
STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

263	Directors' Report
269	Statement by Directors
269	Statutory Declaration
270	Independent Auditors' Report
272	Statements of Financial Position
273	Statements of Comprehensive Income
274	Statements of Changes in Equity
275	Statements of Cash Flows
277	Notes to the Financial Statements

DIRECTORS' REPORT

- 31 DECEMBER 2023

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2023.

DIRECTORS

The Directors in office during the financial year and up to the date of this report are:

Dato' Mohammed bin Haji Che Hussein (Chairman)
 Encik Choong Tuck Oon
 Encik Faisal bin Ismail
 Puan Saleha binti M. Ramly
 Encik Lim Choon Eng
 Encik Suhaimi bin Ali
 Encik Kellee Kam Chee Khiong - appointed on 16 October 2023
 Dato' Syed Moheeb bin Syed Kamarulzaman - retired on 14 January 2023
 Encik Suresh Kumar a/l T.A.S Menon - retired on 20 June 2023
 Encik Teoh Kok Lin - retired on 26 June 2023
 Dato' Ong Eng Bin - retired on 14 October 2023

The Directors of the Company's subsidiary who have held office during the financial year and up to the date of this report are:

CGC Digital Sdn. Bhd.

Encik Choong Tuck Oon (Chairman)
 Datuk Mohamad Zamree bin Mohamad Ishak
 Encik Lim Choon Eng
 Encik Suhaimi bin Ali

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary and associates are disclosed in Notes 7 and 8 to the financial statements, respectively.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	50,016	58,354

DIRECTORS' REPORT

- 31 DECEMBER 2023

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 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 its subsidiary 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 2023.

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	736	672
Directors' other emoluments	835	766

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 coverage 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 by the Company was RM0.1 million (2022: RM0.1 Million).

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

SHARE OPTION SCHEME

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

DIRECTORS' REPORT

- 31 DECEMBER 2023

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 other than in the ordinary course of business.
- (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 their obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and 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.

DIRECTORS' REPORT

- 31 DECEMBER 2023

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Company are RM462,000 and RM457,000 respectively while non-audit fees amounted to RM45,600 for the Group and the Company. 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's economic growth settled at 3.7% in 2023, following the strong growth registered in the previous year (2022: 8.7%). Growth moderated amid a challenging external environment, mainly due to slower global trade, the global tech downcycle, geopolitical tensions and tighter monetary policies globally.

In the challenging economic conditions of 2023, CGC registered a commendable performance, evidenced by growth in revenues, as well as in guarantee approvals. Meanwhile, Micro, Small and Medium Enterprises ("MSME") support continued through the CGC's Beyond Guarantee initiatives.

(a) Overall Performance

CGC continued to record higher total revenue. This grew by 8.6% to RM233.0 million (2022: RM214.5 million), with the main contributor being guarantee fees from Portfolio Guarantee ("PG") schemes.

A stellar performance was recorded in 2023 in terms of approval value. During the year, CGC approved more than 10,000 new guarantee and financing accounts with an aggregate approval value of RM5.1 billion. This figure represented a 45.7% year-on-year growth (2022: RM3.5 billion). PG schemes continued to be the significant contributors, with over 90% share of the year's total guarantee approval value.

CGC also approved over 200 accounts for its contract financing scheme, Tabung Pembangunan Usahawan Bumiputera-i ("TPUB-i"). The total approved amount in 2023 was RM115.0 million, a 42.0% year-on-year growth (2022: RM81.0 million). This scheme is to address financial inclusion, aimed specifically at Bumiputera contractors.

Under the Beyond Guarantee pillar, over 80,000 MSMEs had been assisted through the CGC Developmental Programme® as of December 2023. Through imSME, a hassle-free platform allowing MSMEs to access real-time information on financing/loan products whenever they wish, over 6,000 accounts amounting to RM617.0 million had been approved as of December 2023. Khidmat Nasihat Pembiayaan ("MyKNP@CGC") continues to provide financial advisory support to MSMEs, with more than 3,900 enquiries received as at year end since its establishment in August 2019.

(b) Key Performance Indicators ("KPIs")

2023 marked the third year of the 5-Year Strategic Plan ("5SP") 2021-2025. CGC managed to record at least 89.0% achievement in the Headline Targets set in the 5SP i.e. Guarantee & Financing Base, Number of MSMEs Assisted through Financial Assistance, Guarantee Reserve Ratio and Cost-to-Income Ratio.

DIRECTORS' REPORT

- 31 DECEMBER 2023

BUSINESS REVIEW (CONTINUED)

(c) Key Risks and Mitigations

CGC practises 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.

CGC enhanced and tested its business continuity plan, enabling it to continue to provide critical business functions, while protecting staff and customer health and well-being. Nevertheless, there was increased exposure to cyber-attack risks due to 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 risks, 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 risks through strong commitment from the Board of Directors, Senior Management and the Compliance and Integrity Division. Compliance risks in CGC includes risk of legal or regulatory sanctions, material financial loss and 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 and timely reporting to the Board of Directors and Senior Management of any emerging risks or concerns, CGC ensures constant staff awareness vis-à-vis compliance risks through a variety of training courses and knowledge-sharing sessions.

(d) Human Resource Management

At CGC, our commitment to the core values encapsulated by the acronym THINK (Teamwork, Hardworking, Integrity, Nurturing, and Knowledgeable) is the bedrock of our organisational culture, profoundly shaping our belief in the value of every team member. These principles guide us in fostering a supportive and inclusive environment where each individual is given the tools and opportunities to carve out his/her own path to success. By emphasising teamwork, we cultivate a collaborative atmosphere that encourages collective problem-solving and innovation. Our expectation for hard work is matched by our commitment to integrity, ensuring that our actions are always aligned with ethical standards and mutual respect.

In 2024, CGC's Human Resource ("HR") strategy will propel us towards a high-performing, future-ready culture. We will achieve this through multiple approaches, from data-driven job evaluations, competency-based training, and innovative learning initiatives that will equip our workforce for the challenges ahead. We will emphasise emotional intelligence and collaborative spaces to enhance personal and professional growth. Our recruitment and data-driven performance management will aim to elevate organisational capabilities and attract top talent. This holistic approach will ensure CGC remains a dynamic workplace that fosters continuous growth and prepares our team for a successful, future-ready trajectory.

(e) Corporate Social Responsibility ("CSR")

Our CSR initiatives are aligned with the United Nations Sustainable Development Group ("UNSDG") agenda that CGC is committed to uphold, while ensuring that our CSR activities incorporate and promote sustainability. In 2023, CGC continued to reach out to a wider group of unserved and underserved members of communities nationwide, especially amongst the B40 category. CGC assisted approximately 29,700 beneficiaries through its various CSR initiatives.

DIRECTORS' REPORT

- 31 DECEMBER 2023

BUSINESS REVIEW (CONTINUED)

(e) Corporate Social Responsibility ("CSR") (continued)

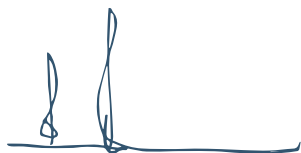
Guided by CGC's key CSR pillars - education, healthcare, and community development - the CGC100 Youth Entrepreneurship Programme ("CGC100 Programme") successfully graduated 20 participants from the Fast Track programme. The programme is a joint collaboration with PINTAR Foundation and is supported by the Ministry of Education. Currently, CGC is preparing to graduate an additional 30 participants from the Comprehensive Track in the first quarter of 2024. In line with our dedication to innovation, we have incorporated cutting-edge modules like Business & Sustainability, reflecting the CGC100 Programme's focus on enhancing skills and fostering adaptability. This CGC 100 initiative targets selected young people aged 18 - 23 from the B40 and M40 communities in Malaysia, providing them with soft skills, business acumen, and entrepreneurial expertise to foster their success as entrepreneurs. In the second quarter of 2024, the second group of the Fast Track programme, with 20 participants, will commence.

CGC remains dedicated to giving back to communities that most need services, aiming to improve quality of life among the unserved and underserved communities, as part of its contribution towards nation-building.

AUDITORS

The auditors, Ernst & Young PLT has expressed its willingness to accept reappointment as the external auditors of the Company and its subsidiary.

This report was approved by the Board of Directors on 23 April 2024. Signed on behalf of the Board of Directors:



DATO' MOHAMMED BIN HAJI CHE HUSSEIN

Chairman



FAISAL BIN ISMAIL

Director

Kuala Lumpur

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 272 to 378 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 2023 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended 31 December 2023 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 23 April 2024.

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, **NURUL AMNI BINTI MOHD AMIN (CA 45480)**, 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 272 to 378 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.

NURUL AMNI BINTI MOHD AMIN

Subscribed and solemnly declared by the abovenamed Nurul Amni Binti Mohd Amin at Petaling Jaya, Selangor on 23 April 2024.

Before me,

COMMISSIONER FOR OATHS



INDEPENDENT AUDITORS' REPORT

to the members of Credit Guarantee Corporation Malaysia Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Credit Guarantee Corporation Malaysia Berhad, which comprise the statements of financial position as at 31 December 2023 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 year then ended, and notes to the financial statements, including a material accounting policy information, as set out on pages 272 to 378.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 audit 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 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, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Credit Guarantee Corporation Malaysia Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- 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.
- 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

The financial statements of the Group and of the Company for the financial year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 18 April 2023.

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.

Ernst & Young PLT
 202006000003 (LLP0022760-LCA) & AF 0039
 Chartered Accountants

Muhammad Syarizal bin Abdul Rahim
 No. 03157/01/2025 J
 Chartered Accountant

Kuala Lumpur, Malaysia
 23 April 2024

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
ASSETS					
Property, plant and equipment	4	10,617	11,361	10,617	11,361
Intangible assets	5	12,212	15,333	10,898	15,333
Right-of-Use ("ROU") assets	6	3,793	2,328	3,793	2,328
Investment in subsidiary*	7	-	-	20,000	-
Investment in associates	8	9,450	10,020	7,141	7,141
Investment securities: Fair value through profit or loss ("FVTPL")	9	1,164,900	1,078,990	1,164,900	1,078,990
Investment securities: Fair value through other comprehensive income ("FVOCI")	10	2,771,768	2,563,981	2,767,074	2,563,981
Investment securities: Amortised cost	11	181,532	181,266	181,532	181,266
Derivative financial assets	12	12,293	12,253	12,293	12,253
Term deposits	13	424,995	310,210	421,991	310,210
Financing, loans and advances	14	152,582	254,058	152,582	254,058
Amount due from a subsidiary		-	-	1,644	680
Amount due from an associate		-	16	-	16
Other receivables	15	27,028	30,903	27,022	30,903
Deferred tax assets	39	-	-	-	-
Cash and cash equivalents		337,523	488,158	331,349	488,158
TOTAL ASSETS		5,108,693	4,958,877	5,112,836	4,956,678
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	767,322	925,110	767,322	925,110
Retained earnings		1,718,451	1,510,647	1,724,621	1,508,479
FVOCI reserve	18	69,324	(9,785)	69,324	(9,785)
TOTAL EQUITY		4,340,697	4,211,572	4,346,867	4,209,404
Amount due to Bank Negara Malaysia ("BNM")	19	37,957	30,194	37,957	30,194
Funds from BNM	20	156,067	225,786	156,067	225,786
Tabung Usahawan Kecil ("TUK")	21	30,000	42,000	30,000	42,000
Government funds	22	9,602	14,605	9,602	14,605
Small Entrepreneurs Financing Fund ("SEFF")	23	-	-	-	-
Derivative financial liabilities	24	14,538	13,544	14,538	13,544
Expected credit losses for guarantee schemes	25	363,450	282,685	363,450	282,685
Claims payable		1,588	4,417	1,588	4,417
Other payables	26	150,868	131,632	148,841	131,601
Lease liabilities	6	3,926	2,442	3,926	2,442
Deferred tax liabilities	39	-	-	-	-
TOTAL LIABILITIES		767,996	747,305	765,969	747,274
TOTAL EQUITY AND LIABILITIES		5,108,693	4,958,877	5,112,836	4,956,678

* Investment in subsidiary at Company level in FY2022 amounted to RM1

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	29	233,023	214,523	233,023	214,523
Investment income	30	243,478	117,135	243,478	117,135
		476,501	331,658	476,501	331,658
Other operating income	31	60,992	81,923	61,694	81,923
Total income		537,493	413,581	538,195	413,581
Staff costs	32	(99,117)	(88,126)	(93,406)	(87,447)
Depreciation on property, plant and equipment	4	(4,153)	(4,464)	(4,153)	(4,464)
Amortisation of intangible assets	5	(5,868)	(6,524)	(5,853)	(6,524)
Interest expense for Government loans		-	(1,500)	-	(1,500)
Other operating expenses		(52,338)	(67,344)	(50,998)	(67,296)
Total operating expenses		(161,476)	(167,958)	(154,410)	(167,231)
Total operating profit before expected credit losses		376,017	245,623	383,785	246,350
Expected credit losses for guarantee schemes	25	(293,774)	(169,177)	(293,774)	(169,177)
Expected credit losses for financing, loans and advances	14	(31,232)	(18,945)	(31,232)	(18,945)
Expected credit losses for investment securities and others	33	(425)	385	(425)	385
Total expected credit losses		(325,431)	(187,737)	(325,431)	(187,737)
Total operating profit		50,586	57,886	58,354	58,613
Share of (loss)/profit after tax of an associate	8(b)	(570)	2,258	-	-
Profit from continuing operations	34	50,016	60,144	58,354	58,613
Taxation	39	-	-	-	-
Net profit for the financial year		50,016	60,144	58,354	58,613
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
- Net fair value gain/(loss) on FVOCI investments		78,533	(49,480)	78,533	(49,480)
- Changes in expected credit losses for FVOCI investments		576	(60)	576	(60)
Other comprehensive income/(loss) for the financial year		79,109	(49,540)	79,109	(49,540)
Total comprehensive income for the financial year		129,125	10,604	137,463	9,073
Net profit for the financial year attributable to:					
Shareholders of the Company		50,016	60,144	58,354	58,613
		50,016	60,144	58,354	58,613
Total comprehensive income for the financial year attributable to:					
Shareholders of the Company		129,125	10,604	137,463	9,073
		129,125	10,604	137,463	9,073

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	←----- Attributable to Shareholders of the Company ----->								
	←----- Non-Distributable ----->				Distributable				
		Special	Skim	Special	Special				
	Note	Share	Programme	Perbankan	Special	Purpose	FVOCI	Retained	Total
		capital	reserve	reserve	reserve	reserve	reserve	earnings	equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Balance as at 1 January 2023		1,785,600	-	-	458,245	466,865	(9,785)	1,510,647	4,211,572
Total comprehensive income for the financial year		-	-	-	-	-	79,109	50,016	129,125
Transfer between reserves	17	-	-	-	(177,231)	19,443	-	157,788	-
Balance as at 31 December 2023		1,785,600	-	-	281,014	486,308	69,324	1,718,451	4,340,697
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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
<hr/>									
Company									
Balance as at 1 January 2023		1,785,600	-	-	458,245	466,865	(9,785)	1,508,479	4,209,404
Total comprehensive income for the financial year		-	-	-	-	-	79,109	58,354	137,463
Transfer between reserves	17	-	-	-	(177,231)	19,443	-	157,788	-
Balance as at 31 December 2023		1,785,600	-	-	281,014	486,308	69,324	1,724,621	4,346,867
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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

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	50,016	60,144	58,354	58,613
Adjustments for:				
Depreciation on property, plant and equipment	4,153	4,464	4,153	4,464
Depreciation on ROU assets	1,634	1,679	1,634	1,679
Amortisation of intangible assets	5,868	6,524	5,853	6,524
Write-off of property, plant and equipment	-	216	-	216
Write-off of intangible assets	83	3,243	83	3,243
Interest expense for lease liability	195	171	195	171
Realised gain on FVOCI investments	(510)	-	(510)	-
Realised loss on FVTPL investments	5,228	14,245	5,228	14,245
Unrealised fair value (gain)/loss on FVTPL investments	(70,252)	44,904	(70,252)	44,904
Accretion of premium on FVTPL investments	(967)	(485)	(967)	(485)
Amortisation of premium on FVOCI investments	1,367	1,570	1,367	1,570
Realised loss on derivatives	22,963	17,353	22,963	17,353
Unrealised loss on derivatives	954	3,423	954	3,423
Expected credit losses for guarantee schemes	293,774	169,177	293,774	169,177
Expected credit losses for financing, loans and advances	31,232	18,945	31,232	18,945
Expected credit losses for investment securities and others	425	(385)	425	(385)
Derecognition of Government fund	(5,003)	(8,325)	(5,003)	(8,325)
Interest expense on Government loans	-	1,500	-	1,500
Loss on disposal of an associate	-	19	-	3
Share of loss/(profit) after tax of associate	570	(2,258)	-	-
	341,730	336,124	349,483	336,835
Decrease/(Increase) in interest receivable for investments	2,510	(3,374)	2,510	(3,374)
Increase in amount due from a subsidiary	-	-	(964)	(680)
Decrease/(Increase) in other receivables	3,875	(8,466)	3,881	(8,466)
Decrease/(Increase) in financing, loans and advances	70,244	(42,475)	70,244	(42,475)
Decrease in claims payable	(215,838)	(132,920)	(215,838)	(132,920)
Decrease in amount due from an associate	16	141	16	141
Increase/(Decrease) in other payables	19,236	(14,295)	17,240	(14,326)
Net cash inflows from operating activities	221,773	134,735	226,572	134,735

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(3,409)	(4,805)	(3,409)	(4,805)
Purchase of intangible assets	(2,830)	(5,363)	(1,501)	(5,363)
Increase in investment in subsidiary*	-	-	(20,000)	-
Purchase of FVTPL investments	(457,979)	(439,760)	(457,979)	(439,760)
Purchase of FVOCI investments	(363,836)	(594,921)	(359,142)	(594,921)
Proceeds from liquidation of investments in associate	-	197	-	197
Redemption of Amortised Cost investments	-	80,000	-	80,000
Proceeds from disposal of FVOCI investments	235,569	85,000	235,569	85,000
Proceeds from disposal of FVTPL investments	433,592	378,794	433,592	378,794
Increase in derivative financial liabilities - net	(22,963)	(17,352)	(22,963)	(17,352)
(Decrease)/Increase in term deposits - net	(114,785)	765,483	(111,781)	765,483
Net cash (outflows)/inflows from investing activities	(296,641)	247,273	(307,614)	247,273
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Small Entrepreneurs Guarantee Scheme ("SEGS")	-	(4,000)	-	(4,000)
Repayment of Tabung Usahawan Kecil ("TUK")	(12,000)	(8,000)	(12,000)	(8,000)
Repayment of Small Entrepreneurs Financing Fund ("SEFF")	-	(6)	-	(6)
Increase in amount due to BNM	7,763	18,522	7,763	18,522
(Decrease)/Increase in funds from BNM	(69,719)	26,664	(69,719)	26,664
Repayment of loan due to BNM	-	(301,500)	-	(301,500)
Repayment of lease liability	(1,811)	(1,887)	(1,811)	(1,887)
Net cash outflows from financing activities	(75,767)	(270,207)	(75,767)	(270,207)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	(150,635)	111,801	(156,809)	111,801
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	488,158	376,357	488,158	376,357
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	337,523	488,158	331,349	488,158
Cash and cash equivalents comprise the following:				
Cash and bank balances	108,863	106,114	105,691	106,114
Term deposits less than 90 days	228,660	382,044	225,658	382,044
	337,523	488,158	331,349	488,158

* Investment in subsidiary at Company level in FY2022 amounted to RM1

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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 Group and the Company are 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 23 April 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION

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 material accounting policies information.

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 2023:

- Amendments to MFRS 101 & MFRS Practice Statement 2 on Disclosure of Accounting Policies, and MFRS 108 on Definition of Accounting Estimate
- Amendments to MFRS 112, Deferred tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform - Pillar Two Model Rules
- Amendments to MFRS 17, Initial Application of MFRS 17 and MFRS 9 - Comparative Information

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

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

Amendments to MFRS 101 & MFRS Practice Statement 2 on Disclosure of Accounting Policies, and MFRS 108 on Definition of Accounting Estimate

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to MFRS 108, redefined accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'. To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

Amendments to MFRS 112, Deferred tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform - Pillar Two Model Rules

The amendments 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, companies are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

Amendments to MFRS 17, Initial Application of MFRS 17 and MFRS 9 - Comparative Information

This amendment relates to the classification of comparative information of financial assets on initial application of MFRS 17 (known as 'classification overlay'). The objective of the amendment is to provide an optional transition provision to reduce the one-time accounting mismatch on comparative information between insurance contract liabilities and related financial assets.

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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (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 2024. 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 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.
- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) clarify how companies should subsequently measure the leaseback liability that arises in a sale and leaseback transition. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date. Therefore, the amendments add subsequent measurement requirements for the lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall subsequently measure the leaseback liability by applying paragraphs 36 to 46 of MFRS 16. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

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

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

2.2 Consolidation, subsidiary and associate

(a) Subsidiary

Subsidiary is an entity 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. Subsidiary is 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.2 Consolidation, subsidiary and associate (continued)

(a) Subsidiary (continued)

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.

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

Non-controlling interests in the results and equity of subsidiary 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 subsidiary 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 subsidiary

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 subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.2 Consolidation, subsidiary and associate (continued)

(d) Associate

Associate is an entity 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 associate is 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 associate includes goodwill identified on acquisition.

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

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

When the Group cease to equity account their associate 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 associate are recognised in the profit or loss.

2.3 Investments in subsidiary and associate in separate financial statement

In the Group's separate financial statements, investments in subsidiary and associate are carried at cost less accumulated impairment losses. On disposal of investments in subsidiary and associate, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statements of comprehensive income.

The amount due from subsidiary from which the Group does not expect repayment in the foreseeable future is considered as part of the Group's investments in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.4 Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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

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

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

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

At the end of the reporting period, the Group and the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.5 Intangible assets (continued)

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
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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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.7 Financial assets

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 SPPI are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate ("EIR") 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 statements 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 Other Comprehensive Income ("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 EIR method. Foreign exchange gains and losses are presented in investment income and impairment expenses are presented as a separate line item in the statements 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 statements of comprehensive income and presented net within investment income in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (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 statements 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
- Financing, loans and advances
- 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.

(i) *General 3-stage approach for financial guarantee contracts and financing, loans and advances 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 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.7 Financial assets (continued)

Significant increase in credit risk ("SICR")

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportable forward-looking information.

The following indicators are incorporated:

- **Default risk**
The Group and the Company shall compare the risk of a default occurring 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.
- **Non-funded product consideration**
For financing commitments, using changes in the risk of a default occurring on the financing to which a financing commitment relates. For financial guarantee contracts, an entity considers the changes in the risk that the specified debtor will default on the contract.
- **Derecognition of SICR**
Financial instruments that move from Stage 2 back to Stage 1 need to have a history of timely payment performance against the modified contractual terms.

Macroeconomic information (such as unemployment rates, gross domestic product and others) is incorporated as part of the internal ECL model.

The Group has also considered the emerging risks arising from climate changes in the form of Management Overlay for ECL.

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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.7 Financial assets (continued)

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

The debtor meets unlikelihood-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.

Groupings of instruments for ECL measured on collective basis

(i) *Collective assessment*

To measure ECL, financial guarantees and financing, loans and advances have been grouped based on shared credit risk characteristics and the days past due. Financing, loans and advances includes contract assets related to unbilled work in progress and have substantially the same risk characteristics as the other financing, loans and advances. The Group and the Company have therefore concluded that the expected loss rates for financial guarantees and financing, loans and advances are a reasonable approximation of the loss rates for the financial 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.7 Financial assets (continued)

Modification of financing and loans

The Group and the Company sometimes renegotiate or otherwise modify the contractual cash flows of financing and loans 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 financing/loans;
- Significant extension of the financing/loans term when the borrower is not in financial difficulty;
- Significant change in the profit/interest rate;
- Change in the currency the financing/loans is denominated in; and
- Insertion of collaterals, other securities or credit enhancements that significantly affect the credit risk associated with the financing/loans.

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 financing/loans to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing/loans, 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 EIR, the Group and the Company record a modification gain or loss, to the extent that an impairment loss has not already been recorded.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.7 Financial assets (continued)

Derecognition of financial assets (continued)

(b) *Derecognition other than for substantial modification*

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

2.8 Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at FVTPL. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at FVTPL. Financial liabilities at FVTPL are initially recognised at fair value, and transaction costs are expensed in the statements of comprehensive income. Financial liabilities are derecognised when extinguished.

(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 EIR method.

Other financial liabilities measured at amortised cost are 'amount due to BNM', 'SEFF', 'claims payable' and 'other payables'.

(b) Derecognition

Financial liabilities are derecognised 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.10 Derivative financial instruments

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

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

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

2.11 Financial guarantee contracts

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

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

The Group and the Company as a lessee (continued)

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

(a) Lease term

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

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

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

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

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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

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

The Group and the Company as a lessee (continued)

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. (continued)

(c) Lease liabilities (continued)

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

Variable lease payments that depend on sales are recognised in the statements of comprehensive income in the period in which the condition that triggers those payments occurs.

The Group and the Company present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the finance cost in the statements of comprehensive income.

(d) Reassessment of lease liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (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)

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

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

(b) Operating leases

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

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

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

(c) Sublease classification

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

(d) Separating lease and non-lease components

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

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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

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.

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 subsidiary and associate 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.18 Current and deferred income tax (continued)

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 subsidiary and associate 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.

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' ("MFRS 9"). 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' ("MFRS 120") 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 MFRS 120 treatment is applied to funds received from the Government and BNM in relation to:

- (i) All Economic Sectors ("AES") for Tabung Projek Usahawan Bumiputera-i ("TPUB-i"), BizMula-i and BizWanita-i,
- (ii) Tabung Usahawan Kecil ("TUK"),
- (iii) Hawkers & Petty Traders ("HPT"), and
- (iv) New Investment Fund ("NIF").

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

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.

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) For all financial instruments measured at amortised cost, interest/profit bearing financial assets classified as FVOCI and financial instruments designated at FVTPL, interest/finance income is recognised using the effective interest/profit method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. The calculation takes into account all contractual terms of the financial instruments (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses. For impaired financial assets where the value of the financial asset have been written down as a result of an impairment loss, interest/finance income continues to be recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (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)

- (iii) Other interest income, including amortisation of premiums or accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.
- (iv) Rental income is recognised on a time proportion basis except where default in payment of rent has already occurred and the rent due remains outstanding, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.
- (v) Sales of services relates to the provision of credit reference services, credit scoring, distributing and engaging in digital and advisory services, and such other services related to a credit bureau. These services are provided as a fixed-price contract, with contract terms generally ranging from less than one year to three years.
- (vi) Other revenue is recognised when a customer obtains control of the services rendered i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

2.24 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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 and investment in preference shares) are 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.

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 climate changes, 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 2023.

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 in 2024 onwards.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the unaccounted risks and paths of recovery in the forward looking assessment for ECL estimation purposes.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

4. PROPERTY, PLANT AND EQUIPMENT

Group/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 2023	39,081	5,010	144	3,911	2,235	26,352	6,829	52	83,614
Additions	-	-	-	114	234	1,828	726	507	3,409
Disposals	-	-	-	(20)	(69)	(945)	(430)	-	(1,464)
Reclassification	-	-	-	-	-	48	-	(48)	-
As at 31 December 2023	39,081	5,010	144	4,005	2,400	27,283	7,125	511	85,559
Less: Accumulated depreciation									
As at 1 January 2023	39,080	3,007	143	3,002	1,825	19,655	5,541	-	72,253
Charge during the financial year	-	29	-	380	182	2,852	710	-	4,153
Disposals	-	-	-	(20)	(69)	(945)	(430)	-	(1,464)
As at 31 December 2023	39,080	3,036	143	3,362	1,938	21,562	5,821	-	74,942
Net book value									
As at 31 December 2023	1	1,974	1	643	462	5,721	1,304	511	10,617
Cost									
As at 1 January 2022	39,081	5,010	144	4,103	1,871	22,867	6,499	107	79,682
Additions	-	-	-	327	33	4,115	330	-	4,805
Disposals	-	-	-	(528)	(22)	(16)	-	-	(566)
Reclassification	-	-	-	9	353	(362)	-	-	-
Write-off	-	-	-	-	-	(307)	-	-	(307)
Transfer from work in progress	-	-	-	-	-	55	-	(55)	-
As at 31 December 2022	39,081	5,010	144	3,911	2,235	26,352	6,829	52	83,614
Less: Accumulated depreciation									
As at 1 January 2022	39,080	2,978	143	3,140	1,544	16,721	4,840	-	68,446
Charge during the financial year	-	29	-	390	201	3,143	701	-	4,464
Disposals	-	-	-	(528)	(22)	(16)	-	-	(566)
Reclassification	-	-	-	-	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	52	11,361

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

5. INTANGIBLE ASSETS

	Group			Company		
	Software RM'000	Work in progress RM'000	Total RM'000	Software RM'000	Work in progress RM'000	Total RM'000
Cost						
As at 1 January 2023	77,118	1,376	78,494	77,118	1,376	78,494
Additions	2,257	573	2,830	928	573	1,501
Write-off	(559)	-	(559)	(559)	-	(559)
Reclassification	1,071	(1,071)	-	1,071	(1,071)	-
As at 31 December 2023	79,887	878	80,765	78,558	878	79,436
Less: Accumulated amortisation						
As at 1 January 2023	63,161	-	63,161	63,161	-	63,161
Charge during the financial year	5,868	-	5,868	5,853	-	5,853
Write-off	(476)	-	(476)	(476)	-	(476)
As at 31 December 2023	68,553	-	68,553	68,538	-	68,538
Net book value						
As at 31 December 2023	11,334	878	12,212	10,020	878	10,898
Cost						
As at 1 January 2022	75,618	834	76,452	75,618	834	76,452
Additions	1,723	3,640	5,363	1,723	3,640	5,363
Write-off	(3,321)	-	(3,321)	(3,321)	-	(3,321)
Reclassification	3,098	(3,098)	-	3,098	(3,098)	-
As at 31 December 2022	77,118	1,376	78,494	77,118	1,376	78,494
Less: Accumulated amortisation						
At 1 January 2022	56,716	-	56,716	56,716	-	56,716
Charge during the financial year	6,524	-	6,524	6,524	-	6,524
Write-off	(79)	-	(79)	(79)	-	(79)
As at 31 December 2022	63,161	-	63,161	63,161	-	63,161
Net book value						
As at 31 December 2022	13,957	1,376	15,333	13,957	1,376	15,333

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

6. RIGHT-OF-USE ("ROU") ASSETS AND LEASE LIABILITIES

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

	Group/Company	
	2023 RM'000	2022 RM'000
ROU assets:		
Properties	3,768	2,154
Machineries	25	174
	3,793	2,328
Lease liabilities:		
Properties	(3,895)	(2,207)
Machineries	(31)	(235)
	(3,926)	(2,442)

The statements of comprehensive income as at 31 December 2023 shows the following amounts relating to leases:

	Group/Company	
	2023 RM'000	2022 RM'000
Depreciation charge on ROU assets:		
Properties	1,485	1,530
Machineries	149	149
	1,634	1,679
Accumulated depreciation:		
Properties	2,225	2,467
Machineries	720	571
	2,945	3,038

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
2023				
Lease payment	1,377	2,211	751	4,339
Finance cost	(150)	(195)	(68)	(413)
Net present value	1,227	2,016	683	3,926
2022				
Lease payment	1,270	1,329	-	2,599
Finance cost	(89)	(68)	-	(157)
Net present value	1,181	1,261	-	2,442

Included in property, plant and equipment, there is RM1,974,000 (2022: RM2,003,000) of ROU assets in relation to leasehold land.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

7. INVESTMENT IN SUBSIDIARY

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

Name of subsidiary	Percentage of equity held	
	Group	
	2023	2022
CGC Digital Sdn. Bhd. ("CGC Digital")	100%	100%

The principal activity of CGC Digital is provision of business of credit supplementation digitally on behalf of Credit Guarantee Corporation Malaysia Berhad as well as providing a digital ecosystem to facilitate Micro, Small & Medium Enterprises ("MSME") to obtain financing and/or scaling up of their businesses.

In 2022, as part of CGC's digital initiative, CGC Digital has been formed as an independent entity to spearhead CGC's digital process with a share capital investment by CGC amounting to RM1. In 2023, CGC subscribed to 20 million ordinary shares of CGC Digital at RM1 per share.

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unquoted shares, at cost	7,141	7,341	7,141	7,341
Group's share of post-acquisition reserves	2,309	2,895	-	-
Liquidation of associate	-	(216)	-	(200)
	9,450	10,020	7,141	7,141

Details of the associates are as follows:

Name of associates	Principal activities	Percentage of equity held	
		2023	2022
Aureos CGC Advisers Sdn. Bhd. ("Aureos CGC")	Advisory services (Under voluntary liquidation)	0%	0%
Credit Bureau Malaysia Sdn. Bhd. ("CBM")	Credit reference services, credit rating and such other services related to a credit bureau	49%	49%

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 shareholdings were diluted from 71.7% to 49% and Sunway Holdings Sdn. Bhd. ("SHSB") became the majority shareholder with 51% shareholdings in CBM.

Aureos CGC had completed its voluntary liquidation on 16 May 2022. Hence, CGC no longer has investment in Aureos CGC.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

(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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets						
Current assets	-	-	11,010	15,236	11,010	15,236
Non-current assets	-	-	15,441	10,445	15,441	10,445
Total assets	-	-	26,451	25,681	26,451	25,681
Liabilities						
Current liabilities	-	-	(6,801)	(4,844)	(6,801)	(4,844)
Non-current liabilities	-	-	(364)	(387)	(364)	(387)
Total liabilities	-	-	(7,165)	(5,231)	(7,165)	(5,231)
Net assets	-	-	19,286	20,450	19,286	20,450

(ii) Summarised statements of comprehensive income

	Aureos CGC [^]		CBM		Total	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	-	-	16,458	11,301	16,458	11,301
Net (loss)/profit for the financial year	-	-	(1,164)	4,608	(1,164)	4,608
Total comprehensive (loss)/income for the financial year	-	-	(1,164)	4,608	(1,164)	4,608

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

	Aureos CGC [^]		CBM		Total	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net assets as at 1 January	-	-	20,450	15,840	20,450	15,840
Net (loss)/profit for the financial year	-	-	(1,164)	4,610	(1,164)	4,610
Net assets as at 31 December	-	-	19,286	20,450	19,286	20,450
Opening carrying value	-	216	10,020	7,762	10,020	7,978
Net (loss)/profit for the financial year	-	-	(570)	2,258	(570)	2,258
Liquidation of associate	-	(216)	-	-	-	(216)
Closing carrying value	-	-	9,450	10,020	9,450	10,020

[^] No financial information available for financial year ended 31 December 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

9. INVESTMENT SECURITIES: FVTPL

	Group/Company	
	2023 RM'000	2022 RM'000
At fair value		
Money market instruments:		
<u>Unquoted in Malaysia</u>		
Malaysian Government Securities ("MGS")	33,298	28,927
Government Investment Issue ("GII")	31,851	29,941
	65,149	58,868
Unquoted securities:		
<u>In Malaysia</u>		
Private debt securities	691,464	637,220
<u>Outside Malaysia</u>		
Private debt securities	265,446	255,438
	956,910	892,658
Quoted securities:		
<u>In Malaysia</u>		
Real Estate Investment Trusts ("REITs")	29,078	28,841
<u>Outside Malaysia</u>		
Real Estate Investment Trusts ("REITs")	113,763	98,623
	142,841	127,464
	1,164,900	1,078,990

10. INVESTMENT SECURITIES: FVOCI

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At fair value				
Money market instruments:				
<u>Unquoted in Malaysia</u>				
Cagamas bonds	122,871	70,813	122,871	70,813
MGS	125,080	101,116	125,080	101,116
GII	172,982	132,897	172,982	132,897
Other Bonds	306,681	306,576	306,681	306,576
	727,614	611,402	727,614	611,402
Unquoted securities:				
<u>In Malaysia</u>				
Private debt securities	2,039,460	1,952,579	2,039,460	1,952,579
Others:				
<u>Outside Malaysia</u>				
Preference shares and convertible notes*	4,694	-	-	-
	2,771,768	2,563,981	2,767,074	2,563,981

* The Group has elected to designate this investment as FVOCI irrevocably.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

10. INVESTMENT SECURITIES: FVOCI (CONTINUED)

Movements in allowance for impairment of FVOCI

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(i) Expected credit losses - Stage 3				
Balance as at 1 January/31 December	140,025	140,025	140,025	140,025
(ii) Expected credit losses - Stage 1				
Balance as at 1 January/31 December	1,162	1,222	1,162	1,222
Allowance made/(written-back) during the financial year	576	(60)	576	(60)
Balance as at 31 December	1,738	1,162	1,738	1,162

11. INVESTMENT SECURITIES: AMORTISED COST

	Group/Company	
	2023 RM'000	2022 RM'000
At amortised cost		
Unquoted securities:		
In Malaysia		
Private debt securities	182,764	182,649
Peer-to-peer ("P2P")	-	5
Amount written-off	-	(5)
	182,764	182,649
Less: Expected credit losses	(1,232)	(1,388)
Amount written-off	-	5
	181,532	181,266

Movements in allowance for Impairment of amortised cost

	Group/Company	
	2023 RM'000	2022 RM'000
(i) Expected credit losses - Stage 3		
Balance as at 1 January	-	5
Allowance written-off during the financial year	-	(5)
Balance as at 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

11. INVESTMENT SECURITIES: AMORTISED COST (CONTINUED)

Movements in allowance for Impairment of amortised cost (continued)

	Group/Company	
	2023 RM'000	2022 RM'000
(ii) Expected credit losses - Stage 2		
Balance as at 1 January	238	241
Allowance written-back during the financial year	(1)	(3)
Balance as at 31 December	237	238

	Group/Company	
	2023 RM'000	2022 RM'000
(iii) Expected credit losses - Stage 1		
Balance as at 1 January	1,145	1,467
Allowance written-back during the financial year	(150)	(322)
Balance as at 31 December	995	1,145

12. DERIVATIVE FINANCIAL ASSETS

	Group/Company			
	2023		2022	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
Derivative assets				
- Currency forward contracts	231,517	12,293	295,370	12,253

13. TERM DEPOSITS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At amortised cost				
Licensed banks	50,804	20,164	50,804	20,164
Licensed Islamic banks	265,654	249,631	262,650	249,631
Other Islamic financial institutions	108,537	40,415	108,537	40,415
	424,995	310,210	421,991	310,210

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

14. FINANCING, LOANS AND ADVANCES

(i) By schemes

	Group/Company	
	2023 RM'000	2022 RM'000
Redemption of Direct Access Guarantee Scheme ("DAGS") loans	8,486	12,342
Tabung Pemulihan dan Pembangunan Usahawan ("TPPU")	2,052	2,052
Tabung Pemulihan Peniaga Kecil ("TPPK")	144	144
Tabung Projek Usahawan Bumiputra-i ("TPUB-i")	20,383	31,141
BizMula-i	152,566	203,684
BizWanita-i	30,720	42,543
BizBina-i	34,012	42,741
BizMikro-i	547	981
Staff loans	917	1,045
Gross financing, loans and advances	249,827	336,673
Less: Expected credit losses		
- Stage 3	(77,850)	(63,146)
- Stage 2	(14,783)	(14,285)
- Stage 1	(4,612)	(5,184)
Total net financing, loans and advances	152,582	254,058

(ii) By maturity structure

	Group/Company	
	2023 RM'000	2022 RM'000
Maturity within one year	26,356	32,853
One year to three years	100,594	62,701
Three years to five years	116,394	204,249
Over five years	6,483	36,870
	249,827	336,673

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

14. FINANCING, LOANS AND ADVANCES (CONTINUED)

(iii) By interest rate/profit rate sensitivity

	Group/Company	
	2023 RM'000	2022 RM'000
Fixed rate		
- Redemption of DAGS loans	8,486	12,342
- Tabung Pemulihan dan Pembangunan Usahawan ("TPPU")	2,052	2,052
- Tabung Pemulihan Peniaga Kecil ("TPPK")	144	144
- Tabung Projek Usahawan Bumiputra ("TPUB-i")	20,383	31,141
- BizMula-i	152,566	203,684
- BizWanita-i	30,720	42,543
- BizBina-i	34,012	42,741
- BizMikro-i	547	981
- Staff loans	917	1,045
	249,827	336,673

(iv) By economic sectors

	Group/Company	
	2023 RM'000	2022 RM'000
Construction	16,203	24,091
Education, health & others	15,051	20,828
Electricity, gas & water supply	873	1,141
Financing, insurance, real estate & business services	41,720	58,210
Manufacturing	20,936	27,260
Mining & quarrying	43	41
Primary agriculture	2,843	3,919
Transport, storage & communication	8,902	11,964
Wholesale, retail trade, restaurants & hotels	140,143	185,935
Others	3,113	3,284
	249,827	336,673

(v) By economic purpose

	Group/Company	
	2023 RM'000	2022 RM'000
Working capital	248,910	335,628
Others	917	1,045
	249,827	336,673

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

14. FINANCING, LOANS AND ADVANCES (CONTINUED)

(vi) By geographical distribution

	Group/Company	
	2023 RM'000	2022 RM'000
Johor	34,472	49,006
Kedah	12,397	14,483
Kelantan	11,826	16,767
Melaka	11,119	15,606
Negeri Sembilan	7,706	10,511
Pahang	14,008	19,008
Perak	16,955	23,104
Pulau Pinang	13,958	18,598
Sabah	16,043	20,804
Sarawak	26,594	36,207
Selangor	41,876	54,601
Terengganu	14,894	20,163
Wilayah Persekutuan - Kuala Lumpur	27,979	37,815
	249,827	336,673

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

	Group/Company	
	2023 RM'000	2022 RM'000
Balance as at 1 January	63,146	49,991
Add: Classified as impaired	35,054	33,113
Less: Reclassified as non-impaired	(1,749)	(415)
Less: Amount written-back	(1,999)	(4,329)
Less: Amount written-off/waived	(16,602)	(15,214)
Balance as at 31 December	77,850	63,146

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

	Group/Company	
	2023 RM'000	2022 RM'000
Working capital	77,695	62,992
Others	155	154
	77,850	63,146

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

14. FINANCING, LOANS AND ADVANCES (CONTINUED)

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

	Group/Company	
	2023 RM'000	2022 RM'000
Johor	9,614	8,788
Kedah	4,017	1,720
Kelantan	4,386	5,348
Melaka	2,595	1,485
Negeri Sembilan	1,814	2,297
Pahang	3,963	2,740
Perak	4,552	2,222
Pulau Pinang	4,517	3,442
Sabah	7,282	5,090
Sarawak	5,041	4,687
Selangor	16,259	14,113
Terengganu	4,322	4,411
Wilayah Persekutuan - Kuala Lumpur	9,488	6,803
	77,850	63,146

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

	Group/Company	
	2023 RM'000	2022 RM'000
Expected credit losses - Stage 3		
Balance as at 1 January	63,146	49,991
Allowance made during the financial year	35,054	33,113
Amount written-back during the financial year	(3,748)	(4,744)
Amount written-off/waived during the financial year	(16,602)	(15,214)
Balance as at 31 December	77,850	63,146
Expected credit losses - Stage 2		
Balance as at 1 January	14,285	25,833
Allowance made during the financial year	9,338	7,768
Amount written-back during the financial year	(8,840)	(19,316)
Balance as at 31 December	14,783	14,285
Expected credit losses - Stage 1		
Balance as at 1 January	5,184	3,060
Allowance made during the financial year	745	3,381
Amount written-back during the financial year	(1,317)	(1,257)
Balance as at 31 December	4,612	5,184
Total provision for expected credit losses as at 31 December	97,245	82,615

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

15. OTHER RECEIVABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Receivables due from financial institutions	13,776	13,265	13,776	13,265
Deposits	997	1,158	997	1,158
Prepayments	9,234	9,218	9,228	9,218
Other receivables	920	648	920	648
Invoice accrual for guarantee fees	2,101	6,614	2,101	6,614
	27,028	30,903	27,022	30,903

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			
	Number of ordinary shares		Amount	
	2023 '000	2022 '000	2023 RM'000	2022 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	
	2023 RM'000	2022 RM'000
Special Programme reserve (a)	-	-
Skim Perbankan Islam ("SPI") reserve (b)	-	-
Special reserve (c)	281,014	458,245
Special Purpose reserve (d)	486,308	466,865
	767,322	925,110

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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

17. RESERVES (CONTINUED)

(a) Special Programme reserve

	Group/Company	
	2023 RM'000	2022 RM'000
As at 1 January	-	363,821
Transfer to Special Reserve during the financial year	-	(363,821)
As at 31 December	-	-

The Special Programme reserve was created to meet possible losses arising from loans granted under TUK, SEFF, Amanah Ikhtiar Malaysia ("AIM"), Franchise Financing Schemes Fund ("FFS") (Note 27), and Projek Usahawan Bumiputra Dalam Bidang Peruncitan ("PROSPER") (Note 28) schemes and is not distributable as dividend as designated by the Directors of the Company.

It includes a guarantee fund of RM40.0 million granted by the Ministry of Entrepreneur and Cooperative Development ("MECD") in 1996 to absorb possible losses on loans granted under SEFF (Note 23). As the schemes are no longer active, the Group had transferred the balances into Special reserve during the financial year ended 31 December 2022.

(b) Skim Perbankan Islam ("SPI") reserve

	Group/Company	
	2023 RM'000	2022 RM'000
As at 1 January	-	17,471
Transfer to Special reserve during the financial year	-	(17,471)
As at 31 December	-	-

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 financial year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

17. RESERVES (CONTINUED)

(c) Special reserve

	Group/Company	
	2023 RM'000	2022 RM'000
As at 1 January	458,245	188,177
Transfer to retained earnings during the financial year	(177,231)	(111,224)
Transfer from Special Programme and SPI reserves during the financial year	-	381,292
As at 31 December	281,014	458,245

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	
	2023 RM'000	2022 RM'000
As at 1 January	466,865	441,276
Transfer from retained earnings during the financial year	19,443	25,589
As at 31 December	486,308	466,865

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 financial year ended 31 December 2022, the Group had recovered RM14.6 million from Danajamin and this had been ringfenced in Special Purpose reserve.

18. FVOCI RESERVE

	Group/Company	
	2023 RM'000	2022 RM'000
As at 1 January	(9,785)	39,755
Fair value gain/(loss) during the financial year	78,533	(49,480)
Expected credit losses allowance made/(written-back) during the financial year	576	(60)
As at 31 December	69,324	(9,785)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

19. AMOUNT DUE TO BNM

	Group/Company	
	2023 RM'000	2022 RM'000
Amount due to BNM	37,957	30,194

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");
- (c) Recoveries from claims received from third parties payable to BNM which can be set-off against (a) and (b) above; and
- (d) Income generated from SRF which is to be utilised for claims payment.

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

20. FUNDS FROM BNM

	Group/Company	
	2023 RM'000	2022 RM'000
TPUB-i (a)	16,695	-
BizWanita-i (b)	21,307	36,633
BizMula-i (b)	118,065	189,153
	156,067	225,786
Loan from BNM	101,582	135,662
Government grant	54,485	90,124
	156,067	225,786
Repayable within 12 months	59,782	70,198
Repayable after 12 months	96,285	155,588
	156,067	225,786

Details of the movement and balance outstanding as at 31 December 2023 are as follows:

- (a) Fund for TPUB-i

Starting from 2023, the Small and Medium Enterprise ("SME") financing for TPUB-i is funded by BNM. The funding cost is 0.5% 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

20. FUNDS FROM BNM (CONTINUED)

Details of the movement and balance outstanding as at 31 December 2023 are as follows: (continued)

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

The Company act as the financier for this schemes. Starting from 2018, the SME financing for BizMula-i and BizWanita-i is funded by BNM. The funding cost is 0.5% 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.

21. TABUNG USAHAWAN KECIL ("TUK")

	Group/Company	
	2023 RM'000	2022 RM'000
Loan from Ministry of Finance ("MOF")	28,395	38,858
Government grant	1,605	3,142
	30,000	42,000
Repayable within 12 months	15,000	12,000
Repayable after 12 months	15,000	30,000
	30,000	42,000

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

On 10 December 1998, the Company entered into an agreement as the financier with the Government who contributed RM50.0 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 MECD 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 RM50.0 million with interest free to 2025. The funds will be repaid in accordance with a repayment arrangement with fund providers.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

22. GOVERNMENT FUNDS

	Group/Company	
	2023 RM'000	2022 RM'000
As at 1 January	14,605	22,930
Derecognition of liability	(5,003)	(8,325)
As at 31 December	9,602	14,605
Loan from MOF	9,167	13,313
Government grant	435	1,292
	9,602	14,605
Repayable within 12 months	9,602	14,605
	9,602	14,605

This comprises various placements from BNM amounting to RM150.0 million, intended for loanable funds, of which:

- (i) RM50.0 million for Hawkers and Petty Traders ("HPT") 1992 and is subject to interest at 1% per annum.

The 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.

- (ii) RM100.0 million for the New Investment Fund ("NIF") and is subject to interest at 1% per annum.

The 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

23. SMALL ENTREPRENEURS FINANCING FUND ("SEFF")

	Group/Company	
	2023 RM'000	2022 RM'000
As at 1 January	-	6
Repayment during the financial year	-	(6)
As at 31 December	-	-
Repayable within 12 months	-	-

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 RM200.0 million to the fund of which RM50.0 million was received in 1996. The RM50.0 million was subject to repayment 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 RM10.0 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 upon recovery of the loans from the small entrepreneurs. As at to date, RM44.2 million was paid.

In addition to the above, the MECD contributed a guarantee fund of RM40.0 million 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 initially transferred to the Special Programme Reserve and subsequently to the Special Reserve to be utilised for possible losses on loans granted under this scheme (Note 17).

24. DERIVATIVE FINANCIAL LIABILITIES

	Group/Company			
	2023		2022	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
Derivative financial liabilities				
- Currency forward contracts	151,619	14,538	61,918	13,544

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

25. EXPECTED CREDIT LOSSES FOR GUARANTEE SCHEMES

	Group/Company	
	2023 RM'000	2022 RM'000
(i) Expected credit losses - Stage 3		
Balance as at 1 January	109,653	23,677
Allowance made during the financial year	262,515	214,631
Transfer to claims payable during the financial year	(213,009)	(128,655)
Balance as at 31 December	159,159	109,653
(ii) Expected credit losses - Stage 2		
Balance as at 1 January	97,667	138,550
Allowance made/(written-back) during the financial year	11,420	(40,883)
Balance as at 31 December	109,087	97,667
(iii) Expected credit losses - Stage 1		
Balance as at 1 January	75,365	79,936
Allowance made/(written-back) during the financial year	19,839	(4,571)
Balance as at 31 December	95,204	75,365
Total allowance made during the financial year	293,774	169,177
Total provision for expected credit losses as at 31 December	363,450	282,685

26. OTHER PAYABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred income - contract liabilities	92,298	77,585	92,298	77,585
Refundable proceed TPUB and TPUB-i	456	702	456	702
Sinking fund - TPUB-i	346	346	346	346
Amount due to MOF - Green Technology Financing Scheme ("GTFS")	8,524	13,653	8,524	13,653
Accruals	28,474	28,663	26,478	28,653
Other payables	20,770	10,683	20,739	10,662
	150,868	131,632	148,841	131,601

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

27. 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

28. 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 RM30.0 million as a grant from the MOF. The fund is to be used to meet possible loan losses under the scheme.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

29. REVENUE

	Group/Company	
	2023 RM'000	2022 RM'000
Guarantee fees - portfolio guarantee scheme	193,242	171,340
Guarantee fees - wholesale guarantee scheme	2,401	3,588
Guarantee fees - other schemes	23,909	22,644
Interest income - redemption schemes	563	1,188
Profit income - TPUB-i	875	1,023
Profit income - BizMula-i	9,173	11,321
Profit income - BizWanita-i	1,753	2,500
Profit income - BizBina-i	1,095	699
Profit income - BizMikro-i	12	220
	233,023	214,523

30. INVESTMENT INCOME

	Group/Company	
	2023 RM'000	2022 RM'000
Interest income		
- Investment securities: amortised cost	12,666	15,101
- Investment securities: FVOCI	119,719	101,920
- Investment securities: FVTPL	55,573	50,656
- Term deposits	27,322	30,468
	215,280	198,145
Realised (loss)/gain on disposal		
- Derivatives	(22,963)	(17,353)
- Investment securities: FVOCI	510	-
- Investment securities: FVTPL	(5,228)	(14,245)
	(27,681)	(31,598)
Unrealised fair value (loss)/gain		
- Derivatives	(954)	(3,423)
- Investment securities: FVTPL	57,230	(44,904)
	56,276	(48,327)
(Amortisation of premium)/accretion of discount		
- Investment securities: FVOCI	(1,367)	(1,570)
- Investment securities: FVTPL	970	485
	(397)	(1,085)
	243,478	117,135

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

31. OTHER OPERATING INCOME

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Rental income	5	40	181	40
Management fees	1,739	2,015	2,270	2,015
Administrative fee - TPUB-i	40	421	40	421
Recovery income	43,834	43,522	43,834	43,522
Amortisation of deferred income				
- Government grant	6,767	9,000	6,767	9,000
Recovery from Danajamin	-	14,575	-	14,575
Other income	8,607	12,350	8,602	12,350
	60,992	81,923	61,694	81,923

32. STAFF COSTS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Salaries	59,182	53,862	55,477	53,455
Bonus	15,139	13,810	14,465	13,810
Employees' Provident Fund	11,507	10,119	10,895	10,056
Others	13,289	10,335	12,569	10,126
	99,117	88,126	93,406	87,447

33. EXPECTED CREDIT LOSSES FOR INVESTMENT SECURITIES AND OTHERS

	Group/Company	
	2023 RM'000	2022 RM'000
Investment Securities: FVOCI		
- Stage 1 - 12-month ECL	576	(60)
Allowance made/(written-back) during the financial year	576	(60)
Investment Securities: Amortised Cost		
- Stage 1 - 12-month ECL	(150)	(322)
- Stage 2 - Lifetime ECL not credit impaired	(1)	(3)
Allowance written-back during the financial year	(151)	(325)
Total allowance made/(written-back) during the financial year	425	(385)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

34. PROFIT FROM CONTINUING OPERATIONS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation is arrived at after charging/ (crediting):				
Computer maintenance	9,315	10,667	9,315	10,667
Recovery expenses	1,418	2,044	1,418	2,044
Accretion of Government loans	6,767	9,000	6,767	9,000
Fund managers expenses	1,476	1,672	1,476	1,672
Rental	244	198	244	198
Electricity	1,390	854	1,390	854
Directors remuneration excluding benefit-in-kind	736	806	672	806
Directors meeting allowance	526	761	457	761
Promotional expenses	2,015	1,320	2,015	1,320
Auditors remuneration:				
- statutory audit	462	467	457	462
- non-audit fees	46	-	46	-
Write-off of property, plant and equipment (Note 4)	-	216	-	216
Write-off of intangible assets (Note 5)	83	3,242	83	3,242
Depreciation on property, plant and equipment (Note 4)	4,153	4,464	4,153	4,464
Amortisation of intangible assets (Note 5)	5,868	6,524	5,853	6,524

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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	
	2023 RM'000	2022 RM'000
Financial guarantees	11,027,609	11,284,111
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	23,185	35,587
Foreign exchange related contracts:		
- maturity not exceeding one year	383,136	357,288
	11,433,930	11,676,986

Out of the total financial guarantees balances of RM11.0 billion as at 31 December 2023 (2022: RM11.3 billion), RM0.8 billion (2022: RM1.0 billion) is reimbursable under Government-Backed Scheme ("GBS") arrangement.

(i) Commitments and Contingencies

	Group/Company	
	2023 RM'000	2022 RM'000
Full Risk		
(a) Conventional		
- DAGS	16,976	23,900
- BizSME	5,191	9,473
(b) Islamic		
- DAGS	63	75
Shared Risk		
(a) Conventional		
- BizJamin	421,668	448,300
- Flexi Guarantee Scheme	43,030	79,320
- Franchise Financing Scheme	1,963	3,260
- Portfolio Guarantee	3,088,626	3,006,615
- Wholesale Guarantee	45,196	125,971
(b) Islamic		
- BizJamin	191,183	181,235
- Flexi Guarantee Scheme	79,978	86,225
- Portfolio Guarantee	3,183,935	2,853,083
- Wholesale Guarantee	16,951	35,599
Gross Full/Shared Risk Financial guarantees	7,094,760	6,853,056
Less: Expected credit losses		
- Stage 3	(159,159)	(109,653)
- Stage 2	(109,087)	(97,667)
- Stage 1	(95,204)	(75,365)
Full/Shared Risk Financial guarantees	6,731,310	6,570,371

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

Out of the total financial guarantees balances of RM11.0 billion as at 31 December 2023 (2022: RM11.3 billion), RM0.8 billion (2022: RM1.0 billion) is reimbursable under Government-Backed Scheme ("GBS") arrangement. (continued)

(ii) Government-Initiated Schemes

	Group/Company	
	2023 RM'000	2022 RM'000
Other Shared Risk - Government-Initiated Schemes		
(a) Conventional	1,619,671	1,782,480
(b) Islamic	1,883,745	1,947,490
Others Shared Risk - Government-Initiated Schemes Guarantees	3,503,416	3,729,970

(iii) Government-Backed Schemes

	Group/Company	
	2023 RM'000	2022 RM'000
Other Shared Risk - Government-Backed Schemes		
(a) Conventional	359,333	433,060
- Green Technology Financing Scheme	351,281	403,190
- Disaster Relief Facility	8,052	29,870
(b) Islamic	433,550	550,710
- Green Technology Financing Scheme	430,841	537,290
- Disaster Relief Facility	2,709	13,420
Others Shared Risk - Government-Backed Schemes Guarantees	792,883	983,770
Total financial guarantees	11,027,609	11,284,111

The disclosed amount above are inclusive of RM3.5 billion resulting from CGC's participation in Government-Initiated Scheme.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

36. CAPITAL COMMITMENTS

	Group/Company	
	2023 RM'000	2022 RM'000
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	5,621	8,343
Authorised and not contracted for	154	4,416
	5,775	12,759

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)

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-Executive Directors' fees	1,571	1,724	1,438	1,724
Other key management personnel (including President & Chief Executive Officer):				
- Short-term employee benefits	7,478	6,107	5,752	5,909
- Contribution to Employees' Provident Fund	1,292	1,035	1,004	1,014
Total compensation	10,341	8,866	8,194	8,647

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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 senior management personnels.

(i) Directors' fees and remuneration

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

The Group 2023

	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	60	125	365
Dato' Syed Moheeb bin Syed Kamarulzaman	-	3	-	-	3
Encik Teoh Kok Lin	-	35	24	9	68
Encik Suresh Kumar a/l T.A.S. Menon	-	34	21	6	61
Dato' Ong Eng Bin*	-	36	35	3	74
Dato' Ong Eng Bin	-	21	25	7	53
Encik Choong Tuck Oon	-	100	72	43	215
Encik Faisal bin Ismail	-	72	86	31	189
Puan Saleha binti M. Ramly	-	72	63	38	173
Encik Lim Choon Eng	-	90	100	37	227
Encik Suhaimi bin Ali	-	78	24	7	109
Encik Kellee Kam Chee Khiong	-	15	16	3	34
Total Directors' remuneration	-	736	526	309	1,571

The Company 2023

	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	60	125	365
Dato' Syed Moheeb bin Syed Kamarulzaman	-	3	-	-	3
Encik Teoh Kok Lin	-	35	24	9	68
Encik Suresh Kumar a/l T.A.S. Menon	-	34	21	6	61
Dato' Ong Eng Bin*	-	36	35	3	74
Dato' Ong Eng Bin	-	21	25	7	53
Encik Choong Tuck Oon	-	72	42	43	157
Encik Faisal bin Ismail	-	72	86	31	189
Puan Saleha binti M. Ramly	-	72	63	38	173
Encik Lim Choon Eng	-	72	75	37	184
Encik Suhaimi bin Ali	-	60	10	7	77
Encik Kellee Kam Chee Khiong	-	15	16	3	34
Total Directors' remuneration	-	672	457	309	1,438

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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 senior management personnels. (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 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

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

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) Directors' fees and remuneration (continued)

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 (2022: RM0.1 Million).

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

Amount due to BNM:

	Group/Company	
	2023 RM'000	2022 RM'000
(i) SRGF, SRGF-2, SRF and SME AGS (Note 19)	37,957	30,194
(ii) Government funds (Note 22)	9,602	14,605
(iii) TPUB-i (Note 20)	16,695	-
(iv) BizMula-i (Note 20)	118,065	189,153
(v) BizWanita-i (Note 20)	21,307	36,633

Amount due from CGC Digital Sdn. Bhd.:

	Company	
	2023 RM'000	2022 RM'000
Payment on behalf	1,644	680

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

	Company	
	2023 RM'000	2022 RM'000
Report fees charged by an associate	435	402
Office rental charged to an associate	-	30
Office rental charged to a subsidiary	176	-
Staff cost paid on behalf of a subsidiary	5,061	680
Management Fee charge to subsidiary	531	-
Utilities charged to a subsidiary	22	-
Interest expense on loan charged by BNM	1,156	3,104

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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 2022 and 2023.

The Group monitors its capital and ability to guarantee by reference to its GRR, which stands at 1.7 times as at 31 December 2023 (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)	<u>Debt Securities</u> Debt securities with strong credit and financial support with minimum risk of debt service payment. <u>Loans/Financing and Financial Guarantees</u> Newly purchased or issued loans/financing.	12-month ECL
Stage 2 (Underperforming)	<u>Debt Securities</u> Significant Increase in Credit Risks is determined by the following: <ul style="list-style-type: none"> - 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. <u>Loans/Financing and Financial Guarantees</u> <ul style="list-style-type: none"> - All restructured and rescheduled accounts; - All Arrears Account (1MIA and 2MIA); or - Watchlist accounts (internal or external). 	Lifetime ECL
Stage 3 (Impaired)	<u>Debt Securities</u> Determination of non-performing or credit-impaired assets: <ul style="list-style-type: none"> - 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". 	Lifetime ECL

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)	<p><u>Loans/Financing and Financial Guarantees</u></p> <p>(i) Obligatory triggers:</p> <ul style="list-style-type: none"> - 90 days past due; - Leakage, cessation of contracts or cessation in business for TPUB-i product. - Rating downgrade as follows: <ol style="list-style-type: none"> 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. <p>(ii) Judgemental triggers:</p> <ul style="list-style-type: none"> - 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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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):

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

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

Legend:

PD: the likelihood that a borrower will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of 1 year.

LGD: the percentage of exposure the Group and the Company might lose in case the borrower defaults.

EAD: an estimate of the Group's and the Company's exposure to its counterparty at the time of default. For financial guarantee contracts, EAD is the 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").

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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	
	2023 Maximum credit exposure RM'000	2022 Maximum credit exposure RM'000	2023 Maximum credit exposure RM'000	2022 Maximum credit exposure RM'000
Credit risk exposures of on-balance sheet assets:				
Investment securities: FVTPL*	1,022,059	951,526	1,022,059	951,526
Other receivables#	17,794	21,685	17,794	21,685
Cash and cash equivalents^	337,503	488,138	331,329	488,138
Credit risk exposure of off-balance sheet items:				
Financial guarantees	11,027,609	11,284,111	11,027,609	11,284,111
Credit related commitments and contingencies	23,185	35,587	23,185	35,587
Total maximum credit risk exposure	12,428,150	12,781,047	12,421,976	12,781,047

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

- * Investment in REITS
- # Prepayments
- ^ Cash in hand

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	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*	-	68,212	16,332	388,326	163,519	-	70,923	-	114,254	189,831	10,662	1,022,059
Investment securities: FVOCI**	-	5,198	-	722,729	75,038	-	448,898	-	819,305	623,790	72,116	2,767,074
Investment securities: Amortised cost	-	-	-	131,234	-	-	-	-	-	-	50,298	181,532
Derivative financial assets	-	-	-	12,293	-	-	-	-	-	-	-	12,293
Term deposits	-	-	-	424,995	-	-	-	-	-	-	-	424,995
Financing, loans and advances	1,824	10,008	9,653	25,384	12,500	-	5,202	86,709	-	539	763	152,582
Other receivables [#]	-	-	46	15,900	-	-	-	-	163	-	1,685	17,794
Cash and cash equivalents [^]	-	-	-	337,503	-	-	-	-	-	-	-	337,503
	1,824	83,418	26,031	2,058,364	251,057	-	525,023	86,709	933,722	814,160	135,524	4,915,832
Financial guarantees	98,526	747,428	528,442	1,087,489	1,156,900	12,798	784,090	5,836,626	-	775,310	-	11,027,609
Credit related commitments and contingencies	-	-	10,295	6,529	6,361	-	-	-	-	-	-	23,185
Total off balance sheet	98,526	747,428	538,737	1,094,018	1,163,261	12,798	784,090	5,836,626	-	775,310	-	11,050,794

Excludes prepayments of RM9,234,000 (2022: RM9,218,000)

^ Excludes cash in hand of RM19,568 (2022: RM19,600)

* Excludes investment in REITS of RM142,841,000 (2022: RM127,464,000)

** Excludes investment in preference shares and convertible notes of RM4,694,000 (2022: Nil)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit risk concentration (continued)

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: 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	-	-	18,570	6,340	9,098	-	-	1,580	-	-	-	35,588
Total off balance sheet	109,151	723,169	561,807	1,173,591	1,199,787	12,634	776,938	5,848,592	-	914,030	-	11,319,699

* Excludes prepayments of RM9,234,000 (2022: RM9,218,000)

[^] Excludes cash in hand of RM19,568 (2022: RM19,600)

* Excludes investment in REITs of RM142,841,000 (2022: RM127,464,000)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued) Credit risk concentration (continued)

Company

2023	Primary agriculture	Education, health and others	Construction	Financing, insurance, real estate & business services	Mining and quarrying	Transport, storage & communication	Wholesale, retail trade, restaurants & hotels	Government	Electricity, gas & water supply	Other	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investment securities: FVTPL*	-	68,212	16,332	388,326	-	70,923	-	114,254	189,831	10,662	1,022,059
Investment securities: FVOCI	-	5,198	-	722,729	-	448,898	-	819,305	623,790	72,116	2,767,074
Investment securities: Amortised cost	-	-	-	131,234	-	-	-	-	-	50,298	181,532
Derivative financial assets	-	-	-	12,293	-	-	-	-	-	-	12,293
Term deposits	-	-	-	421,991	-	-	-	-	-	-	421,991
Financing, loans and advances	1,824	10,008	9,653	25,384	-	5,202	86,709	-	539	763	152,582
Amount due from a subsidiary	-	-	-	-	-	-	-	-	-	1,644	1,644
Other receivables [#]	-	-	46	15,900	-	-	-	163	-	1,685	17,794
Cash and cash equivalents [^]	-	-	-	331,329	-	-	-	-	-	-	331,329
	1,824	83,418	26,031	2,049,186	-	525,023	86,709	933,722	814,160	137,168	4,908,298
Financial guarantees	98,526	747,428	528,442	1,087,489	12,798	784,090	5,836,626	-	775,310	-	11,027,609
Credit related commitments and contingencies	-	-	10,295	6,529	-	-	-	-	-	-	23,185
Total off balance sheet	98,526	747,428	538,737	1,094,018	12,798	784,090	5,836,626	-	775,310	-	11,050,794

Excludes prepayments of RM9,228,000 (2022: RM9,218,000)

^ Excludes cash in hand of RM19,568 (2022: RM19,600)

* Excludes investment in REITs of RM142,841,000 (2022: RM127,464,000)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued) Credit risk concentration (continued)

Company

	Primary agriculture	Education, health and others	Construction	Financing, insurance, real estate & business services	Manufacturing	Mining and quarrying	Transport, storage & communication	Wholesale, retail trade, restaurants & hotels	Government	Electricity, gas & water supply	Other	Total
2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	914,040	-	11,284,111
Credit related commitments and contingencies	-	-	18,570	6,340	9,098	-	-	1,580	-	-	-	35,588
Total off balance sheet	109,151	723,169	561,807	1,173,591	1,199,787	12,634	776,938	5,848,592	-	914,040	-	11,319,699

Excludes prepayments of RM9,228,000 (2022: RM9,218,000)

^ Excludes cash in hand of RM19,568 (2022: RM19,600)

* Excludes investment in REITs of RM142,841,000 (2022: RM127,464,000)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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 loans refer to loans that are overdue by one day or more. Impaired loans are loans with months-in-arrears more than 3 months (i.e. 90 days) or with impairment allowances.

Distribution of financing, loans and advances by credit quality

Group/Company

	2023			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Carrying amount of financing, loans and advances by credit quality:				
Neither past due nor impaired (A)	127,474	4,414	-	131,888
Past due but not impaired (B)	-	40,089	-	40,089
Impaired (C)	-	-	77,850	77,850
Gross financing, loans and advances	127,474	44,503	77,850	249,827
Less: Allowances for impairment losses - Expected credit losses (ECL)	(4,612)	(14,783)	(77,850)	(97,245)
Net financing, loans and advances	122,862	29,720	-	152,582
	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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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 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

	2023			
	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
<u>Quality classification</u>				
Satisfactory	127,474	4,414	-	131,888
Total	127,474	4,414	-	131,888

	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
<u>Quality classification</u>				
Satisfactory	213,413	6,743	-	220,156
Total	213,413	6,743	-	220,156

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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	2023			
	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	-	27,154	-	27,154
Past due 30-60 days	-	12,935	-	12,935
Total	-	40,089	-	40,089

	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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit quality (continued)

(i) Financing, loans and advances (continued)

Impaired (C)

Group/Company

	2023			
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	Total RM'000
Gross impaired loans	-	-	77,850	77,850
Individually impaired loans	-	-	77,850	77,850

	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 loans	-	-	63,146	63,146
Individually impaired loans	-	-	63,146	63,146

(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").

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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:

Investment securities: FVTPL

Group/Company

	2023			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Sovereign (no rating)	65,150	-	-	65,150
Investment grade (AAA to BBB-)	760,767	-	-	760,767
Non-investment grade (BB+ and below)	94,712	-	-	94,712
Unrated	101,430	-	-	101,430
Total	1,022,059	-	-	1,022,059

	2022			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 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

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

^ Investment in REITS amounting to RM142,841,000 (2022: RM127,464,000)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Investment securities: FVOCI

Group

	2023			
	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)	604,743	-	-	604,743
Investment grade (AAA to BBB-)	2,162,331	-	-	2,162,331
Total	2,767,074	-	-	2,767,074

	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
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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Investment securities: FVOCI

Company

	2023			
	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)	604,743	-	-	604,743
Investment grade (AAA to BBB-)	2,162,331	-	-	2,162,331
Total	2,767,074	-	-	2,767,074

	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
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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Investment securities: Amortised cost

Group/Company

	2023			
	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	132,229	50,535	-	182,764
Expected credit losses ('ECL')	(995)	(237)	-	(1,232)
Total	131,234	50,298	-	181,532

	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
Unrated	132,228	50,421	-	182,649
Expected credit losses ('ECL')	(1,145)	(238)	-	(1,383)
Total	131,083	50,183	-	181,266

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Derivative financial assets

Group/Company

	2023			
	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-)	12,293	-	-	12,293
Total	12,293	-	-	12,293

	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
Investment grade (AAA to BBB-)	12,253	-	-	12,253
Total	12,253	-	-	12,253

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Term deposits

Group

	2023			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Investment grade (AAA to BBB-)	424,995	-	-	424,995
Total	424,995	-	-	424,995

	2022			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Investment grade (AAA to BBB-)	310,210	-	-	310,210
Total	310,210	-	-	310,210

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Term deposits

Company

	2023			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Investment grade (AAA to BBB-)	421,991	-	-	421,991
Total	421,991	-	-	421,991

	2022			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Investment grade (AAA to BBB-)	310,210	-	-	310,210
Total	310,210	-	-	310,210

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Cash and cash equivalents

Group

	2023			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Investment grade (AAA to BBB-)	337,503	-	-	337,503
Total	337,503	-	-	337,503

	2022			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Investment grade (AAA to BBB-)	488,138	-	-	488,138
Total	488,138	-	-	488,138

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

^ Cash in hand of RM19,568 (2022: RM19,600)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Cash and cash equivalents

Company

	2023			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Investment grade (AAA to BBB-)	331,329	-	-	331,329
Total	331,329	-	-	331,329

	2022			Total RM'000
	12-Month ECL Performing Stage 1 RM'000	Lifetime ECL Under- performing Stage 2 RM'000	Lifetime ECL Impaired Stage 3 RM'000	
Investment grade (AAA to BBB-)	488,138	-	-	488,138
Total	488,138	-	-	488,138

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

^ Cash in hand of RM19,568 (2022: RM19,600)

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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:

Neither past due nor impaired

Group

	2023			
	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
Other receivables [#]	13,254	-	-	13,254
Total	13,254	-	-	13,254

	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
Other receivables [#]	8,047	-	-	8,047
Total	8,047	-	-	8,047

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Past due but not impaired

Group

	2023			
	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
Other receivables [#]	4,540	-	-	4,540
Total	4,540	-	-	4,540

	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
Other receivables [#]	13,638	-	-	13,638
Total	13,638	-	-	13,638

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Neither past due nor impaired

Company

	2023			
	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
Other receivables [#]	13,254	-	-	13,254
Total	13,254	-	-	13,254

	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
Other receivables [#]	8,047	-	-	8,047
Total	8,047	-	-	8,047

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Past due but not impaired

Company

	2023			
	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
Other receivables [#]	4,540	-	-	4,540
Total	4,540	-	-	4,540

	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
Other receivables [#]	13,638	-	-	13,638
Total	13,638	-	-	13,638

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

Prepayments for the Group and the Company amounting RM9,234,000 (2022: RM9,218,000) and RM9,228,000 (2022: RM9,218,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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:

- 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.
- Impact on the measurement of ECL due to changes in PD, EAD and LGD in the period, arising from regular refreshing of inputs to models.

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

Financing, loans and advances

Group/Company

	2023			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2023	5,184	14,285	63,146	82,615
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(313)	8,984	-	8,671
Transfer from Stage 1 to Stage 3	(307)	-	12,533	12,226
Transfer from Stage 2 to Stage 3	-	(6,003)	22,021	16,018
Transfer from Stage 3 to Stage 2	-	332	(1,329)	(997)
Transfer from Stage 3 to Stage 1	10	-	(421)	(411)
Transfer from Stage 2 to Stage 1	273	(2,237)	-	(1,964)
New financial assets originated or purchased	461	22	-	483
Financial assets derecognised during the financial year other than write-offs	(668)	(128)	(1,999)	(2,795)
Written-off/waived during the financial year	(28)	(472)	(16,101)	(16,601)
Loss allowance as at 31 December 2023	4,612	14,783	77,850	97,245

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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)

Group/Company (continued)

	2022			
	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
Transfers				
<u>Change due to change in credit risk:</u>				
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)	(4,331)	(6,541)
Written-off/waived during the financial year	-	(224)	(14,990)	(15,214)
Loss allowance as at 31 December 2022	5,184	14,285	63,146	82,615

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

Group/Company

	2023			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2023	1,162	-	140,025	141,187
Change due to change in credit risk	486	-	-	486
New financial assets originated or purchased	90	-	-	90
Loss allowance as at 31 December 2023	1,738	-	140,025	141,763

	2022			
	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
Change due to change in credit risk	(157)	-	-	(157)
New financial assets originated or purchased	97	-	-	97
Loss allowance as at 31 December 2022	1,162	-	140,025	141,187

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

Group/Company

	2023			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loss allowance as at 1 January 2023	1,145	238	-	1,383
Change due to change in credit risk	(150)	(1)	-	(151)
Amount written-off	-	-	-	-
Loss allowance as at 31 December 2023	995	237	-	1,232

	2022			
	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
Change due to change in credit risk	(322)	(3)	-	(325)
Amount written-off	-	-	(5)	(5)
Loss allowance as at 31 December 2022	1,145	238	-	1,383

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	2023			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2023	213,413	60,114	63,146	336,673
Transfers				
<u>Change due to change in credit risk:</u>				
Transfer from Stage 1 to Stage 2	(34,415)	34,415	-	-
Transfer from Stage 1 to Stage 3	(14,267)	-	14,267	-
Transfer from Stage 2 to Stage 3	-	(25,134)	25,134	-
Transfer from Stage 3 to Stage 2	-	1,329	(1,329)	-
Transfer from Stage 3 to Stage 1	421	-	(421)	-
Transfer from Stage 2 to Stage 1	10,697	(10,697)	-	-
Remeasurement	(2,809)	(8,009)	(4,847)	(15,665)
New financial assets originated or purchased	8,048	244	-	8,292
Financial assets derecognised during the financial year other than write-offs	(53,586)	(7,287)	(1,998)	(62,871)
Written-off/waived during the financial year	(28)	(473)	(16,101)	(16,602)
Gross carrying amount as at 31 December 2023	127,474	44,502	77,851	249,827

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	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
Transfers				
Change due to change in credit risk:				
Transfer from Stage 1 to Stage 2	(17,727)	17,727	-	-
Transfer from Stage 1 to Stage 3	(5,783)	-	5,783	-
Transfer from Stage 2 to Stage 3	-	(28,275)	28,275	-
Transfer from Stage 3 to Stage 2	-	234	(234)	-
Transfer from Stage 3 to Stage 1	185	-	(185)	-
Transfer from Stage 2 to Stage 1	57,770	(57,770)	-	-
Remeasurement	(12,359)	(3,381)	(4,271)	(20,011)
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)	(10,243)	(4,231)	(51,793)
Written-off/waived during the financial year	-	(224)	(14,992)	(15,216)
Gross carrying amount as at 31 December 2022	213,413	60,114	63,146	336,673

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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:

Group/Company

	2023				
	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	63,146	35,054	(3,748)	(16,602)	77,850
	63,146	35,054	(3,748)	(16,602)	77,850

	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	33,113	(4,744)	(15,214)	63,146
	49,991	33,113	(4,744)	(15,214)	63,146

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

Group

	2023			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2023	2,563,981	-	-	2,563,981
Change due to change in credit risk	79,520	-	-	79,520
New financial assets originated or purchased	363,836	-	-	363,836
Maturity/Disposal during the year	(235,569)	-	-	(235,569)
Gross carrying amount as at 31 December 2023	2,771,768	-	-	2,771,768
	2022			
	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
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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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 (continued)

Company

	2023			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2023	2,563,981	-	-	2,563,981
Change due to change in credit risk	79,519	-	-	79,519
New financial assets originated or purchased	359,143	-	-	359,143
Maturity/Disposal during the year	(235,569)	-	-	(235,569)
Gross carrying amount as at 31 December 2023	2,767,074	-	-	2,767,074
	2022			
	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
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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	2023			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2023	132,228	50,421	-	182,649
Change due to change in credit risk	-	115	-	115
Gross carrying amount as at 31 December 2023	132,228	50,536	-	182,764

	2022			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2022	214,208	50,368	5	264,581
Change due to change in credit risk	(1,980)	53	-	(1,927)
New financial assets originated or purchased	(80,000)	-	-	(80,000)
Maturity/Disposal during the year	-	-	(5)	(5)
Gross carrying amount as at 31 December 2022	132,228	50,421	-	182,649

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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			
	2023		2022	
	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")	49,137	49,928	49,269	48,414
- 100 bps	(49,137)	(49,928)	(49,269)	(48,414)

	Company			
	2023		2022	
	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	49,077	49,868	49,269	48,414
- 100 bps	(49,077)	(49,868)	(49,269)	(48,414)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	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
2023					
Assets					
Investment securities: FVTPL	38,064	300,136	815,032	11,668	1,164,900
Investment securities: FVOCI	268,040	1,069,036	1,429,998	-	2,767,074
Investment securities:					
Amortised cost	101,199	80,333	-	-	181,532
Derivative financial assets	12,293	-	-	-	12,293
Term deposits	417,561	-	-	4,430	421,991
Financing, loans and advances - not impaired*	10,667	156,928	4,382	(19,395)	152,582
Other receivables^	-	-	-	17,794	17,794
Cash and cash equivalents	225,264	-	-	106,085	331,349
Total financial assets	1,073,088	1,606,433	2,249,412	120,582	5,049,515
Liabilities					
Funds from BNM	59,782	96,285	-	-	156,067
Tabung Usahawan Kecil	15,000	15,000	-	-	30,000
Government Funds	9,602	-	-	-	9,602
Small Entrepreneurs Financing Fund	-	-	-	-	-
Derivative financial liabilities	14,538	-	-	-	14,538
Other liabilities®	-	-	-	555,762	555,762
Total financial liabilities	98,922	111,285	-	555,762	765,969
Net interest sensitivity gap	974,166	1,495,148	2,249,412		

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

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
Liabilities					
Funds from BNM	70,198	155,588	-	-	225,786
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		

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

^ Excludes prepayment amounting to RM9,228,000 (2022: RM9,218,000)

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	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
2023							
Assets							
Investment securities: FVTPL	195,544	145,587	14,815	-	11,784	11,479	379,209
Derivatives	1,368	10,871	-	-	16	38	12,293
Cash and cash equivalents	5,273	5,114	89	542	5	10	11,033
Net on-balance sheet financial position	202,185	161,572	14,904	542	11,805	11,527	402,535
Liability							
Derivatives	691	13,462	245	-	103	37	14,538
Net on-balance sheet financial position	691	13,462	245	-	103	37	14,538
Off-balance sheet commitments	192,292	137,396	14,648	6,237	1,785	6,221	358,579
2022							
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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
+ 1%				
United States Dollar	3,885	3,963	3,885	3,963
Singapore Dollar	2,804	2,645	2,804	2,645
Australian Dollar	292	291	292	291
Renminbi	135	32	135	32
Great Britain Pound	62	132	62	132
Euro	177	124	177	124
- 1%				
United States Dollar	(3,885)	(3,963)	(3,885)	(3,963)
Singapore Dollar	(2,804)	(2,645)	(2,804)	(2,645)
Australian Dollar	(292)	(291)	(292)	(291)
Renminbi	(135)	(32)	(135)	(32)
Great Britain Pound	(62)	(132)	(62)	(132)
Euro	(177)	(124)	(177)	(124)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2023				
Liabilities				
Amount due to BNM	37,957	-	-	37,957
Funds from BNM	59,782	96,285	-	156,067
Tabung Usahawan Kecil	15,000	15,000	-	30,000
Government Funds	9,602	-	-	9,602
Expected credit losses for guarantee schemes	41,695	271,313	50,442	363,450
Claims payable	1,588	-	-	1,588
Other payables	150,868	-	-	150,868
	316,492	382,598	50,442	749,532
2022				
Liabilities				
Amount due to BNM	30,194	-	-	30,194
Funds from BNM	70,198	155,588	-	225,787
Tabung Usahawan Kecil	12,000	30,000	-	42,000
Government Funds	14,605	-	-	14,605
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
	295,204	401,251	38,006	734,462

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Company

	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2023				
Liabilities				
Amount due to BNM	37,957	-	-	37,957
Funds from BNM	59,782	96,285	-	156,067
Tabung Usahawan Kecil	15,000	15,000	-	30,000
Government Funds	9,602	-	-	9,602
Small Entrepreneurs Financing Fund	-	-	-	-
Expected credit losses for guarantee schemes	41,695	271,313	50,442	363,450
Claims payable	1,588	-	-	1,588
Other payables	148,841	-	-	148,841
	314,465	382,598	50,442	747,505
2022				
Liabilities				
Amount due to BNM	30,194	-	-	30,194
Funds from BNM	70,198	155,588	-	225,786
Tabung Usahawan Kecil	12,000	30,000	-	42,000
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	131,601	-	-	131,601
	292,031	401,251	38,006	731,288

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Derivative financial liabilities based on contractual undiscounted cash flows:

Group/Company

	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2023				
<u>Derivatives settled on a gross basis</u>				
Foreign exchange derivatives:				
- outflow	166,157	-	-	166,157
- inflow	(151,619)	-	-	(151,619)
	14,538	-	-	14,538
2022				
<u>Derivatives settled on a gross basis</u>				
Foreign exchange derivatives:				
- outflow	75,462	-	-	75,462
- inflow	(61,918)	-	-	(61,918)
	13,544	-	-	13,544

(d) Fair value of financial instruments

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

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

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. (continued)

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

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

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

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets</u>				
Investment securities: FVTPL				
- Money market instruments	-	65,150	-	65,150
- Private debt securities	-	956,910	-	956,910
Investment securities: REITS				
- REITS	142,840	-	-	142,840
Investment securities: FVOCI				
- Private debt securities	-	2,034,766	-	2,034,766
- Money market instruments	-	727,614	-	727,614
Preference shares and convertible notes	-	-	4,694	4,694
Derivative financial assets	-	12,293	-	12,293
	142,840	3,796,733	4,694	3,944,267
<u>Liabilities</u>				
Tabung Usahawan Kecil	-	30,000	-	30,000
Derivative financial liabilities	-	14,538	-	14,538
	-	44,538	-	44,538

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets</u>				
Investment securities: FVTPL				
- Money market instruments	-	58,868	-	58,868
- Private debt securities	-	892,658	-	892,658
Investment securities: HFT				
- Private debt securities				
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
<u>Liabilities</u>				
Tabung Usahawan Kecil	-	38,858	-	38,858
Derivative financial liabilities	-	13,544	-	13,544
	-	52,402	-	52,402

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value.

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial investments at FVOCI				
Preference shares and convertible notes				
As at 1 January	-	-	-	-
Addition	4,694	-	-	-
As at 31 December	4,694	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023					
<u>Financial assets</u>					
Investment securities:					
amortised cost	181,532	-	171,851	-	171,851
Financing, loans and advances	152,582	-	150,458	-	150,458
<u>Financial liabilities</u>					
Funds from BNM	156,067	-	101,642	-	101,642
Government funds	9,602	-	9,771	-	9,771

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022					
<u>Financial assets</u>					
Investment securities:					
amortised cost	181,266	-	179,674	-	179,674
Financing, loans and advances	254,058	-	249,257	-	249,257
<u>Financial liabilities</u>					
Funds from BNM	225,786	-	225,786	-	225,786
Government funds	14,605	-	15,487	-	15,487

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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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, TUK, SEFF and loan due to non-controlling interest

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

Other assets and liabilities

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

(e) Operational Risk

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2023

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

	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
2023			
Financial assets			
Amount due from BNM	-	-	-
Financial liabilities			
Amount due to BNM	-	37,957	(37,957)
2022			
Financial assets			
Amount due from BNM	-	-	-
Financial liabilities			
Amount due to BNM	-	30,194	(30,194)

42. SIGNIFICANT EVENT AND EVENT OCCURRING AFTER THE BALANCE SHEET DATE

Repayments of HPT and NIF

On 22 February 2024, CGC had performed full settlement of the Government Fund (Note 22) amounting to RM9.6 million.