEMULIH during prior year. As a result of the payment moratorium, the Company has recognised a modification loss of RM3,281 (2021: RM1.2 million) during the financial year. Significant reduction of modification loss recognised were mainly due to the minimal number of customers affected.

31. INVESTMENT INCOME

	Group/Company	
	2022 RM'000	**2021 RM'000**
Interest income		
- Investment securities: amortised cost	**15,101**	15,838
- Investment securities: FVOCI	**101,920**	98,101
- Investment securities: FVTPL	**50,656**	46,797
- Term deposits	**30,468**	20,905
	198,145	181,641
Realised (loss)/gain on disposal		
- Derivatives	**(17,353)**	1,479
- Investment securities: FVOCI	**-**	2,910
- Investment securities: FVTPL	**(14,245)**	7,863
	(31,598)	12,252
Unrealised fair value loss		
- Derivatives	**(3,423)**	(6,341)
- Investment securities: FVTPL	**(44,904)**	(44,903)
	(48,327)	(51,244)
Accretion/(amortisation) of premium/discount		
- Investment securities: FVOCI	**(1,570)**	(2,008)
- Investment securities: FVTPL	**485**	(960)
	(1,085)	(2,968)
	117,135	139,681

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32. OTHER OPERATING INCOME

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Rental income	**40**	262	**40**	262
Management fees	**2,015**	2,381	**2,015**	2,381
Dividend income from an associate	**-**	3,800	**-**	3,800
Administrative fee – TPUB-i	**421**	401	**421**	401
Recovery income	**43,522**	35,227	**43,522**	35,227
Amortisation of deferred income - Government grant	**1,939**	2,251	**1,939**	2,251
Gain on disposal of investment in associate	**-**	38,906	**-**	440,056
Recovery from Danajamin	**14,575**	-	**14,575**	-
Other income	**12,350**	4,281	**12,350**	4,281
	74,862	87,509	**74,862**	488,659

33. STAFF COSTS

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Salaries	**53,862**	51,870	**53,455**	51,870
Bonus	**13,810**	10,992	**13,810**	10,992
Employees' Provident Fund	**10,119**	9,612	**10,056**	9,612
Others	**10,335**	7,174	**10,126**	7,174
	88,126	79,648	**87,447**	79,648

34. PROFIT BEFORE TAXATION

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Profit before taxation is arrived at after charging/(crediting):				
Computer maintenance	**10,667**	8,934	**10,667**	8,934
Recovery expenses	**2,044**	2,168	**2,044**	2,168
Accretion of Government loans	**1,939**	2,251	**1,939**	2,251
Fund managers expenses	**1,672**	2,035	**1,672**	2,035
Rental	**198**	174	**198**	174
Electricity	**854**	516	**854**	516
Directors remuneration excluding benefit-in-kind	**806**	816	**806**	816
Directors meeting allowance	**761**	757	**761**	757
Promotional expenses	**1,320**	800	**1,320**	800
Auditors remuneration:				
- statutory audit	**467**	414	**462**	414
Write-off of property, plant and equipment (Note 4)	**216**	182	**216**	182
Write-off of intangible asset (Note 5)	**3,242**	116	**3,242**	116
Depreciation on property, plant and equipment (Note 4)	**4,464**	6,203	**4,464**	6,203
Amortisation of intangible assets (Note 5)	**6,524**	7,353	**6,524**	7,353
Expected credit losses for guarantee schemes	**169,177**	44,762	**169,177**	44,762
Expected credit losses made on:				
- financing, loans and advances	**18,945**	4,376	**18,945**	4,376
- investment securities	**(385)**	100,775	**(385)**	100,775
Interest expense for Government loans	**1,500**	3,032	**1,500**	3,032
Gain on disposal of investment in associate	**-**	(38,906)	**-**	(440,056)
Recovery from Danajamin	**(14,575)**	-	**(14,575)**	-

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35. 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 Group are as follows:

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Financial guarantees	**11,284,111**	10,870,557
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**280,438**	255,888
Foreign exchange related contracts:		
- maturity not exceeding one year	**357,288**	375,004
	11,921,837	11,501,449

Out of the total financial guarantees balances of RM11.3 billion as at 31 December 2022 (2021: RM10.9 billion), RM1.0 billion (2021: RM1.2 billion) is reimbursable under Government-Backed Schemes ("GBS") arrangement.

(i) Commitments and Contingencies

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Full Risk		
(a) Conventional		
DAGS	**23,900**	35,176
BizSME	**9,473**	13,670
(b) Islamic		
DAGS	**75**	-
Shared Risk		
(a) Conventional		
BizJamin	**448,300**	416,969
Flexi Guarantee Scheme	**79,320**	147,613
Portfolio Guarantee	**3,006,615**	3,217,659
Wholesale Guarantee	**125,971**	186,654

35. COMMITMENTS, CONTINGENCIES AND GOVERNMENT-BACKED SCHEMES (CONTINUED)

(i) Commitments and Contingencies (Continued)

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
(b) Islamic		
BizJamin	**181,235**	143,204
Flexi Guarantee Scheme	**86,225**	47,700
Portfolio Guarantee	**2,853,083**	2,476,204
Wholesale Guarantee	**35,599**	65,401
Gross Full/Shared Risk Financial guarantees	**6,849,796**	6,750,250
Less: Expected credit losses		
- Stage 3	**(109,653)**	(23,677)
- Stage 2	**(97,667)**	(138,550)
- Stage 1	**(75,365)**	(79,936)
Full / Shared Risk Financial guarantees	**6,567,111**	6,508,087

(ii) Government-Initiated Schemes

Other Shared Risk - Government-Initiated Schemes		
(a) Conventional	**1,782,480**	1,658,810
(b) Islamic	**1,947,490**	1,519,570
Others Shared Risk - Government-Initiated Schemes Guarantees	**3,729,970**	3,178,380

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35. COMMITMENTS, CONTINGENCIES AND GOVERNMENT-BACKED SCHEMES (CONTINUED)

(iii) Government-Backed Schemes

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Other Shared Risk - Government-Backed Schemes		
(a) Conventional	**436,320**	542,090
Green Technology Financing Scheme	**403,190**	505,640
Disaster Relief Facility	**29,870**	32,800
Franchise Financing Scheme	**3,260**	3,650
(b) Islamic	**550,710**	642,000
Green Technology Financing Scheme	**537,290**	627,510
Disaster Relief Facility	**13,420**	14,490
Others Shared Risk - Government-Backed Schemes Guarantees	**987,030**	1,184,090
Total financial guarantees	**11,284,111**	10,870,557

The disclosed amount above are inclusive of RM3.7 billion resulting from CGC's participation in Government-Initiated Schemes.

36. CAPITAL COMMITMENTS

	Group/Company	
	31.12.2022 RM'000	**31.12.2021 RM'000**
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	**8,343**	2,588
Authorised and not contracted for	**4,416**	10,409
	12,759	12,997

37. 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
CGC Digital Sdn. Bhd.	Wholly-owned subsidiary
Credit Bureau Malaysia Sdn. Bhd.	Associate
Aureos CGC Advisers Sdn. Bhd.	Associate (Liquidated in 2022)
Danajamin Nasional Berhad	Associate (Disposed in 2021)

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

	Group		**Company**	
	31.12.2022 RM'000	**31.12.2021 RM'000**	**31.12.2022 RM'000**	**31.12.2021 RM'000**
Non-Executive Directors' fees	**1,724**	1,730	**1,724**	1,730
Other key management personnel (including President/CEO):				
- Short-term employee benefits	**6,107**	6,124	**5,909**	6,124
- Contribution to Employees' Provident Fund	**1,035**	1,058	**1,014**	1,058
Total compensation	**8,866**	8,912	**8,647**	8,912

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

37. 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:

The Group and The Company 2022	Salary and bonus RM'000	Fees RM'000	Meeting Allowance RM'000	Benefit-in-Kind RM'000	Total RM'000
Non-Executive Directors:					
Dato' Mohammed bin Haji Che Hussein	-	180	95	109	384
Datuk David Chua Kok Tee	-	9	4	1	14
Dato' Syed Moheeb bin Syed Kamarulzaman	-	72	103	6	181
Encik Teoh Kok Lin	-	72	65	6	143
Encik Suresh Kumar a/l T.A.S. Menon	-	72	53	6	131
Dato' Ong Eng Bin*	-	72	88	6	166
Encik Choong Tuck Oon	-	72	98	6	176
Encik Adnan Zaylani bin Mohamad Zahid	-	18	20	-	38
Encik Faisal bin Ismail	-	72	77	6	155
Puan Saleha binti M. Ramly	-	72	70	6	148
Encik Lim Choon Eng	-	54	74	5	133
Encik Suhaimi bin Ali	-	41	14	-	55
Total Directors' remuneration	-	806	761	157	1,724

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) Directors' fees and remuneration (continued)

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

The Group and The Company 2021	Salary and bonus RM'000	Fees RM'000	Meeting Allowance RM'000	Benefit-in-Kind RM'000	Total RM'000
Non-Executive Directors:					
Dato' Mohammed bin Haji Che Hussein	-	180	75	109	364
Datuk David Chua Kok Tee	-	72	95	6	173
Dato' Haji Syed Moheeb bin Syed Kamarulzaman	-	72	98	6	176
Encik Teoh Kok Lin	-	72	76	6	154
Encik Suresh Kumar a/l T.A.S. Menon	-	72	70	6	148
Dato' Ong Eng Bin*	-	72	74	6	152
Encik Choong Tuck Oon	-	72	75	6	153
Encik Adnan Zaylani bin Mohamad Zahid	-	60	42	-	102
Encik Faisal bin Ismail	-	72	78	6	156
Puan Saleha binti M. Ramly	-	72	74	6	152
Total Directors' remuneration	-	816	757	157	1,730

* Director's fees payable to OCBC Bank (M) Berhad

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 RM0.1 million (2021: RM0.1 Million).

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Amount due to BNM:

		Group/Company	
		31.12.2022 RM'000	31.12.2021 RM'000
(i)	SRGF, SRGF-2, SRF and SME AGS (Note 19)	**(30,194)**	(11,672)
(ii)	Government funds (Note 23)	**(14,605)**	(22,930)
(iii)	TPUB-i (Note 20)	**-**	(301,500)
(iv)	BizMula-i (Note 20)	**(189,153)**	(156,730)
(v)	BizWanita-i (Note 20)	**(36,633)**	(40,892)

Amount due from CGC Digital Sdn. Bhd.:

	Company	
	31.12.2022 RM'000	31.12.2021 RM'000
Payment on behalf	**680**	-

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

	Company	
	31.12.2022 RM'000	31.12.2021 RM'000
Report fees charged by an associate	**402**	555
Office rental charged to an associate	**30**	(251)
Staff cost paid on behalf of a subsidiary	**680**	-
Interest expense on loan charged by BNM	**1,500**	3,032

38. CAPITAL MANAGEMENT

The primary objective of the Group 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 Group 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 2021 and 2022.

The Group monitors its capital and ability to guarantee by reference to its GRR, which stands at 1.7 times as at 31 December 2022 (2021: 1.7 times). The Company's policy is to maintain a GRR of less than 6.0 times.

39. TAXATION AND DEFERRED TAX ASSETS/(LIABILITIES)

The Company has been exempted from income tax by the Ministry of Finance based on the ruling under Section 127(3A), Income Tax Act, 1967 from the year of assessment upon its establishment, 1972 to 2024.

40. 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, Sukuk, 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 financing and 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 financing and 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.

40. 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 use 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 financing/loans.	12-month ECL
Stage 2 (Underperforming)	Debt Securities Significant Increase in Credit Risks is determined by the following: - External rating watch or downgrade; - External market indicators i.e. significant widening of credit spread; - Credit watch list, breach of covenants, unusual behaviour of borrowers i.e. deteriorating financial position; or - Forward looking factors e.g macro indicators, credit trend, etc. Loans/Financing and Financial Guarantees - All restructured and rescheduled accounts; - All Arrears Account (1MIA and 2MIA), or - Watchlist accounts (internal or external)	Lifetime ECL

40. 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)

The Group and the Company use 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: (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" Financing/Loans and Financial Guarantees (i) Obligatory triggers: - 90 days past due; - Leakage, cessation of contracts or cessation in business for TPUB-i product. - Rating downgrade as follows: 1. Default in paying principal or interest/profit according to the repayment schedule; 2. Cease operation/filing of bankruptcy; 3. Winding up order (upon notice, includes borrowers and parties who provide source of repayment)/Receiver & Manager appointed; 4. Company classified under PN17 (or the equivalent classification for foreign capital markets); or 5. Material fraud with publicised news or upon appointment of financial advisor. (ii) Judgemental triggers: - Significant deterioration of financial performance of the company: (Negative tangible net worth; Net loss for continuous 2 financial years; Negative operating cash flows for continuous 2 financial years); - Evidence of any other indebtedness of the issuer/borrower becomes due and payable prior to its stated maturity/ substantial litigation by other parties against the issuer/ borrower; - Request for rescheduling/restructuring (Request for 2 times or more and will be reclassified to AP if customer had met the 6-month consecutive prompt payment condition); - Qualified auditors' report; or - Failure to remedy any list of events constituting default in reference to the trust deed, loans/financing agreement or any relevant security documents.	Lifetime ECL

40. 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)

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

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

A summary of the assumptions underpinning the Group's and the Company's ECL model is as follows:

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

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.

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 used macroeconomic informations such as unemployment rate, gross domestic product and others, 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").

40. 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)

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	
	2022 Maximum credit exposure RM'000	2021 Maximum credit exposure RM'000	**2022 Maximum credit exposure RM'000**	2021 Maximum credit exposure RM'000
Credit risk exposures of on-balance sheet assets:				
Investment securities: FVTPL *	**951,526**	958,883	**951,526**	958,883
Other receivables #	**21,685**	16,648	**21,685**	16,648
Cash and cash equivalents ^	**488,138**	376,337	**488,138**	376,337
Credit risk exposure of off-balance sheet items:				
Financial guarantees	**11,284,111**	10,870,557	**11,284,111**	10,870,557
Credit related commitments and contingencies	**280,438**	255,888	**280,438**	255,888
Total maximum credit risk exposure	**13,025,898**	12,478,313	**13,025,898**	12,478,313

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

* Investment in REITS
# Prepayments
^ Cash in hand

40. 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 2022	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 *	-	58,576	6,092	381,078	157,141	-	82,900	-	88,577	170,649	6,513	951,526
Investment securities: FVOCI	-	5,018	5,078	670,280	74,453	51,070	438,344	-	698,984	520,617	100,137	2,563,981
Investment securities: Amortised cost	-	-	-	131,082	-	-	-	-	-	-	50,184	181,266
Derivative financial assets	-	-	-	12,253	-	-	-	-	-	-	-	12,253
Term deposits	-	-	-	310,210	-	-	-	-	-	-	-	310,210
Financing, loans and advances	3,264	16,128	11,924	43,585	19,810	-	9,006	148,481	-	935	925	254,058
Other receivables #	-	-	46	19,902	-	-	-	-	163	-	1,574	21,685
Cash and cash equivalents ^	-	-	-	488,138	-	-	-	-	-	-	-	488,138
	3,264	79,722	23,140	2,056,528	251,404	51,070	530,250	148,481	787,724	692,201	159,333	4,783,117
Financial guarantees	109,151	723,169	543,237	1,167,251	1,190,689	12,634	776,938	5,847,012	-	914,030	-	11,284,111
Credit related commitments and contingencies	290	728	131,264	64,775	28,224	-	4,102	40,033	-	11,022	-	280,438
Total off balance sheet	109,441	723,897	674,501	1,232,026	1,218,913	12,634	781,040	5,887,045	-	925,052	-	11,564,549

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit risk concentration (continued)

Group 2021	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 *	1,025	34,838	26,315	413,830	249,192	-	31,166	-	81,519	77,692	43,306	958,883
Investment securities: FVOCI	-	-	15,428	417,634	75,553	52,028	304,548	-	649,711	475,115	110,048	2,100,065
Investment securities: Amortised cost	-	-	-	212,741	-	-	-	-	-	-	50,127	262,868
Derivative financial assets	-	-	-	7,249	-	-	-	-	-	-	-	7,249
Term deposits	-	-	-	1,075,693	-	-	-	-	-	-	-	1,075,693
Financing, loans and advances	3,528	15,674	5,774	36,574	20,993	36	8,286	137,847	-	853	965	230,530
Other receivables #	-	-	46	15,236	-	-	-	-	163	-	1,203	16,648
Cash and cash equivalents ^	-	-	-	376,337	-	-	-	-	-	-	-	376,337
	4,553	50,512	47,563	2,555,294	345,738	52,064	344,000	137,847	731,393	553,660	205,649	5,028,273
Financial guarantees	122,727	639,782	539,928	1,202,116	1,235,803	16,201	687,323	5,362,209	-	1,064,468	-	10,870,557
Credit related commitments and contingencies	290	728	113,190	59,217	27,431	-	4,102	39,908	-	11,022	-	255,888
Total off balance sheet	123,017	640,510	653,118	1,261,333	1,263,234	16,201	691,425	5,402,117	-	1,075,490	-	11,126,445

Excludes prepayments of RM9,218,000 (2021: RM5,788,000)
^ Excludes cash in hand of RM19,600 (2021: RM19,600)
* Excludes investment in REITS of RM127,464,000 (2021: RM117,556,000)

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit risk concentration (continued)

Company 2022	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 *	-	58,576	6,092	381,078	157,141	-	82,900	-	88,577	170,649	6,513	951,526
Investment securities: FVOCI	-	5,018	5,078	670,280	74,453	51,070	438,344	-	698,984	520,617	100,137	2,563,981
Investment securities: Amortised cost	-	-	-	131,082	-	-	-	-	-	-	50,184	181,266
Derivative financial assets	-	-	-	12,253	-	-	-	-	-	-	-	12,253
Term deposits	-	-	-	310,210	-	-	-	-	-	-	-	310,210
Financing, loans and advances	3,264	16,128	11,924	43,585	19,810	-	9,006	148,481	-	935	925	254,058
Amount due from a subsidiary	-	-	-	-	-	-	-	-	-	-	680	680
Other receivables #	-	-	46	19,902	-	-	-	-	163	-	1,574	21,685
Cash and cash equivalents ^	-	-	-	488,138	-	-	-	-	-	-	-	488,138
	3,264	79,722	23,140	2,056,528	251,404	51,070	530,250	148,481	787,724	692,201	160,013	4,783,797
Financial guarantees	109,151	723,169	543,237	1,167,251	1,190,689	12,634	776,938	5,847,012	-	914,030	-	11,284,111
Credit related commitments and contingencies	290	728	131,264	64,775	28,224	-	4,102	40,033	-	11,022	-	280,438
Total off balance sheet	109,441	723,897	674,501	1,232,026	1,218,913	12,634	781,040	5,887,045	-	925,052	-	11,564,549

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit risk concentration (continued)

Company 2021	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 *	1,025	34,838	26,315	413,830	249,192	-	31,166	-	81,519	77,692	43,306	958,883
Investment securities: FVOCI	-	-	15,428	417,634	75,553	52,028	304,548	-	649,711	475,115	110,048	2,100,065
Investment securities: Amortised cost	-	-	-	212,741	-	-	-	-	-	-	50,127	262,868
Derivative financial assets	-	-	-	7,249	-	-	-	-	-	-	-	7,249
Term deposits	-	-	-	1,075,693	-	-	-	-	-	-	-	1,075,693
Financing, loans and advances	3,528	15,674	5,774	36,574	20,993	36	8,286	137,847	-	853	965	230,530
Amount due from a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables #	-	-	46	15,236	-	-	-	-	163	-	1,203	16,648
Cash and cash equivalents ^	-	-	-	376,337	-	-	-	-	-	-	-	376,337
	4,553	50,512	47,563	2,555,294	345,738	52,064	344,000	137,847	731,393	553,660	205,649	5,028,273
Financial guarantees	122,727	639,782	539,928	1,202,116	1,235,803	16,201	687,323	5,362,209	-	1,064,468	-	10,870,557
Credit related commitments and contingencies	290	728	113,190	59,217	27,431	-	4,102	39,908	-	11,022	-	255,888
Total off balance sheet	123,017	640,510	653,118	1,261,333	1,263,234	16,201	691,425	5,402,117	-	1,075,490	-	11,126,445

Excludes prepayments of RM9,218,000 (2021: RM5,788,000)
^ Excludes cash in hand of RM19,600 (2021: RM19,600)
* Excludes investment in REITS of RM127,464,000 (2021: RM117,556,000)

40. 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 financing/loans refer to financing/loans that are overdue by one day or more. Impaired financing/loans are financing/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

	2022			
	12 - Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Carrying amount of financing, loans and advances by credit quality:				
Neither past due nor impaired (A)	213,413	6,743	-	220,156
Past due but not impaired (B)	-	53,371	-	53,371
Impaired (C)	-	-	63,146	63,146
Gross financing, loans and advances	213,413	60,114	63,146	336,673
Less: Allowances for impairment losses				
- Expected credit losses (ECL)	(5,184)	(14,285)	(63,146)	(82,615)
Net financing, loans and advances	208,229	45,829	-	254,058

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Financing, loans and advances (continued)

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

Distribution of financing, loans and advances by credit quality (continued)

Group/Company

	2021			
	12 - Month ECL Performing Stage 1 RM'000	Lifetime ECL Under-performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Carrying amount of financing, loans and advances by credit quality:				
Neither past due nor impaired (A)	135,766	68,240	-	204,006
Past due but not impaired (B)	-	55,417	-	55,417
Impaired (C)	-	-	49,991	49,991
Gross financing, loans and advances	135,766	123,657	49,991	309,414
Less: Allowances for impairment losses				
- Expected credit losses (ECL)	(3,060)	(25,833)	(49,991)	(78,884)
Net financing, loans and advances	132,706	97,824	-	230,530

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Financing, loans and advances (continued)

Neither past due nor impaired (A)

Analysis of financing, 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:

Group/Company	2022 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	213,413	6,743	-	220,156
Total	213,413	6,743	-	220,156

	2021 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	135,766	68,240	-	204,006
Total	135,766	68,240	-	204,006

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.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Financing, loans and advances (continued)

Past due but not impaired (B)

Group/Company	2022 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	-	34,573	-	34,573
Past due 30-60 days	-	18,798	-	18,798
Total	-	53,371	-	53,371

	2021 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	-	31,494	-	31,494
Past due 30-60 days	-	23,923	-	23,923
Total	-	55,417	-	55,417

Impaired (C)

Group/Company	2022 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 financing/loans	-	-	63,146	63,146
Individually impaired financing/ loans	-	-	63,146	63,146

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Financing, loans and advances (continued)

Impaired (C) (continued)

	2021			
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 financing/loans	-	-	49,991	49,991
Individually impaired financing/ loans	-	-	49,991	49,991

(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").

40. 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:

Group/Company

	2022			
Investment securities: FVTPL	**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)	**58,868**	**-**	**-**	**58,868**
Investment grade (AAA to BBB-)	**742,768**	**-**	**-**	**742,768**
Non-investment grade (BB+ and below)	**40,735**	**-**	**-**	**40,735**
Unrated	**109,155**	**-**	**-**	**109,155**
Total	**951,526**	**-**	**-**	**951,526**

	2021			
	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)	76,653	-	-	76,653
Investment grade (AAA to BBB-)	750,713	-	-	750,713
Unrated	131,517	-	-	131,517
Total	958,883	-	-	958,883

The following have been excluded for the purpose of maximum credit risk exposure calculations:
^ Investment in REITS amounting to RM127,464,000 (2021: RM117,556,000)

40. 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)

Group/Company (continued)

	2022			
Investment securities: FVOCI	**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)	**540,589**	**-**	**-**	**540,589**
Investment grade (AAA to BBB-)	**2,023,392**	**-**	**-**	**2,023,392**
Total	**2,563,981**	**-**	**-**	**2,563,981**

	2021			
	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)	501,266	-	-	501,266
Investment grade (AAA to BBB-)	1,598,799	-	-	1,598,799
Total	2,100,065	-	-	2,100,065

40. 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)

Group/Company (continued)

	2022			
Investment securities: Amortised cost	**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	**132,228**	**50,421**	**-**	**182,649**
Expected credit losses ("ECL")	**(1,145)**	**(238)**	**-**	**(1,383)**
Total	**131,083**	**50,183**	**-**	**181,266**

	2021			
	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	214,208	50,368	5	264,581
Expected credit losses ("ECL")	(1,467)	(241)	(5)	(1,713)
Total	212,741	50,127	-	262,868

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40. 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)

Group/Company (continued)

	2022			
Derivative financial assets	**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-)	**12,253**	**-**	**-**	**12,253**
Total	**12,253**	**-**	**-**	**12,253**

	2021			
	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-)	7,249	-	-	7,249
Total	7,249	-	-	7,249

40. 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)

Group/Company (continued)

	2022			
Term deposits	**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-)	**279,702**	**-**	**-**	**279,702**
Unrated	**30,508**	**-**	**-**	**30,508**
Total	**310,210**	**-**	**-**	**310,210**

	2021			
	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-)	1,049,562	-	-	1,049,562
Unrated	26,131	-	-	26,131
Total	1,075,693	-	-	1,075,693

40. 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)

Group

	2022			
Cash and cash equivalents	**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-)	**437,700**	**-**	**-**	**437,700**
Unrated	**50,438**	**-**	**-**	**50,438**
Total	**488,138**	**-**	**-**	**488,138**

	2021			
	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-)	366,266	-	-	366,266
Unrated	10,071	-	-	10,071
Total	376,337	-	-	376,337

The following have been excluded for the purpose of maximum credit risk exposure calculations:
^ Cash in hand of RM19,600 (2021: RM19,600)

40. 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)

Company

	2022			
Cash and cash equivalents	**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-)	**437,700**	**-**	**-**	**437,700**
Unrated	**50,438**	**-**	**-**	**50,438**
Total	**488,138**	**-**	**-**	**488,138**

	2021			
	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-)	366,266	-	-	366,266
Unrated	10,071	-	-	10,071
Total	376,337	-	-	376,337

The following have been excluded for the purpose of maximum credit risk exposure calculations:
^ Cash in hand of RM19,600 (2021: RM19,600)

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

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(iii) Other financial assets

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

Group

	2022			
	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 nor impaired				
Other receivables #	**8,047**	**-**	**-**	**8,047**
Total	**8,047**	**-**	**-**	**8,047**

	2021			
	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 nor impaired				
Other receivables #	12,587	-	-	12,587
Total	12,587	-	-	12,587

40. 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)

Group (continued)

	2022			
	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 #	**13,638**	**-**	**-**	**13,638**
Total	**13,638**	**-**	**-**	**13,638**

	2021			
	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 #	4,061	-	-	4,061
Total	4,061	-	-	4,061

40. 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)

Company

	2022			
	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 nor impaired				
Other receivables #	**8,047**	**-**	**-**	**8,047**
Total	**8,047**	**-**	**-**	**8,047**

	2021			
	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 nor impaired				
Other receivables #	12,587	-	-	12,587
Total	12,587	-	-	12,587

40. 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)

Company (continued)

	2022			
	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 #	**13,638**	**-**	**-**	**13,638**
Total	**13,638**	**-**	**-**	**13,638**

	2021			
	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 #	4,061	-	-	4,061
Total	4,061	-	-	4,061

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

\# Prepayments for the Group and the Company amounting RM9,218,000 (2021: RM5,788,000) and RM9,218,000 (2021: RM5,788,000) respectively.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(iii) Other financial assets (continued)

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

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

(iv) Movement in expected credit losses

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

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

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

40. 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:

Financing, loans and advances

	2022			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loss allowance as at 1 January 2022	3,060	25,833	49,991	78,884
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(351)	3,271	-	2,920
Transfer from Stage 1 to Stage 3	(115)	-	5,163	5,048
Transfer from Stage 2 to Stage 3	-	(7,627)	24,718	17,091
Transfer from Stage 3 to Stage 2	-	44	(230)	(186)
Transfer from Stage 3 to Stage 1	5	-	(185)	(180)
Transfer from Stage 2 to Stage 1	950	(10,045)	-	(9,095)
New financial assets originated or purchased	2,426	4,452	3,010	9,888
Financial assets derecognised during the financial year other than write-offs	(791)	(1,419)	(4,329)	(6,539)
Written-off/waived during the financial year	-	(224)	(14,992)	(15,216)
	5,184	14,285	63,146	82,615

40. 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)

	2021			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2021	4,580	20,793	76,340	101,713
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(1,799)	12,787	-	10,988
Transfer from Stage 1 to Stage 3	(37)	-	1,382	1,345
Transfer from Stage 2 to Stage 3	-	(2,480)	4,670	2,190
Transfer from Stage 3 to Stage 2	-	248	(782)	(534)
Transfer from Stage 3 to Stage 1	1	-	(97)	(96)
Transfer from Stage 2 to Stage 1	132	(3,362)	-	(3,230)
New financial assets originated or purchased	1,572	4,175	532	6,279
Financial assets derecognised during the financial year other than write-offs	(1,389)	(6,328)	(4,849)	(12,566)
Written-off/waived during the financial year	-	-	(27,205)	(27,205)
	3,060	25,833	49,991	78,884

40. 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

	2022			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loss allowance as at 1 January 2022	**1,222**	**-**	**140,025**	**141,247**
Movements with P&L impact				
Change due to change in credit risk	**(157)**	**-**	**-**	**(157)**
New financial assets originated or purchased	**97**	**-**	**-**	**97**
	1,162	**-**	**140,025**	**141,187**

	2021			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2021	1,697	38,479	-	40,176
Movements with P&L impact				
Change due to change in credit risk	(761)	(38,479)	140,025	100,785
New financial assets originated or purchased	286	-	-	286
	1,222	-	140,025	141,247

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40. 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

	2022			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loss allowance as at 1 January 2022	**1,467**	**241**	**5**	**1,713**
Movements with P&L impact				
Change due to change in credit risk	**(322)**	**(3)**	**-**	**(325)**
Amount written-off	**-**	**-**	**(5)**	**(5)**
	1,145	**238**	**-**	**1,383**

	2021			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2021	1,602	241	5	1,848
Movements with P&L impact				
Change due to change in credit risk	(135)	-	-	(135)
	1,467	241	5	1,713

40. 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

Group/Company	2022 Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2022	135,765	123,658	49,991	309,414
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(17,727)	14,402	-	(3,325)
Transfer from Stage 1 to Stage 3	(5,783)	-	5,165	(618)
Transfer from Stage 2 to Stage 3	-	(28,275)	24,622	(3,653)
Transfer from Stage 3 to Stage 2	-	178	(234)	(56)
Transfer from Stage 3 to Stage 1	157	-	(185)	(28)
Transfer from Stage 2 to Stage 1	45,438	(57,769)	-	(12,331)
New financial assets originated or purchased	92,881	18,388	3,010	114,279
Financial assets derecognised during the financial year other than write-offs	(37,319)	(10,242)	(4,232)	(51,793)
Written-off/waived during the financial year	-	(224)	(14,992)	(15,216)
Gross carrying amount as at 31 December 2022	213,412	60,116	63,145	336,673

40. 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)

Group/Company	2021 Stage 1 RM'000	 Stage 2 RM'000	 Stage 3 RM'000	 Total RM'000
Gross carrying amount as at 1 January 2021	172,721	46,101	76,340	295,162
Movements with P&L impact				
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(74,550)	69,758	-	(4,792)
Transfer from Stage 1 to Stage 3	(1,445)	-	1,382	(63)
Transfer from Stage 2 to Stage 3	-	(4,965)	4,670	(295)
Transfer from Stage 3 to Stage 2	-	753	(782)	(29)
Transfer from Stage 3 to Stage 1	76	-	(97)	(21)
Transfer from Stage 2 to Stage 1	6,861	(8,400)	-	(1,539)
New financial assets originated or purchased	61,894	24,881	532	87,307
Financial assets derecognised during the financial year other than write-offs	(29,792)	(4,470)	(4,849)	(39,111)
Written-off/waived during the financial year	-	-	(27,205)	(27,205)
Gross carrying amount as at 31 December 2021	135,765	123,658	49,991	309,414

40. 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)

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

	2022				
	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	**49,991**	**33,114**	**(4,745)**	**(15,214)**	**63,146**
	49,991	**33,114**	**(4,745)**	**(15,214)**	**63,146**

	2021				
	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	76,340	7,204	(6,348)	(27,205)	49,991
	76,340	7,204	(6,348)	(27,205)	49,991

40. 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

	2022			
Group/Company	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Gross carrying amount as at 1 January 2022	**2,100,065**	**-**	**-**	**2,100,065**
Movements with P&L impact				
Change due to change in credit risk	**(11,609)**	**-**	**-**	**(11,609)**
New financial assets originated or purchased	**560,525**	**-**	**-**	**560,525**
Maturity/Disposal during the year	**(85,000)**	**-**	**-**	**(85,000)**
Gross carrying amount as at 31 December 2022	**2,563,981**	**-**	**-**	**2,563,981**

	2021			
Group/Company	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2021	2,170,513	135,080	-	2,305,593
Movements with P&L impact				
Change due to change in credit risk	(50,212)	(135,080)	-	(185,292)
New financial assets originated or purchased	301,595	-	-	301,595
Maturity/Disposal during the year	(321,831)	-	-	(321,831)
Gross carrying amount as at 31 December 2021	2,100,065	-	-	2,100,065

40. 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: Amortised cost

Group/Company	2022 Stage 1 RM'000	2022 Stage 2 RM'000	2022 Stage 3 RM'000	2022 Total RM'000
Gross carrying amount as at 1 January 2022	**214,208**	**50,368**	**5**	**264,581**
Movements with P&L impact				
Change due to change in credit risk	**(1,980)**	**53**	**-**	**(1,927)**
Maturity/Disposal during the year	**(80,000)**	**-**	**(5)**	**(80,005)**
Gross carrying amount as at 31 December 2022	**132,228**	**50,421**	**-**	**182,649**

Group/Company	2021 Stage 1 RM'000	2021 Stage 2 RM'000	2021 Stage 3 RM'000	2021 Total RM'000
Gross carrying amount as at 1 January 2021	264,544	-	6	264,550
Movements with P&L impact				
Change due to change in credit risk	(50,336)	-	(1)	(50,337)
New financial assets originated or purchased	-	50,368	-	50,368
Maturity/Disposal during the year	-	-	-	-
Gross carrying amount as at 31 December 2021	214,208	50,368	5	264,581

40. 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			
	31.12.2022		31.12.2021	
	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")	**49,269**	**48,414**	54,556	53,701
- 100 bps	**(49,269)**	**(48,414)**	(54,556)	(53,701)

	Company			
	31.12.2022		31.12.2021	
	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	**49,269**	**48,414**	54,556	53,701
- 100 bps	**(49,269)**	**(48,414)**	(54,556)	(53,701)

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

Group/Company 2022	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	10,217	232,666	825,461	10,646	1,078,990
Investment securities: FVOCI	196,966	1,124,052	1,242,963	-	2,563,981
Investment securities: Amortised cost	50,183	131,083	-	-	181,266
Derivative financial assets	12,253	-	-	-	12,253
Term deposits	309,206	-	-	1,004	310,210
Financing, loans and advances - not impaired*	8,418	234,469	30,641	(19,470)	254,058
Amount due from an associate	-	-	-	16	16
Other receivables^	-	-	-	21,685	21,685
Cash and cash equivalents	381,053	-	-	107,105	488,158
Total financial assets	968,296	1,722,270	2,099,065	120,986	4,910,617

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	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
Liabilities					
Funds from BNM	70,198	155,588	-	-	225,786
Small Entrepreneurs Guarantee Scheme	-	-	-	-	-
Tabung Usahawan Kecil	11,102	27,756	-	-	38,858
Government Funds	14,605	-	-	-	14,605
Small Entrepreneurs Financing Fund	-	-	-	-	-
Derivative financial liabilities	13,544	-	-	-	13,544
Other liabilities@	-	-	-	454,481	454,481
Total financial liabilities	109,449	183,344	-	454,481	747,274
Net interest sensitivity gap	858,847	1,538,926	2,099,065		

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

Group/Company 2021	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	45,000	174,567	846,474	10,398	1,076,439
Investment securities: FVOCI	87,112	895,772	1,117,181	-	2,100,065
Investment securities: Amortised cost	131,805	131,063	-	-	262,868
Derivative financial assets	7,249	-	-	-	7,249
Term deposits	1,070,757	-	-	4,953	1,075,710
Financing, loans and advances - not impaired*	7,357	221,394	30,672	(28,893)	230,530
Amount due from an associate	-	-	-	157	157
Other receivables^	-	-	-	16,648	16,648
Cash and cash equivalents	248,569	-	-	127,771	376,340
Total financial assets	1,597,849	1,422,796	1,994,327	131,034	5,146,006

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

Group/Company 2021	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
Liabilities					
Funds from BNM	363,500	135,622	-	-	499,122
Small Entrepreneurs Guarantee Scheme	3,873	-	-	-	3,873
Tabung Usahawan Kecil	8,127	36,919	-	-	45,046
Government Funds	4,218	18,712	-	-	22,930
Small Entrepreneurs Financing Fund	6	-	-	-	6
Derivative financial liabilities	5,116	-	-	-	5,116
Other liabilities@	-	-	-	417,263	417,263
Total financial liabilities	384,840	191,253	-	417,263	993,356
Net interest sensitivity gap	1,213,009	1,231,543	1,994,327		

* The negative balance represents collective allowance for financing, loans and advances
^ Excludes prepayment amounting to RM9,218,000 (2021: RM5,788,000)
@ Other liabilities includes amount due to BNM, expected credit losses, claims payable, other payables and lease liabilities

40. 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 2022	United States Dollar RM'000	Singapore Dollar RM'000	Australian Dollar RM'000	Great Britain Pound RM'000	Chinese Yuan RM'000	Euro RM'000	Total RM'000
Assets							
Investment securities: FVTPL	195,844	129,504	14,398	6,730	1,385	6,200	354,061
Derivatives	1,928	10,190	88	47	-	-	12,253
Cash and cash equivalents	6,258	2,201	15	156	54	49	8,733
Net on-balance sheet financial position	204,030	141,895	14,501	6,933	1,439	6,249	375,047
Liability							
Derivatives	41	13,306	76	-	11	110	13,544
Net on-balance sheet financial position	41	13,306	76	-	11	110	13,544
Off-balance sheet commitments	192,292	137,396	14,648	6,237	1,785	6,221	358,579

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Foreign exchange risk (continued)

Group/Company 2021	United States Dollar RM'000	Singapore Dollar RM'000	Australian Dollar RM'000	Great Britain Pound RM'000	Chinese Yuan RM'000	Euro RM'000	Total RM'000
Assets							
Investment securities: FVTPL	200,034	155,377	13,765	9,102	4,973	2,763	386,014
Derivatives	1,071	5,858	200	17	40	63	7,249
Cash and cash equivalents	21,194	1,305	31	243	3	-	22,776
Net on-balance sheet financial position	222,299	162,540	13,996	9,362	5,016	2,826	416,039
Liability							
Derivatives	61	5,055	-	-	-	-	5,116
Net on-balance sheet financial position	61	5,055	-	-	-	-	5,116
Off-balance sheet commitments	220,182	123,464	13,783	7,782	4,939	2,722	372,872

40. 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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
+ 1%				
United States Dollar	**3,963**	4,424	**3,963**	4,424
Singapore Dollar	**2,645**	2,809	**2,645**	2,809
Australian Dollar	**291**	278	**291**	278
Renminbi	**32**	100	**32**	100
Great Britain Pound	**132**	171	**132**	171
Euro	**124**	55	**124**	55
- 1%				
United States Dollar	**(3,963)**	(4,424)	**(3,963)**	(4,424)
Singapore Dollar	**(2,645)**	(2,809)	**(2,645)**	(2,809)
Australian Dollar	**(291)**	(278)	**(291)**	(278)
Renminbi	**(32)**	(100)	**(32)**	(100)
Great Britain Pound	**(132)**	(171)	**(132)**	(171)
Euro	**(124)**	(55)	**(124)**	(55)

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

Group 2022	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities				
Amount due to BNM	30,194	-	-	30,194
Funds from BNM	70,198	155,588	-	225,786
Small Entrepreneurs Guarantee Scheme	-	-	-	-
Tabung Usahawan Kecil	11,102	27,756	-	38,858
Government Funds	14,605	-	-	14,605
Small Entrepreneurs Financing Fund	-	-	-	-
Expected credit losses for guarantee schemes	29,016	215,663	38,006	282,685
Claims payable	4,417	-	-	4,417
Other payables	134,774	-	-	134,774
	294,306	399,007	38,006	731,319

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

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. (continued)

Group 2021	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities				
Amount due to BNM	11,672	-	-	11,672
Funds from BNM	363,500	135,622	-	499,122
Small Entrepreneurs Guarantee Scheme	3,873	-	-	3,873
Tabung Usahawan Kecil	8,127	36,919	-	45,046
Government Funds	4,218	18,712	-	22,930
Small Entrepreneurs Financing Fund	6	-	-	6
Expected credit losses for guarantee schemes	242,163	-	-	242,163
Claims payable	8,682	-	-	8,682
Other payables	151,007	-	-	151,007
	793,248	191,253	-	984,501

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Company 2022	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities				
Amount due to BNM	30,194	-	-	30,194
Funds from BNM	70,198	155,588	-	225,786
Small Entrepreneurs Guarantee Scheme	-	-	-	-
Tabung Usahawan Kecil	11,102	27,756	-	38,858
Government Funds	14,605	-	-	14,605
Small Entrepreneurs Financing Fund	-	-	-	-
Expected credit losses for guarantee schemes	29,016	215,663	38,006	282,685
Claims payable	4,417	-	-	4,417
Other payables	134,743	-	-	134,743
	294,275	399,007	38,006	731,288

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Company 2021	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities				
Amount due to BNM	11,672	-	-	11,672
Funds from BNM	363,500	135,622	-	499,122
Small Entrepreneurs Guarantee Scheme	3,873	-	-	3,873
Tabung Usahawan Kecil	8,127	36,919	-	45,046
Government Funds	4,218	18,712	-	22,930
Small Entrepreneurs Financing Fund	6	-	-	6
Expected credit losses for guarantee schemes	242,163	-	-	242,163
Claims payable	8,682	-	-	8,682
Other payables	151,007	-	-	151,007
	793,248	191,253	-	984,501

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Derivative financial liabilities based on contractual undiscounted cash flows:

Group/Company 2022	**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	**75,462**	**-**	**-**	**75,462**
- inflow	**(61,918)**	**-**	**-**	**(61,918)**
	13,544	**-**	**-**	**13,544**

Group/Company 2021	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	55,140	-	-	55,140
- inflow	(50,024)	-	-	(50,024)
	5,116	-	-	5,116

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

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 (2021: Nil).

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

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 31.12.2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Investment securities: FVTPL				
- Money market instruments	-	58,868	-	58,868
- Private debt securities	-	892,658	-	892,658
Investment securities : REITS				
- REITS	127,464	-	-	127,464
Investment securities: FVOCI				
- Private debt securities	-	1,952,579	-	1,952,579
- Money market instruments	-	611,402	-	611,402
Derivative financial assets	-	12,253	-	12,253
	127,464	3,527,760	-	3,655,224
Liabilities				
Small Entrepreneurs Guarantee Scheme	-	-	-	-
Tabung Usahawan Kecil	-	38,858	-	38,858
Derivative financial liabilities	-	13,544	-	13,544
	-	52,402	-	52,402

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

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

Recurring fair value measurements (continued)

Group/Company 31.12.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Investment securities: FVTPL				
- Money market instruments	-	76,653	-	76,653
- Private debt securities	-	882,230	-	882,230
Investment securities : REITS				
- REITS	117,556	-	-	117,556
Investment securities: FVOCI				
- Private debt securities	-	1,541,298	-	1,541,298
- Money market instruments	-	558,767	-	558,767
Derivative financial assets	-	7,249	-	7,249
	117,556	3,066,197	-	3,183,753
Liabilities				
Small Entrepreneurs Guarantee Scheme	-	3,873	-	3,873
Tabung Usahawan Kecil	-	45,046	-	45,046
Derivative financial liabilities	-	5,116	-	5,116
	-	54,035	-	54,035

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

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 31.12.2022	**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	**181,266**	**-**	**179,674**	**-**	**179,674**
Financing, loans and advances	**254,058**	**-**	**249,257**	**-**	**249,257**
Financial liabilities					
Funds from BNM	**225,786**	**-**	**225,786**	**-**	**225,786**
Government funds	**14,605**	**-**	**15,487**	**-**	**15,487**

Group/Company 31.12.2021	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	262,868	-	259,258	-	259,258
Financing, loans and advances	230,530	-	224,523	-	224,523
Financial liabilities					
Funds from BNM	499,122	-	496,638	-	496,638
Government funds	22,930	-	24,550	-	24,550

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.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

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

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.

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.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

41. 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 2022	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	-	30,194	(30,194)

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

Group/Company 2021	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	-	11,672	(11,672)

42. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Modification Loss

During the current financial year, the Company has offered relief facilities i.e Flood Relief Assistance (FRA) on financing, loans and advances to individuals and SMEs. As a result of the payment moratorium, the Company has recognised a modification loss of RM388,000 during the current financial year.

Group's position in Aureos CGC Advisers Sdn. Bhd.

Aureos CGC Advisers Sdn. Bhd. had completed its voluntary liquidation in the financial year ended 2022. Hence, CGC no longer has investment in Aureos CGC Advisers Sdn. Bhd.

STATEMENT BY DIRECTORS

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

We, **DATO' MOHAMMED BIN HAJI CHE HUSSEIN** and **FAISAL BIN 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 222 to 355 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 2022 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended 31 December 2022 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 18 April 2023.

DATO' MOHAMMED BIN HAJI CHE HUSSEIN
Chairman

FAISAL BIN ISMAIL
Director

Kuala Lumpur

STATUTORY DECLARATION

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

I, **SHAZMEER BIN 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 222 to 355 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 BIN MOKHTAR

Subscribed and solemnly declared by the abovenamed Shazmeer bin Mokhtar at Petaling Jaya, Selangor in Malaysia on 18 April 2023.

Before me,

PESURUHJAYA SUMPAH
No. B 519
CHUA FONG LING
01/01/2021 - 31/12/2023
MALAYSIA

COMMISSIONER FOR OATHS

No. 11-2B, Jalan PJU 1/3F,
Sunwaymas Commercial Centre,
47301 Petaling Jaya, Selangor

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 2022, 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 2022 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 222 to 355.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LEE TZE WOON KELVIN
03482/01/2024 J
Chartered Accountant

Kuala Lumpur
18 April 2023