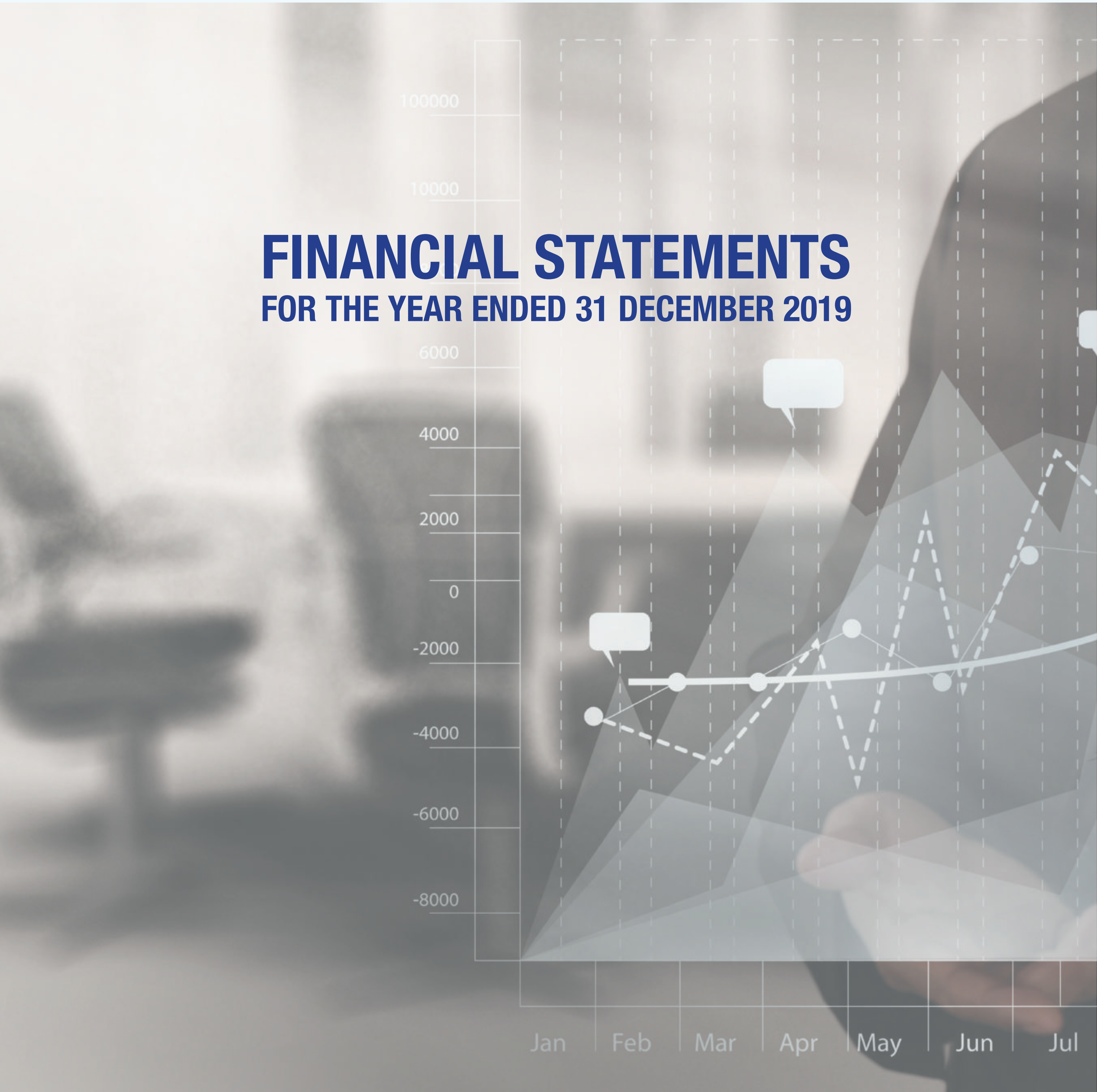
TABUNG HAJI

حي على الفلاح

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



CONTENTS

**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
LEMBAGA TABUNG HAJI
FOR THE YEAR ENDED 31 DECEMBER 2019**

Certificate on the Audit of the Financial Statements

Opinion

The financial statements of Lembaga Tabung Haji, which comprise the Statement of Financial Position as at 31 December 2019 of the Group and of the Lembaga Tabung Haji, and the Statements of Profit or Loss and Statements of Comprehensive Income, Statement of Changes in Surplus Funds and Statements of Cash Flow 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 263, have been audited by my representative.

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 2019, 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 our 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 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 of the Group and of the Lembaga Tabung Haji 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 requirement 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.

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 of Lembaga Tabung Haji 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
23 DECEMBER 2020

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 74 to 354 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2019 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

21 December 2020

Bangunan Tabung Haji
201Jalan Tun Razak 50400 Kuala Lumpur

On behalf of the Lembaga,

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

21 December 2020

Bangunan Tabung Haji
201 Jalan Tun Razak 50400 Kuala Lumpur

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 74 to 354 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 : 21 December 2020

TAN SRI MD NOR MD YUSOF
CHAIRMAN

DATO' MERINA ABU TAHIR
CHIEF FINANCIAL OFFICER

Before me :

PESURUHJAYA SUMPAH
W737
MUHAMMAD FAIZ DHARMENDRA
BIN ABDULLAH
01 OCT 2018 - 31 DEC 2020
MALAYSIA
No. 30, Tingkat Bawah, Blok B,
Flat PKNS, Jalan Raja Muda Musa,
50300 Kg. Baru, Kuala Lumpur.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group		
		31.12.2019	31.12. 2018	1.1.2018
		RM'000	RM'000	RM'000
Assets			*Restated*	*Restated*
Cash and short-term funds	5	**6,846,876**	11,615,995	13,421,617
Deposits and placements with banks and other financial institutions	6	**6,103,957**	1,982,972	2,297,097
Derivative financial instruments	7	**31,421**	45,398	324,324
Financial assets at fair value through profit or loss	8	**6,735,001**	6,684,379	6,491,684
Financial assets at fair value through other comprehensive income	9	**36,471,432**	34,010,198	42,697,517
UJSB Sukuk and receivables at amortised cost/ Receivable from Restructuring Plan	10	**20,261,801**	19,881,964	-
Financial assets at amortised cost	11	**3,166,967**	5,759,536	3,923,798
Financing, advances and others	12	**49,472,522**	45,680,680	41,924,279
Retakaful assets	13	**755,796**	537,137	505,596
Finance lease receivables	14	**2,053,117**	-	-
Trade and other receivables at amortised cost	15	**1,801,207**	3,656,910	4,036,729
Tax recoverable		**113,779**	105,702	94,169
Statutory deposits with Bank Negara Malaysia	16	**1,170,136**	1,602,284	1,407,284
Biological assets	17	**35,405**	35,658	52,567
Inventories	18	**1,029,381**	1,166,741	1,198,625
Investment properties	19	**5,698,774**	5,688,377	6,942,379
Investment in jointly controlled entities	20	**261,740**	312,236	243,861
Investment in associates	21	**410,101**	371,937	1,158,739
Forestry	23	**6,385**	49,825	187,956
Plantation development expenditure	24	**144,775**	104,925	582,784
Right-of-use assets	25	**566,885**	-	-
Property, plant and equipment	26	**2,354,271**	2,929,851	4,294,325
Intangible assets	27	**137,387**	169,510	418,823
Deferred tax assets	28	**103,413**	146,202	233,668
		145,732,529	142,538,417	132,437,821
Assets of disposal group classified as held for sale	29	**1,045,305**	699,273	512,097
Total assets		**146,777,834**	143,237,690	132,949,918

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 *(cont'd.)*

		Group		
	Note	**31.12.2019 RM'000**	31.12. 2018 RM'000	1.1.2018 RM'000
Liabilities			*Restated*	*Restated*
Depositors' savings fund	30	**69,417,441**	74,488,986	70,198,690
Deposits from banking customers	31	**44,828,112**	45,365,386	43,869,724
Investment accounts of banking customers	32	**9,297,543**	5,037,653	3,969,344
Derivative financial instruments	7	**38,090**	19,520	74,668
Takaful contract liabilities	33	**8,197,156**	7,072,782	6,660,347
Other liabilities	34	**2,912,130**	2,669,258	2,786,577
Recourse obligations on financing sold to Cagamas	35	**1,501,187**	1,501,187	-
Provision for zakat and tax		**152,819**	135,415	153,611
Expense reserve	36	**311,700**	251,806	196,655
Lease liabilities	37	**840,257**	754	3,924
Government grant	38	**-**	-	9,353
Borrowings	39	**2,507,533**	2,584,694	3,243,591
Provision for retirement benefits	40	**772,791**	576,303	546,065
Deferred tax liabilities	28	**111,665**	153,790	257,854
		140,888,424	139,857,534	131,970,403
Liabilities associated with assets of disposal group classified as held for sale	29	**152,895**	59,930	8,885
Total liabilities		**141,041,319**	139,917,464	131,979,288
Surplus funds				
Distributable reserves				
Revenue reserve	41	**1,818,186**	742,180	2,318,934
Equalisation reserve	41	**500,000**	438,351	84,095
		2,318,186	1,180,531	2,403,029
Non-distributable reserves				
Statutory reserve	41	**101,627**	86,627	134,856
Other reserves	41	**(338,940)**	(1,262,354)	(4,871,524)
		(237,313)	(1,175,727)	(4,736,668)
Total surplus funds		**2,080,873**	4,804	(2,333,639)
Non-controlling interests		**3,655,642**	3,315,422	3,304,269
Total surplus funds and non-controlling interests		**5,736,515**	3,320,226	970,630
Total liabilities and surplus funds		**146,777,834**	143,237,690	132,949,918

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

			TH	
	Note	**31.12.2019**	31.12. 2018	1.1.2018
		RM'000	RM'000	RM'000
Assets			*Restated*	*Restated*
Cash and short-term funds	5	**3,518,133**	8,205,490	9,879,037
Deposits and placements with banks and other financial institutions	6	**4,180,722**	777,888	1,498,012
Derivative financial instruments	7	**27,025**	27,700	243,753
Financial assets at fair value through profit or loss	8	**5,660,816**	5,097,822	4,687,689
Financial assets at fair value through other comprehensive income	9	**19,625,154**	20,163,073	29,617,358
UJSB Sukuk and receivables at amortised cost/ Receivable from Restructuring Plan	10	**20,261,801**	19,881,964	-
Financial assets at amortised cost	11	**5,811,654**	7,735,313	6,097,014
Financing, advances and others	12	**1,864,479**	1,585,746	1,662,642
Finance lease receivables	14	**2,220,896**	-	-
Trade and other receivables at amortised cost	15	**625,997**	2,852,832	2,727,147
Tax recoverable		**-**	19,204	34,204
Investment properties	19	**3,995,348**	4,021,402	5,541,215
Investment in jointly controlled entities	20	**250**	40,650	295,961
Investment in associates	21	**210,908**	181,949	928,929
Investment in subsidiaries	22	**6,265,310**	6,277,382	6,903,206
Right-of-use assets	25	**454,824**	-	-
Property, plant and equipment	26	**481,253**	594,508	669,863
		75,204,570	77,462,923	70,786,030
Assets of disposal group classified as held for sale	29	**36,413**	15,672	30,535
Total assets		**75,240,983**	77,478,595	70,816,565

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 *(cont'd.)*

	Note		*TH*	
		31.12.2019	31.12. 2018	1.1.2018
		RM'000	RM'000	RM'000
Liabilities			*Restated*	*Restated*
Depositors' savings fund	30	**69,417,441**	74,488,986	70,198,690
Other liabilities	34	**1,339,192**	1,263,415	1,250,807
Provision for zakat and tax		**104,939**	95,521	72,346
Lease liabilites	37	**732,661**	-	-
Government grant	38	**-**	-	9,353
Provision for retirement benefits	40	**772,059**	575,761	545,794
Total liabilities		**72,366,292**	76,423,683	72,076,990
Surplus funds				
Distributable reserves				
Revenue reserve	41	**2,656,620**	1,734,841	3,429,659
Equalisation reserve	41	**500,000**	438,351	84,095
		3,156,620	2,173,192	3,513,754
Non-distributable reserves				
Statutory reserve	41	**76,627**	76,627	70,211
Other reserves	41	**(358,556)**	(1,194,907)	(4,844,390)
		(281,929)	(1,118,280)	(4,774,179)
Total surplus funds		**2,874,691**	1,054,912	(1,260,425)
Total liabilities and surplus funds		**75,240,983**	77,478,595	70,816,565

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

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group		TH	
		2019 **RM'000**	2018 RM'000 *Restated*	**2019** **RM'000**	2018 RM'000 *Restated*
Continuing operations					
Revenue	42	**9,137,458**	8,915,394	**3,217,384**	3,895,143
Cost of sales		**(3,011,204)**	(2,391,098)	**-**	-
Gross profit		**6,126,254**	6,524,296	**3,217,384**	3,895,143
Other income		**215,026**	177,743	**82,492**	24,914
Administrative expenses		**(1,950,422)**	(2,132,181)	**(664,184)**	(901,886)
Other expenses		**(815,521)**	(794,811)	**(298,614)**	(313,525)
Impairment, write off and expected credit losses	43	**(424,128)**	(1,246,626)	**(392,523)**	(1,004,925)
Operating profit	44	**3,151,209**	2,528,421	**1,944,555**	1,699,721
Finance costs	45	**(157,378)**	(144,605)	**(21,630)**	-
Share of profit/(loss) after tax and zakat of associates		**21,960**	(203,726)	**-**	-
Share of loss after tax and zakat of jointly controlled entities		**(44,583)**	(44,024)	**-**	-
Profit before zakat and tax from continuing operations		**2,971,208**	2,136,066	**1,922,925**	1,699,721
Zakat	46	**(100,257)**	(102,647)	**(86,185)**	(85,571)
Tax expense	47	**(318,681)**	(236,431)	**-**	-
Profit from continuing operations		**2,552,270**	1,796,988	**1,836,740**	1,614,150
Discontinued operations					
Profit/(Loss) after tax and zakat from discontinued operations	29(b)	**180**	(1,608)	**-**	-
Profit for the year		**2,552,450**	1,795,380	**1,836,740**	1,614,150
Profit for the year attributable to:					
TH		**2,155,147**	1,648,532	**1,836,740**	1,614,150
Non-controlling interests		**397,303**	146,848	**-**	-
		2,552,450	1,795,380	**1,836,740**	1,614,150

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		*TH*	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
		Restated		*Restated*
Profit for the year	**2,552,450**	1,795,380	**1,836,740**	1,614,150
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Remeasurement of retirement benefit liability	**-**	(185)	**-**	-
Share of other comprehensive loss of associates	**-**	(5,371)	**-**	-
Fair value adjustment on initial recognition of financial instruments	**-**	(1,799)	**-**	-
Movement in fair value reserves of debt instruments at fair value through other comprehensive income:				
Net changes in fair value	**657,853**	149,545	**403,077**	125,095
Changes in expected credit losses	**21,375**	(5,458)	**21,769**	(5,369)
Income tax effect relating to components of other comprehensive income	**(59,301)**	(4,530)	**-**	-
Currency translation differences in respect of foreign operations	**(13,615)**	(21,259)	**-**	-
	606,312	110,943	**424,846**	119,726
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of retirement benefit liability	**(157,056)**	(2,809)	**(156,965)**	(2,507)
Changes in fair value of equity instruments at fair value through other comprehensive income	**393,507**	(4,399,728)	**382,039**	(4,394,521)
Fair value adjustment on equity instruments at fair value through other comprehensive income, transferred to UJSB (Note 10(ii))	**-**	8,302,230	**-**	8,302,230
	236,451	3,899,693	**225,074**	3,905,202
Total other comprehensive income	**842,763**	4,010,636	**649,920**	4,024,928
Total comprehensive income for the year	**3,395,213**	5,806,016	**2,486,660**	5,639,078
Total comprehensive income for the year attributable to:				
TH	**2,895,078**	5,660,113	**2,486,660**	5,639,078
Non-controlling interests	**500,135**	145,903	**-**	-
	3,395,213	5,806,016	**2,486,660**	5,639,078

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

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019

Group	Attributable to *TH*						
	Non-distributable		*Distributable*				
	Statutory reserve (Note 41)	Other reserves (Note 41)	Equalisation reserve (Note 41)	Revenue reserve (Note 41)	Total surplus funds	Non-controlling interests	Total surplus funds and non-controlling interests
31.12.2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019, *(As previously stated)*	86,627	(895,877)	438,351	136,920	(233,979)	2,839,580	2,605,601
Prior year adjustments (Note 57(a))	-	(366,477)	-	605,260	238,783	475,842	714,625
At 1 January 2019, *(Restated)*	86,627	(1,262,354)	438,351	742,180	4,804	3,315,422	3,320,226
Effects of adoption of MFRS 16 (Note 57(b))	-	-	-	107,628	107,628	-	107,628
	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 reserves of debt instruments at fair value through other comprehensive income:							
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 fair value through other comprehensive income	-	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

(Continue to next page)

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

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

	Attributable to ***TH***						
	Non-distributable		*Dstributable*				
Group	**Statutory reserve (Note 41)**	**Other reserves (Note 41)**	**Equalisation reserve (Note 41)**	**Revenue reserve (Note 41)**	**Total surplus funds**	**Non-controlling interests**	**Total surplus funds and non-controlling interests**
31.12.2019 *(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	**-**	**896,947**	**-**	**1,998,131**	**2,895,078**	**500,135**	**3,395,213**
Disposal of equity instruments at fair value through other comprehensive income	**-**	**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**

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

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

	Attributable to ***TH***						
	Non-distributable		*Distributable*				
Group	**Statutory reserve (Note 41)**	**Other reserves (Note 41)**	**Equalisation reserve (Note 41)**	**Revenue reserve (Note 41)**	**Total Surplus funds**	**Non-controlling interests**	**Total surplus funds and non-controlling interests**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018, *(As previously stated)*	134,856	(4,529,826)	84,095	(672,454)	(4,983,329)	2,827,523	(2,155,806)
Prior year adjustments (Note 57(a))	-	(341,698)	-	2,991,388	2,649,690	476,746	3,126,436
At 1 January 2018, *(Restated)*	134,856	(4,871,524)	84,095	2,318,934	(2,333,639)	3,304,269	970,630
Profit for the year	-	-	-	1,648,532	1,648,532	146,848	1,795,380
Remeasurement of retirement benefit liability	-	(172)	-	(2,642)	(2,814)	(180)	(2,994)
Share of other comprehensive loss of associates	-	(5,371)	-	-	(5,371)	-	(5,371)
Movement in fair value reserve of debt instruments at fair value through other comprehensive income:							
Net changes in fair value	-	140,762	-	-	140,762	8,783	149,545
Changes in expected credit losses	-	(5,458)	-	-	(5,458)	-	(5,458)
Income tax effect relating to components of other comprehensive income	-	(3,254)	-	-	(3,254)	(1,276)	(4,530)
Changes in fair value of equity instruments at fair value through other comprehensive income	-	(4,399,728)	-	-	(4,399,728)	-	(4,399,728)
Fair value adjustment on equity instruments at fair value through other comprehensive income transferred to UJSB	-	8,302,230	-	-	8,302,230	-	8,302,230
Fair value adjustment on on initial recognition of financial instruments	-	-	-	(1,799)	(1,799)	-	(1,799)
Currency translation differences in respect of foreign operations	-	(12,382)	-	(605)	(12,987)	(8,272)	(21,259)

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

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

Group	Attributable to *TH*						
	Non-distributable		Dstributable				
	Statutory reserve (Note 41)	Other reserves (Note 41)	Equalisation reserve (Note 41)	Revenue reserve (Note 41)	Total surplus funds	Non-controlling interests	Total surplus funds and non-controlling interests
31.12.2018 *(cont'd.)*	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
(Continue from previous page)							
Total other comprehensive income/ (loss) for the year	-	4,016,627	-	(5,046)	4,011,581	(945)	4,010,636
Total comprehensive income for the year	-	4,016,627	-	1,643,486	5,660,113	145,903	5,806,016
Disposal of equity instruments at fair value through other comprehensive income	-	(377,952)	-	377,952	-	-	-
Issuance of shares pursuant to ESOS of subsidiary company	-	-	-	-	-	10,446	10,446
Changes in Group structure	-	-	-	(916)	(916)	33,466	32,550
Additions during the year	-	2,083	-	-	2,083	-	2,083
Profit distribution during the year (Note 30)	-	-	-	(3,323,741)	(3,323,741)	-	(3,323,741)
Dividends paid to non-controlling interests	-	-	-	-	-	(177,758)	(177,758)
Transfers between reserves	(48,229)	(31,588)	354,256	(273,535)	904	(904)	-
At 31 December 2018	86,627	(1,262,354)	438,351	742,180	4,804	3,315,422	3,320,226

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

STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

	Attributable to ***TH***				
	Non-distributable		*Distributable*		
TH	**Statutory reserve (Note 41)**	**Other reserves (Note 41)**	**Equalisation reserve (Note 41)**	**Revenue reserve (Note 41)**	**Total surplus funds**
31.12.2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2019, *(As previously stated)*	**76,627**	**(828,430)**	**438,351**	**670,791**	**357,339**
Prior year adjustments (Note 57(a))		**(366,477)**	**-**	**1,064,050**	**697,573**
At 1 January 2019, *(Restated)*	**76,627**	**(1,194,907)**	**438,351**	**1,734,841**	**1,054,912**
Effects of adoption of MFRS 16 (Note 57(b))		**-**	**-**	**256,078**	**256,078**
	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 fair value through other comprehensive income:					
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 fair value through other comprehensive income	**-**	**382,039**	**-**	**-**	**382,039**
Total other comprehensive income for the year	**-**	**806,885**	**-**	**(156,965)**	**649,920**
Total comprehensive income/(loss) for the year	**-**	**806,885**	**-**	**1,679,775**	**2,486,660**
Disposal of equity instruments measured at fair value through other comprehensive income	**-**	**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.

STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

TH	Attributable to ***TH***				
	Non-distributable		*Distributable*		
	Statutory reserve (Note 41)	**Other reserves (Note 41)**	**Equalisation reserve (Note 41)**	**Revenue reserve (Note 41)**	**Total surplus funds**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018, *(As previously stated)*	70,211	(4,502,692)	84,095	(21,423)	(4,369,809)
Prior year adjustments (Note 57(a))	-	(341,698)	-	3,451,082	3,109,384
As at 1 January 2018, *(Restated)*	70,211	(4,844,390)	84,095	3,429,659	(1,260,425)
Profit for the year					
Remeasurement of retirement benefit liability	-	-	-	1,614,150	1,614,150
Movement in fair value reserve of debt instruments at fair value through other comprehensive income:	-	-	-	(2,507)	(2,507)
Net changes in fair value of debt instruments	-	125,095	-	-	125,095
Changes in expected credit losses	-	(5,369)	-	-	(5,369)
Net changes in fair value of equity instruments at fair value through other comprehensive income	-	(4,394,521)	-	-	(4,394,521)
Fair value adjustment on equity instruments at fair value through other comprehensive income transferred to UJSB	-	8,302,230	-	-	8,302,230
Total other comprehensive income/(loss) for the year	-	4,027,435	-	(2,507)	4,024,928
Total comprehensive income for the year	-	4,027,435	-	1,611,643	5,639,078
Disposal of equity instruments measured at fair value through other comprehensive income	-	(377,952)	-	377,952	-
Transfers between reserves	6,416	-	354,256	(360,672)	-
Profit distribution during the year (Note 30)	-	-	-	(3,323,741)	(3,323,741)
At 31 December 2018	76,627	(1,194,907)	438,351	1,734,841	1,054,912

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

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		TH	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
		Restated		*Restated*
Profit/(Loss) before zakat and tax				
From continuing operations	**2,971,208**	2,136,066	**1,922,925**	1,699,721
From discontinued operations	**171**	(1,571)	**-**	-
Adjustments for:				
Depreciation of right-of-use assets	**216,154**	-	**192,290**	-
Depreciation of property, plant and equipment	**274,749**	282,372	**124,755**	104,863
Amortisation of prepaid operating lease	**-**	190,038	**-**	190,038
Amortisation of intangible assets	**36,812**	30,700	**-**	-
Amortisation of government grant	**-**	(9,353)	**-**	(9,353)
Loss on disposal of property, plant and equipment	**(3,757)**	(9,780)	**(3,292)**	(9,412)
Gain on disposal of investment properties	**(7,978)**	(823,777)	**(7,978)**	(826,211)
Property, plant and equipment written off	**336**	178,578	**-**	5,166
Plantation development expenditure written off	**1,043**	12,028	**-**	-
Nurseries and inventories written off	**-**	3,116	**-**	-
Debt securities written off	**-**	11,000	**-**	11,000
Receivables written off	2,451	1,464	**2,450**	1,457
Dividends from subsidiaries	**-**	-	**(191,937)**	(156,942)
Dividends from associates	**-**	-	**(8,027)**	(7,517)
Dividends from jointly controlled entity	**-**	-	**-**	(400)
Dividends from quoted equities	**(180,887)**	(439,133)	**(180,887)**	(439,133)
Dividends from unquoted equities	**(41,791)**	(56,490)	**(41,791)**	(56,490)
Dividends from external fund managers	**(20,170)**	(25,460)	**(20,170)**	(25,460)
Dividends from unit trusts	**(34,565)**	(41,526)	**(34,565)**	(41,526)
Coupon from debt securities	**(812,441)**	(914,463)	**(927,802)**	(949,930)
Accretion of discount on UJSB	**(469,123)**	-	**(469,123)**	-
Net gain on sale of FVOCI financial assets	**(230,465)**	(405,396)	**29,466**	(377,952)
Net gain on sale of FVTPL financial assets	**(26,638)**	(4,897)	**(460)**	-
Gain on negotiable debt certificates and other financial assets	**(107,510)**	(180,834)	**(107,510)**	(192,590)
Return from external fund managers	**(5,379)**	(4,779)	**(5,379)**	(4,779)
Gain on trading of derivatives	**(14,563)**	(3,156)	**(14,599)**	(3,104)

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

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

	Group		TH	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
		Restated		*Restated*
Amortisation of premium on debt securities	**14,940**	-	**14,940**	16,572
Accretion of discount on debt securities	**(106,673)**	-	**(106,673)**	(120,241)
Gain on disposal of debt securities	**(129,857)**		**(129,857)**	(10,769)
Gain on disposal of subsidiaries	**-**	(315,643)	**-**	(83,453)
Gain on disposal of associates	**-**	(607,650)	**-**	(429,386)
Gain on disposal of jointly controlled entities	**-**	(46,123)	**-**	-
Profit from financing to subsidiaries	**-**	-	**(98,288)**	(81,544)
Impairment of subsidiaries	**-**	-	**40,007**	377,887
Impairment of associates	**40**	6,700	**-**	151,073
Impairment of jointly controlled entity	**45,000**	39,184	**52,400**	352,311
Impairment of property, plant and equipment	**84,397**	372,407	**-**	-
Impairment of plantation development expenditure	**20,316**	234,582	**-**	-
Impairment of property development cost	**8,086**	7,683	**-**	-
Impairment of intangible assets	**9,761**	275,636	**-**	-
Impairment of inventory	**273**	-	**-**	-
Impairment of receivables	**349**	1,752	**-**	134
Impairment of asset held for sale	**74,637**	-	**-**	-
Impairment of other assets	**41,118**	-	**-**	-
Write off of subsidiary	**454**	-	**-**	-
Write off of amount due from subsidiary	**-**	-	**2,590**	-
Write back of impairment in subsidiaries	**-**	-	**(11,902)**	-
Write back of impairment in associates	**-**	-	**(28,959)**	-
Changes in fair value of investment properties	**128,769**	232,138	**31,995**	228,076
Changes in fair value of forestry	**43,215**	134,300	**-**	-
Changes in fair value of biological assets	**(11,031)**	9,752	**-**	-
Changes in fair value of derivatives	**1,322**	-	**-**	-
Changes in fair value of receivable from Restructuring Plan	**(10,714)**	18,036	**(10,714)**	18,036
Change in fair value of financial assets at FVTPL	**(226,120)**	235,063	**(168,925)**	156,849
Change in actuarial reserves/unearned contribution reserve	**(13,750)**	(5,576)	**-**	-
Equity settled share-based payment	**17,945**	10,447	**-**	-
Expected credit loss / Allowance for impairment on financing, advances and others	**190,829**	186,402	**331,969**	115,920

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

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

	Group		TH	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
		Restated		*Restated*
Expected credit loss on receivables	**23,534**	21,900	**13,699**	5,850
Expected credit loss on dividend receivable and amount due from subsidiaries	**-**	-	**81,143**	100,301
Expected credit loss/(writeback) on debt securities	**22,232**	(7,545)	**22,233**	(7,545)
Provision for retirement benefits	**61,392**	49,837	**61,202**	49,733
Share of loss after tax and zakat of associates	**(21,960)**	203,726	**-**	-
Share of loss after tax and zakat of jointly controlled entities	**44,583**	44,024	**-**	-
(Gain)/loss on foreign exchange	**(116,812)**	14,544	**(70,357)**	49,223
Profit expense on leases	**27,255**	-	**21,630**	-
Operating profit/(loss) before changes in working capital	**1,771,187**	1,040,323	**306,499**	(199,527)
Changes in working capital:				
Inventories	**119,628**	3,271	**-**	-
Cash and short-term funds of TKJHM and TWT	**49,472**	(85,407)	**49,472**	(85,407)
Deposits and placements with banks and other financial institutions	**(4,120,985)**	314,125	**(3,402,834)**	720,124
Trade and other receivables	**(841,564)**	1,106,482	**(937,710)**	544,559
Trade and other payables	**2,015,804**	(499,906)	**397,338**	(935,036)
Right-of-use	**169,367**	-	**169,367**	-
Finance lease receivable	**154,454**	-	**174,964**	-
Lease liabilities	**51,816**	-	**46,778**	-
Statutory deposits with Bank Negara Malaysia	**432,148**	(195,000)	**-**	-
Bills payable	**7,970**	(379,144)	**-**	-
Financing of banking customers	**(3,982,671)**	(3,942,761)	**-**	-
Investment account of banking customers	**4,759,890**	1,068,309	**-**	-
Deposits from banking customers	**(2,680,832)**	3,562,950	**-**	-
Acquisition of investment properties	**(5,837)**	(16,151)	**(5,837)**	(16,151)
Proceeds from disposal of asset held for sale	**14,865**	6,757	**14,865**	6,757
Acquisition of subsidiaries	**-**	(151,218)	**-**	(186,310)
Proceeds from disposal of subsidiaries	**100,000**	-	**100,000**	-
Proceeds from disposal of jointly controlled entities	**-**	38,057	**-**	-
Additional investment in jointly controlled entities	**(12,000)**	(97,000)	**(12,000)**	(97,000)

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

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

	Group		*TH*	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
		Restated		*Restated*
Changes in working capital: *(cont'd.)*				
Purchase from sale of equities, net	**(762,903)**	(747,431)	**(762,903)**	(747,431)
Disposal/(acquisition) of debt securities	**2,733,664**	(1,212,351)	**2,733,664**	(1,712,351)
Net investment in other financial assets	**1,587,203**	(1,405,319)	**1,596,726**	(1,408,607)
Proceeds from trading of financial derivatives	**21,092**	123,725	**21,092**	123,725
Investment in derivatives	**-**	(28,112)	**-**	(28,112)
Dividends from subsidiaries	**-**	-	**131,243**	171,831
Dividends from associates	**6,772**	8,677	**6,772**	8,677
Dividends from jointly controlled entity	**-**	400	**-**	400
Dividends from quoted equities	**117,685**	342,069	**117,685**	342,069
Dividends from unquoted equities	**45,200**	52,722	**45,200**	52,722
Dividends from unit trusts	**34,565**	41,655	**34,565**	41,655
Coupons from debt securities	**955,868**	839,723	**955,868**	925,039
Net disbursement of financing to subsidiaries	**-**	-	**(20,500)**	(71,015)
Repayment of profit financing to subsidiaries	**-**	-	**133,715**	18,886
Depositors' savings fund	**(5,071,545)**	4,290,296	**(5,071,545)**	4,290,296
Recourse obligations on financing sold to Cagamas	**-**	1,501,187	**-**	-
Cash (used in)/generated from operations	**(2,329,687)**	5,580,928	**(3,177,516)**	1,759,793
Profit distribution to depositors	**(922,962)**	(3,323,741)	**(922,962)**	(3,323,741)
Zakat paid	**(92,684)**	(79,105)	**(76,767)**	(62,395)
Tax paid	**(358,128)**	(343,774)	**-**	-
Tax refund	**32,667**	17,485	**16,755**	15,000
Payment of lease liabilities	**(382,695)**	-	**(333,834)**	-
Financing cost lease liabilities paid	**(10,078)**	-	**-**	-
Financing cost paid	**(28,406)**	(116,767)	**-**	-
Retirement benefits paid	**(21,909)**	(22,289)	**(21,866)**	(22,273)
Net cash (used in)/generated from operating activities	**(4,113,882)**	1,712,737	**(4,516,190)**	(1,633,616)

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

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

	Group		TH	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
		Restated		*Restated*
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**572**	19,259	**-**	18,609
Purchase of property, plant and equipment	**(102,729)**	(292,364)	**(18,782)**	(47,243)
Proceeds from disposal of investment properties	**-**	2,800	**-**	-
Acquisition of investment properties	**(92,362)**	(203,455)	**-**	-
Proceeds from disposal of asset held for sale	**-**	447,164	**-**	-
Investment in intangible assets	**(4,689)**	(68,000)	**-**	-
Plantation development expenditure	**(58,602)**	(88,141)	**-**	-
Forestry	**(11,479)**	(25,290)	**-**	-
Additional investment in jointly controlled entities	**(8,000)**	(1,317)	**-**	-
Purchase from trading of securities from banking sector	**-**	(2,458,409)	**-**	-
Dividends from quoted equities	**-**	2,098	**-**	-
Net cash used in investing activities	**(277,289)**	(2,665,655)	**(18,782)**	(28,634)
Cash flows from financing activities				
Proceeds from loans and borrowings	**620,072**	742,105	**-**	-
Repayment of loans and borrowings	**(697,093)**	(1,342,947)	**-**	-
Repayment of finance lease liabilities	**(10,028)**	(3,187)	**-**	-
Repayment of share capital	**(100,000)**	-	**-**	-
(Increase)/Decrease in cash pledged for banking facilities	**(410)**	1,683	**-**	-
Distribution of profit from jointly controlled entities	**-**	37,782	**-**	-
Dividends paid to non-controlling interests	**(54,214)**	(177,758)	**-**	-
Net cash used in financing activities	**(241,673)**	(742,322)	**-**	-
Net decrease in cash and cash equivalents	**(4,632,844)**	(1,695,240)	**(4,534,972)**	(1,662,250)
Cash and cash equivalents at 1 January	**10,627,559**	12,516,430	**7,306,396**	8,973,850
Transfer to FVTPL and disposal to SPV	**(431)**	(113,925)	**-**	-
Reclass to jointly controlled entities	**(5,005)**	(54,010)	**-**	-
Currency translation differences	**890**	(25,696)	**(5,202)**	(5,204)
Cash and cash equivalents at 31 December	**5,990,169**	10,627,559	**2,766,222**	7,306,396

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

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

	Group		TH	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
		Restated		*Restated*
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 5)	**6,846,876**	11,615,995	**3,518,133**	8,205,490
Cash held by TKJHM & TWT	**(389,020)**	(339,548)	**(389,020)**	(339,548)
Cash held by external fund managers	**(362,891)**	(559,546)	**(362,891)**	(559,546)
Deposits pledged	**(104,365)**	(79,842)	**-**	-
Transferred to asset held for sale	**(431)**	(9,500)	**-**	-
	5,990,169	10,627,559	**2,766,222**	7,306,396

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

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

Group

2019	At 1 January RM'000	Proceeds from drawdown of borrowings RM'000	Loan repayment RM'000	Transfer to liabilities with assets held for sale RM'000	Currency translation differences RM'000	At 31 December RM'000
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 overdraf and revolving credit	78,816	33,899	(20,000)	-	-	92,715
	2,584,694	620,072	(697,093)	-	(140)	2,507,533

Group

2018	At 1 January RM'000	Proceeds from drawdown of borrowings RM'000	Loan repayment RM'000	Transfer to liabilities with assets held for sale RM'000	Currency translation differences RM'000	At 31 December RM'000
Murabahah Financing	1,205,753	346	(729,354)	-	(45,793)	430,952
Commodity Murabahah Term Financing-i	283,656	38,775	(24,000)	-	-	298,431
Sukuk Murabahah	855,232	302,163	-	-	-	1,157,395
Flex Term Financing-i	30,715	-	(17,000)	(13,715)	-	-
Islamic Trade Financing-i	3,857	128,047	(120,360)	-	-	11,544
Term Financing	842,445	215,891	(452,233)	-	1,453	607,556
Bank overdraf and revolving credit	21,933	56,883	-	-	-	78,816
	3,243,591	742,105	(1,342,947)	(13,715)	(44,340)	2,584,694

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 2019

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 2019 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 21 December 2020.

2. Basis of preparation

(a) Composition of 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

The key components of the financial statements of *TH* are as follows : *(cont'd.)*

(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 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

The key components of the financial statements of *TH* are as follows : *(cont'd.)*

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

(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:

<u>Distributable:</u>

(a) <u>Revenue reserve</u>
Revenue reserve relates to accumulated distributable profits after transfer to/from other reserves and after the distribution of profit under Section 22 of the ***TH*** Act.

(b) <u>Equalisation reserve</u>
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.

<u>Non-distributable:</u>

(c) <u>Statutory reserve</u>
A non-distributable reserve established as a Reserve Fund in accordance with Section 21 of the ***TH*** Act. The Lembaga may from time to time transfer from the Statutory reserve to the Revenue reserve or from the Revenue reserve to the Statutory reserve. Transfer into the Statutory reserve shall be determined by the Lembaga and transfer out of the Statutory reserve shall be determined by the Minister.

(d) <u>Fair value through other comprehensive income ("FVOCI") reserve</u>
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 fair value 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***.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

The key components of the financial statements of *TH* are as follows : *(cont'd.)*

(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.

(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 of the Group and of ***TH*** for the year ended 31 December 2018 were the first set of financial statements prepared in accordance with MFRS and IFRS, with some terminology modified to comply with Shariah principles and requirements.

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.

For financial year end 31 December 2019, the financial statements will be the first set of the Group's and ***TH*** annual financial statements in which MFRS 16 Leases ("MFRS 16") has been applied as further disclosed in Note 2(c). Changes to significant policies arising from the adoption of MFRS 16 are described in Note 3(s) and the impact of adopting MFRS 16 is disclosed in Note 57(b).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(c) New and amended standards adopted by the Group and *TH*

On 1 January 2019, the Group and ***TH*** adopted the following amendments to MFRSs and annual improvements to MFRSs:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 9, Financial Instruments - Prepayment Features with Negative Compensation
- Amendments to MFRS 128, Investment in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures
- Amendments to MFRS 119, Employee Benefits - Curtailment or Settlement
- Annual Improvements to MFRS Standards 2015 - 2017 Cycle
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)

The Group and ***TH*** has adopted MFRS 16 for the first time in the 2019 financial statements with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

The practical expedients elected and the detailed impacts of the changes in accounting policies on leases are disclosed in Note 57(b). The details of the accounting policies on leases are disclosed separately in Note 3(s).

Other than as disclosed in Note 3(s) on adoption of MFRS 16, the adoption of amendments to MFRSs, annual improvements to MFRSs and IC interpretations effective for annual period beginning 1 January 2019, did not have any significant impact on 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 2020
- Revised Conceptual Framework
- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9, 139 & 7 Interest Rate Benchmark Reform

(ii) Financial year beginning on or after 1 June 2020
- Amendments to MFRS 16, Leases - Covid 19 Related Rent Concession

(iii) Financial year beginning on or after 1 January 2021
- MFRS 17 Insurance Contracts

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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.)*

(iv) Financial year beginning on or after 1 January 2022

- Annual improvements to MFRS Standards 2018 - 2020
  - (a) MFRS I, First-Time Adoption of Malaysian Financial Reporting Standards – subsidiary as a First-Time Adopter
  - (b) MFRS 9, Financial Instruments – Fees in the '10 per cent' Test for Recognition of Financial Liabilities
  - (c) Illustrative Example accompanying MFRS 16, Leases – Lease incentives
  - (d) MFRS 141, Agriculture – Taxation in Fair Value Measurements
- Amendments to MFRS 5, Business Combination – reference to Conceptual Framework
- Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use

(v) 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 Group and ***TH*** plan to apply the above mentioned accounting standards, annual improvements to standards, amendments to MFRSs and IC interpretations, if applicable, when they become effective.

Apart from MFRS 17 Insurance Contracts, initial application of the annual improvements to standards, amendments to MFRSs and IC interpretations are expected not to have any material financial impact to the current period and prior period financial statements of the Group and ***TH***.

The Group is currently still in the process of assessing the financial impact arising from the application of MFRS 17 Insurance Contracts on the Group's financial statements.

(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 manage hajj affair 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 does not have any impact to the financial statements of the Group or ***TH***.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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, it has the current 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 2019 *(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 2019 *(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

(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, receivables from the Restructuring Plan, 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.

(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.

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

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

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

Subsequent measurement *(cont'd.)*

Debt instruments (cont'd.)

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

Debt intruments 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*** has 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(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 fair value through profit or loss.

Fair value through profit or loss 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 fair value through profit or loss.

(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*** has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(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 have billed and collected the payment before the goods are delivered or services are provided to the customers.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(k) Inventories *(cont'd.)*

(iii) Stores

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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.

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:

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 assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. 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 .

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(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.

(s) Leases

(i) Accounting by lessee

Accounting policies applied from 1 January 2019

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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

Accounting policies applied from 1 January 2019 *(cont'd.)*

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

Amortisation

Leasehold land and buildings classified under Right-of-Use assets are amortised over a lease period as follows:

Leasehold land	20 - 999 years
Leasehold building	50 years

Impairment

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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

Accounting policies applied from 1 January 2019 *(cont'd.)*

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.

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.

Accounting policies applied prior to 1 January 2019

Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic finance rate on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land or properties which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

Properties, plant and equipment held through finance leases are capitalized and depreciated as other Group's assets as described in Note 3(p) and the corresponding obligations in respect of the remaining principal are accounted for as liabilities.

Operating leases

Leases, where the Group and ***TH*** do not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised in the statement of financial position.

Properties held as operating leases, for the purpose of generating rental income or capital appreciation or both, are classified as investment properties and measured at fair value.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

(ii) Accounting by lessor

Accounting policies applied from 1 January 2019

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

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

From 1 January 2019, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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

Accounting policies applied prior to 1 January 2019

Operating leases

Under operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis. Prepaid lease rentals are classified as prepayments for operating lease under other receivables at amortised cost.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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

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.

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").

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

(ii) General Takaful Fund *(cont'd.)*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(v) Impairment

(i) Financial assets

Impairment for debt instruments, financing commitments and financial guarantee contracts

The Group and ***TH*** assesses 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 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; and
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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

Under collective assessment, the Group apply 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.

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 51(i)(a) sets out the measurement details of ECL.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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

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 2019 *(cont'd.)*

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

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

(i) Financial assets *(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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)

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.

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.

(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.

(x) Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group and ***TH*** will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

Government grants relating to the purchase of assets are classified as deferred income and is amortised to profit or loss on a straight-line basis over the estimated useful lives of assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(y) 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 benefit

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(y)(iv); except that the remeasurement are recognised immediately in profit or loss.

(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 its 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

(iv) Defined benefit plans *(cont'd.)*

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.

(z) 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.

(aa) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(aa) Foreign currency *(cont'd.)*

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

The assets and liabilities of operations denominated in functional currencies other than Ringgit Malaysia, including fair value adjustments arising on acquisition, are translated to Ringgit Malaysia at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Ringgit Malaysia 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.

(ab) Recognition of income

(i) Investment income

Profits from Shariah compliant investments are recognised in profit or loss on accrual basis.

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

Gain arising from equity trading, debt securities financial instruments, investment in money market and rental income are accounted for 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(ac) 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.

(ad) 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.

(ae) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

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.

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 other comprehensive income.

(af) 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:

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

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

c) 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 2019 *(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*** based 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 52.

(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 51(i)(a).

<u>Recoverability of UJSB Sukuk and deferred consideration receivable</u>

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 2019. Further details on the UJSB Sukuk and deferred consideration receivable are disclosed in Note 10.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(c) Impairment of non-financial assets *(cont'd.)*

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 23.

(f) Taxation

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(g) Depreciation of property, plant and equipment *(cont'd.)*

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 higly 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 40.

(i) Provision for outstanding claims

Provision for outstanding claims are disclosed in Note 3(u) 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).

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

(k) Leases

Accounting by lessee - extension and termination options

In determining the lease term, management considers 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, it uses its 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

5. Cash and short-term funds

	Group		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
		Restated	*Restated*
Short-term placements with:			
- Licensed financial institutions	**3,740,741**	6,763,107	11,042,633
- Bank Negara Malaysia	**658,053**	2,432,000	-
Cash and bank balances	**2,085,191**	1,861,342	1,899,210
Cash held by external fund managers	**362,891**	559,546	479,774
	6,846,876	11,615,995	13,421,617

	TH		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
		Restated	*Restated*
Short-term placements with licensed financial institutions	**2,424,776**	6,953,721	8,754,618
Cash and bank balances	**730,466**	692,223	644,645
Cash held by external fund managers	**362,891**	559,546	479,774
	3,518,133	8,205,490	9,879,037

Placements with licensed financial instituitions of the Group and ***TH*** registered profit margins ranging between 0.85% and 4.00% (2018: 0.60% and 4.10%). 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 RM389,020,000 (31.12.2018: RM339,548,000).

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

(i) RM1,316,000 (31.12.2018: RM3,213,000) pledged to banks for bank guarantee facilities;

(ii) RM4,375,000 (31.12.2018: RM4,394,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002; and

(iii) Placement with licensed financial institutions of the Group include an amount of RM84,044,000 (2018: RM72,240,000) pledged against revolving credits as disclosed in Note 39.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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 must be deposited to a designated HSBC Bank Plc account, which has been charged as security to Maybank Islamic Berhad by MPL. RM23,237,000 (£4,321,000) has been deposited as security interest into the HSBC Bank Plc account as at 31 December 2019.

In 2018, under the terms of the Security Interest Agreement entered into between Leatherhead Properties Limited ("LPL"), a subsidiary of the Group incorporated in Jersey and EXIM Bank of Malaysia ("EXIM Bank") in relation to the provision of a Murabahah Facility of £45,450,000, rental income from Unilever House, in Leatherhead Surrey, United Kingdom was deposited to HSBC Bank PLC - Rent Account which was charged as security to EXIM Bank by LPL. Following the repayment of Murabahah Facility on 23 January 2019 by LTH Property Holdings 2 Limited, the holding company of LPL, the security interest amounting to RM10,532,000 (£2,000,000) as at 31 December 2018 on the bank account was released and discharged.

6. Deposits and placements with banks and other financial institutions

	Group		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
		Restated	*Restated*
Licensed banks	**6,068,918**	1,952,744	2,262,355
Other financial institutions	**35,039**	30,228	34,742
	6,103,957	1,982,972	2,297,097

	TH		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
		Restated	*Restated*
Licensed banks	**4,180,722**	777,888	1,498,012

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

7. Derivative financial instruments

Group	**Notional**	**Fair value**	
	Amount RM'000	**Assets RM'000**	**Liabilities RM'000**
31.12.2019			
Forward 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**
31.12.2018			
Forward contracts	2,869,455	30,653	17,752
Warrants	19,444	11,250	-
Profit rate swaps	578,379	3,495	1,768
	3,467,278	45,398	19,520
TH			
31.12.2019			
Warrants	**554,609**	**27,025**	**-**
31.12.2018			
Warrants	574,054	27,700	-

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

	Note	Group		
		31.12.2019	31.12. 2018	1.1.2018
		RM'000	RM'000	RM'000
Debt instruments			*Restated*	*Restated*
Sukuk	(i)	**1,124,014**	1,029,382	1,047,836
Perpetual securities	(ii)	**2,812,342**	2,859,684	2,009,877
Structured deposits		**-**	244,571	351,322
Malaysian Government investment issues		**274,162**	30,328	355,681
Bank Negara monetary notes		**-**	114,823	-
Term investment accounts		**802,000**	540,684	915,000
Institutional trust accounts		**179,790**	343,822	329,167
Malaysian Islamic Treasury Bills		**99,571**	-	-
Islamic commercial papers		**50,189**	-	-
		5,342,068	5,163,294	5,008,883
Equity instruments				
Shares		**335,669**	320,218	327,094
Unit trusts		**1,057,264**	1,200,867	1,155,707
		1,392,933	1,521,085	1,482,801
		6,735,001	6,684,379	6,491,684

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

	Note	TH 31.12.2019 RM'000	31.12. 2018 RM'000	1.1.2018 RM'000
Debt instruments			*Restated*	*Restated*
Sukuk	(i)	**691,074**	655,199	643,996
Perpetual securities	(ii)	**2,812,342**	2,859,684	2,009,877
Term investment accounts		**1,302,000**	-	-
Negotiable Islamic Debt Certificates (NIDC)		**-**	540,684	-
Negotiable Islamic Debt Instruments (NIDi)		**-**	-	1,000,000
Institutional trust accounts		**179,790**	343,822	329,168
		4,985,206	4,399,389	3,983,041
Equity instruments				
Unit trusts		**675,610**	698,433	704,648
		5,660,816	5,097,822	4,687,689

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 Sukuk based on the Shariah principle of Al-Ijarah under an Islamic asset-backed Sukuk ijarah issuance.

The Tranche C Sukuk held by ***TH*** amounting to RM678,724,000 as at 31 December 2019 (Restated as at 31.12.2018: RM643,190,000; Restated as at 1.1.2018: RM632,061,000) is classified as a financial asset at FVTPL as it did not meet the SPPP 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 Tranche C will mature on 15 January 2021 and the effective profit rate as at 31 December 2019 is 10% per annum (31.12.2018: 10% per annum; 1.1.2018: 10% per annum).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

ii) Perpetual securities

Included in financial assets at FVTPL are perpetual securities amounting to RM2,812,342,000 (31.12.2018: RM2,859,684,000; 1.1.2018: RM2,009,877,000) which did not meet the SPPP test. These securities have the following features:

- Perpetual securities of which 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
- Some issuers allow for the redemption by the issuer to be in whole or in part in relation to the perpetual securities.

9. Financial assets at fair value through other comprehensive income ("FVOCI")

			Group	
	Note	**31.12.2019 RM'000**	31.12. 2018 RM'000	1.1.2018 RM'000
Debt instruments			*Restated*	*Restated*
Sukuk	(ii)	**23,938,360**	22,974,388	22,422,271
Malaysian Government investment issues		**2,263,901**	2,139,987	1,535,304
Malaysian Government Islamic papers		**499,632**	384,020	27,904
Institutional trust account		**530,852**	318,625	251,050
Bank Negara monetary notes		**-**	389,231	-
Islamic commercial papers		**230,871**	306,255	-
		27,463,616	26,512,506	24,236,529
Equity instruments				
Quoted shares		**7,340,453**	5,744,230	16,469,501
Unquoted shares		**911,653**	1,033,544	1,031,016
Shares managed by external fund managers		**755,710**	719,918	960,471
		9,007,816	7,497,692	18,460,988
		36,471,432	34,010,198	42,697,517

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

9. Financial assets at fair value through other comprehensive income ("FVOCI") *(cont'd.)*

			TH	
	Note	**31.12.2019 RM'000**	31.12. 2018 RM'000	1.1.2018 RM'000
Debt instruments			*Restated*	*Restated*
Sukuk	(ii)	**10,653,897**	12,690,729	11,187,176
Malaysian Government investment issues		**10,512**	10,233	10,210
		10,664,409	12,700,962	11,197,386
Equity instruments				
Quoted shares		**7,331,386**	5,731,721	16,433,785
Unquoted shares		**873,649**	1,010,472	1,025,716
Shares managed by external fund managers		**755,710**	719,918	960,471
		8,960,745	7,462,111	18,419,972
		19,625,154	20,163,073	29,617,358

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

	Group		***TH***	
	31.12.2019 RM'000	31.12.2018 RM'000	**31.12.2019 RM'000**	31.12.2018 RM'000
At 1 January	**5,855**	11,224	**5,510**	10,879
Charge during the year	**21,806**	-	**21,769**	-
Reversal of impairment during the year	**-**	(5,369)	**-**	(5,369)
At 31 December	**27,661**	5,855	**27,279**	5,510

(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 RM101,384,000 (31.12.2018: RM100,967,000; 1.1.2018: RM101,038,000) and RM40,422,000 (31.12.2018: RM40,179,000; 1.1.2018: RM40,121,000), 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 15 January 2021.The effective profit rate of Tranche A Sukuk as at 31 December 2019 ranges between 4.25% - 4.61% per annum (31.12.2018: 5.07% - 5.54% per annum; 1.1.2018 : 5.19% - 5.68% per annum). The effective profit rate of Tranche B Sukuk is 4.25% per annum (31.12.2018 : 5.07% per annum, 1.1.2018: 5.19% per annum).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

10. UJSB Sukuk and receivables at amortised cost/Receivable from Restructuring Plan

	Group / *TH*	
	UJSB Sukuk and receivables at amortised cost	*Receivable from Restructuring Plan*
	31.12.2019 RM'000	31.12.2018 RM'000
UJSB Sukuk		
At subscription price	**19,600,000**	19,600,000
Add : Accumulated accretion of discount	**469,123**	-
	20,069,123	19,600,000
Deferred cash consideration		
At nominal value	**200,000**	300,000
Less : Fair value adjustment	**(7,322)**	(18,036)
	192,678	281,964
Total	**20,261,801**	19,881,964

(i) Rehabilitation and Restructuring Plan

On 7 December 2018, the Government of Malaysia approved the Rehabilitation and Restructuring Plan for ***TH*** ("Restructuring Plan"). The Restructuring Plan involved the transfer of underperforming assets of ***TH*** to Urusharta Jamaah Sdn. Bhd. ("UJSB"), a special purpose vehicle ("SPV") company which is wholly-owned by the Minister of Finance Incorporated ("MoF Inc."), a body corporate established under the Minister of Finance (Incorporation) Act 1957.

On 27 December 2018, ***TH*** entered into the following asset transfer agreements with UJSB for the transfer of certain securities, shares and properties for a total transfer value of RM19.9 billion:

- Asset Transfer Agreement for the Transfer of Listed Securities;
- Asset Transfer Agreement for the Transfer of Unlisted Shares; and
- Asset Transfer Agreement for the Transfer of Properties.

The assets transferred consist of the following:

- 106 equity securities comprising quoted shares and warrants listed on Bursa Malaysia;
- 1 unquoted company in respect of TH Estates (Holding) Sdn Bhd; and
- 29 parcels of land and property

On 28 December 2018, the asset transfer agreements became unconditional and the transfer was completed, resulting in a receivable from Restructuring Plan of RM19.9 billion to be recognised as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

10. UJSB Sukuk and receivables at amortised cost/Receivable from Restructuring Plan *(cont'd.)*

(ii) Gain arising from the transfer of assets to UJSB

Consequent to the transfer, ***TH*** recorded a gain on transfer amounting to RM1.4 billion arising from the transfer of investment in a subsidiary, two (2) associates, derivatives, and properties which was recognised in profit or loss, whilst a fair value adjustment on transfer of RM8.3 billion in respect of the quoted shares at fair value through other comprehensive income was recognised in other comprehensive income, during the financial year ended 31 December 2018, as follows:

Group	Carrying value prior to transfer RM'000	Market/ Deemed fair value RM'000	Transfer price RM'000	Gain on transfer RM'000
Assets				
Investment in unquoted subsidiary	506,332	718,322	801,775	295,443
Investment in two (2) quoted associates	417,643	122,488	1,025,293	607,650
Derivatives (warrants)	64,977	64,977	111,185	46,208
Investment properties	1,393,620	1,299,268	2,217,407	823,787
Asset held for sale (Shoplots and land)	12,634	15,234	19,946	7,312
Property, plant and equipment	9,307	40	9,329	22
Gain recognised by Group in profit or loss	2,404,513	2,220,329	4,184,935	1,780,422
Quoted shares at fair value through other comprehensive income:				
Fair value adjustment recognised by ***TH*** through other comprehensive income	7,412,835	7,412,835	15,715,065	8,302,230
Total gain recognised on transfer	9,817,348	9,633,164	19,900,000	10,082,652

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

10. UJSB Sukuk and receivables at amortised cost/Receivable from Restructuring Plan *(cont'd.)*

(ii) Gain arising from the transfer of assets to UJSB *(cont'd.)*

Consequent to the transfer, ***TH*** recorded a gain on transfer amounting to RM1.4 billion arising from the transfer of investment in a subsidiary, two (2) associates, derivatives, and properties which was recognised in profit or loss, whilst a fair value adjustment on transfer of RM8.3 billion in respect of the quoted shares at fair value through other comprehensive income was recognised in other comprehensive income, during the financial year ended 31 December 2018, as follows: *(cont'd.)*

TH	**Carrying value prior to transfer RM'000**	**Market/ Deemed fair value RM'000**	**Transfer price RM'000**	**Gain on transfer RM'000**
Assets				
Investment in unquoted subsidiary	718,322	718,322	801,775	83,453
Investment in two (2) quoted associates	595,907	122,488	1,025,293	429,386
Derivatives (warrants)	64,977	64,977	111,185	46,208
Investment properties	1,393,620	1,299,268	2,217,407	823,787
Asset held for sale (Shoplots and land)	12,634	15,234	19,946	7,312
Property, plant and equipment	9,307	40	9,329	22
Gain recognised by ***TH*** in profit or loss	2,794,767	2,220,329	4,184,935	1,390,168
Quoted shares at fair value through other comprehensive income:				
Fair value adjustment recognised through other comprehensive income	7,412,835	7,412,835	15,715,065	8,302,230
Total gain recognised on transfer	10,207,602	9,633,164	19,900,000	9,692,398

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

10. UJSB Sukuk and receivables at amortised cost/Receivable from Restructuring Plan *(cont'd.)*

iii) Salient terms of UJSB Sukuk

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

	Series 1	**Series 2**
Subscription price (RM'000)	RM10,000,000	RM9,600,000
Nominal value (RM'000)	RM13,203,668	RM14,437,576
Maturity date	26 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: • 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: • 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.	

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

The settlement for the transferred assets is via the following:

a) 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

b) 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 due on 31 December 2019, which was part of the deferred cash consideration, was paid by UJSB on 30 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

10. UJSB Sukuk and receivables at amortised cost/Receivable from Restructuring Plan *(cont'd.)*

v) 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 2019, respectively, is as follows :

	Upon issuance RM'000	Accretion of discount during the year RM'000	As at 31 December 2019 RM'000
Series 1	10,000,000	237,910	10,237,910
Series 2	9,600,000	231,213	9,831,213
Total	19,600,000	469,123	20,069,123
Profit before zakat/Total assets of the Group (RM'000)		2,971,208	146,777,834
As a % contribution		15.8%	13.7%
Profit before zakat/Total assets of ***TH*** (RM'000)		1,922,925	75,240,983
As a % contribution		24.4%	26.7%

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

Financial year ended	Series 1 RM'000	Series 2 RM'000	Total RM'000
2019 (Note 42)	237,910	231,213	469,123
2020	415,314	403,739	819,053
2021	431,456	419,633	851,089
2022	448,929	436,838	885,767
2023	466,347	454,004	920,351
2024	486,793	474,137	960,930
2025	506,545	492,802	999,347
2026	210,374	513,007	723,381
2027	-	533,167	533,167
2028	-	556,810	556,810
2029	-	232,225	232,225
Total accretion of discount	3,203,668	4,747,575	7,951,243

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

10. UJSB Sukuk and receivables at amortised cost/Receivable from Restructuring Plan *(cont'd.)*

vi) 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
- 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.

vii) Committed guarantee by the Government of Malaysia

Section 5 of the Government of Malaysia's 'Federal Government Fiscal Review' report dated 11 October 2019, 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 RM20 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 Answer for the 2021 Federal Budget on 26 November 2020.

viii) 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).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

11. Financial assets at amortised cost

	Note	Group 31.12.2019 RM'000	Group 31.12. 2018 RM'000 *Restated*	Group 1.1.2018 RM'000 *Restated*
At amortised cost				
Sukuk		**2,080,443**	3,752,314	1,972,650
Negotiable Islamic debt certificate		**1,055,000**	1,939,909	1,832,473
Other investments		**49,407**	86,450	133,121
Less : Accumulated impairment loss - Sukuk	(i)	**(17,883)**	(19,137)	(14,446)
		3,166,967	5,759,536	3,923,798

	Note	TH 31.12.2019 RM'000	TH 31.12. 2018 RM'000 *Restated*	TH 1.1.2018 RM'000 *Restated*
At amortised cost				
Sukuk		**3,849,446**	3,745,427	4,145,865
Negotiable Islamic debt certificate		**1,925,000**	3,915,686	1,832,473
Other investments		**49,407**	86,450	133,122
Less : Accumulated impairment loss - Sukuk	(i)	**(12,199)**	(12,250)	(14,446)
		5,811,654	7,735,313	6,097,014

Debt instruments at amortised cost include unrated debt securities/instruments.

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

	Group 31.12.2019 RM'000	Group 31.12.2018 RM'000	TH 31.12.2019 RM'000	TH 31.12.2018 RM'000
At 1 January	**19,137**	14,446	**12,250**	14,446
Net (writeback)/allowance recognised in profit or loss	**(1,254)**	4,691	**(51)**	(2,196)
At 31 December	**17,883**	19,137	**12,199**	12,250

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

12. Financing, advances and others

	Group		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
		Restated	*Restated*
At amortised cost			
Cash line	**1,430,888**	1,523,866	1,236,674
Credit cards	**492,829**	477,602	458,138
Discounted trade bills	**886,334**	965,660	1,006,425
Trust receipts	**5,462**	10,113	2,922
Term financing			
- House financing	**19,664,565**	18,100,912	16,164,741
- Syndicated financing	**1,032,250**	796,612	731,694
- Leasing financing	**111,653**	106,555	88,244
- Bridging financing	**52,122**	65,268	76,622
- Personal financing	**14,620,732**	13,765,670	12,367,705
- Other term financing	**11,604,531**	10,339,883	10,225,771
Staff financing	**251,496**	235,535	225,328
Pawn broking	**71,107**	73,110	87,222
Investment Account Platform	**-**	9,599	14,408
	50,223,969	46,470,385	42,685,894
Less : Accumulated impairment loss			
- Stage 1	**(431,135)**	(416,450)	(390,478)
- Stage 2	**(148,115)**	(129,402)	(139,501)
- Stage 3	**(172,197)**	(243,853)	(231,636)
	(751,447)	(789,705)	(761,615)
	49,472,522	45,680,680	41,924,279

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

	TH		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
		Restated	*Restated*
Financing to subsidiaries	**2,331,777**	1,788,829	1,858,280
Less : Accumulated impairment loss			
- Individual assessment	**(467,298)**	(203,083)	(195,638)
	1,864,479	1,585,746	1,662,642

Financing from ***TH*** to subsidiaries in Malaysia are charged at a profit rate of 3.9% to 7.0% per annum (2018: 3.9% to 7.0% per annum). Financing from ***TH*** to overseas subsidiaries are charged at a profit rate of 0.0% to 5.0% per annum (2018: 0.0% to 5.0% per annum).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

Movement of allowance for impairment on financing, advances and others

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**
At 1 January 2018	390,478	139,501	231,636	761,615
Transfer to Stage 1	6,841	(6,525)	(316)	-
Transfer to Stage 2	(4,419)	8,639	(4,220)	-
Transfer to Stage 3	(523)	(8,454)	8,977	-
Net allowance made during the year	(22,326)	1,175	160,491	139,340
New financial assets originated or purchased	88,675	7,437	5,090	101,202
Financial assets that have been derecognised	(39,166)	(12,371)	(2,603)	(54,140)
Write off	-	-	(155,202)	(155,202)
Exchange differences	(3,110)	-	-	(3,110)
At 31 December 2018	416,450	129,402	243,853	789,705

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

Movement of allowance for impairment on financing, advances and others *(cont'd.)*

TH	Lifetime ECL RM'000	Total RM'000
At 1 January 2019	**203,083**	**203,083**
Allowance made during the year (Note 43)	**331,969**	**331,969**
Amount written back during the year (Note 43)	**(67,754)**	**(67,754)**
At 31 December 2019	**467,298**	**467,298**

	Lifetime ECL RM'000	Total RM'000
At 1 January 2018	195,638	195,638
Allowance made during the year (Note 43)	115,920	115,920
Amount written back during the year (Note 43)	(108,475)	(108,475)
At 31 December 2018	203,083	203,083

13. Retakaful assets

	Group		
	31.12.2019 RM'000	31.12. 2018 RM'000 *Restated*	1.1.2018 RM'000 *Restated*
Retakaful assets :	**349,548**	296,534	254,804
- Claims liabilities	**90,634**	76,884	71,308
- Contribution liabilities	**315,614**	163,719	179,484
- Actuarial liabilities	**755,796**	537,137	505,596

Details of retakaful assets for claims liabilities are disclosed in Note 33.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

14. Finance lease receivables

	Note	Group 31.12.2019 RM'000
At 1 January 2019, *(As previously stated)*		-
Effects of adoption of MFRS 16 (Note 57(b))		2,025,915
As at 1 January 2019, (*Restated)*		2,025,915
Payment received during the year		(93,399)
Accretion during the year		155,057
Foreign exchange difference		(21,519)
Less : Accumulated impairment loss		(12,937)
At 31 December 2019		2,053,117

	Note	*TH* 31.12.2019 RM'000
At 1 January 2019, *(As previously stated)*		-
Effects of adoption of MFRS 16 (Note 57(b))		2,196,754
At 1 January 2019, (*Restated)*		2,196,754
Payment received during the year		(116,969)
Accretion during the year		175,567
Foreign exchange difference		(21,519)
Less : Accumulated impairment loss	(i)	(12,937)
At 31 December 2019		2,220,896

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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
	31.12.2019 RM'000
Neither past due nor impaired	1,862,839
1 to 30 days due nor impaired	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	134,360
	190,278
Impaired	12,937
	2,066,054

	TH
	31.12.2019 RM'000
Neither past due nor impaired	2,030,618
1 to 30 days due nor impaired	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	134,360
	190,278
Impaired	12,937
	2,233,833

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

14. Finance lease receivables *(cont'd.)*

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

	Group / TH 31.12.2019 RM'000
At 1 January	**-**
Charge for the year	**12,937**
At 31 December	**12,937**

Included in finance lease receivables due is RM197,758,000 (31 December 2018 and 1 January 2018: Nil) due from a counterparty with regards to lease rental on properties located in Makkah and Madinah of which RM147,297,000 is more than 90 days. The entire amount due from the counterparty is secured against certain documents which are enforceable under the Anti-Money Laundering Law in Saudi Arabia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

15. Trade and other receivables at amortised cost

	Note	Group 31.12.2019 RM'000	31.12. 2018 RM'000 *Restated*	1.1.2018 RM'000 *Restated*
Trade receivables				
Trade receivables	(i)	**366,565**	450,658	529,026
Accrued rental income		**66,242**	56,734	47,579
Contract assets		**16,079**	19,947	21,808
Less : Accumulated impairment loss	(i)	**(18,156)**	(15,815)	(6,317)
		430,730	511,524	592,096
Other receivables				
Takaful receivables		**210,270**	145,202	179,405
Other receivables, deposits and prepayments		**447,591**	547,900	958,836
Clients' and dealers' debit balances		**23,147**	32,037	47,395
Prepayments for operating lease		**-**	1,476,997	1,124,840
Staff financing		**90,532**	89,231	92,901
Amount due from:				
- Associates		**1,755**	500	3,154
- Jointly controlled entities		**741,019**	939,924	1,110,569
Less : Accumulated impairment loss				
- Other receivables	(ii)	**(23,277)**	(15,505)	(266)
- Takaful receivables	(iii)	**(6,591)**	(6,107)	(8,980)
- Jointly controlled entities	(iv)	**(113,969)**	(64,793)	(63,221)
		1,370,477	3,145,386	3,444,633
		1,801,207	3,656,910	4,036,729

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

			TH	
	Note	**31.12.2019**	31.12. 2018	1.1.2018
		RM'000	RM'000	RM'000
			Restated	*Restated*
Trade receivables				
Trade receivables		**316,926**	386,648	514,101
Accrued rental income		**66,242**	56,734	47,579
Less : Accumulated impairment loss	(i)	**(7,224)**	(7,226)	(1,376)
		375,944	436,156	560,304
Other receivables				
Other receivables, deposits and prepayments		**11,662**	59,013	285,515
Prepayments for operating lease		**-**	1,476,997	1,124,840
Staff financing		**9,480**	9,158	14,282
Amount due from :				
- Subsidiary		**364,526**	971,309	740,546
- Associates		**1,755**	500	1,660
Less : Accumulated impairment loss				
- Other receivables	(ii)	**(764)**	-	-
- Amount due from subsidiaries	(v)	**(136,606)**	(100,301)	-
		250,053	2,416,676	2,166,843
		625,997	2,852,832	2,727,147

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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. 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*	
	31.12.2019 RM'000	31.12.2018 **RM'000** *Restated*	**31.12.2019 RM'000**	31.12.2018 **RM'000** *Restated*
Neither past due nor impaired	**307,118**	360,612	**293,765**	328,438
1 to 30 days due nor impaired	**12,072**	28,078	**5,357**	14,153
31 to 60 days past due not impaired	**11,136**	11,543	**4,439**	6,966
61 to 90 days past due not impaired	**10,704**	9,260	**4,276**	2,078
Past due more than 90 days	**9,422**	30,789	**3,339**	16,539
	43,334	79,670	**17,411**	39,736
Impaired	**16,113**	10,376	**5,750**	18,474
	366,565	450,658	**316,926**	386,648

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

	Group		*TH*	
	31.12.2019 RM'000	31.12.2018 RM'000	**31.12.2019 RM'000**	31.12.2018 RM'000
At 1 January	**15,815**	6,317	**7,226**	1,376
Charge for the year	**2,341**	9,498	**(2)**	5,850
At 31 December	**18,156**	15,815	**7,224**	7,226

ii) Other receivables

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

	Group		*TH*	
	31.12.2019 RM'000	31.12.2018 RM'000	**31.12.2019 RM'000**	31.12.2018 RM'000
At 1 January	**15,505**	266	**-**	-
Charge for the year	**7,772**	15,239	**764**	-
At 31 December	**23,277**	15,505	**764**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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, Takaful has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information.

Takaful 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	
	31.12.2019	31.12.2018
	RM'000	RM'000
At 1 January	**6,107**	8,980
Net remeasurement of allowance	**484**	(2,837)
Bad debts written off	**-**	(36)
At 31 December	**6,591**	6,107

iv) Jointly controlled entities

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

	Group	
	31.12.2019	31.12.2018
	RM'000	RM'000
At 1 January	**64,793**	63,221
Charge for the year	**49,176**	1,572
At 31 December	**113,969**	64,793

v) Amount due from subsidiaries

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

	TH	
	31.12.2019	31.12.2018
	RM'000	RM'000
At 1 January	**100,301**	-
Charge for the year	**36,305**	100,301
At 31 December	**136,606**	100,301

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

16. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits of the Group 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.

17. Biological assets

	Group	
	31.12.2019 **RM'000**	31.12.2018 RM'000
At 1 January	**35,658**	52,567
Changes in fair value recognised in profit or loss	**11,031**	(9,752)
Disposal of subsidiary company to UJSB	**-**	(566)
Transfer from assets held for sale	**1,417**	-
Transfer to assets held for sale	**(12,701)**	(6,591)
At 31 December	**35,405**	35,658

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

	Group	
	31.12.2019 **RM'000**	31.12.2018 RM'000
Biological assets	**7,405**	(9,752)
Biological assets classified as assets held for sale	**3,626**	-
	11,031	(9,752)

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 contributary 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 (RM231/mt - RM576/mt) (2018: RM195/mt - RM399/mt), collection cost (RM62/mt - RM120/mt) (2018: RM60/mt - RM130/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 RM6,855,000. If the collection cost increase by 10% profit or loss of the Group would have decreased by approximately RM1,527,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

18. Inventories

	Note	Group	
		31.12.2019	31.12.2018
At cost		**RM'000**	RM'000
Land held for property development	(i)	**807,835**	765,049
Property development costs	(i)	**118,893**	262,893
Completed properties	(ii)	**94,319**	114,070
Stores		**5,092**	13,061
Finished goods		**3,242**	11,668
		1,029,381	1,166,741

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

	Group	
	31.12.2019	31.12.2018
	RM'000	RM'000
Balance as at 1 January	**2,422,598**	2,300,359
Add : Cost incurred during the year	**43,557**	122,239
Less : Costs recognised as an expense in profit or loss		
- Previous years	**(1,202,501)**	(1,104,498)
- Current year	**(145,240)**	(130,251)
- Unsold inventories	**(175,917)**	(152,224)
Less : Accumulated impairment loss	**(15,769)**	(7,683)
	926,728	1,027,942
Non-current portion - land held for property development	**(807,835)**	(765,049)
Current portion - property development cost	**118,893**	(262,893)

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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	
	31.12.2019 **RM'000**	31.12.2018 RM'000
At 1 January	**7,683**	-
Charge for the year (Note 43)	**8,086**	7,683
At 31 December	**15,769**	7,683

(ii) Completed properties

During the year, the amount of inventories recognised as an expense in cost of sales of the Group are RM34,630,000 (2018: RM17,508,000).

19. Investment properties

	Group		
	31.12.2019 **RM'000**	31.12. 2018 RM'000 *Restated*	1.1.2018 RM'000 *Restated*
At fair value			
At 1 January, *(As previously stated)*	**5,745,111**	6,989,958	7,219,097
Reclassification to accrued rental income (Note 57(a))	**(56,734)**	(47,579)	(40,084)
At 1 January, *(Restated)*	**5,688,377**	6,942,379	7,179,013
Additions	**98,199**	303,354	204,815
Acquisition of a subsidiary	**-**	155,000	-
Disposal	**-**	(642)	(72)
Transfer from/(to) property, plant and equipment (Note 26)	**3,105**	(24,279)	2,811
Transfer to assets of disposal group classified as held for sale	**-**	-	(477,776)
Accrued rental income	**(9,508)**	(9,155)	(7,495)
Fair value adjustment as per valuation report	**(119,261)**	(222,983)	56,044
Disposal to UJSB	**-**	(1,393,620)	-
Foreign exchange difference	**37,862**	(61,677)	(14,961)
At 31 December	**5,698,774**	5,688,377	6,942,379

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

	TH		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
		Restated	*Restated*
At fair value			
At 1 January, *(As previously stated)*	**4,078,136**	5,588,794	5,471,059
Reclassification to accrued rental income (Note 57(a))	**(56,734)**	(47,579)	(40,084)
At 1 January, *(Restated)*	**4,021,402**	5,541,215	5,430,975
Additions	**5,842**	99,899	182,500
Disposal	**-**	-	(72)
Transfer from property, plant and equipment (Note 26)	**99**	1,984	129
Transferred to assets classified as held for sale	**-**	-	(10,950)
Accrued rental income	**(9,508)**	(9,155)	(7,495)
Fair value adjustment as per valuation report	**(22,487)**	(218,921)	(53,872)
Disposal to UJSB	**-**	(1,393,620)	-
At 31 December	**3,995,348**	4,021,402	5,541,215

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		TH	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Within one year	**247,995**	456,602	**204,959**	450,912
Between one and five years	**271,327**	1,874,216	**233,711**	1,871,617
More than 5 years	**-**	1,461,330	**-**	1,461,330
	519,322	3,792,148	**438,670**	3,783,859

As at financial year ended 31 December 2019, a subsidiary company incorporated in Jersey has pledged investment properties at a carrying value of RM642,038,000 (2018: RM665,511,000) as security for bank borrowings as disclosed in Notes 39.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

Leasing arrangements *(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**
31.12.2019			
Freehold land and buildings	**1,474,202**	**2,206,826**	**3,681,028**
Leasehold land and buildings	**2,007,684**	**10,062**	**2,017,746**
	3,481,886	**2,216,888**	**5,698,774**
31.12.2018			
Freehold land and buildings	1,328,674	2,285,466	3,614,140
Leasehold land and buildings	2,064,408	9,829	2,074,237
	3,393,082	2,295,295	5,688,377
1.1.2018			
Freehold land and buildings	2,786,518	2,466,521	5,253,039
Leasehold land and buildings	1,679,220	10,120	1,689,340
	4,465,738	2,476,641	6,942,379

The fair value of the Group's and TH's investment properties are categorised as follows:

TH	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
31.12.2019			
Freehold land and buildings	**1,791,202**	**2,204,146**	**3,995,348**
31.12.2018			
Freehold land and buildings	1,738,684	2,282,718	4,021,402
1.1.2018			
Freehold land and buildings	3,080,254	2,460,961	5,541,215

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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. There is no transfer between levels of fair value during the financial year.

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 and/or income 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.

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, and the valuation method. The valuation 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

20. Investment in jointly controlled entities

	Note	Group	
		31.12.2019	31.12.2018
		RM'000	RM'000
			Restated
At cost			
Unquoted shares		**659,619**	401,802
Addition		**19,081**	285,566
Disposal		**-**	(27,749)
		678,700	659,619
Group's share of reserves in jointly controlled entities		**(371,960)**	(308,199)
Less: Accumulated impairment loss	(i)	**(45,000)**	(39,184)
		261,740	312,236

	Note	*TH*	
		31.12.2019	31.12.2018
		RM'000	RM'000
At cost			
Unquoted shares		**404,961**	392,961
Less: Accumulated impairment loss	(i)	**(404,711)**	(352,311)
		250	40,650

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

	Group		*TH*	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**39,184**	-	**352,311**	-
Charge for the year	**45,000**	39,184	**52,400**	352,311
Reversal during the year	**(39,184)**	-	**-**	-
At 31 December	**45,000**	39,184	**404,711**	352,311

2019

(ii) Turich Resources Sdn. Bhd. ("Turich")

During the financial year, ***TH*** had subscribed to an additional 12,000,000 Murabahah Redeemable Convertible Preference Shares ("MRCPS") at RM12,000,000 in Turich, a jointly controlled entity of ***TH***.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

2019 *(cont'd.)*

(ii) Trurich Resources Sdn. Bhd. ("Trurich") *(cont'd.)*

An impairment assessment was carried out on the Group'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. An additional impairment of RM12,000,000 had been recognised in the profit or loss of Group and ***TH*** respectively during the financial year. ***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

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 the bank's indulgence to defer the obligation to pay the overdue payments until the conclusion of the Trurich's divestment exercise. The bank is agreeable to further extend the indulgence period until 15 June 2020. Management of Trurich is seeking further extension of the indulgence period in view of expiry of the existing indulgence.

(iii) Abraj Sdn. Bhd. ("Abraj")

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:

a) Abraj makes early settlement or early redemption, including those arising from prepayment;
b) Abraj makes settlement of the Facility in the case of default; and
c) 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. An additional impairment of RM4,600,000 had been recognised in the profit or loss of the Group during the financial year. ***TH*** does not have further payment obligation to Abraj as at 31 December 2019.

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. Both shareholders are in the midst of negotiating the term of settlement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

2019 *(cont'd.)*

(iv) Impairment during the year

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

Details of jointly controlled entities are as follows:

		Effective ownership interest	
		31.12.2019	31.12.2018
Name of company	**Principal activities**	**%**	%
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**	50
Abraj Management Sdn. Bhd.	Under liquidation	**50**	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	**51**	51
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 Hurstville Trust which is involved in apartment project at Hurstville, Sydney, Australia	**50**	50
Piety THP Developments Pty. Ltd.	Property development management services	**50**	50

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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 31.12.2019 %	Effective ownership interest 31.12.2018 %
Unquoted and incorporated in Jersey			
LTH Property Holdings 2 Ltd. *and its jointly controlled entity:*			
Marston Development Limited	Leasing of properties	**50**	50

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 RM5. The carrying amount of the investment as at 31 December 2019 is RM1,344,000

2018

Acquisition of jointly controlled entity

In 2018, the Group had acquired interest in Marston Development Limited through LTH Property Holdings 2 Ltd., a subsdiary in Jersey, for a cash consideration of RM1,316,800.

Disposal of jointly controlled entities

a) A wholly-owned subsidiary of Theta Edge Berhad, TH2.0 Sdn. Bhd. ("TH2.0") had on 2 April 2018 entered into a Share Sale and Purchase Agreement with Ijara Management Company ("IMC"), a management service company, established by the Islamic Corporation for the Development of the Private Sector under the laws of the Kingdom of Saudi Arabia, for the disposal of TH2.0's entire 3,000,000 ordinary shares, representing 50% of equity holding in Taha Alam Sdn. Bhd. to IMC for a total consideration of RM1. The impact of the disposal to the Group is a loss of RM15,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

2018 *(cont'd.)*

Disposal of jointly controlled entities *(cont'd.)*

b) A wholly-owned subsidiary of ***TH***, TH Indo Industries Sdn. Bhd. (THII) had, on 2 February 2018, entered into a Share Sale and Purchase Agreement to dispose off its 50% equity interest in PT Synergy Oil Nusantara for a total net consideration of USD11,502,566 in cash. The impact of disposals of PT Synergy Oil Nusantara are as follows:

	Group
	31.12.2018 RM'000
Disposal proceeds	
Cash	40,121
Unpaid retention sum	4,837
	44,958
Add: Realisation of post-acquisition losses on disposal of jointly-controlled entity	1,180
Gain on disposal to the Group	46,138

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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:

31.12.2019	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
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)/gain	(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	-	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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:

31.12.2018	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
Summarised statements of financial position					
Assets	1,293,580	233,022	125,494	371,985	2,024,081
Liabilities	(1,215,212)	(87,033)	(132,171)	(327,672)	(1,762,088)
Net (Liabilities)/Assets	78,368	145,989	(6,677)	44,313	261,993
Summarised statements of profit or loss and other comprehensive income					
Revenue	168,782	481,188	-	117,372	767,342
(Loss)/Profit for the year	(177,781)	74,186	-	203,231	99,636
Total comprehensive (loss)/gain	177,781)	74,186	-	203,231	99,636
Share of net results for the financial year	(88,891)	37,093	-	95,822	44,024
Distribution of profits	-	(37,782)	-	(400)	(38,182)

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	39,184	72,995	(4,674)	52,502	160,007
Impairment	(39,184)	-	-	-	(39,184)
Fair value adjustment upon acquisition	-	-	193,674	-	193,674
Goodwill	-	-	(2,261)	-	(2,261)
Group's carrying amount of the investment	-	72,995	186,739	52,502	312,236

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

21. Investment in associates

	Group		*TH*	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
At cost				
Unquoted shares	**427,884**	427,884	**427,842**	427,842
Group's share of reserves of associates	**17,067**	(21,137)	**-**	-
Less: Accumulated impairment loss (Note (i))	**(34,850)**	(34,810)	**(216,934)**	(245,893)
	410,101	371,937	**210,908**	181,949
Quoted shares	**-**	891,559	**-**	-
Disposal	**-**	(891,559)	**-**	-
	-	-	**-**	-

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

	Group		*TH*	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**34,810**	28,110	**245,893**	94,820
Charge for the year	**40**	6,700	**-**	151,073
Writeback for the year	**-**	-	**(28,959)**	-
At 31 December	**34,850**	34,810	**216,934**	245,893

2019

ii) Impairment during the year

During the financial year, 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.

2018

iii) Impairment during the year

Difficult operating conditions in the year 2018 and continuing losses recorded by an associate, Putrajaya Perdana Berhad, were identified as indicators for an impairment test to be performed. The valuation is a Level 2 fair value estimation based on quoted prices for similar assets in an active market. Based on the fair value less costs to sell, the recoverable amount for Putrajaya Perdana Berhad is estimated at RM49,370,000. Hence, an impairment of RM143,619,000 has been recognised in the profit or loss of ***TH*** in 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

2018 *(cont'd.)*

(iv) Transfer of asset to UJSB

On 27 December 2018, ***TH*** had entered into Asset Transfer Agreements with Urusharta Jamaah Sdn. Bhd., a special purpose vehicle (SPV) to transfer underperforming assets at a transfer price of RM19.9 billion. The transfer includes disposal of quoted associated companies namely TH Heavy Engineering Berhad and Pelikan International Corporation Berhad, with a total carrying amount of RM595,907,000, resulting in a gain of RM429,386,000 as disclosed in Note 10.

Details of associates are as follows:

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	Effective ownership interest 31.12.2018 %
Direct holding			
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 beverages	**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 management	**23**	23
Bata (Malaysia) Sdn. Bhd.	Manufacture and marketing of footwear	**20**	20
Top Priority Sdn. Bhd.*	Dormant	**30**	30
Prizevest Sdn. Bhd.*	Dormant	**30**	30
Victec Enterprise Sdn. Bhd.*	Dormant	**30**	30

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	Effective ownership interest 31.12.2018 %
Indirect holding			
TH Properties Sdn. Bhd. *and its associates*			
Sambungan Lebuhraya Timur Sdn. Bhd	Dormant	**40**	40
HCM-TH Technologies JV	Dormant	**40**	40
YTL THP JV Sdn. Bhd.	Dormant	**30**	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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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:

31.12.2019	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	106,828	393,049
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)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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:

31.12.2018	**Perumahan Kinrara Berhad RM'000**	**Putrajaya Perdana Berhad RM'000**	**Other associates RM'000**	**Total RM'000**
Summarised statements of financial position				
Assets	938,143	709,238	2,333,520	3,980,901
Liabilities	(125,021)	(410,696)	(1,948,538)	(2,484,255)
Net Assets	813,122	298,542	384,982	1,496,646
Group's share of net assets	203,281	89,562	62,042	354,885
Summarised statements of profit or loss and other comprehensive income				
Revenue	198,207	482,026	1,952,720	2,632,953
Profit/(Loss) for the year	38,290	(2,534)	(127,690)	(91,934)
Other comprehensive loss	-	-	(29,469)	(29,469)
Total comprehensive income/loss	38,290	(2,534)	(157,159)	(121,403)
Share of net results for the financial year	12,586	(1,956)	(214,356)	(203,726)
Distribution of profits	(1,617)	(1,000)	(4,900)	(7,517)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

22. Investment in subsidiaries

	Note	TH 31.12.2019 RM'000	TH 31.12.2018 RM'000
At cost			
Quoted shares in Malaysia		**4,496,432**	4,427,710
Less: Accumulated impairment loss	(i)	**(170,059)**	(180,556)
		4,326,373	4,247,154
Unquoted shares in Malaysia		**2,174,870**	2,274,871
Less: Accumulated impairment loss	(ii)	**(235,933)**	(244,643)
		1,938,937	2,030,228
		6,265,310	6,277,382
Market value of quoted shares		**4,618,197**	3,546,471

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

	TH 31.12.2019 RM'000	TH 31.12.2018 RM'000
(i) Quoted shares		
Balance as at 1 January	**180,556**	47,312
Charge for the year	**36,815**	133,244
Transfer to asset held for sale	**(47,312)**	-
As at 31 December	**170,059**	180,556

	TH 31.12.2019 RM'000	TH 31.12.2018 RM'000
(ii) Unquoted shares		
Balance as at 1 January	**244,643**	-
Charge for the year	**3,192**	244,643
Writeback for the year	**(11,902)**	-
As at 31 December	**235,933**	244,643

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

2019

During the current financial year, additional investments and divestments were made by ***TH*** in its subsidiary companies as follows:

(i) Pursuant to a dividend reinvestment plan between ***TH*** and BIMB Holdings Berhad, dividends totalling RM140,348,000 (2018 : RM122,105,000) declared by BIMB Holdings Berhad was reinvested and capitalised by ***TH*** during the year;

(ii) During the year, 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.

2018

In prior year, additional investments and divestments had been made by ***TH*** in its subsidiary companies as follows:

(i) An Islamic Redeemable Convertible Preference Shares ("IRCPS") totalling RM30,092,248 issued by THV Management Services Sdn. Bhd., a newly incorporated subsidiary company involved in the operations and management of TH Hotel Movenpick in Sepang, Selangor;

(ii) Additional investment was made by ***TH*** amounting to RM8,769,000 in Deru Semangat Sdn. Bhd., a subsidiary involved in the development of oil palm plantation. The investment was recognised as a quasi-investment; and

(iii) ***TH*** has invested an additional RM5,000,000 in Premia Cards Sdn. Bhd., a subsidiary involved in issuance of debit or prepaid card. The investment was recognised as a quasi-investment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

2018 *(cont'd.)*

In prior year, additional investments and divestments had been made by ***TH*** in its subsidiary companies as follows:

(iv) On 14 June 2018, ***TH*** entered into a Share Sales Agreement ("SSA") with Gapurna Sdn. Bhd. for the acquisition of 100% equity interest in Gapurna Retail Sdn. Bhd. ("GRSB"). The acquisition of GRSB was completed on 5 October 2018 for a total purchase consideration of RM142,449,000. GRSB had on 20 February 2019 changed its name to Sigma Entity Sdn. Bhd.

Purchase consideration - cash outflow	2018 RM'000
Outflow of cash to acquire GRSB, net of cash acquired	
Cash paid	142,449
Less : Balance acquired - cash at bank	(201)
Net outflow of cash - investing activities	142,248

The following summarises the amount of assets and liabilities recognised at the acquisition date:

	Fair value RM'000
Cash at bank	201
Deferred tax assets	3,170
Investment property	151,437
Trade and other receivables	3,690
Trade and other payables	(8,156)
Net identifiable assets acquired	150,342
Negative goodwill	(7,893)
Fair value of purchase consideration	142,449

The acquired business contributed revenue of RM2,986,000 and net profit of RM635,000 to the Group for the period from October to December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated proforma revenue and net profit for the year ended 31 December 2018 would have been higher by RM14,959,000 and RM7,542,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would not be materially different if the acquisition had occurred on 1 January 2018.

The group had completed the purchase price allocation in regards to the acquisition of GRSB in 2018. Costs related to acquisition of GRSB is immaterial.

(v) On 27 December 2018, ***TH*** had entered into Asset Transfer Agreements with Urusharta Jamaah Sdn. Bhd., a special purpose vehicle (SPV) to transfer underperforming assets at a transfer price of RM19.9 billion. The transfer includes disposal of TH Estates (Holdings) Sdn. Bhd., a subsidiary of ***TH***, with a total carrying amount of RM718,322,000, resulting in a gain of RM83,453,000, as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

2018 *(cont'd.)*

Impairment of investments in subsidiaries

Impairment losses have been recognised during the financial year mainly from the following sector:

i) Plantation Sector

During the financial year, the following factors have been identified as indicators for an impairment assessment to be performed:

a) market value of plantation sector subsidiaries 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 subsidiary companies 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 in determining the recoverable amount are as follows:

31.12.2019

Period of projection	10 - 25 years
Bare land 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, the subsidiaries recorded impairment loss of RM36,815,000 due to the shortfall of the present value of cash flows expected to be generated compared to its carrying amount.

Based on the 25 years cash flow projections, the sensitivity analysis results based on the assumptions above are as per below:

a) If the bare land value decrease by 5%, it will lead to a decrease of RM71,320,000 as compared to the carrying value, resulting to net present value of RM572,399,000.

b) If the discount rate increase by 1%, it will lead to a decrease of RM79,732,000 as compared to the carrying value, resulting to net present value of RM563,987,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Impairment losses have been recognised during the financial year mainly from the following sector: *(cont'd.)*

i) Plantation Sector *(cont'd.)*

31.12.2018

Period of projection	7 - 9 years
Crude palm oil (CPO) selling price	RM2,300 / metric tonne
Discount rate	7.0 % - 7.9%
Terminal value growth rate	1.00%

Based on the impairment assessment performed, the subsidiaries recorded impairment loss of RM290,942,000 due to the shortfall of the present value of cash flows expected to be generated compared to its carrying amount.

The above estimates are particularly sensitive in the following cases:

a) If the average CPO selling price had been 2% lower than the management's estimates, the deficit of the value in use calculation would increase by RM84,260,000 and would result in a deficit of RM375,202,000;

b) If the estimated discount rate applied to the discounted cash flows had been 1% higher than management's estimates, the deficit of value in use calculation would increase by RM53,001,000 and would result in a deficit of RM343,943,000; and

c) If the terminal value growth rate applied to the discounted cash flows had been 0.5% lower than management's estimates, the deficit of value in use calculation would increase by RM37,989,000 and would result in a deficit of RM328,931,000.

The above sensitivity analysis is based on the assumptions while holding all other assumptions constant. The entity is classified under the Plantation segment in the Group's segment information (Note 48).

ii) Marine Sector

No impairment was recognised in financial year 2019.

In 2018, continuing losses in the subsidiary has been identified as indicator for an impairment test to be performed on the subsidiary. The recoverable amount of the investment in subsidiary are based on its fair value less cost to sell. Fair value of the primary assets of the subsidiary is determined by an independent valuation carried out by a registered professional valuer.

As a result of the assessment, an impairment of RM69,871,000 has been recognised in profit or loss of ***TH*** in 2018. The entity is classified under the Others segment in the Group's segment information (Note 48).

Commitments

As at 31 December 2019, ***TH*** has a commitment to invest in Deru Semangat Sdn. Bhd. and TH Properties Sdn. Bhd. for the amount of RM194.0 million and RM167.4 million respectively for the development and cultivation of oil palm plantations and property development activities of the subsidiary companies. ***TH*** also has a commitment to invest in Marine 1 (L) Inc. of RM25.6 million for its operation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

Details of subsidiaries are as follows:

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	Effective ownership interest 31.12.2018 %
Quoted and incorporated in Malaysia			
BIMB Holdings Bhd *and its subsidiaries:*	Investment holding	**54**	53
Bank Islam Malaysia Berhad *and its subsidiaries:*	Islamic banking business	**54**	53
BIMB Investment Management Berhad	Management of Islamic Unit Trust Funds	**54**	53
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	**54**	53
Farihan Corporation Sdn. Bhd.	Provision of manpower services in relevant areas	**54**	53
Bank Islam Trust Company (Labuan) Ltd. *and its subsidiary:*	Provision of services as Labuan registered trust company	**54**	53
BIMB Offshore Company Management Services Sdn. Bhd.	Resident Corporate Secretary and Director for Offshore Companies	**54**	53
BIMB Securities (Holdings) Sdn. Bhd. *and its subsidiary:*	Investment holding	**54**	53
BIMB Securities Sdn. Bhd. *and its subsidiaries:*	Stockbroking	**54**	53
BIMSEC Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	**54**	53
BIMSEC Nominees (Asing) Sdn. Bhd.	Provision of nominee services	**54**	53

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	Effective ownership interest 31.12.2018 %
Quoted and incorporated in Malaysia			
BIMB Holdings Bhd *and its subsidiaries: (cont'd.)*			
Syarikat Takaful Malaysia Keluarga Berhad *and its subsidiaries:*	Family and General Takaful business	**32**	32
Syarikat Takaful Malaysia Am Berhad	General Takaful business	**32**	32
Syarikat Al-Ijarah Sdn. Bhd	Leasing of assets	**54**	53
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 bunches	**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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	Effective ownership interest 31.12.2018 %
Quoted and incorporated in Malaysia			
TH Plantations Berhad *and its subsidiaries: (cont'd.)*			
Manisraya Sdn. Bhd.	Tradeline services in dealing and trading of fresh fruit bunches	**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**	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	31.12.2018 %
Quoted and incorporated in Malaysia			
TH PELITA Sadong Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	**52**	52
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	Effective ownership interest 31.12.2018 %
Quoted and incorporated in Malaysia *(cont'd.)*			
Kuni Riang Sdn. Bhd.	Dormant	**74**	74
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	Effective ownership interest 31.12.2018 %
Unquoted and incorporated in Malaysia *(cont'd.)*			
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. (formerly known as Gapurna Retail Sdn. Bhd.)	Property investment and management, letting of properties and maintenance services	**100**	100
TH Properties Sdn. Bhd. *and its subsidiaries:*	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**	100
Keramat Green Development Sdn. Bhd.	Property development	**100**	100
THP Citaglobal Sdn. Bhd.	Property development	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

		Effective ownership interest	
Name of company	**Principal activities**	**31.12.2019 %**	31.12.2018 %
Unquoted and incorporated in Malaysia *(cont'd.)*			
TH Properties Sdn. Bhd. *and its subsidiaries: (cont'd.)*			
THP Sydney Bay Views Sdn. Bhd.	Investment property	**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**	100
THP Skyline Sdn. Bhd.	Dormant	**100**	100
THP Subiaco (Labuan) Corporation	Dormant	**100**	100
THP St Leonards (Labuan) Corporation	Dormant	**100**	100
THP Mezzanine One (Labuan) Corporation	Dormant	**100**	100
THP-SBB JV Sdn. Bhd.	Dormant	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	31.12.2018 %
Unquoted and incorporated in Malaysia *(cont'd.)*			
TH Properties Sdn. Bhd. *and its subsidiaries: (cont'd.)*			
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 subsidiary:*	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.	Hotel operations	**100**	100
TH Hotel Terengganu Sdn. Bhd.	Hotel operations	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

		Effective ownership interest	
Name of company	**Principal activities**	**31.12.2019 %**	31.12.2018 %
Unquoted and incorporated in Malaysia *(cont'd.)*			
TH Hotel & Residence Sdn. Bhd. *and its subsidiaries: (cont'd.)*			
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. *dan syarikat subsidiarinya:*	Investment holding	**51**	51
Alam-JV DP1 (L) Inc.	Ship owning	**51**	51
Alam-JV DP2 (L) Inc.	Ship owning	**51**	51
TH Marine Sdn. Bhd.**	Dormant	**-**	100
Premia Cards Sdn. Bhd.	Debit or prepaid card issuer	**100**	100
LTH Property Investment (L) Inc.	Investment holding and property investment	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	**Principal activities**	**Effective ownership interest** 31.12.2019 %	31.12.2018 %
Incorporated in United Kingdom			
LTH Property Holdings Limited *and its subsidiaries:*	Investment holding	**100**	100
10 Queen Street Place London Limited	Investment property holding	**100**	100
151 BPR One Limited**	Investment holding	**-**	100
LTH Property Holdings 2 Limited *and its subsidiaries:*	Investment holding	**100**	100
Leatherhead Properties Limited *and its subsidiary:*	Investment property holding	**100**	100
LTH Leatherhead Limited#	Investment property holding	**-**	100
Millstream Property Limited	Investment property holding	**100**	100
LTH Oxford Limited	Investment holding	**100**	100
LTH Property Holdings 3 Limited *dan syarikat subsidiarinya:*	Investment holding	**100**	100
Luton Investments Limited	Dormant	**-**	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

		Effective ownership interest	
Name of company	**Principal activities**	**31.12.2019 %**	31.12.2018 %
Incorporated in United Kingdom *(cont'd.)*			
LTH Property Holdings 4 Limited *and its subsidiaries:*	Investment holding	**100**	100
LTH Residence Limited	Investment property holding	**100**	100
LTH Residence Two Limited	Investment property holding	**100**	100
LTH Property Holdings 5 Limited** *and its subsidiary:*	Dormant	**-**	100
Fifteen Canada Square Limited	Dormant	**-**	100
LTH Property Holdings 6 Limited** *and its subsidiary:*	Dormant	**-**	100
THPS Capital Sdn. Bhd. *and its subsidiary:*	Dormant		
THPS Capital UK Limited	Provision of asset management services in the commercial real estate sector	**60**	60

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	Effective ownership interest 31.12.2018 %
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**	100
THP Rokeby Pty. Ltd.	Trustee of THP Rokeby Trust, the beneficiary of THP Subiaco (Labuan) Corporation	**100**	100
THP Mezzanine One Pty. Ltd.	THP Mezzanine One was intended to be vehicle to raise funds and extend mezzanine financing to THP Group projects in Australia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

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

Name of company	Principal activities	Effective ownership interest 31.12.2019 %	Effective ownership interest 31.12.2018 %
Incorporated in Saudi Arabia			
TH Hotel & Residence Sdn. Bhd. *and its subsidiary:*			
TH Real Estate	Under liquidation	**-**	100
Incorporated in Indonesia			
Syarikat Takaful Malaysia Keluarga Berhad *and its subsidiaries:*			
P.T. Syarikat Takaful Indonesia *dan syarikat subsidiarinya:*	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.*
** *Dissolved during the financial year.*
\# *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.*
^^ *Transfered to assets held for sale.*

All subsidiaries of ***TH*** are not audited by the Auditor General of Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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:

	31.12.2019		31.12.2018	
	BIMB Holdings Berhad RM'000	**TH Plantations Berhad RM'000**	**BIMB Holdings Berhad RM'000**	**TH Plantations Berhad RM'000**
Summarised statements of financial position				
Assets	**77,271,560**	**2,736,602**	72,388,541	2,868,303
Liabilities	**(70,853,417)**	**(1,918,798)**	(66,893,819)	(1,773,208)
Net assets	**6,418,143**	**817,804**	5,494,722	1,095,095
Summarised statements of profit or loss and statements of comprehensive income				
Revenue	**5,424,472**	**461,466**	4,121,187	376,692
Profit/(Loss) for the year	**935,369**	**(273,134)**	801,421	(658,382)
Total comprehensive income/(loss)	**1,147,320**	**(274,675)**	804,673	(662,629)
Summarised statements of cash flows				
Cash flows from operating activities	**247,630**	**134,023**	3,283,438	42,269
Cash flows from investing activities	**(426,614)**	**(67,828)**	(2,604,917)	(95,658)
Cash flows from financing activities	**(196,968)**	**(47,780)**	(348,052)	5,120
Net (decrease)/increase in cash and cash equivalents	**(375,952)**	**18,415**	330,469	(48,269)
Dividends to non-controlling interests	**247,296**	**2,616**	171,894	5,464

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

23. Forestry

	Group	
	31.12.2019	31.12.2018
	RM'000	RM'000
At 1 January	**49,825**	187,956
Additions during the year	**25,083**	26,005
Additions of nurseries	**-**	1,678
Transfer from nurseries	**(13,385)**	(2,393)
Additions charged to profit or loss	**(11,923)**	(26,005)
Nurseries written off	**-**	(3,116)
Change in fair value recognised in profit or loss (Note 42)	**(43,215)**	(134,300)
At 31 December	**6,385**	49,825
Included in additions during the year are as follows:		
Personnel expenses:		
- Wages, salaries and others	**1,363**	1,709
- Contributions to the Employees Provident Fund	**210**	261

Fair value information

Fair value of forestry is categorised as follows:

	Level 3	
	31.12.2019	31.12.2018
	RM'000	RM'000
Forestry	**6,385**	49,825

* 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. The Group is of the opinion that as a result of the decrease in latex price in recent years, it is not cost effective to extract latex from the rubber trees, thus, the valuation for the current financial year does not account for tapping of latex.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

used in the valuation models in the current and prior year.

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.

Significant unobservable inputs in current year	*Significant unobservable inputs in prior year*	*Inter-relationship between significant unobservable inputs and fair value measurement*
		The estimated fair value would increase/(decrease) if:
• Expected clear bole volume (153tonne/ha - 217tonne/ha)	Expected clear bole volume (189tonne/ha - 430tonne/ha)	Expected clear bole volume were higher/(lower);
• Clear bole price (RM166/tonne)	Clear bole price (RM180/tonne)	Clear bole price higher/(lower);
• Canopy wood volume (Nil tonne/ha)	Canopy wood volume (52tonne/ha – 151tonne/ha)	Canopy wood volume higher/(lower);
• Canopy wood price (RMnil/tonne)	Canopy wood price (RM50/tonne)	Canopy wood 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 (RM40/ha)	Upkeep and maintenance cost (RM30/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 (1%)	Land rental rate (3%)	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 1% has been used during the current year as compared to prior year where a land rental rate of 3% 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 RM2,377,000;
- An increase of timber price by 10% would have resulted in a decrease of fair value loss by RM2,377,000;
- A decrease of 10% in the upkeep and maintenance cost would have resulted in a decrease of fair value loss by RM850,000; and
- A decrease by 2% in the discount rate would have resulted in a decrease of fair value loss by RM3,345,000.

23. Forestry *(cont'd.)*

Fair value information *(cont'd.)*

Valuation processes applied by the Group for Level 3 fair value *(cont'd.)*

If the key assumptions used during the current year is consistent with prior year, the impact would have been as follows:

- Factoring a 3% land rental rate which is consistent with prior year would have resulted in an increase of fair value loss of RM6,385,000; and
- If canopy wood volume and price used are consistent with prior year, it would have resulted in no impairment.

24. Plantation development expenditure

	Group	
	31.12.2019 RM'000	31.12.2018 RM'000
At 1 January	**104,925**	582,784
Additions during the year	**58,965**	87,958
Transfer to property, plant and equipment (Note 26)	**(35,904)**	(62,409)
Write off (Note 43)	**(1,043)**	(12,028)
Impairment of plantation development expenditure (Note 43)	**(20,316)**	(234,582)
Reversal of impairment loss (Note 43)	**1,833**	-
Disposal of a subsidiary	**-**	(117,934)
Transfer from assets of disposal group classified as held for sale	**35,633**	-
Transfer to assets of disposal group classified as held for sale	**(1,928)**	(134,863)
Foreign exchange difference	**2,610**	(4,001)
At 31 December	**144,775**	104,925

Included in additions during the year were:

	Group	
	31.12.2019 RM'000	31.12.2018 RM'000
Depreciation of:		
- Property, plant and equipment (Note 26 (a))	**1,132**	3,158
- Right-of-use assets (Note 25)	**278**	-
Personnel expenses:		
- Wages, salaries and others	**14,524**	12,972
- Contribution to Employees Provident Fund	**558**	691

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

24. Plantation development expenditure *(cont'd.)*

i) TH Plantation Berhad Group

Impairment loss on Plantations Development Expenditure ("PDE")

The Group has engaged a registered valuer in prior year to value the plantation assets of the subsidiary that has not been performing up to expectation. The Group is of the view that the fair value less cost to sell is consistent as per the 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 (2018: RM83,193,000) 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.

During the financial year, one (1) area estate of PDE of a subsidiary has experienced heavy floods, in which no future income is expected to be generated from this area. 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 the impairment in profit or loss.

Reversal of impairment loss for PDE

During the current financial 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.

ii) TH Estates Sdn. Bhd.

In the previous financial year, an impairment loss on PDE of RM151,389,000 was recognised in profit or loss as a result of lower recoverable amount based on value in use of the assets against its carrying amount.

Description of valuation technique and inputs used:

- The valuation method considers the present value of net cash flows to be generated from cash generating unit ("CGU"), taking into account average crude palm oil ("CPO") price, oil extraction rate, fresh fruit bunches ("FFB") production and revenue expenditure per hectare. The expected net cash flows are discounted using risk-adjusted discount rates.

Significant unobservable inputs:

• Average CPO price	RM2,600 per metric tonne
• Average oil extraction rate	20%
• Average fresh fruit bunch	21 metric tonne per hectare
• Average revenue expenditure cost per hectare	RM5,100 per hectare
• Discount rate	7.50%

Sensitivity analysis:

- An increase in average CPO price by 10% would have resulted in lower impairment by RM54,441,000.
- An decrease in average CPO price by 10% would have resulted in higher impairment by RM50,005,000.
- An increase in discount rate by 100 basis point would have resulted in higher impairment by RM40,364,000.
- A decrease in discount rate by 100 basis point would have resulted in lower impairment by RM49,920,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

25. Right-of-use assets

The Group and ***TH*** have lease contracts for land. The lease terms are between 23 to 999 years.

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.

Asset restoration obligation ("ARO") are stated in the some of the contracts. Therefore, provision has 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.

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 2019, *(As previously stated)*	-	-	-	-
Effects of adoption of MFRS 16 (Note 57(b))	182,842	662,205	21,752	866,799
At 1 January 2019, *(Restated)*	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
Accumulated depreciation				
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
Accumulated impairment				
At 1 January 2019	-	-	-	-
Impairment for the year	22,819	18,299	-	41,118
At 31 December 2019	22,819	18,299	-	41,118
Net carrying amount at 31 December 2019	85,257	461,581	20,047	566,885

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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.)*

TH	**Land RM'000**	**Building RM'000**	**Total RM'000**
Cost			
At 1 January 2019, *(As previously stated)*	-	-	-
Effects of adoption of MFRS 16 (Note 57(b))	26,442	614,133	640,575
At 1 January 2019 *(Restated)*	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

The following are the amounts recognised in profit or loss:

31.12.2019	**Group RM'000**	***TH* RM'000**
Depreciation of right-of-use assets	216,154	192,290
Finance cost on lease liabilities	52,129	46,442
Expense relating to:		
- short-term leases	50,844	6,553
- leases of low-value assets	32,273	15,339
	351,400	260,624

Breakdown of depreciation charge recognised 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 44)	213,964	190,378
Depreciation of assets under TKJHM and TWT (Note 34(iii))	1,912	1,912
Capitalised in plantation development expenditure (Note 24)	278	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

25. Right-of-use assets *(cont'd.)*

Impairment of right-of-use assets

TH Plantations Group

During the financial 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 the date of the financial statements, 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 the financial year, 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.

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.

The Hotel Group

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. (RM 3,144,000) due to derecognition of 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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	Building renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
Cost									
At 1 January 2019, *(As previously stated)*	74,530	168,184	1,122,051	809,611	268,849	349,872	2,211,640	91,751	5,096,488
Effect of adoption of MFRS 16 (Note 57(b))	-	(117,982)	-	-	(30,217)	-	(17,129)	-	(165,328)
As at 1 January 2019, *(Restated)*	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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	Building renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2019 *(As previously stated)*	-	41,655	286,281	127,000	131,226	164,055	1,295,576	-	2,045,793
Effect of adoption of MFRS 16 (Note 57(b))	-	(35,766)	-	-	(11,208)	-	(16,197)	-	(63,171)
As at 1 January 2019, *(Restated)*	-	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
Accumulated impairment									
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
Net carrying amount at 31 December 2019	74,530	43,757	558,632	658,253	112,916	151,341	709,985	44,857	2,354,271

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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	Building renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
Cost									
At 1 January 2018	74,530	794,501	1,618,920	880,862	269,363	298,998	2,158,032	181,577	6,276,783
Additions	-	-	933	3,449	72	22,850	135,169	55,633	218,106
Acquisition of subsidiary company	-	-	-	-	-	900	113	-	1,013
Disposals	-	(29)	-	(9,529)	-	(622)	(8,702)	-	(18,882)
Disposal of subsidiary company	-	(145,555)	(174,610)	(1,801)	-	-	(5,403)	(81,234)	(408,603)
Write off	-	(141,798)	(45,065)	(537)	-	(133)	(4,344)	(5,164)	(197,041)
Transfer from plantation development expenditure (Note 24)	-	-	62,409	-	-	-	-	-	62,409
Transfer from/(to) investment property (Note 19)	-	-	-	26,263	-	(1,538)	-	(446)	24,279
Transfer from assets held for sale	-	5,605	-	166	-	-	98	-	5,869
Transfer to assets held for sale	-	(371,322)	(402,642)	(61,904)	-	-	(27,792)	(717)	(864,377)
Transfer from completed inventories	-	-	-	2,108	-	-	-	-	2,108
Reclassifications	-	26,857	62,106	(29,434)	-	29,416	(28,410)	(57,898)	2,637
Foreign exchange difference	-	(75)	-	(32)	(586)	1	(7,121)	-	(7,813)
At 31 December 2018	74,530	168,184	1,122,051	809,611	268,849	349,872	2,211,640	91,751	5,096,488

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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	Building renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2018	-	70,036	235,251	146,509	125,704	134,162	1,203,094	-	1,914,756
Depreciation for the year (Note 26(a))	-	16,090	41,803	13,646	5,836	30,586	178,818	-	286,779
Disposals	-	(10)	-	(377)	-	(621)	(8,407)	-	(9,415)
Disposal of a subsidiary	-	(4,748)	(5,045)	(347)	-	-	(1,123)	-	(11,263)
Write off	-	(2,492)	(11,531)	(327)	-	(72)	(4,041)	-	(18,463)
Transfer from assets held for sale	-	-	-	69	-	-	98	-	167
Transfer to assets held for sale	-	(37,221)	(48,387)	(10,326)	-	-	(16,742)	-	(112,676)
Reclassifications	-	-	74,190	(21,887)	-	-	(49,666)	-	2,637
Foreign exchange difference	-	-	-	40	(314)	-	(6,455)	-	(6,729)
At 31 December 2018	-	41,655	286,281	127,000	131,226	164,055	1,295,576	-	2,045,793
Accumulated impairment									
At 1 January 2018	-	-	-	-	-	-	67,702	-	67,702
Impairment loss during the year	-	163,839	157,822	-	-	1	50,745	-	372,407
Transfer to assets held for sale	-	(163,839)	(92,736)	-	-	-	-	-	(256,575)
Disposal of subsidiary	-	-	(62,690)	-	-	-	-	-	(62,690)
At 31 December 2018	-	-	2,396	-	-	1	118,447	-	120,844
Net carrying amount at 31 December 2018	74,530	126,529	833,374	682,611	137,623	185,816	797,617	91,751	2,929,851

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

26. Property, plant and equipment *(cont'd.)*

TH	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Building 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 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 depreciation								
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

26. Property, plant and equipment *(cont'd.)*

TH	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Building renovations RM'000	Plant, machineries, fittings and motor vehicles RM'000	Work in progress RM'000	Total RM'000
Cost								
At 1 January 2018	23,640	11,257	148,282	227,704	254,043	366,955	125,070	1,156,951
Additions	-	-	661	-	16,652	28,479	1,313	47,105
Disposals	-	(29)	(9,529)	-	-	(857)	-	(10,415)
Write off	-	-	-	-	(621)	(38)	(5,164)	(5,823)
Transfer to investment property (Note 19)	-	-	-	-	(1,538)	-	(446)	(1,984)
Reclassifications	-	-	1,095	-	31,646	-	(32,741)	-
At 31 December 2018	23,640	11,228	140,509	227,704	300,182	394,539	88,032	1,185,834
Accumulated depreciation								
At 1 January 2018	-	3,049	34,318	115,592	104,498	229,631	-	487,088
Depreciation for the year (Note 26(a))	-	136	2,494	4,624	27,572	71,286	-	106,112
Disposals	-	(10)	(377)	-	-	(830)	-	(1,217)
Write off	-	-	-	-	(621)	(36)	-	(657)
At 31 December 2018	-	3,175	36,435	120,216	131,449	300,051	-	591,326
Net carrying amount at 31 December 2018	23,640	8,053	104,074	107,488	168,733	94,488	88,032	594,508

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

26. Property, plant and equipment *(cont'd.)*

(a) Depreciation for the year is allocated as follows:

	Group		TH	
	31.12.2019 RM'000	31.12.2018 RM'000	**31.12.2019 RM'000**	31.12.2018 RM'000
Profit or loss (Note 44)	**274,749**	282,372	**124,755**	104,863
Depreciation of assets under TKJHM and TWT (Note 34(iii))	**1,314**	1,249	**1,314**	1,249
Capitalised in plantation development expenditure (Note 24)	**1,132**	3,158	**-**	-
	277,195	286,779	**126,069**	106,112

(b) Change in estimates on bearer plant

During the financial year ended 31 December 2019, 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:

Group	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Decrease in depreciation expense	(1,845)	(799)	(1,686)	(1,149)	(821)

(c) Depreciation of bearer plant

TH Plantations Bhd. ("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.

(d) Impairment on bearer plant

During the financial year, the Board of Directors of TH Plantations Bhd ("THPB Group"), have approved a plan to dispose their interest in three (3) additional subsidiaries on 1 August 2019 respectively. The THPB Group has engaged a valuer to perform a valuation on the plantation assets of these subsidiaries. Based on the valuation performed by the valuers, THPB Group had recognised an impairment loss of RM78,817,000 as the carrying amount of the assets are higher than the fair value less cost to sell as per valuation report. As at the date of the financial statements, two (2) of the subsidiaries property, plant and equipment has 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.

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 a Level 3 fair value measurement.

26. Property, plant and equipment *(cont'd.)*

(e) Reversal of impairment on bearer plant

During the financial year, the Board of Directors of THPB Group, have approved a plan to dispose their interest in TH PELITA Gedong Sdn. Bhd.. The THPB Group has engaged a valuer to perform a valuation on the plantation assets of the subsidiary. Based on the valuation by areas performed by the valuers, THPB Group had recognised a reversal of an impairment loss of RM5,368,000 which was provided in prior year based on value in use of the area as the fair value less cost to sell of the area as per valuation report are higher than the carrying amount of the area.

The fair value less cost of disposal is based on management's estimate 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.

(f) Securities

i) Vessels owned by subsidiary companies of the Group at a carrying value of RM197,503,000 (31.12.2018: RM219,810,000) have been pledged as securities for bank borrowings totalling RM153,267,000 (31.12.2018: RM161,367,000), as disclosed in Note 39.
ii) Leasehold land held by a subsidiary company at a carrying value amounting to RM7,674,000 (31.12.2018 : RM18,603,000) has been pledged as security for bank borrowings as disclosed in Note 39.

27. Intangible assets

Group **31.12.2019**	**Goodwill** **RM'000**	**Bancatakaful services fees** **RM'000**	**Other intangibles** **RM'000**	**Total** **RM'000**
Cost				
At 1 January 2019	**335,159**	**146,321**	**98,907**	**580,387**
Additions	**-**	**2,500**	**2,189**	**4,689**
Transfer from/(to) assets held for sale	**9,761**	**-**	**(4,042)**	**5,719**
At 31 December 2019	**344,920**	**148,821**	**97,054**	**590,795**
Accumulated amortisation				
At 1 January 2019	**-**	**52,953**	**82,288**	**135,241**
Amortisation for the year (Note 44)	**-**	**29,472**	**7,340**	**36,812**
Transfer to asset held for sale	**-**	**-**	**(4,042)**	**(4,042)**
At 31 December 2019	**-**	**82,425**	**85,586**	**168,011**
Accumulated impairment				
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**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

27. Intangible assets *(cont'd.)*

Group

31.12.2018	**Goodwill RM'000**	**Bancatakaful services fees RM'000**	**Other intangibles RM'000**	**Total RM'000**
Cost				
At 1 January 2018	344,920	78,321	98,907	522,148
Additions	-	68,000	-	68,000
Transfer to assets held for sale	(9,761)	-	-	(9,761)
At 31 December 2018	335,159	146,321	98,907	580,387
Accumulated amortisation				
At 1 January 2018	-	30,489	72,836	103,325
Amortisation for the year (Note 44)	-	22,464	8,236	30,700
Write off	-	-	1,216	1,216
At 31 December 2018	-	52,953	82,288	135,241
Accumulated impairment				
At 1 January 2018	-	-	-	-
Impairment during the year	275,636	-	-	275,636
At 31 December 2018	275,636	-	-	275,636
Net carrying amount as at 31 December 2018	59,523	93,368	16,619	169,510

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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-genarating units of the Group identified according to the following:

Group	31.12.2019 RM'000	31.12.2018 RM'000
i) Acquisition of BIMB Holdings Berhad	**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: Transfer from/(to) assets held for sale	**-**	(9,761)
Less: Accumulated impairment losses	**(13,855)**	(4,094)
	-	-
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	59,523

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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

(i) Impairment tests performed on goodwill arising from acquisitions of Hydroflow Sdn. Bhd., Bumi Suria Ventures Sdn. Bhd and Maju Warisanmas Sdn. Bhd.

In the financial year ended 31 December 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 (2018: RM4,094,000) 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.

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) Impairment tests performed on goodwill arising from acquisition of BIMB Holdings Berhad Group

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 includes 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 2019 *(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.)*

2018

(i) Impairment tests performed on goodwill arising from acquisition of BIMB Holdings Berhad Group

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 7.96% 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 includes 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) Impairment tests performed on goodwill arising from acquisition of TH Ladang Sabah Sarawak (Group) Sdn. Bhd.

The value in use calculations apply discounted cash flow projections prepared and approved by management, covering a 5-year period. Other key assumptions used in the computation of value in use are as follows:

Period of projection	2019 - 2023
Crude palm oil (CPO) selling price	RM2,300 / metric tonne
Discount rate	7.90%
Terminal value growth rate	1.00%

Goodwill of RM133.7 million has been impaired in 2018 as the planned disposal of the subsidiaries was not expected to recover the goodwill previously recognised by the Group.

(iii) Impairment tests performed in 2018 on goodwill arising from acquisition of Deru Semangat Sdn. Bhd.

The value in use calculations apply discounted cash flow projections prepared and approved by management, covering a 7-year period which reflects the period required to commence the cultivation of palm oil in a new area.

The key assumptions used for the impairment assessment are as follows:

Period of projection	2019 - 2025
Crude palm oil (CPO) selling price	RM2,300 / metric tonne
Discount rate	7.90%
Terminal value growth rate	1.00%

Based on impairment test performed, the carrying value of goodwill for Deru Semangat Sdn. Bhd. of RM78.4 million has been impaired in 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

27. Intangible assets *(cont'd.)*

Details of intangible assets of the Group are as follows: *(cont'd.)*

(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 Islamic Bank'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. Subject to the commencement of the Second Period, a service fee of RM45,000,000 (inclusive of Goods and Services Tax) will be payable to RHB.

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. The consideration in relation to the Bancatakaful Service Agreement was paid in September 2018.

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.

These fees are amortised over its useful life of five years using the straight-line method.

(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.

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		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
Deferred tax assets	**103,413**	146,202	233,668
Deferred tax liabilities	**(111,665)**	(153,790)	(257,854)
	(8252)	(7588)	(24,186)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

28. Deferred tax assets/ liabilities *(cont'd.)*

Recognised deferred tax assets and liabilities *(cont'd.)*

Deferred tax assets and liabilities are attributable to the following:

	Group		
31.12.2019	**Assets RM'000**	**Liabilities RM'000**	**Net RM'000**
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	-	(68,094)	(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)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

28. Deferred tax assets/ liabilities *(cont'd.)*

Recognised deferred tax assets and liabilities *(cont'd.)*

Deferred tax assets have not been recognised in respect of the following items:

	Group		
31.12.2018	**Assets RM'000**	**Liabilities RM'000**	**Net RM'000**
Property, plant and equipment	-	(234,744)	(234,744)
Other investments	-	(1,905)	(1,905)
Tax losses and unabsorbed capital allowances	144,683	-	144,683
Accelerated capital allowances	-	(2,797)	(2,797)
Biological assets	-	(8,558)	(8,558)
Provisions	22,370	-	22,370
Expense reserves	34,394	-	34,394
Impairment allowances	26,262	-	26,262
Change in fair value reserve	-	(10,818)	(10,818)
Others	23,525	-	23,525
Set off of tax	(105,032)	105,032	-
Tax assets / (liabilities)	146,202	(153,790)	(7,588)

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items :

	Group	
	31.12. 2019 RM'000	31.12.2018 RM'000
Unabsorbed capital allowances	**174,039**	165,640
Unutilised tax losses	**700,072**	589,448
Deductible temporary differences	**35,073**	30,454
	909,184	785,542

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.

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**	**Prior year adjustment RM'000**	**Effects of adoption of MFRS RM'000**	**Restated 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)	-	-	(234,744)	88,554	(14,354)	-	72,187	-	(88,357)
Other investments	(1,905)	-	-	(1,905)	(5,023)	-	(6,300)	-	3	(13,225)
Accelerated capital allowances	(2,797)	-	-	(2,797)	(1,852)	-	-	-	-	(4,649)
Tax loss and unabsorbed capital allowances	144,683	1,308	-	145,991	(61,743)	(12,999)	-	5,457	-	76,706
Provisions	22,370	(1,308)	-	21,062	(244)	-	39	-	(310)	20,547
Expense reserves	34,394		-	34,394	3,308	-	-	-	-	37,702
Impairment allowances	26,262	-	-	26,262	6,248	-	-	-	-	32,510
Change in fair value reserve	(10,818)	-	-	(10,818)	(4,237)	-	(53,040)	-	-	(68,095)
Biological assets	(8,558)	-	-	(8,558)	(2,177)	870	-	1,838	-	(8,027)
Right-of-use-assets	-	-	(17,160)	(17,160)	7,194	(150)	-	-	-	(10,116)
Lease liabilities	-	-	38,418	38,418	(3,793)	12	-	-	-	34,637
Others	23,525	-	-	23,525	(38,050)	(620)	-	(2,740)	-	(17,885)
Tax assets/ (liabilities)	(7,588)	-	21,258	13,670	(11,815)	(27,241)	(59,301)	76,742	(307)	(8,252)
			(Note 57 (b))							

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

28. Deferred tax assets/ liabilities *(cont'd.)*

Recognised deferred tax assets and liabilities *(cont'd.)*

Movement in temporary differences during the year 2018:

Group	As at 1.1.2018 RM'000	Recognised in profit or loss RM'000	Deferred tax acquired in business combination RM'000	Recognised in other comprehensive income RM'000	Disposal to SPV 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	(327,381)	5,260	(16)	-	-	87,393	-	(234,744)
Other investments	2,387	1,938	(5,232)	(998)	-	-	-	(1,905)
Tax loss and unabsorbed capital allowances	237,391	14,084	2,512	-	(9,813)	(99,491)	-	144,683
Accelerated capital allowances	(10,287)	-	-	-	7,490	-	-	(2,797)
Provisions	26,452	(4,874)	-	101	-	-	691	22,370
Expense reserves	26,592	7,802	-	-	-	-	-	34,394
Impairment allowances	45,287	(19,025)	-	-	-	-	-	26,262
Change in fair value reserve	(918)	(6,267)	-	(3,633)	-	-	-	(10,818)
Biological assets	(12,505)	2,365	-	-	-	1,582	-	(8,558)
Others	(11,204)	31,396	-	-	(27)	3,360	-	23,525
Tax assets/(liabilities)	(24,186)	32,679	(2,736)	(4,530)	(2,350)	(7,156)	691	(7,588)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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*	
	31.12.2019 RM'000	31.12.2018 RM'000	**31.12.2019 RM'000**	31.12.2018 RM'000
Assets of disposal group classified as held for sale:				
Property, plant and equipment	**588,050**	519,887	**12,099**	15,672
Right-of-use assets	**251,561**	-	**-**	-
Investment in subsidiary	**-**	-	**24,314**	-
Plantation development expenditure	**68,655**	134,863	**-**	-
Deferred tax assets	**32,796**	21,267	**-**	-
Goodwill	**-**	9,761	**-**	-
Biological assets	**17,875**	6,591	**-**	-
Inventories	**2,129**	3,460	**-**	-
Trade and other receivables at amortised cost	**34,171**	3,014	**-**	-
Tax recoverable	**4,798**	22	**-**	-
Cash and short-term funds	**45,270**	408	**-**	-
	1,045,305	699,273	**36,413**	15,672
Liabilities associated with assets of disposal group classified as held for sale:				
Deferred tax liabilities	**77,382**	16,352	**-**	-
Other liabilities Lease	**38,333**	29,594	**-**	-
liabilities Current tax	**37,179**	-	**-**	-
liabilities	**1**	-	**-**	-
Provision for zakat and tax	**-**	269	**-**	-
Borrowings	**-**	13,715	**-**	-
	152,895	59,930	**-**	-

Property, plant and equipment classified as assets held for sale by ***TH*** comprise land, shoplots, 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 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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 subsidiary classified as asset held for sale by ***TH*** is in respect of ***TH***'s investment in Theta Edge Berhad and is discussed in Note 29(b) below.

a) TH Plantations Group

In the previous financial year, 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. These investments relate to the oil palm plantations segment of the Group. Efforts to sell the disposal group have commenced, and the sale is expected to be completed in financial year ending 31 December 2020 instead of the current 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.

In the current financial year, the Board of Directors of THPB are 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 has reclassified the assets and liabilities including goodwill arising from acquisition of the subsidiary to their relevant financial statement captions.

Plantation assets are carried at the lower of cost or fair value less cost to sell. 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 locations and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement.

(i) On 5 December 2019, THPB has 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 is expected to be completed in the financial year ending 31 December 2020.

The fair value less cost to sell of the subsidiary are 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 is higher than the carrying amount. Subsequently, a reversal of impairment loss of RM7,000,000 has been recognised as "other income" in profit or loss of the Group during the current financial year.

(ii) On 5 December 2019, THPB has 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 is based on its purchase consideration less cost to sell. The fair value less cost to sell is higher than the carrying amount. Subsequently, a reversal of impairment loss of RM170,000,000 has been recognised as "other income" in profit or loss of the Group during the current financial year. The disposal is expected to be completed in the financial year ending 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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.)*

b) Theta Edge Group

Discontinued operations

During the current financial year, ***TH*** has 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.

At 31 December 2019, Theta Edge was classified as a disposal group held for sale and as a discontinued operation.

Group

The result of Theta Edge for the year are presented below:

	31.12. 2019 **RM'000**	31.12.2018 RM'000
Revenue	**49,896**	70,469
Cost of sales	**(37,614)**	(58,560)
Gross profit	**12,282**	11,909
Other income	**1,007**	784
Expenses	**(12,149)**	(13,345)
Impairment, write off and expected credit losses	**(2,015)**	(1,611)
Operating losses	**(875)**	(2,263)
Finance income	**1,283**	1,034
Finance cost	**(237)**	(342)
Profit/(loss) before tax from discontinued operations	**171**	(1,571)
Tax asset/(expense)	**9**	(37)
Profit/(loss) for the year from discontinued operations	**180**	(1,608)

The assets and liabilities of Theta Edge classified as held for sale in the Group's statement of financial position as at 31 December 2019 are as follows:

	31.12. 2019 **RM'000**
Assets	
Property, plant and equipment	**4,479**
Right-of-use assets	**2,170**
Deferred tax assets	**3,902**
Inventories	**302**
Trade and other receivables	**23,868**
Current tax assets	**54**
Cash and short-term funds	**44,839**
Assets of disposal group classified as held for sale	**79,614**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(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.)*

b) Theta Edge Group *(cont'd.)*

Discontinued operations *(cont'd.)*

The assets and liabilities of Theta Edge classified as held for sale in the Group's statement of financial position as at 31 December 2019 are as follows: *(cont'd.)*

Group	**31.12. 2019 RM'000**
Liabilities	
Lease liabilities	**2,218**
Trade and other payables	**8,022**
Current tax liabilities of disposal group classified as held for sale	**1**
Liabilities directly associated with assets held for sale	**10,241**
Net Assets directly associated with assets of disposal group classified as held for sale	**69,373**

The net cash flows incurred by Theta Edge are as follows:

	2019 RM'000	2018 RM'000
Cash flow from operating activities	**2,529**	21,160
Cash flow used in investing activities	**(2,334)**	(1,128)
Cash flow from financing activities	**(2,103)**	(1,480)
Net cash (outflow)/inflow	**(1,908)**	18,552

Earnings per share

	2019	2018
Basic, profit/(loss) for the year from discontinued operations (RM)	**0.17**	(1.50)
Diluted, profit/(loss) for the year from discontinued operations (RM)	**0.17**	(1.50)

TH	**31.12. 2019 RM'000**
Net carrying amount of investment transferred to assets held for sale	**24,314**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

30. Depositors' savings fund

	Group / *TH*		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
		Restated	*Restated*
At 1 January, *(As previously stated)*	**75,411,945**	73,522,431	67,704,394
Prior year adjustment (Note 57(a))	**(922,959)**	(3,323,741)	(2,870,822)
As at 1 January *(Restated)*	**74,488,986**	70,198,690	64,833,572
Deposits received during the year	**15,426,307**	19,603,101	19,257,563
Less: Withdrawals during the year	**(21,420,811)**	(18,636,546)	(16,763,267)
	68,494,482	71,165,245	67,327,868
Profit distribution paid during the year	**922,959**	3,323,741	2,870,822
At 31 December	**69,417,441**	74,488,986	70,198,690

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

During the current financial year, ***TH*** had declared and paid a profit distribution at the rate of 1.25% amounting to RM922,959,000 to all active depositors of ***TH*** in respect of the financial year ended 31 December 2018, in accordance with Section 22 of the ***TH*** Act. In accordance with MFRS 132, distribution of profits is recognised as a liability only when it is declared and when delivery of cash or other financial assets takes place.

On 13 March 2020, ***TH*** declared a profit distribution at the rate of 3.05% amounting to RM2,140,539,000 in respect of the financial year ended 31 December 2019. 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 2020.

The effects of the profit distribution declared for financial year ended 31 December 2019 as per Section 22 of the ***TH*** Act is as follows:

	TH
	RM'000
Total assets	**75,240,983**
Total liabilities	**(72,366,292)**
Net assets prior to profit distribution	**2,874,691**
Profit declared for the financial year ended 31 December 2019	**(2,140,539)**
Net assets after profit distribution	**734,152**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

30. Depositors' savings fund *(cont'd.)*

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 does not have any impact to the financial statement of ***TH*** as at 31 December 2019.

31. Deposits from banking customers

	Group	
	31.12.2019	31.12. 2018
	RM'000	RM'000
Savings deposit	**4,681,710**	2,648,703
Qard		
Demand deposits	**10,932,557**	10,644,574
Qard		
Term deposits		
Special Investment Deposit		
Mudharabah	**3,915**	6,252
General Investment Deposit		
Mudharabah	**209,693**	287,013
Term deposit-i		
Tawarruq	**28,773,453**	29,628,638
Negotiable Islamic debt certificates (NIDC)	**121,550**	2,056,603
	29,108,611	31,978,506
Other savings	**105,234**	93,603
	44,828,112	45,365,386

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

32. Investment accounts of banking customers

	Group	
	31.12.2019	31.12. 2018
	RM'000	RM'000
Unrestricted Mudharabah investment account		
House financing	**2,711,343**	2,594,846
Unrestricted Wakalah investment account		
House financing	**3,293,385**	1,221,678
Personal financing	**3,292,815**	1,221,129
	9,297,543	5,037,653

33. Takaful contract liabilities

	Group		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
Takaful contract liabilities			
Provision for outstanding claims	**703,598**	633,725	545,134
Provision for unearned contributions	**394,340**	376,971	341,975
Participants' fund	**7,099,218**	6,062,086	5,773,238
	8,197,156	7,072,782	6,660,347

(i) Provision for outstanding claims

The provision for outstanding claims and its movements are further analysed as follows:

	Group		
	Gross	**Retakaful**	**Net**
31.12.2019	**RM'000**	**RM'000**	**RM'000**
Family Takaful			
Provision for claims reported by participants	**39,182**	**(8,493)**	**30,689**
Provision for IBNR*	**133,692**	**(45,417)**	**88,275**
Provision for outstanding claims	**172,874**	**(53,910)**	**118,964**
General Takaful			
Provision for claims reported by participants	**302,067**	**(190,182)**	**111,885**
Provision for IBNR*	**228,657**	**(105,456)**	**123,201**
Provision for outstanding claims	**530,724**	**(295,638)**	**235,086**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

33. Takaful contract liabilities *(cont'd.)*

(i) Provision for outstanding claims *(cont'd.)*

The provision for outstanding claims and its movements are further analysed as follows: *(cont'd.)*

	Group		
31.12.2019 *(cont'd.)*	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
Total			
Provision for claims reported by participants	**341,249**	**(198,675)**	**142,574**
Provision for IBNR*	**362,349**	**(150,873)**	**211,476**
Provision for outstanding claims	**703,598**	**(349,548)**	**354,050**

* Incurred-but-not-reported ("IBNR")

	Group		
31.12.2018	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
Family Takaful			
Provision for claims reported by participants	27,361	(4,027)	23,334
Provision for IBNR*	138,380	(34,477)	103,903
Provision for outstanding claims	165,741	(38,504)	127,237
General Takaful			
Provision for claims reported by participants	267,294	(165,838)	101,456
Provision for IBNR*	200,690	(92,192)	108,498
Provision for outstanding claims	467,984	(258,030)	209,954
Total			
Provision for claims reported by participants	294,655	(169,865)	124,790
Provision for IBNR*	339,070	(126,669)	212,401
Provision for outstanding claims	633,725	(296,534)	337,191

* Incurred-but-not-reported ("IBNR")

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

33. Takaful contract liabilities *(cont'd.)*

(i) Provision for outstanding claims *(cont'd.)*

Movement of provision for outstanding claims are as follows:

	Group		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**
At 1 January 2018	545,134	(254,804)	290,330
Claims incurred during the year	1,149,261	(182,935)	966,326
Adjustment to claims incurred in prior accident years	4,953	(3,287)	1,666
Claims paid during the year	(1,112,580)	160,215	(952,365)
Movement in IBNR	47,085	(15,806)	31,279
Acquisition of general takaful business	39	-	39
Effect of movement in exchange rates	(167)	83	(84)
At 31 December 2018/ 1 January 2019	**633,725**	**(296,534)**	**337,191**
Claims incurred during the year	**1,270,364**	**(282,781)**	**987,583**
Adjustment to claims incurred in prior accident years	**(25,540)**	**27,126**	**1,586**
Claims paid during the year	**(1,198,289)**	**226,870**	**(971,419)**
Movement in IBNR	**23,219**	**(24,179)**	**(960)**
Effect of movement in exchange rates	**119**	**(50)**	**69**
At 31 December 2019	**703,598**	**(349,548)**	**354,050**

(ii) Provision for unearned contributions

The provision for unearned contributions and its movements are further analysed as follows:

	Group		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**
At 1 January 2018	341,975	(71,308)	270,667
Contributions written during the year	709,334	(267,964)	441,370
Contributions earned during the year	(685,807)	262,388	(423,419)
Acquisition of general takaful business	11,469	-	11,469
At 31 December 2018/1 January 2019	**376,971**	**(76,884)**	**300,087**
Contributions written during the year	**723,511**	**(290,365)**	**433,146**
Contributions earned during the year	**(706,142)**	**276,615**	**(429,527)**
At 31 December 2019	**394,340**	**(90,634)**	**303,706**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

33. Takaful contract liabilities *(cont'd.)*

(iii) Participants' fund

Participants' fund balance at end of the reporting period comprises the following:

	Group		
31.12.2019	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
Participants' account	**3,663,688**	**-**	**3,663,688**
Actuarial liabilities	**1,929,616**	**(315,614)**	**1,614,002**
Unallocated surplus/Accumulated surplus	**1,029,093**	**-**	**1,029,093**
Fair value reserve	**273,331**	**-**	**273,331**
Net assets value attributable to unitholders	**203,490**	**-**	**203,490**
	7,099,218	**(315,614)**	**6,783,604**

	Group		
31.12.2018	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
Participants' account	2,895,271	-	2,895,271
Actuarial liabilities	2,125,615	(163,719)	1,961,896
Unallocated surplus/Accumulated surplus	822,801	-	822,801
Fair value reserve	29,778	-	29,778
Net assets value attributable to unitholders	188,621	-	188,621
	6,062,086	(163,719)	5,898,367

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

33. Takaful contract liabilities *(cont'd.)*

(iii) Participants' fund *(cont'd.)*

Movement of participants' fund balance during the year are as follows:

	Group		
31.12.2019	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
At 1 January 2019	**6,062,086**	**(163,719)**	**5,898,367**
Net earned contribution	2,471,876	(117,589)	2,354,287
Investment income on financial assets not measured at FVTPL	267,711	-	267,711
Others investment income	41,427	-	41,427
Realised gains	13,366	-	13,366
Fair value gain	31,050	-	31,050
Other operating income	3,143	-	3,143
Net benefits and claims	(1,104,610)	100,730	(1,003,880)
Net fees deducted	(963,022)	-	(963,022)
Impairment losses on financial instruments	(1,286)	-	(1,286)
Other operating expenses	(4,871)	-	(4,871)
Profit paid to participants	(11,815)	-	(11,815)
Movement in actuarial liabilities	145,644	(151,137)	(5,493)
Profit attributable to the Takaful Operator	(83,534)	16,859	(66,675)
Excess payment transferred to participants	(6,362)	-	(6,362)
Net change in fair value on debt instruments at FVOCI	243,553	-	243,553
Tax expense	(13,072)	-	(13,072)
Withholding tax	(4,876)	-	(4,876)
Effect of movement in exchange rates	12,810	(758)	12,052
At 31 December 2019	**7,099,218**	**(315,614)**	**6,783,604**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

33. Takaful contract liabilities *(cont'd.)*

(iii) Participants' fund *(cont'd.)*

Movement of participants' fund balance during the year are as follows:

	Group		
31.12.2018	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
At 1 January 2018	5,773,238	(179,484)	5,593,754
Net earned contribution	2,031,898	(90,408)	1,941,490
Investment income on financial assets not measured at FVTPL	228,234	-	228,234
Others Investment income	52,000	-	52,000
Realised gains	1,917	-	1,917
Fair value loss	(73,883)	-	(73,883)
Other operating income	255	-	255
Net benefits and claims	(1,073,609)	65,768	(1,007,841)
Net fees deducted	(771,918)	-	(771,918)
Impairment losses on financial instruments	5,468	-	5,468
Other operating expenses	(61)	-	(61)
Profit paid to participants	(23,698)	-	(23,698)
Movement in actuarial liabilities	(15,688)	14,878	(810)
Profit attributable to the Takaful Operator	(79,028)	24,641	(54,387)
Excess payment transferred to participants	(7,634)	-	(7,634)
Net change in fair value on debt instruments at FVOCI	43,984	-	43,984
Tax expense	(4,187)	-	(4,187)
Withholding tax	(5,415)	-	(5,415)
Effect of movement in exchange rates	(19,787)	886	(18,901)
At 31 December 2018	6,062,086	(163,719)	5,898,367

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

34. Other liabilities

		Group		
	Note	**31.12.2019 RM'000**	31.12. 2018 RM'000 *Restated*	1.1.2018 RM'000 *Restated*
Trade payables				
Trade payables		**176,663**	236,733	228,951
Deposits received		**47,458**	49,289	46,529
Retention sum		**10,507**	10,507	4,072
Contract liabilities		**2,818**	15,951	31,084
Hajj reconciliation		**17,136**	-	-
Amount due to contract customers	(i)	**-**	-	8,212
Bill and acceptance payables		**49,084**	41,114	420,258
		303,666	353,594	739,106
Other payables				
Other payables and accruals		**1,872,737**	1,673,944	1,501,281
Inactive depositors' accounts	(ii)	**361,225**	330,138	313,289
TKJHM and TWT funds	(iii)	**51,918**	36,340	28,409
Takaful payables		**175,352**	114,267	113,074
Amount due to jointly controlled entities		**124,197**	127,590	44,370
Amount due to associates		**-**	1,296	-
Clients' and dealers' credit balances		**23,035**	32,089	47,048
		2,608,464	2,315,664	2,047,471
		2,912,130	2,669,258	2,786,577

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

34. Other liabilities *(cont'd.)*

	Note	TH 31.12.2019 RM'000	 31.12. 2018 RM'000 *Restated*	 1.1.2018 RM'000 *Restated*
Trade payables				
Trade payables		**33,780**	-	21,849
Deposits received		**47,458**	49,289	46,529
Retention sum		**10,507**	10,507	4,072
		91,745	59,796	72,450
Other payables				
Other payables and accruals		**130,548**	152,676	194,147
Amount due to subsidiaries		**703,756**	684,465	642,512
Inactive depositors' accounts	(ii)	**361,225**	330,138	313,289
TKJHM and TWT funds	(iii)	**51,918**	36,340	28,409
		1,247,447	1,203,619	1,178,357
		1,339,192	1,263,415	1,250,807

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 (2018: 1 month to 3 months).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

34. Other liabilities *(cont'd.)*

i) Amount due to contract customers

	Group		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
Aggregate costs incurred to date	-	1,131,996	1,094,363
Attributable profits	-	50,159	65,318
	-	1,182,155	1,159,681
Progress billings	-	(1,182,155)	(1,167,893)
	-	-	(8,212)
Amount due from contract customer	-	-	3,266
Amount due to contract customer	-	-	(11,478)
	-	-	(8,212)

Additions to aggregate costs incurred during the year include:

Rental of property	-	1,437	1,272

ii) 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 unpresented and has 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

34. Other liabilities *(cont'd.)*

ii) Inactive depositors' accounts *(cont'd.)*

The movement of inactive depositors' accounts is as follows:

	Group / *TH*		
	31.12.2019	31.12. 2018	1.1.2018
	RM'000	RM'000	RM'000
As at 1 January	**330,138**	313,289	136,031
Additions during the year	**59,136**	46,823	197,025
Withdrawals during the year	**(28,049)**	(29,974)	(19,767)
As at 31 December	**361,225**	330,138	313,289

iii) TKJHM and 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 was placed with Shariah compliant financial institution to earn income that would be used to fund eligible elderly pilgrims to perform hajj in the future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

34. Other liabilities *(cont'd.)*

iii) TKJHM and TWT funds *(cont'd.)*

The movement of TKJHM and TWT Funds is as follows:

	Group / TH		
	31.12.2019 RM'000	31.12. 2018 RM'000	1.1.2018 RM'000
TKJHM Fund			
As at 1 January	**34,073**	25,904	20,977
Net surplus during the year	**15,888**	8,169	4,927
As at 31 December	**49,961**	34,073	25,904
TWT Fund			
As at 1 January	**2,267**	2,505	2,737
Net deficit during the year	**(310)**	(238)	(232)
As at 31 December	**1,957**	2,267	2,505
Total funds of TKJHM and TWT	**51,918**	36,340	28,409

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	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Receipts and income	**30,265**	34,806	**77**	94
Less: Expenses and welfare contributions	**(11,151)**	(25,388)	**(387)**	(332)
Depreciation of properties, plant and equipment (Note 26(a))	**(1,314)**	(1,249)	**-**	-
Depreciation of right-of-use asset	**(1,912)**	-	**-**	-
Net surplus/(deficit) during the year	**15,888**	8,169	**(310)**	(238)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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.

36. Expense reserves

	Group	
	31.12.2019	31.12. 2018
	RM'000	RM'000
At 1 January	**251,806**	196,655
Provision for the year, net	**59,588**	52,260
Acquisition of general takaful business	**-**	3,077
Effect of movement in exchange rates	**306**	(186)
At 31 December	**311,700**	251,806

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

37. Lease liabilities

The Group and ***TH*** have adopted MFRS 16 Leases and applied this standard retrospectively during the financial year and the comparatives are not restated.

	Group		*TH*	
	31.12.2019 RM'000	31.12.2018 **RM'000**	**31.12.2019 RM'000**	31.12.2018 **RM'000**
Current				
Lease liabilities	**77,261**	-	**53,190**	-
Finance lease liabilities	**-**	754	**-**	-
Non-current				
Lease liabilities	**762,996**	-	**679,471**	-
	840,257	754	**732,661**	-

The movement of lease liabilities during the current financial year is as follows:

31.12.2019	**Group RM'000**	***TH* RM'000**
At 1 January, *(As previously stated)*	**-**	**-**
Effects of adoption of MFRS 16 (Note 57(b))	**1,180,678**	**1,021,421**
At 1 January, *(As restated)*	**1,180,678**	**1,021,421**
Additions during the year	**15,665**	**5,204**
Accretion for the year	**52,465**	**46,778**
Payments during the year	**(348,383)**	**(333,834)**
Effects of movement in exchange rates	**(6,908)**	**(6,908)**
Derecognition	**(53,260)**	**-**
At 31 December	**840,257**	**732,661**

	Group	
	31.12.2019 RM'000	31.12. 2018 RM'000
Current		
Finance lease liabilities	**-**	754
Transfer to liabilities associated with assets of disposal group classified as held for sale	**-**	(754)
	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

37. Lease liabilities *(cont'd.)*

	Group	
	31.12.2019	31.12. 2018
	RM'000	RM'000
Payable within:		
Less than one year	-	754

Finance lease liabilities are payable as follows:

	Group		
31.12.2018	**Future minimum lease payments RM'000**	**Financing cost RM'000**	**Principals RM'000**
Payable within:			
Less than one year	828	74	754

38. Government grant

	Group / *TH*	
	31.12.2019	31.12. 2018
	RM'000	RM'000
Development fund	-	9,353
Less: Recognised to profit or loss during the year	-	(9,353)
	-	-

Development fund represents grant from the Government for the construction of Hajj pilgrims complexes at Bayan Lepas, Pulau Pinang and Kota Kinabalu, Sabah. The development fund was recognised in line with the transfer of these hajj complexes in the previous financial year to UJSB pursuant to the Restructuring Plan as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

39. Borrowings

		Group	
	Note	31.12.2019 RM'000	31.12. 2018 RM'000
Current - < 12 months:			
Secured			
Flexi term financing-i	(i)	-	13,715
Commodity Murabahah term financing-i	(ii)	29,500	30,000
Term financing	(iii)	53,680	366,833
Revolving credit	(vi)	4,000	71,214
Unsecured			
Islamic trade financing-i	(v)	10,270	11,544
Commodity Murabahah Revolving-i	(vi)	60,000	-
Subordinated Sukuk Murabahah	(vii)	7,455	7,395
Bank overdraft		18,019	7,602
Transfer to liabilities associated with assets of disposal group classified as held for sale		-	(13,715)
		182,924	494,588
Non-current - > 12 months:			
Secured			
Commodity Murabahah term financing-i	(ii)	246,736	268,431
Term financing	(iii)	274,254	204,643
Revolving credit	(iv)	70,696	
Murabahah financing	(viii)	545,015	430,953
Unsecured			
Subordinated Sukuk Murabahah	(vii)	1,150,000	1,150,000
Term financing	(ix)	37,908	36,079
		2,324,609	2,090,106
		2,507,533	2,584,694

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

39. Borrowings (cont'd.)

Borrowings of the Group are repayable as follows:

	Group	
	31.12.2019 RM'000	31.12. 2018 RM'000
Less than one year	**182,925**	494,588
Between one and five years	**1,040,427**	770,374
More than five years	**1,284,181**	1,319,732
	2,507,533	2,584,694

Details of each type of borrowings are as follows:

i) Flexi Term Financing-i

In prior year, the Flexi Term Financing-i was taken by subsidiary of the Group, TH PELITA Meludam Sdn. Bhd. is secured over leasehold land with a carrying amount of RM10,761,000. The loan was fully paid in the current year.

ii) Commodity Murabahah Term Financing-i

I) Commodity Murabahah Term Financing-i (I)

The Commodity Murabahah Term Financing-i (I) 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 utilize the Facility within its permitted purposes only;

e) Subordination of all existing advances from the subsidiarys 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; and

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

39. Borrowings *(cont'd.)*

ii) Commodity Murabahah Term Financing-i *(cont'd.)*

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 RM7,674,000 (31.12.2018: RM7,842,000).

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;

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 arms 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 subsidiarys 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 arms 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

39. Borrowings *(cont'd.)*

iii) 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 Develpoment Sdn. Bhd. must ensure that the ratio on outstanding bank borrowings from financial institution to tangible networth is to be maintained at below 0.8 times throughout the loan periods.

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 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. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

39. Borrowings *(cont'd.)*

iii) Secured Term Financing *(cont'd.)*

II) Secured Term Financing (II) *(cont'd.)*

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.

As at the date of the financial statements, the condition precedent to the bilateral settlement documentation has yet to be fulfilled.

iv) Revolving Credit

Revolving credit facilities of the Group bear profit rate at cost of fund plus 1.5% per annum (2018 : 1.5% per annum) and are secured against deposits with licensed bank.

v) Islamic Trade Financing-i

The unsecured Islamic Trade Financing-I facility was obtained by a subsidiary of the Group, 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 arms length basis;

f) not to enter into any partnership, profit-sharing or royalty agreement or other arrangement or whatsoever nature whereby the Issuers 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 Issuers business or operations are managed by any other person, firm or company, unless entered into in its ordinary course of business;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

39. Borrowings *(cont'd.)*

v) Islamic Trade Financing-i *(cont'd.)*

Significant covenants (cont'd.)

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.

vi) Commodity Murabahah Revolving-i

The Commodity Murabahah Revolving-I Facility which was obtained by TH Plantations Berhad (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 fulfillment 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

39. Borrowings *(cont'd.)*

vii) 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

* Optional redemption date or any periodic payment date thereafter
# Accrued and payable semi-annually in arrears

viii) Murabahah Financing Facilities

I) Murabahah Financing Facility (I)

The Murabahah Financing Facility (I), 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 Saadiq Berhad to settle in full its existing Murabahah financing facility.

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 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 RM2,098,000 is included in the Statement of Comprehensive Income and Retained Earnings, of which 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 a bank over qualifying Sukuk and cash deposit accounts which must be maintained at and agreed minimum value to the amount outstanding under a Murabahah facility extended to an overseas subsidiary incorporated in Jersey.

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 (the bank), 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.

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 the bank as security for the loan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

39. Borrowings *(cont'd.)*

viii) Murabahah Financing Facilities *(cont'd.)*

II) Murabahah Financing Facilities (II) *(cont'd.)*

Significant covenants

a) The subsidiary and its ultimate holding corporation must ensure that, at all times, the tangible net worth of the subsidiary remains positive; and

b) The subsidiary and its ultimate holding corporation 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.

ix) Unsecured Term Financing

The unsecured term financing was obtained by a subsidiary of TH Plantation Bhd., 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 2019 is RM79,297,000 (31.12.2018: 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

40. Provision for retirement benefits

	Group		*TH*	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**576,303**	546,065	**575,761**	545,794
Remeasurement of retirement benefit liability	**157,056**	2,994	**156,965**	2,507
Provision for the year (Note 44)	**61,390**	49,837	**61,202**	49,733
Payment during the year	**(21,958)**	(22,593)	**(21,869)**	(22,273)
At 31 December	**772,791**	576,303	**772,059**	575,761

The provisions recognised in the statement of financial position are as follows:

	Group		*TH*	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Present value of unfunded retirement benefit plan	**772,791**	576,303	**772,059**	575,761

The provisions recognised in profit or loss are as follows:

	Group		*TH*	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Current service cost	**19,184**	18,991	**19,085**	18,905
Finance cost	**32,495**	30,846	**32,449**	30,828
Remeasurement	**9,711**	-	**9,668**	-
Total	**61,390**	49,837	**61,202**	49,733

Actuarial assumptions

Actuarial assumptions used to determine defined benefit obligations for retirement benefits are as follows:

	Group		*TH*	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	%	%	**%**	%
Discount rate	**4.4 - 8.0**	5.8 - 8.3	**4.4 - 4.6**	5.8
Salary increment rate	**4.0 - 5.0**	3.0 - 5.0	**4.0**	3.0
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**	3.0 - 5.0	**4.0**	3.0 - 5.0

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 and ***TH***'s historical experience and policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

40. Provision for retirement benefits *(cont'd.)*

TH provides for several retirement plans ("the Plan") 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.

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 Plan characteristics and associated risks

The Plan covers 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 Plan is unfunded. Benefits are paid out directly by ***TH*** as and when a Plan member leaves the Plan (upon retirement age or death in service).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

40. Provision for retirement benefits *(cont'd.)*

Types of retirement benefits *(cont'd.)*

iii) Detail profile of defined benefit obligation

Details of defined benefit obligation by plan and in aggregate as at valuation date 31 December 2019 are as follows:

	Post-Employment Medical	Accumulated Annual Leave	Hajj Performance	Staff Gratuity	Total
31.12.2019					
Obligation (RM'000)	**501,686**	**21,518**	**39,543**	**210,044**	**772,791**
(%) 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**
31.12.2018					
Obligation (RM"000)	363,527	17,543	29,311	165,922	576,303
(%) of total	63.1	3.0	5.1	28.8	100.0
Expected obligation within 12 months	6,787	1,470	1,905	12,687	22,849

iv) Administrative expenses

Administrative expenses of the plan were paid by ***TH*** and accounted for separately in the statements of profit or loss.

v) Curtailment, settlement and plan amendments

There was no events of curtailment or settlement for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

40. Provision for retirement benefits *(cont'd.)*

Significant actuarial assumptions and sensitivity analysis

i) Significant actuarial assumptions

The following analysis shows the impact on the defined benefit obligation for the year:

Assumptions	Base rate	Sensitivity analysis	31 December 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)**

Assumptions	Base rate	Sensitivity analysis	31 Disember 2018 RM'000
Discount rate	5.8%	1% Increase	**(70,075)**
Discount rate	5.8%	1% Decrease	**87,353**
Future medical cost inflation rate	4.5% - 5.5%	1% Increase	**76,259**
Future medical cost inflation rate	4.5% - 5.5%	1% Decrease	**(60,372)**
Future salary increment rate	3.0%	1% Increase	**15,284**
Future salary increment rate	3.0%	1% Decrease	**(13,538)**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

41. Surplus funds

The following are the types of reserves that make up the surplus funds of the Group and ***TH*** :

Distributable reserves

(a) Revenue reserve

Revenue reserve represents cumulative net profits of ***TH*** that may be used, at the discretion of ***TH*** for the purpose of profit distribution subject to fulfilment of Section 22 of the ***TH*** Act. Pursuant to this Section, prior to any distribution of profit ***TH*** shall set aside certain amount into the Statutory Reserve.

(b) Equalisation reserve

TH shall transfer into or out of 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 reserves

(c) Statutory reserve of *TH*

A non-distributable reserve established as a Reserve Fund in accordance with the ***TH*** Act. The Lembaga may from time to time transfer from the Statutory reserve to the Revenue reserve or from the Revenue reserve to the Statutory reserve. Transfer into the Statutory reserve shall be determined by the Lembaga and transfer out of the Statutory reserve shall be determined by the Minister.

The Statutory reserve of the Group includes regulatory reserve representing Bank Islam Malaysia Berhad's compliance with BNM's Guideline on Financial Reporting for Islamic Banking Institution to maintain, in aggregate, loss allowances for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(d) 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.

(e) Revaluation reserve

Revaluation reserve comprises share of post-acquisition revaluation reserve of certain associated companies of the Group. In prior year, the revaluation reserve has been fully reversed following the transfer of the associated companies to Urusharta Jamaah Sdn. Bhd. pursuant to the Restructuring Plan as disclosed in Note 10.

(f) 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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

Group	Capital reserve RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Accumulated reserve of TKJHM and TWT RM'000	FVOCI reserve RM'000	Total other reserves RM'000
31.12.2019						
At 1 January 2019, *(As previously stated)*	11,878	-	(96,721)	366,477	(1,177,511)	(895,877)
Prior year adjustments (Note 57(a))	-	-	-	(366,477)	-	(366,477)
At 1 January 2019, *(Restated)*	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 fair value through other comprehensive income:						
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 of other comprehensive income	-	-	-	-	(34,903)	(34,908)
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	393,507	393,507
Tax expens Currency translation differences in respect of foreign operations	-	-	(16,784)	-	-	(16,784)
Total other comprehensive income/loss for the year	-	-	(16,784)	-	913,731	896,947
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	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)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

Group	Capital reserve RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Accumulated reserve of TKJHM and TWT RM'000	FVOCI reserve RM'000	Total other reserves RM'000
31.12.2018						
At 1 January 2018, *(As previously stated)*	54,762	26,468	(118,815)	341,698	(4,833,939)	(4,529,826)
Prior year adjustments (Note 57(a))	-	-	-	(341,698)	-	(341,698)
At 1 January 2018, *(Restated)*	54,762	26,468	(118,815)	-	(4,833,939)	(4,871,524)
Remeasurement of retirement benefit liability	-	-	-	-	(172)	(172)
Share of other comprehensive income of associates	-	-	(5,371)	-	-	(5,371)
Movement in fair value reserve of debt instruments at fair value through comprehensive income:						
Net changes in fair value	-	-	-	-	140,762	140,762
Changes in expected credit losses	-	-	-	-	(5,458)	(5,458)
Income tax effect relating to components of of other comprehensive income	-	-	-	-	(3,254)	(3,254)
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	(4,399,728)	(4,399,728)
Fair value adjustment on equity instruments at fair value through other comprehensive income transferred to UJSB	-	-	-	-	8,302,230	8,302,230
Currency translation differences in respect of foreign operations	-	-	(12,382)	-	-	(12,382)
Total other comprehensive income/loss for the year	-	-	(17,753)	-	4,034,380	4,016,627
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(377,952)	(377,952)
Additions during the year	(1,460)	-	3,543	-	-	2,083
Transfer between reserves	(41,424)	(26,468)	36,304	-	-	(31,588)
At 31 December 2018	11,878	-	(96,721)	-	(1,177,511)	(1,262,354)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

TH	Accumulated reserve of TKJHM and TWT RM'000	FVOCI reserve RM'000	Total other reserves RM'000
31.12.2019			
At 1 January 2019, *(As previously stated)*	**366,477**	**(1,194,907)**	**(828,430)**
Prior year adjustments (Note 57(a))	**(366,477)**	**-**	**(366,477)**
At 1 January 2019, *(Restated)*	**-**	**(1,194,907)**	**(1,194,907)**
Movement in fair value reserve of debt instruments at fair value through other comprehensive income:			
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 fair value through other comprehensive income	**-**	**382,039**	**382,039**
Disposal of equity instruments measured at fair value through other comprehensive income	**-**	**29,466**	**29,466**
At 31 December 2019	**-**	**(358,556)**	**(358,556)**
31.12.2018			
At 1 January 2018, *(As previously stated)*	341,698	(4,844,390)	(4,502,692)
Prior year adjustments (Note 57(a))	(341,698)	-	(341,698)
At 1 January 2018, *(Restated)*	-	(4,844,390)	(4,844,390)
Movement in fair value reserve of debt instruments at fair value through other comprehensive income:			
Net changes in fair value of debt instruments	-	125,095	125,095
Changes in expected credit losses	-	(5,369)	(5,369)
Net changes in fair value of equity instruments at fair value through other comprehensive income	-	(4,394,551)	(4,394,551)
Fair value adjustment on equity instruments at fair value through other comprehensive income transferred to UJSB	-	8,302,260	8,302,260
Changes in ECL through other comprehensive income			
Disposal of equity instruments measured at fair value through other comprehensive income	-	(377,952)	(377,952)
At 31 December 2018	-	(1,194,907)	(1,194,907)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

42. Surplus funds

	Note	Group 2019 RM'000	Group 2018 RM'000	TH 2019 RM'000	TH 2018 RM'000
Revenue from:					
Income from financial assets at FVTPL	(i)	**336,263**	348,342	**286,134**	319,895
Income from equity instruments at FVOCI	(ii)	**242,921**	521,083	**242,848**	521,083
Income from debt instruments at FVOCI	(ii)	**1,161,420**	894,644	**707,330**	610,910
Income from financial assets at amortised cost	(iii)	**353,875**	450,340	**312,214**	381,429
Income from UJSB Sukuk (Note 10(iv))		**469,123**	-	**469,123**	-
Income from financing portfolio		**-**	-	**98,288**	81,544
Income from money market		**234,655**	202,993	**246,176**	251,944
Income from investment in subsidiaries, associates and jointly controlled entities	(iv)	**-**	66,338	**199,964**	164,859
Income from derivatives		**14,563**	3,156	**14,599**	3,104
Other income from Islamic banking		**249,635**	260,390	**-**	-
Unrestricted finance income		**384,930**	242,823	**-**	-
Islamic financing, advances and hibah		**2,284,127**	2,274,841	**-**	-
Income from Takaful business		**1,758,738**	879,834	**-**	-
Rental of properties		**397,789**	611,417	**300,011**	568,923
Accrued rental income		**9,508**	9,155	**9,508**	9,155
Gain on disposal of investment properties		**7,978**	(9)	**7,978**	2,424
Finance lease income		**155,057**	-	**175,567**	-
Gain from transfer to UJSB		**-**	1,773,088	**-**	1,382,834
Revenue from contracts with customers	(v)	**1,002,317**	1,006,248	**-**	-
Changes in fair value of:					
- investment properties		**(128,769)**	(232,138)	**(31,995)**	(228,076)
- receivable from Restructuring Plan		**10,714**	(18,036)	**10,714**	(18,036)
- forestry		**(43,215)**	(134,300)	**-**	-
- biological assets		**11,031**	(9,752)	**-**	-
- derivative		**(1,322)**	-	**-**	-
Changes in fair value of financial assets at FVTPL		**226,120**	(235,063)	**168,925**	(156,849)
		9,137,458	8,915,394	**3,217,384**	3,895,143

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

Details of revenue by category are as follows:

	Group		TH	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
(i) Income from financial assets at FVTPL:				
Income from Sukuk	**100,676**	78,993	**50,547**	50,546
Income from perpetual securities	**179,513**	157,811	**179,513**	157,811
Income from unit trust	**35,025**	41,526	**35,025**	41,526
Income from Negotiable Islamic debt instruments	**7,766**	54,920	**7,766**	54,920
Income from placement in term investment accounts	**2,843**	-	**2,843**	-
Income from other investments	**10,440**	15,092	**10,440**	15,092
	336,263	348,342	**286,134**	319,895

	Group		TH	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
(ii) Income from financial assets at FVOCI:				
Equity instruments:				
Dividend income				
- quoted equities	**180,886**	439,133	**180,887**	439,133
- unquoted equities	**41,865**	56,490	**41,791**	56,490
- external fund managers	**20,170**	25,460	**20,170**	25,460
	242,921	521,083	**242,848**	521,083
Debt instruments:				
Income from government debt securities	**259**	424	**259**	424
Income from government guaranteed debt securities	**302,502**	190,308	**302,502**	190,308
Income from Sukuk	**858,659**	703,912	**404,569**	420,178
	1,161,420	894,644	**707,330**	610,910
Total	**1,404,341**	1,415,727	**950,178**	1,131,993

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

Details of revenue by category are as follows: *(cont'd.)*

	Group		TH	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
(iii) Income from financial assets at amortised cost:				
Income from Sukuk	**298,640**	339,518	**225,754**	258,851
Income from Negotiable Islamic debt certificate	**54,487**	109,125	**85,712**	120,881
Income from Sukuk	**748**	1,697	**748**	1,697
	353,875	450,340	**312,214**	381,429

	Group		TH	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
(iv) Income from investment in subsidiaries, associates and jointly controlled entities:				
- quoted subsidiaries	**-**	-	**151,937**	153,400
- unquoted subsidiaries	**-**	-	**40,000**	3,542
- unquoted associates	**-**	-	**8,027**	7,517
- jointly controlled entities	**-**	-	**-**	400
Gain from disposal of:				
- unquoted subsidiaries	**-**	20,200	**-**	-
- jointly controlled entities	**-**	46,138	**-**	-
	-	66,338	**199,964**	164,859

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

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

v) Disaggregation of the Group's revenue from contracts with customers are as follows:

	Group	
	2019 **RM'000**	2018 RM'000
Type of services		
Plantation	**493,577**	533,277
Services	**297,996**	385,040
Property development	**54,934**	48,729
Land sales	**101,821**	39,202
Property and facilities management	**53,989**	-
	1,002,317	1,006,248
Timing of revenue recognition		
At a point in time	**798,477**	921,340
Over time	**203,840**	84,908
	1,002,317	1,006,248

(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	2020 RM'000	2021 RM'000	Jumlah RM'000
Property development	508	-	508
Land sales	2,651	-	2,651
Facilities management	55,485	43,864	99,349
	58,644	43,864	102,508

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

(b) Contract balances

The Group's contract balances are as follows:

	2019 RM'000	2018 RM'000
Trade receivables	**45,226**	22,935
Contract assets (Note 15)	**16,079**	19,947
Contract liabilities	**(9,595)**	(29,518)

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 (2018: 30 days) and payment is expected within 90 days (2018: 90 days).

The contract liabilities primarily relate to the advance consideration received from customer 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 contract assets/(contract liabilities) balances during the year are as follows:

	At beginning of the year RM'000	Revenue recognised RM'000	Progress billed RM'000	At the end of the year RM'000
2019				
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**
	4,124	**236,909**	**(227,606)**	**13,428**
2018				
Land	(24,943)	39,202	(30,082)	(15,823)
Commercial lots	(6,141)	9,157	(2,292)	724
Residential properties	12,934	39,572	(44,350)	8,156
Property management	4,812	9,077	(5,642)	8,247
Facilities management	4,062	79,366	(80,608)	2,820
	(9,276)	176,374	(162,974)	4,124

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses

	Group		*TH*	
	2019 **RM'000**	2018 RM'000	**2019** **RM'000**	2018 RM'000
Impairment:				
- quoted subsidiaries	**-**	-	**36,815**	133,244
- unquoted subsidiaries	**-**	-	**3,192**	244,643
- unquoted associates	**40**	6,700	**-**	151,073
- unquoted jointly controlled entities	**45,000**	39,184	**52,400**	352,311
- property, plant and equipment	**84,397**	372,407	**-**	-
- inventory	**273**	-	**-**	-
- property development costs	**8,086**	7,683	**-**	-
- plantation development expenditure	**20,316**	234,582	**-**	-
- intangible assets	**9,761**	275,636	**-**	-
- asset held for sale	**74,637**	-	**-**	-
- right-of-use assets	**41,118**	-	**-**	-
Reversal of impairment and expected credit losses:				
- unquoted subsidiaries	**-**	-	**(11,902)**	-
- unquoted associates	**-**	-	**(28,959)**	-
- unquoted jointly controlled entities	**(39,184)**	-	**-**	-
- financing, advances and others	**(107,141)**	(104,948)	**(67,754)**	(108,475)
- amount due from subsidiaries	**-**	-	**(44,838)**	-
- plantation development expenditure	**(1,833)**	-	**-**	-
Expected credit losses on:				
- financing, advances and others	**190,829**	186,402	**331,969**	115,920
- financing to subsidiaries	**-**	-	**-**	-
- dividend receivable from subsidiaries	**-**	-	**13,065**	55,463
- amount due from subsidiaries	**-**	-	**68,078**	44,838
- amount due from jointly controlled entities	**49,176**	1,572	**-**	-
- trade receivables	**2,341**	9,498	**(2)**	5,850
- other receivables	**7,772**	15,239	**764**	-
- takaful receivables	**484**	(2,837)	**-**	-
- finance lease receivables	**12,937**	-	**12,937**	-
- financial assets at amortised cost	**(1,254)**	4,691	**(51)**	(2,196)
- financial assets at FVOCI	**21,806**	(5,369)	**21,769**	(5,369)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

	Group		*TH*	
	2019 **RM'000**	2018 RM'000	**2019** **RM'000**	2018 RM'000
Write off:				
- investment in subsidiary	**454**	-	**-**	-
- amount due from subsidiary	**-**	-	**2,590**	-
- property, plant and equipment	**337**	178,578	**-**	5,166
- plantation development expenditure	**1,043**	12,028	**-**	-
- Sukuk	**-**	11,000	**-**	11,000
- nurseries	**-**	3,116	**-**	-
- asset held for sale	**5**	-	**-**	-
- receivables	**2,728**	1,464	**2,450**	1,457
	424,128	1,246,626	**392,523**	1,004,925

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	Other RM'000	Total RM'000
2019								
TH Plantation 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		8,552	-	18,299	-	1,282	193,899	222,032
		84,397	20,316	41,118	9,761	74,637	193,899	424,128

* *These are in relation to disposal group held for sale in Note 29.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows:

The Board of Directors of TH Plantations Berhad ("THPB") have approved a plan to dispose its interest in nine (9) subsidiaries, six (6) subsidiaries on 26 November 2018 and three (3) subsidiaries on 1 August 2019. THPB has engaged two (2) valuers to perform a valuation on leasehold land and bearer plants of these subsidiaries. During the financial year, Hydroflow Sdn. Bhd. which was classified as assets held for sale in 2018 has been transferred out from assets held for sale as THPB does not expect for the subsidiary to be disposed in the next 12 months.

During the financial year, the Group has received an offer for Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd. and THP-YT Plantation Sdn. Bhd. and has used the offer price as the basis for fair value less cost to sell for the subsidiary's plantation assets.

Group	Note	Property, plant and equipment RM'000	Plantation development expenditure RM'000	Intangible assets RM'000	Others RM'000	Total RM'000
2018						
TH Plantation Berhad Group						
Bumi Suria Ventures Sdn. Bhd. / Maju Warisanmas Sdn. Bhd.*	(i)	233,948	-	59,410	-	293,358
Hydroflow Sdn. Bhd. .*	(ii)	-	-	4,094	-	4,094
THP-YT Plantation Sdn. Bhd.*	(iii)	4,544	23,448	-	-	27,992
TH Pelita Simunjan Sdn. Bhd.*	(iv)	18,083	15,057	-	-	33,140
PT Persada Kencana Prima	(v)	-	42,525	-	-	42,525
TH Pelita Gedong Sdn. Bhd	(vi)	2,396	2,163	-	-	4,559
		258,971	83,193	63,504	-	405,668
Deru Semangat Sdn. Bhd.		-	151,389	78,428	-	229,817
Goodwill arising on acquisition of TH Ladang Sabah & Sarawak		-	-	133,704	-	133,704
Other		113,436	-	-	364,001	477,437
		372,407	234,582	275,636	364,001	1,246,626

** These are in relation to disposal group held for sale in Note 29.*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(i) Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd.

2019

On 5 December 2019, THPB has 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 are estimated based on the Board of Director's valuation, which are 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") is higher than the recoverable amount. An impairment loss of RM23,021,000 has been recognised in the Group's profit or loss during the current financial year.

2018

In 2018, the Group engaged a different valuer as compared to prior year. In prior year the assets have been fair valued by a registered valuer for the purpose of impairment testing of goodwill.

The cash-generating unit consist of planted area in relation to palm oil, unplantable area and a quarry area which the recoverable amount based on valuation report for 2018 were RM38,690 per hectare, RM12,364 per hectare and RM24,702 per hectare respectively.

The assets have been valued in 2018 based on different key assumption as compared to prior year. The differences between the key assumptions in 2018 as compared to prior year are as follows:

a) Plantation land value at the end of the bearer plant cycle has not been considered as compared to prior year where the plantation land value was included at the end of the bearer plant cycle;

b) Pre-tax discount rate of 14% has been used for the valuation in 2018 as compared to prior year where a pre-tax discount rate of 9% was used; and

c) In 2018, replanting cost has been incorporated in the discounted cash flow if an area is due for replanting before the end of the discounted cash flow cycle of thirty (30) years and the subsequent revenue are factored in until the end of the cash flow cycle. In the prior year, no replanting cost nor future revenue was incorporated if an area was due for replanting before the end of the discounted cash flow cycle of thirty (30) years.

The changes in the other key assumptions as compared to prior year are as the result from the change in the market condition of the assets.

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 2018 and 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 CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost and plantation land value. The expected net cash flows are discounted using risk-adjusted discount rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(i) Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd. *(cont'd.)*

b) *Significant unobservable inputs in current year*

- Expected projected FFB yield (6.00mt/ha – 25.00mt/ha)
- FFB sales price (RM550/mt)
- Upkeep and maintenance cost (RM1,300/ha – RM1,800/ha)
- Pre-tax discount rate in relation to bearer plant (14%)
- Plantation land value (Nil)
- Pre-tax discount rate in relation to plantation land (Nil)

c) *Significant unobservable inputs in 2018*

- Expected projected FFB yield (19.00mt/ha – 30.00mt/ha)
- FFB sales price (RM500/mt)
- Upkeep and maintenance cost (RM1,770/ha – RM3,415/ha)
- Pre-tax discount rate in relation to bearer plant (9% – 9.5%)
- Plantation land value (RM34,900/ha – RM35,000/ha)
- Pre-tax discount rate in relation to plantation land (4.25%)

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 RM38,690 per hectare for planted area in relation to palm oil, RM12,364 per hectare for unplantable area and RM24,702 per hectare for a quarry area. An impairment loss of RM293,358,000 has been recognised in profit or loss of the Group 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 RM14,700,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM19,300,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM10,600,000.
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM11,000,000.

If the key assumptions used in 2018 were consistent with prior year, the impact would have been as follows:

- Factoring plantation land value consistent with prior year (RM35,000/ha) discounted at 4.25% would have resulted in a decrease of impairment loss amounting to approximately RM48,619,000;
- If a pre-tax discount rate of 9% to 9.5% had been used, it would have resulted in a decrease of impairment loss amounting to approximately RM59,988,000; and
- If no future replanting cost nor future revenue are considered if an area was due for replanting before the end of the cycle, it would have resulted in a decrease of impairment loss amounting to approximately RM2,385,000.

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(ii) Hydroflow Sdn. Bhd.

2019

During the financial year, THPB Group has assessed the plantations assets value of the subsidiary that has 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 has 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 unplantable area which the recoverable amount based on valuation report are RM40,742 per hectare and RM14,826 per hectare respectively. The Group is of the view that the fair value less cost to sell are consistent as per prior year valuation report as there is 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 current year are as follows:

a) *Description of valuation technique and inputs use*

- 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 (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)

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 RM40,742 per hectare for planted area in relation to oil palm and RM14,826 per hectare for unplantable area. A further impairment loss of RM22,237,000 has been recognised in the Group's profit or loss during the current 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; and
- If a pre-tax discount rate of 9% is used, it would have resulted in no impairment loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(ii) Hydroflow Sdn. Bhd. *(cont'd.)*

2018

In 2018 the Group engaged a different valuer as compared to prior year. In prior year the assets have been fair valued by a registered valuer for the purpose of impairment testing of goodwill. The cash-generating unit consist of planted area in relation to oil palm and unplantable area which the recoverable amount based on 2018 valuation report were RM40,742 per hectare and RM14,826 per hectare respectively.

The assets have been valued in 2018 based on different key assumptions as compared to prior year. The differences between the key assumptions in 2018 as compared to prior year were as follows:

a) Factoring plantation land value at the end of the bearer plant cycle has not been considered as compared to prior year where the plantation land value was included at the end of the bearer plant cycle;

b) Pre-tax discount rate of 14% has been used in 2018 as compared to prior year where a pre-tax discount rate of 9% was used; and

c) In 2018, replanting cost has been incorporated in the discounted cash flow if an area is due for replanting before the end of the discounted cash flow cycle of thirty (30) years and the subsequent revenue are factored in until the end of the cash flow cycle. In the prior year, no replanting cost nor future revenue was incorporated if an area was due for replanting before the end of the discounted cash flow cycle of thirty (30) years.

The changes in the other key assumptions as compared to prior year were as the result from the change in the market condition of the assets.

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 2018 and 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 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 2018*

- 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 on plantation land (Nil)

c) *Significant unobservable inputs in prior year*

- Expected projected FFB yield (13.20mt/ha – 25.40mt/ha)
- FFB sales price (RM500/mt)
- Upkeep and maintenance cost (RM1,525/ha –RM3,725/ha)
- Pre-tax discount rate (9% - 9.5%)
- Plantation land value (RM18,100/ha)
- Pre-tax discount rate (4.25%)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(ii) Hydroflow Sdn. Bhd.*(cont'd.)*

The values assigned to the key assumptions represent valuers 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 RM40,742 per hectare for planted area in relation to oil palm and RM14,826 per hectare for unplantable area. An further impairment loss of RM4,094,000 has been 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 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM5,100,000;
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM5,600,000.

If the key assumptions used in 2018 were consistent with prior year, the impact would have been as follows:

- Factoring plantation land value consistent with prior year (RM18,100/ha) discounted at 4.25% would have resulted in no impairment loss.
- If a pre-tax discount rate of 9% to 9.5% had 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 RM40,000.

(iii) THP-YT Plantation Sdn. Bhd.

<u>**2019**</u>

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 is 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 the THPB Director's valuation, which are 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 is higher than the fair value less cost to sell. An impairment loss of RM14,345,000 has been recognised in the Group's profit or loss during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(iii) THP-YT Plantation Sdn. Bhd *(cont'd.)*

2018

The Group has engaged a different registered valuer in 2018 as compared to prior year. In prior year, the assets have been fair valued by a registered valuer due to heavy floods which had caused the performance of the bearer plant to be lower than the management's expectation. The cash-generating unit consist of planted area in relation to oil palm and plantable area which the recoverable amount based on 2018 valuation report were RM32,258 per hectare and RM12,500 per hectare respectively.

The changes in the key assumptions as compared to prior year are as a result from the change in the market condition of the assets.

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 2018 and 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 CGU, taking into account expected projected FFB yield, FFB sales price, plantation land value, and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.

b) *Significant unobservable inputs in 2018*

   - Expected projected FFB yield (6.21mt/ha – 23.00mt/ha)
   - FFB sales price (RM437/mt – RM486/mt)
   - Upkeep and maintenance cost (RM850/ha – 2,655/ha)
   - Pre-tax discount rate for bearer plant (9.0%)
   - Plantation land value (RM21,647/ha)
   - Pre-tax discount rate for plantation land value (4.5%)

c) *Significant unobservable inputs in prior year*

   - Expected projected FFB yield (13.20 mt/ha -30.00 mt/ha)
   - FFB sales price (RM500/mt)
   - Upkeep and maintenance cost (RM1,525/ha – RM3,725/ha)
   - Pre-tax discount rate for bearer plant (9% - 9.5%)
   - Plantation land value (RM18,100/ha – RM35,000/ha)
   - Pre-tax discount rate for plantation land value (4.25%)

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and were based on external 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 is higher than the recoverable amount of RM32,258 per hectare for planted area in relation to oil palm and RM12,500 per hectare for plantable area. An impairment loss of RM27,992,000 has been 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 RM5,153,000;
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM6,957,000
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM5,074,000; and
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM4,611,000.

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(iv) TH PELITA Simunjan Sdn. Bhd.

2019

The Group has 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 is consistent as per prior year valuation report as there is 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 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 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 in current year*

- 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 valuers 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 has been recognised in the Group's profit or loss during the current 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; and
- 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(iv) TH PELITA Simunjan Sdn. Bhd. *(cont'd.)*

2018

In 2018, the Group had engaged a registered valuer. The cash-generating unit consist of planted area in relation to palm oil which the recoverable amount based on valuation report was RM38,320 per hectare.

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 2018 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 2018*

- 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 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. Based on the fair value less cost to sell, the carrying amount of cash-generating unit was higher than the recoverable amount of RM38,320 per hectare for planted area in relation to palm oil. An impairment loss of RM33,140,000 has been recognised in profit or loss.

Sensitivity analysis

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM10,800,000;
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM13,300,000;
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM3,600,000;
- 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, it would have resulted in no impairment loss; and
- If a pre-tax discount rate of 9% had been used, it would have resulted in a decrease of impairment loss amounting to approximately RM40,986,000.

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(v) PT Persada Kencana Prima

2019

During the prior financial year, the 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 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 in current year*
- 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 current 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; and
- 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 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(v) PT Persada Kencana Prima

<u>2018</u>

In 2018, the 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 PDE of the estates as at 31 December 2018 amounted to RM104,347,000. THPB 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 and plantable area which the recoverable amount based on 2018 valuation report were RM6,593 per hectare and RM13,790 per hectare respectively.

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 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 in 2018*

- 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 was based on its fair value less cost to sell. The carrying amount of cash-generating unit was higher than the recoverable amount of RM6,593 per hectare for planted area in relation to palm oil and RM13,790 per hectare for plantable area. An impairment loss of RM42,525,000 has been 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 RM2,141,000;
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM2,980,000;
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM4,016,000; and
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM1,197,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(vi) TH PELITA Gedong Sdn. Bhd.

2019

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 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 to sell within Level 3, 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

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 in current year*

- 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 in current year*

- Market price per hectare
- Cost per square foot and new replacement cost per unit
- Depreciation rate

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(vi) TH PELITA Gedong Sdn. Bhd. *(cont'd.)*

2019 *(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 has been recognised in the Group's profit or loss during the current 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.

2018

In 2018, two (2) areas of bearer plant of a subsidiary of the Group have experienced heavy floods which had caused the performance of the bearer plant to be lower than the managements expectation. The carrying amount of the bearer plant as at 31 December 2018 amounted to RM6,317,000 and RM10,047,000 respectively. Two (2) areas of an estate have not been declared matured even though the age of these estates were 96 months. The carrying amount of the plantation development expenditure of the estates as at 31 December 2018 amounted to RM7,374,000 and RM6,401,000 respectively.

The recoverable amounts of the cash-generating units were based on their values in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit.

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 2018 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 the estate, 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 2018*
   - Expected projected FFB yield (10.00mt/ha - 23.00mt/ha)
   - FFB sales price (RM500/mt)
   - Upkeep and maintenance cost (RM1,629/ha - RM1,798/ha)
   - Pre-tax discount rate (10%)

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(vi) TH PELITA Gedong Sdn. Bhd. *(cont'd.)*

<u>**2018**</u> *(cont'd.)*

The values assigned to the key assumptions represent managements assessment of future trends in the oil palm industry and were based on external sources and internal sources (historical data).

Based on the value in use, the carrying amount of the estates was higher than the recoverable amount of RM25,579,000. An impairment loss of RM4,559,000 has been recognised in the Group's profit or loss during the prior financial year.

Sensitivity analysis

- An increase of 5% in the discount rate would have resulted in an increase of impairment loss of RM8,332,000;
- A reduction in price of FFB by 10% would have resulted in an increase of impairment loss of RM4,804,000;
- A reduction in yield per hectare by 10% would have resulted in an increase of impairment loss of RM4,106,000.

(vii) THP Saribas Sdn. Bhd.

<u>**2019**</u>

During the financial year, the 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. The 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 current year are as follows:

a) *Description of valuation technique and inputs used*

<u>*Plantation assets*</u>

- 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.

b) *Significant unobservable inputs in current year*

- 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%)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(vii) THP Saribas Sdn. Bhd.*(cont'd.)*

2019 *(cont'd.)*

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 in current year*

- 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 has been recognised in the Group's profit or loss during the current 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; and
- 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 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(viii) TH PELITA Sadong Sdn. Bhd.

2019

The Group has engaged a registered valuer during the 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 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 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 in current year*

- 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 has been recognised in the Group's profit or loss during the current 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; and
- 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

43. Impairment, write off and expected credit losses *(cont'd.)*

Impairment of property, plant and equipment, plantation development expenditure, right-of-use assets, intangible assets and assets held for sale mainly relates TH Plantations Berhad Group and are discussed as follows: *(cont'd.)*

(ix) TH PELITA Beladin Sdn. Bhd.

In April 2011, Sarawak State Government had gazeted 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 current financial year.

44. Operating profit

	Group		***TH***	
	2019 **RM'000**	2018 RM'000	**2019** **RM'000**	2018 RM'000
Operating profit was arrived at after crediting/(charging):				
Gain/(Loss) on disposal of property, plant and equipment	**3,757**	2,447	**3,292**	2,078
Gain from transfer to UJSB	**-**	7,334	**-**	7,334
Amortisation of government grant (Note 38)	**-**	9,353	**-**	9,353
Amortisation of intangible assets (Note 27)	**(36,812)**	(30,700)	**-**	-
Depreciation of property, plant and equipment (Note 26(a))	**(274,749)**	(282,372)	**(124,755)**	(104,863)
Amortisation of prepaid operating leases	**-**	(190,038)	**-**	(190,038)
Depreciation of right-of-use assets (Note 25)	**(213,964)**		**(190,378)**	
Audit fees				
- Jabatan Audit Negara	**(515)**	(403)	**(515)**	(403)
- Other auditors	**(6,087)**	(5,206)	**-**	-
Rental of premises	**(32,588)**	(82,943)	**-**	(7,978)
Low value item leases	**(32,273)**	-	**(15,339)**	-
Short-term leases	**(48,324)**	-	**(4,033)**	-
Contract reassessed leases	**(2,520)**	-	**(2,520)**	-
Provision for retirement benefits (Note 40)	**(61,390)**	(49,837)	**(61,202)**	(49,733)
Hajj financial support (Note 55)	**(298,614)**	(313,525)	**(298,614)**	(313,525)
Net gain/(loss) on foreign exchange differences	**116,812**	(14,544)	**70,357**	(49,223)
Staff costs	**(1,260,706)**	(1,235,197)	**(246,167)**	(247,546)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

45. Finance costs

	Group		*TH*	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Finance costs				
- Borrowings	**130,123**	144,605	**-**	-
- Finance lease charges on lease liabilities	**27,255**	-	**21,630**	-
	157,378	144,605	**21,630**	-

46. 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.

47. Tax expense

	Group		*TH*	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Malaysia income tax:				
- Current year	**313,999**	287,643	**-**	-
- Overprovision in prior years	**(2,045)**	(18,533)	**-**	-
Overseas income tax:				-
- Overprovision in prior years	**(5,088)**	-	**-**	-
	306,866	269,110	**-**	-
Deferred tax				
- Origination and reversal of temporary differences	**(47,488)**	(111,125)	**-**	
- Under/(Over) provision in prior years	**23,728**	(9,768)	**-**	-
- Write down of deferred tax assets	**35,575**	88,214	**-**	-
	318,681	236,431	**-**	-

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

47. Tax expense *(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*	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Profit before taxation and zakat	**2,971,208**	2,136,066	**1,922,925**	1,699,721
Income tax using Malaysian statutory tax rate of 24% (2018: 24%)	**713,090**	512,656	**461,502**	407,933
Effect of differences in tax rates	**9,465**	13,761	**-**	-
Non-deductible expenses	**203,667**	240,107	**-**	-
Non-assessable income	**(519,552)**	(348,932)	**(355,227)**	(243,307)
Tax exempt income	**(149,552)**	(125,060)	**(106,275)**	(164,626)
Effects of unrecognised deferred tax	**40,774**	107,965	**-**	-
Share of tax of associates	**5,270**	(48,894)	**-**	-
Share of tax of jointly controlled entities	**1,296**	(10,798)	**-**	-
Others	**(7460)**	(76,073)	**-**	-
	296,998	264,732	**-**	-
(Over)/Under provision of tax in prior years				
- Current	**(2,045)**	(18,533)	**-**	
- Deferred tax	**23,728**	(9,768)	**-**	-
	318,681	236,431	**-**	-

48. Segment information

The ***TH*** Group comprises the following main business segments:

Investment holdings	-	Investment in companies from different industries as part of the Group's corporate strategy;
Banking & takaful	-	Islamic banking and provision of related services; underwriting of family and general Islamic insurance ('Takaful');
Plantation	-	Oil palm estate and teak plantations; and
Others	-	Property, hospitality, information technology and marine.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

48. 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
2019						
Revenue						
Revenue from external customers	2,735,191	5,424,638	461,946	515,683	-	9,137,458
Inter-segment revenue	482,193	-	-	77,553	(559,746)	-
	3,217,384	5,424,638	461,946	593,236	(559,746)	9,137,458
Profit for the year						
Profit before impairment	2,337,078	1,431,155	54,796	82,849	(330,541)	3,575,337
Impairment, write off, and expected credit losses	(392,523)	(88,023)	(199,292)	(104,706)	360,416	(424,128)
Finance costs	(21,630)	(138,118)	(75,296)	(139,821)	217,487	(157,378)
Share of loss after tax and zakat of associates	-	-	-	-	21,960	21,960
Share of profit/(loss) after tax and zakat of jointly controlled entities	-	-	-	(5,399)	(39,184)	(44,583)
Zakat	(86,185)	(12,260)	-	(1,812)	-	(100,257)
Tax expense	-	(257,385)	(42,221)	(14,494)	(4,581)	(318,681)
Profit from discontinued operation	-	-	-	180	-	180
	1,836,740	935,369	(262,013)	(183,203)	225,557	2,552,450
Segment assets						
Assets by segment	75,029,825	77,193,765	3,525,164	4,903,798	(14,649,972)	146,002,580
Interest in associates	210,908	-	-	2	199,191	410,101
Investments in jointly controlled entities	250	-	-	261,317	173	261,740
Deferred tax assets	-	69,728	34,295	1,771	(2381)	103,413
Total	75,240,983	77,263,493	3,559,459	5,166,888	(14,452,989)	146,777,834
	-				-	
Segment liabilities						
Liabilities by segment	72,366,298	70,845,350	1,842,747	3,961,441	(8,086,182)	140,929,654
Deferred tax liabilities	-		193,102	25,447	(106,884)	111,665
Total	72,366,298	70,845,350	2,035,849	3,986,888	(8,193,066)	141,041,319

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

48. 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
2018						
Revenue						
Revenue from external customers	3,832,316	4,121,435	408,465	553,178	-	8,915,394
Inter-segment revenue	62,827	-	1,524	185,449	(249,800)	-
	3,895,143	4,121,435	409,989	738,627	(249,800)	8,915,394
Profit for the year						
Profit before impairment	2,704,646	1,295,282	(103,199)	125,389	(247,071)	3,775,047
Impairment, write off, and expected credit losses	(1,004,925)	(86,319)	(681,331)	(169,799)	695,748	(1,246,626)
Finance costs	-	(143,508)	(68,594)	(119,433)	186,930	(144,605)
Share of profit after tax and zakat of associates	-	-	-	-	(203,726)	(203,726)
Share of loss after tax and zakat of jointly controlled entities	-	-	-	43,088	(87,112)	(44,024)
Zakat	(85,571)	(14,689)	-	(2,387)	-	(102,647)
Tax expense	-	(249,345)	12,102	(18,724)	19,536	(236,431)
Loss from discontinued operations	-	-	-	(1,608)	-	(1,608)
	1,614,150	801,421	(841,022)	(143,474)	364,305	1,795,380
Segment assets						
Assets by segment	77,255,996	72,294,426	3,632,971	5,719,441	(16,495,519)	142,407,315
Interest in associates	181,949	-	-	42	189,946	371,937
Investments in jointly controlled entities	40,650	-	-	79,568	192,018	312,236
Deferred tax assets	-	94,115	54,166	7,568	(9,647)	146,202
Total	77,478,595	72,388,541	3,687,137	5,806,619	(16,123,202)	143,237,690
Segment liabilities						
Liabilities by segment	76,423,683	66,893,819	1,614,817	4,278,646	(9,447,291)	139,763,674
Deferred tax liabilities	-	-	255,542	19,980	(118,732)	153,790
Total	76,423,683	66,893,819	1,867,359	4,298,626	(9,566,023)	139,917,464

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

49. Commitments

	Group		*TH*	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Capital commitment				
Contracted but not accounted for in the financial statements:				
Property, plant and equipment	**116,265**	107,741	**-**	-
Investment properties	**121,207**	120,451	**121,207**	120,451
Property development costs	**36,394**	63,745	**-**	-
Investments	**140,378**	175,510	**140,377**	175,509
Financing to subsidiaries	**-**	-	**295,043**	-
	414,244	467,447	**556,627**	295,960
Authorised but not contracted for:				
Property, plant and equipment	**26,473**	68,869	**-**	-
Plantation development expenditure	**46,792**	86,363	**-**	-
	73,265	155,232	**-**	-

TH has further granted a commitment in favour of a bank 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 an overseas subsidiary incorporated in Jersey, as disclosed in Note 39.

Operating lease commitments

The Group and ***TH*** have leased various offices and retail stores under operating leases expiring within 1 to 25 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Group	*TH*
	2018	2018
	RM'000	RM'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	344,265	315,602
Later than one year but not later than five years	766,762	650,250
Later than five years	1,104,836	464,045
	2,215,863	1,429,897

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

50. 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 50(c)).

(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*	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Jointly controlled entities				
Advances to jointly controlled entities	**-**	-	**12,000**	97,000
Charter hire of vessels	**50,412**	52,544	**-**	-
Dividend	**-**	-	-	400
Other related income	**3,180**	2,774	-	-
Associates				
Dividend	**-**	-	**8,026**	7,517
Subsidiaries				
Advances to subsidiaries	**-**	-	**-**	13,769
Dividend	**-**		**191,937**	156,942
Income from debt securities			**144,268**	161,661
Profit from financing	**-**	-	**98,288**	81,544
Rental	**-**	-	**27,310**	43,644
Income from money market	**-**	-	**12,364**	48,951

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

50. Related party transactions *(cont'd.)*

(b) Significant net year end balances owing from related parties

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***	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Amounts due (to)/from subsidiaries	**-**	-	**364,526**	286,845
Less: Accumulated impairment loss	**-**	-	**(136,606)**	(100,301)
Net amounts due from subsidiaries (Note 15)	**-**	-	**227,920**	186,544
Financing to subsidiaries	**-**	-	**2,331,777**	1,788,829
Less: Accumulated impairment loss	**-**	-	**(467,298)**	(203,083)
Net financing to subsidiaries (Note 12)	**-**	-	**1,864,479**	1,585,746
Investment in subsidiaries	**-**	-	**6,671,302**	6,702,581
Less: Accumulated impairment loss	**-**		**(405,992)**	(425,199)
Net investment in subsidiaries (Note 22)	**-**	-	**6,265,310**	6,277,382

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

50. Related party transactions *(cont'd.)*

(c) Key management personnel

	Group		*TH*	
	2019 **RM'000**	2018 RM'000	**2019** **RM'000**	2018 RM'000
Members and Directors				
Honorarium fees	**278**	281	**278**	281
Fees and other emoluments	**5,574**	10,385	**104**	161
Other key management personnel:				
Remunerations and other emoluments	**75,822**	80,688	**26,768**	31,983

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.

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***.

51. 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

The tables below provide an analysis of financial instruments categorised as follows: *(cont'd.)*

Group	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
31.12.2019				
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/ Receivable from Restructuring Plan	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
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
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

The tables below provide an analysis of financial instruments categorised as follows: *(cont'd.)*

Group	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
31.12.2018				
Financial assets				
Cash and short term funds	11,615,995	-	-	11,615,995
Deposits and placements with banks and other financial institutions	1,982,972	-	-	1,982,972
Derivative financial instruments	45,398	45,398	-	-
Financial assets at FVTPL	6,684,379	6,684,379	34,010,198	-
Financial assets at FVOCI	34,010,198	-	-	-
UJSB Sukuk and receivables at amortised cost/ Receivable from Restructuring Plan	19,881,964	-	-	19,881,964
Other financial assets at amortised cost	5,759,536	-	-	5,759,536
Financing, advances and others	45,680,680	-	-	45,680,680
Retakaful assets	537,137	-	-	537,137
Other receivables at amortised cost	3,656,910	-	-	3,656,910
Statutory deposits with Bank Negara Malaysia	1,602,284	-	-	1,602,284
	131,457,453	6,729,777	34,010,198	90,717,478
Financial liabilities				
Depositors' savings fund	74,488,986	-	-	74,488,986
Deposits from banking customers	45,365,386	-	-	45,365,386
Investment accounts of banking customers	5,037,653	-	-	5,037,653
Derivative financial instruments	19,520	19,520	-	-
Takaful contract liabilities	7,072,782	-	-	7,072,782
Other liabilities	2,669,258	-	-	2,669,258
Recourse obligations on financing sold to Cagamas	1,501,187	-	-	1,501,187
Lease liabilities	754	-	-	754
	136,155,526	19,520	-	136,136,006

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

The tables below provide an analysis of financial instruments categorised as follows: *(cont'd.)*

TH	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
31.12.2019				
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/ Receivable from Restructuring Plan	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
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 liabilites	732,661	-	-	732,661
	71,489,294	-	-	71,489,294

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

The tables below provide an analysis of financial instruments categorised as follows: *(cont'd.)*

TH	**Carrying amount RM'000**	**FVTPL RM'000**	**FVOCI RM'000**	**Amortised cost RM'000**
31.12.2018				
Financial assets				
Cash and short term funds	8,205,490	-	-	8,205,490
Deposits and placements with banks and other financial institutions	777,888	-	-	777,888
Derivative financial instruments	27,700	27,700	-	-
Financial assets at FVTPL	5,097,822	5,097,822	-	-
Financial assets at FVOCI	20,163,073	-	20,163,073	-
UJSB Sukuk and receivables at amortised cost/ Receivable from Restructuring Plan	19,881,964	-	-	19,881,964
Other financial assets at amortised cost	7,735,313	-	-	7,735,313
Financing, advances and others	1,585,746	-	-	1,585,746
Other receivables at amortised cost	2,852,832	-	-	2,852,832
	66,327,828	5,125,522	20,163,073	41,039,233
Financial liabilities				
Depositors' savings fund	74,488,986	-	-	74,488,986
Other liabilities	1,263,415	-	-	1,263,415
	75,752,401	-	-	75,752,401

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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

Financial risk management *(cont'd.)*

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 lossess:

- 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

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 ("the Bank"). The Bank'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 the Bank's Management Risk Control Committee ("MRCC") and/or Board Risk Committee ("BRC"), guided by the bank's Board of Directors approved by Risk Appetite Statement.

The Bank's MRCC is responsible under the authority delegated by the bank's BRC for managing credit risk at strategic level. The Bank's MRCC reviews the bank'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.

The Bank's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which documents the bank's financing standards, discretionary powers for financing approval, credit risk rating methodologies and models, acceptable collaterals and valuation, and the review, rehabiliation and restructuring or problematic and delinquent financing.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

i) Credit Risk *(cont'd.)*

a) Impairment of financial assets

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

The credit quality of the Bank's financing, advances and others are summarised as follows:

31.12.2019	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
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**

31.12.2018	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financing, advances and others				
Neither past due nor impaired				
- Excellent	41,801,620	293,750	-	42,095,370
- Satisfactory	2,734,627	347,516	-	3,082,143
- Fair	242,626	32,800	-	275,426
	44,778,873	674,066	-	45,452,939
Past due but not impaired	-	591,509	-	591,509
Impaired	-	-	425,937	425,937
Gross carrying amount	44,778,873	1,265,575	425,937	46,470,385

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.

51. 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.)*

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) and ECLs are significant estimates. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group 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*** is satisfied that recovery of the amount is probable, the amount considered irrecoverable is written off against the receivable.

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 the Group and ***TH***, and a failure to make contractual payments for a period of 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*** measures 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

i) Credit Risk *(cont'd.)*

a) Impairment of financial assets *(cont'd.)*

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, Takaful has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information.

Takaful 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 losses for takaful receivables is set out in Note 15.

b) Credit quality of investments' portfolio *(cont'd.)*

Investments' portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
31.12.2019				
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	159,299	22,060	299,695
Lower than A	29,856	-	-	211,215
Not rated	902,181	-	-	902,181
Government Guaranteed Debt Securities	3,202,022	-	-	3,202,022
Other unrated financial assets	530,852	-	-	530,852
Gross carrying amount	27,282,258	159,299	22,060	27,463,617
Impairment allowances	4,640	22,855	166	27,661

Derivatives financial assets	**RM'000**
Bank and financial institution counterparties	24,687
Corporate	6,734
	31,421

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

i) Credit Risk *(cont'd.)*

b) Credit quality of investments' portfolio

Investments' portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating are as follows: *(cont'd.)*

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
31.12.2019 *(cont'd.)*				
Financial assets at FVTPL				
Government bonds and treasury bills				373,743
Sukuk :				
Rated AAA				111,503
Rated A1 to AA3				703,122
Rated A				285,308
Lower than A				-
Not rated				3,821,152
Unit-linked				47,240
Structured deposits :				
Rated AAA				-
Rated A				-
				5,342,068
Retakaful assets				
Not rated				755,796
Financial assets at amortised cost				
Other unrated financial assets	3,169,026	-	15,824	3,184,850
Impairment allowances	(2,059)	-	(15,824)	(17,883)
Net carrying amount	3,166,967	-	-	3,166,967

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

i) Credit Risk *(cont'd.)*

b) Credit quality of investments' portfolio *(cont'd.)*

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>31.12.2018</u>				
Financial assets at FVOCI				
Debt instruments				
Government bonds and treasury bills	3,024,620	-	-	3,024,620
Sukuk :				
Rated AAA	6,421,089	-	-	6,421,089
Rated A1 to AA3	7,889,943	-	-	7,889,943
Rated A	462,005	-	-	462,005
Lower than A	24,614	-	20,000	44,614
Not rated	3,945,950	-	-	3,945,950
Government Guaranteed Debt Securities	4,405,660	-		4,405,660
Other unrated financial assets	318,625	-	-	318,625
Gross carrying amount	26,492,506	-	20,000	26,512,506
Impairment allowances	5,763	-	92	5,855
Derivatives financial assets				
Bank and financial institution counterparties				16,500
Corporate				28,898
				45,398

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

i) Credit Risk *(cont'd.)*

b) Credit quality of investments' portfolio *(cont'd.)*

Investments' portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating are as follows: *(cont'd.)*

Group *(cont'd.)*	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
31.12.2018 *(cont'd.)*				
Financial assets at FVTPL				
Government bonds and treasury bills				145,151
Sukuk :				
Rated AAA				65,771
Rated A1 to AA3				693,109
Rated A				181,289
Lower than A				-
Not rated				3,777,535
Unit-linked				55,868
Structured deposits :				
Rated AAA				50,537
Rated AA				194,034
				5,163,294
Retakaful assets				
Not rated				537,137
Financial assets at amortised cost				
Other unrated financial assets	5,768,533	-	10,140	5,778,673
Impairment allowances	(8,997)	-	(10,140)	(19,137)
Net carrying amount	5,759,536	-	-	5,759,536

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

i) Credit Risk *(cont'd.)*

b) Credit quality of investments' portfolio *(cont'd.)*

Investments' portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the ***TH*** by external party rating are as follows: *(cont'd.)*

TH	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
31.12.2019				
Financial assets at FVOCI				
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
Financial assets at FVTPL				
Sukuk :				
Rated AAA				12,351
Rated A1 to AA3				676,447
Rated A				99,049
Lower than A				-
Not rated				4,197,359
				4,985,206
Financial assets at amortised cost				
Other unrated financial assets	5,813,713	-	10,140	5,823,853
Impairment allowances	(2,059)	-	(10,140)	(12,199)
Net carrying amount	5,811,654	-	-	5,811,654

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

i) Credit Risk *(cont'd.)*

b) Credit quality of investments' portfolio *(cont'd.)*

Investments' portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the ***TH*** by external party rating are as follows: *(cont'd.)*

TH	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
31.12.2018				
Financial assets at FVOCI				
Debt instrument				
Malaysian Government investment issues	10,233	-	-	10,233
Sukuk :				
Rated AAA	2,957,221	-	-	2,957,221
Rated A1 to AA3	5,004,508	-	-	5,004,508
Rated A	323,340	-	-	323,340
Lower than A	-	-	-	-
Not rated	-	-	-	-
Government Guaranteed Debt	4,405,660	-	-	4,405,660
Gross carrying amount	12,700,962	-	-	12,700,962
Impairment allowances	5,510	-	-	5,510
Financial assets at FVTPL				
Sukuk :				
Rated AAA				12,008
Rated A1 to AA3				650,164
Rated A				94,912
Lower than A				-
Not rated				3,642,305
				4,399,389
Financial assets at amortised cost				
Other unrated financial assets	7,737,423	-	10,140	7,747,563
Impairment allowances	(2,110)	-	(10,140)	(12,250)
Net carrying amount	7,735,313	-	-	7,735,313

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. 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 and ***TH***'s exposure to foreign currency risk at the end of the reporting period, was as follows:

Group	USD RM'000	GBP RM'000	AUD RM'000	SAR RM'000
31.12.2019				
Cash and short-term funds	**432,616**	**5,115**	**3,181**	**31,633**
Other receivables at amortised cost	**3,022,803**	**68,078**	**621,688**	**-**
Other liabilities	**(3,738,554)**	**(1,962)**	**(1,025)**	**(6,345)**
Borrowings	**-**	**-**	**(215,363)**	**-**

Group	USD RM'000	GBP RM'000	AUD RM'000	SAR RM'000
31.12.2018				
Cash and short-term funds	415,987	16,354	10,337	24,161
Other receivables at amortised cost	1,535,770	638,716	838,537	-
Other liabilities	(2,218,762)	(10,439)	(3,361)	(3,338)
Borrowings	-	-	(427,435)	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

ii) Market Risk

a) *Foreign currency exchange risk (cont'd.)*

The Group and ***TH***'s exposure to foreign currency risk at the end of the reporting period, was as follows: *(cont'd.)*

TH	**USD RM'000**	**GBP RM'000**	**AUD RM'000**	**SAR RM'000**
31.12.2019				
Cash and short-term funds	**302**	**183**	**6**	**28,406**
Financing	**-**	**1,606,395**	**-**	**-**
Other receivables at amortised cost	**11**	**68,078**	**3,130**	**-**

TH	**USD RM'000**	**GBP RM'000**	**AUD RM'000**	**SAR RM'000**
31.12.2018				
Cash and short-term funds	18,647	5,239	1,842	10,192
Financing	-	1,100,134	-	-
Other receivables at amortised cost	-	638,703	5,845	-

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**	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
USD/RM exchange rate - increase 1%	**(11,589)**	(11,043)	**13**	771
USD/RM exchange rate - decrease 1%	**11,589**	11,043	**(13)**	(771)
GBP/RM exchange rate - increase 1%	**90,209**	91,900	**90,050**	91,864
GBP/RM exchange rate - decrease 1%	**(90,209)**	(91,900)	**(90,050)**	(91,864)
AUD/RM exchange rate - increase 1%	**11,713**	12,219	**90**	225
AUD/RM exchange rate - decrease 1%	**(11,713)**	(12,219)	**(90)**	(225)
SAR/RM exchange rate - increase 1%	**271**	230	**304**	112
SAR/RM exchange rate - decrease 1%	**(271)**	(230)	**(304)**	(112)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

ii) Market Risk *(cont'd.)*

a) *Foreign currency exchange risk (cont'd.)*

Changes in exchange rates may have an impact on the Group 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 are approved by the set up committees and independently monitored daily by the Market Risk Management Department ("MRMD") of the banking sector.

Foreign currency risk for the Group and ***TH*** which have a functional currency other than US Dollar and GB Pound are 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 sensivity 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*** manages its 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

ii) Market Risk *(cont'd.)*

b) *Profit rate risk (cont'd.)*

Group	Non-trading book 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 %
31.12.2019							
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/ Receivable from Restructuring Plan	-	-	-	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	394,393	-	49,790,968	0.00 - 7.00
- impaired net of allowances *	-	-	-	(318,446)	-	(318,446)	-
Retakaful assets	-	-	-	755,796	-	755,796	-
Finance lease receivables	-	-	2,053,117	-	-	2,053,117	-
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

ii) Market Risk *(cont'd.)*

b) *Profit rate risk (cont'd.)*

	Non-trading book						
Group *(cont'd.)*	**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 %**
31.12.2019 *(cont'd.)*							
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)	-	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

ii) Market Risk *(cont'd.)*

b) *Profit rate risk (cont'd.)*

Group	Non-trading book						
	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 %**
31.12.2018							
Assets							
Cash and short term funds	9,195,107	-	-	2,420,888	-	11,615,995	2.28 - 5.00
Deposits and placements with banks and other financial institutions	1,982,972	-	-	-	-	1,982,972	4.10 - 5.00
Derivative financial instruments	-	-	-	-	45,398	45,398	0.99
Financial assets at FVTPL	-	-	-	182,129	6,502,250	6,684,379	3.40 - 8.00
Financial assets at FVOCI	10,303,312	3,832,444	12,412,269	7,462,173	-	34,010,198	0.00 - 9.40
UJSB Sukuk and receivables at amortised cost/ Receivable from Restructuring Plan	-	-	-	19,881,964	-	19,881,964	-
Financial assets at amortised cost	2,181,254	1,005,830	2,572,452	-	-	5,759,536	
Financing, advances and others							
- non-impaired	41,970,165	240,040	3,473,257	360,986	-	46,044,448	0.00 - 7.00
- impaired net of allowances *	-	-	-	(363,768)	-	(363,768)	-
Retakaful assets	-	-	-	537,137	-	537,137	-
Finance lease receivables	-	-	-	-	-	-	-
Other receivables at amortised cost	775,311	-	-	2,881,599	-	3,656,910	3.13 - 7.60
Statutory deposits with Bank Negara Malaysia	-	-	-	1,602,284	-	1,602,284	-
Other non-profit sensitive balances	-	-	-	11,778,308	-	11,778,308	-
	66,408,121	5,078,314	18,457,978	46,743,700	6,547,648	143,235,761	

* This is arrived at after deducting impairment allowances from the outstanding gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

ii) Market Risk *(cont'd.)*

b) *Profit rate risk (cont'd.)*

Group *(cont'd.)*	**Non-trading book** 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 %**
31.12.2018 *(cont'd.)*							
Liabilities							
Depositors' savings fund	-	-	-	74,488,986	-	74,488,986	-
Deposits from banking customers	28,432,269	3,989,042	-	12,944,075	-	45,365,386	2.69
Investment accounts of banking customers	2,442,464	343	-	2,594,846	-	5,037,653	1.20
Derivative financial instruments	-	-	-		19,520	19,520	0.57
Takaful contract liabilities	-	-	-	7,072,782	-	7,072,782	-
Recourse obligations on financing sold to Cagamas	-	1,500,000	-	1,187	-	1,501,187	4.75
Lease liabilities	754	-	-	-	-	754	-
Borrowings	494,588	770,374	1,319,732	-	-	2,584,694	-
Other non-profit sensitive balances	626,559	-	-	3,235,066	-	3,861,625	
	31,996,634	6,259,759	1,319,732	100,336,942	19,520	139,932,587	
Total surplus funds	-	-	-	-	3,303,174	3,303,174	
Total profit sensitivity gap	27,163,124	(803,509)	5,130,181	(29,603,853)	(1,885,943)		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

ii) Market Risk *(cont'd.)*

b) *Profit rate risk (cont'd.)*

	Non-trading book						
TH	**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 %**
31.12.2019							
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/ Receivable from Restructuring Plan	-	-	-	20,261,801	-	20,261,801	-
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	-
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 non-profit sensitive balances	-	-	-	2,948,851	-	2,948,851	-
	-	-	-	72,366,292	-	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)	-	-	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

ii) Market Risk *(cont'd.)*

b) *Profit rate risk (cont'd.)*

	Non-trading book						
TH	**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 %**
31.12.2018							
Assets							
Cash and short term funds	6,953,721	-	-	1,251,769	-	8,205,490	2.28 - 5.00
Deposits and placements with banks and other financial institutions	777,888	-	-	-	-	777,888	4.10 - 5.00
Derivative financial instruments	-	-	-	-	27,700	27,700	-
Financial assets at FVTPL	-	-	-	-	5,097,822	5,097,822	4.30 - 8.00
Financial assets at FVOCI	19,651	304,559	12,376,752	7,462,111	-	20,163,073	0.00 - 9.40
UJSB Sukuk and receivables at amortised cost/ Receivable from Restructuring Plan	-	-	-	19,881,964	-	19,881,964	-
Financial assets at amortised cost	2,181,254	1,005,830	4,548,229	-	-	7,735,313	0.00 - 6.65
Financing, advances and others	465,269	10,375	1,110,102	-	-	1,585,746	0.00 - 7.00
Finance lease receivables	-	-	-	-	-	-	-
Other receivables at amortised cost	-	-	-	2,852,832	-	2,852,832	-
Other non-profit sensitive balances	-	-	-	11,150,767	-	11,150,767	-
	10,397,783	1,320,764	18,035,083	42,599,443	5,125,522	77,478,595	
Liabilities							
Depositors' savings fund	-	-	-	74,488,986	-	74,488,986	-
Other non-profit sensitive balances	-	-	-	1,934,697	-	1,934,697	-
	-	-	-	76,423,683	-	76,423,683	
Total surplus funds	-	-	-	1,054,912	-	1,054,912	
Total profit sensitivity gap	10,242,296	4,928,132	1,882,241	(17,052,668)	-	-	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

ii) Market Risk *(cont'd.)*

c) *Profit risk*

i) Equity investment risk

The Group and ***TH***'s equity positions or investments are exposed to the changes in equity prices or values that may affect its 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	
	2019 **RM'000**	2018 RM'000
Group		
Quoted shares - increase 1%	**81,081**	64,516
Quoted shares - decrease 1%	**(81,081)**	(64,516)
Unquoted shares - increase 1%	**9,116**	10,105
Unquoted shares - decrease 1%	**(9,116)**	(10,105)
TH		
Quoted shares - increase 1%	**80,991**	64,516
Quoted shares - decrease 1%	**(80,991)**	(64,516)
Unquoted shares - increase 1%	**8,736**	10,105
Unquoted shares - decrease 1%	**(8,736)**	(10,105)

To manage rate of return or profit rate risk and equity investment risk, the Group and ***TH*** diversify its portfolios. Diversification of the portfolios are in accordance with the limits set by the Group and ***TH*** respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

iii) Liquidity Risk

Liquidity risk is the risk that the Group and ***TH*** do not have sufficient financial resources to meet its 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 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 material 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).

Bank Islam Malaysia Berhad ("the Bank's")'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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

iii) Liquidity Risk (cont'd.)

a) The tables below summarise the Group's assets and liabilities based on the remaining contractual maturities.

Group	Non-trading book					
	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
31.12.2019						
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/ Receivable from Restructuring Plan	-	-	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
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	61,919,626	11,635,976	53,069,046	-	146,777,834

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

iii) Liquidity Risk (cont'd.)

a) The tables below summarise the Group's assets and liabilities based on the remaining contractual maturities. *(cont'd.)*

	Non-trading book					
Group *(cont'd.)*	**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**
31.12.2019 *(cont'd.)*						
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)	57,326,694	10,252,088	(44,436,861)	-	5,736,515

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

iii) Liquidity Risk (cont'd.)

a) The tables below summarise the Group's assets and liabilities based on the remaining contractual maturities. *(cont'd.)*

Group	Non-trading book					
	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
31.12.2018						
Assets						
Cash and short term funds	9,195,107	-	-	2,420,888	-	11,615,995
Deposits and placements with banks and other financial institutions	1,982,972	-	-	-	-	1,982,972
Derivative financial instruments	15,911	16,450	11,250	1,787	-	45,398
Financial assets at FVTPL	845,467	2,675,267	1,419,888	1,743,757	-	6,684,379
Financial assets at FVOCI	10,971,676	6,093,758	9,447,074	7,497,690	-	34,010,198
UJSB Sukuk and receivables at amortised cost/ Receivable from Restructuring Plan	-	281,964	19,600,000	-	-	19,881,964
Financial assets at amortised cost	2,510,687	1,344,884	1,817,515	86,450	-	5,759,536
Financing, advances and others	4,621,363	41,059,317	-	-	-	45,680,680
Retakaful assets	-	-	-	537,137	-	537,137
Finance lease receivables	-	-	-	-	-	-
Other receivables at amortised cost	538,020	-	-	3,118,890	-	3,656,910
Statutory deposits with Bank Negara Malaysia	-	-	-	1,602,284	-	1,602,284
Other non-specific maturity	-	-	-	11,780,237	-	11,780,237
	30,681,203	51,471,640	32,295,727	28,789,120	-	143,237,690

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

iii) Liquidity Risk (cont'd.)

a) The tables below summarise the Group's assets and liabilities based on the remaining contractual maturities. *(cont'd.)*

	Non-trading book					
Group *(cont'd.)*	**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**
31.12.2018 *(cont'd.)*						
Liabilities						
Depositors' savings fund	-	-	-	74,488,986	-	74,488,986
Deposits from banking customers	28,432,269	3,989,042	-	12,944,075	-	45,365,386
Investment accounts of banking customers	2,442,464	343	-	2,594,846	-	5,037,653
Derivative financial instruments	19,071	449	-	-	-	19,520
Takaful contract liabilities	-	-	-	7,072,782	-	7,072,782
Recourse obligations on financing sold to Cagamas	1,187	1,500,000	-	-	-	1,501,187
Lease liabilities	754	-	-	-	-	754
Borrowings	494,588	770,374	1,319,732	-	-	2,584,694
Other liabilities	1,480,787	42,325	-	1,146,146	-	2,669,258
Other non-specific maturity	-	-	-	1,177,244	-	1,177,244
	32,871,120	6,302,533	1,319,732	99,424,079	-	139,917,464
Net maturity mismatches	(2,189,917)	45,169,107	30,975,995	(70,634,959)	-	3,320,226

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

iii) Liquidity Risk (cont'd.)

a) The tables below summarise the ***TH***'s assets and liabilities based on the remaining contractual maturities. *(cont'd.)*

	Non-trading book					
TH	**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**
31.12.2019						
Assets						
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/ Receivable from Restructuring Plan	**-**	**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**
Other receivables at amortised cost	**375,944**	**-**	**-**	**250,053**	**-**	**625,997**
Other non-specific maturity	**-**	**-**	**-**	**11,444,306**	**-**	**11,444,306**
	10,710,370	**10,337,156**	**31,769,386**	**22,424,071**	**-**	**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**	**9,657,685**	**31,769,386**	**(48,414,059)**	**-**	**2,874,691**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

iii) Liquidity Risk (cont'd.)

a) The tables below summarise the ***TH***'s assets and liabilities based on the remaining contractual maturities. *(cont'd.)*

TH	**Non-trading book** 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**
<u>31.12.2018</u>						
Assets						
Cash and short term funds	6,953,721	-	-	1,251,769	-	8,205,490
Deposits and placements with banks and other financial institutions	777,888	-	-	-	-	777,888
Derivative financial instruments	-	16,450	11,250	-	-	27,700
Financial assets at FVTPL	527,454	1,911,362	1,419,888	1,239,118	-	5,097,822
Financial assets at FVOCI	688,015	2,565,873	9,447,074	7,462,111	-	20,163,073
UJSB Sukuk and receivables at amortised cost/ Receivable from Restructuring Plan	-	281,964	19,600,000	-	-	19,881,964
Financial assets at amortised cost	2,510,687	3,320,661	1,817,515	86,450	-	7,735,313
Financing, advances and others	465,269	1,055,751	64,726	-	-	1,585,746
Finance lease receivables	-	-	-	-	-	-
Other receivables at amortised cost	436,156	-	-	2,416,676	-	2,852,832
Other non-specific maturity	-	-	-	11,150,767	-	11,150,767
	12,359,189	9,152,061	32,360,453	23,606,891	-	77,478,595
Liabilities						
Depositors' savings fund	-	-	-	74,488,986	-	74,488,986
Other liabilities	744,261	-	-	519,154	-	1,263,415
Lease liabilities	-	-	-	-	-	-
Other non-specific maturity	-	-	-	671,282		671,282
	744,261	-	-	75,679,422	-	76,423,683
Net maturity mismatches	11,614,928	9,152,061	32,360,453	(52,072,531)	-	1,054,912

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

iii) Liquidity Risk (cont'd.)

b) The tables below present the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows:

	Non-trading book					
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**
31.12.2019						
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**
Borrowings	**317,756**	**2,288,454**	**232,219**	**-**	**-**	**2,838,429**
Lease liabilities	**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**
31.12.2018						
Financial liabilities						
Depositors' savings fund	-	-	-	74,488,986	-	74,488,986
Deposits from banking customers	42,868,100	6,120,762	-	-	-	48,988,862
Investment accounts of banking customers	5,198,886	369	-	-	-	5,199,255
Derivative financial instruments	78,390	1,283,082	-	-	-	1,361,472
Takaful contract liabilities	-	-	-	7,072,782	-	7,072,782
Recourse obligations on financing sold to Cagamas	88,507	1,743,437	-	-	-	1,831,944
Borrowings	622,088	1,753,142	275,860	-	-	2,651,090
Lease liabilities	-	-	-	-	-	-
Other liabilities	2,629,580	463,117	21,896	1,203,619	-	4,318,212
	51,485,551	11,363,909	297,756	82,765,387	-	145,912,603

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

51. Financial risk management policies *(cont'd.)*

iii) Liquidity Risk (cont'd.)

b) The tables below present the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows: *(cont'd.)*

TH	Non-trading book: Less than 1 year RM'000	Non-trading book: >1 - 5 years RM'000	Non-trading book: Over 5 years RM'000	Non-trading book: Non-profit/ sensitive RM'000	Trading books RM'000	Total RM'000
31.12.2019						
Financial liabilities						
Depositors' savings fund	**-**	**-**	**-**	**69,417,441**	**-**	**69,417,441**
Other liabilities	**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**
31.12.2018						
Financial liabilities						
Depositors' savings fund	-	-	-	74,488,986	-	74,488,986
Other liabilities	59,796	-	-	1,203,619	-	1,263,415
Lease liabilities	-	-	-	-	-	-
	59,796	-	-	75,692,605	-	75,752,401

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

52. 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 time to 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 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 rates swap and structured debt. 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 2019 *(cont'd.)*

52. 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 related companies b) Amount due from subsidiaries c) Borrowings d) Financing	Disounted cash flows using a rate based on the current market rate of borrowing of the Group and ***TH*** at the reporting date

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.

The profit rates used to discount estimated cash flows, when applicable, are as follows:

	Group	
	31.12.2019	31.12.2018
Borrowings	**8.20%**	7.90%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

52. 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:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Fair value	Carrying amount
Group	**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**	**Tota RM'000 l**	**Total RM'000**	**Total RM'000**
31.12.2019										
Assets										
Derivative financial instruments	-	31,421	-	31,421	-	-	-	-	31,421	31,421
Financial assets at FVTPL	618,808	6,113,988	380	6,733,176	-	-	1,825	1,825	6,735,001	6,735,001
Financial assets at FVOCI	7,995,444	27,033,482	1,442,506	36,471,432	-	-	-	-	36,471,432	36,471,432
Financial assets at amortised cost	-	-	-	-	-	5,183,040	-	5,183,040	5,183,040	3,166,967
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	20,690,260	20,690,260	20,690,260	20,261,801
Financing, advances and others	-	-	-	-	-	-	52,407,186	52,407,186	52,407,186	49,472,522
	8,614,252	33,178,891	1,442,886	43,236,029	-	5,183,040	73,099,271	78,282,311	121,518,340	116,139,144
Liabilities										
Derivative financial instruments	-	36,746	1,344	38,090	-	-	-	-	38,090	38,090
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,553,085	1,553,085	1,553,085	1,501,187
Borrowings	-	-	-	-	-	-	2,513,502	2,513,502	2,513,502	2,507,533
	-	36,746	1,344	38,090	-	-	4,066,587	4,066,587	4,104,677	4,046,810

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

52. 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.)*

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Fair value	Carrying amount
TH	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	Tota RM'000 l	Total RM'000	Total RM'000
31.12.2019										
Assets										
Derivative financial instruments	27,025	-	-	27,025	-	-	-	-	27,025	27,025
Financial assets at FVTPL	-	5,660,816	-	5,660,816	-	-	-	-	5,660,816	5,660,816
Financial assets at FVOCI	8,087,096	10,664,409	873,649	19,625,154	-	-	-	-	19,625,154	19,625,154
Financial assets at amortised cost	-	-	-	-	-	5,968,625	-	5,968,625	5,968,625	5,811,654
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	20,690,260	20,690,260	20,690,260	20,261,801
Financing, advances and others	-	-	-	-	-	-	2,331,777	2,331,777	2,331,777	1,864,479
	8,114,121	16,325,225	873,649	25,312,995	-	5,968,625	23,022,037	28,990,662	54,303,657	53,250,929

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

52. 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.)*

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Fair value	Carrying amount
Group	**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**	**Tota RM'000 l**	**Total RM'000**	**Total RM'000**
<u>31.12.2018</u>										
Assets										
Derivative financial instruments	11,250	34,148	-	45,398	-	-	-	-	45,398	45,398
Financial assets at FVTPL	696,489	5,985,685	380	6,682,554	-	-	1,825	1,825	6,684,379	6,684,379
Financial assets at FVOCI	4,624,093	28,033,936	1,352,169	34,010,198	-	-	-	-	34,010,198	34,010,198
Financial assets at amortised cost	-	-	-	-	-	5,763,306	-	5,763,306	5,763,306	5,759,536
Receivables from Restructuring Plan	-	-	-	-	-	-	19,881,964	19,881,964	19,881,964	19,881,964
Financing, advances and others	-	-	-	-	-	-	46,594,025	46,594,025	46,594,025	45,680,680
	5,331,832	34,053,769	1,352,549	40,738,150	-	5,763,306	66,477,814	72,241,120	112,979,270	112,062,155
Liabilities										
Derivative financial instruments	-	19,520	-	19,520	-	-	-	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,517,235	1,517,235	1,517,235	1,501,187
Borrowings	-	-	-	-	-	-	2,640,022	2,640,022	2,640,022	2,584,694
	-	19,520	-	19,520	-	-	4,157,257	4,157,257	4,176,777	4,105,401

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

52. 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.)*

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Fair value	Carrying amount
TH	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	Tota RM'000 l	Total RM'000	Total RM'000
31.12.2018										
Assets										
Derivative financial instruments	27,700	-	-	27,700	-	-	-	-	27, 700	27,700
Financial assets at FVTPL	-	5,097,822	-	5,097,822	-	-	-	-	5,097,822	5,097,822
Financial assets at FVOCI	6,451,640	12,700,962	1,010,472	20,163,074	-	-	-	-	20,163,074	20,163,074
Financial assets at amortised cost	-	-	-	-	-	7,739,083	-	7,739,083	7,739,083	7,735,313
Receivables from Restructuring Plan	-	-	-	-	-	-	19,881,964	19,881,964	19,881,964	19,881,964
Financing, advances and others	-	-	-	-	-	-	1,788,829	1,788,829	1,788,829	1,585,746
	6,479,340	17,798,784	1,010,472	25,288,596	-	7,739,083	21,670,793	29,409,876	54,698,472	54,491,618

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

53. Contingent liabilities

	Group	
	2019	2018
Guarantees		
Bank guarantee issued to trade customers	**4,488**	5,047

Litigation

Group

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 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 Defendents 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). As at 15 September 2020, the Supreme Court has issued unofficial notification via its website informing that the decisionon Plaintiff's cassation appeal was already issued on 18 August 2020, where in the Supreme Court has rejected Plaintiff's cassation appeal. To date, the official notification is still pending from the 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 IDR 851,000 (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.

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 2019 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.

There were no other material litigation apart from those disclosed above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

54. Significant events during the year

a) BIMB Group

BIMB Holdings Berhad ("BHB") has on 11 December 2019 announced that it proposes to undertake the following 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 warrantholder 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.

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 Bank Islam 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 Securities in place of BHB, with the listing and quotation of the entire consolidated Bank shares on the main market of Bursa Securities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

54. Significant events during the year *(cont'd.)*

a) BIMB Group *(cont'd.)*

BIMB Holdings Berhad ("BHB") has on 11 December 2019 announced that it proposes to undertake the following proposals: *(cont'd.)*

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.

The above proposals are subject to the approvals and/or consent being obtained from Bank Negara Malaysia ("BNM"), Ministry of Finance ("MoF") (via BNM), Securities Commission Malaysia ("SC"), Bursa Malaysia Securities Berhad ("Bursa Securities"), shareholders of BHB at an extraordinary general meeting to be convened, shareholder of the Bank, warrantholders at the court-convened meeting, sanction of the High Court of Malaya, the creditors and/or financiers of the BHB Group, the Bank and identified subsidiaries, if required and any other relevant regulatory authorities and/or parties, if required.

BHB had on 13 December 2019 submitted an application to BNM to seek the approval of BNM and/or its recommendations to MoF for approval for the above proposals. BNM vide its letters dated 8 December 2020 informed that BNM and MOF have granted their respective approvals in relation to the proposed placement, the proposed internal reorganisation and the proposed distribution and capital repayment.

b) TH Plantations Group

On 5 December 2019, the Group has entered into Sale and Purchase Agreement ("SPA") with Tamaco Plantation Sdn. Bhd. ("Tamaco") to dispose investments in Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd. with a purchase consideration of RM170,000,000. The agreed purchase consideration is on the assumption that the companies 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. The net current assets or net current liabilities will be adjusted by increasing or decreasing the purchase consideration.

As at the date of the report, the condition precedents ("CP") have not been met.

c) Issuance of UJSB Sukuk

On 30 May 2019, the UJSB Sukuk was issued to ***TH*** as consideration for the transfer of assets of ***TH*** to UJSB pursuant to ***TH***'s Restructuring Plan on 28 December 2018. Details are as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

55. Hajj financial support

	Group		*TH*	
	2019 **RM'000**	2018 RM'000	**2019** **RM'000**	2018 RM'000
Hajj direct cost incurred	**590,091**	672,247	**590,091**	672,247
Collection from pilgrims	**(291,477)**	(358,722)	**(291,477)**	(358,722)
Hajj financial support	**298,614**	313,525	**298,614**	313,525

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. Hajj financial support is the result of Hajj payment at RM9,980 (2018: 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.

56. Subsequent event

Group and *TH*

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 Group and ***TH*** consider that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 December 2019. Accordingly, the current conditions arising from this outbreak are considered to be non-adjusting, hence, do not have an impact on the carrying amounts reported for the financial year ended 31 December 2019.

Up to the date of these financial statements, it is not possible to estimate the full impact of the short-term to longer-term effects of the outbreak to the Group and ***TH***. The Group and ***TH*** noted a significant risk that assumptions applied in the expected credit losses would need to be revised in the next financial year which may result in a material adjustment to the carrying amounts of the expected credit losses, within the next financial year.

One of the economic measures taken by Bank Negara Malaysia was to assist financing customers affected by the outbreak through automatic 6 months moratarium on certain types of financing. The measure shall have repercussion to the banking sector of the Group but it is very difficult to quantify the impact from the economic eventualities at this juncture. Any impact arising from the business disruption will be incorporated into the Group's estimates of expected credit loss provisions in the financial year ending 31 December 2020.

For the plantation sector, TH Plantation Berhad expects that the timing for the Asset Rationalisations Plan might be delayed beyond the next twelve months as a result of the COVID-19 outbreak.

The value of certain assets and liabilities recorded in the statements of financial position determined by reference to the Group's fair value as at 31 December 2019 is not expected to change significantly due to this outbreak. As at the date of these financial statements, ***TH*** has recorded a sizeable increase in depositors' savings from RM69 billion as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

56. Subsequent event *(cont'd.)*

a) The Coronavirus Virus Disease 2019 ("Covid-19") Outbreak *(cont'd.)*

Revision to the Group's and ***TH***'s business strategy is being undertaken in order to absorb any future losses and sustain the business, post pandemic amidst a disrupted global economy. The Group and ***TH*** will continue to monitor and assess the development of these events and will implement appropriate measures to mitigate the impact to the Group's dan ***TH***'s businesses.

b) Cancellation of Hajj Operations for Hajj Season 1441H/2020M

On 11 June 2020, the Government of Malaysia had announced the deferment of hajj pilgrimage for 1441H/2020M 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/2020M and has refunded all payments that had been deducted from the depositors' accounts for the respective hajj payments.

c) Transfer of hotel operation businesses to Urusharta Jamaah Sdn. Bhd.

On 31 March 2020, TH Hotel & Residence Sdn. Bhd. Group had transferred their hotel businesses at TH Hotel Penang, TH Hotel Kota Kinabalu,TH Hotel Alor Setar and TH Hotel Kuala Terengganu to Urusharta Jamaah Sdn. Bhd. ("UJSB") including the transfer of moveable and non-moveable assets of the hotels to UJSB. The transfer does not have any material impact to the Group and ***TH***.

d) 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 2019, the Tranche C Sukuk, which is solely held by ***TH*** amounting to RM678,724,000 (Restated as at 31.12.2018: RM643,190,000; Restated as at 1.1.2018: RM632,061,000), will only be paid on the expected date of maturity on 15 January 2021, after the full settlement of Tranche A. As at 31 December 2019, ***TH*** 's investment in Tranche A and Tranche B amounted to RM101,384,000 (31.12.2018: RM100,967,000; 1.1.2018: RM101,038,000) and RM40,422,000 (31.12.2018: RM40,179,000; 1.1.2018: RM40,121,000), respectively.

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.

e) Disposal of TH Plantation subsidiary THP-YT Plantation ("THTYT")

On 3 March 2020. THP had entered into a SPA with TDM Berhad ("TDM") to dispose 70% equity interests in THPYT for a cash consideration of RM7.0 million and settlement of RM62.0 million being part of inter-company advance by THPYT to THP Suria Mekar Sdn. Bhd., a wholly-owned subsidiary of the THPB. The proposal was completed on 31 July 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures

(a) Prior year adjustments ("PYA") and reclassfications

The following matters have been identified for adjustments during the current financial year and a restatement of certain comparatives including their opening balances have been made retrospectively:

i) Restatement of ***TH***'s profit distribution ("***TH*** PYA I")

In accordance with para 12 of MFRS 110, "Events After the Reporting Period", if an entity declares dividends (referred to as "profit distribution" by ***TH***) after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period. Para AG13 of MFRS 132, states that dividends are recognised as a liability only when declared, at a point when delivery of cash or other financial assets is unavoidable.

Prior to financial year ended 31 December 2019, ***TH*** had accrued for the amount of profit to be distributed in the financial year in which the profit was recognised. In line with the abovementioned standards, ***TH*** had adjusted its financial statements, through a PYA to ***TH***'s financial statements, to recognise its profit distribution as liability in the year in which the profit was declared for distribution.

ii) Reclassification of inactive depositors' accounts and special purpose welfare funds by ***TH*** ("***TH*** PYA II")

In previous financial years, unclaimed monies arising from inactive depositors' accounts and special purpose welfare funds were classified as a component in reserves.

Unclaimed monies from depositors are those accounts that have been inactive for a number of years, and, special purpose welfare funds represent two funds, namely, Tabung Kebajikan Jemaah Haji Malaysia ("TKJHM") and Tabung Warga Tua ("TWT").

Unclaimed monies and the special purpose welfare funds are deemed as financial liabilities as the former are repayable on demand like any other depositors' savings, while the latter, TKJHM and TWT, are funds which are separate from ***TH***'s activities with their own purpose and objectives and ***TH*** is merely the administrator of those funds. A reclassification of unclaimed monies and the special purpose welfare funds from reserves to liabilities have been adjusted in the current and prior years' statement of financial position of ***TH***, through a PYA to ***TH***'s financial statements.

iii) Recognition of finance income on a debt instrument at fair value through profit or loss ("***TH*** PYA III")

In prior years, the finance income in respect of the Sukuk was recognised in profit or loss based on a cash basis rather than the effective profit method. The Sukuk pays coupon based on 7.25% per annum, while another 2.75% per annum is expected to be settled at maturity together with the principal, for which a receivable and payable had been recognised by ***TH*** in its statement of financial position in prior years. This has been adjusted during the current financial year through a PYA to ***TH***'s financial statements. Further disclosure on the terms of this Sukuk is included in Note 8(i).

As the above Sukuk is expected to be settled at maturity inclusive of any accumulated and deferred coupon. The fair value of the Sukuk should include any accrued coupon to date. As a result, the accrued coupon was reclassified during the current financial year to financial assets at FVTPL to reflect the fair value of the Sukuk. Comparatives have been restated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

iv) Recognition of the Group's share of net assets of associates' ("Group PYA I")

In accordance with MFRS 128 "Investment in Associates and Joint Ventures", investment in associates needs to be measured using the equity method. Under the equity method, investment in associates in initially recognised at cost and adjust thereafter for the post-acquisition change in the investor's share of the investee's net assets. Based on the Group's share of net assets in its investment in associates, there is an under-recognition of investment in associates amounted to RM17,052,000. This has been adjusted through a PYA to the Group's financial statements.

v) Reclassification of rental income on a straight line basis by ***TH*** ("***TH*** Reclass I")

TH had entered into step up operating lease arrangements with some of its lessees. The lease income should be recognised over the lease term on a straight line basis. However, ***TH*** had recognised the lease income on a contractual basis resulting in an under recognition of lease income in prior financial years. Additionally, the leased properties are classified as investment properties and are measured at fair value. In arriving at the fair value of the properties, the independent valuers have used an investment approach which incorporates the step up cash flows in respect of the lease income. This has been adjusted during the current financial year by reclassifying the lease income component from investment property to trade receivables. Comparatives have been restated.

vi) Reclassification for the Non-controlling interest ("Group Reclass I")

In accordance with MFRS 10 "Consolidated Financial Statements", a reporting entity atributes the profit or loss and each component of other comprehensive income to the owners of the parent and the non-controlling interest ("NCI"). The proportion allocated to the parent and to the NCI are determined on the basis of present ownership interests. This has been adjusted through a PYA to the Group's financial statements.

vii) Other ("Group Reclass II")

A number of other reclassifications to the comparatives have been made by the Group and ***TH*** to conform with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of profit or loss and comprehensive income of the Group for financial year ended 31 December 2018 have been restated as below:

			Reclassification				
Group	**As previously stated RM'000**	**Total PYA *TH* RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass II RM'000**	**As restated RM'000**
Revenue	9,513,432	13,750	(347,598)	-	(4,914)	(259,276)	8,915,394
Cost of sales	(2,454,144)	-	-	-	4,485	58,561	(2,391,098)
Gross profit	7,059,288	13,750	(347,598)	-	(429)	(200,715)	6,524,296
Other income	179,564	-	-	-	(3)	(1,818)	177,743
Administrative expenses	(1,368,223)	-	(349,510)	(104,948)	97	(264,597)	(2,132,181)
Other expenses	(1,004,753)	-	203,819	-	164	5,959	(794,811)
Impairment, write off, and expected credit losses	(2,352,263)	-	538,289	104,948	-	462,400	(1,246,626)
Operating profit	2,513,613	13,750	-	-	(171)	1,229	2,528,421
Finance costs	(144,947)	-	-	-	-	342	(144,605)
Share of (loss)/profit after tax and zakat of associates	(203,726)	-	-	-	-	-	(203,726)
Share of (loss)/profit after tax and zakat of jointly controlled entities	(44,195)	-	-	-	171	-	(44,024)
Profit before zakat and tax from continuing operations	2,120,745	13,750	-	-	-	1,571	2,136,066
Zakat	(102,647)	-	-	-	-	-	(102,647)
Tax expense	(236,468)	-	-	-	-	37	(236,431)
Profit from continuing operations	1,781,630	13,750	-	-	-	1,608	1,796,988
Profit after tax and zakat from discontinued operation	-	-	-	-	-	(1,608)	(1,608)
Profit for the year	1,781,630	13,750	-	-	-	-	1,795,380
Profit for the year attributable to:							
TH	1,634,782	13,750	-	-	-	-	1,648,532
Non-controlling interest	146,848		-	-	-	-	146,848
	1,781,630	13,750	-	-	-	-	1,795,380

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of profit or loss and comprehensive income of the Group for financial year ended 31 December 2018 have been restated as below: *(cont'd.)*

			Reclassification				
Group	**As previously stated RM'000**	**Total PYA *TH* RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass II RM'000**	**As restated RM'000**
Profit for the year	1,781,630	13,750	-	-	-	-	1,795,380
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Remeasurement of retirement benefit liability	(185)	-	-	-	-	-	(185)
Share of other comprehensive loss of associates	(5,371)	-	-	-	-	-	(5,371)
Fair value adjustment on initial recognition of financial instruments	(1,799)	-	-	-	-	-	(1,799)
Movement in fair value reserves of debt instruments at FVOCI:							
Net changes in fair value	148,559	-	-	-	-	986	149,545
Changes in expected credit losses	(5,369)	-	-	-	-	(89)	(5,458)
Income tax effect relating to components of other comprehensive income	(3,633)	-	-	-	-	(897)	(4,530)
Currency translation differences in respect of foreign operations	(21,259)	-	-	-	-	-	(21,259)
	110,943	-	-	-	-	-	110,943

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of profit or loss and comprehensive income of the Group for financial year ended 31 December 2018 have been restated as below: *(cont'd.)*

			Reclassification				
Group	**As previously stated RM'000**	**Total PYA *TH* RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass II RM'000**	**As restated RM'000**
Items that will not be reclassified subsequently to profit or loss:							
Remeasurement of retirement benefit liability	(2,809)	-	-	-	-	-	(2,809)
Net surplus of TKJHM and TWT	5,041	(5,041)	-	-	-	-	-
Changes in fair value of equity instruments at FVOCI	3,524,550	-	(7,924,278)	-	-	-	(4,399,728)
Fair value adjustment on equity instruments at FVOCI on disposal to UJSB	-	-	8,302,230	-	-	-	8,302,230
Disposal of equity instrument at FVOCI	377,952	-	(377,952)	-	-	-	-
	3,904,734	(5,041)	-	-	-	-	3,899,693
Total other comprehensive income/(loss)	4,015,677	(5,041)	-	-	-	-	4,010,636
Total comprehensive income for the year	5,797,307	8,709	-	-	-	-	5,806,016
Total comprehensive income for the year attributable to:							
TH	5,651,404	8,709	-	-	-	-	5,660,113
Non-controlling interest	145,903	-	-	-	-	-	145,903
	5,797,307	8,709	-	-	-	-	5,806,016

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of profit or loss and comprehensive income of the Group for the financial year ended 31 December 2018 have been restated as follows: *(cont'd .)*

				Reclassification					
Group	**As previously stated RM'000**	**PYA *TH* RM'000**	**PYA Group RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass I RM'000**	**Group Reclass II RM'000**	**As restated RM'000**
31.12.2018									
Assets									
Cash and short-term funds	10,845,618	-	-	(777,888)	1,553,270	(5,005)	-	-	11,615,995
Deposits and placements with banks and other financial institutions	3,637,084	-	-	777,888	(2,432,000)	-	-	-	1,982,972
Derivative financial instruments	45,398	-	-	-	-	-	-	-	45,398
Financial assets at fair value through profit or loss	6,526,345	158,034	-	-	-	-	-	-	6,684,379
Financial assets at fair value through other comprehensive income	34,010,198	-	-	-	-	-	-	-	34,010,198
UJSB Sukuk and receivables at amortised cost/Receivable from Restructuring Plan	19,881,964	-	-	-	-	-	-	-	19,881,964
Financial assets at amortised cost	6,109,536	-	-	-	(350,000)	-	-	-	5,759,536
Financing, advances and others	45,680,680	-	-	-	-	-	-	-	45,680,680
Retakaful assets	676,232	-	-	-	(139,095)	-	-	-	537,137
Other receivables at amortised cost	3,558,580	(158,034)	-	56,734	139,095	60,407	-	128	3,656,910

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of profit or loss and comprehensive income of the Group for the financial year ended 31 December 2018 have been restated as follows: *(cont'd .)*

				Reclassification					
Group	**As previously stated RM'000**	**PYA *TH* RM'000**	**PYA Group RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass I RM'000**	**Group Reclass II RM'000**	**As restated RM'000**
31.12.2018 *(cont'd.)*									
Tax recoverable	105,702	-	-	-	-	-	-	-	105,702
Statutory deposits with Bank Negara Malaysia	1,602,284	-	-	-	-	-	-	-	1,602,284
Biological assets	35,658	-	-	-	-	-	-	-	35,658
Inventories	1,166,741	-	-	-	-	-	-	-	1,166,741
Investment properties	5,745,111	-	-	(56,734)	-	-	-	-	5,688,377
Investment in jointly controlled entities	124,816	-	-	-	-	187,420	-	-	312,236
Investment in associates	354,885	-	17,052	-	-	-	-	-	371,937
Forestry	49,825	-	-	-	-	-	-	-	49,825
Plantation development expenditure	104,925	-	-	-	-	-	-	-	104,925
Property, plant and equipment	2,929,851	-	-	-	-	-	-	-	2,929,851
Intangible assets	169,510	-	-	-	-	-	-	-	169,510
Deferred tax assets	156,242	-	-	-	(10,040)	-	-	-	146,202
Assets of disposal group classified as held for sale	699,273	-	-	-	-	-	-	-	699,273
Total assets	**144,216,458**	**-**	**17,052**	**-**	**(1,238,770)**	**242,822**	**-**	**128**	**143,237,690**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of profit or loss and comprehensive income of the Group for the financial year ended 31 December 2018 have been restated as follows: *(cont'd .)*

				Reclassification					
Group	**As previously stated RM'000**	**PYA *TH* RM'000**	**PYA Group RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass I RM'000**	**Group Reclass II RM'000**	**As restated RM'000**
<u>**31.12.2018**</u> *(cont'd.)*									
Liabilities									
Depositors' savings fund	75,411,945	(922,959)	-	-	-	-		-	74,488,986
Deposits from banking customers	46,594,117	-	-	-	(1,228,731)	-		-	45,365,386
Investment accounts of banking customers	5,037,653	-	-	-	-	-		-	5,037,653
Derivative financial instruments	19,520	-	-	-	-	-		-	19,520
Takaful contract liabilities	7,438,855	-	-	-	(366,073)	-		-	7,072,782
Other liabilities	2,086,654	225,386	-	-	114,268	242,822		128	2,669,258
Recourse obligations on financing sold to Cagamas	1,501,187	-	-	-	-	-		-	1,501,187
Provision for zakat and tax	135,415	-	-	-	-	-		-	135,415
Expense reserve	-	-	-	-	251,806	-		-	251,806
Finance lease	754	-	-	-	-	-		-	754
Borrowings	2,584,694	-	-	-	-	-		-	2,584,694
Provision for retirement benefits	576,303	-	-	-	-	-		-	576,303
Deferred tax liabilities	163,830	-	-	-	(10,040)	-		-	153,790
Liabilities associated with assets of disposal group classified as held for sale	59,930	-	-	-	-	-		-	59,930
Total liabilities	**141,610,857**	**(697,573)**	**-**	**-**	**(1,238,770)**	**242,822**		**128**	**139,917,464**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of profit or loss and comprehensive income of the Group for the financial year ended 31 December 2018 have been restated as follows: *(cont'd.)*

				Reclassification					
Group	**As previously stated RM'000**	**PYA *TH* RM'000**	**PYA Group RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass I RM'000**	**Group Reclass II RM'000**	**As restated RM'000**
<u>**31.12.2018**</u> *(cont'd.)*									
Surplus funds and non-controlling interests									
Distributable reserves									
Revenue reserve	136,920	1,064,050	17,052	-	904	-	(476,746)	-	742,180
Equalisation reserve	438,351	-	-	-	-	-	-	-	438,351
	575,271	1,064,050	17,052	-	904	-	(476,746)	-	1,180,531
Non-distributable reserves									
Statutory reserve	86,627	-	-	-	-	-	-	-	86,627
Other reserves	(895,877)	(366,477)	-	-	-	-	-	-	(1,262,354)
	(809,250)	(366,477)	-	-	-	-	-	-	(1,175,727)
Total surplus funds	(233,979)	697,573	17,052	-	904	-	(476,746)	-	4,804
Non-controlling interests	2,839,580	-	-	-	(904)	-	476,746	-	3,315,422
Total surplus funds and non-controlling interests	**2,605,601**	**697,573**	**17,052**	**-**	**-**	**-**	**-**	**-**	**3,320,226**
Total liabilities and surplus funds	**144,216,458**	**-**	**17,052**	**-**	**(1,238,770)**	**242,822**	**-**	**-**	**143,237,690**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of financial position of the Group as at 1 January 2018 have been adjusted as follows:

		PYA			Reclassification				
Group	**As previously stated RM'000**	***TH* RM'000**	**Group RM'000**	**Total PYA RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass I RM'000**	**As restated RM'000**
<u>1.1.2018</u>									
Assets									
Cash and short-term funds	14,919,629	-	-	-	(1,498,012)	-	-	-	13,421,617
Deposits and placements with banks and other financial institutions	799,085	-	-	-	1,498,012	-	-	-	2,297,097
Derivative financial instruments	324,324	-	-	-	-	-	-	-	324,324
Financial assets at fair value through profit or loss	6,340,405	151,279	-	151,279	-	-	-	-	6,491,684
Financial assets at fair value through other comprehensive income	42,697,517	-	-	-	-	-	-	-	42,697,517
Financial assets at amortised cost	3,923,798	-	-	-	-	-	-	-	3,923,798
Financing, advances and others	41,924,279	-	-	-	-	-	-	-	41,924,279
Retakaful assets	505,596	-	-	-	-	-	-	-	505,596
Other receivables at amortised cost	4,140,429	(151,279)	-	(151,279)	47,579	-	-	-	4,036,729
Tax recoverable	94,169	-	-	-	-	-	-	-	94,169
Statutory deposits with Bank Negara Malaysia	1,407,284	-	-	-	-	-	-	-	1,407,284
Biological assets	52,567	-	-	-	-	-	-	-	52,567
Inventories	1,198,625	-	-	-	-	-	-	-	1,198,625
Investment properties	6,989,958	-	-	-	(47,579)	-	-	-	6,942,379
Investment in jointly controlled entities	243,861	-	-	-	-	-	-	-	243,861

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of financial position of the Group as at 1 January 2018 have been adjusted as follows: *(cont'd.)*

(Continue from previous page)		PYA			Reclassification				
Group	**As previously stated RM'000**	***TH* RM'000**	**Group RM'000**	**Total PYA RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass I RM'000**	**As restated RM'000**
1.1.2018 *(cont'd.)*									
Investment in associates	1,141,687	-	17,052	17,052	-	-	-	-	1,158,739
Forestry	187,956	-	-	-	-	-	-	-	187,956
Plantation development expenditure	582,784	-	-	-	-	-	-	-	582,784
Property, plant and equipment	4,294,325	-	-	-	-	-	-	-	4,294,325
Intangible assets	418,823	-	-	-	-	-	-	-	418,823
Deferred tax assets	233,668	-	-	-	-	-	-	-	233,668
Assets of disposal group classified as held for sale	512,097	-	-	-	-	-	-	-	512,097
Total assets	**132,932,866**	**-**	**17,052**	**17,052**	**-**	**-**	**-**	**-**	**132,949,918**

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of financial position of the Group as at 1 January 2018 have been adjusted as follows: *(cont'd.)*

		PYA			Reclassification				
(Continue from previous page) **Group**	**As previously stated RM'000**	***TH* RM'000**	**Group RM'000**	**Total PYA RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass I RM'000**	**As restated RM'000**
1.1.2018 *(cont'd.)*									
Liabilities									
Depositors' savings fund	73,522,431	(3,323,741)	-	(3,323,741)	-	-	-	-	70,198,690
Deposits from banking customers	43,869,724	-	-	-	-	-	-	-	43,869,724
Investment accounts of banking customers	3,969,344	-	-	-	-	-	-	-	3,969,344
Derivative financial instruments	74,668	-	-	-	-	-	-	-	74,668
Takaful contract liabilities	6,660,347	-	-	-	-	-	-	-	6,660347
Other liabilities	2,572,220	214,357	-	214,357	-	-	-	-	2,786,577
Provision for zakat and tax	153,611	-	-	-	-	-	-	-	153,611
Expense reserve	196,655	-	-	-	-	-	-	-	196,655
Lease liabilities	3,924	-	-	-	-	-	-	-	3924
Government grant	9,353	-	-	-	-	-	-	-	9553
Borrowings	3,243,591	-	-	-	-	-	-	-	3.243,591
Provision for retirement benefits	546,065	-	-	-	-	-	-	-	546,065
Deferred tax liabilities	257,854	-	-	-	-	-	-	-	257,854
Liabilities associated with assets of disposal group classified as held for sale	8,885	-	-	-	-	-	-	-	8,885
Liabilities	**135,088,672**	**(3,109,384)**	**-**	**(3,109,384)**	**-**	**-**	**-**	**-**	**131,979,288**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of financial position of the Group as at 1 January 2018 have been adjusted as follows: *(cont'd.)*

(Continue from previous page)		PYA			Reclassification				
Group	**As previously stated RM'000**	***TH* RM'000**	**BHB Group RM'000**	**Total PYA RM'000**	***TH* RM'000**	**BHB Group RM'000**	**TH Properties RM'000**	**Group Reclass I RM'000**	**As restated RM'000**
1.1.2018 *(cont'd.)*									
Surplus funds and non-controlling interests									
Distributable reserves									
Revenue reserve	(672,454)	3,451,082	17,052	3,468,134	-	-	-	(476,746)	2,318,934
Equalisation reserve	84,095	-	-	-	-	-	-	-	84,095
	(588,359)	3,451,082	17,052	3,468,134	-	-	-	(476,746)	2,403,029
Non-distributable reserves									
Statutory reserve	134,856	-	-	-	-	-	-	-	134,856
Other reserves	(4,529,826)	(341,698)	42,513	(341,698)	-	-	-	-	(4,871,524)
	(4,394,970)	(341,698)	42,513	(341,698)	-	-	-	-	(4,736,668)
Total surplus funds	(4,983,329)	3,109,384	17,052	3,126,436	-	-	-	(476,746)	(2,333,639)
Non-controlling interests	2,827,523	-	-	-	-	-	-	(476,746)	3,304,269
Total surplus funds and non-controlling interests	(2,155,806)	3,109,384	17,052	3,126,436	-	-	-	-	970,630
Total liabilities and surplus funds	132,932,866	-	17,052	17,052	-	-	-	-	132,949,918

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of profit or loss and comprehensive income of ***TH*** for financial year ended 31 December 2018 have been restated as follows:

TH	**As previously stated RM'000**	***TH* PYA I RM'000**	***TH* PYA I RM'000**	***TH* PYA III RM'000**	**Total PYA RM'000**	***TH* Reclass I RM'000**	***TH* Reclass II RM'000**	**Restated RM'000**
Financial year ended 31 December 2018								
Revenue	4,228,991	-	-	13,750	13,750	-	(347,598)	3,895,143
Administrative expenses	(507,376)	-	-	-	-	-	(394,510)	(901,886)
Other expenses	(517,344)	-	-	-	-	-	203,819	(313,525)
Impairment, write off and expected credit losses	(1,543,214)	-	-	-	-	-	538,289	(1,004,925)
Operating profit	1,685,971	-	-	13,750	13,750	-	-	1,699,721
Profit for the year	**1,600,400**	-	-	**13,750**	**13,750**	-	-	**1,614,150**
Other comprehensive income:								
Items that may be reclassified subsequently to profit or loss:								
Movement in fair value reserves of debt instruments at FVOCI:								
Net changes in fair value	125,095	-	-	-	-	-	-	125,095
Changes in expected credit losses	(5,369)	-	-	-	-	-	-	(5,369)
	119,726	-	-	-	-	-	-	119,726

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of profit or loss and comprehensive income of ***TH*** for financial year ended 31 December 2018 have been restated as follows: *(cont'd.)*

TH	**As previously stated RM'000**	***TH*** **PYA I RM'000**	***TH*** **PYA I RM'000**	***TH*** **PYA III RM'000**	**Total PYA RM'000**	***TH*** **Reclass I RM'000**	***TH*** **Reclass II RM'000**	**Restated RM'000**
Items that will not be reclassified subsequently to profit or loss:								
Remeasurement of retirement benefit liability	(2,507)	-	-	-	-	-	-	(2,507)
Net surplus of TKJHM and TWT	5,041	-	(5,041)	-	(5,041)	-	-	-
Changes in fair value of equity instruments at FVOCI	3,529,757	-	-	-	-	-	(7,924,278)	(4,394,521)
Fair value adjustment on equity instruments at FVOCI on disposal to UJSB	-	-	-	-	-	-	8,302,230	8,302,230
Disposal of equity instruments at FVOCI	377,952	-	-	-	-	-	(377,952)	-
	3,910,243	-	(5,041)	-	(5,041)	-	-	3,905,202
Total other comprehensive income/(loss)	4,029,969	-	(5,041)	-	(5,041)	-	-	4,024,928
Total comprehensive income for the year	5,630,369	-	(5,041)	13,750	8,709	-	-	5,639,078

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of financial position of ***TH*** as at 31 December 2018 have been adjusted as follows:

TH	**As previously stated RM'000**	***TH* PYA I RM'000**	***TH* PYA I RM'000**	***TH* PYA III RM'000**	**Total PYA RM'000**	***TH* Reclass I RM'000**	***TH* Reclass II RM'000**	**Restated RM'000**
31.12.2018								
Assets								
Cash and short-term funds	8,983,378	-	-	-	-	-	(777,888)	8,205,490
Deposits with licensed bank and other financial institutions	-	-	-	-	-	-	777,888	777,888
Derivative financial instruments	27,700	-	-	-	-	-	-	27,700
Financial assets at fair value through profit or loss	4,939,788	-	-	158,034	158,034	-	-	5,097,822
Financial assets at fair value through other comprehensive income	20,163,073	-	-	-	-	-	-	20,163,073
UJSB Sukuk and receivables at amortised cost/ Receivable from Restructuring Plan	19,881,964	-	-	-	-	-	-	19,881,964
Financial assets at amortised cost	7,735,313	-	-	-	-	-	-	7,735,313
Financing, advances and others	1,585,746	-	-	-	-	-	-	1,585,746
Other receivables at amortised cost	2,269,667	-	-	(158,034)	(158,034)	56,734	684,465	2,852,832
Tax recoverable	19,204	-	-	-	-	-	-	19,204
Investment properties	4,078,136	-	-	-	-	(56,734)	-	4,021,402
Investment in jointly controlled entities	40,650	-	-	-	-	-	-	40,650
Investment in associates	181,949	-	-	-	-	-	-	181,949
Investment in subsidiaries	6,277,382	-	-	-	-	-	-	6,277,382
Property, plant and equipment	594,508	-	-	-	-	-	-	594,508
	76,778,458	-	-	-	-	-	684,465	77,462,923
Assets of disposal group classified as held for sale	15,672	-	-	-	-	-	-	15,672
Total Assets	**76,794,130**	**-**	**-**	**-**	**-**	**-**	**684,465**	**77,478,595**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of financial position of ***TH*** as at 31 December 2018 have been adjusted as follows: *(cont'd.)*

TH	**As previously stated RM'000**	***TH* PYA I RM'000**	***TH* PYA I RM'000**	***TH* PYA III RM'000**	**Total PYA RM'000**	***TH* Reclass I RM'000**	***TH* Reclass II RM'000**	**Restated RM'000**
31.12.2018								
Liabilities								
Depositors' savings fund	75,411,945	(922,959)	-	-	(922,959)	-	-	74,488,986
Other liabilities	353,564	-	366,477	(141,091)	225,386	-	684,465	1,263,415
Provision for zakat and tax	95,521	-	-	-	-	-	-	95,521
Provision for retirement benefits	575,761	-	-	-	-	-	-	575,761
Total liabilities	76,436,791	(922,959)	366,477	(141,091)	(697,573)	-	684,465	76,423,683
Surplus funds								
Distributable reserves								
Revenue reserve	670,791	922,959	-	141,091	1,064,050	-	-	1,734,841
Equalisation reserve	438,351	-	-	-	-	-	-	438,351
	1,109,142	922,959	-	141,091	1,064,050	-	-	2,173,192
Non-distributable reserves								
Statutory reserve	76,627	-	-	-	-	-	-	76,627
Other reserves	(828,430)	-	(366,477)	-	(366,477)	-	-	(1,194,907)
	(751,803)	-	(366,477)	-	(366,477)	-	-	(1,118,280)
Total surplus funds	357,339	922,959	(366,477)	141,091	697,573	-	-	1,054,912
Total liabilities and surplus funds	**76,794,130**	**-**	**-**	**-**	**-**	**-**	**684,465**	**77,478,595**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of financial position of ***TH*** as at 1 January 2018 have been adjusted as follows: *(cont'd.)*

TH	As previously stated RM'000	*TH* PYA I RM'000	*TH* PYA I RM'000	*TH* PYA III RM'000	Total PYA RM'000	*TH* Reclass I RM'000	*TH* Reclass II RM'000	Restated RM'000
1.1.2018								
Assets								
Cash and short-term funds	11,377,049	-	-	-	-	-	(1,498,012)	9,879,037
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	1,498,012	1,498,012
Derivative financial instruments	243,753	-	-	-	-	-	-	243,753
Financial assets at fair value through profit or loss	4,536,410	-	-	151,279	151,279	-	-	4,687,689
Financial assets at fair value through other comprehensive income	29,617,358	-	-	-	-	-	-	29,617,358
Financial assets at amortised cost	6,097,014	-	-	-	-	-	-	6,097,014
Financing, advances and others	1,662,642	-	-	-	-	-	-	1,662,642
Other receivables at amortised cost	2,188,335	-	-	(151,279)	(151,279)	47,579	642,512	2,727,147
Tax recoverable	34,204	-	-	-	-	-	-	34,204
Investment properties	5,588,794	-	-	-	-	(47,579)	-	5,541,215
Investment in jointly controlled entities	295,961	-	-	-	-	-	-	295,961
Investment in associates	928,929	-	-	-	-	-	-	928,929
Investment in subsidiaries	6,903,206	-	-	-	-	-	-	6,903,206
Property, plant and equipment	669,863	-	-	-	-	-	-	669,863
	70,143,518	-	-	-	-	-	642,512	70,786,030
Assets of disposal group classified as held for sale	30,535	-	-	-	-	-	-	30,535
Total assets	**70,174,053**	**-**	**-**	**-**	**-**	**-**	**642,512**	**70,816,565**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(a) Prior year adjustments ("PYA") and reclassfications *(cont'd.)*

The statement of financial position of ***TH*** as at 1 January 2018 have been adjusted as follows: *(cont'd.)*

TH	As previously stated RM'000	*TH* PYA I RM'000	*TH* PYA I RM'000	*TH* PYA III RM'000	Total PYA RM'000	*TH* Reclass I RM'000	*TH* Reclass II RM'000	Restated RM'000
1.1.2018 *(cont'd.)*								
Liabilities								
Depositors' savings fund	73,522,431	(3,323,741)	-	-	(3,323,741)	-	-	70,198,690
Other liabilities	393,938	-	341,698	(127,341)	214,357	-	642,512	1,250,807
Provision for zakat and tax	72,346	-	-	-	-	-	-	72,346
Government grant	9,353	-	-	-	-	-	-	9,353
Provision for retirement benefits	545,794	-	-	-	-	-	-	545,794
Total liabilities	74,543,862	(3,323,741)	341,698	(127,341)	(3,109,384)	-	642,512	72,076,990
Surplus funds								
Distributable reserves								
Revenue reserve	(21,423)	3,323,741	-	127,341	3,451,082	-	-	3,429,659
Equalisation reserve	84,095	-	-	-	-	-	-	84,095
	62,672	3,323,741	-	127,341	3,451,082	-	-	3,513,754
Non-distributable reserves								
Statutory reserve	70,211	-	-	-	-	-	-	70,211
Other reserves	(4,502,692)	-	(341,698)	-	(341,698)	-	-	(4,844,390)
	(4,432,481)	-	(341,698)	-	(341,698)	-	-	(4,774,179)
Total surplus funds	(4,369,809)	3,323,741	(341,698)	127,341	3,109,384	-	-	(1,260,425)
Total liabilities and surplus funds	**70,174,053**	**-**	**-**	**-**	**-**	**-**	**642,512**	**70,816,565**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(b) Adoption of MFRS 16

During the financial year, the Group and ***TH*** changed its accounting policies on leases upon adoption of MFRS 16. The Group and ***TH*** have elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and ***TH*** are lessees were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Int. 4 "*Determining whether an Arrangement Contains a Lease*".

As a lessor, the Group and ***TH*** are not required to make any adjustment on transition, except for the reassessment of existing operating sub-leases at the date of initial application.

In addition, the Group and ***TH*** have elected not to reassess whether the contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group and ***TH*** relied on its assessment made by applying MFRS 117 and IC Interpretation 4.

On adoption of MFRS 16, leases with non-cancellable agreements or either party has economic incentives not to terminate the lease such that it would incur significant penalty, are recognised as Right-Of-Use (ROU) assets and corresponding lease liabilities at the date at which the leased assets are available for use by the Group and ***TH***.

As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

ROU asset for a non-cancellable property lease is measured on retrospective basis as if the new rules had always been applied. All other ROU assets are measured at the amount of the lease liability on adoption, adjusted for any prepaid or accrued lease payments. The lessee measures the ROU asset at its carrying amount as if the MFRS had been applied since the date of initial application, but discounted using the lessee's incremental borrowing rate as of 1 January 2019. The ROU assets are depreciated over the lease term on a straight-line basis.

The associated lease liabilities are measured at the present value of the remaining lease payments, discounted using the same incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Group and ***TH*** was at 5.0% to 8.2%.

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve (12) months or less.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(b) Adoption of MFRS 16 *(cont'd.)*

Impact on financial statements

The following table summarises the effects of adoption of MFRS 16 as at 1 January 2019:

Group	As previously stated RM'000	Effects of MFRS 16 adoption RM'000	As restated RM'000
Finance lease receivable	-	2,025,915	2,025,915
Other receivable at amortised cost	3,656,910	(1,522,118)	2,134,792
Property, plant and equipment	2,929,851	(102,157)	2,827,694
Right-of-use assets	-	866,799	866,799
Deferred tax assets	161,325	21,258	182,583
Assets of disposal group classified as held for sale	699,723	34,961	734,684
Other liabilities	2,669,258	36,352	2,705,610
Lease liabilities	-	1,180,678	1,180,678
Revenue reserve	1,201,874	107,628	1,309,502

TH	As previously stated RM'000	Effects of MFRS 16 adoption RM'000	As restated RM'000
Finance lease receivable	-	2,196,754	2,196,754
Other receivable at amortised cost	2,852,832	(1,522,118)	1,330,714
Right-of-use assets	-	640,575	640,575
Other liabilities	1,263,415	37,712	1,301,127
Lease liabilities	-	1,021,421	1,021,421
Revenue reserve	1,734,841	256,078	1,990,919

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 *(cont'd.)*

57. Changes in accounting policies and disclosures *(cont'd.)*

(b) Adoption of MFRS 16 *(cont'd.)*

Impact on financial statements *(cont'd.)*

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements at 31 December 2018) to the the lease liabilities recognised at 1 January 2019:

Group	**RM'000**
Operating lease commitments disclosed as at 31 December 2018	2,215,863
Add/(Less):	
Short-term leases not recognised as a liability	(113,939)
Low-value leases not recognised as a liability	(518)
Lease-type obligation (service agreement)	168,660
Contracts reassessed as service agreements	(800,143)
Prepayment of lease	(16,928)
Payments in optional extension periods not recognised	31,155
Discounted using the lessee's incremental borrowing rate at the date of initial application	(303,472)
Total lease liabilities recognised under MFRS 16 at 1 January 2019	1,180,678

TH	**RM'000**
Operating lease commitments disclosed as at 31 December 2018	1,429,897
Add/(Less):	
Short-term leases not recognised as a liability	(113,774)
Contracts reassessed as service agreements	(183,810)
Prepayment of lease	(16,928)
Discounted using the lessee's incremental borrowing rate at the date of initial application	(93,964)
Total lease liabilities recognised under MFRS 16 at 1 January 2019	1,021,421

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