





FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
LEMBAGA TABUNG HAJI
FOR THE YEAR ENDED 31 DECEMBER 2020**

Certificate on the Audit of the Financial Statements

Opinion

I have empowered a private audit firm to undertake an audit of the financial statements of Lembaga Tabung Haji. The financial statements comprise the Statement of Financial Position as at 31 December 2020 of the Group and of the Lembaga Tabung Haji and Statements of Profit or Loss and Statements of Comprehensive Income, Statement of Changes in Surplus Funds and Statements of Cash Flows of the Group and of the Lembaga Tabung Haji for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 4 to 240.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Lembaga Tabung Haji as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and Tabung Haji Act 1995 (Act 535).

Basis for Opinion

The audit was conducted in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my certificate. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and Other Ethical Responsibilities

I am independent of the Group and of the Lembaga Tabung Haji and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

Information Other than the Financial Statements and Auditor's Certificate Thereon

The Board of Directors of the Lembaga Tabung Haji are responsible for the other information in the Annual Report. My opinion on the financial statements of the Group and of the Lembaga Tabung Haji does not cover the other information than the financial statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements of the Group and of the Lembaga Tabung Haji that give a true and fair view in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and Tabung Haji Act 1995 (Act 535). The Board of Directors are also responsible for such internal control as it is necessary to enable the preparation of the financial statements of the Group and of the Lembaga Tabung Haji that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Lembaga Tabung Haji, the Board of Directors are responsible for assessing the Group's and the Lembaga Tabung Haji's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Lembaga Tabung Haji as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions 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 the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the financial statements of the Group and of the Lembaga Tabung Haji, 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 my opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Lembaga Tabung Haji's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- d. Conclude on the appropriateness of the Board of 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 Lembaga Tabung Haji's ability to continue as a going concern. If I conclude that a material uncertainty exists, I have to draw attention in my Auditor's Certificate to the related disclosures in the financial statements of the Group and of the Lembaga Tabung Haji or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate.
- e. Evaluate the overall presentation of the financial statements of the Group and of the Lembaga Tabung Haji, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I also provide the Board of Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

Certificate on Other Legal and Regulatory Requirements

In accordance with the requirements of Tabung Haji Act 1995 (Act 535), I report that the subsidiaries, of which I have not acted as auditor, are disclosed in Note 22 to the financial statements.

Other Matters

This certificate is made solely for the Board of Directors in accordance with Tabung Haji Act 1995 (Act 535) and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.



(DATUK NIK AZMAN NIK ABDUL MAJID)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
28 OCTOBER 2021



Lembaga Tabung Haji

(Established under Lembaga Tabung Haji Act 1995)

and its subsidiaries**STATEMENT BY CHAIRMAN AND A MEMBER OF THE LEMBAGA**

We, **TAN SRI MD NOR MD YUSOF** and **DATUK NIK MOHD HASYUDEEN YUSOFF** being respectively, the Chairman and a member of the Lembaga of **LEMBAGA TABUNG HAJI**, do hereby state that in the opinion of the Lembaga, the accompanying financial statements as set out on pages 144 to are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 407* the Tabung Haji Act, 1995 in Malaysia, so as to give a true and fair view of the financial position of the Group and of Lembaga Tabung Haji as at 31 December 2020 and of the results and the cash flows of the Group and Lembaga Tabung Haji for the financial year then ended.



.....
On behalf of the Lembaga,

TAN SRI MD NOR MD YUSOF
CHAIRMAN

27 April 2021

Bangunan Tabung Haji
201 Jalan Tun Razak 50400 Kuala Lumpur



.....
On behalf of the Lembaga,

DATUK NIK MOHD HASYUDEEN YUSOFF
GROUP MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

27 April 2021

Bangunan Tabung Haji
201 Jalan Tun Razak 50400 Kuala Lumpur

* Pages according to the layout of **TH** Annual Report 2020 while pages on the Certificate of the Auditor General on the Financial Statements refer to the pages set out on the audited Financial Statements of Lembaga Tabung Haji.

Lembaga Tabung Haji

(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

DECLARATION BY THE OFFICERS PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF LEMBAGA TABUNG HAJI

We, **TAN SRI MD NOR MD YUSOF** and **DATO' MERINA ABU TAHIR**, being the Chairman and the Chief Financial Officer respectively, primarily responsible for the financial management of **LEMBAGA TABUNG HAJI**, do solemnly and sincerely declare that the accompanying financial statements as set out on pages 144 to 407* are, to the best of our knowledge and belief, correct and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by
the abovenamed, at Kuala Lumpur in the Federal Territory
on 27 April 2021



TAN SRI MD NOR MD YUSOF
CHAIRMAN



DATO' MERINA ABU TAHIR
CHIEF FINANCIAL OFFICER
MIA CA 8869



Before me:

No. 30, Tingkat Bawah, Blok B,
Flat PKNS, Jalan Raja Muda Musa,
50300 Kg. Baru, Kuala Lumpur.

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Lembaga Tabung Haji

(Established under Lembaga Tabung Haji Act 1995)

and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group	
	Note	2020 RM'000	2019 RM'000
Assets			
Cash and short-term funds	5	2,134,542	6,846,876
Deposits and placements with banks and other financial institutions	6	9,631,011	6,103,957
Derivative financial instruments	7	-	31,421
Financial assets at fair value through profit or loss	8	4,664,332	6,735,001
Financial assets at fair value through other comprehensive income	9	21,443,732	36,471,432
UJSB Sukuk and receivables at amortised cost	10	20,687,462	20,261,801
Financial assets at amortised cost	11	2,998,515	3,166,967
Financing, advances and others	12	-	49,472,522
Retakaful assets	13	-	755,796
Finance lease receivables	14	1,931,665	2,053,117
Trade and other receivables at amortised cost	15	955,241	1,801,207
Tax recoverable		12,251	113,779
Statutory deposits with Bank Negara Malaysia	16	-	1,170,136
Biological assets	17	41,664	35,405
Inventories	18	1,039,744	1,029,381
Investment properties	19	5,661,371	5,698,774
Investment in jointly controlled entities	20	260,710	261,740
Investment in associates	21	369,943	410,101
Forestry	23	12,111	6,385
Plantation development expenditure	24	154,480	144,775
Right-of-use assets	25	414,651	566,885
Property, plant and equipment	26	1,901,456	2,354,271
Intangible assets	27	-	137,387
Deferred tax assets	28	45,340	103,413
		74,360,221	145,732,529
Assets of disposal group classified as held for sale:			
Subsidiaries to be reclassified as associates upon completion of restructuring	29	85,768,900	-
Other assets group	29	783,926	1,045,305
Total assets		160,913,047	146,777,834

The accompanying accounting policies and explanatory notes form an integral part of the financial statement

Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 *(cont'd.)*

	Note	Group	
		2020 RM'000	2019 RM'000
<u>Liabilities</u>			
Depositors' savings fund	30	75,919,809	69,417,441
Deposits from banking customers	31	-	44,828,112
Investment accounts of banking customers	32	-	9,297,543
Derivative financial instruments	7	17,403	38,090
Takaful contract liabilities	33	-	8,197,156
Other liabilities	34	1,293,007	2,912,130
Recourse obligations on financing sold to Cagamas	35	-	1,501,187
Provision for zakat and tax		124,528	152,819
Expense reserve	36	-	311,700
Lease liabilities	37	711,404	840,257
Borrowings	38	1,594,104	2,507,533
Provision for retirement benefits	39	862,676	772,791
Deferred tax liabilities	28	118,595	111,665
		80,641,526	140,888,424
Liabilities associated with assets of disposal group classified as held for sale :			
Subsidiaries to be reclassified as associates upon completion of restructuring	29	73,147,114	-
Other assets group	29	141,550	152,895
Total liabilities		153,930,190	141,041,319

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Lembaga Tabung Haji

(Established under Lembaga Tabung Haji Act 1995)

and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 *(cont'd.)*

	Note	Group	
		2020 RM'000	2019 RM'000
<u>Surplus funds</u>			
<i>Distributable reserves</i>			
Revenue reserve	40	2,064,216	1,818,186
Equalisation reserve	40	543,084	500,000
		2,607,300	2,318,186
<i>Non-distributable reserves</i>			
Statutory reserve	40	78,285	101,627
Other reserves	40	171,989	(338,940)
		250,274	(237,313)
Total surplus funds		2,857,574	2,080,873
Non-controlling interests		4,125,283	3,655,642
Total surplus funds and non-controlling interests		6,982,857	5,736,515
Total liabilities and surplus funds		160,913,047	146,777,834

Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	TH	
		2020 RM'000	2019 RM'000
Assets			
Cash and short-term funds	5	2,790,670	3,518,133
Deposits and placements with banks and other financial institutions	6	11,495,310	4,180,722
Derivative financial instruments	7	27,025	27,025
Financial assets at fair value through profit or loss	8	5,102,513	5,660,816
Financial assets at fair value through other comprehensive income	9	21,528,871	19,625,154
UJSB Sukuk and receivables at amortised cost	10	20,687,462	20,261,801
Financial assets at amortised cost	11	5,439,179	5,811,654
Financing, advances and others	12	1,670,888	1,864,479
Finance lease receivables	14	2,095,842	2,220,896
Trade and other receivables at amortised cost	15	639,896	625,997
Investment properties	19	3,927,707	3,995,348
Investment in jointly controlled entities	20	-	250
Investment in associates	21	205,657	210,908
Investment in subsidiaries	22	2,420,505	6,265,310
Right-of-use assets	25	314,472	454,824
Property, plant and equipment	26	413,774	481,253
		78,759,771	75,204,570
Assets of disposal group classified as held for sale:			
Subsidiaries to be reclassified as associates upon completion of restructuring	29	3,719,470	-
Other assets group	29	57,113	36,413
Total assets		82,536,354	75,240,983

Lembaga Tabung Haji

(Established under Lembaga Tabung Haji Act 1995)

and its subsidiaries**STATEMENT OF FINANCIAL POSITION**
AS AT 31 DECEMBER 2020 *(cont'd.)**TH***Liabilities**

Depositors' savings fund

Other liabilities

Provision for zakat and tax

Lease liabilities

Provision for retirement benefits

Total liabilities**Surplus funds***Distributable reserves*

Revenue reserve

Equalisation reserve

Non-distributable reserves

Statutory reserve

Other reserves

Total surplus funds**Total liabilities and surplus funds**

Note	<i>TH</i>	
	2020 RM'000	2019 RM'000
30	75,919,809	69,417,441
34	1,346,989	1,339,192
	117,177	104,939
37	631,357	732,661
39	862,131	772,059
	78,877,463	72,366,292
40	2,899,634	2,656,620
40	543,084	500,000
	3,442,718	3,156,620
40	78,285	76,627
40	137,888	(358,556)
	216,173	(281,929)
	3,658,891	2,874,691
	82,536,354	75,240,983

Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		TH	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Continuing operations					
Revenue	41	3,501,292	3,712,820	3,111,777	3,217,384
Cost of sales		(532,982)	(847,677)	-	-
Gross profit		2,968,310	2,865,143	3,111,777	3,217,384
Other income		174,185	214,580	39,342	82,492
Administrative expenses		(617,145)	(744,227)	(558,770)	(664,184)
Other expenses		(59,353)	(240,992)	-	(298,614)
Impairment, write off, and expected credit losses	42	(514,364)	(336,104)	(239,117)	(392,523)
Operating profit	43	1,951,633	1,758,400	2,353,232	1,944,555
Finance costs	44	(82,958)	(95,571)	(31,365)	(21,630)
Share of (loss)/profit after tax and zakat of associates		(28,812)	21,960	-	-
Share of profit/(loss) after tax and zakat of jointly controlled entities		2,998	(44,583)	-	-
Profit before zakat and tax from continuing operations		1,842,861	1,640,206	2,321,867	1,922,925
Zakat	45	(105,701)	(87,997)	(105,701)	(86,185)
Tax expense	46	(41,420)	(61,297)	-	-
Profit from continuing operations		1,695,740	1,490,912	2,216,166	1,836,740
Discontinued operations					
Profit after tax and zakat from discontinued operations	29	989,018	1,061,538	-	-
Profit for the year		2,684,758	2,552,450	2,216,166	1,836,740
Profit for the year attributable to:					
TH					
- Continuing operations		1,691,739	1,605,458	2,216,166	1,836,740
- Discontinued operations		502,632	549,689	-	-
Non-controlling interests					
- Continuing operations		4,001	(114,546)	-	-
- Discontinued operations		486,386	511,849	-	-
		2,684,758	2,552,450	2,216,166	1,836,740

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Lembaga Tabung Haji(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit for the year:				
- Continuing operations	1,695,740	1,490,912	2,216,166	1,836,740
- Discontinued operations	989,018	1,061,538	-	-
	2,684,758	2,552,450	2,216,166	1,836,740
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Movement in fair value reserves of debt instruments at fair value through other comprehensive income:				
Net changes in fair value	213,849	657,853	226,948	403,077
Changes in expected credit losses	12,259	21,375	12,397	21,769
Income tax effect relating to components of other comprehensive income	3,159	(59,301)	-	-
Currency translation differences in respect of foreign operations	14,953	(13,615)	-	-
	244,220	606,312	239,345	424,846
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of retirement benefit liability	(62,100)	(157,056)	(61,972)	(156,965)
Changes in fair value of equity instruments at fair value through other comprehensive income	548,260	393,507	531,199	382,039
	486,160	236,451	469,227	225,074
Total other comprehensive income from:				
- Continuing operations	717,818	630,812	708,572	649,920
- Discontinued operations	12,562	211,951	-	-
	730,380	842,763	708,572	649,920
Total comprehensive income for the year from:				
- Continuing operations	2,413,558	2,121,724	2,924,738	2,486,660
- Discontinued operations	1,001,580	1,273,489	-	-
	3,415,138	3,395,213	2,924,738	2,486,660

Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

	Group		TH	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the year attributable to:				
<u>TH</u>				
- Continuing operations	2,409,863	2,235,968	2,924,738	2,486,660
- Discontinued operations	507,376	659,110		
Non-controlling interests				
- Continuing operations	3,695	(114,244)	-	-
- Discontinued operations	494,204	614,379	-	-
	3,415,138	3,395,213	2,924,738	2,486,660

Lembaga Tabung Haji(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries**CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Group	Attributable to <i>TH</i>						Total surplus funds and non-controlling interests
	Non-distributable		Distributable				
	Statutory reserve (Note 40)	Other reserves (Note 40)	Equalisation reserve (Note 40)	Revenue reserve (Note 40)	Total surplus funds	Non-controlling interests	
<u>2020</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	101,627	(338,940)	500,000	1,818,186	2,080,873	3,655,642	5,736,515
Profit for the year	-	-	-	2,194,371	2,194,371	490,387	2,684,758
Remeasurement of retirement benefit liability	-	277	-	(62,162)	(61,885)	(215)	(62,100)
Movement in fair value reserve of debt instruments at FVOCI:							
Net changes in fair value	-	208,909	-	-	208,909	4,940	213,849
Changes in expected credit losses	-	12,259	-	-	12,259	-	12,259
Income tax effect relating to components of other comprehensive income	-	3,159	-	-	3,159	-	3,159
Changes in fair value of equity instruments at FVOCI	-	548,260	-	-	548,260	-	548,260
Currency translation differences in respect of foreign operations	-	12,166	-	-	12,166	2,787	14,953
Total other comprehensive income/(loss) for the year	-	785,030	-	(62,162)	722,868	7,512	730,380
<i>(Continue to next page)</i>							

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Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

Group	Attributable to <i>TH</i>						Total surplus funds and non-controlling interests
	Non-distributable			Distributable			
	Statutory reserve (Note 40)	Other reserves (Note 40)	Equalisation reserve (Note 40)	Revenue reserve (Note 40)	Total surplus funds	Non-controlling interests	
<u>2020</u> (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(Continue from previous page)							
Total comprehensive income for the year	-	785,030	-	2,132,209	2,917,239	497,899	3,415,138
Disposal of equity instruments at FVOCI	-	(274,101)	-	274,101	-	-	-
Changes in Group structure	-	-	-	-	-	118,633	118,633
Profit distribution during the year (Note 30)	-	-	-	(2,140,538)	(2,140,538)	-	(2,140,538)
Dividends paid to non-controlling interests	-	-	-	-	-	(146,891)	(146,891)
Transfers between reserves	(23,342)	-	43,084	(19,742)	-	-	-
At 31 December 2020	78,285	171,989	543,084	2,064,216	2,857,574	4,125,283	6,982,857

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Lembaga Tabung Haji(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries**CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS**
FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

Group	Attributable to <i>TH</i>						Total surplus funds and non-controlling interests
	Non-distributable		Distributable				
	Statutory reserve (Note 40)	Other reserves (Note 40)	Equalisation reserve (Note 40)	Revenue reserve (Note 40)	Total surplus funds	Non-controlling interests	
<u>2019</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	86,627	(1,262,354)	438,351	849,808	112,432	3,315,422	3,427,854
Profit for the year	-	-	-	2,155,147	2,155,147	397,303	2,552,450
Remeasurement of retirement benefit liability	-	22	-	(157,016)	(156,994)	(62)	(157,056)
Movement in fair value reserve of debt instruments at FVOCI :							
Net changes in fair value	-	533,730	-	-	533,730	124,123	657,853
Changes in expected credit losses	-	21,375	-	-	21,375	-	21,375
Income tax effect relating to components of other comprehensive income	-	(34,903)	-	-	(34,903)	(24,398)	(59,301)
Changes in fair value of equity instruments at FVOCI	-	393,507	-	-	393,507	-	393,507
Currency translation differences in respect of foreign operations	-	(16,784)	-	-	(16,784)	3,169	(13,615)
Total other comprehensive income/(loss) for the year	-	896,947	-	(157,016)	739,931	102,832	842,763

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Lembaga Tabung Haji(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries**CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS**
FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

Group	Attributable to <i>TH</i>						Total surplus funds and non-controlling interests
	Non-distributable	Distributable					
	Statutory reserve (Note 40) RM'000	Other reserves (Note 40) RM'000	Equalisation reserve (Note 40) RM'000	Revenue reserve (Note 40) RM'000	Total surplus funds RM'000	Non-controlling interests RM'000	RM'000
2019 <i>(cont'd.)</i>							
<i>(Continue from previous page)</i>							
Total comprehensive income for the year	-	896,947	-	1,998,131	2,895,078	500,135	3,395,213
Disposal of equity instruments at FVOCI	-	29,466	-	(29,466)	-	-	-
Changes in Group structure	-	(2,999)	-	(679)	(3,678)	89,996	86,318
Profit distribution during the year (Note 30)	-	-	-	(922,959)	(922,959)	-	(922,959)
Dividends paid to non-controlling interests	-	-	-	-	-	(249,911)	(249,911)
Transfers between reserves	15,000	-	61,649	(76,649)	-	-	-
At 31 December 2019	101,627	(338,940)	500,000	1,818,186	2,080,873	3,655,642	5,736,515

Lembaga Tabung Haji(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries**STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2020**

<i>TH</i>	Attributable to <i>TH</i>				
	<i>Non-distributable</i>		<i>Distributable</i>		
	Statutory reserve (Note 40) RM'000	FVOCI reserve/ (deficit) (Note 40) RM'000	Equalisation reserve (Note 40) RM'000	Revenue reserve (Note 40) RM'000	Total surplus funds RM'000
At 1 January 2020	76,627	(358,556)	500,000	2,656,620	2,874,691
Profit for the year	-	-	-	2,216,166	2,216,166
Remeasurement of retirement benefit liability	-	-	-	(61,972)	(61,972)
Movement in fair value reserve of debt instruments at FVOCI:					
Net changes in fair value of debt instruments	-	226,948	-	-	226,948
Changes in expected credit losses	-	12,397	-	-	12,397
Net changes in fair value of equity instruments at FVOCI	-	531,199	-	-	531,199
Total other comprehensive income for the year	-	770,544	-	(61,972)	708,572
Total comprehensive income for the year	-	770,544	-	2,154,194	2,924,738
Disposal of equity instruments measured at FVOCI	-	(274,100)	-	274,100	-
Transfers between reserves	1,658	-	43,084	(44,742)	-
Profit distribution during the year (Note 30)	-	-	-	(2,140,538)	(2,140,538)
At 31 December 2020	78,285	137,888	543,084	2,899,634	3,658,891

Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

STATEMENT OF CHANGES IN SURPLUS FUNDS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

	Attributable to <i>TH</i>				
	<i>Non-distributable</i>		<i>Distributable</i>		
<i>TH</i>	Statutory reserve (Note 40) RM'000	FVOCI reserve/ (deficit) (Note 40) RM'000	Equalisation reserve (Note 40) RM'000	Revenue reserve (Note 40) RM'000	Total surplus funds RM'000
At 1 January 2019	76,627	(1,194,907)	438,351	1,990,919	1,310,990
Profit for the year	-	-	-	1,836,740	1,836,740
Remeasurement of retirement benefit liability	-	-	-	(156,965)	(156,965)
Movement in fair value reserve of debt instruments at FVOCI:					
Net changes in fair value of debt instruments	-	403,077	-	-	403,077
Changes in expected credit losses	-	21,769	-	-	21,769
Net changes in fair value of equity instruments at FVOCI	-	382,039	-	-	382,039
Total other comprehensive income for the year	-	806,885	-	(156,965)	649,920
Total comprehensive income for the year	-	806,885	-	1,679,775	2,486,660
Disposal of equity instruments measured at FVOCI	-	29,466	-	(29,466)	-
Transfers between reserves	-	-	61,649	(61,649)	-
Profit distribution during the year (Note 30)	-	-	-	(922,959)	(922,959)
At 31 December 2019	76,627	(358,556)	500,000	2,656,620	2,874,691

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Lembaga Tabung Haji(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax				
From continuing operations	1,842,861	1,640,206	2,321,867	1,922,925
From discontinued operations	1,097,285	1,205,185	-	-
Adjustments for:				
Depreciation of right-of-use assets	23,510	216,154	4,913	192,290
Depreciation of property, plant and equipment	172,738	274,749	81,634	124,755
Amortisation of intangible assets	11,468	36,812	-	-
Gain on disposal of property, plant and equipment	(656)	(3,757)	(12)	(3,292)
Gain on disposal of investment properties	(17)	(7,978)	(17)	(7,978)
Property, plant and equipment written off	638	336	78	-
Investment properties written off	383	-	383	-
Plantation development expenditure written off	2,869	1,043	-	-
Receivables written off	-	2,451	13,752	2,450
Dividends from subsidiaries	-	-	(119,651)	(191,937)
Dividends from associates	-	-	(6,095)	(8,027)
Dividends from quoted equities	(227,771)	(180,887)	(227,774)	(180,887)
Dividends from unquoted equities	(30,418)	(41,791)	(30,233)	(41,791)
Dividends from external fund managers	(20,735)	(20,170)	(20,735)	(20,170)
Dividends from unit trusts	(30,715)	(34,565)	(30,715)	(34,565)
Coupon from debt securities	(763,981)	(812,441)	(835,005)	(927,802)
Accretion of discount on UJSB	(817,726)	(469,123)	(817,726)	(469,123)
(Gain)/loss on sale of FVOCI financial assets, net	(274,101)	(230,465)	(274,101)	29,466
Gain on sale of FVTPL financial assets, net	-	(26,638)	-	(460)
Gain on negotiable debt certificates and other financial assets	(110,996)	(107,510)	(111,839)	(107,510)
Return from external fund managers	(2,039)	(5,379)	(2,039)	(5,379)
Gain on trading of derivatives	-	(14,599)	-	(14,599)
Amortisation of premium on debt securities	13,889	14,940	13,889	14,940
Accretion of discount on debt securities	(72,282)	(106,673)	(111,222)	(106,673)
Gain on disposal of debt securities	(52,808)	(129,857)	(52,808)	(129,857)
Gain on disposal of subsidiaries	(8,135)	-	-	-
Gain on disposal of associates	(749)	-	(749)	-

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Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>(Continue from previous page)</i>				
Loss on disposal of jointly controlled entities	89	-	262	-
Profit from financing to subsidiaries	-	-	(98,616)	(98,288)
Impairment of subsidiaries	-	-	128,869	40,007
Impairment of associates	5,251	40	5,251	-
Impairment of jointly controlled entity	-	45,000	-	52,400
Impairment of property, plant and equipment	72,504	84,397	-	-
Impairment of plantation development expenditure	5,329	20,316	-	-
Impairment of property development cost	-	8,086	-	-
Impairment of intangible assets	-	9,761	-	-
Impairment of inventory	-	273	-	-
Impairment of receivables	-	349	-	-
Impairment of asset held for sale	46,851	74,637	-	-
Impairment of right-of-use assets	898	41,118	-	-
Write off of investment in jointly controlled entities	16	-	-	-
Write off of amount due from subsidiary	-	-	-	2,590
Write off of other investments	19,298	-	19,298	-
Write back of impairment in subsidiaries	-	-	(3,534)	(11,902)
Write back of impairment in associates	-	-	-	(28,959)
Write back of impairment in jointly controlled entities	(4,645)	-	-	-
Write back of impairment in financing and advances	-	-	(179,620)	-
Write back of impairment in property, plant and equipment	(15,982)	-	-	-
Write back of impairment in asset held for sale	(20,963)	-	(20,963)	-
Changes in fair value of investment properties	140,889	128,769	100,074	31,995
Changes in fair value of forestry	(5,726)	43,215	-	-
Changes in fair value of biological assets	(3,197)	(11,031)	-	-
Changes in fair value of derivatives	-	1,322	-	-
Changes in fair value of receivable from Restructuring Plan	(7,322)	(10,714)	(7,322)	(10,714)
Change in fair value of financial assets at FVTPL	(109,121)	(226,120)	(107,431)	(168,925)

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Lembaga Tabung Haji

(Established under Lembaga Tabung Haji Act 1995)

and its subsidiaries

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<i>(Continue from previous page)</i>				
Change in actuarial reserves/unearned contribution reserve	-	(13,750)	-	-
Equity settled share-based payment	-	17,945	-	-
Expected credit loss/Allowance for impairment on financing, advances and others	-	190,829	15,554	331,969
Expected credit loss on receivables	7,337	10,597	6,706	764
Expected credit loss on finance lease receivables	221,976	12,937	221,976	12,937
Expected credit loss on amount due from jointly controlled entities	154,613	-	-	-
Expected credit loss on dividend receivable and amount due from subsidiaries	-	-	13,377	81,143
Expected credit loss on other financial assets	3,200	-	3,200	-
Expected credit loss on debt securities	14,790	22,232	14,790	22,233
Provision for retirement benefits	64,040	61,390	63,909	61,202
Share of loss/(profit) after tax and zakat of associates	28,812	(21,960)	-	-
Share of (profit)/loss after tax and zakat of jointly controlled entities	(2,998)	44,583	-	-
Net assets transferred to asset held for sale	(1,154,716)	-	-	-
Zakat	105,701	87,997	105,701	86,185
Unrealised gain on foreign exchange	(48,318)	(116,812)	(26,402)	(70,357)
Profit expense on leases	41,674	27,255	31,365	21,630
Operating profit before changes in working capital	312,792	1,732,704	82,239	392,686
Changes in working capital:				
Inventories	(10,363)	119,628	-	-
Cash and short-term funds of TKJHM and TWT	(10,148)	49,472	(10,148)	49,472
Deposits and placements with banks and other financial institutions	(6,108,342)	(4,120,985)	(7,314,588)	(3,402,834)
Trade and other receivables	(739,976)	(803,032)	(12,635)	(1,180,858)
Trade and other payables	181,802	2,015,804	209,444	554,302
Right-of-use assets	(23,045)	169,367	135,439	169,367
Finance lease receivables	142,977	154,454	138,398	174,964
Lease liabilities	41,675	51,816	31,365	46,778
Statutory deposits with Bank Negara Malaysia	-	432,148	-	-
Bills payable	-	7,970	-	-

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Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<i>(Continue from previous page)</i>				
Financing of banking customers	-	(3,982,671)	-	-
Investment account of banking customers	-	4,759,890	-	-
Deposits from banking customers	-	(2,680,832)	-	-
Disposal/(acquisition) of investment properties, net	1,541	(5,837)	-	(5,837)
Proceeds from disposal of asset held for sale	-	14,865	-	14,865
Proceeds from disposal of subsidiaries	-	100,000	-	100,000
Proceeds from disposal of jointly controlled entities	749	-	749	-
Additional investment in jointly controlled entities	(512)	(12,000)	(512)	(12,000)
Purchase from sale of equities, net	(1,048,679)	(762,903)	(1,048,679)	(762,903)
(Purchase)/disposal of debt securities, net	(370,355)	2,733,664	(370,355)	2,733,664
Investment in other financial assets, net	632,353	1,587,203	1,132,353	1,596,726
Proceeds from trading on UJSB	399,387	-	399,387	-
Proceeds from trading of financial derivatives	-	21,092	-	21,092
Dividends from subsidiaries	-	-	152,937	131,243
Dividends from associates	4,449	6,772	4,449	6,772
Dividends from quoted equities	105,516	117,685	105,516	117,685
Dividends from unquoted equities	-	45,200	-	45,200
Dividends from unit trusts	30,715	34,565	30,715	34,565
Dividends from investments managed by external fund managers	27,914	-	27,914	-
Coupons from debt securities	747,596	955,868	747,596	955,868
Repayment/(disbursement) of financing to subsidiaries, net	-	-	386,636	(20,500)
Repayment of profit financing to subsidiaries	-	-	95,116	133,715
Depositors' savings fund	6,502,368	(5,071,545)	6,502,368	(5,071,545)
Change in employee benefits	185	-	-	-
Cash generated from/(used in) operations	820,599	(2,329,638)	1,425,704	(3,177,513)

(Continue to next page)

Lembaga Tabung Haji(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries**STATEMENTS OF CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

	Group		TH	
	2020	2019	2020	2019
<i>(Continue from previous page)</i>	RM'000	RM'000	RM'000	RM'000
Profit distribution to depositors	(2,140,538)	(922,962)	(2,140,538)	(922,962)
Zakat paid	(95,252)	(92,684)	(93,460)	(76,767)
Tax paid	(37,856)	(358,128)	-	-
Tax refund	41,420	32,667	-	16,755
Payment of lease liabilities	(21,618)	(382,695)	(3,220)	(333,834)
Financing cost lease liabilities paid	(9,518)	(10,078)	-	-
Financing cost paid	32,609	(28,406)	-	-
Retirement benefits paid	(36,255)	(21,958)	(35,809)	(21,869)
Net cash used in operating activities	(1,446,409)	(4,113,882)	(847,323)	(4,516,190)
Cash flows from investing activities				
Proceeds from disposal/(purchase) of property, plant and equipment, net	35,168	(102,157)	25,229	18,782
Acquisition of investment properties	(76,703)	(92,362)	(31,275)	-
Investment in intangible assets	-	(4,689)	-	-
Plantation development expenditure	(22,340)	(58,602)	-	-
Forestry	-	(11,479)	-	-
Biological assets	3,062	-	-	-
Additional investment in jointly controlled entities	(85,739)	(8,000)	-	-
Net cash used in investing activities	(146,552)	(277,289)	(6,046)	(18,782)
Cash flows from financing activities				
Proceeds from loans and borrowings	590,095	620,072	-	-
Repayment of loans and borrowings	(376,200)	(697,093)	-	-
Repayment of finance lease liabilities	(12,699)	(10,028)	-	-
Repayment of share capital	(2,167)	(100,000)	-	-
Increase in cash pledged for banking facilities	-	(410)	-	-
Dividends paid to non-controlling interests	(10,300)	(54,214)	-	-
Net cash used in financing activities	188,729	(241,673)	-	-

(Continue to next page)

Lembaga Tabung Haji

(Established under Lembaga Tabung Haji Act 1995)

and its subsidiaries**STATEMENTS OF CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

(Continue from previous page)

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net decrease in cash and cash equivalents	(1,404,232)	(4,632,844)	(853,369)	(4,534,972)
Cash and cash equivalents at 1 January	5,990,169	10,627,559	2,766,222	7,306,396
Transfer to asset held for sale on opening balances	(3,334,771)	-	-	-
Transfer to FVTPL and disposal to SPV	-	(431)	-	-
Reclass to jointly controlled entities	-	(5,005)	-	-
Currency translation differences	(10,913)	890	(14,146)	(5,202)
Cash and cash equivalents at 31 December	1,240,253	5,990,169	1,898,707	2,766,222
<u>Cash and cash equivalents comprise :</u>				
Cash and short-term funds (Note 5)	2,134,542	6,846,876	2,790,670	3,518,133
Cash held by TKJHM & TWT	(399,168)	(389,020)	(399,168)	(389,020)
Cash held by external fund managers	(492,795)	(362,891)	(492,795)	(362,891)
Deposits pledged	(2,326)	(104,365)	-	-
Transferred to asset held for sale	-	(431)	-	-
	1,240,253	5,990,169	1,898,707	2,766,222

Lembaga Tabung Haji

(Established under Lembaga Tabung Haji Act 1995)

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STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

Reconciliation of movement of balances on borrowings to cash flows arising from financing activities are as follows:

Group	At 1 January	Proceeds from drawdown of borrowings	Loan repayment	Transfer to liabilities associated with assets held for sale	Foreign currency differences	At 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020						
Murabahah Financing	545,015	590,095	-	-	12,060	1,147,170
Commodity Murabahah Term Financing-i	276,236	-	(11,590)	-	-	264,646
Sukuk Murabahah	1,157,455	-	-	(1,157,455)	-	-
Commodity Murabahah Revolving -i	60,000	-	(60,000)	-	-	-
Islamic Trade Financing-i	10,271	-	(10,271)	-	-	-
Term Financing	365,841	-	(200,969)	-	13,416	178,288
Bank overdraft and revolving credit	92,715	-	(93,370)	-	4,655	4,000
	2,507,533	590,095	(376,200)	(1,157,455)	30,131	1,594,104
2019						
Murabahah Financing	430,952	350,526	(244,394)	-	7,931	545,015
Commodity Murabahah Term Financing-i	298,431	7,805	(30,000)	-	-	276,236
Sukuk Murabahah	1,157,395	60	-	-	-	1,157,455
Commodity Murabahah Revolving -i	-	60,000	-	-	-	60,000
Islamic Trade Financing-i	11,544	120,058	(121,331)	-	-	10,271
Term Financing	607,556	47,724	(281,368)	-	(8,071)	365,841
Bank overdraft and revolving credit	78,816	33,899	(20,000)	-	-	92,715
	2,584,694	620,072	(697,093)	-	(140)	2,507,533

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Corporate information

Lembaga Tabung Haji (“**TH**”) is a statutory body established in Malaysia under the Tabung Haji Act, 1995 (Act 535) (“the **TH Act**”) to facilitate and manage pilgrimage of Malaysian pilgrims to the Holy Land.

In compliance with Section 4 of the **TH Act**, the principal activities of **TH** are as follows:

- (i) to administer deposits received for savings towards hajj pilgrimage or as savings for investments or any other purposes;
- (ii) to administer all matters concerning the welfare of pilgrims; and
- (iii) to perform other things permitted under the **TH Act** such as management of assets involving investments holding and letting of properties.

In addition to deposits received for savings, **TH** is permitted, under Section 15 of the **TH Act**, to receive funds from sources such as grants, donations, gifts, contributions, and bequests, any repayments made to **TH** for financing or financial assistance made by **TH**, all income from the investment or any amount received for borrowings made by **TH**, if any. These are hereinwith collectively known as the Fund.

Section 15 of the **TH Act** also permits for the Fund to be expended for purposes of withdrawal of deposits, repayment of borrowings, administrative expenses, granting of loans and advances and other expenses incidental to the management of the Fund and the functions of **TH**.

The principal place of business is located at Bangunan Tabung Haji, 201 Jalan Tun Razak, 50400 Kuala Lumpur.

The principal activities of the subsidiaries are stated in Note 22. There has been no significant change in the nature of these activities during the financial year.

The financial statements for the financial year ended 31 December 2020 comprise the financial statements of **TH** and its subsidiaries, including the equity accounting of interest in associates and jointly controlled entities (together referred to as the Group).

The financial statements were authorised for issue by the members of the Board of Directors of **TH** (“the Lembaga”) on 27 April 2021.

2. Basis of preparation

(a) Composition of **TH**'s separate financial statements

The financial statements prepared by **TH** comprise all assets, liabilities and surplus funds of the Fund in accordance with Section 15 of the **TH Act** wherein the Fund is administered and controlled by **TH**.

The key components of the financial statements of **TH** are as follows:

(i) Assets

Assets comprise all investments made by **TH** by virtue of **TH** having control and legal rights over the assets, as determined in Section 4 of the **TH Act**, although the beneficial ownership is deemed to be with the Fund. Section 20(1) of the **TH Act** states that assets of the Fund shall, in so far as they are not required to be expended by the Lembaga under the **TH Act**, be invested wholly or partly within Malaysia or outside Malaysia and in such manner as the Lembaga may think fit and Section 20(2) states that the Lembaga shall not exercise the powers of investment under Section 20(1) without the approval of the Minister.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

2. Basis of preparation (*cont'd.*)

(a) Composition of **TH**'s separate financial statements (*cont'd.*)

(ii) Liabilities

Liabilities comprise all payables and provisions such as provision for zakat, provision for retirement benefits and other liabilities, which are incidental to **TH**'s principal activities and for which **TH** has a legal and/or constructive obligation to settle those liabilities on behalf of the Fund.

(iii) Depositors' savings fund

The depositors' savings funds is a compound instrument by virtue of the liability component being represented by the amounts which are repayable on demand, and the equity component as determined by MFRS 132, *Financial Instruments: Presentation* ("MFRS 132") arising from the discretionary profits as stipulated under Section 22 of the **TH** Act. The depositors' savings fund is guaranteed by the Government of Malaysia as mentioned in Section 24 of the **TH** Act *Government Guarantee of Payments* which states that:

- (a) If any expenditure of **TH** in relation to withdrawals by depositors cannot be met out of the Fund or the Reserve Fund it shall be charged on and payable out of the Government's Consolidated Fund; and
- (b) Any payment out of the Consolidated Fund shall as soon as practicable be repaid by **TH** to the Consolidated Fund and until it is repaid it shall be a debt to the Government and a first charge on the assets of the Fund and the Reserve Fund.

Section 21 of the **TH** Act stipulates provisions in regards to Reserve Fund as follows:

- (a) Section 21(1) - **TH** shall establish and manage a Reserve Fund.
- (b) Section 21(2) - **TH** may from time to time transfer assets from the Reserve Fund to the Fund or from the Fund to the Reserve Fund.
- (c) Section 21(3) - Transfers into the Reserve Fund shall be determined by **TH** and transfers out of the Reserve Fund shall be determined by the Minister.
- (d) Section 21(4) - Section 20 shall apply to the assets of the Reserve Fund as it applies to the assets of the Fund.

(iv) Distribution of profits to depositors

TH may at its absolute discretion declare a sum as distributable profit to its depositors. In accordance with Section 22 of the **TH** Act *Declaration of Distributable Profit*, the conditions are as follows:

- (a) Section 22(1) - Subject to this section, **TH** may at its absolute discretion determine at any time whether it is prudent to declare a sum as distributable profit in respect of any particular period or year of the Fund and if it determines to so declare, **TH** shall, with the approval of the Minister, declare a sum as distributable profit in respect of any particular period or year of the Fund.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

2. Basis of preparation (*cont'd.*)

(a) Composition of **TH**'s separate financial statements (*cont'd.*)

(iv) Distribution of profits to depositors (*cont'd.*)

- (b) Section 22(2) - If a declaration is made under subsection (1), **TH** shall also determine the manner, amount and time for crediting such distributable profit to each depositor.
- (c) Section 22(3) - No distributable profit shall be declared unless **TH** has first established a Reserve Fund, and no distributable profit shall be declared in any year unless at the end of that year:
 - (i) the assets of the Fund were not less than the aggregate liabilities of the Fund, amounts due to depositors being calculated as if immediately payable; and
 - (ii) the assets of the Reserve Fund were not less than such percentage of the amounts actually standing to the credit of the depositors as at the end of that year including the distributable profit, as the Treasury may approve.
- (d) Section 22(4) - Any payment required to be made out of the Fund for the purposes of this section shall, in so far as the moneys in the Fund are insufficient for that purpose, be made out of the Reserve Fund.
- (e) Section 22(5) - Any decision by the Lembaga in respect of the amount of distributable profit to be apportioned to a depositor shall be final and binding on the depositor and a certificate by the Chief Executive Officer shall be conclusive evidence of the distributable profit apportioned to the depositor.

(v) Surplus funds

Surplus funds represent the excess of the Fund's total assets over its total liabilities, which consist of the following:

Distributable:

- (a) Revenue reserve
Revenue reserve represents accumulated distributable profits of **TH** that may be used, at the discretion of the Lembaga for the purpose of profit distribution subject to fulfilment of Section 22 of the **TH** Act, which is further disclosed in Note 2(a)(iv).
- (b) Equalisation reserve
TH shall transfer into the Equalisation reserve certain amount as may be determined by the members of the Lembaga from time to time to strengthen **TH**'s reserve in achieving continuous financial soundness and prudent profit distribution to depositors.

Non-distributable:

- (c) Statutory reserve
A non-distributable reserve established as a Reserve Fund in accordance with Section 21 of the **TH** Act. Section 21(3) of the **TH** Act states that transfer into the Statutory reserve shall be determined by the Lembaga and transfer out of the Statutory reserve shall be determined by the Minister.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

2. Basis of preparation *(cont'd.)*

(a) Composition of **TH**'s separate financial statements *(cont'd.)*

(v) Surplus funds *(cont'd.)*

Non-distributable: *(cont'd.)*

(d) Fair value through other comprehensive income ("FVOCI") reserve

A non-distributable reserve that comprises the cumulative net change in the fair value of financial assets at FVOCI. In addition, the loss allowance arising from recognition of expected credit losses on debt instruments at FVOCI are accumulated in this reserve instead of reducing the carrying amount of the assets.

(vi) Collection for hajj payment from pilgrims

Collection for hajj payment represents the amount payable by hajj pilgrims to perform hajj during the financial year. This amount is treated as recovery of hajj directs costs incurred by **TH**.

(vii) Special purpose welfare funds (Tabung Kebajikan Jemaah Haji Malaysia ("TKJHM") and Tabung Warga Tua ("TWT"))

The TKJHM fund was established by **TH** to fund the welfare of hajj pilgrims in accordance with predetermined guidelines set up by the TKJHM Committee. The guidelines spell out the usage of the TKJHM fund which among others include the protection, monitoring and welfare of pilgrims as well as general community service.

The sources of funding of TKJHM fund comprise income from placement of inactive accounts, contribution from individuals, agencies and private sectors, state governments, net surpluses and commissions from hajj activities.

The TWT fund was set up in 1999 by **TH** to partially fund the cost of performing hajj for elderly pilgrims who have been selected to perform hajj in a particular hajj season and who meet certain predetermined conditions that qualify them to receive the subsistence.

The source of funding of TWT fund was from a one-off contribution received from depositors of **TH** upon establishment of the TWT Fund. The unutilised contribution was placed with Shariah compliant financial institutions to earn income that would be used to fund eligible elderly pilgrims to perform hajj in the future.

The assets of TKJHM fund and TWT fund comprise all investments made by **TH** by virtue of **TH** having control and legal rights over the assets, although the beneficial ownership is deemed to be with the TKJHM fund and TWT fund.

The liabilities of TKJHM fund and TWT fund comprise all payables and other liabilities which are incidental to TKJHM fund and TWT fund activities and for which **TH** has a legal and/or constructive obligation to settle these liabilities on behalf of the TKJHM fund and TWT fund.

The operations of the two special purpose welfare funds are separate from **TH**'s hajj operation and investment activities, and **TH** is the administrator of the funds, therefore, the net surplus of the funds is deemed as liabilities representing the amounts that can be spent, based on the objectives of the special purpose welfare funds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

2. Basis of preparation (*cont'd.*)

(b) Statement of compliance

The financial statements of the Group and of **TH** have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the **TH** Act.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies as disclosed in Note 3.

The Group and **TH** present their statement of financial position in the order of liquidity.

The financial statements are presented in Ringgit Malaysia ("RM") and are rounded to the nearest thousand ("000"), unless stated otherwise.

(c) Amendments to MFRS that were adopted by the Group and **TH**

During the financial year, the Group and **TH** adopted the following amendments to MFRSs which came into effect from 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition & Measurement* and MFRS 7, *Interest Rate Benchmark Reform*
- Amendments to MFRS 16, *Leases - COVID-19 Related Rent Concession (effective 1 June 2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

The adoption of these amendments to published standards do not have any material impact on the financial statements of the Group and **TH**.

(d) Standards, amendments to published standards and interpretations that are applicable to the Group and **TH** but not yet effective

- (i) Financial year beginning on or after 1 January 2021
 - Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, *Interest Rate Benchmark Reform-Phase 2*
 - Amendments to MFRS 16, *Leases - COVID-19 - Related Rent Concessions beyond 30 June 2020 (effective 1 April 2020)*
- (ii) Financial year beginning on or after 1 January 2022
 - MFRS 1, *First-Time Adoption of Malaysian Financial Reporting Standards - subsidiary as a First-Time Adopter (Annual Improvements to MFRS Standards 2018-2020)*
 - Illustrative Example accompanying MFRS 16, *Leases - Lease incentives (Annual Improvements to MFRS Standards 2018-2020)*
 - MFRS 141, *Agriculture - Taxation in Fair Value Measurements (Annual Improvements to MFRS Standards 2018-2020)*
 - Annual Improvements to MFRS 9, *Fees in the 10% test for derecognition of financial liabilities (Annual Improvements to MFRS Standards 2018-2020)*
 - Amendments to MFRS 3, *Reference to the Conceptual Framework*
 - Amendments to MFRS 116, *Proceeds before Intended Use*
 - Amendments to MFRS 137, *Onerous Contracts - Cost of Fulfilling a Contract*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

2. Basis of preparation *(cont'd.)*

(d) Standards, amendments to published standards and interpretations that are applicable to the Group and **TH** but not yet effective *(cont'd.)*

- (iii) Financial year beginning on or after 1 January 2023
 - Amendments to MFRS 101, *Classification of Liabilities as Current or Non-current & Disclosure of Accounting Policies*
 - MFRS 17, *Insurance Contract*
 - Amendments to MFRS 17, *Insurance Contract*
 - Amendments to MFRS 108, *Definition of Accounting Estimates*
- (iv) Effective date yet to be determined by Malaysian Accounting Standards Board
 - Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The adoption of the above amendments to published standards is not expected to have a material impact on the financial statements of the Group and **TH**, upon their initial application.

(e) **TH Wakalah Account**

Wakalah refers to a contract whereby a party, as principal (*muwakkil*) authorises another party as his agent (*wakil*) to perform a particular task on matters that may be delegated, with or without imposition of a fee.

The change of the Shariah contract for the depositors' fund to wakalah contract, from Wadiah Yad Dhamanah contract, was effective from 31 December 2019.

In the context of **TH**'s financial statements, depositors as principal appoint **TH** as their agent to administer the depositors' savings fund. As the fund administrator, **TH** invests the fund and distributes profit based on performance of the fund and manages hajj affairs in accordance with the **TH** Act. Under this Wakalah structure, **TH** does not impose any fee. However, **TH** deducts its management costs, hajj costs and zakat from the profit or loss generated.

The change in the Shariah contract with depositors as described above did not have any impact to the financial statements of the Group or **TH**.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies

The significant accounting policies of the Group and **TH** have been applied consistently to the periods presented in these financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities, including structured entities, controlled by **TH**. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

The Group also considers the ability to apply de facto power over an investee despite not having the majority of voting rights e.g. when it has the ability to direct the activities of the entities that have a significant impact on the return from entities.

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as follows:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain (negative goodwill) is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(a) Basis of consolidation (*cont'd.*)

(ii) Acquisition or disposal of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any differences between the Group's share of net assets before and after the changes, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly, are presented in the consolidated statement of financial position and statement of changes in surplus funds, separately from the total surplus funds attributable to **TH**. Non-controlling interests in the results of the Group is presented in the consolidated statement of income and statement of comprehensive income as an allocation of the profit or loss and the comprehensive income or loss for the year between non-controlling interests and **TH**.

Losses recognised in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(a) Basis of consolidation (*cont'd.*)

(vi) Associates (*cont'd.*)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associates.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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 associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group accounts for its interest in the joint venture using the equity method. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

3. Significant accounting policies *(cont'd.)*

(a) Basis of consolidation *(cont'd.)*

(vii) Joint arrangements *(cont'd.)*

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in 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 comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in comprehensive income is reclassified to profit or loss where appropriate.

(b) Investments in subsidiaries, joint ventures and associates in separate financial statements

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

The amount due from subsidiaries of which the **TH** does not expect repayment in the foreseeable future are considered as part of the **TH**'s investments in the subsidiaries.

(c) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits and placements with banks and financial institutions, money at call and interbank placements which have an insignificant risk of changes in fair value with original maturity of three months or less, and are used by the Group and **TH** in the management of short term commitments. For the purpose of the statements of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(d) Financing, advances and others

Financing, advances and others which consist of sale-based contracts (namely Bai' Bithaman Ajil, Bai Al-Inah, Murabahah, Bai Al-Dayn and At-Tawarruq), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek and Ijarah Thumma Al-Bai), construction-based contracts (Istisna') and Ar-Rahnu contracts are financial assets measured at amortised cost. Financing by **TH** consists of financing to subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(e) Financial assets

A financial asset is only recognised in the statement of financial position when, and only when, the Group and **TH** become a party to the contractual provision of the instruments.

(i) Classification

The Group and **TH** classify their financial assets on initial recognition in the following measurement categories;

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

(ii) Measurement

Initial recognition

At initial recognition, the Group and **TH** measure 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 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 profit ("SPPP").

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group and **TH**'s business model for managing the asset and the cash flow characteristics of the asset. The Group and **TH** reclassify debt investments when and only when its business model for managing those assets changes, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

There are three measurement categories into which the Group and **TH** classify their debt instruments:

(a) Amortised cost ("AC")

Debt instruments that are held for collection of contractual cash flows where those cash flows represent SPPP are measured at amortised cost. The assets are subsequently measured at amortised cost using the effective profit rate method and are subject to impairment. Recognition of debt instrument is based on settlement date, the date that an asset is delivered to the Group and **TH**. Income from these financial assets is recognised directly in profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss as applicable. Financing and advances, trade and other receivables, cash and cash equivalents and deposit and placements with bank and other financial institutions are amongst the financial assets measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

3. Significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(ii) Measurement (cont'd.)

Subsequent measurement (cont'd.)

Debt instruments (cont'd.)

There are three measurement categories into which the Group and **TH** classify their debt instruments: (cont'd.)

(b) Fair value through other comprehensive income ("FVOCI")

Debt instruments that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent SPPP, are measured at FVOCI. Recognition of debt instrument is based on settlement date, the date that an asset is delivered to Group and **TH**. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, 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 other comprehensive income is reclassified from reserve to profit or loss and recognised in profit or loss. Income from these financial assets is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss as applicable. Profit calculated for debt instruments using the effective profit method is recognised in profit or loss.

(c) Fair value through profit or loss ("FVTPL")

Debt instruments that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Recognition of debt instrument is based on settlement date, the date that an asset is delivered to Group and **TH**. On initial recognition, Group and **TH** 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. These financial assets are subsequently measured at fair value and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

Equity instruments

The Group and **TH** subsequently measure all equity investments at fair value. The Group and **TH** can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investments is held for trading. Financial assets are classified as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses on these equity instruments will never be recycled to profit or loss. Equity instruments at FVOCI are not subject to impairment assessment. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the instruments. The Group and **TH** have designated equity investments that is held with the objective to receive dividend income or for medium to long term as FVOCI. Dividends from such instruments continue to be recognised in profit or loss when the Group and **TH**'s right to receive payments are established.

When the equity instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income will be transferred to revenue reserve.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(e) Financial assets (*cont'd.*)

(ii) Measurement (*cont'd.*)

Subsequent measurement (*cont'd.*)

Other financial assets

Changes in the fair value of other financial assets designated at FVTPL are recognised in the profit or loss as applicable.

(f) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group elects not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at the date of the statement of financial position and the resultant gains and losses for the financial year are recognised in profit or loss.

(g) Financial liabilities

Financial liability is recognised in the statement of financial position when, and only when, the Group and **TH** become a party to the contractual provisions of the instruments.

Financial liabilities include depositors' saving fund, a placement of funds that allows the depositors to withdraw their savings from the account at any time, and other liabilities.

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective profit rate method, other than those categorised as FVTPL.

FVTPL category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair value otherwise cannot be reliably measured are measured at cost.

The Group and **TH** do not have any non-derivative financial liabilities designated at FVTPL.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or **TH** have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

3. Significant accounting policies *(cont'd.)*

(i) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as provision.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15, *Revenue from Contracts with Customers* ("MFRS 15") where appropriate.

(j) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. In the case of property development and construction contracts, contract asset is the excess of cumulative revenue earned over the billings to date. A contract asset is stated at cost less accumulated impairment loss.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. In the case of property development and construction contracts, contract liability is the excess of the billings to date over the cumulative revenue earned. Contract liabilities include down payment received from customer and other deferred income where the Group has billed and collected the payment before the goods are delivered or services are provided to the customers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(k) Inventories

(i) Development properties

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and
- Non-refundable commission cost.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sales.

The inventory category and detailed policy for the property development costs are set out in Note 3(l).

(ii) Palm based products

Palm inventories are measured at the lower of cost and net realisable value.

The cost of stock of palm oil finished goods is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of stores consists of the invoiced value from suppliers and is calculated using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(iii) Stores

Cost of stores consists of the invoiced value from suppliers and is calculated using the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

3. Significant accounting policies *(cont'd.)*

(l) Property development costs

(i) Land held for property development

Inventory properties where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle are referred to as land held for development and classified within non-current assets. Generally no significant development work would have been undertaken on these lands other than infrastructure work, earth work and landscape work incurred to prepare the land for development and these inventory properties are stated at cost plus incidental expenditure incurred to put the land in a condition ready for development. These inventory properties are classified to current assets at the point when active development project activities have commenced and when it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Inventory properties under construction are referred to as property development costs and comprise the cost of land, direct building costs and share of development costs common to the entire development project where applicable. Once sold, the cost of these inventories is recognised in profit or loss as and when control passes to the respective customers.

(iii) Completed properties

Units of development properties completed but unsold are reclassified from property development costs to completed properties.

(m) Plantation development expenditure

Cost includes expenditure that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use. The cost also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

All expenditure relating to development of oil palm estate (immature estate) will be capitalised under plantation development expenditure. An estate is declared mature when they are ready for commercial harvesting. This cost will be depreciated over useful life when the expenditure is transferred to property, plant and equipment when the estate matures.

Estate overhead expenditure is apportioned to revenue and plantation development expenditure on the basis of the proportion of mature to immature areas.

Nurseries are stated at cost. This cost relates to nursery maintenance costs.

(n) Forestry

Forestry are measured on initial recognition and at subsequent reporting dates at fair value, with any changes in fair value of forestry during a year recognised in profit or loss.

The fair value of forestry is determined independently by professional valuers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(o) Investment properties

Measurement

Investment properties are properties or part of properties which are owned to earn rental income or for capital appreciation or for both. Investment properties include land held for a currently undetermined future use and property work-in-progress which is intended for future use as investment property.

Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are subsequently carried at fair value with any changes therein recognised in profit or loss for the period in which they arise including the corresponding tax impact. The fair value is based on market values valued by an independent valuation firm.

Subsequent expenditure is recognised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and **TH** and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Reclassifications to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in reserve as a revaluation.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost of property, plant and equipment or inventories.

(p) Property, plant and equipment

Items of property, plant and equipment are measured at cost or valuation less any accumulated depreciation and any accumulated impairment loss.

Cost includes expenditure that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and **TH**, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised from the financial statements. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

3. Significant accounting policies (cont'd.)

(p) Property, plant and equipment (cont'd.)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net in profit or loss.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative years are as follows:

Bearer plant	27 years
Building on freehold land	5 - 99 years
Building renovations	5 - 10 years
Plant, machineries, fitting and motor vehicles	2 - 15 years
Computer equipment	3 - 7 years

Impairment

At the end of the reporting period, the Group and **TH** 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. The accounting policies on impairment of non-financial assets are set out in Note 3(v).

(q) Bearer plants

Bearer plants are living plants that are used to grow produce over their productive lives. Bearer plants are accounted for as a class of property, plant and equipment. Bearer plants that are available for use are measured at costs less accumulated depreciation and any accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting. The bearer plant is depreciated over its remaining useful lives based on the estimated individual estate annual production yield table.

Immature bearer plants are classified within plantation development expenditure until the trees are available for harvest. At that point, bearer plants are identified for reclassification to property, plant and equipment and depreciated over their estimated useful life of 27 years from the date they are ready for commercial harvesting based on the estimated individual estate annual production yield table. Bearer plants are assessed for indicator of impairment at each reporting period, and if indication exists, an impairment test is performed in accordance with MFRS 136 *Impairment of Assets*.

(r) Biological assets

Biological assets comprise agricultural produce that grows on oil palm plantations.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(s) Leases

(i) Accounting by 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 **TH** (ie: the commencement date).

Contracts may contain both lease and non-lease components. The Group and **TH** 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 **TH** are a lessee, it has been 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 **TH** 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 **TH** reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and **TH** and affects whether the Group and **TH** 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.

b) Right-of-use ("ROU") assets

ROU assets are initially measured at cost comprising the following:

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

ROU assets 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 **TH** 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.

Amortisation

Leasehold land and buildings classified under ROU assets are amortised over a lease period as follows:

Leasehold land	20 - 999 years
Leasehold building	50 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

3. Significant accounting policies (cont'd.)

(s) Leases (cont'd.)

(i) Accounting by lessee (cont'd.)

b) Right-of-use ("ROU") assets (cont'd.)

Impairment

At the end of the reporting period, the Group and **TH** 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. The accounting policies on impairment of non-financial assets are set out in Note 3(v).

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:

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

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

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

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

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

d) Reassessment of lease liabilities

The Group and **TH** 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(s) Leases (*cont'd.*)

(i) Accounting by lessee (*cont'd.*)

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 profit or loss.

(ii) Accounting by lessor

As a lessor, the Group and **TH** determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and **TH** 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 **TH** consider 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 **TH** classify a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and **TH** derecognise the underlying asset and recognise a finance lease 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 3(v) on impairment of financial assets). In addition, the Group and **TH** review 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 **TH** revise the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

b) Operating leases

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

c) Sub-lease classification

When the Group and **TH** are an intermediate lessor, it assesses the lease classification of a sub-lease 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 **TH** apply the exemption described above, then it classifies the sub-lease as an operating lease.

Lembaga Tabung Haji

(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

3. Significant accounting policies *(cont'd.)*

(s) Leases *(cont'd.)*

(ii) Accounting by lessor *(cont'd.)*

d) Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group and **TH** allocate 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.

(t) Takaful Fund

(i) Family Takaful Fund

Included in Family Takaful Fund are funds arising from:

- (i) Family Takaful;
- (ii) Group Family Takaful; and
- (iii) Family retakaful funds

The Family Takaful Fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes the amounts attributable to participants which represents the participants' share of the underwriting surplus and return on the investments, where applicable and are distributable in accordance with the terms and conditions prescribed by the Group.

The surplus transfer from the Family Takaful Fund to profit or loss is based on the predetermined profit sharing ratio of the underwriting surplus and return on investments.

Investment-linked business

Investments of the investment-linked business are stated at closing market prices. Any increase or decrease in value of these investments is taken into the investment-linked business revenue accounts.

Actuarial reserves

Actuarial reserves comprise the prospective actuarial valuation, cash flow projection valuation and unearned contribution valuation as explained below:

(i) Prospective actuarial valuation

For credit-related products, the liabilities of Family Takaful Fund shall be valued based on the sum of present value of future benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru' arising from the certificate, discounted at the appropriate risk discount rate as defined in the valuation guidelines.

For a credit-related takaful certificate whose sustainability of tabarru' deductions is dependent on the performance of Participants Investment Fund ("PIF"), the calculation is subject to adjusting the future gross tabarru' cash flow such that it is limited to the period where the PIF can sustain the tabarru' and assuming that the takaful coverage is in force for the full duration of the takaful contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

3. Significant accounting policies (cont'd.)

(t) Takaful Fund (cont'd.)

(i) Family Takaful Fund (cont'd.)

Actuarial reserves (cont'd.)

(ii) Cash flow projection valuation

For products with PIF other than credit-related products, the liabilities shall be valued by projecting future cash flows to ensure that all future obligations can be met without recourse to additional finance or capital support at any future time during the duration of the certificate. The cash flow projection shall use a basis that is consistent with the requirements of the valuation guidelines.

(iii) Unearned contribution valuation

Yearly renewable products or extensions shall be valued according to the following:

- (a) For a certificate covering death or survival, the liabilities shall be valued on an unexpired risk basis using a prospective estimate of expected future payments arising from future events covered as at the valuation date. These future payments shall include allowance for direct claims related expenses, direct investment-related expenses, cost of retakaful and expected future contribution refunds expected during the unexpired period.
- (b) For a certificate covering contingencies other than death or survival, the net liability is the maximum of unexpired risk reserve or unearned contribution reserve.

Provision for outstanding claims

Claims and provisions for claims arising on family and group family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose the benefits payable under a family takaful certificate are recognised as follows:

- (i) Maturity or other policy benefit payments due on specified dates are accounted for as claims payable on the due dates.
- (ii) Death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the participant or occurrence of contingency covered.
- (iii) For individual family, group health and medical business, provision is made for the cost of claims (together with related expenses) and Incurred But Not Reported ("IBNR") claims at the end of the reporting period, using a mathematical method of estimation by a qualified internal actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claim settlement pattern as well as uncertainties in the projection model and underlying assumptions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

3. Significant accounting policies *(cont'd.)*

(t) Takaful Fund *(cont'd.)*

(i) Family Takaful Fund *(cont'd.)*

Expense reserve

Expense reserves consists the followings:

(i) Expense liabilities

The expense reserves for the Family Takaful business are estimated assuming that the block of in-force contracts are to be maintained on a going concern basis. Under a going concern scenario, the contracts so valued are taken as a particular subblock of contracts and the cash flows are valued to the point the last certificate goes off the books. The maintenance expenses related to such contracts include the cost of functions that would normally be associated with operation of the business on a 'going concern' basis. The method used to value expense liabilities shall be consistent with the method used to value takaful liabilities of the corresponding family takaful certificate (for example, for a long-term ordinary takaful certificate, the valuation method for expense liabilities should also be long-term in nature).

(ii) Deficiency Reserve for Skim Anuiti Takaful KWSP

In addition to the expense liabilities above, an additional requirement is also complied as stipulated below:

If Participant Investment Fund ("PIF") is expected to be insufficient to meet future annuity certain benefit and/or future life annuity tabarru', another provision shall be set aside that is in line with requirement of the valuation guideline. Upon PIF insufficiency, the Shareholders' Fund shall honour the annuity certain benefit payment to participants as well as the tabarru' to Participant Risk Fund ("PRF").

(ii) General Takaful Fund

The General Takaful Fund is maintained in accordance with the Islamic Financial Services Act, 2013. Included in General Takaful Fund are funds arising from:

- (i) General Takaful; and
- (ii) General Retakaful Funds.

The General Takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions, claims incurred and administrative fees.

Contribution liabilities

Contribution liabilities represent the future obligations on takaful contracts as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful contracts and recognised as earned contribution income.

Contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") respectively for all lines of business or the best estimate value of the unexpired risk reserves ("URR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(t) Takaful Fund (*cont'd.*)

Contribution liabilities (*cont'd.*)

(i) Unexpired risk reserves

The URR is prospective estimate of the expected future payments arising from future events insured or covered under contracts in force as at the end of the financial year and also includes allowance for expenses, including overheads and costs of retakaful, expected to be incurred during the unexpired period in administering these policies or contracts and settling the relevant claims, and shall allow for expected future contributions refunds.

URR is estimated via an actuarial valuation performed by qualified actuary, using a mathematical method of estimation similar to Incurred But Not Reported ("IBNR") claims.

(ii) Unearned contribution reserves

The Unearned Contribution Reserves ("UCR") represent the portion of the net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the end of the reporting period, the method that most accurately reflects the actual unearned contributions is used, as follows :

- (a) 1/365th method for all General Takaful business.
- (b) 1/8th method for all classes of General Treaty Inward Retakaful business.

Provision for outstanding claims

A liability for outstanding claims is recognised in respect of direct takaful business. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries, if any, to settle the present obligation at the end of the reporting period. Any difference between the current estimated cost and subsequent settlement is dealt with in the takaful statement of comprehensive income of the Group in the year in which the settlement takes place.

Provision is also made for the cost of claims (together with related expenses) and Incurred But Not Reported Claims ("IBNR") at the end of the reporting period, using a mathematical method of estimation by a qualified external actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claims settlement pattern as well as uncertainties in the projection model and underlying assumptions.

Expense reserve

The expense reserve for mudharabah certificates is calculated based on best estimate of the provision for unexpired expense risk ("UER") and the provision of risk margin for adverse deviation ("PRAD"). The expense reserve for wakalah certificates refers to the higher of aggregate of the Unearned Wakalah Fee ("UWF") for all lines of business or best estimate of the provision for UER and the PRAD at total fund level.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(u) Intangible assets

(i) Goodwill

Goodwill represents the excess of the acquisition cost over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is not amortised but is reviewed annually to determine whether impairment exists, or is reviewed more frequently if events or changes in circumstances indicates that it might be impaired. An impairment loss is charged directly to the profit or loss and is not reversed in the subsequent period.

The determination of recoverable amount is as described in Note 3(v)(ii).

(ii) Bancatakaful service fees

Bancatakaful service fees is amortised using the straight-line method over its useful lives of five years. The amortisation methods, useful lives and residual values are reviewed at the end of each reporting date and changed, if necessary.

(iii) Other intangible assets

Other intangible assets comprise intangible core deposits, customers' relationship and brands arising from the acquisition of banking and takaful business and are stated at fair value on the date of acquisition and amortised over the expected useful life between 10 and 12 years.

(v) Impairment

(i) Financial assets

Impairment for debt instruments, financing commitments and financial guarantee contracts

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

At each reporting date, the Group and **TH** first assess individually whether there is a significant increase in credit risk or objective evidence of impairment exists for significant financial assets and collectively for financial assets that are not individually significant. If it is determined that there is significant increase in credit risk or objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial assets measured at amortised cost and FVOCI, a lifetime ECL will be recognised for impairment loss which has been incurred.

The Group and **TH** have considered the impact of the COVID-19 pandemic and has taken into account the economic and financial measures announced by the Government in estimating the ECL on the financial assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(v) Impairment (*cont'd.*)

(i) Financial assets (*cont'd.*)

Impairment for debt instruments, financing commitments and financial guarantee contracts (*cont'd.*)

The Group and **TH** have seven types of financial instruments that are subject to either a 3-stage approach to ECL or the simplified approach as follows:

- i) Cash and short-term funds and deposits and placements with banks and other financial institutions
- ii) Financing, advances and others
- iii) Trade receivables and contract assets
- iv) Debt instruments at amortised cost
- v) Debt instruments measured at FVOCI
- vi) Takaful and retakaful assets
- vii) Other financial assets at amortised cost

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 **TH** expect to receive, over the remaining life of the financial assets. 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 or **TH** expects 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 outcome;
- 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.

General 3-stage approach

Under collective assessment, the Group applies a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) **Stage 1: 12-months ECL ("Stage 1")**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon recognition, the portion of lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii) **Stage 2: Lifetime ECL - not credit impaired ("Stage 2")**

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(v) Impairment (*cont'd.*)

(i) Financial assets (*cont'd.*)

Impairment for debt instruments, financing commitments and financial guarantee contracts (*cont'd.*)

General 3-stage approach (*cont'd.*)

iii) **Stage 3: Lifetime ECL - credit impaired ("Stage 3")**

Financial assets are assessed as credit impaired when one or more events that have a negative impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised.

Simplified approach

The Group and **TH** apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL generally for all trade and other receivables and contract assets. Note 50(i)(a) sets out the measurement details of ECL.

Significant increase in credit risk

The Group and **TH** 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 **TH** compare the risk of a default occurring on financial assets as at reporting date with the risk of default as at the date of initial recognition. The Group and **TH** consider available reasonable and supportable forward-looking information.

The following indicators are incorporated in assessing credit risk:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor has more than 30 days past due in making a contractual payment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(v) Impairment (*cont'd.*)

(i) Financial assets (*cont'd.*)

Significant increase in credit risk (*cont'd.*)

Definition of default and credit-impaired financial assets

The Group and **TH** 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 **TH** define a financial instrument as default, when the counterparty fails to make contractual payment when they have more than 90 days past due in making a contractual payment.

Qualitative criteria:

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

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

Financial instruments that are credit-impaired are assessed on an individual basis. Financing to subsidiaries in **TH**'s separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each financing to subsidiary companies.

ECL measurement on financing to subsidiaries were done based on discounted cash flow method and looking at 3 different scenarios that are Base Case, Best Case and Worst Case based on certain weightage assigned to those scenarios.

(ii) Non-financial assets (covering subsidiaries, associates, joint ventures, property, plant and equipment and other non-financial assets)

The Group and **TH** assess impairment of the non-financial assets, whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable (i.e. the carrying amount is more than the recoverable amount).

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

3. Significant accounting policies *(cont'd.)*

(v) Impairment *(cont'd.)*

(ii) Non-financial assets (covering subsidiaries, associates, joint ventures, property, plant and equipment and other non-financial assets) *(cont'd.)*

Impairment losses recognised in prior years are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(w) Provisions

A provision is recognised if, as a result of a past event, the Group and **TH** have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Where the Group and **TH** 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 expenditure 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 provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(x) Employees' benefits

(i) Short term benefits

Wages, salaries, bonuses and social securities contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group and **TH**. Short-term accumulated compensated absences such as paid annual leave are recognised as an expense when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulated compensated absences such as sick leave are recognised when absences occur.

(ii) Other long-term benefits

Other long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which the employees render the related services.

The cost of long-term employee benefits is accrued to match the services rendered by the Group using the recognition and measurement basis similar to that for the defined benefit plans disclosed in Note 3(x)(iv); except that the remeasurement are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(x) Employees' benefits (*cont'd.*)

(iii) Defined contribution plan

The Group and **TH** contribute to Employment Provident Fund and approved pension scheme for its employees. The contribution constitute a defined contribution plan, whereby it is recognised as an expense in profit or loss when it is incurred. Once the contribution have been paid, the Group and **TH** have no further payment obligations.

(iv) Defined benefit plans

The Group and **TH** operate an unfunded, defined Retirement Benefit Plan ("the Plan") for their eligible employees. The defined benefits obligation is calculated every three years by the independent actuaries using the Projected Unit Credit Method, through which the amount of benefit that employees have earned in return for their service in the current and prior financial year is estimated. Remeasurement, comprising of actuarial gain and losses are recognised immediately in the statements of financial position with a corresponding debit or credit to retained profits through other comprehensive income ("OCI") in the period in which the actuarial valuation is performed. Remeasurement is not reclassified to profit or loss in subsequent periods.

Remeasurement of the net defined benefit liability for post-employment benefits is required to be recognised in OCI, whereas for other long-term employee benefits is required to be recognised in profit or loss. All benefits plans are considered as post-employment benefits except for hajj plan since the plan can be utilised during employment and after retirement.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group and **TH** recognise restructuring-related costs.

Net finance expense is calculated by applying the discount rate to the net defined benefit liability. The Group and **TH** recognise the following changes in the net defined benefit obligation under 'retirement benefits expense' in profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net finance expense or income.

TH's unfunded long-term retirement benefits are in respect of the following:

- (i) Medical benefits;
- (ii) Accumulated annual leave reward;
- (iii) Hajj performance; and
- (iv) Gratuity payment.

(y) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of **TH**. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated. The functional currency is the currency of the primary economic environment in which **TH** operates. The Group and **TH**'s foreign operations have different functional currencies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(z) Foreign currency

(i) Transaction and balance in foreign currency

Transactions in foreign currencies are translated into the respective entity's functional currency at the exchange rates prevailing at the dates of the transactions.

Financial assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to functional currency at the foreign exchange closing rate at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments 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 profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income, are included in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions. Foreign currency differences arising from translation of operations denominated in foreign currencies are recognised in other comprehensive income as currency translation differences in respect of foreign operations.

When denominated operations in foreign currencies are disposed of through sales which result in loss of control or significant influence, the accumulated foreign exchange reserves for the operation is reclassified to profit or loss as part of the gain or loss on disposal.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(aa) Recognition of income

(i) Investment income

Profits from Shariah compliant debt instruments are recognised in profit or loss on accrual basis using the effective profit rate method.

Dividends from investments are recognised when the right to receive dividends is established.

The income from debt securities and investment in money market is recognised on accrual basis.

Income from non-Shariah sources are not recognised in profit or loss, in accordance with the guidelines issued by Shariah Advisory Council of the Securities Commission and **TH** Shariah Advisory Committee. These income are accounted for in the statement of financial position.

(ii) Financing income

Banking business

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group has considered all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Income from a sale-based contract is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding whereas income from Ijarah (lease-based contract) is recognised on effective profit rate basis over the lease term.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Takaful business

Income from financing are recognised on an accrual basis and on a time proportion basis that takes into account the effective yield of the asset.

(iii) Goods sold

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods and services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when or as the customer obtains control of the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

3. Significant accounting policies *(cont'd.)*

(aa) Recognition of income *(cont'd.)*

(iii) Goods sold *(cont'd.)*

The Group transfers control of a good or service at a point in time unless one of the following criteria is met, upon which the transfer of control of a good or service is deemed to be over a period of time:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(iv) Construction contracts

Under such contracts, the Group is engaged to construct buildings and related infrastructure and in certain instances to supply equipment. These contracts may include multiple promises to the customers and therefore accounted for as separate performance obligations. The fair value of the revenue, which is based on fixed price under the agreement will be allocated based on relative stand-alone selling price of the considerations of each of the separate performance obligations. The Group recognises construction revenue over time as the project being constructed has no alternative use to the Group and it has an enforceable right to the payment for performance completed to date. The stage of completion is measured using the input method, which is based on the total actual construction cost incurred to date as compared to the total budgeted costs for the respective construction projects.

(v) Property development

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling price. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from property development is measured at the fixed transaction price agreed under the sale and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(aa) Recognition of income (*cont'd.*)

(v) Property development (*cont'd.*)

This is generally established when:

- (a) the promised properties are specifically identified by its plot, lot and parcel number and its attributes (such as its size and location) in the sale and purchase agreements and the attached layout plan and the purchasers could enforce their rights to the promised properties if the Group seeks to sell the unit to another purchaser. The contractual restriction on the Group's ability to direct the promised residential property for another use is substantive and the promised properties sold to the purchasers do not have an alternative use to the Group; and
- (b) the Group has the right to payment for performance completed to date and is entitled to continue to transfer to the customer the development units promised and has the rights to complete the construction of the properties and enforce its rights to full payment.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the assets sold.

(vi) Land sales

The land sale is generally expected to be the only performance obligation and the Group has determined that it will be satisfied at the point in time when control transfers. For unconditional exchange of contracts, this is generally expected to be when legal title transfers to the customers. For conditional exchange, this is expected to be when all significant conditions are satisfied.

(vii) Facilities management

Revenue from facilities management contracts are recognised based on the terms of the contracts.

(viii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

3. Significant accounting policies *(cont'd.)*

(aa) Recognition of income *(cont'd.)*

(x) Other banking and takaful income

Fees and other income

Financing arrangement, management and participation fees, underwriting commissions, brokerage fees and wakalah performance incentive fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Wakalah fees

Wakalah fees are recognised as income or expenses by the respective funds based on a predetermined percentage of gross contributions upon inception of certificates. Wakalah surplus or deficit is arrived at after deducting commission and management expenses against the Wakalah fees charged.

Contribution income of Family Takaful Fund

Contribution income is recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of each financial period, all due contributions are accounted for to the extent that they can be reliably measured.

Contribution income of General Takaful Fund

Contribution income is recognised in a financial period in respect of risks assumed during that particular financial period based on the inception date. Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operator.

(ab) Financing costs

Financing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective profit rate method.

Financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of financing costs as part of the cost of a qualifying asset commences when expenditure for the asset is incurred, financing costs are incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of financing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the financing costs eligible for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(ac) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in reserve or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ad) Assets classified as held for sale

Assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or components of a disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

Assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities associated with assets of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

3. Significant accounting policies (*cont'd.*)

(ad) Assets classified as held for sale (*cont'd.*)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and statement of comprehensive income.

(ae) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and **TH** use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

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

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

The Group and **TH** recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's and **TH**'s financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities and the accompanying disclosures. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual result may differ.

The Group and **TH** base their assumptions and estimates on parameters available when the consolidated financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group and **TH**. Such changes are reflected in the assumptions when they occur.

The most significant use of judgement and estimates are as follows:

(a) Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The key assumptions used, results and conclusions of the fair value measurement are set out in Note 51.

(b) Measurement of ECL allowance

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and **TH** use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group and **TH**'s past history, existing market conditions as well as forward looking estimates at the end of reporting period. Details of the key assumptions and inputs used are disclosed in Note 50(i)(a).

Recoverability of UJSB Sukuk and deferred consideration receivable

In accordance with MFRS 9, the Sukuk and deferred consideration receivable are debt instruments which meet the solely payments of principal and profit ("sPPP") criteria and **TH** will hold to collect the principal and profit until maturity. Hence, it shall be measured at amortised cost. **TH** shall recognise a loss allowance for expected credit losses ("ECL") on all debt instruments that are measured at amortised cost.

As the issuance of the UJSB Sukuk and deferred consideration receivable are from UJSB, a wholly-owned entity of MoF Inc., members of the Lembaga and management of **TH** have taken a view that the Sukuk and the deferred consideration receivable should be assessed under the Government of Malaysia. Given that historically, no investors have suffered any losses from any Malaysian Ringgit denominated debt instruments issued by the Government and/or SPVs owned by MoF Inc., members of the Lembaga and management of **TH** have concluded that no ECL is required in respect of the UJSB Sukuk and the deferred consideration receivable as at 31 December 2020. Further details on the UJSB Sukuk and deferred consideration receivable are disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

4. Significant accounting judgements, estimates and assumptions *(cont'd.)*

(c) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing the assets. The value in use calculation is based on a discounted cash flow model. The cash flows do not include restructuring activities that the Group and **TH** are not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit being tested.

The key assumptions used, results and conclusions of the impairment assessment are set out in Notes 20, 21, 22, 24, 25, 26, 27 and 29.

(d) Construction contracts and property development

The Group recognises certain property development activities and construction contract based on the percentage of completion method. The stage of completion of the property development activities and construction contracts is measured in accordance with the accounting policies set out in Note 3(j) and 3(ab).

Significant judgement is required in determining the percentage of completion, the extent of the development project and contract costs incurred, the estimated total revenue and total costs and the recoverability of the development project and contract. In making these judgements, management relies on past experience and the work of specialists.

(e) Revaluation of investment properties and forestry

The Group and **TH** carry their investment properties and forestry at fair value, with changes in fair value being recognised in profit or loss.

Investment properties are valued by reference to transactions involving properties of a similar nature, location and condition. The valuation of investment properties is further discussed in Note 19.

The fair value of forestry is determined using valuation prepared by an independent valuer. The valuation involved making assumptions about discount rate, future price of latex and log, yield of latex, volume of log, future upkeep and cultivation cost and harvesting cost. As such, this estimated fair value is subject to significant uncertainty. Significant assumptions used to derive fair value is as shown in Note 24.

(f) Recognition of deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unutilised investment tax allowances to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and investment tax allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

4. Significant accounting judgements, estimates and assumptions (*cont'd.*)

(g) Depreciation of property, plant and equipment

The assets within property, plant and equipment, except for bearer plants, are generally depreciated on a straight line basis over the assets' useful lives up to its residual value. Management reviews the residual values, useful lives and depreciation method at the end of the financial year and ensures consistency with previous estimates and patterns of consumption of the economic benefits that embodies the items in these assets. Changes in useful lives and residual values of these assets may result in revision of future depreciation charges.

The Group depreciates bearer plant based on yield estimates which is estimated based on past trend yield per hectare which in turn is dependent on the age of the trees. The yield per hectare is determined by internal planting advisors who have appropriate recognised professional qualifications and experience in the field. Estimating the potential yield requires significant judgement and is dependent on past trend production of the Group. The actual yield however, may be different from expected.

(h) Provisions for retirement benefits

The costs of the defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. This includes the determination of the discount rate, future salary increases, medical trend rate and inflation rate. Due to the complexities involved in the valuation and its long-term nature, a defined obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Any changes in this assumptions will impact the carrying amount of the provision for retirement benefits, as disclosed in Note 39.

(i) Provision for outstanding takaful claims

Provision for outstanding takaful claims are disclosed in Note 3(t) and are dependent on estimates and judgements of the management. Actual claims and payments may be different from estimates made.

(j) Expenses reserve

General Takaful Fund

The expense reserve for mudharabah certificates is calculated based on best estimate of the provision for unexpired expense risk ("UER") and the provision of risk margin for adverse deviation ("PRAD"). The expense reserve for wakalah certificates refers to the higher of aggregate of the Unearned Wakalah Fee ("UWF") for all lines of business or best estimate of the provision for UER and the PRAD at total fund level.

Family Takaful Fund

Expense reserves consist of the following:

(i) Expense liabilities

The method used to value expense liabilities shall be consistent with the method used to value takaful liabilities of the corresponding family takaful certificate (for example, for a long-term ordinary takaful certificate, the valuation method for expense liabilities should also be long-term in nature).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

4. Significant accounting judgements, estimates and assumptions *(cont'd.)*

(j) Expenses reserve *(cont'd.)*

Family Takaful Fund (cont'd.)

Expense reserves consist of the following: *(cont'd.)*

(ii) Deficiency Reserve for Employees' Provident Fund Takaful Annuity Scheme

In addition to the expense liabilities above, an additional requirement is also complied as stipulated below:

If Participant Investment Fund ("PIF") is expected to be insufficient to meet future annuity certain benefit and/or future life annuity tabarru', another provision shall be set aside that is in line with requirement of the valuation guideline. Upon PIF insufficiency, the Shareholders' Fund shall honour the annuity certain benefit payment to participants as well as the tabarru' to Participant Risk Fund ("PRF").

The estimates made may differ from actual payments in these circumstances.

(k) Leases

Accounting by lessee - extension and termination options

In determining the lease term, the Group and **TH** 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 terminated).

Accounting by lessee - estimating the incremental borrowing rate of leases

The Group and **TH** cannot readily determine the profit rate implicit in the lease, therefore, they use their incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of profit that the Group and **TH** would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group and **TH** 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and **TH** estimate the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Lembaga Tabung Haji
(Established under Lembaga Tabung Haji Act 1995)
and its subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

5. Cash and short-term funds

	Group	
	2020	2019
	RM'000	RM'000
Short-term placements with:		
- Licensed financial institutions	795,251	3,740,741
- Bank Negara Malaysia	-	658,053
Cash and bank balances	846,496	2,085,191
Cash held by external fund managers	492,795	362,891
	2,134,542	6,846,876

	TH	
	2020	2019
	RM'000	RM'000
Short-term placements with licensed financial institutions	882,485	2,424,776
Cash and bank balances	1,415,390	730,466
Cash held by external fund managers	492,795	362,891
	2,790,670	3,518,133

Placements with licensed financial institutions of the Group and **TH** registered profit margins ranging between 0.05% and 3.10% (2019: 0.85% and 4.00%). The maturity of the short-term placement deposits are 1 to 90 days depending on immediate cash requirements of the Group and **TH**.

Included in placements with licensed financial institutions and cash and bank balances of the Group and **TH** were short term placements and cash and bank balances of TKJHM and TWT amounting to RM399,168,000 (2019: RM389,020,000).

Included in cash and bank balances of the Group are as follows:

- (i) RM1,316,000 (2019: RM1,316,000) pledged to banks for bank guarantee facilities; and
- (ii) RM5,888,000 (2019: RM4,375,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

Included in placement with licensed financial institutions of the Group is an amount of RM1,009,000 (2019: RM84,044,000) pledged against revolving credits as disclosed in Note 38.

On 24 December 2020, LTH Property Holdings Ltd., a subsidiary of the Group, entered into a Master Murabaha Agreement with a financial institution for RM592,963,000 (£108,000,000) effective from 31 December 2020. As at year end, the subsidiary pledged RM37,883,000 (£6,900,000) in an escrow account.

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5. Cash and short-term funds *(cont'd.)*

In 2019, under the terms of the Security Interest Agreement entered into between Millstream Property Limited ("MPL"), a subsidiary of the Group, incorporated in Jersey and Maybank Islamic Berhad in relation to the provision of a Murabahah Facility of £36,560,000, rental income from Windsor Office Park had to be deposited to a designated HSBC Bank Plc account, which was charged as security to Maybank Islamic Berhad by MPL. RM23,237,000 (£4,321,000) was deposited as security interest into the HSBC Bank Plc account as at 31 December 2019. As at 31 December 2020, the facility has been fully settled.

6. Deposits and placements with banks and other financial institutions

	Group	
	2020	2019
	RM'000	RM'000
Licensed banks	9,631,011	6,068,918
Other financial institutions	-	35,039
	9,631,011	6,103,957

	TH	
	2020	2019
	RM'000	RM'000
Licensed banks	11,495,310	4,180,722

7. Derivative financial instruments

Group	Fair value		
	Nosional Amount	Assets	Liabilities
	RM'000	RM'000	RM'000
2020*			
Forward exchange contracts	-	-	17,403
2019			
Forward exchange contracts	6,255,520	27,816	37,271
Warrants	-	1,905	-
Profit rate swaps	147,098	1,700	819
	6,402,618	31,421	38,090

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7. Derivative financial instruments (cont'd.)

TH

		Fair value	
	Nosional Amount RM'000	Assets RM'000	Liabilities RM'000
2020			
Warrant	554,609	27,025	-
2019			
Warrant	554,609	27,025	-

The above tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss for hedging purposes. The principal or contractual amount of these instruments reflect the volume of transactions outstanding at financial position date, and do not represent amounts at risk. Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities, respectively.

* In 2020, BIMB Holdings Berhad ("BHB") was transferred to Assets Held For Sale, hence there are no warrants and profit rate swaps.

8. Financial assets at fair value through profit or loss ("FVTPL")

		Group	
	Note	2020 RM'000	2019 RM'000
Debt instruments			
Sukuk	(i)	735,317	1,124,014
Perpetual securities	(ii)	2,903,806	2,812,342
Malaysian Government investment issues		-	274,162
Term investment accounts		100,000	802,000
Institutional trust accounts		188,390	179,790
Malaysian Islamic Treasury Bills		-	99,571
Islamic commercial papers		-	50,189
		3,927,513	5,342,068

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8. Financial assets at fair value through profit or loss ("FVTPL") *(cont'd.)*

		Group	
		2020	2019
		RM'000	RM'000
Note			
Equity instruments			
Shares		1,825	335,669
Unit trusts		734,994	1,057,264
		736,819	1,392,933
		4,664,332	6,735,001
		TH	
		2020	2019
		RM'000	RM'000
Note			
Debt instruments			
Sukuk	(i)	735,317	691,074
Perpetual securities	(ii)	2,903,806	2,812,342
Term investment accounts		600,000	1,302,000
Institutional trust accounts		188,390	179,790
		4,427,513	4,985,206
Equity instruments			
Unit trusts		675,000	675,610
		5,102,513	5,660,816

i) Sukuk

Included in sukuk classified as financial assets at FVTPL is a sukuk issued by Menara ABS Berhad (the "Issuer"). On 15 January 2008, the Issuer had issued a few sukuk tranches comprising Tranche A, Tranche B and Tranche C (Junior) sukuk based on the Shariah principle of Al-Ijarah under an Islamic asset-backed sukuk ijarah issuance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

8. Financial assets at fair value through profit or loss ("FVTPL") (*cont'd.*)

i) **Sukuk** (*cont'd.*)

The Tranche C sukuk held by **TH** amounting to RM722.70 million as at 31 December 2020 (2019: RM678.72 mil) ("ABS Junior Sukuk") is classified as a financial asset at FVTPL as it failed the SPPI test due to the following:

- Tranche C Sukuk holder is entitled to the benefit of any residual value in the underlying properties after payment of the financial distribution amounts in respect of the Tranche A Sukuk and Tranche B Sukuk; and
- Any shortfall in the sales proceeds resulting in a shortfall in redemption of Tranche C Sukuk shall not constitute a dissolution event as the Tranche C Sukuk holder essentially bears the risk of any change in the value of the underlying properties.

The ABS Junior Sukuk will mature on 13 January 2023 and the effective profit rate as at 31 December 2020 is 6.92% per annum (2019: 7.37%).

Please refer to Note 56 for further details of events subsequent to 31 December 2020 with respect to the Sukuk.

ii) **Perpetual securities**

Included in financial assets at FVTPL are perpetual securities amounting to RM2,903.81 mil as at 31 December 2020 (2019: RM2,812.34 mil) which fails the SPPI test. These securities have the following features :

- There is no fixed redemption date;
- The issuer may at its sole discretion, elect to defer payment in whole or in part of any periodic distribution amount and shall have no obligation to pay the relevant part of the periodic distribution amount and any failure to pay such periodic distribution amount shall not constitute a default of the issuer;
- Additional profit does not accrue on the deferred profit distribution amount;
- The securities may be redeemed at the option of the issuer on each call date together with unpaid profit distributions accrued to such date; and
- Certain issuers allow for the redemption by the issuer to be in whole or in part in relation to the sukuk.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****9. Financial assets at fair value through other comprehensive income ("FVOCI")**

		Group	
		2020	2019
		RM'000	RM'000
		Note	
Debt instruments			
Sukuk	(ii)	10,522,512	23,938,360
Malaysian Government investment issues		672,640	2,263,901
Malaysian Government Islamic papers		-	499,632
Institutional trust account		-	530,852
Islamic commercial papers		-	230,871
		11,195,152	27,463,616
Equity instruments			
Quoted shares		8,710,985	7,340,453
Unquoted shares		705,041	911,653
Shares managed by external fund managers		832,554	755,710
		10,248,580	9,007,816
		21,443,732	36,471,432

		TH	
		2020	2019
		RM'000	RM'000
		Note	
Debt instruments			
Sukuk	(ii)	10,607,830	10,653,897
Malaysian Government investment issues		672,640	10,512
		11,280,470	10,664,409
Equity instruments			
Quoted shares		8,710,830	7,331,386
Unquoted shares		705,017	873,649
Shares managed by external fund managers		832,554	755,710
		10,248,401	8,960,745
		21,528,871	19,625,154

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****9. Financial assets at fair value through other comprehensive income ("FVOCI") (cont'd.)**

- (i) Movement of allowance for impairment on debt instruments at FVOCI is as follows:

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	27,611	6,236	27,229	5,460
Charge during the year	12,259	21,375	12,397	21,769
Transfer to asset held for sale	(244)	-	-	-
At 31 December	39,626	27,611	39,626	27,229

- (ii) Included in the debt instruments at FVOCI of the Group and
- TH**
- are investments in Tranche A and Tranche B of Sukuk issued by Menara ABS Berhad. Tranche A and Tranche B amounted to RM100,097,000 (2019: RM101,384,000) and RM40,036,000 (2019: RM40,422,000), respectively. Details of the Menara ABS's Sukuk issuance based on Shariah principle of Al-Ijarah under an Islamic asset-backed Sukuk ijarah issuance is disclosed in Note 8(i).

The Tranche A and Tranche B Sukuk will mature on 13 January 2023 and 15 January 2021, respectively. The effective profit rate of Tranche A Sukuk as at 31 December 2020 ranges between 3.11% - 3.66% per annum (2019: 4.25% - 4.61% per annum). The effective profit rate of Tranche B Sukuk is 3.01% per annum (2019: 4.25% per annum). On 15 January 2021, Menara ABS Berhad successfully redeemed the entire amount of Tranche B Sukuk.

Please refer to Note 56 for further details of events subsequent to 31 December 2020 with respect to the Sukuk.

10. UJSB Sukuk and receivables at amortised cost

	Group / TH	
	2020	2019
	RM'000	RM'000
UJSB Sukuk		
At subscription price	19,600,000	19,600,000
Add: Accumulated accretion of discount	1,286,849	469,123
Less: Early redemption	(199,387)	-
	20,687,462	20,069,123
Deferred cash consideration		
At nominal value	-	200,000
Less: Fair value adjustment (Note 41)	-	(7,322)
	-	192,678
Total	20,687,462	20,261,801

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

10. UJSB Sukuk and receivables at amortised cost (cont'd.)

(i) Salient terms of UJSB Sukuk

The UJSB Sukuk was issued on 30 May 2019 and the salient terms of the Sukuk are as follows:

Group	Series 1	Series 2
Subscription price (RM'000)	RM9,811,593	RM9,600,000
Nominal value (RM'000)	RM12,954,902	RM14,347,575
Maturity date	29 May 2026	30 May 2029
Tenure	7 years	10 years
Coupon rate	Zero	Zero
Yield-to-maturity per annum	4.05%	4.10%
Settlement	Bullet repayment at the end of the Sukuk tenure.	
Early Redemption	Option for early redemption is granted to allow UJSB to redeem the Sukuk at any time prior to the maturity of the Sukuk. UJSB may opt for early redemption at any point in time through settlement in: <ul style="list-style-type: none"> • cash; and/or • the Transferred Assets (in whole or in part); and/or any other assets to be mutually agreed between UJSB and TH at fair or market value equivalent to the early redemption sum. No penalty will be imposed and/or charged to UJSB for the early redemption of the Sukuk.	
Redemption	The Sukuk shall be redeemed at 100% of its nominal value on the maturity date through settlement in: <ul style="list-style-type: none"> • cash; and/or • the Transferred Assets (in whole or in part); and/or • any other assets to be mutually agreed between UJSB and TH at fair or market value equivalent to the nominal value of the Sukuk. 	
Additional features	The Sukuk is unrated, non-tradeable, non-transferable and is not guaranteed by the Government of Malaysia.	

ii) Settlement of the transfer via issuance of Sukuk by UJSB

The settlement for the transferred assets is via the following:

- The issuance of 2 series of zero-coupon Murabahah Sukuk by UJSB ("UJSB Sukuk") at a total issue price of RM19.6 billion (total nominal value of RM27.6 billion); and
- A deferred cash settlement totaling RM300 million for a period of 2 years, of which RM100 million and RM200 million are due on 31 December 2019 and 2020, respectively.

The RM100 million which was due on 31 December 2019, which was part of the deferred cash consideration, was paid by UJSB on 30 December 2019 and the balance of RM200 million balance was paid on 30 December 2020.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****10. UJSB Sukuk and receivables at amortised cost (cont'd.)**iii) Contribution of the Sukuk recognised in the financial statements of the Group and of **TH**

The contribution of the accretion of discount, which has been recognised as part of the revenue of the Group and **TH**, and the carrying amount of the Sukuk to the profit before zakat of the Group and **TH** for the current financial year and the total assets of the Group and **TH** as at 31 December 2020, respectively, is as follows:

	Series 1 RM'000	Series 2 RM'000	Total RM'000
As at 1 January 2020	10,237,910	9,831,213	20,069,123
Accretion of discount during the year	413,987	403,739	817,726
Proceeds on early redemption	(200,000)	-	(200,000)
Gain on early redemption	613	-	613
As at 31 December 2020	10,452,510	10,234,952	20,687,462
Upon issuance at 30 May 2019	10,000,000	9,600,000	19,600,000
Accretion of discount during the year	237,910	231,213	469,123
As at 31 December 2019	10,237,910	9,831,213	20,069,123

	Group		TH	
	2020	2019	2020	2019
Profit for the year (RM'000)	2,684,758	2,552,450	2,216,166	1,836,740
Accretion of discount as a % of profit for the year	30.5%	18.4%	36.9%	25.5%
Total assets (RM'000)	160,913,047	146,777,834	82,536,354	75,240,983
Carrying amount of Sukuk as a % of total assets	12.9%	13.7%	25.1%	26.7%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

10. UJSB Sukuk and receivables at amortised cost (cont'd.)

iii) Contribution of the Sukuk recognised in the financial statements of the Group and of **TH** (cont'd.)

Going forward, so long as the Sukuk are not early redeemed, the accretion of discount for the remaining Sukuk until maturity is as follows:

Financial year ended	Series 1 RM'000	Series 2 RM'000	Total RM'000
2019	237,910	231,213	469,123
2020	413,987	403,739	817,726
2021	423,327	419,633	842,960
2022	440,471	436,838	877,309
2023	457,561	454,004	911,565
2024	477,622	474,137	951,759
2025	497,001	492,802	989,803
2026	206,410	513,007	719,417
2027	-	533,167	533,167
2028	-	556,810	556,810
2029	-	232,225	232,225
Total accretion of discount	3,154,289	4,747,575	7,901,864

On 30 November 2020, UJSB made a partial early redemption amounting to RM200 million (representing RM248.78 million in nominal value) of Sukuk (Series 1).

iv) Financial support letter issued by MoF Inc. to UJSB

As part of the conditions precedent set out in the Sukuk subscription agreement dated 15 May 2019, a certified true copy of the letter of financial support issued by MoF Inc. to UJSB must be provided to **TH** and Bank Islam Malaysia Berhad ("Lead Arranger, Lead Manager and Facility Agent"). The letter of financial support was issued by MoF Inc. to UJSB on 27 May 2019 and a certified true copy was provided to **TH** on 29 May 2019.

The key matters mentioned in the letter of financial support, including MoF Inc.'s assurance to UJSB, are as follows:

- The financial support letter is issued for the purpose of the issuance of the Sukuk by UJSB as settlement for the transfer of assets to UJSB under the Asset Transfer Agreements dated 27 December 2018;
- MoF Inc. will ensure UJSB continues to operate as a going concern throughout the tenure of the Sukuk;
- MoF Inc. will ensure UJSB will have the financial ability to fulfill its Sukuk obligations without limitation, to redeem the Sukuk on the respective maturity dates;
- The financial support letter is effective until the Sukuk have been redeemed and all amounts outstanding under the Sukuk have been fully settled;
- The financial support letter is interpreted based on and under the jurisdiction of the current laws in Malaysia; and

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****10. UJSB Sukuk and receivables at amortised cost (cont'd.)**iv) Financial support letter issued by MoF Inc. to UJSB (cont'd.)

- The financial support letter is limited to the purpose and financial support mentioned above and shall not be construed directly or indirectly as a guarantee of UJSB's financial obligation.

v) Committed guarantee by the Government of Malaysia

Section 5 of the Fiscal Outlook and Federal Government Revenue Estimates 2021 report dated 6 November 2020, relating to Fiscal Risk and Liabilities, stated that UJSB is classified as an entity with a committed guarantee by the Government of Malaysia amounting to RM19.6 billion.

The Cabinet of Ministers on 5 April 2019 has approved and agreed for the Government to provide an allocation for UJSB to finance the shortfall of sukuk redemption of at least RM17.8 billion under the "Rancangan Malaysia ke-11" (RMKe-11) by 2020 amounting to RM500 million as well as in the RMKe-12 and RMKe-13 amounting to RM1.73 billion annually starting 2021 until end of sukuk tenure of which early redemption amounting to RM200 million was successfully made on 30 November 2020.

The Government's commitment to ensure UJSB delivers its financial obligations until full redemption of the UJSB sukuk is further reinforced through the allocation in the Federal Budget under Various Capital Injections "Pelbagai Suntikan Modal", of RM1.5 billion dedicated for UJSB in 2021, as clarified by the Finance Minister during the parliamentary Questions and Answers for the 2021 Federal Budget on 26 November 2020.

vi) Recoverability of the Sukuk issued by UJSB

The Lembaga and management of **TH** are of the opinion that the Sukuk will be settled in full by UJSB upon maturity based on the financial support letter issued by MoF Inc. and the committed guarantee of the Government of Malaysia as mentioned above. The ability of UJSB to settle the Sukuk shall be from the recovery of the assets transferred and injection of capital or assets from the Government of Malaysia to cover for any shortfall. Further details on the significant judgment applied are included in Note 4(b).

11. Financial assets at amortised cost

	Note	Group	
		2020 RM'000	2019 RM'000
At amortised cost			
Sukuk		2,161,307	2,080,443
Negotiable Islamic debt certificate		855,000	1,055,000
Other investments		-	49,407
Less: Accumulated impairment loss			
- Sukuk	(i)	(17,792)	(17,883)
		2,998,515	3,166,967

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

11. Financial assets at amortised cost *(cont'd.)*

	Note	<i>TH</i>	
		2020 RM'000	2019 RM'000
<i>At amortised cost</i>			
Sukuk		3,919,516	3,849,446
Negotiable Islamic debt certificate		1,525,000	1,925,000
Other investments		12,455	49,407
Less: Accumulated impairment loss			
- Sukuk	(i)	(14,592)	(12,199)
- Other investments		(3,200)	-
		5,439,179	5,811,654

Debt instruments at amortised cost include unrated debt securities/instruments

The movement of the loss allowance for debt instruments at amortised cost is as follows:

	Group		<i>TH</i>	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	17,883	19,137	12,199	12,250
Net allowance/(writeback) recognised in profit or loss	5,593	(1,254)	5,593	(51)
Transfer to asset held for sale	(5,684)	-	-	-
At 31 December	17,792	17,883	17,792	12,199

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

12. Financing, advances and others

	Group	
	2020* RM'000	2019 RM'000
At amortised cost		
Cash line	-	1,430,888
Credit cards	-	492,829
Discounted trade bills	-	886,334
Trust receipts	-	5,462
Term financing		
- House financing	-	19,664,565
- Syndicated financing	-	1,032,250
- Leasing financing	-	111,653
- Bridging financing	-	52,122
- Personal financing	-	14,620,732
- Other term financing	-	11,604,531
Staff financing	-	251,496
Pawn broking	-	71,107
	-	50,223,969
Less : Accumulated impairment loss		
- Stage 1	-	(431,135)
- Stage 2	-	(148,115)
- Stage 3	-	(172,197)
	-	(751,447)
	-	49,472,522

* In 2020, BHB was transferred to Assets Held For Sale.

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

12. Financing, advances and others *(cont'd.)*

	<i>TH</i>	
	2020 RM'000	2019 RM'000
Financing to subsidiaries	1,977,431	2,331,777
Less: Accumulated impairment loss		
- Individual assessment	(306,543)	(467,298)
	1,670,888	1,864,479

Financing from *TH* to subsidiaries in Malaysia amounting to RM835,562,000 are charged at a profit rate of 3.9% to 7.0% per annum (2019: 3.9% to 7.0% per annum). Financing from *TH* to overseas subsidiaries amounting to RM1,141,869,000 are charged at a profit rate of 0.0% to 5.0% per annum (2019: 0.0% to 5.0% per annum).

The movement of allowance for impairment of financing, advances and others are as follow:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2020	431,135	148,115	172,197	751,447
Transfer to Stage 1	1,245	(1,179)	(66)	-
Transfer to Stage 2	(7,782)	10,508	(2,726)	-
Transfer to Stage 3	(264)	(7,659)	7,923	-
Net allowance made during the year	134,059	13,592	60,558	208,209
New financial assets originated or purchased	139,295	6,403	686	146,384
Financial assets that have been derecognised	(44,708)	(18,334)	(3,364)	(66,406)
Write off	-	-	(112,676)	(112,676)
Exchange differences	1,003	-	-	1,003
Transfer to asset held for sale	(653,983)	(151,446)	(122,532)	(927,961)
At 31 December 2020	-	-	-	-

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****12. Financing, advances and others (cont'd.)**

The movements of allowance for impairment on financing, advances and others are as follows: (cont'd.)

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	416,450	129,402	243,853	789,705
Transfer to Stage 1	1,931	(1,798)	(133)	-
Transfer to Stage 2	(6,868)	9,175	(2,307)	-
Transfer to Stage 3	(461)	(8,696)	9,157	-
Net allowance made during the year	(59,446)	45,272	149,340	135,166
New financial assets originated or purchased	127,923	2,567	2,411	132,901
Financial assets that have been derecognised	(44,291)	(27,807)	(5,140)	(77,238)
Write off	-	-	(224,984)	(224,984)
Exchange differences	(4,103)	-	-	(4,103)
At 31 December 2019	431,135	148,115	172,197	751,447

TH**At 1 January 2020**

Allowance made during the year (Note 42)

Amount written back during the year (Note 42)

Foreign exchange difference

At 31 December 2020

**Lifetime ECL
RM'000** **Total RM'000**

467,298 **467,298**

15,554 **15,554**

(179,620) **(179,620)**

3,311 **3,311**

306,543 **306,543**

**Lifetime ECL
RM'000** **Total RM'000**

At 1 January 2019 203,083 203,083

Allowance made during the year (Note 42) 331,969 331,969

Amount written back during the year (Note 42) (67,754) (67,754)

At 31 December 2019 467,298 467,298

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

13. Retakaful assets

Retakaful assets:

- Claims liabilities
- Contribution liabilities
- Actuarial liabilities

Group	
2020*	2019
RM'000	RM'000
-	349,548
-	90,634
-	315,614
-	755,796

* In 2020, BHB was transferred to Assets Held For Sale.

14. Finance lease receivables

At 1 January

Payment received during the year

Accretion during the year

Foreign exchange difference

Less: Accumulated impairment loss

At 31 December

Note	Group	
	2020	2019
	RM'000	RM'000
	2,066,054	2,025,915
	(977)	(93,399)
	142,977	155,057
	(41,476)	(21,519)
	2,166,578	2,066,054
(i)	(234,913)	(12,937)
	1,931,665	2,053,117

At 1 January

Payment received during the year

Accretion during the year

Foreign exchange difference

Less: Accumulated impairment loss

At 31 December

Note	TH	
	2020	2019
	RM'000	RM'000
	2,233,833	2,196,754
	(24,697)	(116,969)
	163,095	175,567
	(41,476)	(21,519)
	2,330,755	2,233,833
(i)	(234,913)	(12,937)
	2,095,842	2,220,896

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

14. Finance lease receivables (cont'd.)

Ageing analysis of finance lease receivable

The ageing analysis of the Group and **TH**'s finance lease receivables is as follows:

	Group	
	2020	2019
	RM'000	RM'000
Neither past due nor impaired	1,739,941	1,862,839
Past due but not impaired:		
- 1 to 30 days due nor impaired	81,912	47,735
- 31 to 60 days past due not impaired	-	8,183
- 61 to 90 days past due not impaired	-	-
- Past due more than 90 days	109,812	134,360
	191,724	190,278
Impaired	234,913	12,937
	2,166,578	2,066,054

	TH	
	2020	2019
	RM'000	RM'000
Neither past due nor impaired	1,904,118	2,030,618
Past due but not impaired:		
- 1 to 30 days due nor impaired	81,912	47,735
- 31 to 60 days past due not impaired	-	8,183
- 61 to 90 days past due not impaired	-	-
- Past due more than 90 days	109,812	134,360
	191,724	190,278
Impaired	234,913	12,937
	2,330,755	2,233,833

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

14. Finance lease receivables *(cont'd.)*Ageing analysis of finance lease receivable *(cont'd.)*

The ageing analysis of the Group and **TH**'s finance lease receivables is as follows: *(cont'd.)*

- (i) The movement of the allowance for impairment on finance lease receivables is as follows:

	Group / TH	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
At 1 January	12,937	-
Charge for the year (Note 42)	221,976	12,937
At 31 December	234,913	12,937

Included in finance lease receivables due is RM394,568,795 (2019: RM197,758,000) due from a counterparty with regards to lease rental on properties located in Makkah and Madinah of which RM243,861,718 is more than 90 days. The entire amount due from the counterparty is secured against certain promissory notes which are enforceable under the law in the Kingdom of Saudi Arabia.

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15. Trade and other receivables at amortised cost

	Note	Group	
		2020 RM'000	2019 RM'000
Trade receivables			
Trade receivables	(i)	312,003	366,565
Accrued rental income		75,653	66,242
Contract assets		4,177	16,079
Less: Accumulated impairment loss	(i)	(24,615)	(18,156)
		367,218	430,730
Other receivables			
Takaful receivables		-	210,270
Other receivables, deposits and prepayments		281,730	447,591
Clients' and dealers' debit balances		-	23,147
Staff financing		7,176	90,532
Amount due from:			
- Associates		-	1,755
- Jointly controlled entities		586,378	741,019
Less: Accumulated impairment loss			
- Other receivables	(ii)	(18,679)	(23,277)
- Takaful receivables	(iii)	-	(6,591)
- Jointly controlled entities	(iv)	(268,582)	(113,969)
		588,023	1,370,477
		955,241	1,801,207

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

15. Trade and other receivables at amortised cost *(cont'd.)***Trade receivables**

Trade receivables

Accrued rental income

Less: Accumulated impairment loss**Other receivables**

Other receivables, deposits and prepayments

Staff financing

Amount due from:

- Subsidiaries

- Associates

Less: Accumulated impairment loss

- Other receivables

- Amount due from subsidiaries

Note	<i>TH</i>	
	2020 RM'000	2019 RM'000
(i)	310,579	316,926
	75,653	66,242
	(13,026)	(7,224)
	373,206	375,944
(ii)	75,232	11,662
	7,080	9,480
	337,510	364,526
	-	1,755
(v)	(1,668)	(764)
(v)	(151,464)	(136,606)
	266,690	250,053
	639,896	625,997

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****15. Trade and other receivables at amortised cost (cont'd.)**i) Trade receivables

Trade receivables are amount due from customers for goods or services performed in the ordinary course of business and are generally given a credit term of 30 days. Included in trade receivables are rental receivables, accrued profit/coupon and accrued income from placement. Due to the short term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Ageing analysis of trade receivables

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Neither past due nor impaired	233,536	307,118	257,174	293,765
1 to 30 days due not impaired	13,133	12,072	10,483	5,357
31 to 60 days past due not impaired	14,414	11,136	6,935	4,439
61 to 90 days past due not impaired	7,524	10,704	5,047	4,276
Past due more than 90 days	18,781	7,379	17,914	1,865
	53,852	41,291	40,379	15,937
Impaired	24,615	18,156	13,026	7,224
	312,003	366,565	310,579	316,926

The movement of the allowance for impairment on trade receivables is as follows:

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	18,156	15,815	7,224	7,226
Charge for the year (Note 42)	6,949	2,341	5,802	-
Reversal of impairment lossess (Note 42)	(490)	-	-	(2)
At 31 December	24,615	18,156	13,026	7,224

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

15. Trade and other receivables at amortised cost *(cont'd.)*ii) Other receivables

The movement of the allowance for impairment on other receivables is as follows:

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	23,277	15,505	764	-
Charge for the year (Note 42)	908	7,772	904	764
Reversal of impairment losses (Note 42)	(30)	-	-	-
Transfer to asset held for sale	(5,476)	-	-	-
At 31 December	18,679	23,277	1,668	764

iii) Takaful receivables

The takaful sector has takaful and other receivable balances that are subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of the counterparties not paying the amount due, Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information.

STMKB periodically review the financial stability of brokers/retakaful companies from public and other sources and the settlement trend of amounts due from retakaful companies.

The movement of the allowance for impairment on takaful receivables is as follows:

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	6,591	6,107
Net remeasurement of allowance	-	484
Transfer to asset held for sale	(6,591)	-
At 31 December	-	6,591

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****15. Trade and other receivables at amortised cost (cont'd.)**iv) Jointly controlled entities

The movement of the allowance for impairment on amount due from jointly controlled entities is as follows:

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	113,969	64,793
Charge for the year (Note 42)	154,613	49,176
At 31 December	268,582	113,969

v) Amount due from subsidiaries

The movement of the allowance for impairment on amount due from subsidiaries is as follows:

	TH	
	2020	2019
	RM'000	RM'000
At 1 January	136,606	100,301
Charge for the year (Note 42)	13,377	81,143
Reversal of impairment losses (Note 42)	-	(44,838)
Foreign exchange difference	1,481	-
At 31 December	151,464	136,606

16. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits of the Group relating to BHB are maintained with Bank Negara Malaysia ("BNM") in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.

* In 2020, statutory deposits with Bank Negara Malaysia by BHB has been transferred to Assets Held For Sale.

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

17. Biological assets

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	35,405	35,658
Changes in fair value recognised in profit or loss	3,197	11,031
Transfer from assets held for sale	3,062	1,417
Transfer to assets held for sale	-	(12,701)
At 31 December	41,664	35,405

Breakdown of changes in fair value of biological assets recognised in profit or loss for the year, are as follows:

	Group	
	2020	2019
	RM'000	RM'000
Biological assets	4,220	11,031

The Group has considered the oil content of all unripe fresh fruit bunches ("FFB") from the week after pollination to the week prior to harvest. As the biological transformation of the FFB before the oil content accrues exponentially in the three (3) months prior to harvest, FFB more than 3 months before harvesting are excluded from the valuation as their fair values are considered negligible. The fair value of FFB is calculated based on the income approach which considers the net present value of all directly attributable net cash flows including imputed contributory asset charges. Biological assets are classified as current assets for bearer plants that are expected to be harvested.

The significant unobservable inputs used in the valuation models quoted per metric tonne ("mt") include price of FFB (RM279/mt - RM743/mt) (2019: RM231/mt - RM576/mt), collection cost (RM75/mt - RM137/mt) (2019: RM62/mt - RM120/mt) and biological transformation factors.

The fair value measurement of the Group's biological assets is categorised within Level 3 of the fair value hierarchy. If the selling price of the FFB increase or decrease by 10%, profit or loss of the Group would have increased or decreased by approximately RM6,878,000. If the collection cost increase or decrease by 10%, profit or loss of the Group would have decreased or increased by approximately RM1,334,000.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

18. Inventories

	Note	Group	
		2020 RM'000	2019 RM'000
At cost			
Land held for property development	(i)	781,345	807,835
Property development costs	(i)	159,418	118,893
Completed properties	(ii)	84,429	94,319
Stores		10,180	5,092
Finished goods		4,372	3,242
		1,039,744	1,029,381

(i) Land held for property development and property development costs

	Group	
	2020 RM'000	2019 RM'000
Balance as at 1 January	2,466,155	2,422,598
Add: Cost incurred during the year	9,469	43,557
	2,475,624	2,466,155
Less : Costs recognised as an expense in profit or loss		
- Previous years	(1,315,494)	(1,202,501)
- Current year	(24,584)	(145,240)
- Unsold inventories	(179,014)	(175,917)
Less : Accumulated impairment loss	(15,769)	(15,769)
	940,763	926,728
Non-current portion - land held for property development	(781,345)	(807,835)
Current portion - property development cost	159,418	118,893

The portion of property development costs in respect of which significant development work has been undertaken and which is expected to be completed within the normal operating cycle of two to three years is considered as current asset.

Property development expenses stated in the profit or loss consist of property development costs charged, and include land costs and other incidental costs incurred on land sale that are charged directly to the profit or loss.

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

18. Inventories *(cont'd.)*(i) Land held for property development and property development costs *(cont'd.)*

The Group's property development costs that are impaired at the reporting date and the movement of the allowance for impairment are as follows:

	Group	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
At 1 January	15,769	7,683
Charge for the year (Note 42)	-	8,086
At 31 December	15,769	15,769

(ii) Completed properties

During the year, the amount of inventories recognised as an expense in cost of sales of the Group are RM9,861,189 (2019: RM34,630,351).

19. Investment properties

	Group	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<i>At fair value</i>		
At 1 January	5,698,774	5,688,377
Additions	76,703	98,199
Transfer from property, plant and equipment (Note 26)	1,541	3,105
Transfer to assets of disposal group classified as held for sale	(13,590)	-
Write off	(383)	-
Accrued rental income	(9,411)	(9,508)
Fair value adjustment as per valuation report	(131,095)	(119,261)
Foreign exchange difference	38,832	37,862
At 31 December	5,661,371	5,698,774

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

19. Investment properties (cont'd.)

	<i>TH</i>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<i>At fair value</i>		
At 1 January	3,995,348	4,021,402
Additions	31,275	5,842
Transfer from property, plant and equipment (Note 26)	1,541	99
Write off	(383)	-
Accrued rental income	(9,411)	(9,508)
Fair value adjustment as per valuation report	(90,663)	(22,487)
At 31 December	3,927,707	3,995,348

As at 31 December 2020, a subsidiary company incorporated in Jersey has pledged investment properties at a carrying value of RM564,303,000 (2019: RM642,038,000) as security for bank borrowings as disclosed in Note 38.

Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals receivable on monthly or quarterly basis. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Group		<i>TH</i>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Within one year	279,931	323,302	203,245	204,959
Between one and five years	452,330	502,247	204,826	233,710
More than 5 years	143,000	226,981	-	-
	875,261	1,052,530	408,071	438,669

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

19. Investment properties *(cont'd.)*

Fair value of the Group's and **TH**'s investment properties are categorised as follows:

Group	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020			
Freehold land and buildings	917,279	2,692,580	3,609,859
Leasehold land and buildings	1,893,478	158,034	2,051,512
	2,810,757	2,850,614	5,661,371
2019			
Freehold land and buildings	976,733	2,704,295	3,681,028
Leasehold land and buildings	2,007,684	10,062	2,017,746
	2,984,417	2,714,357	5,698,774
TH			
2020			
Freehold land and buildings	1,235,127	2,692,580	3,927,707
2019			
Freehold land and buildings	1,293,733	2,701,615	3,995,348

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly. Level 2 fair values of land and buildings have been generally derived using the sales price comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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19. Investment properties (cont'd.)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property. The fair value of the investment property is determined by using discounted cash flows as a primary method, and the sales price comparison approach as the secondary method. The secondary method considers the sales and listing of comparable properties recorded in the area and adjustments are made between the subject properties and those similar properties. The adjustments are made in relation to location and accessibility, size and shape of the lot, physical features, legal and legislation constraints, building design and condition, supply and demand, building code and public restriction.

20. Investment in jointly controlled entities

	Note	Group	
		<u>2020</u> RM'000	<u>2019</u> RM'000
At cost			
Unquoted shares		678,700	659,619
Addition		-	19,081
Disposal		(41,792)	-
		636,908	678,700
Group's share of reserves in jointly controlled entities		(376,068)	(371,960)
Less : Accumulated impairment loss	(i)	(130)	(45,000)
		260,710	261,740

	Note	TH	
		<u>2020</u> RM'000	<u>2019</u> RM'000
At cost			
Unquoted shares		364,486	404,961
Less : Accumulated impairment loss	(i)	(364,486)	(404,711)
		-	250

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

20. Investment in jointly controlled entities (cont'd.)

- (i) The movement of the allowance for impairment on investment in jointly controlled entities are as follows:

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	45,000	39,184	404,711	352,311
Charge for the year (Note 42)	-	45,000	-	52,400
Reversal during the year (Note 42)	(4,645)	(39,184)	-	-
Disposal	(40,225)	-	(40,225)	-
At 31 December	130	45,000	364,486	404,711

- (ii) **Abraj Sdn. Bhd. ("Abraj")**

2019

On 12 February 2019, Abraj received a letter issued by Affin Islamic Bank Berhad ("the Bank"), loan provider, stating that Abraj has defaulted on its loan with the Bank under Clause 11.1(a) of the Islamic Facility Agreement ("Facility") dated 11 August 2017.

Abraj is required to make immediate arrangement to remit to the Bank the settlement amount of RM196,705,000 not later than 14 days from the date thereof. The Bank had enclosed together the Notice of Sale Contract for the purpose of exercising their right to terminate the Facility and notifying Abraj to execute the sale. In the event Abraj fails to execute the sale within 14 days, the Bank will exercise their right under the Facility to execute the sale on Abraj's behalf as Abraj's agent (wakeel).

Subject to Shariah principles, the Bank shall grant 'Ibra (rebate) on the sale price if any of the following shall occur:

- Abraj makes early settlement or early redemption, including those arising from prepayment;
- Abraj makes settlement of the Facility in the case of default;
- Abraj makes settlement of the Facility in the event of termination or cancellation of financing before the maturity date.

On 5 August 2019, the Bank has demanded outstanding payment of RM312,237,000 under the Facility. As at 31 December 2019, Abraj has an outstanding balance of loan and profit amounting to RM191,214,000 and RM1,139,000 respectively.

On 30 October 2019, Abraj was served with a Notice of Default ("Notice") with respect to a charge in Form 16D (Section 254) National Land Code by the Bank on Abraj's failure to remedy the breach via written notice on 5 August 2019. Affin would proceed to apply an Order for Sale in respect of investment properties charged to the Facility if Abraj fails to remedy the breach within one month. The Directors of Abraj have decided not to contest the Notice issued by the Bank.

As at 31 December 2019, **TH** has fully impaired its cost of investment in Abraj amounting to RM40,225,000. **TH** does not have further payment obligation to Abraj as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

20. Investment in jointly controlled entities (*cont'd.*)

(ii) Abraj Sdn. Bhd. ("Abraj") (*cont'd.*)

2020

On 20 February 2020, the Minister at the Prime Minister's department had approved for **TH** to dispose its joint shareholding in Abraj to Amanah Raya Berhad or its associates for RM100,000.

On 1 December 2020, **TH** has received the full amount of RM100,000 from Amanah Raya Berhad which concluded the disposal exercise of Abraj.

(iii) Trurich Resources Sdn. Bhd. ("Trurich")

2019

In 2019, **TH** had subscribed to an additional 12,000,000 Murabahah Redeemable Convertible Preference Shares ("MRCPS") at RM12,000,000 in Trurich, a jointly controlled entity of **TH**.

An impairment assessment was carried out on **TH**'s investment in Trurich due to operational and financial difficulties faced by Trurich in Kalimantan, Indonesia and its going concern status following the uncertainty of continuation of its business. **TH** has fully impaired its cost of investment in Trurich amounting to RM364,313,000 as at 31 December 2019. **TH** does not have further payment obligation to Trurich as at 31 December 2019.

2020

Subsequent to 31 December 2019, Trurich's existing facilities relate to Commodity Murabahah Term Financing-i with outstanding amount of USD151,419,000, Commodity Murabahah Term Financing-i with outstanding amount of USD123,924,000 and Short Term Revolving Credit-i with outstanding amount of RM91,120,000. Trurich has submitted a request for Maybank Islamic Berhad's ("MIB") indulgence to defer the obligation to pay the overdue payments until the conclusion of the Trurich's divestment exercise. MIB is agreeable to a further extension of the indulgence period up to 30 June 2021 in respect to the overdue payments under the Financing Facilities. MIB is agreeable to this extension until the conclusion of Trurich's divestment of its shares in the Indonesian subsidiaries.

(iv) Other jointly controlled entities

In 2019, the Group and **TH** made an additional impairment of RM4,820,000 and RM175,000 respectively, in respect of investments in other jointly controlled entities with operational and financial difficulties.

No impairment was recognised in financial year 2020.

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20. Investment in jointly controlled entities *(cont'd.)*

Details of jointly controlled entities are as follows:

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Unquoted and incorporated in Malaysia			
Trurich Resources Sdn. Bhd.	Investment holding, cultivation of oil palm, processing and marketing of palm products	50	50
TH Alam Management Sdn. Bhd.	Ship operating and chartering	50	50
Abraj Sdn. Bhd.*	Property investment	-	50
Abraj Management Sdn. Bhd. #	Under liquidation	-	50
TH Properties Sdn. Bhd. and its jointly controlled entities:			
59 Inc. Sdn. Bhd.	Property development	70	70
THP Utara Facilities Sdn. Bhd.	Facilities management	26	26
Unquoted and incorporated in Australia			
TH Properties Sdn. Bhd. and its jointly controlled entities:			
Piety Capital Pty. Ltd.	Trustee to the Bay Pavillions Trust which is involved in apartment project at Lane Cove, Sydney, Australia	50	50
Piety THP Capital Pty. Ltd.	Trustee to the THP Hustville Trust which is involved in apartment project at Hustville, Sydney, Australia	50	50
Piety THP Developments Pty. Ltd.	Property development management services	50	50

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

20. Investment in jointly controlled entities *(cont'd.)*

Details of jointly controlled entities are as follows: *(cont'd.)*

Name of company	Principal activities	Effective ownership interest	
		<u>2020</u> %	<u>2019</u> %
Unquoted and incorporated in Jersey			
LTH Property Holdings 2 Ltd. <i>and its jointly controlled entity:</i>			
Marston Development Limited	Leasing of properties	50	50

* *Disposed on 1 December 2020.*

In the process of winding up.

All jointly controlled entities of the Group and **TH** are not audited by the Auditor General of Malaysia.

Termination of Jointly Controlled Entities

The Group is currently in the process of agreeing the formal separation agreement for the termination of Marston Development Limited through LTH Property Holdings 2 Ltd., a subsidiary in Jersey, for a cash consideration of £1 equivalent to approximately RM5. The Group's carrying amount of the investment as at 31 December 2020 before disposal is RM1,344,000 (2019: RM1,344,000).

Formal termination documents relating to Marston Development Limited were signed on 28 July 2020.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****20. Investment in jointly controlled entities (cont'd.)**

The following table summarises the information about the Group's jointly controlled entities adjusted for any differences in accounting policies:

	Trurich Resources Sdn. Bhd. RM'000	Piety THP Capital Pty. Ltd. RM'000	59 Inc. Sdn. Bhd. RM'000	Other jointly controlled entities RM'000	Total RM'000
2020					
Summarised statements of financial position					
Assets	1,121,493	149,875	286,827	338,232	1,896,427
Liabilities	(1,333,579)	(6,648)	(21,952)	(311,218)	(1,673,397)
Net (liabilities)/assets	(212,086)	143,227	264,875	27,014	223,030
Summarised statements of profit or loss and other comprehensive income					
Revenue	30,207	-	-	128,707	158,914
(Loss)/profit for the year	(167,518)	-	(1,300)	569	(168,249)
Total comprehensive (loss)/income	(167,518)	-	(1,300)	569	(168,249)
Share of net results for the financial year	-	-	(910)	3,908	2,998
Distribution of profits	-	-	-	-	-

A reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests are as follows:

	Trurich Resources Sdn. Bhd. RM'000	Piety THP Capital Pty. Ltd. RM'000	59 Inc. Sdn. Bhd. RM'000	Other jointly controlled entities RM'000	Total RM'000
Group's share of net assets	-	71,613	185,413	3,684	260,710
Group's carrying amount of the investment	-	71,613	185,413	3,684	260,710

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

20. Investment in jointly controlled entities (cont'd.)

The following table summarises the information about the Group's jointly controlled entities adjusted for any differences in accounting policies: (cont'd.)

	Trurich Resources Sdn. Bhd. RM'000	Piety THP Capital Pty. Ltd. RM'000	59 Inc. Sdn. Bhd. RM'000	Other jointly controlled entities RM'000	Total RM'000
2019					
Summarised statements of financial position					
Assets	1,049,071	149,875	134,721	322,166	1,655,833
Liabilities	(1,272,670)	(6,648)	(141,993)	(229,799)	(1,651,110)
Net (liabilities)/assets	(223,599)	143,227	(7,272)	92,367	4,723
Summarised statements of profit or loss and other comprehensive income					
Revenue	43,829	48,232	-	135,926	227,987
(Loss)/profit for the year	(264,902)	119	(595)	(15,743)	(281,121)
Total comprehensive (loss)/income	(264,902)	119	(595)	(15,743)	(281,121)
Share of net results for the financial year	(39,184)	60	(416)	(5,043)	(44,583)
Distribution of profits	-	(60)	-	(1,020)	(1,080)

A reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests are as follows:

	Trurich Resources Sdn. Bhd. RM'000	Piety THP Capital Pty. Ltd. RM'000	59 Inc. Sdn. Bhd. RM'000	Other jointly controlled entities RM'000	Total RM'000
Group's share of net assets/ (liabilities)	-	71,613	(5,090)	46,543	113,066
Impairment of investment	-	-	-	(45,000)	(45,000)
Fair value adjustment upon acquisition	-	-	193,674	-	193,674
Group's carrying amount of the investment	-	71,613	188,584	1,543	261,740

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FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)**21. Investment in associates**

		Group		TH	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At cost					
Unquoted shares		427,884	427,884	413,592	427,842
Group's share of reserves of associates		(17,840)	17,067	-	-
Less: Accumulated impairment loss	(i)	(40,101)	(34,850)	(207,935)	(216,934)
		369,943	410,101	205,657	210,908

(i) The movement of the allowance for impairment on investment in associates is as follows:

	Group		TH	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
At 1 January	34,850	34,810	216,934	245,893
Charge for the year (Note 42)	5,251	40	5,251	-
Writeback for the year (Note 42)	-	-	-	(28,959)
Disposal	-	-	(14,250)	-
At 31 December	40,101	34,850	207,935	216,934

(ii) Impairment**2020**

During the year, based on impairment test performed, two associate companies recorded a net tangible asset value which was lower than the net carrying amount. Therefore, an impairment was recorded for those two associates which are Maju-TH Sdn. Bhd. and Putrajaya Perdana Berhad with the amount of RM3,608,000 and RM1,643,000, respectively.

2019

In 2019, based on impairment test performed, two associate companies recorded a net tangible asset value which was higher than the net carrying amount. Therefore, a writeback of impairment was recorded for those two associates which are Bata (M) Sdn. Bhd. dan Maju-TH Sdn. Bhd. with the amount of RM14,638,000 and RM14,321,000, respectively.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

21. Investment in associates (*cont'd.*)

(iii) Disposal

2020

TH has completed the redemption of preference shares and full settlement of Gallant Precision Tool Sdn. Bhd. on 10 June 2020. This associate company had been placed under the supervision of Receivers and Managers.

Details of associates are as follows:

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
<i>Direct holding</i>			
Unquoted and incorporated in Malaysia			
CCM Fertilizers Sdn. Bhd.	Dormant	50	50
Maju-TH Sdn. Bhd.	Property management	49	49
Nihon Canpack (Malaysia) Sdn. Bhd.	Manufacture and sale of canned beveraes	40	40
Express Rail Link Sdn. Bhd.	Design, construction, maintenance and management of express railway system	36	36
Putrajaya Perdana Berhad	Investment holding	30	30
Perumahan Kinrara Berhad	Property development	25	25
I&P Kota BayuEmas Sdn. Bhd.	Property development	23	23
Bata (Malaysia) Sdn. Bhd.	Manufacture and marketing of footwear	20	20
Gallant Precision Tool Sdn. Bhd. *	Dormant	-	30
Top Priority Sdn. Bhd.*	Dormant	30	30
Prizevest Sdn. Bhd.*	Dormant	30	30
Victec Enterprise Sdn. Bhd.*	Dormant	30	30

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

21. Investment in associates *(cont'd.)*Details of associates are as follows: *(cont'd.)*

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Indirect holding			
TH Properties Sdn. Bhd. <i>and its associates:</i>			
Sambungan Lebuhraya Timur Sdn. Bhd	Dormant	-	40
HCM-TH Technologies JV	Dormant	30	40
YTL THP JV Sdn. Bhd.	Dormant	40	30

* **TH** no longer has significant influence over the financial and operational policies of these companies because these companies had been placed under the supervision of Receivers and Managers, even though TH still holds a certain amount of shares. Therefore, these companies were not equity accounted and the investments had been fully written off.

TH Properties Sdn. Bhd. has disposed of its entire shareholdings to Ahmad Zaki Resources Berhad on 6 November 2020.

All associates of the Group and **TH** are not audited by the Auditor General of Malaysia.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

21. Investment in associates (cont'd.)

The following table summarises the information about the Group's associates adjusted for any differences in accounting policies:

<u>2020</u>	Perumahan Kinrara Berhad RM'000	Putrajaya Perdana Berhad RM'000	Other associates RM'000	Total RM'000
Summarised statements of financial position				
Assets	1,051,805	610,282	2,365,211	4,027,298
Liabilities	(114,812)	(442,113)	(2,074,914)	(2,631,839)
Net assets	936,993	168,169	290,297	1,395,459
Group's share of net assets	229,563	50,451	89,929	369,943
Summarised statements of profit or loss and other comprehensive Income				
Revenue	295,719	407,502	737,738	1,440,959
Profit/(loss) for the year	79,347	(43,195)	(72,992)	(36,840)
Total comprehensive income/(loss)	79,347	(43,195)	(72,992)	(36,840)
Share of net results for the financial year	19,440	(12,959)	(35,293)	(28,812)
Distribution of profits	(2,695)	(1,500)	(1,900)	(6,095)

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

21. Investment in associates *(cont'd.)*

The following table summarises the information about the Group's associates adjusted for any differences in accounting policies: *(cont'd.)*

2019

	Perumahan Kinrara Berhad RM'000	Putrajaya Perdana Berhad RM'000	Other associates RM'000	Total RM'000
Summarised statements of financial position				
Assets	985,381	668,974	2,334,908	3,989,263
Liabilities	(119,883)	(436,150)	(1,951,852)	(2,507,885)
Net assets	865,498	232,824	383,056	1,481,378
Group's share of net assets	216,374	69,847	123,880	410,101
Summarised statements of profit or loss and other comprehensive				
Income				
Revenue	238,361	397,496	826,257	1,462,114
Profit/(loss) for the year	59,226	(5,313)	27,035	80,948
Total comprehensive income/(loss)	59,226	(5,313)	27,035	80,948
Share of net results for the financial year	14,496	(1,400)	8,864	21,960
Distribution of profits	(1,617)	(2,000)	(4,410)	(8,027)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

22. Investment in subsidiaries

	Note	TH	
		2020 RM'000	2019 RM'000
At cost			
Quoted shares in Malaysia		776,962	4,496,432
Less : Accumulated impairment loss	(i)	(170,059)	(170,059)
		606,903	4,326,373
Unquoted shares in Malaysia		2,174,870	2,174,870
Less : Accumulated impairment loss	(ii)	(361,268)	(235,933)
		1,813,602	1,938,937
		2,420,505	6,265,310
Market value of quoted shares		371,979	4,618,197

The movement of the allowance for impairment on investment in subsidiaries is as follows:

		TH	
		2020 RM'000	2019 RM'000
(i) <u>Quoted shares</u>			
Balance as at 1 January		170,059	180,556
Charge for the year (Note 42)		-	36,815
Transfer to asset held for sale		-	(47,312)
As at 31 December		170,059	170,059
(ii) <u>Unquoted shares</u>			
Balance as at 1 January		235,933	244,643
Charge for the year (Note 42)		128,869	3,192
Writeback for the year (Note 42)		(3,534)	(11,902)
As at 31 December		361,268	235,933

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

22. Investment in subsidiaries (*cont'd.*)

2020

During the financial year, the following events have taken place:

- (i) BIMB Holdings Berhad (“BHB”) has been reclassified as asset held for sale with the proposed restructuring to undertake various proposals. Upon completion of the exercise, **TH** is expected to own:
 - (a) 48.5% of the shares in Bank Islam Malaysia Berhad (“Bank Islam”), in line with BNM’s expectation that no single industrial conglomerate shall have control of a licensed financial institution; and
 - (b) 28.8% in Syarikat Takaful Malaysia Keluarga Berhad (“STMKB”). With the dilution of its equity interest, **TH** concluded that it will lose control in BHB, Bank Islam and STMKB. Please refer to Note 29(a) and Note 54(b) for further details.
- (ii) TH Hotel Alor Setar (“THAS”) has ceased operations on 31 March 2020, following its board approval on 14 February 2020. As such, THAS has become dormant since then.
- iii) TH Hotel Terengganu (“THHT”) has ceased operations on 31 March 2020, following its board approval on 14 February 2020. As such, THHT has become dormant since then.
- iv) During the year, **TH** received a letter of offer to acquire 30% equity interest in Theta Edge Berhad, comprising 32.5 million ordinary shares, at RM0.70 per share or for a total cash consideration of RM22.8 million from Arcadia Acres Sdn. Bhd.. The proposal was completed on 31 March 2021.

2019

In 2019, additional investments and divestments were made by **TH** in its subsidiary companies as follows:

- (i) Pursuant to a dividend reinvestment plan between **TH** and BHB, dividends totaling RM140,348,000 declared by BHB was reinvested and capitalised by **TH** during the year;
- (ii) A subsidiary, Theta Edge Berhad has been reclassified to asset held for sale at its current net carrying amount of RM24,314,000; and
- (iii) Pursuant to Section 117 of the Companies Act 2016, TH Marine Sdn. Bhd. had proposed to reduce its share capital and has complied to the requirements by the Registrar of Companies. A repayment of RM100 million was made to **TH** on 11 October 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

22. Investment in subsidiaries (*cont'd.*)

Impairment of investments in subsidiaries

(i) Plantation sector

TH Plantations Berhad

The following factors have been identified as indicators for an impairment assessment to be performed:

- a) market value of the listed plantation subsidiary has decreased below its cost of investment;
- b) ongoing uncertainties over the plantation industry; and
- c) uncertainty issues over the future plan and the development status.

The recoverable amount of the investment in subsidiaries are based on its value in use and it is determined by discounting the future cash flows expected to be generated from the continuing operation of the subsidiary.

The key assumptions used by **TH** in determining the recoverable amount are as follows:

2020

Period of projection	5 year
Bare land terminal value	RM1,170,945,000 (valuation performed by professional independent valuers)
Crude palm oil (CPO) selling price	RM2,500 / metric tonne - RM2,600 / metric tonne
Discount rate	7.46 %

No impairment was recognised in financial year 2020 for **TH's** investment in TH Plantations Berhad given that the value in use is higher than the carrying amount of the cost of investment as at 31 December 2020.

The Group's review included an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating units to exceed their recoverable amounts.

2019

Period of projection	10 - 25 years
Bare land terminal value	RM14,649 / ha - RM129,160 / ha
Crude palm oil (CPO) selling price	RM2,250 / metric tonne - RM2,450 / metric tonne
Discount rate	10 %

Based on the impairment assessment performed, **TH** recorded an impairment loss of RM36,815,000 in financial year 2019 due to the shortfall of the present value of cash flows expected to be generated compared to its carrying amount.

The Group's review included an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating units to exceed their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

22. Investment in subsidiaries (cont'd.)

Impairment of investments in subsidiaries (cont'd.)

(i) Plantation sector (cont'd.)

TH Indopalms Sdn. Bhd.

2020

During the financial year, based on impairment test performed, TH Indopalms Sdn. Bhd. recorded a net tangible asset value which was higher than the net carrying amount. Therefore, a writeback of impairment was recorded by **TH** amounting to RM1,966,737 (2019:RM Nil).

(ii) Marine sector

2020

The key assumptions used by **TH** in determining the recoverable amount are as follows:

2020

Period of projection	5 year
Daily charter rate	RM17,000 to RM41,000
Utilisation rate:	
Normal	71 % - 85 %
Docking period	60 % - 74 %
Nilai terminal	Average 5 years cashflow with 2% increase adjusted with replacement cost
Discount rate	8.54 %

During the financial year, based on impairment test performed, TH Marine Holdings (L) Inc. recorded a net tangible asset value which was lower than the net carrying amount. Therefore, an impairment was recorded by **TH** amounting to RM128,196,044 (2019: RM Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*

Impairment of investments in subsidiaries *(cont'd.)*

(iii) Property sector

2020

During the financial year, based on impairment test performed, LTH Property Investment (L) Inc. recorded a net tangible asset value which was higher than the net carrying amount. Therefore, a writeback of impairment was recorded by **TH** amounting to RM1,567,293 (2019: RM Nil).

(iv) System & Technology sector

2020

During the financial year, based on impairment test performed, Premia Cards Sdn. Bhd. recorded a net tangible asset value which was lower than the net carrying amount. Therefore, an impairment was recorded by **TH** amounting to RM673,411 (2019: RM Nil).

Commitments

As at 31 December 2020, **TH** has a commitment to invest in Deru Semangat Sdn. Bhd., TH Properties Sdn. Bhd., Marine 1 (L) Inc. and LTH Property Holdings Ltd. for the amount of RM206.2 million (2019: RM206.2 million), RM50.3 million (2019: RM50.4 million), RM37.4 million (2019: RM37.4 million) and RM1.0 million (2019: RM1.0 million) respectively for the development and cultivation of oil palm plantations, property development activities and marine activities of the subsidiary companies.

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22. Investment in subsidiaries *(cont'd.)*

Details of subsidiaries are as follows:

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Quoted and incorporated in Malaysia			
BIMB Holdings Bhd (“BHB”)## and its subsidiaries:	Investment holding	53	54
Bank Islam Malaysia Berhad and its subsidiaries:	Islamic banking business	53	54
BIMB Investment Management Berhad	Management of Islamic Unit Trust Funds	53	54
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	53	54
Farihan Corporation Sdn. Bhd.	Provision of manpower services in relevant areas	53	54
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary:	Provision of services as Labuan registered trust company	53	54
BIMB Offshore Company Management Services Sdn. Bhd.	Resident Corporate Secretary and Director for Offshore Companies	53	54
BIMB Securities (Holdings) Sdn. Bhd. and its subsidiary:	Investment holding	53	54
BIMB Securities Sdn. Bhd. and its subsidiaries:	Stockbroking	53	54
BIMSEC Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	53	54
BIMSEC Nominees (Asing) Sdn. Bhd.	Provision of nominee services	53	54

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22. Investment in subsidiaries *(cont'd.)*

Details of subsidiaries are as follows: *(cont'd.)*

Name of company	Principal activities	Effective ownership interest	
		2020 %	2019 %
Quoted and incorporated in Malaysia (cont'd.)			
BIMB Holdings Bhd (“BHB”)## and its subsidiaries: (cont'd.)			
Syarikat Takaful Malaysia Keluarga Berhad ## and its subsidiaries:	Family and General Takaful business	31	32
Syarikat Takaful Malaysia Am Berhad	General Takaful business	31	32
Syarikat Al-Ijarah Sdn. Bhd	Leasing of assets	53	54
TH Plantations Berhad and its subsidiaries:	Investment holding, cultivation of oil palm, processing and marketing of palm products	74	74
THP Ibok Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	74	74
THP Bukit Belian Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunchesr	74	74
THP Kota Bahagia Sdn. Bhd.	Cultivation of oil palm, processing and marketing of palm products	74	74
THP Agro Management Sdn. Bhd.	Management services	74	74
Bumi Suria Ventures Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	74	74
Maju Warisanmas Sdn. Bhd.	Letting of investment property	74	74
THP Suria Mekar Sdn. Bhd.	Special purpose vehicle	74	74

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*Details of subsidiaries are as follows: *(cont'd.)*

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Quoted and incorporated in Malaysia (cont'd.)			
TH Plantations Berhad and its subsidiaries: (cont'd.)			
Manisraya Sdn. Bhd.	Tradeline services in dealing and trading bagi urus niaga buah tandan segar	74	74
THP Saribas Sdn. Bhd.	Cultivation of oil palm, processing and marketing of palm products	59	59
THP-YT Plantation Sdn. Bhd. ^	Cultivation of oil palm and marketing of fresh fruit bunches	-	52
Hydroflow Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	52	52
THP Sabaco Sdn. Bhd.	Cultivation of oil palm, processing and marketing of palm products	38	38
TH Ladang (Sabah & Sarawak) Sdn. Bhd. and its subsidiaries:	Investment holding	74	74
Cempaka Teratai Sdn. Bhd. and its subsidiary:	Investment holding	74	74
TH PELITA Gedong Sdn. Bhd.	Cultivation of oil palm, processing and marketing of palm products	52	52
Kee Wee Plantation Sdn. Bhd. and its subsidiary:	Investment holding	74	74
TH PELITA Sadong Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	52	52

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*

Details of subsidiaries are as follows: *(cont'd.)*

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Quoted and incorporated in Malaysia (cont'd.)			
TH Plantations Berhad and its subsidiaries: (cont'd.)			
TH Ladang (Sabah & Sarawak) Sdn. Bhd. and its subsidiaries: (cont'd.)			
TH-Bonggaya Sdn. Bhd.	Forestry	74	74
Ladang Jati Keningau Sdn. Bhd.	Teak plantation	61	61
TH-USIA Jatimas Sdn. Bhd.	Forestry	52	52
TH PELITA Meludam Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	44	44
TH PELITA Simunjan Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	44	44
TH PELITA Beladin Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	41	41
Derujaya Sdn. Bhd.	Dormant	74	74
Halus Riang Sdn. Bhd.	Dormant	74	74
Kuni Riang Sdn. Bhd.	Dormant	74	74

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*Details of subsidiaries are as follows: *(cont'd.)*

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Quoted and incorporated in Malaysia (cont'd.)			
Theta Edge Berhad^^ and its subsidiaries:	Investment holding	69	69
Advanced Business Solutions (M) Sdn. Bhd.^^	Provision of manpower for services in information technology industry	69	69
Impianas Sdn. Bhd.^^	Public mobile data network operator	69	69
Theta Technologies Sdn. Bhd.^^	Sales and maintenance of computers and telecommunication equipments, peripherals and related services	69	69
Lityan Applications Sdn. Bhd.^^	Marketing of computer products and provision of application development services	69	69
Theta Telecoms Sdn. Bhd.^^	Supply of telecommunication equipments and services and provision of customised total system integration services and solutions	69	69
Theta Greentech Sdn. Bhd.^^	Information technology solutions	69	69
Theta Multimedia Sdn. Bhd.^^	Distributor of computers and computer related equipments	69	69
TH2.0 Sdn. Bhd.^^	Investment holding	69	69
Theta Mobile Sdn. Bhd.^^	Carrying on business associated with or in promotion of IT industry	69	69

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*

Details of subsidiaries are as follows: *(cont'd.)*

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Unquoted and incorporated in Malaysia			
TH Indo Industries Sdn. Bhd.	Leasing of transportation equipment	100	100
TH Indopalms Sdn. Bhd.	Investment holding	100	100
Deru Semangat Sdn. Bhd.	Cultivation of oil palm	55	55
Sigma Entity Sdn. Bhd.	Property investment and management, letting of properties and maintenance services	100	100
TH Properties Sdn. Bhd. <i>and its subsidiaries:</i>	Investment holding	100	100
THP Development Consultancy Sdn. Bhd.	Property development consultancy and management of construction project	100	100
THP Hartanah Sdn. Bhd.	Property development	100	100
THP Timur Sdn. Bhd.	Property development	100	100
THP Mutiara Sdn. Bhd.	Property development	100	100
THP Perlis Sdn. Bhd.	Property development	100	100
THP Pelindung Sdn. Bhd.	Property development	100	100
THP Bayan Sdn. Bhd. ♦♦	Property development	-	100
Keramat Green Development Sdn. Bhd.	Property development	100	100
THP Citaqlobal Sdn. Bhd. ♦♦	Property development	-	100

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*Details of subsidiaries are as follows: *(cont'd.)*

Name of company	Principal activities	Effective ownership interest	
		<u>2020</u> %	<u>2019</u> %
Unquoted and incorporated in Malaysia (cont'd.)			
TH Properties Sdn. Bhd. and its subsidiaries: (cont'd.)			
THP Sydney Bay Views Sdn. Bhd.	Investment holding	100	100
TH Universal Builders Sdn. Bhd.	Property and facility management, maintenance and services	100	100
THP Wentworth Point (Labuan) Corporation	Investment holding	100	100
THP Australia Capital Sdn. Bhd.	Investment holding	100	100
THP Australia Developments Corporation	Investment holding	100	100
THP Bay Pavilions Corporation	Investment holding	100	100
THP Lidcombe (Labuan) Corporation	Investment holding	100	100
THP Capital (UK) Sdn. Bhd. ♦♦	Dormant	-	100
THP Skyline Sdn. Bhd. ♦♦	Dormant	-	100
THP Subiaco (Labuan) Corporation	Dormant	100	100
THP St Leonards (Labuan) Corporation	Dormant	100	100

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and its subsidiaries**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****22. Investment in subsidiaries (cont'd.)**

Details of subsidiaries are as follows: (cont'd.)

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Unquoted and incorporated in Malaysia (cont'd.)			
TH Properties Sdn. Bhd. and its subsidiaries: (cont'd.)			
THP Mezzanine One (Labuan) Corporation	Dormant	100	100
THP-SBB JV Sdn. Bhd.	Dormant	100	100
THP Enstek Development Sdn. Bhd.	Property development	100	100
THP Bina Sdn. Bhd. and its subsidiaries:	Infrastructure concessions, construction, provision of venture capital and management expertise	100	100
THT-HCM JV Sdn. Bhd. ♦	Dormant	60	60
Ultimate Building Machine (Malaysia) Sdn. Bhd. ♦	General contracting activities	60	60
THP Sinar Sdn. Bhd. and its subsidiaries:	Provision of facilities management services	60	60
THPS Capital Sdn. Bhd.	Has not commenced operations	60	60
THP Konsortium Sdn. Bhd.	Investment holding	51	51
TH Hotel & Residence Sdn. Bhd. and its subsidiaries:	Investment holding and hotel operations	100	100
TH Travel & Services Sdn. Bhd.	Provision of umrah and hajj services, tour and ticketing	100	100
TH Hotel Alor Setar Sdn. Bhd.	Dormant	100	100

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*Details of subsidiaries are as follows: *(cont'd.)*

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Unquoted and incorporated in Malaysia (cont'd.)			
TH Hotel & Residence Sdn. Bhd. and its subsidiaries: (cont'd.)			
TH Hotel Terengganu Sdn. Bhd.	Dormant	100	100
THV Management Services Sdn. Bhd.	Hotel management and operations	100	100
TH Global Services Sdn. Bhd.	Dormant	100	100
TH Hotel (Sarawak) Sdn. Bhd.	Hotel operations	100	100
TH Marine Holding (L) Inc. and its subsidiaries:	Investment holding	100	100
Marine 1 (L) Inc.	Ship owning	100	100
TH-Alam Holdings (L) Inc. and its subsidiaries:	Investment holding	51	51
Alam-JV DP1 (L) Inc.	Ship owning	51	51
Alam-JV DP2 (L) Inc.	Ship owning	51	51
Premia Cards Sdn. Bhd.	Debit or prepaid card issuer	100	100
LTH Property Investment (L) Inc.	Investment holding and property investment	100	100

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*

Details of subsidiaries are as follows: *(cont'd.)*

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Incorporated in United Kingdom			
LTH Property Holdings Limited <i>and its subsidiary:</i>	Investment holding	100	100
10 Queen Street Place London Limited	Investment property holding	100	100
LTH Property Holdings 2 Limited <i>and its subsidiaries:</i>	Investment holding	100	100
Leatherhead Properties Limited	Investment property holding	100	100
Millstream Property Limited	Investment property holding	100	100
LTH Oxford Limited	Investment holding	100	100
LTH Property Holdings 3 Limited	Investment holding	100	100
LTH Property Holdings 4 Limited <i>and its subsidiaries:</i>	Investment holding	100	100
LTH Residence Limited	Investment property holding	100	100
LTH Residence Two Limited	Investment property holding	100	100
THPS Capital Sdn. Bhd. <i>and its subsidiary:</i>			
THPS Capital UK Limited	Provision of asset management services in the commercial real estate sector	60	60

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*Details of subsidiaries are as follows: *(cont'd.)*

Name of company	Principal activities	Effective ownership interest	
		<u>2020</u> %	<u>2019</u> %
Incorporated in Australia			
LTH Property Investment (L) Inc. and its trust fund:			
TH Trust* and its trust fund:	Investment holding	100	100
747 CS Melbourne Trust*	Property investment	100	100
THP Australia Capital Sdn. Bhd. and its subsidiaries:			
THP Amanah Pty. Ltd.	Trustee to Piety THP Venture Fund which invests in the Bay Pavilion Trust	100	100
THP Treasury Pty. Ltd	Trustee to THP WP1 Trust which extends financing to The Waterfront Project, Sydney	100	100
THP Lidcombe Pty. Ltd.	Trustee to THP Lidcombe Trust which extends financing to the Lidcombe Project, Sydney	100	100
THP Subiaco Pty. Ltd. ❖	Trustee of THP Subiaco Trust, the beneficiary of THP Rokeby Trust	-	100
THP Rokeby Pty. Ltd. ❖	Trustee of THP Rokeby Trust, the beneficiary of THP Subiaco (Labuan) Corporation	-	100
THP Mezzanine One Pty. Ltd. ❖	THP Mezzanine One was intended to be a vehicle to raise funds and extend mezzanine financing to THP Group projects in Australia	-	100

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)*

Details of subsidiaries are as follows: *(cont'd.)*

		Effective ownership interest	
Name of company	Principal activities	<u>2020</u> %	<u>2019</u> %
Incorporated in Indonesia			
Syarikat Takaful Malaysia Keluarga Berhad ## and its subsidiaries:			
P.T. Syarikat Takaful Indonesia and its subsidiaries:	Investment holding	18	18
P.T. Asuransi Takaful Keluarga	Family takaful business	13	13
TH Plantations Berhad and its subsidiary:			
P.T. Persada Kencana Prima	Cultivation of oil palm and marketing of fresh fruit bunches	69	69

* Trust fund.

A special resolution to wind up the company was passed on 11 November 2019 and has subsequently been removed from the Guernsey Registry of companies.

♦ In the process of striking off in accordance with the Companies Act, 2016.

^^ Transferred to assets held for sale during the financial year 2019.

Reduction in shareholding as **TH** did not participate in dividend reinvestment plan in 2020.

^ Disposed on 31 July 2020.

♦♦ Struck off during the financial year 2020 in accordance with Companies Act, 2016.

❖ Deregistered during the financial year 2020.

All subsidiaries of **TH** are not audited by the Auditor General of Malaysia.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

22. Investment in subsidiaries *(cont'd.)***Non-controlling interests in subsidiaries**

The summarised financial information of the Group's subsidiaries that have material non-controlling interests ("NCI") (amounts before intra-group eliminations) are as follows:

	<u>2020</u>		<u>2019</u>	
	BIMB Holdings Berhad*	TH Plantations Berhad	BIMB Holdings Berhad	TH Plantations Berhad
	RM'000	RM'000	RM'000	RM'000
Summarised statements of financial position				
Assets	-	2,665,217	77,271,560	2,736,602
Liabilities	-	(1,815,124)	(70,853,417)	(1,918,798)
Net assets	-	850,093	6,418,143	817,804
Summarised statements of profit or loss and statements of comprehensive income				
Revenue	-	565,043	5,424,472	461,466
Profit/(Loss) for the year	-	27,460	935,369	(273,134)
Total comprehensive income/(loss)	-	29,461	1,147,320	(274,675)
Summarised statements of cash flows				
Cash flows from operating activities	-	129,734	247,630	134,023
Cash flows from investing activities	-	22,470	(426,614)	(67,828)
Cash flows from financing activities	-	(136,606)	(196,968)	(47,780)
Net increase/(decrease) in cash and cash equivalents	-	15,598	(375,952)	18,415
Dividends to non-controlling interests	-	2,828	247,296	2,616

*In 2020, BHB was transferred to Assets Held for Sale.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

23. Forestry

At 1 January

Additions during the year

Transfer from nurseries

Additions charged to profit or loss

Change in fair value recognised in profit or loss (Note 41)

At 31 December

Included in additions during the year are as follows:

Personnel expenses:

- Wages, salaries and others

- Contributions to the Employees Provident Fund

Fair value information

Fair value of forestry is categorised as follows:

Forestry

* Nurseries fair values are deemed at cost

Highest and best use

The valuation was based on the highest and best use of the forestry which is the felling of timber.

Fair value information

The following information shows the valuation techniques used in the determination of fair value within Level 3, as well as the significant unobservable inputs used in the valuation models in the current and prior year.

Group	
2020	2019
RM'000	RM'000
6,385	49,825
14,878	25,083
-	(13,385)
(14,878)	(11,923)
5,726	(43,215)
12,111	6,385
1,239	1,363
206	210

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

23. Forestry (cont'd.)

Fair value information (cont'd.)

Description of valuation technique and inputs used:

- The valuation method considers the present value of net cash flows to be generated from forestry, taking into account expected timber volume, timber sales price, canopy wood sales price, land rental, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.

<i>Significant unobservable inputs in current year</i>	<i>Significant unobservable inputs in prior year</i>	<i>Inter-relationship between significant unobservable inputs and fair value measurement</i>
		The estimated fair value would increase/(decrease) if:
• Expected clear bole volume (153tonne/ha - 217tonne/ha)	Expected clear bole volume (153tonne/ha - 217tonne/ha)	Expected clear bole volume were higher/(lower);
• Clear bole price (RM175/tonne)	Clear bole price (RM166/tonne)	Clear bole price higher/(lower);
• Log extraction cost (RM81/tonne)	Log extraction cost (RM81/tonne)	Log extraction cost were lower/(higher);
• General charges (RM90/ha)	General charges (RM80/ha)	General charges were lower/(higher);
• Upkeep and maintenance cost (RM36/ha)	Upkeep and maintenance cost (RM40/ha)	Upkeep and maintenance cost were lower/(higher); or
• Pre-tax discount rate (10%)	Pre-tax discount rate (10%)	Discount rates were lower/(higher);
• Land rental rate (3%)	Land rental rate (1%)	Land rental rates were lower/(higher).

Valuation processes applied by the Group for Level 3 fair value

The fair value of forestry is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of forestry being valued. The independent professional valuer provides the fair value of the Group's forestry annually. Changes in Level 3 fair values are analysed by the management annually.

The values assigned to the key assumptions represent management's assessment of current trends in forestry in Malaysia and are based on both external and internal sources (historical data). During the financial year, the canopy wood has not been assigned any value as there is no market for canopy wood in Sabah based on market research and land rental rate of 3% has been used during the current year as compared to prior year where a land rental rate of 1% was used. The changes in the key assumptions as compared to prior year are as the result from the change in the market condition of the assets.

The above estimates are particularly sensitive in the following cases:

- An increase of timber volume by 10% would have resulted in a decrease of fair value loss by RM4,318,000.
- An increase of timber price by 10% would have resulted in a decrease of fair value loss by RM4,318,000.
- A decrease of 10% in the upkeep and maintenance cost would have resulted in a decrease of fair value loss by RM751,000.
- A decrease by 2% in the discount rate would have resulted in a decrease of fair value loss by RM5,186,000.

If the key assumptions used during the current year is consistent with prior year, the impact would have been as follows:

- Factoring a 1% land rental rate which is consistent with prior year would have resulted in an increase of fair value loss of RM15,385,000.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

24. Plantation development expenditure

	Group	
	2020 RM'000	2019 RM'000
At 1 January	144,775	104,925
Additions during the year	22,340	58,965
Transfer to property, plant and equipment (Note 26)	(45,441)	(35,904)
Write off (Note 42)	(2,870)	(1,043)
Impairment of plantation development expenditure (Note 42)	(5,329)	(20,316)
Reversal of impairment loss (Note 42)	-	1,833
Transfer from assets of disposal group classified as held for sale	43,153	35,633
Transfer to assets of disposal group classified as held for sale	-	(1,928)
Foreign exchange difference	(2,148)	2,610
At 31 December	154,480	144,775

Included in additions during the year were:

	Group	
	2020 RM'000	2019 RM'000
Depreciation of:		
- Property, plant and equipment (Note 26(a))	1,332	1,132
- Right-of-use assets (Note 25)	185	278
Personnel expenses:		
- Wages, salaries and others	9,173	14,524
- Contribution to Employees Provident Fund	368	558

i) TH Plantation Berhad Group

Impairment loss on plantations development expenditure ("PDE")

2020

An estate has been inaccessible due to natives intrusion, in which no future income is expected to be generated from this area. The Group had fully impaired RM4,948,000 in the relation to carrying amount of PDE in relation to this estate as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

24. Plantation development expenditure (cont'd.)

i) TH Plantation Berhad Group (cont'd.)

Impairment loss on plantations development expenditure ("PDE") (cont'd.)

2019

In prior year, the Group has engaged a registered valuer to value the plantation assets of a subsidiary that has not been performing up to expectation. The Group is of the view that the fair value less cost to sell are consistent as per prior year valuation report when assessing the impairment of PDE as there is no significant change in the market condition.

Based on the valuation performed by the valuers, the Group had recognised an impairment loss of RM14,940,000 as the carrying amount of the assets is higher than the fair value less cost to sell as per the valuation report.

Fair value less cost to sell is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement.

Reversal of impairment loss for PDE

2019

In prior year, management has reviewed the fair value less cost to sell of the PDE of a subsidiary and noted that the fair value less cost to sell was determined to be higher than the carrying amount of the PDE and reversal of impairment loss of RM1,833,000 was recognised. The fair value less cost to sell of PDE was estimated based on the subsidiary Board of Director's valuation, which was based on the offer letter received from a minority shareholder of the subsidiary to acquire the plantation development expenditure based on its current condition.

25. Right-of-use assets

The Group's obligation under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group and **TH** have lease contracts for land. The lease terms are between 23 to 999 years.

Asset restoration obligation ("ARO") are stated in some of the contracts. Therefore, provisions have been made for these purposes, where applicable.

The Group also has certain leases of fittings and other equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

25. Right-of-use assets (cont'd.)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Land RM'000	Building RM'000	Equipment & motor vehicle RM'000	Total RM'000
Cost				
At 1 January 2020	123,073	678,910	22,174	824,157
Additions	9,176	13,869	-	23,045
Rental relief adjustment	-	(142,451)	-	(142,451)
Transfer from/(to) assets held for sale	46,324	(34,827)	(21,938)	(10,441)
Disposal	(16)	-	-	(16)
Foreign exchange difference	2,096	-	-	2,096
At 31 December 2020	180,653	515,501	236	696,390
Accumulated depreciation				
At 1 January 2020	14,997	199,030	2,127	216,154
Depreciation for the year	19,087	4,568	40	23,695
Transfer to assets held for sale	-	(2,248)	(1,970)	(4,218)
At 31 December 2020	34,084	201,350	197	235,631
Accumulated impairment				
At 1 January 2020	22,819	18,299	-	41,118
Impairment for the year	-	898	-	898
Derecognition	-	4,053	39	4,092
At 31 December 2020	22,819	23,250	39	46,108
Net carrying amount at 31 December 2020	123,750	290,901	-	414,651

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

25. Right-of-use assets *(cont'd.)*

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period: *(cont'd.)*

Group	Land RM'000	Building RM'000	Equipment & motor vehicle RM'000	Total RM'000
<i>Cost</i>				
At 1 January 2019	182,842	662,205	21,752	866,799
Additions	273	16,705	42	17,020
Transfer to assets held for sale	(60,091)	-	-	(60,091)
Foreign exchange difference	49	-	380	429
At 31 December 2019	123,073	678,910	22,174	824,157
<i>Accumulated depreciation</i>				
At 1 January 2019	-	-	-	-
Depreciation for the year	14,997	199,030	2,127	216,154
At 31 December 2019	14,997	199,030	2,127	216,154
<i>Accumulated impairment</i>				
At 1 January 2019	-	-	-	-
Impairment for the year	22,819	18,299	-	41,118
At 31 December 2019	22,819	18,299	-	41,118
<i>Net carrying amount at 31 December 2019</i>	85,257	461,581	20,047	566,885

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

25. Right-of-use assets *(cont'd.)*

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period: *(cont'd.)*

<i>TH</i>	Land RM'000	Building RM'000	Total RM'000
Cost			
At 1 January 2020	26,442	620,672	647,114
Additions	-	7,012	7,012
Rental relief adjustment	-	(142,451)	(142,451)
At 31 December 2020	26,442	485,233	511,675
Accumulated depreciation			
At 1 January 2020	1,467	190,823	192,290
Depreciation for the year	1,467	3,446	4,913
At 31 December 2020	2,934	194,269	197,203
Net carrying amount at 31 December 2020	23,508	290,964	314,472

<i>TH</i>	Land RM'000	Building RM'000	Total RM'000
Cost			
At 1 January 2019	26,442	614,133	640,575
Additions	-	6,539	6,539
At 31 December 2019	26,442	620,672	647,114
Accumulated depreciation			
At 1 January 2019	-	-	-
Depreciation for the year	1,467	190,823	192,290
At 31 December 2019	1,467	190,823	192,290
Net carrying amount at 31 December 2019	24,975	429,849	454,824

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****25. Right-of-use assets (cont'd.)**

The following are the amounts recognised in profit or loss:

2020

Depreciation of right-of-use assets

Finance cost on lease liabilities

Expense relating to:

- short-term leases

- leases of low-value assets

Group
RM'000

TH
RM'000

23,510 **4,913**

41,675 **31,365**

10,634 **10,577**

3,339 **2,945**

79,158 **49,800**

Breakdown of depreciation charge for the year, are as follows:

Depreciation: Plantation development expenditure (Note 24)

Recognised in profit or loss (Note 43)

Capitalised in plantation development expenditure (Note 24)

Group
RM'000

TH
RM'000

185 **-**

23,510 **4,913**

185 **-**

23,695 **4,913**

2019

Depreciation of right-of-use assets

Finance cost on lease liabilities

Expense relating to:

- short-term leases

- leases of low-value assets

Group
RM'000

TH
RM'000

196,434 **190,378**

33,427 **46,442**

6,785 **6,553**

16,115 **15,339**

252,761 **258,712**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

25. Right-of-use assets (*cont'd.*)

Breakdown of depreciation charge for the year, are as follows:

	Group RM'000	TH RM'000
Depreciation: Plantation development expenditure (Note 24)	278	-
Recognised in profit or loss (Note 43)	196,434	190,378
Depreciation of right-of-use assets under TKJHM and TWT (Note 34(ii))	1,912	1,912
Capitalised in plantation development expenditure (Note 24)	278	-
	198,624	192,290

Impairment of right-of-use assets

TH Hotel Group

2019

In prior year, the impairment loss of RM18,299,000 arose from subsidiaries of the Group namely TH Hotel & Residence Sdn. Bhd. (RM11,664,000), TH Hotel Alor Setar Sdn. Bhd. (RM3,491,000) and TH Hotel Terengganu Sdn. Bhd. (RM3,144,000) due to derecognition of right-of-use assets ("ROU") as the ROU lease period has been remeasured at year end after taking into account of the transferring of the hotel operations to Urusharta Jamaah Sdn. Bhd ("UJSB") from 1 April 2020 onwards.

2020

In the current financial year, the impairment loss of RM898,000 arose from TH Hotel & Residences due to the impact of losses after transferring the hotel operations to UJSB.

TH Plantations Group

2019

In prior year, the Board of Directors of TH Plantation Bhd. Group approved a plan to dispose the Group's interest in three (3) additional subsidiaries on 1 August 2019. The Group has engaged a valuer to perform a valuation on the plantation assets of these subsidiaries. As at 31 December 2019, two (2) of the subsidiaries' right-of-use assets have been reclassified to assets held for sale as the sale of the subsidiaries are expected to be completed within twelve (12) months from the approval date.

During financial year 2019, the Group has also reclassified the right-of-use assets of one (1) subsidiary that was previously classified as asset held for sale in prior year. The Group has engaged a registered valuer in prior year to value the plantation assets of the subsidiary. The Group is of the view that fair value less cost to sell are consistent as per prior year valuation report when assessing the impairment of right-of-use assets as there is no significant change in the market condition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

25. Right-of-use assets *(cont'd.)*

Impairment of right-of-use assets (cont'd.)

TH Plantations Group *(cont'd.)*

2019 *(cont'd.)*

Based on the valuation performed by the valuer, the Group had recognised an impairment loss of RM22,819,000 as the carrying amount of the assets are higher than the fair value less cost to sell as per valuation report.

The fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is Level 3 fair value measurement.

Extension option

The Group and **TH** have several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and **TH**'s business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

There are also leases that are either non-cancellable, or may only be cancelled by incurring a substantive termination fee. There are also some leases that contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for further term.

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26. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Bearer plant RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Buildings renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
<i>Cost</i>									
As at 1 January 2020	74,530	50,202	844,588	787,644	239,032	355,280	2,219,272	44,857	4,615,405
Additions	-	-	9,384	3,924	-	3,860	27,473	10,055	54,696
Disposals	-	-	(549)	-	-	(900)	(42,741)	-	(44,190)
Write off	-	-	(5,833)	(633)	-	(168)	(3,248)	-	(9,882)
Transfer from/(to) plantation development expenditure (Note 24)	-	-	45,441	-	-	-	-	-	45,441
Transfer from/(to) investment property (Note 19)	-	-	-	-	-	10,373	-	(11,914)	(1,541)
Transfer from assets held for sale	-	-	67,100	36,138	-	-	9,595	-	112,833
Transfer to assets held for sale	(50,890)	(14,784)	-	(139,335)	(11,328)	(43,870)	(867,455)	-	(1,127,662)
Transfer from completed inventories	-	-	-	29	-	-	-	-	29
Reclassifications	-	-	-	1,717	-	748	28,270	(30,735)	-
Foreign exchange difference	-	-	(339)	(17)	-	-	(33)	(1)	(390)
At 31 December 2020	23,640	35,418	959,792	689,467	227,704	325,323	1,371,133	12,262	3,644,739

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FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)**26. Property, plant and equipment** (*cont'd.*)

Group	Freehold land RM'000	Leasehold land RM'000	Bearer plant RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Buildings renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
<i>Accumulated depreciation</i>									
As at 1 January 2020	-	6,445	210,111	129,391	126,116	203,342	1,380,488	-	2,055,893
Depreciation for the year (Note 26(a))	-	(96)	38,423	12,883	4,624	40,940	78,452	-	175,226
Disposals	-	-	(167)	-	-	(563)	(42,709)	-	(43,439)
Write off	-	-	(5,705)	(455)	-	(100)	(2,984)	-	(9,244)
Transfer from assets held for sale	-	-	23,041	4,411	-	-	6,524	-	33,976
Transfer to assets held for sale	-	(2,174)	-	(25,287)	(1,276)	(30,391)	(672,675)	-	(731,803)
Foreign exchange difference	-	-	(14)	(4)	-	-	(20)	-	(38)
Reclassification	-	-	-	-	-	-	-	-	-
At 31 December 2020	-	4,175	265,689	120,939	129,464	213,228	747,076	-	1,480,571
<i>Accumulated impairment</i>									
At 1 January 2020	-	-	75,845	-	-	597	128,799	-	205,241
Impairment loss during the year	-	-	2,986	-	-	162	70,305	-	73,453
Reversal of impairment loss	-	-	(15,982)	-	-	-	-	-	(15,982)
At 31 December 2020	-	-	62,849	-	-	759	199,104	-	262,712
<i>Net carrying amount at 31 December 2020</i>	23,640	31,243	631,254	568,528	98,240	111,336	424,953	12,262	1,901,456

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26. Property, plant and equipment (cont'd.)

Group	Freehold land RM'000	Leasehold land RM'000	Bearer plant RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Buildings renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
Cost									
At 1 January 2019	74,530	50,202	1,122,051	809,611	238,632	349,872	2,194,511	91,751	4,931,160
Additions	-	-	2,972	663	20	9,057	74,673	9,602	96,987
Disposals	-	-	-	-	-	-	(10,732)	-	(10,732)
Write off	-	-	(4,148)	(425)	-	(927)	(6,773)	-	(12,273)
Transfer from plantation development expenditure (Note 24)	-	-	35,904	-	-	-	-	-	35,904
Transfer (to)/from investment property (Note 19)	-	-	-	(3,000)	-	6	-	(111)	(3,105)
Transfer from assets held for sale	-	-	28,851	3,352	-	-	1,649	-	33,852
Transfer to assets held for sale	-	-	(341,042)	(35,571)	-	(116)	(86,754)	(793)	(464,276)
Transfer from completed inventories	-	-	-	8,812	-	-	-	-	8,812
Reclassifications	-	-	-	4,185	-	(2,612)	54,019	(55,592)	-
Foreign exchange difference	-	-	-	17	380	-	(1,321)	-	(924)
At 31 December 2019	74,530	50,202	844,588	787,644	239,032	355,280	2,219,272	44,857	4,615,405

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****26. Property, plant and equipment (cont'd.)**

Group	Freehold land RM'000	Leasehold land RM'000	Bearer plant RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Buildings renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
<i>Accumulated depreciation</i>									
At 1 January 2019	-	5,889	286,281	127,000	120,018	164,055	1,279,379	-	1,982,622
Depreciation for the year (Note 26(a))	-	556	34,577	12,089	5,863	40,227	183,883	-	277,195
Disposals	-	-	-	-	-	-	(10,652)	-	(10,652)
Write off	-	-	(4,034)	(373)	-	(915)	(6,614)	-	(11,936)
Transfer from assets held for sale	-	-	4,891	540	-	-	733	-	6,164
Transfer to assets held for sale	-	-	(111,604)	(9,868)	-	(25)	(64,771)	-	(186,268)
Foreign exchange difference	-	-	-	3	235	-	(1,470)	-	(1,232)
At 31 December 2019	-	6,445	210,111	129,391	126,116	203,342	1,380,488	-	2,055,893
<i>Accumulated impairment loss</i>									
At 1 January 2019	-	-	2,396	-	-	1	118,447	-	120,844
Impairment loss during the year	-	-	78,817	-	-	596	10,352	-	89,765
Reversal of impairment loss	-	-	(5,368)	-	-	-	-	-	(5,368)
At 31 December 2019	-	-	75,845	-	-	597	128,799	-	205,241
<i>Net carrying amount at 31 December 2019</i>	74,530	43,757	558,632	658,253	112,916	151,341	709,985	44,857	2,354,271

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26. Property, plant and equipment *(cont'd.)*

<i>TH</i>	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Buildings renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
<i>Cost</i>								
At 1 January 2020	23,640	11,228	140,509	227,704	311,156	452,594	27,055	1,193,886
Additions	-	-	-	-	2,702	5,890	8,557	17,149
Disposals	-	-	-	-	-	(42,378)	-	(42,378)
Write off	-	-	-	-	(168)	(9)	-	(177)
Transfer from/(to) investment property (Note 19)	-	-	-	-	10,372	-	(11,914)	(1,542)
Reclassifications	-	-	-	-	(7,049)	21,243	(14,194)	-
At 31 December 2020	23,640	11,228	140,509	227,704	317,013	437,340	9,504	1,166,938
<i>Accumulated impairment</i>								
At 1 January 2020	-	3,312	38,759	124,840	168,352	377,370	-	712,633
Depreciation for the year (Note 26(a))	-	277	4,369	4,625	40,303	33,417	-	82,991
Disposals	-	-	-	-	-	(42,361)	-	(42,361)
Write off	-	-	-	-	(99)	-	-	(99)
At 31 December 2020	-	3,589	43,128	129,465	208,556	368,426	-	753,164
Net carrying amount at 31 December 2020	23,640	7,639	97,381	98,239	108,457	68,914	9,504	413,774

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

26. Property, plant and equipment *(cont'd.)*

<i>TH</i>	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Buildings renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
Cost								
At 1 January 2019	23,640	11,228	140,509	227,704	300,182	394,539	88,032	1,185,834
Additions	-	-	-	-	2,602	4,819	5,517	12,938
Disposals	-	-	-	-	-	(3,893)	-	(3,893)
Write off	-	-	-	-	(659)	(235)	-	(894)
Transfer from/(to) investment property (Note 19)	-	-	-	-	6	-	(105)	(99)
Reclassifications	-	-	-	-	9,025	57,364	(66,389)	-
At 31 December 2019	23,640	11,228	140,509	227,704	311,156	452,594	27,055	1,193,886
Accumulated impairment								
At 1 January 2019	-	3,175	36,435	120,216	131,449	300,051	-	591,326
Depreciation for the year (Note 26(a))	-	137	2,324	4,624	37,562	81,422	-	126,069
Disposals	-	-	-	-	-	(3,868)	-	(3,868)
Write off	-	-	-	-	(659)	(235)	-	(894)
At 31 December 2019	-	3,312	38,759	124,840	168,352	377,370	-	712,633
Net carrying amount at 31 December 2019	23,640	7,916	101,750	102,864	142,804	75,224	27,055	481,253

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****26. Property, plant and equipment (cont'd.)****(a) Depreciation for the year is allocated as follows:**

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit or loss (Note 43)	172,738	274,749	81,634	124,755
Depreciation of assets under TKJHM and TWT (Note 34(ii))	1,356	1,314	1,356	1,314
Capitalised in plantation development expenditure (Note 24)	1,132	1,132	-	-
	175,226	277,195	82,990	126,069

(b) Change in estimates on bearer plant

During the financial year ended 31 December 2020, the plantation subsidiary companies of the Group had revised the annual production yield table to reflect the potential yield of each individual bearer plant. The yield per hectare is determined by internal planting advisors, who have appropriate recognised professional qualifications and experience in the field.

The effects of these changes on depreciation expense of the Group, recognised in cost of sales, in current and future years are as follows:

	2020	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
(Decrease)/Increase in depreciation expense	(8,284)	5,251	7,351	5,792	7,506

(c) Depreciation of bearer plant

TH Plantations Bhd. Group ("THPB Group") depreciated bearer plant based on yield estimates which is estimated based on the past trend yield per hectare which in turn is dependent on the age of the trees. The yield per hectare is determined by internal planting advisors, who have appropriate professional qualifications and experience in the field. The estimate of the potential yield requires significant judgement and is dependent on past trend production of the Group. The actual yield, however, may be different from expected.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

26. Property, plant and equipment *(cont'd.)*

(d) Impairment on bearer plant

2020

During the financial year, THPB Group has recorded impairment losses of RM2,986,000 in relation to bearer plant of its subsidiaries.

2019

In prior financial year, THPB Group engaged a registered valuer to value the bearer plant ("cash-generating unit") of a subsidiary that has not been performing up to the Group's expectation.

Based on the valuation performed by the valuer, the Group recognised an impairment loss of RM75,845,000 as the carrying amount of the cash-generating unit was higher than the fair value less cost to sell as per valuation report.

The fair value less cost to sell was based on management estimates having regard to estimated resale value, which was determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being value. Fair value less cost to sell was at Level 3 fair value measurement.

(e) Reversal of impairment on bearer plant

2020

During the current financial year, THPB Group has commenced a rehabilitation exercise on bearer plant in certain estates ("cash-generating unit") with carrying amount of RM315,712,415. THPB Group is committed to complete the rehabilitation exercise by 2021. As the result of the rehabilitation exercise, THPB Group expects the performance of cash-generating unit in the areas under rehabilitation to improve in the near future.

The recoverable amount of the cash-generating unit in the areas under rehabilitation is based on the assumption that rehabilitation exercise will continue to take place in 2021, in the extent to which, or manner in which, the rehabilitation exercise will enhance the performance of the cash-generating unit in the areas under rehabilitation.

THPB Group has exercised significant judgment in assessing the recoverable amount of cash-generating unit in the areas under rehabilitation based on value in use method, which is estimated at RM38,401 per hectare.

The valuation method and assumptions used in the determination of value in use as well as the significant unobservable inputs used in the valuation models in current year are as follows:

a) *Description of valuation technique and inputs used*

- Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from bearer plant, considering expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.

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26. Property, plant and equipment (*cont'd.*)**(e) Reversal of impairment on bearer plant (*cont'd.*)****2020 (*cont'd.*)****b) Significant unobservable inputs in current year**

- Expected projected FFB yield (16.00mt/ha – 26.00mt/ha)
- FFB sales price (RM433/mt-RM536/mt)
- Upkeep and maintenance cost (RM1,000/ha – RM3,310/ha)
- Pre-tax discount rate (14%)

c) Inter-relationship between significant unobservable inputs and fair value measurement

The estimated fair value would increase/decrease if:

- Expected projected FFB yield were higher/(lower)
- FFB sales price higher/(lower)
- Upkeep and maintenance cost were lower/(higher); or
- Discount rates were lower/(higher).

The value in use is based on management's estimates having regard to the performance of the cash-generating unit and is determined by discounting the future cash flows expected to be generated from the continuing use of the cash-generating unit. The values assigned to the key assumptions represent THPB Group's assessment of future trends in the palm oil industry and are based on external sources and internal sources (historical data).

Based on the assessment, the recoverable amount of the cash-generating unit in relation to the rehabilitated areas is higher than its carrying amount. A reversal of impairment loss in relation to the cash-generating unit of RM15,982,000 has been recognised in the profit or loss.

Sensitivity analysis

- A reduction in price of FFB by 5% would have resulted in a decrease of reversal of impairment loss of RM11,746,000;
- A reduction in yield per hectare by 5% would have resulted in a decrease of reversal of impairment loss of RM10,850,000;
- An increase in upkeep and maintenance cost by 5% would have resulted in a decrease of reversal of impairment loss of RM4,570,000;
- An increase in discount rate by 1% would have resulted in a decrease of reversal of impairment loss of RM8,250,000.

(f) Collateral

- Vessels owned by subsidiary companies of the Group at a carrying value of RM162,127,000 (2019: RM197,503,000) have been pledged as securities for bank borrowings totalling RM138,467,000 (2019: RM153,267,000), as disclosed in Note 38.
- Leasehold land held by a subsidiary company at a carrying value amounting to RM7,491,000 (2019: RM7,674,000) has been pledged as security for bank borrowings as disclosed in Note 38.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)**27. Intangible assets**

Group	Goodwill	Bancatakaful	Other	Total
<u>2020</u>	RM'000	services fees	intangibles	RM'000
<i>Cost</i>		RM'000	RM'000	
At 1 January 2020	344,920	148,821	97,054	590,795
Additions	-	151,000	5,676	156,676
Expiry of bancatakaful service agreement	-	(61,321)	-	(61,321)
Transfer to assets held for sale	(59,523)	(238,500)	(102,730)	(400,753)
At 31 December 2020	285,397	-	-	285,397
<i>Accumulated amortisation</i>				
At 1 January 2020	-	82,425	85,586	168,011
Expiry of bancatakaful service agreement	-	(61,321)	-	(61,321)
Transfer to asset held for sale	-	(21,104)	(85,586)	(106,690)
At 31 December 2020	-	-	-	-
<i>Accumulated impairment</i>				
At 1 January 2020/31 December 2020	285,397	-	-	285,397
<i>Net carrying amount as at 31 December 2020</i>	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

27. Intangible assets (cont'd.)

Group	Goodwill RM'000	Bancatakaful services fees RM'000	Other intangibles RM'000	Total RM'000
2019				
<i>Cost</i>				
At 1 January 2019	335,159	146,321	98,907	580,387
Additions	-	2,500	2,189	4,689
Transfer to assets held for sale	9,761	-	(4,042)	5,719
At 31 December 2019	344,920	148,821	97,054	590,795
<i>Accumulated amortisation</i>				
At 1 January 2019	-	52,953	82,288	135,241
Amortisation for the year (Note 43)	-	29,472	7,340	36,812
Write off	-	-	(4,042)	(4,042)
At 31 December 2019	-	82,425	85,586	168,011
<i>Accumulated impairment</i>				
At 1 January 2019	275,636	-	-	275,636
Impairment during the year	9,761	-	-	9,761
At 31 December 2019	285,397	-	-	285,397
Net carrying amount as at 31 December 2019	59,523	66,396	11,468	137,387

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

27. Intangible assets *(cont'd.)*

Details of intangible assets of the Group are as follows:

(i) Goodwill

a) Goodwill has been allocated to the cash-generating units of the Group identified according to the following:

Group	2020 RM'000	2019 RM'000
i) Acquisition of BIMB Holdings Berhad	59,523	59,523
Less: Transfer to assets held for sale	(59,523)	-
	-	59,523
ii) Acquisition of TH Ladang Sabah & Sarawak Sdn. Bhd. Group	133,704	133,704
Less: Accumulated impairment losses	(133,704)	(133,704)
	-	-
iii) Acquisition of Deru Semangat Sdn. Bhd.	78,428	78,428
Less: Accumulated impairment losses	(78,428)	(78,428)
	-	-
iv) Acquisition of Hydroflow Sdn. Bhd.	13,855	13,855
Less: Accumulated impairment losses	(13,855)	(13,855)
	-	-
v) Acquisition of Bumi Suria Ventures	27,789	27,789
Less: Accumulated impairment losses	(27,789)	(27,789)
	-	-
vi) Acquisition of Maju Warisanmas Sdn. Bhd.	31,621	31,621
Less: Accumulated impairment losses	(31,621)	(31,621)
	-	-
	-	59,523

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

27. Intangible assets (*cont'd.*)

Details of intangible assets of the Group are as follows: (*cont'd.*)

(i) Goodwill (*cont'd.*)

b) Impairment tests on goodwill

The Group's total goodwill is attributable to the cash-generating units ("CGUs"), being the lowest level of asset for which there are separately identifiable cash flows.

The Group had performed impairment tests to determine whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the CGUs was determined based on the higher of fair value less costs to sell or value in use. The calculations use cash flow projections based on financial budgets and estimates approved by management covering projection periods disclosed below.

Cash flows beyond the period disclosed are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

2020

BIMB Holdings Berhad ("BHB")

The results of BHB Group have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Please refer to Note 29 for further details.

The Group had assessed the CGU recoverable amount of BHB including the goodwill of RM59.5 million based on BHB's market value, which resulted in a surplus of RM196.8 million. The goodwill has been transferred to Assets Held for Sale during the financial year 2020.

2019

(i) Hydroflow Sdn. Bhd.

In 2019, the Board of Directors of TH Plantation Berhad are of the opinion that the efforts to sell its investment in Hydroflow Sdn. Bhd. which was classified as assets held for sale in prior year is no longer probable, hence the Group has reclassified the assets and liabilities including the goodwill arising from the acquisition of the subsidiary to their relevant financial statement caption.

The Group is of the view that the fair value less cost to disposal is still the same as per prior year valuation report when assessing the impairment of intangible asset as there is no significant change in the market condition. Based on the valuation report, the Group has recognised an impairment loss of RM9,761,000 as the carrying amount of the intangible asset is higher than the fair value less cost to disposal as per valuation report.

Fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is a Level 3 fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

27. Intangible assets (*cont'd.*)

Details of intangible assets of the Group are as follows: (*cont'd.*)

(i) Goodwill (*cont'd.*)

b) Impairment tests on goodwill (*cont'd.*)

2019 (*cont'd.*)

(i) Hydroflow Sdn. Bhd. (*cont'd.*)

For the purpose of impairment testing, goodwill was allocated to the subsidiaries which represent the cash-generating unit ("CGU") within the Group at which the goodwill was monitored for internal management purposes. The CGU was related to plantation segment. The Group had exercised significant judgment in assessing the CGU recoverable amount using fair value less cost of disposal.

(ii) BIMB Holdings Berhad ("BHB")

The value in use calculations apply discounted cash flow projections prepared and approved by management, covering a 5-year period. The other key assumptions for the computation of value in use are as follows:

- a) The growth in business volume is expected to be consistent with the entity's past performance growth rate of 10.0% to 15.0% per annum;
- b) The discount rate applied is estimated to be 8.34% per annum, reflecting the banking industry in Malaysia; and
- c) The terminal value growth rate of 1% due to its stature as a reputable bank in the banking industry in Malaysia.

The Group's review included an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating units to exceed their recoverable amounts.

(ii) Bancatakaful service fees

The Bancatakaful service fees are in relation to the takaful operations of the Group as follows:

- a) Bancatakaful Service Agreement with RHB Islamic Bank ("RHB") pursuant to the term of the Bancatakaful Service Agreement ("the Agreement") entered on 26 August 2015, whereby the Group can distribute its family takaful products via RHB's distribution channel.

The term of the Agreement is divided over two periods, where the First Period is for the five years of the term commencing on the agreement date and the Second Period is for the subsequent five years. Either Party has the right to terminate the Agreement at the expiry of the First Period. The First Period of the Agreement has expired on 31 July 2020 and the Agreement is terminated thereafter.

- b) Bancatakaful Service Agreement with Affin Islamic Bank Berhad which is effective from 15 September 2017 to distribute family takaful products via their distribution channel.
- c) Bancatakaful Service Agreement with Bank Kerjasama Rakyat Malaysia Berhad which is effective from 1 July 2018 to distribute family takaful products via their distribution channel.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****27. Intangible assets (cont'd.)**

Details of intangible assets of the Group are as follows: (cont'd.)

(ii) Bancatakaful service fees (cont'd.)

- d) Bancatakaful Service Agreement with AEON Credit Service (M) Berhad which is effective from 1 August 2019 to distribute Family takaful products via their distribution channel.
- e) Two Bancatakaful Service Agreement with RHB which are effective from 1 August 2019 to distribute Family credit takaful products and General takaful products via their distribution channel.

These fees are amortised over its useful life of five years using the straight-line method or units-of-production method respectively.

(iii) Other intangibles

Other intangibles of the Group arose pursuant to the purchase price allocation relating to the acquisition of BIMB Holdings Berhad Group on 30 June 2009. Components of other intangibles are brands, customer relationship and core deposits which are subsequently amortised over their useful life of 10 to 12 years.

Both the Bancatakaful service fees and other tangibles relate to BHB, which have been transferred to Assests Held for Sale in the financial year 2020.

28. Deferred tax assets/liabilities**Recognised deferred tax assets and liabilities**

A summary of deferred tax assets and liabilities of the Group are as follows:

	Group	
	2020	2019
	RM'000	RM'000
Deferred tax assets	45,340	103,413
Deferred tax liabilities	(118,595)	(111,665)
	(73,255)	(8,252)

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

28. Deferred tax assets/liabilities *(cont'd.)***Recognised deferred tax assets and liabilities *(cont'd.)***

Deferred tax assets and liabilities are, after appropriate offsetting, attributable to the following:

	Group		
	Asset	Liabilities	Net
	RM'000	RM'000	RM'000
2020			
Property, plant and equipment	-	(87,455)	(87,455)
Other investments	-	(5,357)	(5,357)
Accelerated capital allowances	-	(6,502)	(6,502)
Tax losses and unabsorbed capital allowances	95,794	-	95,794
Provisions		(19,923)	(19,923)
Impairment allowances	-	(598)	(598)
Change in fair value reserve	-	(14,047)	(14,047)
Biological assets	-	(8,681)	(8,681)
Right-of-use assets	-	(12,932)	(12,932)
Lease liabilities	27,043	-	27,043
Others		(40,597)	(40,597)
Set off of tax	(77,497)	77,497	-
Tax assets/(liabilities)	45,340	(118,595)	(73,255)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

28. Deferred tax assets/liabilities (cont'd.)

Recognised deferred tax assets and liabilities (cont'd.)

Deferred tax assets and liabilities are, after appropriate offsetting, attributable to the following:

	Group		
	Asset RM'000	Liabilities RM'000	Net RM'000
2019			
Property, plant and equipment	-	(88,357)	(88,357)
Other investments	-	(13,225)	(13,225)
Tax losses and unabsorbed capital allowances	76,706	-	76,706
Accelerated capital allowances	-	(4,649)	(4,649)
Biological assets	-	(8,027)	(8,027)
Provisions	20,547	-	20,547
Expense reserves	37,702	-	37,702
Impairment allowances	32,510	-	32,510
Change in fair value reserve	-	(68,095)	(68,095)
Lease liabilities	34,637	-	34,637
Right-of-use assets	-	(10,116)	(10,116)
Others	-	(17,885)	(17,885)
Set off of tax	(98,689)	98,689	-
Tax assets/(liabilities)	103,413	(111,665)	(8,252)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2020 RM'000	2019 RM'000
Unabsorbed capital allowances	7,526	136,285
Unutilised tax losses	513,042	361,758
Deductible temporary differences	24,772	25,589
	545,340	523,632

The unutilised business losses are available for offsetting against future taxable profits of the subsidiary companies within the Group for another seven consecutive years effective from year of assessment 2019, subject to no substantial changes in shareholdings under Section 44(5A) and (5B) of the Income Tax Act, 1967. Deferred tax assets have not been recognised in respect of the above because it is not probable that future taxable profit will be available against which the subsidiary companies can utilise these benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

28. Deferred tax assets/liabilities (cont'd.)

Recognised deferred tax assets and liabilities (cont'd.)

Movement in temporary differences during the year 2020:

Group	As at 1.1.2020 RM'000	Recognised in profit or loss RM'000	Recognised in profit or loss relating to asset held for sale RM'000	Recognised in other comprehensive income RM'000	Transfer (to)/ from asset held for sale RM'000	Effects of movement in exchange rates RM'000	As at 31.12.2020 RM'000
Property, plant and equipment	(88,357)	26,008	(48,321)	-	23,216	(1)	(87,455)
Other investments	(13,225)	-	-	(2,468)	10,339	(3)	(5,357)
Accelerated capital allowances	(4,649)	(1,853)	-	-	-	-	(6,502)
Tax loss and unabsorbed capital allowances	76,706	(19,886)	67,820	-	(28,846)	-	95,794
Provisions	20,547	(1,392)	-	134	(39,146)	(66)	(19,923)
Expense reserves	37,702	-	-	-	(37,702)	-	-
Impairment allowances	32,510	-	-	-	(33,108)	-	(598)
Change in fair value reserve	(68,095)	(1,658)	-	5,492	50,214	-	(14,047)
Biological assets	(8,027)	6,829	(8,199)	-	716	-	(8,681)
Right-of-use-assets	(10,116)	4,760	(7,576)	-	-	-	(12,932)
Lease liabilities	34,637	7,897	7,651	-	(23,142)	-	27,043
Others	(17,885)	(22,712)	-	-	-	-	(40,597)
Tax assets/(liabilities)	(8,252)	(2,007)	11,375	3,158	(77,459)	(70)	(73,255)

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****28. Deferred tax assets/liabilities (cont'd.)****Recognised deferred tax assets and liabilities (cont'd.)**

Movement in temporary differences during the year 2019:

Group	As at 1.1.2019 RM'000	Recognised in profit or loss RM'000	Recognised in profit or loss relating to asset held for sale RM'000	Recognised in other comprehensive income RM'000	Transfer (to)/ from asset held for sale RM'000	Effects of movement in exchange rates RM'000	As at 31.12.2019 RM'000
Property, plant and equipment	(234,744)	88,554	(14,354)	-	72,187	-	(88,357)
Other investments	(1,905)	(5,023)	-	(6,300)	-	3	(13,225)
Accelerated capital allowances	(2,797)	(1,852)	-	-	-	-	(4,649)
Tax loss and unabsorbed capital allowances	145,991	(61,743)	(12,999)	-	5,457	-	76,706
Provisions	21,062	(244)	-	39	-	(310)	20,547
Expense reserves	34,394	3,308	-	-	-	-	37,702
Impairment allowances	26,262	6,248	-	-	-	-	32,510
Change in fair value reserve	(10,818)	(4,237)	-	(53,040)	-	-	(68,095)
Biological assets	(8,558)	(2,177)	870	-	1,838	-	(8,027)
Right-of-use-assets	(17,160)	7,194	(150)	-	-	-	(10,116)
Lease liabilities	38,418	(3,793)	12	-	-	-	34,637
Others	23,525	(38,050)	(620)	-	(2,740)	-	(17,885)
Tax assets/(liabilities)	13,670	(11,815)	(27,241)	(59,301)	76,742	(307)	(8,252)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Assets of disposal group classified as held for sale:</u>				
Property, plant and equipment	898,134	588,050	11,836	12,099
Investment properties	10,472	-	-	-
Right-of-use assets	226,096	251,561	-	-
Derivative	61,665	-	-	-
Investment in subsidiary	-	-	3,764,747	24,314
Plantation development expenditure	23,511	68,655	-	-
Goodwill	59,523	-	-	-
Current tax assets	178,042	-	-	-
Deferred tax assets	51,333	32,796	-	-
Intangible assets	194,312	-	-	-
Biological assets	13,956	17,875	-	-
Inventories	4,008	2,129	-	-
Trade and other receivables at amortised cost	30,567	34,171	-	-
Tax recoverable	-	4,798	-	-
Cash and short-term funds	5,874,482	45,270	-	-
Deposits and placements with banks and other financial institutions	2,009,225	-	-	-
Financial assets at fair value through profit or loss	1,993,825	-	-	-
Financial assets at fair value through other comprehensive income	18,395,952	-	-	-
Financing, advances and others	54,670,635	-	-	-
Other financial assets at amortised cost	686,461	-	-	-
Retakaful assets	978,202	-	-	-
Statutory deposits with Bank Negara Malaysia	192,425	-	-	-
	86,552,826	1,045,305	3,776,583	36,413

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale (cont'd.)**

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Liabilities associated with assets of disposal group classified as held for sale:</u>				
Deposits from customers	47,464,375	-	-	-
Investment accounts of customers	11,025,527	-	-	-
Derivative financial liabilities	105,872	-	-	-
Recourse obligations on financing sold to Cagamas	1,501,187	-	-	-
Deferred tax liabilities	151,638	77,382	-	-
Other liabilities	825,965	38,333	-	-
Takaful contract liabilities	9,156,608	-	-	-
Expense reserves	316,728	-	-	-
Borrowings	2,633,111	-	-	-
Lease liabilities	45,578	37,179	-	-
Current tax liabilities	1,587	1	-	-
Provision for zakat and tax	60,488	-	-	-
	73,288,664	152,895	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

	Group			
	Assets		Liabilities	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
(i) Subsidiary to be reclassified as associate upon completion of restructuring				
BIMB Holdings Berhad (a)	85,768,900	-	73,147,114	-
	85,768,900	-	73,147,114	-
(ii) Other assets group				
Theta Edge Berhad (b)	55,518	79,614	10,241	10,241
Assets of TH Plantations Berhad (c)	716,572	953,592	131,309	142,654
Property, plant and equipment	11,836	12,099	-	-
	783,926	1,045,305	141,550	152,895
	86,552,826	1,045,305	73,288,664	152,895

	TH	
	Assets	
	<u>2020</u> RM'000	<u>2019</u> RM'000
(i) Subsidiary to be reclassified as associate upon completion of restructuring		
BIMB Holdings Berhad	3,719,470	-
	3,719,470	-
(ii) Other assets group		
Theta Edge Berhad	45,277	24,314
Property, plant and equipment	11,836	12,099
	57,113	36,413
	3,776,583	36,413

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale (*cont'd.*)

Investment in subsidiaries classified as asset held for sale by **TH** is in respect of **TH**'s investment in BIMB Holdings Berhad and Theta Edge Berhad and is discussed in Note 29(a) and Note 29(b) respectively below.

Property, plant and equipment classified as assets held for sale by **TH** comprise land, shop lots, factory and apartments in Malaysia. Aggressive initiatives are taken to look for prospective buyers for these properties. The sale is expected to be completed by end of the next financial year ending 2021.

(a) BIMB Holdings Berhad

BIMB Holdings Berhad ("BHB") had announced and proposed to undertake various proposals which entails the disposal of its equity interest in BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al Ijarah Sdn. Bhd. to Bank Islam Malaysia Berhad ("Bank Islam"). The distribution of its shareholdings in Bank Islam and Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") by way of distribution-in-specie to its shareholders, and subsequently the delisting of BHB and issuance of two (2) new BHB shares to Bank Islam such that the BHB will become a wholly-owned subsidiary of Bank Islam. Further details of the proposals are disclosed in Note 54(b).

Upon completion of the exercise, **TH** is expected to own 48.5% of the shares in Bank Islam, in line with BNM's expectation that no single industrial conglomerate shall have control of a licenced financial institution, and 28.8% in STMKB. With the dilution of its equity interest, **TH** concluded that it will lose its control in BHB, Bank Islam and STMKB and subsequently will change its classification of the investment from subsidiaries to associates.

MFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* ("MFRS 5") requires an entity to classify its subsidiary as held for sale where an entity is committed to a sale plan involving loss of control of that subsidiary regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. Consequentially, BHB has been disclosed as discontinued operations in the consolidated financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5. Upon the completion of the exercise, the equity holding in Bank Islam and STMKB will be subsequently classified as investment in associates.

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

(a) BIMB Holdings Berhad *(cont'd.)*

Group

The results of BHB are presented below:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Revenue	4,759,959	5,277,308
Cost of sales	(1,815,020)	(2,190,418)
Gross profit	2,944,939	3,086,890
Other income	576	446
Expenses	(1,704,539)	(1,744,204)
Operating profit	1,240,976	1,343,132
Finance cost	(143,691)	(138,118)
Profit before zakat and tax from discontinued operations	1,097,285	1,205,014
Zakat	(13,055)	(12,260)
Tax expense	(216,329)	(257,385)
Profit for the year from discontinued operations	867,901	935,369

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale (cont'd.)****(a) BIMB Holdings Berhad (cont'd.)****Group (cont'd.)**

The assets and liabilities of BHB classified as held for sale prior to any consolidations adjustment in the consolidated statement of financial position are as follows:

<u>Assets</u>	<u>2020</u> RM'000
Cash and short-term funds	5,829,142
Deposits and placements with banks and other financial institutions	2,033,321
Financial assets at fair value through profit or loss	1,993,825
Derivative financial assets	61,665
Financial assets at fair value through other comprehensive income	18,395,952
Financing, advances and others	54,670,635
Other financial assets at amortised cost	686,461
Retakaful assets	978,202
Statutory deposits with Bank Negara Malaysia	192,425
Current tax assets	177,417
Deferred tax assets	32,981
Right-of-use assets	229,189
Property, plant and equipment	427,027
Investment properties	10,472
Intangible assets	191,187
Assets of disposal group classified as held for sale	85,909,901

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

(a) BIMB Holdings Berhad *(cont'd.)*

Group *(cont'd.)*

	<u>2020</u> RM'000
<u>Liabilities</u>	
Deposits from customers	50,540,345
Investment accounts of customers	12,022,112
Derivative financial liabilities	105,872
Bills and acceptances payable	29,621
Recourse obligations on financing sold to Cagamas	1,501,187
Lease liabilities	314,186
Other liabilities	2,002,120
Takaful contract liabilities	9,156,608
Expense reserves	316,728
Sukuk liabilities	2,633,111
Deferred tax liabilities	74,445
Zakat and taxation	60,488
Liabilities directly associated with assets held for sale	78,756,823
Net assets directly associated with assets and liabilities of disposal group classified as held for sale	7,153,078

The net cash flows in respect of BIMB Holdings Berhad are as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Cash flow from operating activities	3,266,970	247,630
Cash flow used in investing activities	(1,418,401)	(426,614)
Cash flow from financing activities	91,630	(196,968)
Net cash inflow / (outflow)	1,940,199	(375,952)

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29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale (cont'd.)

(a) BIMB Holdings Berhad (cont'd.)

Group (cont'd.)

Earnings per share

	2020	2019
Basic, profit per ordinary share from discontinued operations (cents)	0.40	0.45

TH

	2020 RM'000
Net carrying amount of investment transferred to assets held for sale	3,719,470

(b) Theta Edge Group

In 2019, **TH** approved the sale of Theta Edge Berhad ("Theta Edge"), a quoted subsidiary in which **TH** holds 68.7% of its shares. The sale of Theta Edge is expected to be completed within a year from the reporting date.

On 22 September 2020, **TH** received a letter from Arcadia Acres Sdn. Bhd. preliminary and indicative conditional offer to acquire 30% equity interest in Theta Edge, comprising 32.5 million ordinary shares, at RM0.70 per share or for a total cash consideration of RM22.75 million. The exercise was concluded on 31 March 2021.

Group

The result of Theta Edge for the year are presented below:

	2020 RM'000	2019 RM'000
Revenue	47,504	49,896
Cost of sales	(40,209)	(37,614)
Gross profit	7,295	12,282
Other income	496	1,007
Expenses	(11,738)	(12,149)
Impairment, write off and expected credit losses	150	(2,015)
Operating losses	(3,797)	(875)
Finance income	1,003	1,283
Finance cost	(233)	(237)
Profit/(loss) before tax from discontinued operations	(3,027)	171
Tax asset/(expense)	(3,940)	9
Profit/(loss) for the year from discontinued operations	(6,967)	180

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29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

(b) Theta Edge Group *(cont'd.)*

Group *(cont'd.)*

The assets and liabilities of Theta Edge classified as held for sale in the Group's statement of financial position are as follows:

	2020 RM'000	2019 RM'000
Assets		
Property, plant and equipment	-	4,479
Right-of-use assets	-	2,170
Deferred tax assets	-	3,902
Inventories	171	213
Trade and other receivables	9,079	11,294
Contract assets	10,108	12,574
Contract costs	72	89
Current tax assets	43	54
Cash and short-term funds	36,045	44,839
Assets of disposal group classified as held for sale	55,518	79,614
	2020 RM'000	2019 RM'000
Liabilities		
Lease liabilities	2,218	2,218
Trade and other payables	7,316	7,316
Contract liabilities	706	706
Current tax liabilities of disposal group classified as held for sale	1	1
Liabilities directly associated with assets held for sale	10,241	10,241
Net assets directly associated with assets and liabilities of disposal group classified as held for sale	45,277	69,373

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29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale (cont'd.)

(b) Theta Edge Group (cont'd.)

Group (cont'd.)

The net cash flows in respect of Theta Edge are as follows:

	2020 RM'000	2019 RM'000
Cash flow from operating activities	(3,076)	2,529
Cash flow used in investing activities	(1,724)	(2,334)
Cash flow from financing activities	1,172	(2,103)
Net cash outflow	(3,628)	(1,908)

Earnings per share

	2020	2019
Basic (loss) / earnings per ordinary share from discontinued operations (cents)	(6.50)	0.17

TH

	2020 RM'000	2019 RM'000
Net carrying amount of investment transferred to assets held for sale	45,277	24,314

(c) TH Plantations Berhad Group ("THPB" Group)

2020

In prior year, investment in THP-YT Plantation Sdn. Bhd., TH PELITA Meludam Sdn. Bhd., TH PELITA Beladin Sdn. Bhd., TH PELITA Simunjan Sdn. Bhd., Bumi Suria Ventures Sdn. Bhd., Maju Warisanmas Sdn. Bhd., TH PELITA Gedong Sdn. Bhd. and TH PELITA Sadong Sdn. Bhd. are presented as assets held for sale. These investments relate to the oil palm plantations segment of the Group.

On 31 July 2020, THPB Group disposed 70% interest in THP-YT Plantation Sdn. Bhd. to TDM Berhad ("TDM") for total sales consideration of RM69,797,000. The loss on disposal amounting to RM8,135,000 was recognised in profit and loss of the Group during the financial year.

In the current year, the Board of Directors of THPB are of the opinion that the efforts to sell investment in Bumi Suria Ventures Sdn. Bhd. and Maju Warisanmas Sdn. Bhd. which were classified as assets held for sale in prior year is no longer probable, hence THPB Group has reclassified the assets and liabilities of the subsidiaries to its relevant financial statement captions.

Proposed disposal of Bumi Suria Ventures and Maju Warisanmas to Tamaco Plantation Sdn Bhd ("Tamaco") has been called off due to withdrawal of Economic Planning Unit of the Prime Minister's Office ("EPU") approval. THPB didn't extend the date that was agreed upon for the conditions to be fulfilled ("Long Stop Date") when it expired on 31 March 2021. Tamaco has initiated legal action against THPB.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale (cont'd.)

(c) TH Plantations Berhad Group ("THPB" Group) (cont'd.)

2020 (cont'd.)

As at 31 December 2020, investments in TH PELITA Meludam Sdn. Bhd., TH PELITA Beladin Sdn. Bhd., TH PELITA Simunjan Sdn. Bhd., TH PELITA Gedong Sdn. Bhd. and TH PELITA Sadong Sdn. Bhd are classified as assets held for sale as one disposal group. The efforts to sell the disposal group have commenced, and sale is now expected to be completed in financial year 2021 instead of 2020.

The assets and liabilities of THPB classified as held for sale prior to any consolidation adjustments in the Group's statement of financial position are as follows:

Group

<u>Assets</u>	<u>2020</u> <u>RM'000</u>	<u>2019</u> <u>RM'000</u>
Property, plant and equipment	516,102	633,927
Right-of-use assets	198,386	249,391
Plantation development expenditure	12,816	67,510
Deferred tax assets	14,450	28,894
Biological assets	13,956	17,875
Inventories	3,706	1,827
Current tax assets	571	4,744
Trade and other receivables	6,660	10,146
Prepayment and other assets	39	157
Cash and short-term funds	501	431
Assets of disposal group classified as held for sale	767,187	1,014,902

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale (cont'd.)****(c) TH Plantations Berhad Group ("THPB" Group) (cont'd.)****2020 (cont'd.)**

Liabilities	2020 RM'000	2019 RM'000
Deferred tax liabilities	80,676	83,432
Trade and other payables	17,629	30,311
Lease liabilities	34,901	34,961
Current tax liabilities of disposal group classified as held for sale	1,586	-
Liabilities directly associated with assets held for sale	134,792	148,704
Net assets directly associated with assets and liabilities of disposal group classified as held for sale	632,395	866,198

2019

Investment in Hydroflow Sdn. Bhd., THP-YT Plantation Sdn. Bhd., TH PELITA Meludam Sdn. Bhd., TH PELITA Beladin Sdn. Bhd., TH PELITA Simunjan Sdn. Bhd., Bumi Suria Ventures Sdn. Bhd. and Maju Warisanmas Sdn. Bhd. were presented as assets held for sale and the sale was expected to be completed in the financial year ended 31 December 2020 instead of the financial year ended 31 December 2019.

On 1 August 2019, the Board of Directors of TH Plantations Berhad ("THPB") had approved the disposals of TH PELITA Gedong Sdn. Bhd. and TH PELITA Sadong Sdn. Bhd.. The investments in these subsidiaries are subsequently presented as assets held for sale. These investments relate to the oil palm plantations segment of the Group. Efforts to sell the disposal group have commenced, and sale is expected to be completed within twelve (12) months from the approval date.

During the year, the Board of Directors of THPB were of the opinion that the efforts to sell investment in Hydroflow Sdn. Bhd. which was classified as assets held for sale in prior year is no longer probable, hence the Group had reclassified the assets and liabilities including goodwill arising from acquisition of the subsidiary to their relevant financial statement captions.

Plantation assets were carried at the lower of cost or fair value less cost to sell. Fair value less cost to sell was based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the locations and category of assets being valued. Fair value less cost to sell was a Level 3 fair value measurement.

- (i) On 5 December 2019, THPB entered into a non-binding heads of agreements with TDM Berhad. ("TDM") with an offer price of RM69,000,000 which comprise of RM7,000,000 for the acquisition of shares of THP-YT Sdn. Bhd. and TDM will make a repayment of RM62,000,000 relating to amount due to a subsidiary company of the Group subsequent to the disposal. The disposal was expected to be completed in the financial year ended 31 December 2020.

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29. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale (cont'd.)

(c) TH Plantations Berhad Group ("THPB" Group) (cont'd.)

2019 (cont'd.)

The fair value less cost to sell of the subsidiary were estimated based on the Board of Directors' valuation, which are based on the non-binding heads of agreements between THPB and TDM dated 5 December 2019 to acquire the shares of the subsidiary. The fair value less cost to sell was higher than the carrying amount. Subsequently, a reversal of impairment loss of RM7,000,000 was recognised as "other income" in profit or loss of the Group during the financial year.

- (ii) On 5 December 2019, THPB entered into a Sale and Purchase Agreement with Tamaco Plantation Sdn. Bhd. ("Tamaco") to dispose the shares in Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd. for a purchase consideration of RM170,000,000. The recoverable amount of a cash-generating unit was based on its purchase consideration less cost to sell. The fair value less cost to sell was higher than the carrying amount. Subsequently, a reversal of impairment loss of RM170,000,000 was recognised as "other income" in profit or loss of the Group during the current financial year. The disposal was expected to be completed in the financial year ended 31 December 2020.

30. Depositors' savings fund

	Group / TH	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
As at 1 January	69,417,441	74,488,986
Deposits received during the year	17,700,840	15,426,307
Less: Withdrawals during the year	(13,339,010)	(21,420,811)
	73,779,271	68,494,482
Profit distribution paid during the year	2,140,538	922,959
At 31 December	75,919,809	69,417,441

i) Requirements under the TH Act

Requirements under the TH Act that govern the distribution of profits to depositors and the Government Guarantee Payments are stated in Section 22 and 24 of the TH Act, respectively, as disclosed in Note 2(a)(iii) and 2(a)(iv).

ii) Distribution of profit

On 3 March 2021, TH declared a profit distribution at the rate of 3.10% (2020: 3.05%) amounting to RM2,242,141,000 (2020: RM2,140,538,000) in respect of the financial year ended 31 December 2020. The financial statements for the current year do not reflect this declared profit distribution. It will be accounted for as an appropriation of the revenue reserve in the financial statements for the financial year ending 31 December 2021.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****30. Depositors' savings fund (cont'd.)**ii) Distribution of profit (cont'd.)

The effects of the profit distribution declared for financial year ended 31 December 2020 and 2019 as per Section 22 of the **TH** Act are as follows:

	Group / TH	
	2020	2019
	RM'000	RM'000
Total asset	82,536,354	75,240,983
Total liabilities	(78,877,463)	(72,366,292)
Net assets prior to profit distribution	3,658,891	2,874,691
Profit declared for the financial year ended 31 December 2020/2019	(2,242,141)	(2,140,538)
Net assets after profit distribution	1,416,750	734,153

iii) Change from Wadiah to Wakalah concept savings contract

Effective from 31 December 2019, savings in **TH** are now under the Wakalah savings contract, replacing the previously used Wadiah Yad Dhamanah savings contract. Under this new contract, **TH** is the representative to manage the depositors' fund for the purpose of investment activities and hajj pilgrimage operations whereby the profits from the depositor's savings may be distributed to the depositors after taking into account the hajj pilgrimage operations costs, zakat and management costs.

The changes in the concept did not have any impact to the financial statement of **TH** as at 31 December 2019.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****31. Deposits from banking customers**

	Group	
	2020 *	2019
	RM'000	RM'000
Saving deposits		
Qard	-	4,681,710
Demand deposits		
Qard	-	10,932,557
Demand deposits		
Special Investment Deposit		
<i>Mudharabah</i>	-	3,915
General Investment Deposit		
<i>Mudharabah</i>	-	209,693
Term deposit-i		
<i>Tawarruq</i>	-	28,773,453
Negotiable Islamic debt certificates ("NIDC")	-	121,550
	-	29,108,611
Other savings	-	105,234
	-	44,828,112

*In 2020, BHB was transferred to Assets Held for Sale.

32. Investment accounts of banking customers

	Group	
	2020 *	2019
	RM'000	RM'000
Unrestricted Mudharabah investment account		
House financing	-	2,711,343
Unrestricted Wakalah investment account		
House financing	-	3,293,385
Personal financing	-	3,292,815
	-	9,297,543

*In 2020, BHB was transferred to Assets Held for Sale.

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33. Takaful contract liabilities

	Group	
	2020 * RM'000	2019 RM'000
Takaful contract liabilities		
Provision for outstanding claims	-	703,598
Provision for unearned contributions	-	394,340
Participants' fund	-	7,099,218
	-	8,197,156

*In 2020, BHB was transferred to Assets Held for Sale.

34. Other liabilities

	Group	
Note	2020 RM'000	2019 RM'000
Trade payables		
Trade payables	123,190	176,663
Deposits received	47,509	47,458
Retention sum	34,959	10,507
Contract liabilities	15,400	9,595
Hajj related payables	-	17,136
Bill and acceptance payables	-	49,084
	221,058	310,443
Other payables		
Other payables and accruals	608,161	1,865,960
Inactive depositors' accounts	(i) 344,627	361,225
TKJHM and TWT funds	(ii) 76,441	51,918
Takaful payables	-	175,352
Amount due to jointly controlled entities	42,720	124,197
Clients' and dealers' credit balances	-	23,035
	1,071,949	2,601,687
	1,293,007	2,912,130

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

34. Other liabilities (cont'd.)

	Note	<i>TH</i>	
		2020 RM'000	2019 RM'000
Trade payables			
Trade payables		-	16,644
Hajj related payables		-	17,136
Deposits received		47,509	47,458
Retention sum		34,958	10,507
		82,467	91,745
Other payables			
Other payables and accruals		121,032	130,548
Inactive depositors' accounts	(i)	344,627	361,225
TKJHM and TWT funds	(ii)	76,441	51,918
Amount due to subsidiaries	(iii)	722,422	703,756
		1,264,522	1,247,447
		1,346,989	1,339,192

Trade and other payables are non-profit bearing and the normal trade credit terms granted to the Group range from 1 month to 3 months (2019: 1 month to 3 months).

i) Inactive depositors' accounts

Pursuant to Section 23 of the *TH* Act, all unclaimed monies held by *TH* shall be entered in a register to be kept by the Chief Executive Officer of *TH* until those monies are paid to the depositors at any time subsequent to its registration as unclaimed monies. Under this circumstances, depositors include heirs, executors, personal representatives, administrators, assigns, lawful attorney and agent.

In line with this Section of the *TH* Act, the savings account of an inactive or dormant depositor of *TH* for more than 7 years is transferred to TKJHM Fund. Similarly cheques which were issued upon closure of accounts but remained unrepresented and have exceeded the validity period shall be cancelled with balances transferred to TKJHM funds.

If claims are subsequently made by the depositors or their heirs, executors, personal representatives, administrators, assigns, lawful attorney or agents, these balances will be returned to the claimant upon verification of their identity

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****34. Other liabilities (cont'd.)****i) Inactive depositors' accounts (cont'd.)**

The movement of inactive depositors' accounts is as follows:

	Group / TH	
	2020	2019
	RM'000	RM'000
As at 1 January	361,225	330,138
Additions during the year	115	59,136
Withdrawals during the year	(16,713)	(28,049)
As at 31 December	344,627	361,225

ii) Tabung Kebajikan Jemaah Haji Malaysia ("TKJHM") and Tabung Warga Tua ("TWT") funds**TKJHM Fund**

The TKJHM Fund was established by **TH** to fund the welfare of hajj pilgrims in accordance with predetermined guidelines set by the TKJHM Committee. The guidelines spell out the usage of the TKJHM Fund which among others include the protection, monitoring and welfare of pilgrims as well as general community service. The sources of funding of TKJHM Fund comprises income from placement of dormant accounts, contribution from individuals, agencies and private sectors, state governments, net surpluses and commissions from hajj activities.

TWT Fund

The TWT Fund was set up in 1999 by **TH** to partially fund the cost of performing hajj for elderly pilgrims who have been selected to perform hajj in a particular hajj season and who meet certain predetermined conditions that qualifies them to receive the subsistence. The source of funding of TWT Fund was from a one-off contribution received from depositors of **TH** upon establishment of the TWT Fund. The unutilised contribution is placed with Shariah compliant financial institution to earn income that would be used to fund eligible elderly pilgrims to perform hajj in the future.

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34. Other liabilities *(cont'd.)*

ii) Tabung Kebajikan Jemaah Haji Malaysia ("TKJHM") and Tabung Warga Tua ("TWT") funds *(cont'd.)*

The movement of TKJHM and TWT Funds is as follows:

	Group / TH	
	2020	2019
	RM'000	RM'000
<u>TKJHM Fund</u>		
As at 1 January	49,961	34,073
Net surplus during the year	24,474	15,888
As at 31 December	74,435	49,961
<u>TWT Fund</u>		
As at 1 January	1,957	2,267
Net surplus/(deficit) during the year	49	(310)
As at 31 December	2,006	1,957
Total funds of TKJHM and TWT	76,441	51,918

The net surplus of TKJHM can only be utilised for the purpose of community services, protection, monitoring and general welfare of Hajj pilgrims, in accordance with the guidelines of TKJHM while the net surplus of TWT can only be utilised for funding elderly to perform Hajj based on guidelines set by the Committee of TWT.

The income and expenditure of TKJHM is summarised as follows

	Group / TH			
	TKJHM		TWT	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Receipts and income	27,562	30,265	49	77
<i>Less</i> : Expenses and welfare contributions	(1,732)	(11,151)	-	(387)
Depreciation of properties, plant and equipment (Note 26(a))	(1,356)	(1,314)	-	-
Depreciation of right-of-use asset	-	(1,912)	-	-
Net surplus/(deficit) during the year	24,474	15,888	49	(310)

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****34. Other liabilities (cont'd.)****iii) Amount due to subsidiaries**

Included in the amount due to subsidiaries was RM573,099,000 (2019: RM557,633,000) and RM149,256,000 (2019: RM144,935,000) respectively from TH Indo Industries Sdn. Bhd. and TH Indopalms Sdn. Bhd. following the cash received on behalf of these subsidiaries from the disposal of PT TH Indo Plantations in 2006.

35. Recourse obligations on financing sold to Cagamas

Recourse obligations on financing sold to Cagamas represents house financing accounts that were sold to Cagamas with recourse. Under the agreement, Bank Islam Malaysia Berhad ("the Bank") undertakes to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position.

There is no obligations in 2020 due to reclassification of BIMB Holdings Berhad to asset held for sale.

36. Expense reserves

	Group	
	2020 *	2019
	RM'000	RM'000
At 1 January	-	251,806
Provision for the year, net	-	59,588
Effect of movement in exchange rates	-	306
At 31 December	-	311,700

*In 2020, BHB was transferred to Assets Held for Sale.

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NOTES TO THE FINANCIAL STATEMENTS

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37. Lease liabilities

	Group		TH	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Within 1 year				
Lease liabilities	54,368	77,261	49,424	53,190
> 1 year				
Lease liabilities	657,036	762,996	581,933	679,471
	711,404	840,257	631,357	732,661

The movement of lease liabilities during the financial year is as follows:

	Group		TH	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
At 1 January	840,257	1,180,678	732,661	1,021,421
Additions during the year	12,150	15,665	6,886	5,204
Accretion for the year	41,675	52,465	31,365	46,778
Payments during the year	(33,768)	(348,383)	(3,220)	(333,834)
Rental relief adjustment	(125,950)	-	(125,950)	-
Derecognition	(2,333)	(53,260)	-	-
Transfer to assets held for sale	(10,230)	-	-	-
Foreign exchange differences	(10,397)	(6,908)	(10,385)	(6,908)
At 31 December	711,404	840,257	631,357	732,661

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38. Borrowings

	Note	Group	
		2020 RM'000	2019 RM'000
Current - < 12 months:			
<i>Secured</i>			
Commodity Murabahah term financing-i	(i)	30,000	29,500
Term financing	(ii)	14,400	53,680
Revolving credit	(iii)	4,000	4,000
<i>Unsecured</i>			
Islamic trade financing-i	(iv)	-	10,270
Commodity Murabahah Revolving-i	(v)	-	60,000
Subordinated Sukuk Murabahah	(vi)	-	7,455
Bank overdraft		-	18,019
		48,400	182,924
Non-current - > 12 months:			
<i>Secured</i>			
Commodity Murabahah term financing-i	(i)	234,646	246,736
Term financing	(ii)	124,067	274,254
Revolving credit	(iii)	-	70,696
Murabahah financing	(vii)	1,147,170	545,015
<i>Unsecured</i>			
Subordinated Sukuk Murabahah	(vi)	-	1,150,000
Term financing	(viii)	39,821	37,908
		1,545,704	2,324,609
		1,594,104	2,507,533

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

39. Borrowings *(cont'd.)*

Borrowings of the Group are repayable as follows:

	Group	
	2020	2019
	RM'000	RM'000
Less than one year	745,704	182,925
Between one and five years	808,579	1,040,427
More than five years	39,821	1,284,181
	1,594,104	2,507,533

i) Commodity Murabahah Term Financing-i

l) Commodity Murabahah Term Financing-i (l)

The Commodity Murabahah Term Financing-i (l) was obtained by a subsidiary of TH Plantations Berhad ("THPB"), PT Persada Kencana Prima and is subject to the fulfilment of the following significant covenants:

Significant covenants

- a) The subsidiary shall maintain a Finance Service Cover Ratio ("FSCR") of at least 1.25 times during the tenure of the facility;
- b) THPB shall remain as holding company of the subsidiary either direct or indirect with effective shareholdings of not less than 93%;
- c) THPB shall remain as subsidiary of Lembaga Tabung Haji;
- d) The subsidiary shall utilise the Facility within its permitted purposes only;
- e) Subordination of all existing advances from the subsidiary's shareholders/ directors/ related companies of not less than 40% of the Plantation Cost i.e. USD16,740,000;
- f) The subsidiary shall not without the written consent of the lender incur any additional financings/borrowings;
- g) The subsidiary shall not declare or pay/repay advances, dividends or payments owing to the shareholders (including any interests) or redeem any preference shares without the prior written consent from the lender;
- h) The subsidiary shall undertake to transfer and/or cause to transfer all revenue/income/equity contribution/takaful proceeds/insurance proceeds from the Proposed Development into Rupiah Revenue Account and USD Proceeds Account;
- i) The subsidiary shall maintain takaful or insurance in accordance with the provisions of relevant Transaction Documents, and the Bank shall be endorsed as the loss payee, and the subsidiary shall further maintain relevant commercial and regulatory licenses that are material for the Proposed Development;

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38. Borrowings (cont'd.)

i) Commodity Murabahah Term Financing-i (cont'd.)

I) Commodity Murabahah Term Financing-i (I) (cont'd.)

Significant covenants (cont'd.)

- j) The subsidiary shall undertake not to open and maintain any bank account(s) and or place any cash or cash equivalents or deposit in any other bank account, other than the Designated Accounts;
- k) The subsidiary shall submit the visiting agent's report on the development, cultivation and operations of the Plantation Land prepared by an independent third party agent on half yearly basis;
- l) The subsidiary shall not change its business activity that may lead to a Material Adverse Effect;
- m) The Bank to also be given the opportunity to provide other banking services including but not limited to cash management, takaful or insurances, end-financing and hedging products subject to terms and conditions which are mutually agreed;
- n) In the event that the subsidiary or any of its subsidiaries plan for listing or require any other investment banking services, the subsidiary shall inform the Bank of such requirements and the Bank or any of the Bank's affiliates shall be given the first right of refusal and the opportunity to provide a bid and to match the best offer for the provision of advice on the listing or provide a bid and to match the best offer for the provision of advice on the listing or provide the investment banking services required (subject to terms and conditions which are mutually agreeable between the Customer and the Bank).

II) Commodity Murabahah Term Financing-i (II)

The Commodity Murabahah Term Financing-i (II) Facility, which was obtained by a subsidiary of THPB, THP Saribas Sdn. Bhd., is secured over the leasehold land with a carrying amount of RM7,491,000 (2019: RM7,674,000).

Significant covenants

The Commodity Murabahah Term Financing-i loan facility is subject to the fulfilment of the following significant covenants:

- a) not to grant any financings, loans, advance, provide security or guarantee any person except for normal trade credit or trade guarantee in the ordinary course of business;
- b) not to incur, assume or permit to exist any indebtedness, loans or financing under Islamic banking principles except those already disclosed in writing and consented to by the bank and unsecured indebtedness incurred in the ordinary course of business of the subsidiary;
- c) not to create or permit to subsist any security interest over any of its assets, business or undertaking (except liens arising by operation of law and in the normal course of business which in the financier opinion is not material);
- d) not to effect or permit any form of merger, reconstruction, consolidation, amalgamation or reduction in share capital or otherwise approve or permit any change of ownership or control;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

38. Borrowings *(cont'd.)*

i) Commodity Murabahah Term Financing-i (cont'd.)

II) Commodity Murabahah Term Financing-i (II) (cont'd.)

- e) not to dispose or lease all or a substantial part of its assets or undertaking except in the ordinary course of its business, on ordinary commercial terms and on arm's length basis;
- f) not to declare any dividends in excess of ten per cent (10%) of its paid-up capital or any amount in excess of fifty per cent (50%) of its annual net income after tax or such other threshold as may be prescribed by the Financier, provided always any such permissible declaration of dividends may only be made if all payment obligation of the subsidiary is current;
- g) not to enter into any profit sharing or other similar arrangement whereby the subsidiary's income or profits are shared with any other person/ or company unless such arrangement is entered into in the ordinary course of business on ordinary commercial terms and on arm's length basis, or enter into any management agreement whereby its business is managed by a third party;
- h) not to decrease or alter the subsidiary's authorised or issued capital or alter the structure thereof or the rights attached thereto; and
- i) not to breach such other covenants as may be prescribed by the bank in the financing documents.

ii) Secured Term Financing

I) Secured Term Financing (I)

The secured Term Financing (I) facilities was obtained by subsidiaries of TH Properties Sdn. Bhd ("THPSB").

Significant covenants

- a) The financing facilities are to be secured by corporate guarantee from THPSB;
- b) THPSB Group must ensure that the tangible net worth of its Group remains positive at all times;
- c) THPSB Group must ensure that the minimum finance service coverage ratio ("FSCR") is at least 1.25 times on each quarter period starting on the date of the Murabahah Agreement;
- d) THP Wentworth Corporation shall channel business proceeds into a designated bank account maintained by both entities; and
- e) THP Enstek Development Sdn. Bhd. must ensure that the ratio on outstanding bank borrowings from financial institution to tangible net worth is to be maintained at below 0.8 times throughout the loan periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

38. Borrowings (*cont'd.*)

II) Secured Term Financing (II) (*cont'd.*)

II) Secured Term Financing (II)

The secured Term Financing (II) relate to borrowings obtained by TH Alam Holdings (L) Inc., an investment holding company with subsidiary companies involved in chartering of vessels.

The financing is secured by a first legal charge over the vessels, legal assignment of charter proceeds, assignment of the insurance policy for the vessels and short-term placement with a licensed bank.

Significant covenants

- a) To maintain a debt-to-equity ratio of not more than 2.0 times;
- b) To maintain a Financial Service Coverage Ratio ("FSCR") with minimum of 1.25 times;
- c) To maintain a Financial Service Reserve Account ("FSRA") with minimum balance of RM6,000,000; and
- d) To maintain a Debt Service Reserve Account ("DSRA") with minimum balance of RM8,000,000.

The outstanding borrowings are currently subject to a Proposed Restructuring Scheme ("PRS") via Corporate Debt Restructuring Committee ("CDRC") involving several other joint venture entities (collectively referred to as "Affected Companies"). On 30 March 2018, the subsidiary company had received the requisite approval-in-principle of the PRS from respective lenders and financiers representing 87% of the secured debt and 100% of the unsecured debt.

The PRS is deemed effective subject to:

- i) Award of contracts;
- ii) Consent of shareholders of the Affected Companies; and
- iii) Completion of the bilateral settlement documentation within 60 days from 30 March 2018 or any extension thereof.

The restructuring involves a bilateral settlement between each borrowing entity and its respective lenders/financiers by amending and extending the terms and conditions of the existing borrowing/facilities based on their respective cash flow forecast.

On 30 August 2018, the Affected Companies had entered into the supplemental letters of offer and/or supplemental agreements ("Bilateral Agreements") with their respective lenders/financiers based on terms of PRS.

On 6 March 2019, TH Alam Holdings (L) Inc. has completed its debt restructuring and was discharged from its admission to CDRC.

iii) Revolving Credit

Revolving credit facilities obtained by the subsidiaries of THPSB bear profit rate at cost of fund plus 1.5% per annum (2019: 1.5% per annum) and are secured against deposits with a licensed bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

38. Borrowings *(cont'd.)*

iv) Islamic Trade Financing-i

The unsecured Islamic Trade Financing-I facility was obtained by a subsidiary of THPB, Manisraya Sdn. Bhd

Significant covenants

The Islamic trade financing facility is subject to the fulfilment of the following significant covenants:

- a) not to grant any financings, loans or advances, or provide security or guarantee any person, except for normal trade credit or trade guarantee in the ordinary course of business;
- b) not to incur, assume or permit to exist any indebtedness or any loan or any financing under Islamic banking principles except those already disclosed in writing and consented to by the bank and unsecured indebtedness incurred in the ordinary course of business of the subsidiary;
- c) not to create or permit to subsist any security interest over any of its present and future assets, business or undertaking, except liens arising by operation of law and in the normal course of business and not by way of contract;
- d) not to effect or permit any form of merger, reconstruction, consolidation, amalgamation or reduction in share capital or otherwise approve or permit any change of ownership or control;
- e) not to dispose, sell or transfer or otherwise dispose of all or a substantial part of its assets or undertaking except in the ordinary course of its business, on ordinary commercial terms and on arm's length basis;
- f) not to enter into any partnership, profit-sharing or royalty agreement or other arrangement or whatsoever nature whereby the Issuer's income or profits derived from its main activities are, or might be, shared with any other person, firm or a company or enter into any management contract or other arrangement of whatsoever nature whereby the Issuer's business or operations are managed by any other person, firm or company, unless entered into in its ordinary course of business;
- g) not to engage or carry on any other business other than that as currently carried out or suspend or threaten to suspend any part of its business;
- h) not to add, delete, amend or substitute its memorandum or articles of association in a manner inconsistent with the provisions of the facility agreement, the other security documents and/or transaction documents, unless otherwise required under the law;
- i) not to take any step to wind up or dissolve itself;
- j) not to obtain or permit to exist any loans or advances from its shareholders, unless these loans and advances are subordinated to the facilities in accordance with the provisions of this Agreement, the other security documents and/or transaction documents; and
- k) not to enter into any agreement with its shareholders, subsidiaries or associated companies, unless such agreement is entered into in the ordinary course of business, on an arm's-length basis and will not have a material adverse effect on the subsidiary.

The financing was fully paid during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

38. Borrowings (*cont'd.*)

v) *Commodity Murabahah Revolving-i*

The Commodity Murabahah Revolving-I Facility which was obtained by THPB is secured over:

- i) The Master Facilities Agreement for Commodity Murabahah Facility;
- ii) Memorandum of charge over the following shares of 13,135,000 units of Bumi Suria Ventures Sdn. Bhd. and 1,151,998 units of Maju Warisanmas Sdn. Bhd. and;
- iii) Security documents such as Deed of assignment over the Proceeds Account (to be defined herein) to be maintained with the Financier and such other documents as may be deemed necessary by the Bank at any time or as advised by its solicitors.

Significant covenants

The Commodity Murabahah Revolving-I facility is subject to the fulfilment of the following significant covenants:

- a) THPB shall mandate RHB Investment Bank Berhad as the Transaction and Principal adviser for the proposed rationalisation exercise;
- b) **TH** shall remain as the controlling shareholder (directly or indirectly) and maintain at least 51% shareholding in THPB throughout the tenure of the Facility. Prior written consent shall be obtained should there be a dilution in **TH**'s shareholding in THPB to below 51%;
- c) THPB Group shall maintain financing to equity ratio not exceeding 1.25 times throughout the tenor of the banking facility;
- d) Payment of dividends is allowed subject to no arrears in banking facility;
- e) No further borrowings are to be obtained by THPB throughout the tenor of the banking facility without prior written consent by the Bank except for hire purchase, finance lease obligations and other short-term facilities; and
- f) Other terms and conditions as may be advised by the bank's solicitors and agreed by customer.

The financing was fully paid during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

38. Borrowings (cont'd.)

vi) Subordinated Sukuk Murabahah

The unsecured Subordinated Sukuk Murabahah was issued by Bank Islam Malaysia Berhad comprising the following:

Nominal Value RM'000	Issue Date	First call date*	Maturity date	Profit rate (% p.a.)#
i) 300,000	22 April 2015	22 April 2020	22 April 2025	5.75
ii) 400,000^	15 December 2015	15 December 2020	15 December 2025	5.50
iii) 300,000	13 November 2017	12 December 2022	12 November 2027	5.08
iv) 300,000	7 November 2018	7 December 2023	7 November 2028	5.15
v) 400,000	26 March 2020	26 March 2025	26 March 2030	3.75
vi) 700,000	21 October 2020	21 October 2025	21 October 2030	3.60

* Optional redemption date or any periodic payment date thereafter

Accrued and payable semi-annually in arrears

^ Included RM50 million subscription by Syarikat Takaful Malaysia Keluarga Berhad

vii) Murabahah Financing Facilities

l) Murabahah Financing Facility (l)

The Murabahah Financing Facility (l), which was obtained by LTH Property Holdings 2, was due for repayment by 24 January 2019. On 23 January 2019, LTH Property Holdings 2 together with LTH Property Holdings entered into a new Murabahah financing agreement with Standard Chartered Bank Offshore Labuan ("SCB") to settle in full its existing Murabahah financing facility with Export-Import Bank of Malaysia Berhad, which was repayable on 24 April 2019.

On 2 July 2019, both subsidiaries entered into a master Murabahah financing agreement with Standard Chartered ("the Bank") effective from 29 April 2019. The Bank agreed to provide the facility up to £65,000,000 to enable both subsidiaries to settle the financing above. The new financing agreement is subject to a profit rate of 3 month LIBOR plus 1.35% per annum and is repayable on 29 April 2021, with an extension option for a further year at the Bank's sole discretion and subject to agreement between the parties on the profit rate and other terms applicable in relation to the extension. The terms for extending the facility must be agreed prior to 29 October 2020 otherwise the extension option is cancelled.

Under the terms of the agreement, profit payable due to the Bank of RM4,359,000 (2019: RM2,098,000) is charged to profit or loss during the year, of which RM590,000 (2019: RM393,000) remains outstanding at the year end and is included in other liabilities (see Note 34).

TH has further granted a commitment in favour of the Bank over qualifying Sukuk and cash deposit accounts which must be maintained at an agreed minimum value to the amount outstanding under the Murabahah facility extended to LTH Property Holdings and LTH Property Holdings 2.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

38. Borrowings (*cont'd.*)

vii) Murabahah Financing Facilities (cont'd.)

II) Murabahah Financing Facility (II)

The Murabahah Financing Facility (II), was obtained by LTH Property Holdings 2. LTH Property Holdings 2 entered into a Security Interest Agreement and Debenture with Maybank Islamic Berhad ("MIB"), under which there is a first legal charge over the property. The rental income from lease of the property must be paid into a designated bank account determined by the bank.

On 23 December 2016, LTH Property Holdings 2 entered into a Murabahah financing agreement with MIB for the provision of £36,560,000. The financing is subject to a profit rate of LIBOR plus margin but shall not exceed the ceiling rate, being higher of (a) MIB's financing rate plus 4% per annum and (b) 10% per annum. Under the terms of the agreement, the margin during the period from the utilisation date of MIB receiving all documents listed in the Conditions Subsequent is 3% per annum. Subsequently, the margin is 1.8% per annum.

Under the terms of the agreement, profit payable due to MIB of £801,783 (2019: £956,842) is included in the Statement of Comprehensive Income and Retained Earnings, of which £234,572 (2019: £85,770) remains outstanding at the year end and is included in creditors and accrued expenses. The financing is due for repayment on the fifth anniversary of first drawdown, being 28 November 2021.

LTH Property Holdings 2 entered into a Debenture and a Security Interest Agreement with MIB on 23 December 2016 under which there is a first legal charge over the property. The rental income from Windsor Office Park, Windsor must be paid into the blocked HSBC Bank Plc account.

The Debenture incorporates a fixed and floating charge over the present and future assets of the subsidiary company. In addition, the subsidiary has assigned all rights, titles and benefits and interest over the property to MIB as security for the loan.

Significant covenants

- a) the subsidiary and **TH** must ensure that, at all times, the tangible net worth of the subsidiary remains positive. The tangible net worth is RM180,449,256; and
- b) the subsidiary and **TH** must ensure that the Profit Coverage Ratio is at least 1.25:1 on each testing date (being 30 June and 31 December). The Profit Coverage Ratio is calculated as net cash available to any amount payable under the Master Murabahah Agreement, excluding amortisation of finance charges.

The covenants have been complied with throughout the year and subsequently.

III) Murabahah Financing Facility (III)

On 24 December 2020, LTH Property Holdings entered into a master Murabahah financing arrangement with Standard Chartered Bank ("SCB"), effective from 31 December 2020. SCB agreed to provide a facility up to £108,000,000 to enable the subsidiary to settle the short term commodity Murabahah financing noted above. The financing is subject to a profit rate of 3 month LIBOR plus 1.5% per annum and is repayable on 31 December 2021, with an extension option for a further year at SCB's sole discretion and subject to agreement between the parties on the profit rate and other terms applicable in relation to the extension.

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

38. Borrowings *(cont'd.)***viii) Unsecured Term Financing**

The unsecured term financing was obtained by a subsidiary of THPB, TH Bonggaya Sdn. Bhd., and was recognised at fair value at the date of initial drawdown. The total drawdown of Forest Plantations Facility as at 31 December 2020 is RM79,297,000 (2019: RM79,297,000). The unsecured term loan facility is a conventional loan granted by a government agency, Forest Plantation Development Sdn. Bhd. ("FDSB").

Significant covenants

The term loan facility is subject to the fulfilment of the following significant covenants:

The subsidiary will not do or cause to be done the following except with the express written consent by FPDSB:

- i) Assign, transfer, sell, charge or otherwise howsoever deal with the subsidiary rights, title and interest under the loan agreement or the security documents or any part thereof or any interest therein or make the same subject to any change encumbrance liability or lien whatsoever or rescind remove or amend any condition or restriction affecting this agreement or the security documents without the written consent of FPDSB first had and obtained; and
- ii) Give sub-concession of the plantable area, lease out or grant any license or otherwise howsoever part with the possession or make or accept the surrender of any lease whatsoever of and in respect of the agreement or the security documents or the plantable area or the implementation of the project without the consent in writing of FPDSB first had and obtained, provided however that nothing in this clause prohibits the borrower from appointing or engaging sub-contractors to carry out various works or activities in relation to the implementation of the project.

39. Provision for retirement benefits

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	772,791	576,303	772,059	575,761
Remeasurement of retirement benefit liability	62,100	157,056	61,972	156,965
Provision for the year (Note 43)	64,040	61,390	63,909	61,202
Payment during the year	(36,255)	(21,958)	(35,809)	(21,869)
At 31 December	862,676	772,791	862,131	772,059

The provisions recognised in the statement of financial position are as follows:

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Present value of unfunded retirement benefit plan	862,676	772,791	862,131	772,059

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****39. Provision for retirement benefits (cont'd.)**

The provisions recognised in profit or loss are as follows:

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current service cost	26,629	19,184	26,551	19,085
Finance cost	34,721	32,495	34,668	32,449
Remeasurement	2,690	9,711	2,690	9,668
Total	64,040	61,390	63,909	61,202

Actuarial assumptions

Actuarial assumptions used to determine defined benefit obligations for retirement benefits are as follows :

	Group		TH	
	2020	2019	2020	2019
	%	%	%	%
Discount rate	3.9 - 6.9	4.4 - 8.0	3.9 - 4.2	4.4 - 4.6
Salary increment rate	4.0 - 5.0	4.0 - 5.0	4.0	4.0
Medical cost inflation rate	4.5 - 5.5	4.5 - 5.5	4.5 - 5.5	4.5 - 5.5
Hajj cost inflation rate	4.0	4.0	4.0	4.0

The professional valuer has taken into account both external and internal factors in deriving the assumptions. External factors are current market condition, economic outlook and industry data while internal factors consist of the Group's and TH's historical experience and policies.

TH provides for several retirement plans on an unfunded basis. These plans are briefly described as follows:

Types of retirement benefits**i) Post-employment medical benefits**

TH provides post-employment medical benefits for its employees and dependents covering cost of medical treatment at private and/or government hospitals after employees' retirement. The costs of medical treatment at the hospital for retired employees are borne directly by TH.

ii) Accumulated annual leave reward

TH provides a plan that allows its employees to accumulate their annual leave which can be converted into cash upon retirement in accordance with the number of accumulated leave up to a maximum of 120 or 150 days.

iii) Hajj performance

TH provides for employees and spouse or a family member the opportunity to perform Hajj as employees attain retirement age and fulfil the number of years in service that entitles them for this benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

39. Provision for retirement benefits (*cont'd.*)

Types of retirement benefits (*cont'd.*)

iv) Gratuity plan

TH provides a retirement gratuity plan for retiring employees who have achieved a specified period of service subject to certain terms and conditions.

Additional disclosure information

i) Description of the plans' characteristics and associated risks

The plans cover several sub-plans, of which the largest (in terms of the size of the liability) is the post-employment medical plan followed by the gratuity plan. As such, the valuation results are particularly sensitive to changes in the discount rate, the assumed medical cost inflation rate and the assumed salary increase rate.

ii) Description of funding arrangements and policies

The plans are unfunded. Benefits are paid out directly by **TH** as and when a plan member leaves the plan (upon retirement age or death in service).

iii) Detail profile of defined benefit obligation

Details of defined benefit obligation by plan and in aggregate as at valuation date 31 December are as follows:

TH

	Post- Employment Medical	Accumulated Annual Leave	Haji Performance	Staff Gratuity	Total
2020					
Obligation (RM'000)	577,204	22,598	48,946	213,383	862,131
(%) of total	67.0	2.6	5.7	24.7	100.0
Expected obligation within 12 months	8,690	2,810	2,143	25,178	38,821
2019					
Obligation (RM'000)	500,954	21,518	39,544	210,043	772,059
(%) of total	64.9	2.8	5.1	27.2	100.0
Expected obligation within 12 months	7,381	2,024	1,970	17,883	29,258

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

39. Provision for retirement benefits (cont'd.)

iv) Administrative expenses

Administrative expenses of the plans were paid by **TH** and accounted for separately in the statement of profit or loss.

v) Curtailment, settlement and plan amendments

There were no events of curtailment or settlement for the financial year ended 31 December 2020.

Significant actuarial assumptions and sensitivity analysis

i) Significant actuarial assumptions

The following analysis shows the increase/(decrease) in the defined benefit obligation arising from a change in the assumptions:

TH

Assumptions	Base rate	Sensitivity analysis	2020 RM'000
Discount rate	3.9% - 4.2%	1% increase	(122,287)
Discount rate	3.9% - 4.2%	1% decrease	156,822
Future medical cost inflation rate	4.5% - 5.5%	1% increase	130,674
Future medical cost inflation rate	4.5% - 5.5%	1% decrease	(101,473)
Future salary increment rate	4.0%	1% increase	21,678
Future salary increment rate	4.0%	1% decrease	(19,050)

TH

Assumptions	Base rate	Sensitivity analysis	2019 RM'000
Discount rate	4.4% - 4.6%	1% increase	(90,873)
Discount rate	4.4% - 4.6%	1% decrease	114,406
Future medical cost inflation rate	4.5% - 5.5%	1% increase	87,330
Future medical cost inflation rate	4.5% - 5.5%	1% decrease	(69,400)
Future salary increment rate	4.0%	1% increase	15,667
Future salary increment rate	4.0%	1% decrease	(13,846)

The key assumptions identified such as the discount rate, the medical cost inflation rate and the salary increment rate can have a material effect on the outcome of the valuation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

39. Provision for retirement benefits (*cont'd.*)

- ii) Methods and assumptions used in sensitivity analysis

Other assumptions are held constant when quantifying the sensitivity of results to a particular assumption.

The sensitivity results above determine their individual impact on the defined benefit obligation plan. In reality, the plan is subject to multiple external experience items which may move the defined benefit obligation in similar or opposite directions. The plan's sensitivity to such changes can vary over time.

40. Surplus funds

The following are the types of reserves that make up the surplus funds of the Group and **TH**:

Distributable reserves

Group

(a) Revenue reserve

Revenue reserve represents cumulative net profits of the Group.

TH

(a) Revenue reserve

Revenue reserve represents accumulated distributable profits of **TH** that may be used, at the discretion of Lembaga for the purpose of profit distribution subject to fulfilment of Section 22 of the **TH** Act which is further disclosed in Note 2(a)(iv).

(b) Equalisation reserve

TH shall transfer into or out of the Equalisation Reserve certain amount as may be determined by the Lembaga from time to time to strengthen **TH**'s reserve in achieving continuous financial soundness and prudent profit distribution to depositors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

40. Surplus funds (*cont'd.*)

Non-distributable reserves

Group

(a) Capital reserve

Capital reserve comprises share of post-acquisition capital reserve of certain associated companies and jointly-controlled entities of the Group, issuance of bonus issue in a subsidiary and negative goodwill on acquisition of subsidiary companies in prior years.

(b) Translation reserve

Translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations in Indonesia, United Kingdom and Australia and offshore banking operations - Federal Territory of Labuan.

(c) Fair value through other comprehensive income ("FVOCI") reserve

A non-distributable reserve that comprises the cumulative net change in the fair value of financial assets at FVOCI. In addition, the loss allowance arising from recognition of expected credit losses on debt instruments at FVOCI are accumulated in FVOCI reserve instead of reducing the carrying amount of the assets.

TH

(a) Statutory reserve

A non-distributable reserve established as a Reserve Fund in accordance with the **TH** Act. Section 21(3) of the **TH** Act states that transfer into the Statutory reserve shall be determined by the Lembaga and transfer out of the Statutory reserve shall be determined by the Minister.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

40. Surplus funds (cont'd.)

Group	Capital reserve RM'000	Translation reserve RM'000	Accumulated reserve of TKJHM and TWT RM'000	FVOCI reserve RM'000	Total other reserve RM'000
2020					
At 1 January 2020	9,353	(113,979)	-	(234,314)	(338,940)
Remeasurement of retirement benefit liability	-	-	-	277	277
Movement in fair value reserve of debt instruments at FVOCI:					
Net changes in fair value	-	-	-	208,909	208,909
Changes in expected credit losses	-	-	-	12,259	12,259
Income tax effect relating to components of other comprehensive income	-	-	-	3,159	3,159
Changes in fair value of equity instruments at FVOCI	-	-	-	548,260	548,260
Currency translation differences in respect of foreign operations	-	12,166	-	-	12,166
Total other comprehensive income for the year	-	12,166	-	772,864	785,030
Disposal of equity instruments at FVOCI	-	-	-	(274,101)	(274,101)
At 31 December 2020	9,353	(101,813)	-	264,449	171,989

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

40. Surplus funds *(cont'd.)*

Group	Capital reserve RM'000	Translation reserve RM'000	Accumulated reserve of TKJHM and TWT RM'000	FVOCI reserve RM'000	Total other reserve RM'000
2019					
At 1 January 2019	11,878	(96,721)	-	(1,177,511)	(1,262,354)
Remeasurement of retirement benefit liability	-	-	-	22	22
Movement in fair value reserve of debt instruments at FVOCI:					
Net changes in fair value	-	-	-	533,730	533,730
Changes in expected credit losses	-	-	-	21,375	21,375
Income tax effect relating to components of other comprehensive income	-	-	-	(34,903)	(34,903)
Changes in fair value of equity instruments at FVOCI	-	-	-	393,507	393,507
Currency translation differences in respect of foreign operations	-	(16,784)	-	-	(16,784)
Total other comprehensive income for the year	-	(16,784)	-	913,731	896,947
Disposal of equity instruments at FVOCI	-	-	-	29,466	29,466
Changes in group structure	(2,525)	(474)	-	-	(2,999)
At 31 December 2019	9,353	(113,979)	-	(234,314)	(338,940)

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)**41. Revenue**

	Note	Group		TH	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from:					
Income from financial assets at FVTPL	(i)	283,653	285,290	284,497	286,134
Income from equity instruments at FVOCI	(ii)	278,925	242,921	278,743	242,848
Income from debt instruments at FVOCI	(ii)	533,611	594,287	535,979	707,330
Income from financial assets at amortised cost	(iii)	199,014	280,989	306,611	312,214
Income from UJSB Sukuk (Note 10(iii))		818,339	469,123	818,339	469,123
Income from financing portfolio		-	-	98,616	98,288
Income from money market		181,842	234,655	232,774	246,176
Income from investment in subsidiaries, associates and jointly controlled entities	(iv)	(660)	-	125,259	199,964
Income from derivatives		-	14,599	-	14,599
Rental of properties		353,887	396,376	243,757	300,011
Accrued rental income		9,411	9,508	9,411	9,508
Gain on disposal of investment properties		17	7,978	17	7,978
Finance lease income		142,977	155,057	163,095	175,567
Revenue from contracts with customers	(v)	714,393	1,002,317	-	-
Changes in fair value of:					
- investment properties		(140,506)	(128,935)	(100,074)	(31,995)
- deferred cash consideration from UJSB		7,322	10,714	7,322	10,714
- forestry		5,726	(43,215)	-	-
- biological assets		4,220	11,031	-	-
- derivative		-	(1,322)	-	-
Changes in fair value of financial assets at FVTPL		109,121	171,447	107,431	168,925
		3,501,292	3,712,820	3,111,777	3,217,384

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

41. Revenue (cont'd.)

Details of revenue by category are as follows:

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(i) Income from financial assets at FVTPL:				
Income from Sukuk	50,548	50,547	50,548	50,547
Income from perpetual securities	167,762	179,513	167,762	179,513
Income from unit trusts	30,715	35,025	30,715	35,025
Income from Negotiable Islamic debt instruments	-	7,766	-	7,766
Income from placement in term investment accounts	25,657	1,999	26,501	2,843
Income from other investments	8,971	10,440	8,971	10,440
	283,653	285,290	284,497	286,134
(ii) Income from financial assets at FVOCI:				
Equity instruments:				
Dividend income				
- quoted equities	227,956	180,886	227,774	180,887
- unquoted equities	30,234	41,865	30,234	41,791
- external fund managers	20,735	20,170	20,735	20,170
	278,925	242,921	278,743	242,848
Debt instruments:				
Income from government debt securities	6,336	259	6,336	259
Income from government guaranteed debt securities	150,688	302,502	150,688	302,502
Income from Sukuk	376,587	291,526	378,955	404,569
	533,611	594,287	535,979	707,330
Total	812,536	837,208	814,722	950,178

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

41. Revenue *(cont'd.)*Details of revenue by category are as follows: *(cont'd.)*

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(iii) Income from financial assets at amortised cost:				
Income from Sukuk	122,646	196,848	230,243	225,754
Income from Negotiable Islamic debt instruments	75,892	83,393	75,892	85,712
Income from other investments	476	748	476	748
	199,014	280,989	306,611	312,214

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(iv) Income from investment in subsidiaries, associates and jointly controlled entities:				
- quoted subsidiaries	-	-	119,651	151,937
- unquoted subsidiaries	-	-	-	40,000
- unquoted associates	-	-	6,095	8,027
Gain/(loss) on disposal of:				
- unquoted associates	(749)	-	(749)	-
- jointly controlled entities	89	-	262	-
	(660)	-	125,259	199,964

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

41. Revenue (cont'd.)

(v) Disaggregation of the Group's revenue from contracts with customers are as follows:

	Group	
	2020 RM'000	2019 RM'000
Type of services		
Plantation	554,915	493,577
Services	105,172	297,996
Property development	16,423	54,934
Land sales	11,876	101,821
Property and facilities management	26,007	53,989
	714,393	1,002,317
Timing of revenue recognition		
At a point in time	674,619	795,296
Over time	39,774	207,021
	714,393	1,002,317

(a) Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially satisfied) at reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Group	2021 RM'000	2022 RM'000	Total RM'000
Land sales	7,406	-	7,406
Facilities management	37,123	32,648	69,771
	44,529	32,648	77,177

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

41. Revenue *(cont'd.)*

- (v) Disaggregation of the Group's revenue from contracts with customers are as follows: *(cont'd.)*

(b) Contract balances

The Group's contract balances are as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Trade receivables	25,292	45,226
Contract assets (Note 15)	4,177	16,079
Contract liability (Note 34)	(15,400)	(9,595)

The contract assets primarily relate to the Group's rights to consideration for work completed on residential properties under construction in Malaysia but not yet billed at the reporting date. Typically, the amount will be billed within 30 days (2019: 30 days) and payment is expected within 90 days (2019: 90 days).

The contract liabilities primarily relate to the advance consideration received from customers for commercial properties under construction and land sale, which revenue is recognised upon completion of contracts. The contract liabilities are expected to be recognised as revenue upon issuance of vacant possession to purchasers for commercial properties under construction and land sale.

Significant changes to property segment's contract assets/(contract liabilities) balances during the year are as follows:

Group	At beginning of the year RM'000	Revenue recognised RM'000	Progress billed RM'000	At the end of the year RM'000
<u>2020</u>				
Land	(2,651)	11,875	(16,630)	(7,406)
Commercial lots	132	819	(2,661)	(1,710)
Residential properties	7,290	15,604	(6,414)	16,480
Property management	8,006	4	(8,006)	4
Facilities management	651	67,786	(79,034)	(10,597)
Other services	(6,944)	42,008	(43,058)	(7,994)
	6,484	138,096	(155,803)	(11,223)

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****41. Revenue (cont'd.)**

(v) Disaggregation of the Group's revenue from contracts with customers are as follows: (cont'd.)

(b) Contract balances (cont'd.)

Group	At beginning of the year RM'000	Revenue recognised RM'000	Progress billed RM'000	At the end of the year RM'000
<u>2019</u>				
Land	(15,823)	101,821	(88,649)	(2,651)
Commercial lots	724	612	(1,204)	132
Residential properties	8,156	54,322	(55,189)	7,290
Property management	8,247	87	(328)	8,006
Facilities management	2,820	80,067	(82,236)	651
Other services	540	227,640	(235,124)	(6,944)
	4,664	464,549	(462,730)	6,484

42. Impairment, write off and expected credit losses

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Impairment:				
- quoted subsidiaries	-	-	-	36,815
- unquoted subsidiaries	-	-	128,869	3,192
- unquoted associates	5,251	40	5,251	-
- unquoted jointly controlled entities	-	45,000	-	52,400
- property, plant and equipment	72,504	84,397	-	-
- inventory	-	273	-	-
- property development costs	-	8,086	-	-
- plantation development expenditure	5,329	20,316	-	-
- intangible assets	-	9,761	-	-
- asset held for sale	46,851	74,637	-	-
- right-of-use assets	898	41,118	-	-
Reversal of impairment and expected credit losses:				
- unquoted subsidiaries	-	-	(3,534)	(11,902)
- asset held for sale	(20,963)	-	(20,963)	-
- unquoted associates	-	-	-	(28,959)

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)**42. Impairment, write off and expected credit losses (cont'd.)**

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Reversal of impairment and expected credit losses: (cont'd.)				
- unquoted jointly controlled entities	(4,645)	(39,184)	-	-
- financing, advances and others	-	-	(179,620)	(67,754)
- amount due from subsidiaries	-	-	-	(44,838)
- plantation development expenditure	-	(1,833)	-	-
- property, plant and equipment	(15,982)	-	-	-
- trade receivables	(490)	-	-	(2)
- other receivables	(30)	-	-	-
Expected credit losses on:				
- financing, advances and others	-	-	15,554	331,969
- financing to subsidiaries	-	-	-	-
- dividend receivable from subsidiaries	-	-	-	13,065
- amount due from subsidiaries	-	-	13,377	68,078
- amount due from jointly controlled entities	154,613	49,176	-	-
- trade receivables	6,949	2,341	5,802	-
- other receivables	908	2,772	904	764
- finance lease receivables	221,976	12,937	221,976	12,937
- financial assets at amortised cost	5,593	(51)	5,593	(51)
- financial assets at FVOCI	12,397	21,843	12,397	21,769
Write off:				
- investment in subsidiary	-	454	-	-
- amount due from subsidiary	-	-	-	2,590
- amount due from jointly controlled entities	16	-	-	-
- property, plant and equipment	638	245	78	-
- plantation development expenditure	2,870	1,043	-	-
- investment properties	383	-	383	-
- unquoted shares	19,298	-	19,298	-
- asset held for sale	-	5	-	-
- receivables	-	2,728	13,752	2,450
	514,364	336,104	239,117	392,523

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****42. Impairment, write off and expected credit losses (cont'd.)**

The details of impairment, write off and expected credit losses arising from this are as follows:

Group		Property, plant and equipment RM'000	Plantation development expenditure RM'000	Right- of-use assets RM'000	Intangible assets RM'000	Asset held for sale RM'000	Amount due from jointly controlled entity RM'000	Finance lease receivables RM'000	Others RM'000	Total RM'000
2020	Note									
TH		-	-	-	-	-	-	221,976	-	221,976
TH Properties Sdn. Bhd.	(i)	-	-	-	-	-	154,613	-	-	154,613
TH Plantations Berhad Group	(ii)									
Hydroflow Sdn. Bhd.	(iii)	78	5,129	-	-	-	-	-	-	5,207
Ladang Jati Keningau Sdn. Bhd.	(iv)	-	200	-	-	-	-	-	-	200
THP Kota Bahagia Sdn. Bhd	(v)	948	-	-	-	-	-	-	-	948
TH Pelita Gedong Sdn. Bhd. *	(vi)	-	-	-	-	288	-	-	-	288
THP Saribas Sdn. Bhd.	(vii)	1,960	-	-	-	-	-	-	-	1,960
		2,986	5,329	-	-	288	154,613	221,976	-	385,192
Others		54,174	2,870	898	-	46,563	-	-	24,667	129,172
		57,160	8,199	898	-	46,851	154,613	221,976	24,667	514,364

* These are in relation to disposal group held for sale in Note 29.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

42. Impairment, write off and expected credit losses *(cont'd.)*

The details of impairment loss arising from this are as follows:

Group	Note	Property, plant and equipment RM'000	Plantation development expenditure RM'000	Right- of-use assets RM'000	Intangible assets RM'000	Asset held for sale RM'000	Amount due from jointly controlled entity RM'000	Finance lease receivables RM'000	Others RM'000	Total RM'000
2019										
TH Plantations Berhad Group										
Bumi Suria Ventures Sdn. Bhd. / Maju Warisanmas Sdn. Bhd.*	(i)	-	-	-	-	23,021	-	-	-	23,021
Hydroflow Sdn. Bhd.	(ii)	-	-	12,476	9,761	-	-	-	-	22,237
THP-YT Plantation Sdn. Bhd.*	(iii)	-	-	-	-	14,345	-	-	-	14,345
TH Pelita Simunjan Sdn. Bhd.*	(iv)	-	-	-	-	31,800	-	-	-	31,800
PT Persada Kencana Prima	(v)	-	14,940	-	-	-	-	-	-	14,940
TH Pelita Gedong Sdn. Bhd.	(vi)	-	5,376	1,473	-	-	-	-	-	6,849
THP Saribas Sdn. Bhd.	(vii)	75,845	-	3,976	-	-	-	-	-	79,821
TH Pelita Sadong Sdn. Bhd.	(viii)	-	-	4,894	-	-	-	-	-	4,894
TH Pelita Beladin Sdn. Bhd.	(ix)	-	-	-	-	4,189	-	-	-	4,189
		75,845	20,316	22,819	9,761	73,355	-	-	-	202,096
Others		8,797	-	18,299	-	1,287	49,176	12,937	43,512	134,008
		84,642	20,316	41,118	9,761	74,642	49,176	12,937	43,512	336,104

* These are in relation to disposal group held for sale in Note 29.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

42. Impairment, write off and expected credit losses (*cont'd.*)

Impairment in 2020 of finance lease receivables, amount due from jointly controlled entities, property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale of the Group are discussed as follows:

2020

(i) Finance lease receivables

TH

TH entered into Sub-Lease Agreements ("Agreements") with several counterparties to operate several hotels in the Kingdom of Saudi Arabia ("KSA"). Some of the counterparties are having difficulties in making payments to **TH** due to adverse financial position exacerbated by COVID-19 which resulted in non-payment of the outstanding sub-lease income.

For most hotels, **TH** secured the sub lease receivables via Promissory Notes ("PN") either with the operator and/or third party guarantee. The enforcement process from filing of PN with the court of KSA to liquidation of the assets are assumed to take place within 15 months period.

TH allocates the exposure to the finance lease receivable's credit risk based on cash flow projections taking into account KSA's tourism industry outlook as a result of COVID-19 pandemic, the recoverability of the enforcement of the PN in KSA and the ability of the Group to find new operator for the hotels.

TH also projected the Tourism Industry in KSA will return to pre-pandemic level as follows:

2021 : 80% effective from September 2021
2022 : 90% effective from January 2022
2023 : 100% effective from January 2023

During the financial year ended 31 December 2020, **TH** has provided RM221,976,000 (2019: RM12,937,000) for the expected credit losses of the receivables.

(ii) Amount due from jointly controlled entity

The Group has made a provision to impair the amount due from jointly controlled entities relating to TH Properties Sdn. Bhd. amounting to RM154,653,000 (2019: RM46,946,000). The basis of impairment is due to reduction in land value and dispute with JV partners in respect of the recoverability of unsecured portion and profit sharing.

(iii) Hydroflow Sdn. Bhd.

One (1) area of the estates and of the PDE of the subsidiary have been inaccessible due to natives intrusion, in which no future income is expected to be generated from these areas by THPB Group. THPB Group's had fully impaired the estates and PDE in relation to the inaccessible areas amounted to RM78,000 and RM5,129,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

42. Impairment, write off and expected credit losses (*cont'd.*)

Impairment in 2020 of finance lease receivables, amount due from jointly controlled entities, property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale of the Group are discussed as follows: (*cont'd.*)

2020 (*cont'd.*)

(iv) Ladang Jati Keningau Sdn. Bhd.

During the year, Management has performed impairment testing in respect to the additional assets of the PDE of the Company. Management is of the view that the fair value less cost to sell are consistent as per prior year estimation based on the Directors' valuation, which was based on the offer letter received from a minority shareholder of the Company to acquire PDE based on its current condition.

Based on the fair value less cost to sell, the recoverable amount was determined to be lower than the carrying amount of the PDE and an impairment loss of RM200,000 was recognised.

(v) THP Kota Bahagia Sdn. Bhd.

During the financial year, THPB Group has assessed the plantations assets value of certain bearer plant ("cash-generating unit") of the subsidiary that has not been performing up to the Group's expectation. The carrying amount of the bearer plant as at 31 December 2020 amounted to RM3,009,000. The bearer plant's recoverable amount is based on value in use method of RM32,384 per hectare.

The valuation method and assumptions used in the determination of value in use within Level 3 of fair value measurement, as well as the significant unobservable inputs used in the valuation models in the current year are as follows:

- a) *Description of valuation technique and inputs used*
 - Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price and upkeep and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates.
- b) *Significant unobservable inputs in current year*
 - Expected projected FFB yield (17.00mt/ha – 24.00mt/ha)
 - FFB sales price (RM522/mt)
 - Upkeep and maintenance cost (RM1,240/ha – RM2,698/ha)
 - Pre-tax discount rate (15%)

The values assigned to the key assumptions represent THPB Group's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

Based on the assessment, an impairment loss of RM948,000 has been recognised in the profit or loss as the carrying amount of the cash-generating unit is higher than the recoverable amount.

Sensitivity analysis

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM178,540;
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM207,692;
- An increase of 5% in the discount rate would have resulted in an increase of impairment loss of RM456,581.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

42. Impairment, write off and expected credit losses (*cont'd.*)

Impairment in 2020 of finance lease receivables, amount due from jointly controlled entities, property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale of the Group are discussed as follows: (*cont'd.*)

2020 (*cont'd.*)

(vi) TH Pelita Gedong Sdn. Bhd.

During the financial year, one (1) area estate of PDE has experienced heavy floods, in which no future income is expected to be generated from this area.

Subsequent to this, the Group had fully impaired RM288,000 in relation to carrying amount of the PDE of the estate as at 31 December 2020 and recognised in the profit or loss.

(vii) THP Saribas Sdn. Bhd.

During the financial year, THPB Group has assessed the plantations assets value of certain bearer plant ("cash-generating unit") of the subsidiary that has not been performing up to the Group's expectation. The carrying amount of the bearer plant as at 31 December 2020 amounted to RM3,300,000. The bearer plant's recoverable amount is based on value in use method of RM29,802 per hectare.

The valuation method and assumptions used in the determination of value in use as well as the significant unobservable inputs used in the valuation models in current year.

a) *Description of valuation technique and inputs used*

Plantation assets

- Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from bearer plant, considering expected projected FFB yield, FFB sales price, upkeep and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates.

b) *Significant unobservable inputs in current year*

- Expected projected FFB yield (16.00mt/ha - 26.00mt/ha)
- FFB sales price (RM433/mt - RM536/mt)
- Upkeep and maintenance cost (RM1,000/ha - RM3,310/ha)
- Pre-tax discount rate (14%)

The value in use is based on management's estimates having regard to the performance of the cash-generating unit and is determined by discounting the future cash flows expected to be generated from the continuing use of the cash-generating unit. The values assigned to the key assumptions represent THPB Group's assessment and internal sources (historical data).

Based on the assessment, THPB Group has recognised an impairment loss of RM1,960,000 in the profit or loss as the carrying amount of the cash-generating unit is higher than the recoverable amount.

Sensitivity analysis

- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM9,603,000;
- A reduction in yield per hectare by 5% would have resulted in an increase of impairment loss of RM6,800,000;
- An increase in discount rate by 1% would have resulted in an increase of impairment loss of RM3,400,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

42. Impairment, write off and expected credit losses (*cont'd.*)

Impairment in 2020 of finance lease receivables, amount due from jointly controlled entities, property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale of the Group are discussed as follows: (*cont'd.*)

2020 (*cont'd.*)

(vii) THP Saribas Sdn. Bhd. (*cont'd.*)

During the current financial year, the Group has commenced a rehabilitation exercise on bearer plant in certain estates ("cash-generating unit") with a carrying amount of RM315,712,415. THPB Group is committed to complete the rehabilitation exercise by 2021. As a result of the rehabilitation exercise, the Group expects the performance of cash-generating unit ("CGU") in the areas under rehabilitation to improve in the near future.

The recoverable amount of the CGU in the areas under rehabilitation is based on the assumption that rehabilitation exercise will continue to take place in 2021, in the extent to which, or manner in which, the rehabilitation exercise will enhance the performance of the CGU in the areas under rehabilitation.

THPB Group has exercised significant judgement in assessing the recoverable amount of CGU in the areas under rehabilitation based on value in use method, which is estimated at RM38,401 per hectare.

The valuation method and assumptions used in the determination of value in use as well as the significant unobservable inputs used in the valuation models in current year.

a) *Description of valuation technique and inputs used*

- Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from bearer plant, considering expected projected FFB yield, FFB sales price, upkeep and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates.

b) *Significant unobservable inputs in current year*

- Expected projected FFB yield (16.00mt/ha - 26.00mt/ha)
- FFB sales price (RM433/mt - RM536/mt)
- Upkeep and maintenance cost (RM1,000/ha - RM3,310/ha)
- Pre-tax discount rate (14%)

The value in use is based on management's estimates having regard to the performance of the CGU and is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. The values assigned to the key assumptions represent THPB Group's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

Based on the assessment, the recoverable amount of the CGU in relation to the rehabilitated areas is higher than its carrying amount. A reversal of impairment loss in relation to the CGU if RM15,982,000 has been recognised in the profit or loss.

Sensitivity analysis

- A reduction in price of FFB by 5% would have resulted in a decrease of reversal of impairment loss of RM11,746,000;
- A reduction in yield per hectare by 5% would have resulted in a decrease of reversal impairment loss of RM10,850,000;
- An increase in upkeep and maintenance cost by 5% would have resulted in a decrease of reversal of impairment loss of RM4,570,000;
- An increase in discount rate by 1% would have resulted in a decrease of reversal of impairment loss of RM8,250,000.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

42. Impairment, write off and expected credit losses (*cont'd.*)

Impairment in 2019 of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates to TH Plantations Berhad Group and are discussed as follows:

2019

(i) Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd.

On 5 December 2019, THPB entered into a Sale and Purchase Agreement with Tamaco Plantation Sdn. Bhd. ("Tamaco") to dispose the subsidiaries for a purchase consideration of RM170,000,000 on the assumption that the subsidiaries will be in a cash and debt free position (save for the inter-company advances) and have no other assets other than the properties and the fixed assets on the completion date. Net current assets or net current liabilities will be adjusted by increasing or decreasing the purchase consideration.

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The fair value less cost to sell of plantation assets of the subsidiary were estimated based on the Board of Director's valuation, which were based on the Sale and Purchase Agreement between THPB and Tamaco to acquire the subsidiaries based on its current condition. The carrying amount of cash-generating unit ("CGU") was higher than the recoverable amount. An impairment loss of RM23,021,000 was recognised in the Group's profit or loss during the prior financial year.

(ii) Hydroflow Sdn. Bhd.

In 2019, THPB Group assessed the plantations assets value of the subsidiary that had not been performing up to expectation. The carrying amount of the bearer plant, PDE and ROU assets as at 31 December 2019 amounted to RM18,404,000, RM32,835,000 and RM74,366,000 respectively. THPB Group engaged a registered valuer in prior year to value the plantation assets of the subsidiary. The cash-generating unit consist of planted area in relation to oil palm and unplanted area which the recoverable amount based on valuation report were RM40,742 per hectare and RM14,826 per hectare respectively. The Group is of the view that the fair value less cost to sell were consistent as per prior year valuation report as there was no significant change in the market.

The valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in the prior year were as follows:

a) Description of valuation technique and inputs used

- Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price and upkeep and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates.

b) Significant unobservable inputs

- Expected projected FFB yield (6.00mt/ha – 25.00mt/ha)
- FFB sales price (RM550/mt)
- Upkeep and maintenance cost (RM1,200/ha – RM2,000/ha)
- Pre-tax discount rate (14%)
- Plantation land value (Nil)
- Pre-tax discount rate for land (Nil)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

42. Impairment, write off and expected credit losses *(cont'd.)*

Impairment in 2019 of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates to TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

2019

(ii) Hydroflow Sdn. Bhd. *(cont'd.)*

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and were based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit was based on its fair value less cost to sell. The carrying amount of cash-generating unit was higher than the recoverable amount of RM40,742 per hectare for planted area in relation to oil palm and RM14,826 per hectare for unplanted area. A further impairment loss of RM22,237,000 was recognised in the Group's profit or loss during the prior financial year.

Sensitivity analysis

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM7,100,000;
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM8,800,000;
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM2,500,000;
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM5,600,000;
- Factoring plantation land value consistent with valuation that was performed in 2017 (RM18,100/ha) discounted at 4.25%, would have resulted in a decrease of impairment loss of RM11,331,000;
- If a pre-tax discount rate of 9% is used, it would have resulted in no impairment loss.

(iii) THP-YT Plantation Sdn. Bhd.

Based on the non-binding heads of agreements between THPB and TDM Berhad ("TDM") dated on 5 December 2019, the offer price to acquire THP-YT is RM69,000,000 which comprise RM7,000,000 for the acquisition of shares of THP-YT Sdn. Bhd. and TDM will make a repayment of RM62,000,000 relating to amount due to a subsidiary of the Group subsequent to the disposal.

The recoverable amount of a cash-generating unit was based on its fair value less cost to sell. The fair value less cost to sell of plantation assets of the subsidiary are estimated based on THPB Director's valuation, which were based on the non-binding heads of agreements between THPB and TDM dated on 5 December 2019 to acquire the subsidiary based on its current condition. The carrying amount of the cash-generating unit was higher than the fair value less cost to sell. An impairment loss of RM14,345,000 was recognised in the Group's profit or loss during the prior financial year.

(iv) TH PELITA Simunjan Sdn. Bhd.

The Group engaged a registered valuer in prior year to value the plantation assets of the subsidiary. The cash-generating unit consists of planted area in relation to palm oil which the recoverable amount based on valuation report is RM38,320 per hectare. The Group is of the view that the fair value less cost to sell was consistent as per prior year valuation report as there was no significant change in the market.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

42. Impairment, write off and expected credit losses (*cont'd.*)

Impairment in 2019 of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates to TH Plantations Berhad Group and are discussed as follows: (*cont'd.*)

2019 (*cont'd.*)

(iv) TH PELITA Simunjan Sdn. Bhd. (*cont'd.*)

The valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in the prior year are as follows:

a) *Description of valuation technique and inputs used*

- Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from cash-generating unit, taking into account expected projected FFB yield, FFB sales price and upkeep and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates.

b) *Significant unobservable inputs*

- Expected projected FFB yield (6.00mt/ha – 25.00mt/ha)
- FFB sales price (RM550/mt)
- Upkeep and maintenance cost (RM1,300/ha – RM1,700/ha)
- Pre-tax discount rate (14%)

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. Based on the fair value less cost to sell, the carrying amount of cash-generating unit is higher than the recoverable amount of RM38,320 per hectare for planted area in relation to palm oil. An impairment loss of RM31,800,000 was recognised in the Group's profit or loss during the prior financial year.

Sensitivity analysis

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM10,700,000;
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM13,200,000;
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM3,500,000;
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM7,800,000;
- If a plantation land value of RM31,540 per hectare was included in the discounted cash flow, discounted at 4.25%, it would have resulted in a decrease of impairment loss of RM29,256,000;
- If a pre-tax discount rate of 9% has been used, it would have resulted in no impairment loss;
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in a decrease of impairment loss amounting to RM1,000,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

42. Impairment, write off and expected credit losses *(cont'd.)*

Impairment in 2019 of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates to TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

2019 *(cont'd.)*

(v) PT Persada Kencana Prima

During the prior financial year, the Group engaged a registered valuer to value the estates of the subsidiary that has not been performing up to the Group's expectation. The carrying amount of the PDE and ROU as at 31 December 2019 amounted to RM80,298,000 and RM1,614,000 respectively. The cash-generating unit consists of planted area in relation to palm oil and plantable area which the recoverable amount based on valuation report are RM6,593 per hectare and RM13,826 per hectare respectively. The Group is of the view that the fair value less cost to sell is consistent as per prior year valuation report as there is no significant change in the market.

Fair value less cost to sell is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement.

The valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models are as follows:

- a) *Description of valuation technique and inputs used*
 - Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from cash-generating unit, taking into account expected projected FFB yield, FFB sales price, plantation land value at the end of the cycle and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.
- b) *Significant unobservable inputs*
 - Expected projected FFB yield (7.00mt/ha – 25.00mt/ha)
 - FFB sales price (RM298/mt – RM331/mt)
 - Upkeep and maintenance cost (RM640/ha – RM2,400/ha)
 - Pre-tax discount rate in relation to bearer plant (13%)
 - Plantation land value (RM10,500/ha)
 - Pre-tax discount rate in relation to plantation land value (6%)

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM6,593 per hectare for planted area in relation to palm oil and RM13,826 per hectare for plantable area. The further impairment loss of RM14,940,000 recognised in the Group's profit or loss is with regard to additions during the prior financial year.

Sensitivity analysis

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM457,000;
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM457,000;
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM457,000;
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM457,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

42. Impairment, write off and expected credit losses *(cont'd.)*

Impairment in 2019 of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates to TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

2019 *(cont'd.)*

(vi) TH PELITA Gedong Sdn. Bhd.

During the prior financial year, one (1) area estate of PDE has experienced heavy floods, in which no future income is expected to be generated from this area.

Subsequent to this, the Group had fully impaired RM5,376,000 in relation to carrying amount of the PDE of the estate as at 31 December 2019 and recognised in the profit or loss.

The Group has engaged a registered valuer during the year to perform the valuation of the subsidiary's assets to determine the fair value of the respective subsidiary's plantation assets. The cash-generating unit consist of planted area in relation to palm oil, plantable area in relation to palm oil and the palm oil mill which the recoverable amount based on valuation report are RM39,042 per hectare, RM4,972 per hectare and RM850,000 per metric tonne capacity respectively.

The valuation method and assumptions used in the determination of fair value less cost of disposal within Level 3, as well as the significant unobservable inputs used in the valuation models are as follows:

a) *Description of valuation technique and inputs used*

Plantation assets

- Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from the estates, taking into account expected projected FFB yield, FFB sales price, plantation land value at the end of the cycle and upkeep and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates.

b) *Significant unobservable inputs*

- Expected projected FFB yield (6.00mt/ha - 25.00mt/ha)
- FFB sales price (RM510/mt - RM550/mt)
- Upkeep and maintenance cost (RM1,200/ha - RM2,200/ha)
- Pre-tax discount rate (14%)

c) *Description of valuation technique and inputs used*

Mill

- Market approach: Fair value of land of the mill are based on sales price of comparable land in close proximity, adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is market price per hectare.
- Replacement cost approach: The most significant input into this valuation approach is replacement cost per square foot for building and replacement cost per unit for plant and machinery and adjusted by the depreciation of the assets.

d) *Significant unobservable inputs*

- Market price per hectare
- Cost per square foot and new replacement cost per unit
- Depreciation rate

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

42. Impairment, write off and expected credit losses *(cont'd.)*

Impairment in 2019 of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates to TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

2019 *(cont'd.)*

(vi) TH PELITA Gedong Sdn. Bhd. *(cont'd.)*

The values assigned to the key assumptions represent management's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM39,042 per hectare for planted area in relation to palm oil, RM4,972 per hectare for plantable area and RM850,000 per metric tonne capacity for palm oil mill. An impairment loss of RM1,473,000 was recognised in the Group's profit or loss during the previous financial year.

Sensitivity analysis

- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM11,500,000;
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM20,400,000;
- A reduction in yield per hectare by 5% would have resulted in an increase of impairment loss of RM17,900,000;
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM6,500,000;
- If a plantation land value of RM74,132 per hectare (based on the mill land value) was included in the discounted cash flow discounted at 5% it would have resulted in no impairment loss;
- If a pre-tax discount rate of 9% has been used, it would have resulted in no impairment loss;
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in an increase of impairment loss amounting to RM10,100,000.

(vii) THP Saribas Sdn. Bhd.

During the prior financial year, TPHB Group has engaged a registered valuer to value the estates of the subsidiary that has not been performing up to the Group's expectation. The carrying amount of bearer plant and mill of the subsidiary as at 31 December 2019 amounted to RM317,745,000 and RM52,472,000 respectively. TPHB Group has exercised significant judgement in assessing the estate recoverable amount using fair value less cost to sell. The cash-generating unit consist of planted area in relation to palm oil, plantable area in relation to palm oil and palm oil mill which the recoverable amount based on valuation report are RM39,608 per hectare, RM23,810 per hectare and RM900,000 per metric tonne capacity respectively.

The valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in the prior year are as follows:

a) *Description of valuation technique and inputs used*

Plantation assets

- Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from estates, taking into account expected projected FFB yield, FFB sales price, plantation land value at the end of the cycle and upkeep and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

42. Impairment, write off and expected credit losses (*cont'd.*)

Impairment in 2019 of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates to TH Plantations Berhad Group and are discussed as follows: (*cont'd.*)

2019 (*cont'd.*)

(vii) THP Saribas Sdn. Bhd. (*cont'd.*)

b) *Significant unobservable input*

- Expected projected FFB yield (5.00mt/ha - 24.00mt/ha)
- FFB sales price (RM510/mt - RM550/mt)
- Upkeep and maintenance cost (RM1,200/ha - RM2,300/ha)
- Pre-tax discount rate (14% - 16%)

c) *Description of valuation technique and inputs used*

Mill

- Market approach: Fair value of land of the mill is based on sales price of comparable land in close proximity, adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is market price per hectare.
- Replacement cost approach: The most significant input into this valuation approach is replacement cost per square foot for building and replacement cost per unit for plant and machinery and adjusted by the depreciation of the assets.

d) *Significant unobservable inputs*

- Market price per hectare
- Cost per square foot and new replacement cost per unit
- Depreciation rate

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM39,608 per hectare for planted area in relation to palm oil, RM23,810 per hectare for plantable area in relation to palm oil and RM900,000 per metric tonne capacity for palm oil mill. An impairment loss of RM79,821,000 was recognised in the Group's profit or loss during the prior financial year.

Sensitivity analysis

- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM43,090,000;
- A reduction in yield per hectare by 5% would have resulted in an increase of impairment loss of RM34,950,000;
- An increase in upkeep and maintenance cost by 5% would have resulted in an increase of impairment loss of RM12,050,000;
- An increase in discount rate by 1% would have resulted in an increase of impairment loss of RM20,800,000;
- Factoring plantation land value of RM74,132/ha (based on the mill land value) discounted at 5% would have resulted in no impairment loss;
- Discount rate at 9% for land with titles and 11% for Native Customary Rights ("NCR") land would have resulted in no impairment loss;
- A reduction in new replacement cost of plant and machinery by 10% would have resulted in an increase of impairment loss of RM3,672,000;
- An increase in depreciation rate of the mill by 10% would have resulted in an increase of impairment loss of RM4,672,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

42. Impairment, write off and expected credit losses (*cont'd.*)

Impairment in 2019 of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates to TH Plantations Berhad Group and are discussed as follows: (*cont'd.*)

2019 (*cont'd.*)

(viii) TH PELITA Sadong Sdn. Bhd.

The Group engaged a registered valuer during the prior year to perform the valuation of subsidiary's assets to determine the fair value of the respective subsidiary's plantation assets. The cash-generating unit consist of planted area and plantable area in relation to palm oil which the recoverable amount based on valuation report are RM42,329 per hectare and RM3,433 per hectare respectively.

The valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in the previous year are as follows:

a) *Description of valuation technique and inputs used*

- Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from cash-generating unit, taking into account expected projected FFB yield, FFB sales price and upkeep and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates.

b) *Significant unobservable inputs*

- Expected projected FFB yield (6.00mt/ha - 25.00mt/ha)
- FFB sales price (RM510/mt - RM550/mt)
- Upkeep and maintenance cost (RM1,200/ha - RM2,200/ha)
- Pre-tax discount rate (14%)

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM42,329 per hectare for planted area and RM3,433 per hectare for plantable area in relation to palm oil. An impairment loss of RM4,894,000 was recognised in the Group's profit or loss during the prior financial year.

Sensitivity analysis

- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM8,100,000;
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM14,800,000;
- A reduction in yield per hectare by 5% would have resulted in an increase of impairment loss of RM12,100,000;
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM4,100,000;
- Factoring plantation land value of RM74,132/ha (based on the Gedong mill land value) discounted at 5% would have resulted in no impairment loss;
- If a pre-tax discount rate of 9% has been used, it would have resulted in no impairment loss;
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in an increase of impairment loss amounting to RM6,100,000.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

42. Impairment, write off and expected credit losses *(cont'd.)*

Impairment in 2019 of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates to TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

2019 *(cont'd.)*

(ix) TH PELITA Beladin Sdn. Bhd.

In April 2011, Sarawak State Government had gazetted an area of 1,383.70 ha. (Ladang NCR Beladin) as Native Communal Reserve ("NCR"). All of the area has been planted.

From 2011, the subsidiary had entered into several Land Lease agreement with native customary rights land owner to lease the NCR land measuring 1,223.42 ha. out of 1,383.70 ha. to mitigate the exposure.

During the financial year, the Board of Directors of the subsidiary had decided that the probability of the subsidiary to enter into an agreement for 160.28 ha. NCR is remote as there is no claim from the NCR land owners on the area.

Subsequent to this, the Group had fully impaired RM4,189,000 in relation to carrying amount of the PDE of the NCR areas as at 31 December 2019 and recognised in the Group's profit or loss during the prior financial year.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)**43. Operating profit**

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Operating profit was arrived at after crediting/(charging):				
Gain/(loss) on disposal of :				
- property, plant and equipment	655	3,385	12	3,292
- property, plant and equipment (AHFS)	147	-	-	-
- right-of-use assets	41	-	-	-
- right-of-use assets (AHFS)	13	-	-	-
- subsidiary	(8,135)	-	-	-
Depreciation of property, plant and equipment (Note 26)	(172,738)	(274,749)	(81,634)	(124,755)
Depreciation of right-of-use assets (Note 25)	(23,510)	(196,434)	(4,913)	(190,378)
Audit fees:				
- Jabatan Audit Negara	(515)	(515)	(515)	(515)
- Other auditors	(3,014)	(3,844)	-	-
Rental of premises	(203)	(4,828)	-	-
Low value item leases	(3,339)	(32,273)	(2,945)	(15,339)
Short-term leases	(500)	(48,324)	(443)	(4,033)
Contract reassessed leases	(10,134)	(2,520)	(10,134)	(2,520)
Provision for retirement benefits (Note 39)	(64,040)	(61,390)	(63,909)	(61,202)
Hajj financial support (Note 55)	-	(298,614)	-	(298,614)
Net gain/(loss) on foreign exchange differences:				
- Realised	601	58,190	(4,282)	58,328
- Unrealised	47,716	2,839	30,681	12,029
Staff costs:				
- Employee short term benefits	(361,135)	(400,225)	(201,035)	(217,140)
- EPF Contributions	(40,814)	(45,188)	(26,605)	(29,027)

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44. Financial cost

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial costs				
- Borrowings	41,283	68,683	-	-
- Finance lease charges on lease liabilities	41,675	26,888	31,365	21,630
	82,958	95,571	31,365	21,630

45. Zakat

Zakat refers to payment of business zakat mandatorily imposed upon **TH** and its subsidiaries in accordance with the Shariah principles. The basis of calculating the business zakat is based on the adjusted working capital method. The basis period for the calculation of zakat is based on the financial year.

46. Tax expenses

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia income tax				
- Current year	36,122	31,598	-	-
- (Over)/underprovision in prior years	(893)	3,921	-	-
Overseas income tax				
- Current year	4,183	-	-	-
	39,412	35,519	-	-
Deferred tax				
- Origination and reversal of temporary differences	5,727	(33,375)	-	-
- (Over)/underprovision in prior years	(4,843)	23,578	-	-
- Derecognition of deferred tax assets	1,124	35,575	-	-
	41,420	61,297	-	-

TH is exempted from payment of income tax on its income except for statutory dividend income for a period of five years commencing from year of assessment 2017 to 2021 pursuant to Section 127(3A) of the Income Tax Act, 1967.

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46. Tax expenses (cont'd.)

A reconciliation of income tax expense of the Group and **TH** applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate are as follows:

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation and zakat	1,842,861	1,640,206	2,321,867	1,922,925
Income tax using Malaysian statutory tax rate of 24% (2019: 24%)	442,287	393,649	557,248	461,502
Effect of differences in tax rates	7,964	9,463	-	-
Non-deductible expenses	97,660	108,798	-	-
Non-assessable income	(418,950)	(392,380)	(460,288)	(355,227)
Recognition of previously unrecognised tax losses	9,999	3,687	-	-
Tax exempt income	(96,960)	(131,959)	(96,960)	(106,275)
Effects of unrecognised deferred tax assets	10,724	40,774	-	-
Share of tax of associates	(3,163)	5,270	-	-
Share of tax of jointly controlled entities	(720)	1,296	-	-
Others	(1,685)	(4,800)	-	-
	47,156	33,798	-	-
(Over)/underprovision of tax in prior years				
- Current	(893)	3,921	-	-
- Deferred tax	(4,843)	23,578	-	-
	41,420	61,297	-	-

47. Segment information

The **TH** Group comprises the following main business segments:

- (a) Investment holding - Investment in companies from different industries as part of the Group's corporate strategy;
- (b) Banking & Takaful - Islamic banking and provision of related services and underwriting of family and general Islamic insurance ("Takaful");
- (c) Plantation - Oil palm estate and teak plantations; and
- (d) Others - Property, hospitality, information technology and marine.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

47. Segment information (cont'd.)

	Investment holding RM'000	Banking & Takaful RM'000	Plantation RM'000	Others RM'000	Group adjustments RM'000	Consolidated RM'000
2020						
Revenue						
Revenue from external customers	2,698,530	-	565,043	237,719	-	3,501,292
Inter-segment revenue	413,247	-	-	44,645	(457,892)	-
	3,111,777	-	565,043	282,364	(457,892)	3,501,292
Profit for the year						
Profit before impairment	2,592,349	-	142,937	79,460	(348,749)	2,465,997
Impairment, write off, and expected credit losses	(239,117)	-	2,854	(216,801)	(61,300)	(514,364)
Finance costs	(31,365)	-	(70,889)	(124,235)	143,531	(82,958)
Share of loss after tax and zakat of associates	-	-	-	-	(28,812)	(28,812)
Share of profit after tax and zakat of jointly controlled entities	-	-	-	2,998	-	2,998
Zakat	(105,701)	-	-	-	-	(105,701)
Tax expense	-	-	(31,378)	(8,207)	(1,835)	(41,420)
Profit from discontinued operations	-	867,901	-	-	121,117	989,018
	2,216,166	867,901	43,524	(266,785)	(176,048)	2,684,758
Segment assets						
Assets by segment	78,554,113	-	2,706,295	4,392,665	(11,968,845)	73,684,228
Interest in associates	205,657	-	-	2	164,284	369,943
Investments in jointly controlled entities	-	-	-	260,710	-	260,710
Deferred tax assets	-	-	40,008	5,332	-	45,340
Assets held for sale	3,776,583	85,909,901	767,187	79,614	(3,980,459)	86,552,826
Total	82,536,353	85,909,901	3,513,490	4,738,323	(15,785,020)	160,913,047
Segment liabilities						
Liabilities by segment	78,877,465	-	1,613,350	3,805,556	(3,773,440)	80,522,931
Deferred tax liabilities	-	-	193,385	30,445	(105,235)	118,595
Liabilities associated with assets held for sale	-	78,756,823	134,792	10,241	(5,613,192)	73,288,664
Total	78,877,465	78,756,823	1,941,527	3,846,242	(9,491,867)	153,930,190

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)**47. Segment information** (cont'd.)**2019****Revenue**

	Investment holding RM'000	Banking & Takaful RM'000	Plantation RM'000	Others RM'000	Group adjustments RM'000	Consolidated RM'000
Revenue from external customers	2,735,191	-	461,946	515,683	-	3,712,820
Inter-segment revenue	482,193	-	-	77,553	(559,746)	-
	3,217,384	-	461,946	593,236	(559,746)	3,712,820

Profit for the year

Profit before impairment	2,337,078	-	54,796	82,849	(380,219)	2,094,504
Impairment, write off, and expected credit losses	(392,523)	-	(199,292)	(104,706)	360,417	(336,104)
Finance costs	(21,630)	-	(75,296)	(139,821)	217,487	(19,260)
Share of profit after tax and zakat of associates	-	-	-	-	21,960	21,960
Share of loss after tax and zakat of jointly controlled entities	-	-	-	(5,399)	(39,184)	(44,583)
Zakat	(86,185)	-	-	(1,812)	-	(87,997)
Tax expense	-	-	(42,221)	(14,494)	(4,581)	(61,296)
Profit from discontinued operations	-	935,369	-	180	-	935,549
	1,836,740	935,369	(262,013)	(183,203)	175,880	2,502,773

Segment assets

Assets by segment	74,993,412	77,193,765	2,510,262	4,824,183	(14,564,347)	144,957,275
Interest in associates	210,908	-	-	2	199,191	410,101
Investments in jointly controlled entities	250	-	-	261,317	173	261,740
Deferred tax assets	-	135,174	79,815	2,915	(114,491)	103,413
Assets held for sale	36,413	-	1,014,902	79,614	(85,624)	1,045,305
Total	75,240,983	77,328,939	3,604,979	5,168,031	(14,565,098)	146,777,834

Segment liabilities

Liabilities by segment	72,366,298	70,845,350	1,694,043	3,951,200	(8,080,132)	140,776,759
Deferred tax liabilities	-	65,446	238,623	26,591	(218,995)	111,665
Liabilities associated with assets held for sale	-	-	148,704	10,241	(6,050)	152,895
Total	72,366,298	70,910,796	2,081,370	3,988,032	(8,305,177)	141,041,319

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

48. Commitments

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital Commitments				
Contracted but not accounted for in the financial statements:				
- Property, plant and equipment	-	116,265	-	-
- Investment properties	338,300	121,207	338,300	121,207
- Property development costs	29,121	36,394	-	-
- Investment	121,563	140,378	121,563	140,377
- Financing to subsidiaries	-	-	294,900	295,043
	488,984	414,244	754,763	556,627
Authorised but not contracted for:				
- Property, plant and equipment	42,389	26,473	-	-
- Plantation development expenditure	28,706	46,792	-	-
	71,095	73,265	-	-

TH has further granted a commitment in favour of Standard Chartered Bank Offshore Labuan ("SCB") over qualifying Sukuk and cash deposit accounts which must be maintained at an agreed minimum value to the amount outstanding under a Murabahah facility extended to LTH Property Holdings and LTH Property Holdings 2, as disclosed in Note 38(vii).

49. Related party transactions

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa.

The Group has related party relationships with its subsidiaries (Note 22), associates (Note 21), jointly controlled entities (Note 20), directors and key management personnel (Note 49(b)).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

49. Related party transactions (cont'd.)

(a) Significant related party transactions

In addition to balances with the related entities presented in the financial statements, the aggregate value of transactions and outstanding balances relating to entities over which the Group and **TH** have controls or significant influence are as follows:

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Jointly controlled entities				
Advances to jointly controlled entities	-	-	-	12,000
Charter hire of vessels	48,549	50,412	-	-
Other related income	7,511	3,180	-	-
Associates				
Dividends	-	-	6,095	8,026
Subsidiaries				
Dividends	-	-	119,651	191,937
Income from debt securities	-	-	110,808	144,268
Income from services	-	-	44,645	62,553
Profit from financing	-	-	98,616	98,288
Rental income	-	-	26,972	27,310
Income from money market	-	-	50,932	12,364

b) Key management personnel

	Group		TH	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Members and Directors				
Honorarium fees	410	382	410	382
Fees and other emoluments*	4,996	5,469	-	-
Other key management personnel				
Remunerations and other emoluments	76,300	75,822	24,983	26,768

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****49. Related party transactions (cont'd.)****b) Key management personnel (cont'd.)**

In accordance with Section 7 of the **TH** Act, Members of **TH** shall not be entitled to any remuneration but may be paid such honorarium and travelling and subsistence allowances as the Minister may determine. In accordance with Section 6(1) of the **TH** Act, Members of **TH** comprise the following:

- i) a Chairman, who shall be appointed by the Minister;
- ii) a representative of the Prime Minister's Department;
- iii) a representative of the Treasury; and
- iv) not more than seven other members who shall be appointed by the Minister.

* Fees and other emoluments for the Group includes the Directors of subsidiary companies

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and **TH** either directly or indirectly. The key management personnel include all the directors of the Group and **TH**, and certain members of senior management of the Group and **TH**.

50. Financial risk management policies**Categories of financial instruments**

The tables below provide an analysis of financial instruments categorised as follows:

- At fair value through profit or loss ("FVTPL")
- At fair value through other comprehensive income ("FVOCI")
- At amortised cost

Group	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
2020				
Financial assets				
Cash and short term funds	2,134,542	-	-	2,134,542
Deposits and placements with banks and other financial institutions	9,631,011	-	-	9,631,011
Financial assets at FVTPL	4,664,332	4,664,332	-	-
Financial assets at FVOCI	21,443,732	-	21,443,732	-
UJSB Sukuk and receivables at amortised cost	20,687,462	-	-	20,687,462
Other financial assets at amortised cost	2,998,515	-	-	2,998,515
Finance lease receivables	1,931,665	-	-	1,931,665
Trade and other receivables at amortised cost	955,241	-	-	955,241
Statutory deposits with Bank Negara Malaysia	-	-	-	-
	64,446,500	4,664,332	21,443,732	38,338,436

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)**50. Financial risk management policies (cont'd.)**

The tables below provide an analysis of financial instruments categorised as follows: (cont'd.)

Group (cont'd.)	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
<u>2020 (cont'd.)</u>				
Financial liabilities				
Depositors' savings fund	75,919,809	-	-	75,919,809
Derivative financial instruments	17,403	17,403	-	-
Takaful contract liabilities	1,594,104	-	-	1,594,104
Other liabilities	1,293,007	-	-	1,293,007
Lease liabilities	711,404	-	-	711,404
	79,535,727	17,403	-	79,518,324

Group	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
<u>2019</u>				
Financial assets				
Cash and short term funds	6,846,876	-	-	6,846,876
Deposits and placements with banks and other financial institutions	6,103,957	-	-	6,103,957
Derivative financial instruments	31,421	31,421	-	-
Financial assets at FVTPL	6,735,001	6,735,001	-	-
Financial assets at FVOCI	36,471,432	-	36,471,432	-
UJSB Sukuk and receivables at amortised cost	20,261,801	-	-	20,261,801
Other financial assets at amortised cost	3,166,967	-	-	3,166,967
Financing, advances and others	49,472,522	-	-	49,472,522
Retakaful assets	755,796	-	-	755,796
Finance lease receivables	2,053,117	-	-	2,053,117
Trade and other receivables at amortised cost	1,801,207	-	-	1,801,207
Statutory deposits with Bank Negara Malaysia	1,170,136	-	-	1,170,136
	134,870,233	6,766,422	36,471,432	91,632,379

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****50. Financial risk management policies (cont'd.)**

The tables below provide an analysis of financial instruments categorised as follows: (cont'd.)

Group (cont'd.)	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
2019 (cont'd.)				
Financial liabilities				
Depositors' savings fund	69,417,441	-	-	69,417,441
Deposits from banking customers	44,828,112	-	-	44,828,112
Investment accounts of banking customers	9,297,543	-	-	9,297,543
Derivative financial instruments	38,090	38,090	-	-
Takaful contract liabilities	8,197,156	-	-	8,197,156
Other liabilities	2,912,130	-	-	2,912,130
Recourse obligations on financing sold to Cagamas	1,501,187	-	-	1,501,187
Lease liabilities	840,257	-	-	840,257
	137,031,916	38,090	-	136,993,826

TH	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
2020				
Financial assets				
Cash and short term funds	2,790,670	-	-	2,790,670
Deposits and placements with banks and other financial institutions	11,495,310	-	-	11,495,310
Derivative financial instruments	27,025	27,025	-	-
Financial assets at FVTPL	5,102,513	5,102,513	-	-
Financial assets at FVOCI	21,528,871	-	21,528,871	-
UJSB Sukuk and receivables at amortised cost	20,687,462	-	-	20,687,462
Other financial assets at amortised cost	5,439,179	-	-	5,439,179
Financing, advances and others	1,670,888	-	-	1,670,888
Finance lease receivables	2,095,842	-	-	2,095,842
Trade and other receivables at amortised cost	639,896	-	-	639,896
	71,477,656	5,129,538	21,528,871	44,819,247

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

50. Financial risk management policies *(cont'd.)*

The tables below provide an analysis of financial instruments categorised as follows: *(cont'd.)*

<i>TH (cont'd.)</i>	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
<u>2020</u> <i>(cont'd.)</i>				
Financial liabilities				
Depositors' savings fund	75,919,809	-	-	75,919,809
Other liabilities	1,346,989	-	-	1,346,989
Lease liabilities	631,357	-	-	631,357
	77,898,155	-	-	77,898,155

<i>TH</i>	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
<u>2019</u>				
Financial assets				
Cash and short term funds	3,518,133	-	-	3,518,133
Deposits and placements with banks and other financial institutions	4,180,722	-	-	4,180,722
Derivative financial instruments	27,025	27,025	-	-
Financial assets at FVTPL	5,660,816	5,660,816	-	-
Financial assets at FVOCI	19,625,154	-	19,625,154	-
UJSB Sukuk and receivables at amortised cost	20,261,801	-	-	20,261,801
Other financial assets at amortised cost	5,811,654	-	-	5,811,654
Financing, advances and others	1,864,479	-	-	1,864,479
Finance lease receivables	2,220,896	-	-	2,220,896
Trade and other receivables at amortised cost	625,997	-	-	625,997
	63,796,677	5,687,841	19,625,154	38,483,682

Financial liabilities

Depositors' savings fund	69,417,441	-	-	69,417,441
Other liabilities	1,339,192	-	-	1,339,192
Lease liabilities	732,661	-	-	732,661
	71,489,294	-	-	71,489,294

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

50. Financial risk management policies (*cont'd.*)

Financial risk management

The Group and **TH** are exposed to the following risks arising from investments in financial instruments:

- i) Credit risk
- ii) Market risk
- iii) Liquidity risk

The Group and **TH**'s overall financial risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and **TH**. Financial risk management is carried out through risk review, internal control systems, insurance programmes and adherence to the Group's and **TH**'s financial risk management policies. The members of the Lembaga and directors of the subsidiary companies regularly review these risks and approve the treasury policies, which cover the management of these risks.

- i) Credit risk

Credit risk is the risk of a financial loss to the Group and **TH** if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and **TH**'s exposure to credit risk arises principally from the following types of financial assets that are subjects to assessment of expected credit losses:

- Cash and short-term funds and deposits and placements with banks and other financial institutions
- Financing, advances and others
- Trade receivables and contract assets
- Debt instruments at amortised cost
- Debt instruments measured at FVOCI
- Takaful and retakaful assets
- Other financial assets at amortised cost
- Finance lease receivables

- a) Impairment of financial assets

- i) Cash and short-term funds and deposits and placements

While cash and short-term funds and deposits and placements are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

- ii) Financing, advances and others

The Group's exposure to credit risk arises principally from its banking sector through Bank Islam Malaysia Berhad ("Bank Islam"). Bank Islam's credit risk is the risk of a customer or counterparty failing to perform its obligation from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor.

The management of credit risk is principally carried out by using sets of policies and guidelines approved by Bank Islam's Management Risk Control Committee ("MRCC") and/or Board Risk Committee ("BRC"), guided by Bank Islam's Board of Directors approved by Risk Appetite Statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

i) Credit risk (cont'd.)

a) Impairment of financial assets (cont'd.)

ii) *Financing, advances and others* (cont'd.)

Bank Islam's MRCC is responsible under the authority delegated by Bank Islam's BRC for managing credit risk at strategic level. Bank Islam's MRCC reviews Bank Islam's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

Bank Islam's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which documents Bank Islam's financing standards, discretionary powers for financing approval, credit risk rating methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring or problematic and delinquent financing.

The credit quality of Bank Islam's financing, advances and others are summarised as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
Financing, advances and others				
Neither past due nor impaired				
- Excellent	46,398,623	827,642	-	47,226,265
- Satisfactory	6,267,615	727,566	-	6,995,181
- Fair	263,084	112,065	-	375,149
	52,929,322	1,667,273	-	54,596,595
Past due but not impaired	-	628,767	-	628,767
Impaired	-	-	373,234	373,234
Gross carrying amount	52,929,322	2,296,040	373,234	55,598,596
Transfer to asset held for sale	(52,929,322)	(2,296,040)	(373,234)	(55,598,596)
	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

i) Credit risk (cont'd.)

a) Impairment of financial assets (cont'd.)

ii) Financing, advances and others (cont'd.)

2019

Financing, advances and others

Neither past due nor impaired

- Excellent	42,776,005	372,582	-	43,148,587
- Satisfactory	5,281,199	546,463	-	5,827,662
- Fair	208,508	47,241	-	255,749
	48,265,712	966,286	-	49,231,998
Past due but not impaired	-	558,970	-	558,970
Impaired	-	-	433,001	433,001
Gross carrying amount	48,265,712	1,525,256	433,001	50,223,969

No significant changes to estimation techniques or assumptions were made during the year.

iii) Trade receivables and contract assets

The Group and **TH** have applied the MFRS 9 simplified approach in measuring expected credit losses which uses lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics (e.g. tenant type) and the days past due.

The expected loss rates are based on previous year's 12 months collection trend against the outstanding receivables. At every reporting date, the expected loss rates are revised based on the analysis of the forward-looking information and macroeconomic factors that affect the ability of the customer to settle the receivables.

The assessment of the correlation between historical observed default rate, forecast economic data (such as Kuala Lumpur Composite Index, unemployment rate, amongst others) and ECLs are significant estimates. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group's and **TH**'s historical credit loss experience and forecast economic data may also not be representative of customer's actual default in the future.

The allowance account in respect of receivables is used to record impairment losses. Unless the Group and **TH** are satisfied that recovery of the amount is probable, the amount considered irrecoverable is written off against the receivable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

i) Credit risk (cont'd.)

a) Impairment of financial assets (cont'd.)

iii) Trade receivables and contract assets (cont'd.)

Trade receivables are written off when there is no reasonable expectations of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with **TH**, and a failure to make contractual payments for a period greater than 365 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

iv) Debt instruments

The Group and **TH** measure loss allowance for debt instruments at amortised cost and FVOCI at 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.

i) Debt instruments at fair value through other comprehensive income (FVOCI)

The loss allowance for debt instruments at FVOCI is recognised in other comprehensive income and does not reduce the carrying amount of the financial assets in the statement of financial position. The movement of the loss allowance for debt instruments at FVOCI is set out in Note 9.

ii) Debt instruments at amortised cost

Debt instruments at amortised cost include unrated debt securities/instruments. The movement of the loss allowance for debt instruments at amortised cost is set out in Note 11.

iii) Other financial assets at amortised cost

Other financial assets at amortised cost include financing to subsidiaries and other receivables. The movement of the loss allowance for other financial assets at amortised cost is set out in Note 15.

v) Takaful receivables

The takaful sector has takaful and other receivable balances that are subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of the counterparties not paying the amount due, STMKB has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information.

STMKB periodically reviews the financial stability of brokers/retakaful companies from public and other sources and the settlement trend of amounts due from retakaful companies. The movement of the allowance for impairment losses for takaful receivables is set out in Note 15.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****50. Financial risk management policies (cont'd.)**

i) Credit risk (cont'd.)

a) Impairment of financial assets (cont'd.)

vi) *Finance lease receivables*

TH's exposure to credit risk of finance lease receivables arises principally from its accommodation sub-lease receivables from counterparties in Malaysia and Kingdom of Saudi Arabia. To measure the expected credit losses, the ability for each counterparties to settle the receivables is assessed separately based on historical default rate, analysis of forward-looking information, macroeconomic factors and the applicable law of which the counterparties operates.

The estimated ECLs are very sensitive to the changes in macroeconomics factor and the ability to enforce payment of the Promissory Notes issued by the counterparties. However, the factors above may not be representative of counterparties' actual default in the future.

b) Credit quality of investment portfolio

The investment portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating is as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
Financial assets at FVOCI				
Debt instrument				
Government bonds and treasury bills	672,641	-	-	672,641
Sukuk				
Rated AAA	2,947,237	-	-	2,947,237
Rated A1 to AA1	3,959,806	-	-	3,959,806
Rated A	212,718	-	-	212,718
Lower than A	-	175,054	-	175,054
Not rated	-	-	-	-
Government Guaranteed Debt Securities	3,227,696	-	-	3,227,696
Other unrated financial assets	-	-	-	-
Gross carrying amount	11,020,098	175,054	-	11,195,152
Impairment allowances	(19,802)	(19,824)	-	(39,626)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

i) Credit risk (cont'd.)

b) Credit quality of investment portfolio (cont'd.)

The investment portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating is as follows: (cont'd)

Derivatives financial assets	RM'000
Bank and financial institution counterparties	-
Corporate	-
	-

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Jumlah RM'000
Group (cont'd.)				
2020 (cont'd.)				
Financial assets at amortised cost				
Other financial assets at amortised cost	3,006,167	-	10,140	3,016,307
UJSB Sukuk and receivables at amortised cost	20,687,462	-	-	20,687,462
Finance lease receivables	1,931,666	-	234,913	2,166,579
Trade and other receivables at amortised cost	955,240	-	311,876	1,267,116
Impairment allowances	(7,652)	-	(556,929)	(564,581)
Net carrying amount	26,572,883	-	-	26,572,883

2019

Financial assets at FVOCI

Debt instrument

Government bonds and treasury bills	8,241,781	-	-	8,241,781
Sukuk				
Rated AAA	7,434,213	-	-	7,434,213
Rated A1 to AA3	6,641,658	-	-	6,641,658
Rated A	299,695	-	-	299,695
Lower than A	29,856	159,299	22,060	211,215
Not rated	902,180	-	-	902,180
Government Guaranteed Debt Securities	3,202,022	-	-	3,202,022
Other unrated financial assets	530,852	-	-	530,852
Gross carrying amount	27,282,257	159,299	22,060	27,463,616
Impairment allowances	4,640	22,855	166	27,661

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

50. Financial risk management policies *(cont'd.)*

- i) Credit risk *(cont'd.)*
- b) Credit quality of investment portfolio *(cont'd.)*

The investment portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating is as follows: *(cont'd.)*

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Jumlah RM'000
Derivatives financial assets				RM'000
Bank and financial institution counterparties				24,687
Corporate				6,734
				<u>31,421</u>

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Jumlah RM'000
Group <i>(cont'd.)</i>				
2019 <i>(cont'd.)</i>				
Financial assets at amortised cost				
Other financial assets at amortised cost	3,169,026	-	15,824	3,184,850
UJSB Sukuk and receivables at amortised cost	20,261,801	-	-	20,261,801
Retakaful assets	755,796	-	-	755,796
Finance lease receivables	2,053,117	-	12,937	2,066,054
Trade and other receivables at amortised cost	1,801,207	-	161,993	1,963,200
Impairment allowances	(2,059)	-	(190,754)	(192,813)
Net carrying amount	<u>28,038,888</u>	<u>-</u>	<u>-</u>	<u>28,038,888</u>

Retakaful assets				RM'000
Not rated				<u>755,796</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

50. Financial risk management policies *(cont'd.)*

- i) Credit risk *(cont'd.)*
- b) Credit quality of investment portfolio *(cont'd.)*

The investment portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating is as follows: *(cont'd.)*

<i>TH</i>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
<u>Financial assets at FVOCI</u>				
Debt instruments				
Malaysian Government investment issues	672,641	-	-	672,641
Sukuk				
Rated AAA	2,947,237	-	-	2,947,237
Rated A1 to AA1	4,045,124	-	-	4,045,124
Rated A	212,718	-	-	212,718
Lower than A	-	175,054	-	175,054
Not rated	-	-	-	-
Government Guaranteed Debt	3,227,696	-	-	3,227,696
Gross carrying amount	11,105,416	175,054	-	11,280,470
Impairment allowances	(19,802)	(19,824)	-	(39,626)
<u>Financial assets at amortised cost</u>				
Other financial assets at amortised cost	5,446,831	-	10,140	5,456,971
UJSB Sukuk and receivables at amortised cost	20,687,462	-	-	20,687,462
Finance lease receivables	2,095,842	-	234,913	2,330,755
Trade and other receivables at amortised cost	639,896	-	166,158	806,054
Financing to subsidiaries	1,670,888	-	306,543	1,977,431
Impairment allowances	(7,652)	-	(717,754)	(725,406)
Net carrying amount	30,533,267	-	-	30,533,267

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

- i) Credit risk (cont'd.)
- b) Credit quality of investment portfolio (cont'd.)

The investment portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating is as follows: (cont'd.)

<i>TH</i>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
<u>Financial assets at FVOCI</u>				
Debt instruments				
Malaysian Government investment issues	10,512	-	-	10,512
Sukuk				
Rated AAA	2,820,964	-	-	2,820,964
Rated A1 to AA3	4,289,540	-	-	4,289,540
Rated A	182,072	-	-	182,072
Lower than A	-	159,299	-	159,299
Not rated	-	-	-	-
Government Guaranteed Debt	3,202,022	-	-	3,202,022
Gross carrying amount	10,505,110	159,299	-	10,664,409
Impairment allowances	4,424	22,855	-	27,279
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Financial assets at amortised cost</u>				
Other financial assets at amortised cost	5,813,713	-	10,140	5,823,853
UJSB Sukuk and receivables at amortised cost	20,261,801	-	-	20,261,801
Finance lease receivables	2,220,896	-	12,937	2,233,833
Impairment Trade and other receivables at amortised cost	625,997	-	144,594	770,591
Financing to subsidiaries	1,864,479	-	467,298	2,331,777
Impairment allowances	(2,059)	-	(634,969)	(637,028)
Net carrying amount	30,784,827	-	-	30,784,827

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

ii) Market risk

Market risk is the risk that market prices and rates will move, affecting financial position, results and cash flows of the Group and **TH**. Furthermore, significant or sudden movements in rates could affect the liquidity/funding position of the Group and **TH**. The Group and **TH** are exposed to the following main market factors:

- a) Foreign currency exchange risk;
- b) Profit rate risk; and
- c) Price risk.

a) Foreign currency exchange risk

The Group's and **TH**'s exposure to foreign currency risk at the end of the reporting period, is as follows:

Group	USD RM'000	GBP RM'000	AUD RM'000	SAR RM'000	IDR RM'000	EURO RM'000
2020						
Cash and short-term funds	415,204	692,066	7,503	9,358	-	-
Finance lease receivables	-	-	-	1,494,412	-	-
Trade and other receivables at amortised cost	-	69,511	438,253	-	-	-
Other liabilities	-	-	(1,653)	-	(139)	-
Borrowings	-	(1,147,170)	-	-	-	-
2019						
Cash and short-term funds	432,616	5,115	3,181	31,633	1,111	4,912
Finance lease receivables	-	-	-	1,851,978	-	-
Trade and other receivables at amortised cost	3,022,803	68,078	621,688	-	-	-
Other liabilities	(3,738,554)	(1,962)	(1,025)	(6,345)	(260)	(104,998)
Borrowings	-	(545,015)	(215,363)	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

50. Financial risk management policies *(cont'd.)*

ii) Market risk *(cont'd.)*

a) Foreign currency exchange risk *(cont'd.)*

<i>TH</i>	USD RM'000	GBP RM'000	AUD RM'000	SAR RM'000
2020				
Cash and short-term funds	415,195	561,425	2	9,322
Finance lease receivables	-	-	-	1,494,412
Financing to subsidiaries	-	1,141,869	-	-
Trade and other receivables at amortised cost	-	69,511	3,369	-

	USD RM'000	GBP RM'000	AUD RM'000	SAR RM'000
2019				
Cash and short-term funds	302	183	6	28,406
Finance lease receivables	-	-	-	1,851,978
Financing to subsidiaries	-	1,581,954	-	-
Trade and other receivables at amortised cost	11	68,078	3,130	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

ii) Market risk (cont'd.)

a) Foreign currency exchange risk (cont'd.)

The Group and **TH** are primarily exposed to changes in USD/RM, GBP/RM, AUD/RM and SAR/RM exchange rates. The sensitivity of profit or loss to changes in the exchange rates is as follows:

	Group Impact on post-tax profit		TH Impact on post-tax profit	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
USD/RM exchange rate - increase 1%	4,152	(2,831)	4,152	3
USD/RM exchange rate - decrease 1%	(4,152)	2,831	(4,152)	(3)
GBP/RM exchange rate - increase 1%	(3,856)	(4,738)	17,728	16,502
GBP/RM exchange rate - decrease 1%	3,856	4,738	(17,728)	(16,502)
AUD/RM exchange rate - increase 1%	4,441	4,085	34	31
AUD/RM exchange rate - decrease 1%	(4,441)	(4,085)	(34)	(31)
SAR/RM exchange rate - increase 1%	15,038	18,773	15,037	18,804
SAR/RM exchange rate - decrease 1%	(15,038)	(18,773)	(15,037)	(18,804)

Changes in exchange rates may have an impact on the Group's and **TH**'s foreign currency position. The Group and **TH** control the overall foreign exchange risk by limiting the open exposure to non-Ringgit positions on an aggregate basis. Foreign exchange limits for Bank Islam Malaysia Berhad ("Bank Islam") are approved by the set up committees and independently monitored daily by Bank Islam's Market Risk Management Department ("MRMD").

Foreign currency risk for the Group and **TH** in respect of Indonesian Rupiah and Euro is deemed not material and hence, sensitivity analysis is not presented.

b) Profit rate risk

The Group and **TH** may be exposed to a loss in earnings due to the profit rates structure of the balance sheet arising from profit rates and yield curve changes. The sensitivity to profit rates arises from the mismatches in the repricing rates, cash flows and other characteristic of the assets and their corresponding liability funding. The Group and **TH** manage their profit rate risk exposure through the use of fixed/floating rate debts and financial instruments.

The following table summarises the Group's and **TH**'s exposure to profit rate risk. The table indicates effective average profit rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

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50. Financial risk management policies (cont'd.)

ii) Market risk (cont'd.)

b) Profit rate risk (cont'd.)

Group	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-profit/ sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
2020							
Assets							
Cash and short term funds	1,014,027	-	-	1,120,515	-	2,134,542	0.05 - 3.10

Group	Non-trading book				Trading books RM'000	Total RM'000	Effective profit rate %
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-profit/ sensitive RM'000			
2020							
Deposits and placements with banks and other financial institutions	9,631,011	-	-	-	-	9,631,011	1.70 - 3.23
Financial assets at FVTPL	-	-	-	-	4,664,332	4,664,332	2.25 - 9.59
Financial assets at FVOCI	5,006	1,023,097	10,167,050	10,248,399	180	21,443,732	1.78 - 8.95
UJSB Sukuk and receivables at amortised cost	-	-	-	20,687,462	-	20,687,462	4.05 - 4.10
Financial assets at amortised cost	45,000	550,000	2,403,515	-	-	2,998,515	0.73 - 7.00
Finance lease receivables	-	-	1,931,665	-	-	1,931,665	-
Trade and other receivables at amortised cost	376,248	414,635	-	164,358	-	955,241	5.56 - 6.65
Other non-profit sensitive balances	-	-	-	10,697,647	-	10,697,647	-
Asset of disposal group classifies as held for sale	-	-	-	85,768,900	-	85,768,900	-
	11,071,292	1,987,732	14,502,230	128,687,281	4,664,512	160,913,047	

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)***50. Financial risk management policies** *(cont'd.)*ii) Market risk *(cont'd.)*b) Profit rate risk *(cont'd.)*

Group <i>(cont'd.)</i>	Non-trading book				Trading books RM'000	Total RM'000	Effective profit rate %
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-profit/ sensitive RM'000			
2020 <i>(cont'd.)</i>							
Liabilities							
Depositors' savings fund	-	-	-	75,919,809	-	75,919,809	-
Deposits from banking customers	-	-	-	-	-	-	-
Investment accounts of banking customers	-	-	-	-	-	-	-
Derivative financial instruments	-	-	17,403	-	-	17,403	-
Takaful contract liabilities	-	-	-	-	-	-	-
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	-
Lease liabilities	61,931	597,020	52,453	-	-	711,404	5.00 - 8.20
Borrowings	63,624	1,472,122	58,358	-	-	1,594,104	1.25 - 6.12
Other non-profit sensitive balances	-	-	-	2,540,356	-	2,540,356	-
Liabilities of disposal group classifies as held for sale	-	-	-	73,147,114	-	73,147,114	-
	125,555	2,069,142	128,214	151,607,279	-	153,930,190	
Total surplus funds	-	-	-	-	6,982,857	6,982,857	
Total profit sensitivity gap	10,945,737	(81,410)	14,374,016	(22,919,998)	(2,318,345)	-	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

ii) Market risk (cont'd.)

b) Profit rate risk (cont'd.)

Group (cont'd.)	Non-trading book				Trading books RM'000	Total RM'000	Effective profit rate %
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-profit/ sensitive RM'000			
2019							
Assets							
Cash and short term funds	4,398,794	-	-	2,448,082	-	6,846,876	0.70 - 3.70
Deposits and placements with banks and other financial institutions	6,103,957	-	-	-	-	6,103,957	1.94 - 3.33
Derivative financial instruments	-	-	-	-	31,421	31,421	0.52
Financial assets at FVTPL	-	-	-	619	6,734,382	6,735,001	0.52 - 5.81
Financial assets at FVOCI	2,075,534	10,164,497	15,270,544	8,960,857	-	36,471,432	3.12 - 10.49
UJSB Sukuk and receivables at amortised cost	-	-	-	20,261,801	-	20,261,801	-
Financial assets at amortised cost	120,000	1,039,357	2,007,610	-	-	3,166,967	2.06 - 5.00
Financing, advances and others							
- non-impaired	45,679,344	1,088,826	2,628,405	-	-	49,396,575	0.00 - 7.00
- impaired net of allowances *	-	-	-	75,947	-	75,947	-
Retakaful assets	-	-	-	755,796	-	755,796	-
Finance lease receivables	-	-	2,053,117	-	-	2,053,117	-
Trade and other receivables at amortised cost	760,630	-	-	1,040,577	-	1,801,207	3.13 - 6.65
Statutory deposits with Bank Negara Malaysia	-	-	-	1,170,136	-	1,170,136	-
Other non-profit sensitive balances	-	-	-	11,902,344	-	11,902,344	-
	59,138,259	12,292,680	21,959,676	46,616,159	6,765,803	146,772,577	

* This is arrived at after deducting impairment allowances from the outstanding gross impaired financing.

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

50. Financial risk management policies *(cont'd.)*ii) Market risk *(cont'd.)*b) Profit rate risk *(cont'd.)*

Group <i>(cont'd.)</i>	Non-trading book				Trading books RM'000	Total RM'000	Effective profit rate %
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-profit/ sensitive RM'000			
2019 <i>(cont'd.)</i>							
Liabilities							
Depositors' savings fund	-	-	-	69,417,441	-	69,417,441	-
Deposits from banking customers	28,440,117	1,279,298	9,835	15,098,862	-	44,828,112	2.76
Investment accounts of banking customers	6,072,217	13,983	-	3,211,343	-	9,297,543	2.33
Derivative financial instruments	-	-	-	-	38,090	38,090	0.57
Takaful contract liabilities	-	-	-	8,197,156	-	8,197,156	-
Recourse obligations on financing sold to Cagamas	-	1,500,000	-	1,187	-	1,501,187	4.75
Lease liabilities	70,537	696,970	72,750	-	-	840,257	5.0 - 8.2
Borrowings	175,470	1,040,427	1,284,181	7,455	-	2,507,533	-
Other non-profit sensitive balances	1,371,848	-	26,957	3,026,990	-	4,425,795	-
	36,130,189	4,530,678	1,393,723	98,960,434	38,090	141,053,114	
Total surplus funds	-	-	-	-	5,719,463	5,719,463	
Total profit sensitivity gap	23,162,585	5,008,592	6,275,237	(25,272,532)	(9,173,882)	-	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

ii) Market risk (cont'd.)

b) Profit rate risk (cont'd.)

TH	Non-trading book				Trading books RM'000	Total RM'000	Effective profit rate %
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-profit/ sensitive RM'000			
2020							
Assets							
Cash and short term funds	882,485	-	-	1,908,185	-	2,790,670	0.70 - 5.00
Deposits and placements with banks and other financial institutions	11,495,310	-	-	-	-	11,495,310	1.55 - 5.00
Derivative financial instruments	-	-	-	-	27,025	27,025	0.71
Financial assets at FVTPL	-	-	-	-	5,102,513	5,102,513	2.25 - 9.59
Financial assets at FVOCI	5,006	1,023,097	10,252,368	10,248,400	-	21,528,871	1.78 - 8.95
UJSB Sukuk and receivables at amortised cost	-	-	-	20,687,462	-	20,687,462	4.05 - 4.10
Financial assets at amortised cost	120,000	550,000	4,769,179	-	-	5,439,179	0.73 - 7.00
Financing, advances and others	733,801	927,998	9,089	-	-	1,670,888	-
Finance lease receivables	-	-	2,095,842	-	-	2,095,842	-
Trade and other receivables at amortised cost	310,579	329,317	-	-	-	639,896	-
Other non-profit sensitive balances	-	-	-	11,058,698	-	11,058,698	-
	13,547,181	2,830,412	17,126,478	43,902,745	5,129,538	82,536,354	
Liabilities							
Depositors' savings fund	-	-	-	75,919,809	-	75,919,809	-
Other liabilities	82,467	-	-	1,264,522	-	1,346,989	-
Lease liabilities	49,424	581,933	-	-	-	631,357	-
Other non-profit sensitive balances	-	-	-	979,308	-	979,308	-
	131,891	581,933	-	78,163,639	-	78,877,463	
Total surplus funds	-	-	-	3,658,891	-	3,658,891	-
Total profit sensitivity gap	13,415,290	2,248,479	17,126,478	(37,919,785)	5,129,538	-	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

ii) Market risk (cont'd.)

b) Profit rate risk (cont'd.)

TH	Non-trading book				Trading books RM'000	Total RM'000	Effective profit rate %
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-profit/ sensitive RM'000			
2019							
Assets							
Cash and short term funds	2,424,776	-	-	1,093,357	-	3,518,133	0.85 - 3.70
Deposits and placements with banks and other financial institutions	4,180,722	-	-	-	-	4,180,722	3.33 - 4.00
Derivative financial instruments	-	-	-	-	27,025	27,025	-
Financial assets at FVTPL	-	-	-	-	5,660,816	5,660,816	3.83 - 5.81
Financial assets at FVOCI	5,850	188,259	10,470,300	8,960,745	-	19,625,154	3.12 - 10.49
UJSB Sukuk and receivables at amortised cost	-	-	-	20,261,801	-	20,261,801	4.05 - 4.10
Financial assets at amortised cost	120,000	1,039,356	4,652,298	-	-	5,811,654	0.00 - 6.65
Financing, advances and others	1,033,163	10,500	820,816	-	-	1,864,479	0.00 - 7.00
Finance lease receivables	-	-	2,220,896	-	-	2,220,896	-
Trade and other receivables at amortised cost	-	-	-	625,997	-	625,997	-
Other non-profit sensitive balances	-	-	-	11,444,306	-	11,444,306	-
	7,764,511	1,238,115	18,164,310	42,386,206	5,687,841	75,240,983	
Liabilities							
Depositors' savings fund	-	-	-	69,417,441	-	69,417,441	-
Other liabilities	-	-	-	1,339,192	-	1,339,192	-
Lease liabilities	-	-	732,661	-	-	732,661	-
Other non-profit sensitive balances	-	-	-	876,998	-	876,998	-
	-	-	732,661	71,633,631	-	72,366,292	
Total surplus funds	-	-	-	2,874,691	-	2,874,691	-
Total profit sensitivity gap	7,165,667	8,161,967	1,174,893	(16,502,527)	-	-	-

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)****50. Financial risk management policies (cont'd.)**

ii) Market risk (cont'd.)

c) Price risk

i) Equity investment risk

The Group's and **TH**'s equity positions or investments are exposed to the changes in equity prices or values that may affect their profitability.

The table below summarises the impact of increases/decreases of the Group and **TH**'s equity and post-tax profit:

	Impact on post-tax profit	
	2020 RM'000	2019 RM'000
Group		
Quoted shares - increase 1%	95,435	80,962
Quoted shares - decrease 1%	(95,435)	(80,962)
Unquoted shares - increase 1%	7,050	9,117
Unquoted shares - decrease 1%	(7,050)	(9,117)
TH		
Quoted shares - increase 1%	95,434	80,871
Quoted shares - decrease 1%	(95,434)	(80,871)
Unquoted shares - increase 1%	7,050	8,736
Unquoted shares - decrease 1%	(7,050)	(8,736)

To manage rate of return or profit rate risk and equity investment risk, the Group and **TH** diversify their portfolios. Diversification of the portfolios are in accordance with the limits set by the Group and **TH** respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

50. Financial risk management policies (*cont'd.*)

ii) Market risk (*cont'd.*)

c) Price risk (*cont'd.*)

ii) Commodity inventory risk

The risk of loss is due to movements in commodity prices.

Market risk in the trading portfolio is monitored and controlled using Value-at-Risk ("VAR"). It is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates over a specified time horizon and to a given level of confidence. The VAR model is based on historical simulation which derives plausible future scenarios from past series of recorded market rates and prices.

The historical simulation model incorporates the following features:

- potential market movements are calculated with reference to data from the past two years;
- historical market rates and prices are calculated with reference to foreign exchange rates and profit rates; and
- VAR is calculated using a 99 per cent confidence level and for a one-day holding period.

iii) Liquidity risk

Liquidity risk is the risk that the Group and **TH** do not have sufficient financial resources to meet their obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. The Group's and **TH**'s exposure to liquidity risk arises primarily from depositors' saving fund, trade payables, financing, deposits from banking customers and deposits and placements of banks and other financial institutions.

Management of **TH** monitors rolling forecast of **TH**'s liquidity reserve and cash and cash equivalents on the bases of expected cash flows. The most significant financial liabilities of **TH** is the depositors' savings fund. If any expenditure of **TH** in relation to withdrawals by the depositors cannot be met by **TH**, it shall be charged on and payable out of the Consolidated Fund of the Government of Malaysia in accordance with the **TH** Act. Any payment out of the Consolidated Fund of the Government shall as soon as practicable be repaid by **TH** to the Consolidated Fund and until it is repaid, it shall be a debt to the Government and a first charge on the assets of **TH**, as disclosed in Note 2(a)(iii).

Subsidiary companies maintain a level of cash and cash equivalents and bank facilities deemed adequate by the respective management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

Bank Islam Malaysia Berhad ("the Bank")'s liquidity management is primarily carried out in accordance with the Bank Negara Malaysia's requirements and the internal limits are approved by the Bank's Asset and Liability Management Committee ("ALCO") and/or Board Risk Committee ("BRC"). The limits vary to take account of the depth and liquidity of the local market in which the Bank operates. The Bank maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

The management of the Bank's liquidity risk is principally carried out by using sets of policies and guidelines approved by the Bank's ALCO and/or BRC, guided by its Board's approved Risk Appetite Statement.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)**50. Financial risk management policies** (*cont'd.*)iii) Liquidity risk (*cont'd.*)

a) The tables below summarises the Group's assets and liabilities based on the remaining contractual maturities.

Group	Non-trading book				Trading books RM'000	Total RM'000
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
2020						
Asset						
Cash and short term funds	1,014,027	-	-	1,120,515	-	2,134,542
Deposits and placements with banks and other financial institutions	9,631,011	-	-	-	-	9,631,011
Financial assets at FVTPL	347,217	1,588,431	1,613,016	-	1,115,668	4,664,332
Financial assets at FVOCI	663,576	4,160,668	6,370,909	10,248,399	180	21,443,732
UJSB Sukuk and receivables at amortised cost	-	10,452,510	10,234,952	-	-	20,687,462
Financial assets at amortised cost	765,751	1,764,842	467,922	-	-	2,998,515
Finance lease receivables	-	-	1,931,665	-	-	1,931,665
Trade and other receivables at amortised cost	376,248	414,635	-	164,358	-	955,241
Other non-specific maturity	-	-	-	10,697,647	-	10,697,647
Asset of disposal group classifies as held for sale	-	-	-	85,768,900	-	85,768,900
	12,797,830	18,381,086	20,618,464	107,999,819	1,115,848	160,913,047

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

50. Financial risk management policies *(cont'd.)*iii) Liquidity risk *(cont'd.)*a) The tables below summarises the Group's assets and liabilities based on the remaining contractual maturities. *(cont'd.)*

Group <i>(cont'd.)</i>	Non-trading book				Trading books RM'000	Total RM'000
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
2020 <i>(cont'd.)</i>						
Liabilities						
Depositors' savings fund	-	-	-	75,919,809	-	75,919,809
Deposits from banking customers	-	-	-	-	-	-
Investment accounts of banking customers	-	-	-	-	-	-
Derivative financial instruments	-	-	17,403	-	-	17,403
Takaful contract liabilities	-	-	-	-	-	-
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-
Lease liabilities	61,931	597,020	52,453	-	-	711,404
Borrowings	63,624	1,472,122	58,358	-	-	1,594,104
Other non-specific maturity	-	-	-	2,540,356	-	2,540,356
Liabilities of disposal group classifies as held for sale	-	-	-	73,147,114	-	73,163,772
	125,555	2,069,142	128,214	151,607,279	-	153,930,190
Net maturity mismatches	12,672,275	16,311,944	20,490,250	(43,607,460)	1,115,848	6,982,857
Net maturity mismatched excluding asset held for sale	12,672,275	16,311,944	20,490,250	(56,229,246)	1,115,848	(5,638,929)

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)**50. Financial risk management policies (cont'd.)**

iii) Liquidity risk (cont'd.)

a) The tables below summarises the Group's assets and liabilities based on the remaining contractual maturities. (cont'd.)

Group (cont'd.)	Non-trading book				Trading books RM'000	Total RM'000
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
2019						
Assets						
Cash and short term funds	4,398,794	-	-	2,448,082	-	6,846,876
Deposits and placements with banks and other financial institutions	6,103,957	-	-	-	-	6,103,957
Derivative financial instruments	2,695	28,726	-	-	-	31,421
Financial assets at FVTPL	1,420,023	2,208,077	1,520,174	1,586,727	-	6,735,001
Financial assets at FVOCI	2,621,666	13,167,059	6,921,605	13,761,102	-	36,471,432
UJSB Sukuk and receivables at amortised cost	-	192,678	20,069,123	-	-	20,261,801
Financial assets at amortised cost	559,949	1,658,616	948,402	-	-	3,166,967
Financing, advances and others	4,615,374	44,857,148	-	-	-	49,472,522
Retakaful assets	-	-	-	755,796	-	755,796
Finance lease receivables	-	-	2,053,117	-	-	2,053,117
Trade and other receivables at amortised cost	430,728	-	-	1,370,479	-	1,801,207
Statutory deposits with Bank Negara Malaysia	-	-	-	1,170,136	-	1,170,136
Other non-specific maturity	-	-	-	11,907,601	-	11,907,601
	20,153,186	62,112,304	31,512,421	32,999,923	-	146,777,834

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

50. Financial risk management policies *(cont'd.)*iii) Liquidity risk *(cont'd.)*a) The tables below summarises the Group's assets and liabilities based on the remaining contractual maturities. *(cont'd.)*

Group <i>(cont'd.)</i>	Non-trading book				Trading books RM'000	Total RM'000
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
2019 <i>(cont'd.)</i>						
Liabilities						
Depositors' savings fund	-	-	-	69,417,441	-	69,417,441
Deposits from banking customers	28,440,117	1,289,133	-	15,098,862	-	44,828,112
Investment accounts of banking customers	6,572,217	13,983	-	2,711,343	-	9,297,543
Derivative financial instruments	37,271	819	-	-	-	38,090
Takaful contract liabilities	-	-	-	8,197,156	-	8,197,156
Recourse obligations on financing sold to Cagamas	-	1,501,187	-	-	-	1,501,187
Lease liabilities	70,537	696,970	72,750	-	-	840,257
Borrowings	182,925	1,040,427	1,284,181	-	-	2,507,533
Other liabilities	2,255,525	50,413	26,957	579,235	-	2,912,130
Other non-specific maturity	-	-	-	1,501,870	-	1,501,870
	37,558,592	4,592,932	1,383,888	97,505,907	-	141,041,319
Net maturity mismatches	(17,405,406)	57,519,372	30,128,533	(64,505,984)	-	5,736,515

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FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)**50. Financial risk management policies** (cont'd.)

iii) Liquidity risk (cont'd.)

a) The tables below summarises the Group's assets and liabilities based on the remaining contractual maturities. (cont'd.)

TH	Non-trading book				Trading books RM'000	Total RM'000
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
2020						
Assets						
Cash and short term funds	882,485	-	-	1,908,185	-	2,790,670
Deposits and placements with banks and other financial institutions	11,495,310	-	-	-	-	11,495,310
Derivative financial instruments	-	-	-	-	27,025	27,025
Financial assets at FVTPL	847,217	1,588,431	1,613,017	-	1,053,848	5,102,513
Financial assets at FVOCI	663,576	4,160,668	6,456,226	10,248,401	-	21,528,871
UJSB Sukuk and receivables at amortised cost	-	10,452,510	10,234,952	-	-	20,687,462
Financial assets at amortised cost	840,751	3,785,945	812,483	-	-	5,439,179
Financing, advances and others	733,801	927,998	9,089	-	-	1,670,888
Finance lease receivables	-	-	2,095,842	-	-	2,095,842
Trade and other receivables at amortised cost	310,579	329,317	-	-	-	639,896
Other non-specific maturity	-	-	-	11,058,698	-	11,058,698
	15,773,719	21,244,869	21,221,609	23,215,284	1,080,873	82,536,354
Liabilities						
Depositors' savings fund	-	-	-	75,919,809	-	75,919,809
Other liabilities	82,467	-	-	1,264,522	-	1,346,989
Lease liabilities	49,424	581,933	-	-	-	631,357
Other non-specific maturity	-	-	-	979,308	-	979,308
	131,891	581,933	-	78,163,639	-	78,877,463
Net maturity mismatches	15,641,828	20,662,936	21,221,609	(54,948,355)	1,080,873	3,658,891

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

iii) Liquidity risk (cont'd.)

a) The tables below summarises the Group's assets and liabilities based on the remaining contractual maturities. (cont'd.)

TH	Non-trading book				Trading books RM'000	Total RM'000
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
2019						
Asset						
Cash and short term funds	2,424,776	-	-	1,093,357	-	3,518,133
Deposits and placements with banks and other financial institutions	4,180,722	-	-	-	-	4,180,722
Derivative financial instruments	-	-	-	-	27,025	27,025
Financial assets at FVTPL	1,500,906	1,964,126	1,520,174	675,610	-	5,660,816
Financial assets at FVOCI	551,983	3,190,821	6,921,605	8,960,745	-	19,625,154
UJSB Sukuk and receivables at amortised cost	-	192,678	20,069,123	-	-	20,261,801
Financial assets at amortised cost	559,949	4,303,304	948,401	-	-	5,811,654
Financing, advances and others	1,116,090	659,202	89,187	-	-	1,864,479
Finance lease receivables	-	-	2,220,896	-	-	2,220,896
Trade and other receivables at amortised cost	375,944	-	-	250,053	-	625,997
Other non-specific maturity	-	-	-	11,444,306	-	11,444,306
	10,710,370	10,310,131	31,769,386	22,424,071	27,025	75,240,983
Liabilities						
Depositors' savings fund	-	-	-	69,417,441	-	69,417,441
Other liabilities	795,501	-	-	543,691	-	1,339,192
Lease liabilities	53,190	679,471	-	-	-	732,661
Other non-specific maturity	-	-	-	876,998	-	876,998
	848,691	679,471	-	70,838,130	-	72,366,292
Net maturity mismatches	9,861,679	9,630,660	31,769,386	48,414,059	27,025	2,874,691

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

50. Financial risk management policies (cont'd.)

iii) Liquidity risk (cont'd.)

- b) The tables below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis.

Group	Non-trading book				Trading books RM'000	Total RM'000
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
2020						
Financial Liabilities						
Depositors' savings fund	-	-	-	75,919,809	-	75,919,809
Deposits from banking customers	-	-	-	-	-	-
Investment accounts of banking customers	-	-	-	-	-	-
Derivative financial instruments	-	-	17,403	-	-	17,403
Takaful contract liabilities	-	-	-	-	-	-
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-
Lease liabilities	179,586	2,215,332	742,687	-	-	3,137,605
Borrowings	60,388	675,897	636,658	-	-	1,372,943
Other liabilities	989,956	292,278	2,683	1,264,522	-	2,549,439
	1,229,930	3,183,507	1,399,431	77,184,331	-	82,997,199
2019						
Financial Liabilities						
Depositors' savings fund	-	-	-	69,417,441	-	69,417,441
Deposits from banking customers	43,652,038	2,386,490	-	-	-	46,038,528
Investment accounts of banking customers	9,792,734	36,508	-	-	-	9,829,242
Derivative financial instruments	76,655	644,638	-	-	-	721,293
Takaful contract liabilities	-	-	-	8,197,156	-	8,197,156
Recourse obligations on financing sold to Cagamas	71,138	1,671,916	-	-	-	1,743,054
Lease liabilities	317,756	2,288,454	232,219	-	-	2,838,429
Borrowings	93,951	544,973	867,470	-	-	1,506,394
Other liabilities	933,887	311,082	27,168	-	-	1,272,137
	54,938,159	7,884,061	1,126,857	77,614,597	-	141,563,674

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

50. Financial risk management policies *(cont'd.)*

iii) Liquidity risk *(cont'd.)*

- b) The tables below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis. *(cont'd.)*

TH	Non-trading book				Trading books RM'000	Total RM'000
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
2020						
Financial Liabilities						
Depositors' savings fund	-	-	-	75,919,809	-	75,919,809
Other liabilities	82,467	-	-	1,264,522	-	1,346,989
Lease liabilities	49,424	581,933	-	-	-	631,357
	131,891	581,933	-	77,184,331	-	77,898,155
2019						
Financial Liabilities						
Depositors' savings fund	-	-	-	69,417,441	-	69,417,441
Recourse obligations on financing sold to Cagamas	91,745	-	-	1,247,447	-	1,339,192
Lease liabilities	53,190	679,471	-	-	-	732,661
	144,935	679,471	-	70,664,888	-	71,489,294

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

51. Fair value of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Fair value of financial instruments of the Group and **TH** which comprise cash and short-term funds, deposits and placements with banks and other financial institutions and short-term receivables, payables and financing are not very sensitive to changes in market conditions due to the short-term maturity of these financial instruments. Therefore, the carrying amount of financial assets and liabilities at the financial position date approximated their fair values.

Fair value hierarchy

MFRS 7 *Disclosures* specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques adopted are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's and **TH**'s assumptions. The fair value hierarchy is as follows:

a) Level 1

Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.

b) Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level includes profit rate swaps and structured debts. The sources of input parameters include Bank Negara Malaysia's indicative yields.

c) Level 3

Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

51. Fair value of financial assets and liabilities (cont'd.)

Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total RM'000
2020									
Assets									
Financial assets at FVTPL	59,994	3,879,817	722,696	4,662,507	-	-	1,825	1,825	1,825
Financial assets at FVOCI	9,543,539	11,195,152	705,041	21,443,732	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	3,258,664	-	3,258,664	2,998,515
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	22,272,028	22,272,028	20,687,462
	9,603,533	15,074,969	1,427,737	26,106,239	-	3,258,664	22,273,853	25,532,517	23,687,802
Liabilities									
Depositors' savings fund	-	-	-	-	-	-	75,919,809	75,919,809	75,919,809
Derivative financial instruments	-	17,403	-	17,403	-	-	-	-	-
Borrowings	-	-	-	-	-	-	1,592,292	1,592,292	1,594,104
	-	17,403	-	17,403	-	-	77,512,101	77,512,101	77,513,913

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

51. Fair value of financial assets and liabilities (cont'd.)

Fair value information (cont'd.)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position: (cont'd.)

TH	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total RM'000
2020 (cont'd.)									
Assets									
Derivative financial instruments	27,025	-	-	27,025	-	-	-	-	-
Financial assets at FVTPL	-	4,379,817	722,696	5,102,513	-	-	-	-	-
Financial assets at FVOCI	9,543,384	11,280,470	705,017	21,528,871	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	5,699,328	-	5,699,328	5,439,179
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	22,272,027	22,272,027	20,687,462
Financing, advances and others	-	-	-	-	-	-	1,977,431	1,977,431	1,670,888
	9,570,409	15,660,287	1,427,713	26,658,409	-	5,699,328	24,249,458	29,948,786	27,797,529
Liabilities									
Depositors' savings fund	-	-	-	-	-	-	75,919,809	75,919,809	75,919,809
	-	-	-	-	-	-	75,919,809	75,919,809	75,919,809

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

51. Fair value of financial assets and liabilities (cont'd.)

Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position: (cont'd.)

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total RM'000
2019									
Assets									
Derivative financial instruments	-	31,421	-	31,421	-	-	-	-	-
Financial assets at FVTPL	618,808	5,435,264	679,104	6,733,176	-	-	1,825	1,825	1,825
Financial assets at FVOCI	7,995,444	27,033,482	1,442,506	36,471,432	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	5,183,040	-	5,183,040	3,166,967
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	20,690,260	20,690,260	20,261,801
Financing, advances and others	-	-	-	-	-	-	52,407,186	52,407,186	49,472,522
	8,614,252	32,500,167	2,121,610	43,236,029	-	5,183,040	73,099,271	78,282,311	72,903,115
Liabilities									
Depositors' savings fund	-	-	-	-	-	-	69,417,441	69,417,441	69,417,441
Derivative financial instruments	-	36,746	1,344	38,090	-	-	-	-	-
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,553,085	1,553,085	1,501,187
Borrowings	-	-	-	-	-	-	2,513,502	2,513,502	2,507,533
	-	36,746	1,344	38,090	-	-	73,484,028	73,484,028	73,426,161

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51. Fair value of financial assets and liabilities (cont'd.)

Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position: (cont'd.)

TH	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total RM'000
2019									
Assets									
Derivative financial instruments	27,025	-	-	27,025	-	-	-	-	-
Financial assets at FVTPL	-	4,982,092	678,724	5,660,816	-	-	-	-	-
Financial assets at FVOCI	8,087,096	10,664,409	873,649	19,625,154	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	5,968,625	-	5,968,625	5,811,654
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	20,690,260	20,690,260	20,261,801
Financing, advances and others	-	-	-	-	-	-	2,331,777	2,331,777	1,864,479
	8,114,121	15,646,501	1,552,373	25,312,995	-	5,968,625	23,022,037	28,990,662	27,937,934
Liabilities									
Depositors' savings fund	-	-	-	-	-	-	69,417,441	69,417,441	69,417,441
	-	-	-	-	-	-	69,417,441	69,417,441	69,417,441

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

51. Fair value of financial assets and liabilities (cont'd.)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key observable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and input used
a) Amount due from/(to) related companies Amount due from/(to) subsidiaries	The fair values of amount due from/(to) related companies or subsidiaries are estimated to approximate their carrying amount.
b) Borrowings	The fair values of borrowings are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for similar instruments as at reporting date.
c) Financing, advances and others	The fair values of variable rate financings, advances and others are estimated to approximate their carrying amount. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles.
d) UJSB Sukuk	For those inputs which cannot be referenced to observable data and, therefore, inputs are adjusted for relative tenor and issuer quality.
e) Depositors' savings fund	The fair values of deposits approximate their carrying amount due to the deposits being repayable on demand.

Financial instruments carried at fair value

Type	Description of valuation technique and input used
a) Unquoted shares	Adjusted net assets value or market approach using observable inputs.
b) Menara ABS Tranche C Sukuk	Discounted cash flows using a discount rate of 7.316% based on corporate bond rating BBB and below. Main inputs used are valuation of the properties as well as rental collection.

The profit rates used to discount estimated cash flows, when applicable, are as follows:

	Group	
	2020	2019
Borrowings	6.70%	8.20%

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52. Contingent liabilities

	Group	
	2020	2019
	RM'000	RM'000
(a) <u>Guarantees</u>		
Bank guarantee issued to trade customers	5,760	4,488

(b) Litigation

Group

(i) PT TH Indo Plantations ("PTTHIP")

In 1996, PT. Primasakti Rizki Pertiwi ("Plaintiff") was a minority shareholder with 10% equity stake in the company known as PT TH Indo Plantations ("PTTHIP") where **TH** was a major shareholder through its 70% shareholding in TH Indopalms Sdn. Bhd. ("THI"). During the Extraordinary General Meeting of Shareholders ("EGMS") of PTTHIP which was held on 29 November 2006, the Plaintiff objected to the EGMS for allegedly not complying with the meeting procedure which had resulted in the Plaintiff's shareholding to be diluted from 10% to 5%. Based on the New Shareholding Structure approved at the EGMS, the shareholdings of the Plaintiff, THI and TH Indo Industries Sdn. Bhd. ("THII") were 5%, 45% and 50% respectively. As a result, in March 2008, the Plaintiff lodged a police report in Batam against PTTHIP for embezzlement and cheating in relation to the dilution of its shares in PTTHIP. This was followed by filing of civil lawsuit on 24 June 2011 in South Jakarta District Court ("Civil Case") by the Plaintiff against, among others PTTHIP, THI, THII and **TH** ("Defendants"). The Civil Case went up to the Supreme Court of the Republic of Indonesia ("Supreme Court") on 21 July 2016 where the Plaintiff filed for Judicial Review, and on 30 March 2017, the Supreme Court gave its decision that was in favour of the Defendants and overruled the Civil Case in its entirety.

As a result of the decision of the Supreme Court in the Civil Case, the Plaintiff then filed a new civil lawsuit against the Defendants on 30 March 2017 at the South Jakarta District Court ("New Civil Case"). The Defendants won the New Civil Case on 10 July 2018 where the Court decided that the Plaintiff's claim was inadmissible as it violates the double jeopardy (ne bis in idem) principle. On 9 August 2018, the Plaintiff filed for an appeal at the High Court of Jakarta. On 16 May 2019 the High Court of Jakarta declared the Plaintiff's claim to be inadmissible and thereafter dismissed the appeal.

Subsequently, the Plaintiff filed a request for cassation appeal on 29 July 2019 and later lodged its Memorandum of Cassation on 7 August 2019 to appeal against the decision of the High Court to the Supreme Court (appeal against appeal). On 18 August 2020, the Supreme Court decided in favor of **TH** and other Defendants wherein the Court rejected the Plaintiff's cassation appeal. To date, the Plaintiff has not filed any judicial review against the decision by the Supreme Court.

The Plaintiff also filed another civil suit against the Defendants on 23 November 2017 at the Batam District Court ("Batam Case") with the similar basis of claim and salient claims as they have used in the New Civil Case. On 7 February 2019, the Court ruled in favour of the Defendants on the basis that the Plaintiff's claim is inadmissible as it violates the principle of double jeopardy (ne bis in idem). The Court further declared that the Defendants' counterclaim to be inadmissible. The Court ordered the Plaintiff to pay the Court fees of IDR851,000 (approximately RM255). On 2 April 2019, the Plaintiff filed an appeal at the Pekanbaru High Court against the decision of the Batam District Court. On 27 April 2020, the Plaintiff's appeal was dismissed by the Pekanbaru High Court. On 9 July 2020, the Plaintiff filed a cassation appeal against the Pekanbaru High Court's decision to the Supreme Court. This matter is currently pending decision by the Supreme Court.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

52. Contingent liabilities *(cont'd.)*

(b) Litigation *(cont'd.)*

Group *(cont'd.)*

(i) PT TH Indo Plantations ("PTTHIP") *(cont'd.)*

Based on legal advice, the directors of the subsidiary companies do not expect the litigation to have any material effect on the financial position of the subsidiary companies for the financial year ended 31 December 2020 pursuant to the facts of the matter that has been decided by the Supreme Court of the Republic of Indonesia in favour of the subsidiary companies.

(ii) Encap Sdn. Bhd. ("Encap")

TH and a subsidiary, Premia Cards Sdn. Bhd., have been served with a demand with regards to the alleged unlawful termination of the Service Provider Agreement dated 8 August 2014 entered between **TH** and Encap Sdn Bhd ("Encap") relating to the appointment of Encap as the service provider to provide end-to-end card management solution for ATM, debit card and loyalty management programme for **TH** known as "THDebit Card". The matter is fixed for trial in January 2022.

The estimated claim amount is approximately RM59.3 million together with general and exemplary damages. On a preliminary basis, the solicitors are of the view that TH and Premia Cards Sdn. Bhd. have a fair chance of success in this matter.

(iii) Tamaco Plantation Sdn. Bhd. ("Tamaco")

On 5 December 2019, THPB Group has entered into Share Purchase Agreement ("SPA") with Tamaco Plantation Sdn. Bhd. ("Tamaco") to dispose investments in Bumi Suria Ventures Sdn.Bhd. ("BSV")/Maju Warisanmas Sdn. Bhd. ("MWM"). On 24 November 2020, the last conditions precedent to be fulfilled i.e. Economic Planning Unit of the Prime Minister's Office ("EPU") approval was obtained. However, on 4 December 2020, the said EPU approval was withdrawn by EPU.

The date that was agreed upon for the conditions to be satisfied ("Long Stop Date") of the SPA expired on 31 March 2021. The Plaintiff has requested for a further extension of the Long Stop Date. However, THPB Group has decided not to extend the Long Stop Date.

Consequent thereto, the Plaintiff has initiated a Writ of Summons against THPB Group.

The cases involved are as follows:

(i) Tamaco Plantation Sdn. Bhd. ("Plaintiff") vs TH Plantations Berhad ("Defendant")

The Plaintiff has sought relief under the Writ of Summons against the Defendant as follows:

- A declaration that the Plaintiff and the Defendant are entitled to continue to complete the SPA;
- A declaration that the time to complete the SPA and/or long-stop date is independent (at large);
- A declaration that the Defendant was estopped by its own conduct to terminate the SPA;
- A permanent injunction order be granted to the Plaintiff against the Defendant to prohibit the Defendant from terminating the SPA;
- A specific performance order be given to the Plaintiff against the Defendant to perform the SPA; and
- General, exemplary and aggravated damages.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

52. Contingent liabilities *(cont'd.)*

(b) Litigation *(cont'd.)*

Group *(cont'd.)*

(iii) Tamaco Plantation Sdn. Bhd ("Tamaco") *(cont'd.)*

(i) Tamaco Plantation Sdn. Bhd. ("Plaintiff") vs TH Plantations Berhad ("Defendant") *(cont'd.)*

The outcome of the inter-parte hearing of the Notice Application was as follows:

- The Court has granted the Plaintiff an ad interim injunction against the Defendant, which injunction will remain effective until the next hearing fixed on 5 May 2021;
- The Defendant is restrained from giving effect to Clause 3.4 of the SPA i.e. that the SPA will automatically terminate if the conditions precedent are not met by the expiry of the Long Stop Date; and
- The case management is fixed 12 April 2021 for directions on the Writ of Summons.

Subsequent to the case management heard on 12 April 2021, the following directions were given by the Deputy Registrar of the Kuala Lumpur High Court:

- The Defendant is required to file its Defence by 26 April 2021;
- Plaintiff is required to file its Reply by 10 May 2021; and
- A case management is fixed on 20 May 2021 and any interlocutory application should be filed by the said date.

(ii) Tamaco Plantation Sdn. Bhd. ("Applicant") vs Ketua Pengarah Unit Perancang Ekonomi di Jabatan Perdana Menteri ("1st Respondent") and TH Plantations Berhad ("2nd Respondent")

The Applicant filed a judicial review application against the Respondents and the claims are as follows:

- An order for certiorari to quash the decision of the 1st Respondent dated 4 December 2020 that retracted/cancelled the Approval Letter dated 24 November 2020 issued by the 1st Respondent to the Applicant in connection with the acquisition of the 2nd Respondent's shares in BSV and MWM by the Applicant pursuant to the SPA;
- A declaration that the 1st Respondent's retraction/cancellation of the Approval Letter dated 24 November 2020 is invalid, null and void;
- A declaration that the Applicant and the 2nd Respondent are entitled to proceed to complete the SPA subject to the terms set out in the Approval Letter dated 24 November 2020;
- General damages to be paid by the 1st Respondent to the Applicant or alternatively, damages to be assessed and paid by the 1st Respondent to the Applicant.

On 31 March 2021, the Applicant obtained on an ex-parte basis, leave to commence the judicial review application from the High Court against the Respondents for the above relief sought. The Applicant also obtained an interim stay of the Respondent's said decision dated 4 December 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

52. Contingent liabilities *(cont'd.)*

(b) Litigation *(cont'd.)*

Group *(cont'd.)*

(iii) Tamaco Plantation Sdn. Bhd (“Tamaco”) *(cont'd.)*

(ii) Tamaco Plantation Sdn. Bhd. (“Applicant”) vs Ketua Pengarah Unit Perancang Ekonomi di Jabatan Perdana Menteri (“1st Respondent”) and TH Plantations Berhad (“2nd Respondent”)) *(cont'd.)*

Subsequent to the hearing of the inter-partes application for a stay which was required to be heard at the High Court on 12 April 2021, the High Court Judge has decided as follows:

- The ad interim stay order should continue until the outcome of the Judicial Review proceedings to quash the decision of the 1st Respondent;
- Both Respondents are to file their respective Affidavits in Reply by 12 May 2021;
- The Applicant is to file its Affidavit by 14 June 2021; and
- The Judicial Review application has been fixed for case management on 21 June 2021.

The Directors of TH Plantations Berhad are of the opinion that disclosure of any further information about the above matter would be prejudicial to the interests of the 2nd Respondent.

53. Capital management

Under the wakalah contract (Note 2(e)), **TH** act as an agent to administer the depositors' savings fund. Accordingly, **TH**'s capital management is to ensure that the depositors' savings are secured and profit distribution to depositors are stable. To achieve this, **TH** has developed a long term strategic asset allocation and, reserves and distribution policies. **TH** may adjust its tactical asset allocation and investment risk profile in light of the changes in economic conditions while observing the above policies.

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The directors of subsidiaries monitor the adequacy of capital on an ongoing basis and maintain an optimal debt-to-equity ratio that complies with the subsidiary's debt covenants, if any. For Bank Islam, the directors of the Bank ensures that the Bank complies with the minimum capital adequacy ratios imposed by Bank Negara Malaysia.

In prior years, one of the subsidiaries, TH Plantations Berhad (“THPB Group”) has adopted a Rationalisation Exercise, which involves proposed disposal of its subsidiaries. Those subsidiaries assets have been revalued and the excess of the carrying amount over the fair value less cost of disposal of those assets have been recognised in the profit or loss as impairment, resulting in a decrease in THPB Group's equity. The impairment recognised to the profit or loss does not have an impact to the cash flows of THPB Group. However, it has substantially reduced THPB Group's equity, hence the debt-to-equity ratio has breached the “less than one time” ratio.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

54. Significant events during the year

a) The Coronavirus Virus Disease 2019 (“COVID-19”) outbreak

The COVID-19 pandemic was announced by the World Health Organisation (“WHO”) in March 2020 following the outbreak of the virus in countries across the world including Malaysia. The COVID-19 pandemic has significantly disrupted many business operations in Malaysia and around the world. As the pandemic continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy.

The COVID-19 effects have a material negative impact on the Group’s results of operations. In particular, the process to determine fair values, impairment losses and expected credit losses (“ECL”) requires numerous estimates and assumptions, some of which require a high degree of judgement. Changes in the estimates and assumptions can result in significant changes in fair values, impairment losses and ECL. The Group is not able to predict the COVID-19’s potential future direct or indirect effects. However, the Group is taking actions to mitigate the impact, and will continue to closely monitor the impact and the related risks as they evolve.

On 13 January 2021, the Government of Malaysia reintroduced the movement control order to curb the soaring number of COVID-19 cases. The lock down may have a further negative impact on the Group’s results of operation.

b) BIMB Holdings Berhad

BIMB Holdings Berhad (“BHB”) has on 11 December 2019 announced that it proposes to undertake the following proposals (collectively referred to as “the Proposals”):

i) Proposed placement

Proposed placement of new ordinary shares in BHB to raise gross proceeds of up to RM800 million. The proceeds together with internal cash will be used to fully settle BHB’s outstanding Sukuk.

ii) Proposed scheme of arrangement (“SoA”)

Proposed payment to the warrant holder of the outstanding warrants 2013/2023 of BHB by way of a scheme of arrangement under Section 366 of the Companies Act 2016 (“the Act”). The total warrants consideration to be paid by BHB will be funded using internally generated funds of BHB.

iii) Proposed internal reorganisation

BHB proposes to undertake the proposed internal reorganisation which will entail the disposal by BHB of its entire shareholdings in the identified subsidiaries namely BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al Ijarah Sdn. Bhd. to its wholly owned subsidiary, Bank Islam Malaysia Berhad (“the Bank”) to be fully settled in cash. The consideration for these disposals will be based on the latest audited net asset value of these subsidiaries at the time of the signing of the share sale agreement with the Bank and will be funded using internally generated funds of the Bank.

iv) Proposed distribution and capital repayment

Proposed distribution of the entire shareholding of BHB in the Bank and Syarikat Takaful Malaysia Keluarga Berhad (“STMKB”) by way of distribution-in-specie via a reduction and repayment of the entire share capital of BHB in accordance with Section 115 and Section 116 of the Act as well as using the retained earnings of BHB.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

54. Significant events during the year *(cont'd.)*

b) BIMB Holdings Berhad *(cont'd.)*

BIMB Holdings Berhad ("BHB") has on 11 December 2019 announced that it proposes to undertake the following proposals (collectively referred to as "the Proposals"): *(cont'd.)*

iv) Proposed distribution and capital repayment *(cont'd.)*

Prior to the proposed distribution and capital repayment, BHB will undergo a capital reduction and the Bank will undertake a share consolidation. This is to match BHB's outstanding shares so that the distribution of the Bank shares will be on a one-for-one basis.

Upon completion of the proposed distribution and capital repayment, BHB's shareholders will hold direct equity interest in the Bank and STMKB shares in proportion to their shareholding in BHB and BHB will cease to be a shareholder of the Bank and STMKB. The shareholders through their direct exposure in the Bank and STMKB can manage their investment exposure or rebalance their portfolios in banking and takaful industries according to their own investment objectives.

Concurrently with the completion of the proposed distribution and capital repayment, BHB will issue two (2) new BHB shares to the Bank such that BHB will become a wholly-owned subsidiary of the Bank.

v) Proposed transfer of listing

After the completion of the proposed distribution and capital repayment, the Bank will assume the listing status of BHB. Accordingly, BHB proposed that the Bank be admitted to the official list of Bursa Malaysia Securities Berhad ("Bursa Securities") in place of BHB, with the listing and quotation of the entire consolidated Bank shares on the main market of Bursa Securities.

The Bank will emerge as the first pure-play full-fledged Islamic financial institution to be listed in the region and enhance its corporate stature. The listing will allow the Bank to better position itself in the Islamic finance and Islamic capital market and capitalise on the growth of both markets in its efforts to expand its customer base.

The proposed placement, proposed SoA, proposed internal reorganisation, proposed distribution and capital repayment and proposed transfer of listing are not conditional upon each other, save for the following:

- i) The proposed distribution and capital repayment is conditional upon the proposed internal reorganisation and proposed transfer of listing; and
- ii) The proposed transfer of listing is conditional upon the proposed internal reorganisation and proposed distribution and capital repayment.

BHB has on 10 December 2020 announced that it has received the approval from the Minister of Finance (on the recommendation of BNM), and BNM in relation to the Proposals. On 23 February 2021, BHB has announced that it has received approval from Bursa Securities Malaysia Berhad ("Bursa Securities") for the listing and quotation of BHB shares to be issued pursuant to the Proposed Placements and admission of the Bank to the official list of Bursa Securities and the listing of and quotation for the entire issued share capital of the Bank on the Main Market of Bursa Securities pursuant to the Proposed Transfer of Listing.

On 29 March 2021, BHB has announced that it has received approval from Securities Commission Malaysia for the change in control for BIMB Securities Sdn. Bhd. pursuant to the proposed internal reorganisation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (*cont'd.*)

54. Significant events during the year (*cont'd.*)

b) BIMB Holdings Berhad (*cont'd.*)

Subsequently, at the BHB's Extraordinary General Meeting held on 31 March 2021, all resolutions pertaining to the corporate exercise were duly passed by the shareholders. At a court convened meeting also held on the same date, the warrant holders have passed the resolution on the proposed SoA.

BHB on 13 April 2021 has announced that it has completed the book building exercise pursuant to the proposed placement and has raised gross proceeds of RM795.6 million. The proceeds raised together with internal cash of BHB will be used to fully settle BHB's outstanding sukuk.

On 16 June 2021, BHB has obtained the sanction of the High Court of Malaya for the SoA.

The Proposals are now subject to the approvals and/or consent being obtained from shareholder of the Bank, the creditors and/or financiers of BHB Group, the Bank and Identified Subsidiaries, if required and any other relevant regulatory authorities and/or parties, if required.

c) TH Plantations Berhad

On 31 July 2020, TH Plantations Berhad ("THPB") had completed the Sale and Purchase Agreement ("SPA") with TDM Berhad ("TDM"), to dispose 25,900,000 ordinary shares (equivalent to 70% equity interests) held by THPB in THP-YT Plantation Sdn. Bhd. for a purchase consideration of RM7,000,000 for the acquisition of shares of THP-YT Sdn. Bhd. and TDM will make a repayment of RM62,000,000 relating to amount due to a subsidiary of THPB subsequent to the disposal. The loss on disposal amounting to RM8,135,000 was recognised in profit and loss during the year.

The Directors of THPB expect to dispose five (5) subsidiaries in the next 12 months which has been classified as assets held for sale, with carrying amount of RM627,312,000 as at 31 December 2020. The aforesaid forecasts incorporate proceeds to be received from the disposal of the subsidiaries, repayments for current payables, committed expenditure and other future expected expenditure, and revenue/receipts from newly mature area of 3,727 hectare.

The Directors of THPB expect to "roll-over" the amounts due to its subsidiaries which are due in the next 12 months, with carrying amount of RM329,313,000 as at 31 December 2020.

d) Theta Edge Berhad

During the year, **TH** received a letter of offer to acquire 30% equity interest in Theta Edge Berhad, comprising 32.5 million ordinary shares, at RM0.70 per share or for a total cash consideration of RM22.8 million from Arcadia Acres Sdn. Bhd.. The proposal was completed on 31 March 2021.

e) TH Hotel & Residence Sdn. Bhd. Group

- i) TH Hotel Alor Setar ("THAS") has ceased operations on 31 March 2020, following its board approval on 14 February 2020. As such, THAS has become dormant since then.
- ii) TH Hotel Terengganu ("THHT") has ceased operations on 31 March 2020, following its board approval on 14 February 2020. As such, THHT has become dormant since then.

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FOR THE YEAR ENDED 31 DECEMBER 2020 *(cont'd.)*

54. Significant events during the year *(cont'd.)***f) Early redemption of UJSB Sukuk**

The Cabinet of Ministers on 5 April 2019 has approved and agreed for the Government to provide an allocation for UJSB to finance the shortfall of sukuk redemption of at least RM17.8 billion under the “*Rancangan Malaysia ke-11*” (RMKe-11) by 2020 amounting to RM500 million as well as in the RMKe-12 and RMKe-13 amounting to RM1.73 billion annually starting 2021 until end of sukuk tenure of which early redemption amounting to RM200 million was successfully made on 30 November 2020.

55. Hajj financial support

	Group		TH	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Hajj direct cost incurred	-	590,091	-	590,091
Collection from pilgrims	-	(291,477)	-	(291,477)
Hajj financial support	-	298,614	-	298,614

TH is the Malaysian Hajj pilgrims fund which facilitates and manages pilgrimage of Malaysian pilgrims. Part of **TH**'s corporate social responsibility contribution to society is the provision of Hajj financial support. For the year 2019, Hajj financial support is the result of Hajj payment at RM9,980 per pilgrim being set below the Hajj direct cost for the Muassasah pilgrims performing their Hajj for the first time. The Hajj direct cost comprise costs incurred in Malaysia and the Holy Land for the pilgrimage, which include cost of accommodations in Makkah, Madinah, Arafah and Mina, transportations, meals and other compulsory payments to the Saudi authorities.

On 11 June 2020, the Government of Malaysia had announced the deferment of hajj pilgrimage for 1441H/2020 Hajj Season arising from the concern for the safety and well-being of the would be pilgrims. The decision was made in view of the COVID-19 pandemic that had affected more than 8 million people around the world and had caused more than 400,000 fatalities up to early June 2020.

In line with the Government's decision, **TH** has also postponed the hajj operations for 1441H/2020 and has refunded all payments that had been deducted from the depositors' accounts for the respective hajj payments.

Hajj financial support in prior year was included in other expenses in the statement of profit or loss of **TH**.

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56. Subsequent event**Group and TH****Investments in Sukuk issued by Menara ABS Berhad**

Under the terms of the transaction, the redemption of Tranche A amounting to RM345 million, on its expected maturity date of 15 January 2021, is to be met by Menara ABS Berhad ("Menara ABS") through refinancing (if Telekom Malaysia ("TM") opts for a lease extension) or via disposal proceeds, if TM chooses to buy back all or any of the assets (originally by 15 April 2020). If TM exercises neither alternative and decide to vacate and return the properties, AmanahRaya Trustee, the Securities Trustee, has the rights to put the assets up for sale to ensure full and timely redemption of Tranche A Sukuk by its legal maturity date of 13 January 2023. The RM85 million Tranche B Sukuk, due on 15 January 2021, is serviced by surplus lease payments of TM after meeting Tranche A Sukuk profit obligations.

As at 31 December 2020, the Tranche C Sukuk, which is solely held by **TH** amounting to RM722,696,000 (2019: RM678,724,000), will only be paid on the expected date of maturity on 13 January 2023, after the full settlement of Tranche A. As at 31 December 2020, **TH**'s investment in Tranche A and Tranche B amounted to RM100,097,000 (2019: RM101,384,000) and RM40,036,000 (2019: RM40,422,000), respectively.

The Tranche A and Tranche B Sukuk will mature on 13 January 2023 and 15 January 2021, respectively. The effective profit rate of Tranche A Sukuk as at 31 December 2020 ranges between 3.11% - 3.66% per annum (2019: 4.25% - 4.61% per annum). The effective profit rate of Tranche B Sukuk is 3.01% per annum (2019: 4.25% per annum). On 15 January 2021, Menara ABS Berhad successfully redeemed the entire amount of Tranche B Sukuk.

Subsequent to year end, Menara ABS and TM are in the midst of negotiating the lease renewal and/or disposal of certain properties owned by Menara ABS.



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