FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

CERTIFICATE OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LEMBAGA TABUNG HAJI FOR THE YEAR ENDED 31 DECEMBER 2022

Certificate on the Audit of the Financial Statements

Opinion

I have authorised a private audit firm pursuant to subsection 7(3) of the Audit Act 1957 [*Act 62*] to undertake an audit of the Financial Statements of the Lembaga Tabung Haji. The financial statements comprise the Statements of Financial Position as at 31 December 2022 of the Group and of the Lembaga Tabung Haji and the Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Changes in Surplus Funds and Statements of Cash Flows of the Group and of the Lembaga Tabung Haji for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 168 to 356.

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 2022, 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 the Tabung Haji Act 1995 [*Act 535*] requirements.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

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

The Board of Directors of the Lembaga Tabung Haji is 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 is responsible for the preparation of Financial Statements of the Group and of the Lembaga Tabung Haji that give a true and fair view in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the Tabung Haji Act 1995 [*Act 535*] requirements. The Board of Directors is also responsible for such internal control as the Board of Directors determines 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 is 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 am required 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. However, future events or conditions may cause the Group or the Lembaga Tabung Haji to cease to continue as a going concern;

e. evaluate the overall presentation, structure and content of the Financial Statements of the Group and of the Lembaga Tabung Haji, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

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.

The Board of Directors has been informed regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I have identify during the audit.

I have also disclosed to the Board of Directors that I have complied with the ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and if applicable, actions taken to eliminate threats or safeguards applied.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Tabung Haji Act 1995 [*Act 535*], I report that the subsidiaries, of which I have not acted as auditor, are disclosed in Note 19 to the financial statements.

Other Matters

Lembaga Tabung Haji should monitor the performance of subsidiary companies, especially four subsidiary companies that have suffered consecutive losses since 2020. Sustainability assessment on financial performance of the subsidiary companies should be performed to ensure they are not overly dependent on Lembaga Tabung Haji.

In addition to accelerate its comprehensive digital technology implementation, Lembaga Tabung Haji may consider integrating its existing systems to support the preparation of the financial statements for reporting purposes.

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

(DATUK WAN SURAYA BINTI WAN MOHD RADZI)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
23 JUNE 2023

STATEMENT BY CHAIRMAN AND A MEMBER OF THE LEMBAGA

We, **TAN SRI AZMAN MOKHTAR** and **DATO' SRI AMRIN AWALUDDIN** 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 168 to 356 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 2022 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 AZMAN MOKHTAR
CHAIRMAN

On behalf of the Lembaga,

DATO' SRI AMRIN AWALUDDIN
GROUP MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

Bangunan Tabung Haji
201, Jalan Tun Razak
50400 Kuala Lumpur

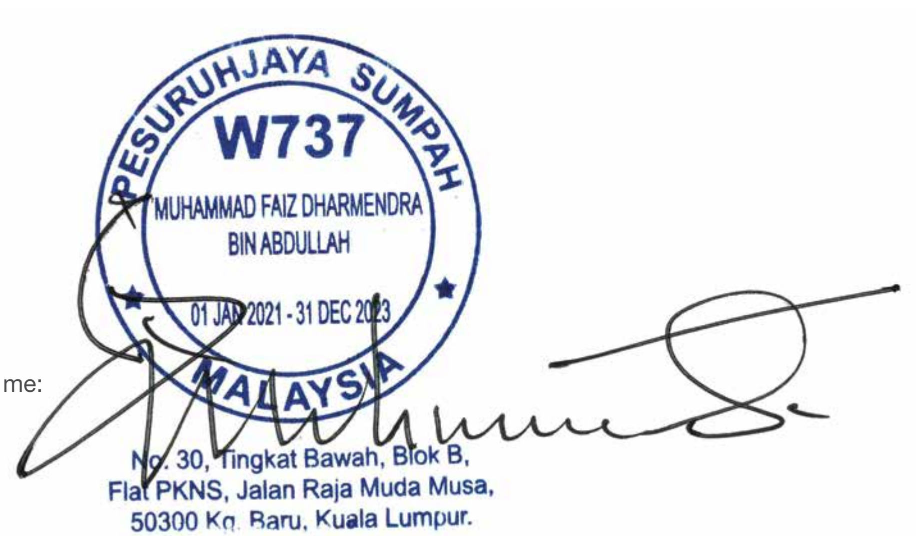
DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF LEMBAGA TABUNG HAJI

I, **MUSTAKIM MOHAMAD**, being the Executive Director Group Finance, 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 168 to 356 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by
the abovenamed, at Kuala Lumpur
in the Federal Territory
on 31 March 2023

MUSTAKIM MOHAMAD
EXECUTIVE DIRECTOR GROUP FINANCE
MIA CA 21143

Before me:



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Group	
	Note	2022 RM'000	2021 RM'000
Assets			
Cash and short-term funds	5	**5,481,934**	4,667,892
Deposits and placements with banks and other financial institutions	6	**1,131,255**	3,288,099
Financial assets at fair value through profit or loss	7	**5,189,145**	5,960,550
Financial assets at fair value through other comprehensive income	8	**33,964,818**	31,030,869
UJSB Sukuk and receivables at amortised cost	9	**22,403,416**	21,526,275
Financial assets at amortised cost	10	**6,340,323**	6,505,299
Finance lease receivables	12	**1,762,596**	1,785,298
Trade and other receivables at amortised cost	13	**934,733**	983,953
Tax recoverable		**18,163**	14,341
Biological assets	14	**20,113**	32,432
Inventories	15	**1,011,412**	1,013,778
Investment properties	16	**6,655,486**	5,841,934
Investment in jointly controlled entities	17	**186,657**	190,857
Investment in associates	18	**4,539,064**	4,321,748
Forestry	20	**38,958**	21,587
Plantation development expenditure	21	**37,847**	55,883
Right-of-use assets	22	**103,553**	300,690
Property, plant and equipment	23	**1,443,435**	1,565,173
Intangible assets	24	**17,607**	-
Deferred tax assets	25	**45,634**	48,935
		91,326,149	89,155,593
Assets of disposal group classified as held for sale	26	**763,147**	918,401
Total assets		**92,089,296**	90,073,994

Lembaga Tabung Haji
(Established under Tabung Haji Act 1995)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 *(cont'd.)*

		Group	
	Note	**2022 RM'000**	2021 RM'000
Liabilities			
Depositors' savings fund	27	**87,599,988**	83,337,584
Other liabilities	28	**945,468**	1,106,987
Provision for zakat and tax		**115,773**	146,975
Lease liabilities	29	**447,035**	635,029
Borrowings	30	**892,627**	1,028,021
Provision for retirement benefits	31	**784,653**	785,034
Deferred tax liabilities	25	**112,295**	96,263
		90,897,839	87,135,893
Liabilities associated with assets of disposal group classified as held for sale	26	**140,207**	184,508
Total liabilities		**91,038,046**	87,320,401
Surplus funds			
Distributable reserves			
Revenue reserve	32	**1,753,081**	1,977,652
Equalisation reserve	32	**780,000**	600,000
		2,533,081	2,577,652
Non-distributable reserves			
Statutory reserve	32	**100,000**	85,733
Other reserves	32	**(2,062,356)**	(358,377)
		(1,962,356)	(272,644)
Total surplus funds		**570,725**	2,305,008
Non-controlling interests		**480,525**	448,585
Total surplus funds and non-controlling interests		**1,051,250**	2,753,593
Total liabilities and surplus funds		**92,089,296**	90,073,994

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

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		TH	
	Note	**2022 RM'000**	2021 RM'000
Assets			
Cash and short-term funds	5	**4,868,313**	3,911,719
Deposits and placements with banks and other financial institutions	6	**1,103,332**	3,249,764
Financial assets at fair value through profit or loss	7	**5,441,393**	5,910,838
Financial assets at fair value through other comprehensive income	8	**33,964,678**	31,030,703
UJSB Sukuk and receivables at amortised cost	9	**22,403,416**	21,526,275
Financial assets at amortised cost	10	**6,990,323**	7,585,299
Financing, advances and others	11	**919,495**	1,374,402
Finance lease receivables	12	**1,762,596**	1,785,298
Trade and other receivables at amortised cost	13	**2,639,405**	1,333,517
Investment properties	16	**4,070,046**	4,093,205
Investment in jointly controlled entities	17	**-**	-
Investment in associates	18	**4,215,826**	4,107,626
Investment in subsidiaries	19	**2,187,859**	2,189,669
Right-of-use assets	22	**29,879**	211,312
Property, plant and equipment	23	**317,894**	369,582
		90,914,455	88,679,209
Assets of disposal group classified as held for sale	26	**9,153**	170,315
Total assets		**90,923,608**	88,849,524

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 *(cont'd.)*

		TH	
	Note	2022 RM'000	2021 RM'000
Liabilities			
Depositors' savings fund	27	**87,599,988**	83,337,584
Other liabilities	28	**691,502**	741,476
Provision for zakat and tax		**110,862**	135,912
Lease liabilities	29	**369,820**	552,629
Provision for retirement benefits	31	**784,225**	784,579
Total liabilities		**89,556,397**	85,552,180
Surplus funds			
Distributable reserves			
Revenue reserve	32	**2,466,469**	2,941,827
Equalisation reserve	32	**780,000**	600,000
		3,246,469	3,541,827
Non-distributable reserves			
Statutory reserve	32	**100,000**	85,733
Other reserves	32	**(1,979,258)**	(330,216)
		(1,879,258)	(244,483)
Total surplus funds		**1,367,211**	3,297,344
Total liabilities and surplus funds		**90,923,608**	88,849,524

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

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

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	*TH* 2022 RM'000	*TH* 2021 RM'000
Continuing operations					
Revenue	33	**4,078,441**	3,876,257	**3,124,125**	3,069,498
Cost of sales		**(934,787)**	(674,344)	**-**	-
Gross profit		**3,143,654**	3,201,913	**3,124,125**	3,069,498
Other income		**78,111**	194,704	**34,866**	156,298
Administrative expenses		**(687,670)**	(659,356)	**(586,313)**	(586,094)
Other expenses		**(234,481)**	(40,740)	**(188,011)**	-
Impairment, write off and expected credit losses	34	**(189,750)**	(502,514)	**(345,703)**	(218,306)
Operating profit	35	**2,109,864**	2,194,007	**2,038,964**	2,421,396
Finance costs	36	**(53,958)**	(74,074)	**(9,086)**	(23,584)
Share of profit after tax and zakat of associates	18	**347,181**	214,848	**-**	-
Share of profit after tax and zakat of jointly controlled entities	17	**1,920**	1,761	**-**	-
Profit before zakat and tax from continuing operations		**2,405,007**	2,336,542	**2,029,878**	2,397,812
Zakat	37	**(97,915)**	(107,694)	**(96,620)**	(107,208)
Tax expense	38	**(82,723)**	(34,521)	**-**	-
Profit from continuing operations		**2,224,369**	2,194,327	**1,933,258**	2,290,604
Discontinued operations					
(Loss)/profit after tax and zakat from discontinued operations	26	**(8,199)**	401,879	**-**	-
Profit for the year		**2,216,170**	2,596,206	**1,933,258**	2,290,604
Profit/(loss) for the year attributable to:					
TH					
- **Continuing operations**		**2,181,887**	2,154,174	**1,933,258**	2,290,604
- **Discontinued operations**		**(15,146)**	195,145	**-**	-
Non-controlling interests					
- Continuing operations		**42,482**	40,153	**-**	-
- Discontinued operations		**6,947**	206,734	**-**	-
		2,216,170	2,596,206	**1,933,258**	2,290,604

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

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

		Group		*TH*	
	Note	**2022 RM'000**	2021 RM'000	**2022 RM'000**	2021 RM'000
Profit/(loss) for the year:					
- Continuing operations		**2,224,369**	2,194,327	**1,933,258**	2,290,604
- Discontinued operations		**(8,199)**	401,879	**-**	-
Profit for the year		**2,216,170**	2,596,206	**1,933,258**	2,290,604
Other comprehensive loss:					
Items that may be reclassified subsequently to profit or loss:					
Movement in fair value reserves of debt instruments at fair value through other comprehensive income:					
Net changes in fair value		**(409,086)**	(877,147)	**(409,086)**	(607,945)
Changes in expected credit losses		**(50,503)**	17,246	**(50,503)**	17,246
Income tax effect relating to components of other comprehensive income		**-**	59,520	**-**	-
Currency translation differences in respect of foreign operations		**(10,959)**	1,900	**-**	-
Share of other comprehensive profit/(loss) of associated companies		**4,558**	(1,169)	**-**	-
		(465,990)	(799,650)	**(459,589)**	(590,699)
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of retirement benefit liability	31	**12,611**	93,837	**12,616**	93,718
Changes in fair value of equity instruments at fair value through other comprehensive income		**(961,161)**	86,100	**(961,136)**	86,971
Share of other comprehensive loss of associated companies		**(46,657)**	(36,136)	**-**	-
		(995,207)	143,801	**(948,520)**	180,689
Total other comprehensive loss from:					
- Continuing operations		**(1,441,062)**	(436,339)	**(1,408,109)**	(410,010)
- Discontinued operations		**(20,135)**	(219,510)	**-**	-
Total other comprehensive loss		**(1,461,197)**	(655,849)	**(1,408,109)**	(410,010)
Total comprehensive income/(loss) for the year from:					
- Continuing operations		**783,307**	1,757,988	**525,149**	1,880,594
- Discontinued operations		**(28,334)**	182,369	**-**	-
Total comprehensive income for the year		**754,973**	1,940,357	**525,149**	1,880,594

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

		Group		TH	
	Note	**2022 RM'000**	2021 RM'000	**2022 RM'000**	2021 RM'000
Total comprehensive income/(loss) for the year attributable to:					
TH					
- Continuing operations		**739,685**	1,718,304	**525,149**	1,880,594
- Discontinued operations		**(35,281)**	94,305	**-**	-
Non-controlling interests					
- Continuing operations		**43,622**	39,684	**-**	-
- Discontinued operations		**6,947**	88,064	**-**	-
		754,973	1,940,357	**525,149**	1,880,594

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to *TH*						
	Non-distributable		*Distributable*				
Group	**Statutory reserve (Note 32) RM'000**	**Other reserves (Note 32) RM'000**	**Equalisation reserve (Note 32) RM'000**	**Revenue reserve (Note 32) RM'000**	**Total surplus funds RM'000**	**Non-controlling interests RM'000**	**Total surplus funds and non-controlling interests RM'000**
<u>2022</u>							
At 1 January 2022	**85,733**	**(358,377)**	**600,000**	**1,977,652**	**2,305,008**	**448,585**	**2,753,593**
Profit for the year	-	-	-	2,166,741	2,166,741	49,429	2,216,170
Remeasurement of retirement benefit liability	-	(5)	-	12,616	12,611	-	12,611
Movement in fair value reserve of debt instruments at FVOCI: Net changes in fair value	-	(409,086)	-	-	(409,086)	-	(409,086)
Changes in expected credit losses	-	(50,503)	-	-	(50,503)	-	(50,503)
Income tax effect relating to components of other comprehensive income	-	-	-	-	-	-	-
Changes in fair value of equity instruments at FVOCI	-	(961,161)	-	-	(961,161)	-	(961,161)
Share of other comprehensive loss of associated companies	-	(42,099)	-	-	(42,099)	-	(42,099)
Currency translation differences in respect of foreign operations	-	(12,099)	-	-	(12,099)	1,140	(10,959)
Total other comprehensive (loss)/income for the year	-	(1,474,953)	-	12,616	(1,462,337)	1,140	(1,461,197)

(Continue to next page)

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

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

	Attributable to *TH*						
	Non-distributable		*Distributable*				
Group	**Statutory reserve (Note 32) RM'000**	**Other reserves (Note 32) RM'000**	**Equalisation reserve (Note 32) RM'000**	**Revenue reserve (Note 32) RM'000**	**Total surplus funds RM'000**	**Non-controlling interests RM'000**	**Total surplus funds and non-controlling interests RM'000**
2022 *(cont'd.)*							
(Continue from previous page)							
Total comprehensive (loss)/income for the year	-	**(1,474,953)**	-	**2,179,357**	**704,404**	**50,569**	**754,973**
Disposal of equity instruments at FVOCI	-	**(228,317)**	-	**228,317**	-	-	-
Transfer of equity instruments at FVOCI	-	-	-	-	-	-	-
Changes in group structure	-	-	-	**16,595**	**16,595**	**(5,477)**	**11,118**
Profit distribution during the year (Note 27)	-	-	-	**(2,455,282)**	**(2,455,282)**	-	**(2,455,282)**
Dividends paid to non-controlling interests	-	-	-	-	-	**(13,152)**	**(13,152)**
Transfers between reserves	**14,267**	**(709)**	**180,000**	**(193,558)**	-	-	-
At 31 December 2022	**100,000**	**(2,062,356)**	**780,000**	**1,753,081**	**570,725**	**480,525**	**1,051,250**

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

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

	Attributable to ***TH***						
	Non-distributable		*Distributable*				
Group	**Statutory reserve (Note 32) RM'000**	**Other reserves (Note 32) RM'000**	**Equalisation reserve (Note 32) RM'000**	**Revenue reserve (Note 32) RM'000**	**Total surplus funds RM'000**	**Non-controlling interests RM'000**	**Total surplus funds and non-controlling interests RM'000**
<u>2021</u>							
At 1 January 2021	78,285	171,989	543,084	1,876,693	2,670,051	4,125,283	6,795,334
Profit for the year	-	-	-	2,349,319	2,349,319	246,887	2,596,206
Remeasurement of retirement benefit liability	-	-	-	93,770	93,770	67	93,837
Movement in fair value reserve of debt instruments at FVOCI:							
Net changes in fair value	-	(763,524)	-	-	(763,524)	(113,623)	(877,147)
Changes in expected credit losses	-	17,246	-	-	17,246	-	17,246
Income tax effect relating to components of other comprehensive income	-	59,520	-	-	59,520	-	59,520
Changes in fair value of equity instruments at FVOCI	-	86,100	-	-	86,100	-	86,100
Share of other comprehensive loss of associated companies	-	(37,305)	-	-	(37,305)	-	(37,305)
Currency translation differences in respect of foreign operations	-	7,483	-	-	7,483	(5,583)	1,900
Total other comprehensive (loss)/income for the year	-	(630,480)	-	93,770	(536,710)	(119,139)	(655,849)

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

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

	Attributable to *TH*						
	Non-distributable		*Distributable*				
Group	**Statutory reserve (Note 32) RM'000**	**Other reserves (Note 32) RM'000**	**Equalisation reserve (Note 32) RM'000**	**Revenue reserve (Note 32) RM'000**	**Total surplus funds RM'000**	**Non-controlling interests RM'000**	**Total surplus funds and non-controlling interests RM'000**
2021 *(cont'd.)*							
(Continue from previous page)							
Total comprehensive (loss)/income for the year	-	(630,480)	-	2,443,089	1,812,609	127,748	1,940,357
Disposal of equity instruments at FVOCI	-	(198,593)	-	198,593	-	-	-
Transfer of equity instruments at FVOCI	-	234,218	-	(234,218)	-	-	-
Changes in group structure	-	64,489	-	-	64,489	(3,798,338)	(3,733,849)
Profit distribution during the year (Note 27)	-	-	-	(2,242,141)	(2,242,141)	-	(2,242,141)
Dividends paid to non-controlling interests	-	-	-	-	-	(6,108)	(6,108)
Transfers between reserves	7,448	-	56,916	(64,364)	-	-	-
At 31 December 2021	85,733	(358,377)	600,000	1,977,652	2,305,008	448,585	2,753,593

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

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

STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to *TH*				
	Non-distributable		*Distributable*		
TH	**Statutory reserve (Note 32) RM'000**	**FVOCI deficit (Note 32) RM'000**	**Equalisation reserve (Note 32) RM'000**	**Revenue reserve (Note 32) RM'000**	**Total surplus funds RM'000**
At 1 January 2022	**85,733**	**(330,216)**	**600,000**	**2,941,827**	**3,297,344**
Profit for the year	**-**	**-**	**-**	**1,933,258**	**1,933,258**
Remeasurement of retirement benefit liability	**-**	**-**	**-**	**12,616**	**12,616**
Movement in fair value reserve of debt instruments at FVOCI:					
Net changes in fair value of debt instruments	**-**	**(409,086)**	**-**	**-**	**(409,086)**
Changes in expected credit losses	**-**	**(50,503)**	**-**	**-**	**(50,503)**
Net changes in fair value of equity instruments at FVOCI	**-**	**(961,136)**	**-**	**-**	**(961,136)**
Total other comprehensive (loss)/income for the year	**-**	**(1,420,725)**	**-**	**12,616**	**(1,408,109)**
Total comprehensive (loss)/income for the year	**-**	**(1,420,725)**	**-**	**1,945,874**	**525,149**
Disposal of equity instruments at FVOCI	**-**	**(228,317)**	**-**	**228,317**	**-**
Transfer of equity instruments at FVOCI	**-**	**-**	**-**	**-**	**-**
Transfers between reserves	**14,267**	**-**	**180,000**	**(194,267)**	**-**
Profit distribution during the year (Note 27)	**-**	**-**	**-**	**(2,455,282)**	**(2,455,282)**
At 31 December 2022	**100,000**	**(1,979,258)**	**780,000**	**2,466,469**	**1,367,211**

Lembaga Tabung Haji
(Established under Tabung Haji Act 1995)
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STATEMENT OF CHANGES IN SURPLUS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

	Attributable to *TH*				
	Non-distributable		*Distributable*		
TH	**Statutory reserve (Note 32) RM'000**	**FVOCI (deficit) (Note 32) RM'000**	**Equalisation reserve (Note 32) RM'000**	**Revenue reserve (Note 32) RM'000**	**Total surplus funds RM'000**
At 1 January 2021	78,285	137,887	543,084	2,899,635	3,658,891
Profit for the year	-	-	-	2,290,604	2,290,604
Remeasurement of retirement benefit liability	-	-	-	93,718	93,718
Movement in fair value reserve of debt instruments at FVOCI:					
Net changes in fair value of debt instruments	-	(607,945)	-	-	(607,945)
Changes in expected credit losses	-	17,246	-	-	17,246
Net changes in fair value of equity instruments at FVOCI	-	86,971	-	-	86,971
Total other comprehensive (loss)/income for the year	-	(503,728)	-	93,718	(410,010)
Total comprehensive (loss)/income for the year	-	(503,728)	-	2,384,322	1,880,594
Disposal of equity instruments at FVOCI	-	(198,593)	-	198,593	-
Transfer of equity instruments at FVOCI	-	234,218	-	(234,218)	-
Transfers between reserves	7,448	-	56,916	(64,364)	-
Profit distribution during the year (Note 28)	-	-	-	(2,242,141)	(2,242,141)
At 31 December 2021	85,733	(330,216)	600,000	2,941,827	3,297,344

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Profit before zakat and tax				
From continuing operations	**2,405,007**	2,336,542	**2,029,878**	2,397,812
From discontinued operations	**(8,199)**	502,733	**-**	-
Adjustments for:				
Depreciation of right-of-use assets	**115,602**	18,669	**102,887**	5,811
Depreciation of property, plant and equipment	**167,940**	172,745	**69,318**	67,259
Gain on disposal of property, plant and equipment	**(276)**	(6)	**(276)**	-
Gain on disposal of investment properties in relation to asset held for sale	**(65)**	(49)	**(65)**	(49)
Gain on disposal of right-of-use asset in relation to asset held for sale	**-**	(296)	**-**	-
Property, plant and equipment written off	**3,947**	666	**-**	-
Property, plant and equipment written off in relation to asset held for sale	**22**	58	**-**	-
Receivables written off	**2**	-	**-**	-
Dividends from subsidiaries	**-**	-	**(35,335)**	(85,840)
Dividends from associates	**-**	-	**(196,750)**	(144,250)
Dividends from quoted equities	**(330,280)**	(274,812)	**(330,079)**	(274,557)
Dividends from unquoted equities	**(23,134)**	(29,388)	**(23,134)**	(29,388)
Dividends from external fund managers	**(87,187)**	(44,080)	**(87,187)**	(44,080)
Dividends from unit trusts	**(29,231)**	(29,027)	**(29,231)**	(29,027)
Coupon from debt securities	**(1,274,833)**	(964,023)	**(1,337,260)**	(1,026,611)
Accretion of discount on UJSB	**(877,141)**	(838,813)	**(877,141)**	(838,813)
Gain on negotiable debt certificates and other financial assets	**(87,414)**	(125,675)	**(87,414)**	(125,675)
Return from external fund managers	**(6,611)**	(1,257)	**(6,611)**	(1,257)
Gain on trading of derivatives	**-**	(17,026)	**-**	(17,026)
Amortisation of premium on debt securities	**58,793**	41,110	**58,793**	41,110
Accretion of discount on debt securities	**(53,866)**	(56,790)	**(53,866)**	(70,511)
Gain on disposal of debt securities	**(5,966)**	(55,529)	**(5,966)**	(55,529)
Gain on disposal of subsidiaries	**(177,772)**	(222,431)	**-**	(2,765)
Gain on disposal of associates	**-**	(9,001)	**-**	(9,001)
Profit from financing to subsidiaries	**-**	-	**(56,062)**	(67,845)
Impairment of subsidiaries	**-**	-	**1,810**	136
Impairment of associates	**-**	-	**4,750**	-
Impairment of property, plant and equipment	**15,672**	35,563	**-**	-
Impairment of plantation development expenditure	**2,840**	-	**-**	-
Impairment of inventory	**2,500**	2,389	**-**	-

(Continue to next page)

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 *(cont'd.)*

	Group		TH	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
(Continue from previous page)				
Waiver of accrued profit on financing	**-**	-	**-**	29,559
Write off of other investments	**-**	24	**-**	-
Write back of impairment in subsidiaries	**-**	-	**-**	(327,757)
Write back of impairment in associates	**-**	(3,144)	**(3,965)**	(3,144)
Write back of amount due from jointly controlled entities	**(2,607)**	(64,568)	**-**	-
Write back of impairment in financing and advances	**-**	-	**(37,880)**	(5,863)
Write back of amount due from subsidiary	**-**	-	**(3,284)**	(404)
Write back of impairment in property, plant and equipment	**-**	(1,613)	**-**	-
Write back of finance lease receivables	**(44,203)**	-	**(44,203)**	-
Write back of receivables	**(11,244)**	(13,178)	**(4,144)**	(11,604)
Bad debts recovered	**(50)**	(90)	**-**	-
Write back of other investments at amortised costs	**(147)**	(224)	**(147)**	(224)
Write back of financial assets at FVOCI	**(50,841)**	(16,539)	**(50,841)**	(16,539)
Write back of financial assets at amortised costs	**(1,828)**	(5,434)	**(1,828)**	(5,434)
Changes in fair value of investment properties	**323,997**	96,260	**30,464**	53,662
Changes in fair value of forestry	**(17,371)**	(7,489)	**-**	-
Changes in fair value of biological assets	**15,513**	14,058	**-**	-
Change in fair value of financial assets at FVTPL	**433,921**	243,760	**433,921**	243,760
Expected credit loss on receivables	**26,491**	8,668	**22,827**	6,193
Expected credit loss on financing, advances and others	**-**	-	**213,412**	-
Expected credit loss on finance lease receivables	**248,858**	519,602	**248,858**	519,602
Expected credit loss on amount due from jointly controlled entities	**-**	6,549	**-**	-
Expected credit loss on financial assets at FVOCI	**338**	33,785	**338**	33,785
Provision for retirement benefits	**63,317**	53,148	**63,317**	53,148
Share of profit after tax and zakat of associates	**(347,181)**	(214,848)	**-**	-
Share of profit after tax and zakat of jointly controlled entities	**(1,920)**	(1,761)	**-**	-
Unrealised gain on foreign exchange	**(4,308)**	(121,785)	**(9,997)**	(122,896)
Profit expense on leases	**15,917**	30,747	**9,086**	23,584
Operating profit before changes in working capital	**457,002**	998,200	**6,993**	159,332

(Continue to next page)

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 *(cont'd.)*

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
(Continue from previous page)				
Changes in working capital:				
Inventories	**(134)**	23,577	**-**	-
Cash and short-term funds of TKJHM and TWT	**431,110**	(54,120)	**431,110**	(54,120)
Deposits and placements with banks and other financial institutions	**2,156,844**	6,342,912	**2,146,432**	8,245,546
Trade and other receivables	**(588,290)**	225,074	**(1,583,950)**	(431,244)
Trade and other payables	**331,021**	(68,117)	**282,982**	(493,148)
Right-of-use assets	**81,500**	99,872	**77,112**	93,526
Finance lease receivables	**(259,783)**	(455,723)	**(259,783)**	(291,546)
Lease liabilities	**(187,994)**	(76,375)	**(182,809)**	(78,728)
Change in asset held for sale	**329,595**	85,833,545	**-**	-
Change in liabilities held for sale	**(36,102)**	(76,969,514)	**-**	-
Proceeds from disposal of asset held for sale	**-**	(3,924,021)	**-**	-
Proceeds from disposals/(acquisition) of subsidiaries	**159,967**	-	**159,967**	-
(Purchase)/disposal of associates	**(108,985)**	198,488	**(108,985)**	(798)
Purchase of equities, net	**(4,150,069)**	(9,310,985)	**(4,328,091)**	(9,152,753)
Disposal/(purchase) of debt securities, net	**216,061**	(4,250,172)	**646,062**	(2,665,799)
Disposal/(purchase) of other financial assets, net	**424,898**	(1,414,298)	**121,291**	(926,410)
Proceeds from trading of financial derivatives	**-**	(377)	**-**	44,051
Dividends from subsidiaries	**-**	-	**35,335**	85,840
Dividends from associates	**-**	-	**196,750**	144,250
Dividends from quoted equities	**330,280**	274,812	**330,079**	274,557
Dividends from unquoted equities	**23,134**	29,388	**23,134**	29,388
Dividends from unit trusts	**29,231**	29,027	**29,231**	29,027
Dividends from investments managed by external fund managers	**87,187**	44,080	**87,187**	44,080
Coupons from debt securities	**1,274,833**	964,023	**1,337,260**	1,026,611
Repayment of financing to subsidiaries, net	**-**	-	**222,540**	288,597
Repayment of profit on financing to subsidiaries	**-**	-	**60,753**	77,627
Depositors' savings fund	**4,262,404**	7,417,775	**4,262,404**	7,417,775
Cash generated from operations	**5,263,710**	5,957,071	**3,993,004**	3,865,661

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Lembaga Tabung Haji
(Established under Tabung Haji Act 1995)
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 *(cont'd.)*

	Group		TH	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
(Continue from previous page)				
Profit distribution to depositors	**(2,455,282)**	(2,242,141)	**(2,455,282)**	(2,242,141)
Zakat paid	**(122,856)**	(196,251)	**(218,290)**	(195,681)
Tax paid	**(72,251)**	(53,095)	**-**	-
Tax refund	**2,157**	194	**-**	-
Payment of lease liabilities	**(128,659)**	(7,310)	**(119,408)**	(969)
Financing cost on lease liabilities paid	**(15,917)**	(23,437)	**(9,086)**	(22,615)
Financing cost paid	**(30,930)**	(33,856)	**-**	-
Retirement benefits paid	**(51,087)**	(36,953)	**(51,055)**	(36,982)
Net cash generated from operating activities	**2,388,885**	3,364,222	**1,139,883**	1,367,273
Cash flows from investing activities				
Purchase of property, plant and equipment	**(41,700)**	(46,115)	**(21,816)**	(24,349)
Purchase of right-of-use assets	**(4,725)**	(7,069)	**-**	-
Acquisition of investment properties, net	**(1,242,301)**	(197,576)	**(4,191)**	(219,212)
(Acquisition)/proceeds from disposal of asset held for sale	**(1,478)**	22,756	**1,195**	24,272
Proceeds from disposal of jointly controlled entities	**-**	71,613	**-**	-
Plantation development expenditure	**(15,465)**	(30,305)	**-**	-
Net cash used in investing activities	**(1,305,669)**	(186,696)	**(24,812)**	(219,289)
Cash flows from financing activities				
Proceeds from drawdown of borrowings	**58,345**	17,476	**-**	-
Repayment of drawdown of borrowings	**(161,199)**	(619,451)	**-**	-
Finance cost paid	**(7,111)**	(9,471)	**-**	-
Dividends paid to non-controlling interests	**(13,152)**	(6,108)	**-**	-
Net cash used in financing activities	**(123,117)**	(617,554)	**-**	-
Net increase in cash and cash equivalents	**960,099**	2,559,972	**1,115,071**	1,147,984
Cash and cash equivalents at 1 January	**3,792,857**	1,240,253	**3,038,004**	1,898,707
Transfer to asset held for sale on opening balances	**-**	(2,213)	**-**	-
Currency translation differences	**(8,453)**	(5,155)	**(20,873)**	(8,687)
Cash and cash equivalents at 31 December	**4,744,503**	3,792,857	**4,132,202**	3,038,004

(Continue to next page)

Lembaga Tabung Haji
(Established under Tabung Haji Act 1995)
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 *(cont'd.)*

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
(Continue from previous page)				
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 5)	**5,481,934**	4,667,892	**4,868,313**	3,911,719
Cash held by TKJHM & TWT	**(22,178)**	(453,288)	**(22,178)**	(453,288)
Cash held by external fund managers	**(713,933)**	(420,427)	**(713,933)**	(420,427)
Deposits pledged	**(1,320)**	(1,320)	**-**	-
	4,744,503	3,792,857	**4,132,202**	3,038,004

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

Group	At 1 January RM'000	Proceeds from drawdown of borrowings RM'000	Other changes RM'000	Repayment RM'000	Foreign currency differences RM'000	At 31 December RM'000
2022						
Murabahah Financing	**605,097**	**-**	**2,942**	**-**	**(37,867)**	**570,172**
Commodity Murabahah Term Financing-i	**232,554**	**-**	**163**	**(73,246)**	**-**	**159,471**
Islamic Trade Financing-i	**14,476**	**58,345**	**-**	**(72,821)**	**-**	**-**
Term Financing	**175,894**	**-**	**2,222**	**(15,132)**	**-**	**162,984**
	1,028,021	**58,345**	**5,327**	**(161,199)**	**(37,867)**	**892,627**
2021						
Murabahah Financing	1,147,170	-	-	(571,463)	29,390	605,097
Commodity Murabahah Term Financing-i	264,646	-	1,658	(33,750)	-	232,554
Islamic Trade Financing-i	-	17,476	-	(3,000)	-	14,476
Term Financing	178,288	-	4,844	(7,238)	-	175,894
Bank overdraft and revolving credit	4,000	-	-	(4,000)	-	-
	1,594,104	17,476	6,502	(619,451)	29,390	1,028,021

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 19. 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 2022 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 31 March 2023.

2. Basis of preparation

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

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

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

(i) Assets

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

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

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

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

(ii) Liabilities

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

(iii) Depositors' savings fund

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

a) If any expenditure of ***TH*** in relation to withdrawals by depositors cannot be met out of the Fund or the Reserve Fund it shall be charged on and payable out of the Government's Consolidated Fund; and

b) Any payment out of the Consolidated Fund shall as soon as practicable be repaid by ***TH*** to the Consolidated Fund and until it is repaid it shall be a debt to the Government and a first charge on the assets of the Fund and the Reserve Fund.

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

a) Section 21(1) - ***TH*** shall establish and manage a Reserve Fund.

b) Section 21(2) - ***TH*** may from time to time transfer assets from the Reserve Fund to the Fund or from the Fund to the Reserve Fund.

c) Section 21(3) - Transfers into the Reserve Fund shall be determined by ***TH*** and transfers out of the Reserve Fund shall be determined by the Minister.

d) Section 21(4) - Section 20 shall apply to the assets of the Reserve Fund as it applies to the assets of the Fund.

(iv) Distribution of profits to depositors

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

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

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

(a) Composition of *TH*'s separate 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.)*

c) Section 22(3) - No distributable profit shall be declared unless ***TH*** has first established a Reserve Fund, and no distributable profit shall be declared in any year unless at the end of that year:

(i) the assets of the Fund were not less than the aggregate liabilities of the Fund, amounts due to depositors being calculated as if immediately payable; and

(ii) the assets of the Reserve Fund were not less than such percentage of the amounts actually standing to the credit of the depositors as at the end of that year including the distributable profit, as the Treasury may approve.

d) Section 22(4) - Any payment required to be made out of the Fund for the purposes of this section shall, in so far as the moneys in the Fund are insufficient for that purpose, be made out of the Reserve Fund.

e) Section 22(5) - Any decision by the Lembaga in respect of the amount of distributable profit to be apportioned to a depositor shall be final and binding on the depositor and a certificate by the Chief Executive Officer shall be conclusive evidence of the distributable profit apportioned to the depositor.

(v) Surplus funds

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

Distributable:

a) Revenue reserve
Revenue reserve represents accumulated distributable profits of ***TH*** that may be used, at the discretion of the Lembaga for the purpose of profit distribution subject to fulfilment of Section 22 of the ***TH*** Act, which is further disclosed in Note 2(a)(iv).

b) Equalisation reserve
TH shall transfer into the Equalisation reserve certain amount as may be determined by the members of the Lembaga from time to time to strengthen ***TH***'s reserve in achieving continuous financial soundness and prudent profit distribution to depositors.

Non-distributable:

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

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

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

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

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

(vi) Collection for hajj payment from pilgrims

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

(vii) Special purpose welfare funds (Tabung Kebajikan Jemaah Haji Malaysia ("TKJHM") and Tabung Was'ul Khair Tetamu Allah ("TWT")) (formerly known as Tabung Warga Tua)

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

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

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

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

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

During the financial year, the Group and ***TH*** adopted the following amendments to MFRSs which came into effect from 1 January 2022:

- MFRS 1, *First-Time Adoption of Malaysian Financial Reporting Standards – subsidiary as a First-Time Adopter (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Example accompanying MFRS 16, Leases – *Lease incentives (Annual Improvements to MFRS Standards 2018-2020)*
- MFRS 141, *Agriculture – Taxation in Fair Value Measurements (Annual Improvements to MFRS Standards 2018-2020)*
- Annual Improvements to MFRS 9, *Financial Instruments - Fees in the 10% test for derecognition of financial liabilities (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*

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

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

(i) Financial year beginning on or after 1 January 2023

- Amendments to MFRS 101, *Classification of Liabilities as Current or Non-current & Disclosure of Accounting Policies*
- Amendments to MFRS 17, *Insurance Contract*
- Amendments to MFRS 17, *Insurance Contract: Initial Application of MFRS 17 and MFRS 9 - Comparative Information*
- Amendments to MFRS 108, *Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

(ii) Financial year beginning on or after 1 January 2024

- Amendments to MFRS 16, *Lease liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Non-current liabilities with Covenants*

(iii) Effective date yet to be determined by Malaysian Accounting Standards Board

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

(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.

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

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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.

(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.

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

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

(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.

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.

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

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

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

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.

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 ***TH*** does not expect repayment in the foreseeable future are considered as part of ***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 by ***TH*** consists of financing to subsidiary companies.

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

(e) Financial assets

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

(i) Classification

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

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

(ii) Measurement

Initial recognition

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

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

Subsequent measurement

Debt instruments

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

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

(a) Amortised cost ("AC")

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

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

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

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

Subsequent measurement *(cont'd.)*

Debt instruments *(cont'd.)*

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

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

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

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

Debt instruments that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Recognition of debt instrument is based on settlement date, the date that an asset is delivered to Group and ***TH***. On initial recognition, Group and ***TH*** may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. These financial assets are subsequently measured at fair value and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

Equity instruments

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

MFRS 9, *Financial Instruments* ("MFRS 9") does not require for an entity to recognise any form of impairment in respect of equity instruments classified at FVOCI as these instruments are measured at fair value. For those equities at FVOCI with significant and prolonged unrealized losses where the possibility of cost recovery is remote, it can be argued that the losses are deemed as permanent and hence, realized, to revenue reserve or retained earnings.

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

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

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

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

Subsequent measurement *(cont'd.)*

Other financial assets

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

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

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

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

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

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

(g) Offsetting of financial instruments

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

(h) Financial guarantee contracts

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

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

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

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

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

(i) Contract assets and contract liabilities

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

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

(j) 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(j) and 3(k) respectively.

(ii) Palm based products

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

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

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

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

(iii) Stores

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

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

(k) 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.

(l) 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.

(m) 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.

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

(n) 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.

(o) Property, plant and equipment

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

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

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

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

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.

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

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

Depreciation

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

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

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

Impairment

At the end of the reporting period, the Group and ***TH*** assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The accounting policies on impairment of non-financial assets are set out in Note 3(t)(ii).

(p) 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 output. In prior years, depreciation rate of bearer plants was based on estimated 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*.

(q) 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.

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

(r) Leases

(i) Accounting by lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and ***TH*** (ie: the commencement date).

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

a) *Lease term*

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

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

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

ROU assets are initially measured at cost comprising the following:

i) The amount of the initial measurement of lease liability;

ii) Any lease payments made at or before the commencement date less any lease incentive received;

iii) Any initial direct costs; and

iv) Decommissioning or restoration costs.

ROU assets are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and ***TH*** are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Amortisation

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

Leasehold land	20 - 999 years
Leasehold building	50 years

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

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

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

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

Impairment

At the end of the reporting period, the Group and ***TH*** assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The accounting policies on impairment of non-financial assets are set out in Note 3(t)(ii).

c) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

i) Fixed payments (including in-substance fixed payments), less any lease incentive receivable;

ii) Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

iii) Amounts expected to be payable by the Group and ***TH*** under residual value guarantees;

iv) The exercise price of a purchase and extension options if the Group and ***TH*** are reasonably certain to exercise that option; and

v) Payments of penalties for terminating the lease, if the lease term reflects the Group and ***TH*** exercising that option.

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

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

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

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

d) Reassessment of lease liabilities

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

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

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

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

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

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

(ii) Accounting by lessor

As a lessor, the Group and ***TH*** determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and ***TH*** make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and ***TH*** consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

a) Finance leases

The Group and ***TH*** classify a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and ***TH*** derecognise the underlying asset and recognise a finance lease receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 3(t)(i) on impairment of financial assets). In addition, the Group and ***TH*** review regularly the estimated unguaranteed residual value.

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

b) Operating leases

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

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

c) Sub-lease classification

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

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.

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

(s) 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(t)(ii).

(t) Impairment

(i) Financial assets

Impairment for debt instruments, financing commitments and financial guarantee contracts

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

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

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

The Group and ***TH*** have six 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) 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

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

(t) Impairment *(cont'd.)*

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

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

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcome;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach

Under collective assessment, the Group applies a 3-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 42(i)(a) sets out the measurement details of ECL.

Significant increase in credit risk

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

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

(t) Impairment *(cont'd.)*

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

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

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

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

(t) 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. Reversal of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(u) Provisions

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

Where the Group and ***TH*** expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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

(v) 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.

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

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

(ii) Other long-term benefits

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

The cost of long-term employee benefits is accrued to match the services rendered by the Group using the recognition and measurement basis similar to that for the defined benefit plans disclosed in Note 3(v)(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 their eligible employees. The defined benefits obligation is calculated every three years by the independent actuaries using the Projected Unit Credit Method, through which the amount of benefit that employees have earned in return for their service in the current and prior financial year is estimated. Remeasurement, comprising of actuarial gain and losses are recognised immediately in the statements of financial position with a corresponding debit or credit to retained profits through other comprehensive income ("OCI") in the period in which the actuarial valuation is performed. Remeasurement is not reclassified to profit or loss in subsequent periods.

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

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

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

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

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

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

i) Medical benefits;

ii) Accumulated annual leave reward;

iii) Hajj performance; and

iv) Gratuity payment.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

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

(w) 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.

(x) Foreign currency

(i) Transaction and balance in foreign currencyy

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

Financial assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to functional currency at the foreign exchange closing rate at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

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

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

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

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

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

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

(y) Recognition of income

(i) Investment income

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

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

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

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

(ii) 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.

(iii) 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.

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

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

(iv) 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.

(v) 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.

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

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

(vi) Facilities management

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

(vii) 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.

(z) 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.

(aa) 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.

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

(ab) Assets classified as held for sale

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

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

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

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

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

(ac) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

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

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4. Significant accounting judgements, estimates and assumptions

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

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

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

(a) Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The key assumptions used, results and conclusions of the fair value measurement are set out in Note 43.

(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 42(i)(a).

Recoverability of UJSB Sukuk

In accordance with MFRS 9, the Sukuk is debt instrument which meets 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 is from UJSB, a wholly-owned entity of MoF Inc., members of the Lembaga and management of ***TH*** have taken a view that the Sukuk 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 as at 31 December 2022. Further details on the UJSB Sukuk are disclosed in Note 9.

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

(c) Impairment of non-financial assets

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

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

The key assumptions used, results and conclusions of the impairment assessment are set out in Notes 17, 18, 19, 21, 22, 23, 24 and 26.

(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(y)(iii) and 3(y)(iv).

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 16.

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 20.

(f) Recognition of deferred tax assets

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

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

(g) Depreciation of property, plant and equipment

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

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

(h) Provisions for retirement benefits

The costs of the defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. This includes the determination of the discount rate, future salary increases, medical trend rate and inflation rate. Due to the complexities involved in the valuation and its long-term nature, a defined obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Any changes in this assumptions will impact the carrying amount of the provision for retirement benefits, as disclosed in Note 31.

(i) Leases

Accounting by lessee - extension and termination options

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

Accounting by lessee - estimating the incremental borrowing rate of leases

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

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5. Cash and short-term funds

	Group	
	2022 RM'000	2021 RM'000
Short-term placements with licensed financial institutions	**3,303,404**	3,195,814
Cash and bank balances	**1,464,597**	1,051,651
Cash held by external fund managers	**713,933**	420,427
	5,481,934	4,667,892

	TH	
	2022 RM'000	2021 RM'000
Short-term placements with licensed financial institutions	**3,209,750**	2,908,370
Cash and bank balances	**944,630**	582,922
Cash held by external fund managers	**713,933**	420,427
	4,868,313	3,911,719

Placements with licensed financial institutions of the Group and ***TH*** registered profit margins ranging between 1.55% and 4.45% (2021: 1.25% and 2.50%). 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 RM22,178,000 (2021: RM453,288,000).

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

(i) RM1,320,000 (2021: RM1,320,000) pledged to banks for bank guarantee facilities; and

(ii) RM3,059,000 (2021: RM1,935,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

6. Deposits and placements with banks and other financial institutions

	Group	
	2022 RM'000	2021 RM'000
Licensed banks	**1,131,255**	3,288,099

	TH	
	2022 RM'000	2021 RM'000
Licensed banks	**1,103,332**	3,249,764

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

	Note	Group	
		2022 **RM'000**	2021 RM'000
Debt instruments			
Sukuk	(i)	**278,486**	628,129
Perpetual securities	(ii)	**2,687,907**	2,710,308
Term investment accounts		**1,500,000**	1,700,000
Institutional trust accounts		**-**	197,401
		4,466,393	5,235,838
Equity instruments			
Shares		**1,825**	1,825
Unit trusts		**720,927**	722,887
		722,752	724,712
		5,189,145	5,960,550

	Note	*TH*	
		2022 **RM'000**	2021 RM'000
Debt instruments			
Sukuk	(i)	**278,486**	628,129
Perpetual securities	(ii)	**2,987,907**	2,710,308
Term investment accounts		**1,500,000**	1,700,000
Institutional trust accounts		**-**	197,401
		4,766,393	5,235,838
Equity instruments			
Unit trusts		**675,000**	675,000
		5,441,393	5,910,838

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

i) Sukuk

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

The Tranche C sukuk held by ***TH*** amounting to RM268.4 million as at 31 December 2022 (2021: RM615.8 mil) ("ABS Junior Sukuk") is classified as a financial asset at FVTPL as it failed the Solely Payments of Principal and Interest ("SPPI") test due to the following:

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

The ABS Junior Sukuk will mature on 13 January 2023 and the effective profit rate as at 31 December 2022 is 3.3% per annum (2021: 6.94%).

Please refer to Note 48 (a) for further details of events subsequent to 31 December 2022 with respect to the Sukuk.

ii) Perpetual securities

Included in financial assets at FVTPL are perpetual securities amounting to RM2,687.9 mil as at 31 December 2022 (2021: RM2,710.3 mil) which failed the SPPI test. These securities have the following features:

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

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

	Note	Group 2022 RM'000	Group 2021 RM'000
Debt instruments			
Sukuk	(ii)	**16,900,173**	14,823,290
Malaysian Government investment issues		**3,366,948**	3,189,583
		20,267,121	18,012,873
Equity instruments			
Quoted shares		**8,988,806**	8,372,490
Unquoted shares		**718,036**	685,985
Shares managed by external fund managers		**3,990,855**	3,959,521
		13,697,697	13,017,996
		33,964,818	31,030,869

	Note	*TH* 2022 RM'000	*TH* 2021 RM'000
Debt instruments			
Sukuk	(ii)	**16,900,173**	14,823,290
Malaysian Government investment issues		**3,366,948**	3,189,583
		20,267,121	18,012,873
Equity instruments			
Quoted shares		**8,988,666**	8,372,324
Unquoted shares		**718,036**	685,985
Shares managed by external fund managers		**3,990,855**	3,959,521
		13,697,557	13,017,830
		33,964,678	31,030,703

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

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

	Group		*TH*	
	2022 **RM'000**	2021 RM'000	**2022** **RM'000**	2021 RM'000
At 1 January	**56,872**	39,626	**56,872**	39,626
Reversal during the year (Note 34)	**(50,841)**	(16,932)	**(50,841)**	(16,932)
Charge during the year (Note 34)	**338**	34,178	**338**	34,178
At 31 December	**6,369**	56,872	**6,369**	56,872

(ii) Included in the debt instruments at FVOCI of the Group and ***TH*** are investments in Tranche A of Sukuk issued by Menara ABS Berhad. Tranche A amounted to RM102,684,000 (2021: RM101,475,000). 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 7(i).

The Tranche A Sukuk will mature on 13 January 2023. The effective profit rate of Tranche A Sukuk as at 31 December 2022 ranges between 5.30% - 6.90% per annum (2021: 3.11% - 3.66% per annum). On 15 January 2021, Menara ABS Berhad successfully redeemed the entire amount of Tranche B Sukuk.

Please refer to Note 48 (a) for further details of events subsequent to 31 December 2022 with respect to the Sukuk.

9. UJSB Sukuk and receivables at amortised cost

	Group / *TH*	
	2022 **RM'000**	2021 RM'000
UJSB Sukuk		
At subscription price	**19,600,000**	19,600,000
Add: Accumulated accretion of discount	**3,002,803**	2,125,662
Less: Early redemption	**(199,387)**	(199,387)
Total	**22,403,416**	21,526,275

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

i) Salient terms of UJSB Sukuk

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

	Series 1	Series 2
Subscription price (RM'000)	RM9,639,264	RM9,600,000
Nominal value (RM'000)	RM12,727,364	RM14,347,575
Maturity date	29 May 2026	30 May 2029
Tenure	7 years	10 years
Coupon rate	Zero	Zero
Yield-to-maturity per annum	4.05%	4.10%
Settlement	Bullet repayment at the end of the Sukuk tenure.	
Early redemption	Option for early redemption is granted to allow UJSB to redeem the Sukuk at any time prior to the maturity of the Sukuk. UJSB may opt for early redemption at any point in time through settlement in: • 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 guaranteed by the Government of Malaysia.	

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

The settlement for the transferred assets is via the following:

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

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

iii) Contribution of the Sukuk recognised in the financial statements of the Group and of ***TH***

The contribution of the accretion of discount, which has been recognised as part of the revenue of ***TH*** , and the carrying amount of the Sukuk to the profit before zakat of ***TH*** for the current financial year and the total assets of ***TH*** as at 31 December 2022, respectively, are as follows:

	Series 1 RM'000	Series 2 RM'000	Total RM'000
At 1 January 2022	**10,873,767**	**10,652,508**	**21,526,275**
Accretion of discount during the year	**440,388**	**436,753**	**877,141**
At 31 December 2022	**11,314,155**	**11,089,261**	**22,403,416**
At 1 January 2021	10,452,510	10,234,952	20,687,462
Accretion of discount during the year	421,257	417,556	838,813
At 31 December 2021	10,873,767	10,652,508	21,526,275

	Group		***TH***	
	2022	2021	**2022**	2021
Profit for the year (RM'000)	**2,216,170**	2,596,206	**1,933,258**	2,290,604
Accretion of discount as a % of profit for the year	**39.6%**	32.3%	**45.4%**	36.6%
Total assets (RM'000)	**92,089,296**	90,073,994	**90,923,608**	88,849,524
Carrying amount of Sukuk as a % of total assets	**24.3%**	23.9%	**24.6%**	24.2%

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

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

On 30 November 2020, UJSB made a partial early redemption amounting to RM200 million (representing RM248.8 million in nominal value) of Sukuk (Series 1).

On 28 February 2023, UJSB made a further partial early redemption amounting to RM200 million (representing RM227.5 million in nominal value) of Sukuk (Series 1). Please refer Note 48 (b) for further details on the redemption.

Following the early redemptions above, the accretion of discount for the remaining Sukuk until maturity is as follows:

	Series 1 RM'000	Series 2 RM'000	Total RM'000
Financial year ended/ending			
2019	237,910	231,213	469,123
2020	413,987	403,739	817,726
2021	421,257	417,556	838,813
2022	440,388	436,753	877,141
2023	444,432	456,911	901,343
2024	468,496	473,393	941,889
2025	487,470	492,802	980,273
2026	203,587	513,007	716,594
2027	-	534,040	534,040
2028	-	555,936	555,936
2029	-	232,225	232,225
Total accretion of discount	3,117,528	4,747,575	7,865,103

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

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

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

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

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

v) Committed guarantee by the Government of Malaysia

Section 5 of the 2023 Fiscal Outlook and Federal Government Revenue Estimates report dated 7 October 2022, relating to Fiscal Risk and Liability, stated that UJSB is classified as an entity with a committed guarantee by the Government of Malaysia amounting to RM22.0 billion (2020: RM21.1 billion).

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

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

vi) Recoverability of the Sukuk issued by UJSB

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

The recoverability of the Sukuk issued by UJSB can be further analysed as follows:

	Note	**2022 RM'000**	2021 RM'000
Carrying Amount ("CA") (NBV at ***TH*** Book)		**22,403,416**	21,526,275
Less: UJSB Net Assets (exclude Sukuk	(i)	**(9,267,896)**	(9,062,126)
Shortfall		**13,135,520**	12,464,149
Committed Guarantees ("CG") by Government of Malaysia		**21,957,000**	21,097,000
Net surplus		**8,821,480**	8,632,851

(i) UJSB's Net Assets excluding Sukuk as disclosed in UJSB's audited financial statements as at 31 December 2021 (2021: 31 December 2020).

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10. Financial assets at amortised cost

	Note	Group 2022 RM'000	Group 2021 RM'000
At amortised cost			
Sukuk		**3,356,827**	2,574,613
Government guaranteed bond		**2,863,668**	2,566,942
Negotiable Islamic debt certificate		**120,000**	1,375,000
Other investments		**217**	1,102
Less: Accumulated impairment loss	(i)		
- Sukuk		**(172)**	(11,256)
- Other investments		**(217)**	(1,102)
		6,340,323	6,505,299

	Note	*TH* 2022 RM'000	*TH* 2021 RM'000
At amortised cost			
Sukuk		**4,006,827**	3,654,613
Government guaranteed bond		**2,863,668**	2,566,942
Negotiable Islamic debt certificate		**120,000**	1,375,000
Other investments		**217**	1,102
Less: Accumulated impairment loss	(i)		
- Sukuk		**(172)**	(11,256)
- Other investments		**(217)**	(1,102)
		6,990,323	7,585,299

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 2022 RM'000	Group 2021 RM'000	*TH* 2022 RM'000	*TH* 2021 RM'000
At 1 January	**12,358**	17,792	**12,358**	17,792
Net writeback recognised in profit or loss (Note 34)	**(1,828)**	(5,434)	**(1,828)**	(5,434)
Write off	**(10,141)**	-	**(10,141)**	-
At 31 December	**389**	12,358	**389**	12,358

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11. Financing, advances and others

	TH 2022 RM'000	2021 RM'000
Financing to subsidiaries	**1,382,718**	1,678,916
Less: Accumulated impairment loss		
- Individual assessment	**(463,223)**	(304,514)
	919,495	1,374,402

Financing from ***TH*** to subsidiaries in Malaysia amounting to RM300,358,000 (2021: RM517,005,000) are charged at a profit rate ranging from 3.9% to 5.5% per annum (2021: 3.9% to 7.0% per annum). Financing from ***TH*** to overseas subsidiaries amounting to RM1,082,360,000 (2021: RM1,161,911,000) are charged at a profit rate ranging from 0.0% to 5.0% per annum (2021: 0.0% to 5.0% per annum).

TH	**Lifetime ECL RM'000**	**Total RM'000**
At 1 January 2022	**304,514**	**304,514**
Allowance made during the year (Note 34)	**213,412**	**213,412**
Amount written back during the year (Note 34)	**(37,880)**	**(37,880)**
Foreign exchange difference	**(16,823)**	**(16,823)**
At 31 December 2022	**463,223**	**463,223**

	Lifetime ECL RM'000	**Total RM'000**
At 1 January 2021	306,543	306,543
Allowance made during the year (Note 34)	85,060	85,060
Amount written back during the year (Note 34)	(90,923)	(90,923)
Foreign exchange difference	3,834	3,834
At 31 December 2021	304,514	304,514

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12. Finance lease receivables

	Note	Group / *TH* 2022 RM'000	2021 RM'000
At 1 January		**2,539,813**	2,330,755
Payment received during the year		**(25,193)**	(25,154)
Accretion during the year		**143,867**	151,971
Derecognition during the year		**-**	(247)
Foreign exchange difference		**110,525**	82,488
		2,769,012	2,539,813
Less: Accumulated impairment loss	(i)	**(1,006,416)**	(754,515)
At 31 December		**1,762,596**	1,785,298

Ageing analysis of finance lease receivable

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

	Group / *TH* 2022 RM'000	2021 RM'000
Neither past due nor impaired	**1,735,410**	1,785,298
Past due but not impaired:		
- 1 to 30 days due nor impaired	**5,836**	-
- 31 to 60 days past due not impaired	**21,350**	-
- 61 to 90 days past due not impaired	**-**	-
- Past due more than 90 days	**-**	-
	27,186	-
Impaired	**1,006,416**	754,515
	2,769,012	2,539,813

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

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

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

	Group / *TH*	
	2022 RM'000	2021 RM'000
At 1 January	**754,515**	234,913
Reversal during the year (Note 34)	**(44,203)**	-
Foreign exchange difference	**47,246**	-
Charge for the year (Note 34)	**248,858**	519,602
At 31 December	**1,006,416**	754,515

Included in finance lease receivables is RM1,033,601,636 (2021: RM754,201,795) due from a counterparty with regards to lease rental on properties located in Makkah and Madinah of which RM969,111,460 (2021: RM567,440,198) is more than 90 days. The entire amount due from the counterparty is secured against certain promissory notes which are enforceable under the law in the Kingdom of Saudi Arabia.

Please refer to Note 48 (d) for further details of events subsequent to 31 December 2022 with respect to finance lease receivables.

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13. Trade and other receivables at amortised cost

	Note	Group 2022 RM'000	Group 2021 RM'000
Trade receivables			
Trade receivables	(i)	**505,616**	513,311
Accrued rental income		**110,026**	95,153
Contract assets		**-**	464
Less: Accumulated impairment loss	(i)	**(28,877)**	(18,382)
		586,765	590,546
Other receivables			
Other receivables, deposits and prepayments		**324,182**	278,747
Cash held at rental agent		**4,875**	16,636
Staff financing		**2,727**	3,186
Amount due from:			
- Associates		**-**	137,318
- Jointly controlled entities		**121,520**	255,675
Less: Accumulated impairment loss			
- Other receivables	(ii)	**(23,874)**	(19,415)
- Jointly controlled entities	(iii)	**(81,462)**	(210,563)
Transfer to asset held for sale		**-**	(68,177)
		347,968	393,407
		934,733	983,953

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

	Note	TH 2022 RM'000	TH 2021 RM'000
Trade receivables			
Trade receivables	(i)	**412,944**	426,883
Accrued rental income		**110,026**	95,153
Less: Accumulated impairment loss	(i)	**(22,578)**	(8,024)
		500,392	514,012
Other receivables			
Other receivables, deposits and prepayments		**80,842**	71,352
Staff financing		**2,656**	3,108
Amount due from:			
- Subsidiaries		**2,065,762**	761,750
- Associates		**140,090**	137,318
Less: Accumulated impairment loss			
- Other receivables	(ii)	**(5,150)**	(1,259)
- Amount due from subsidiaries	(iv)	**(145,187)**	(152,764)
		2,139,013	819,505
		2,639,405	1,333,517

i) Trade receivables

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

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

i) Trade receivables *(cont'd.)*

Ageing analysis of trade receivables

	Group		*TH*	
	2022 **RM'000**	2021 RM'000	**2022** **RM'000**	2021 RM'000
Neither past due nor impaired	**433,269**	437,283	**351,998**	369,379
1 to 30 days due not impaired	**7,504**	8,402	**4,900**	6,841
31 to 60 days past due not impaired	**5,307**	6,426	**3,830**	5,467
61 to 90 days past due not impaired	**4,064**	4,267	**3,472**	3,445
Past due more than 90 days	**26,595**	38,551	**26,166**	33,727
	43,470	57,646	**38,368**	49,480
Impaired	**28,877**	18,382	**22,578**	8,024
	505,616	513,311	**412,944**	426,883

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

	Group		*TH*	
	2022 **RM'000**	2021 RM'000	**2022** **RM'000**	2021 RM'000
AAt 1 January	**18,382**	24,615	**8,024**	13,026
Charge for the year (Note 34)	**20,451**	7,395	**18,565**	6,193
Write off	**(25)**	(859)	**-**	-
Reversal of impairment lossess (Note 34)	**(9,931)**	(12,769)	**(4,011)**	(11,195)
At 31 December	**28,877**	18,382	**22,578**	8,024

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

ii) Other receivables

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

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
At 1 January	**19,415**	18,679	**1,259**	1,668
Charge for the year (Note 34)	**6,040**	1,273	**4,262**	-
Write off	**(268)**	(128)	**(238)**	-
Reversal of impairment lossess (Note 34)	**(1,313)**	(409)	**(133)**	(409)
At 31 December	**23,874**	19,415	**5,150**	1,259

iii) Amount due from jointly controlled entities

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

	Group	
	2022 RM'000	2021 RM'000
At 1 January	**210,563**	268,582
Charge for the year (Note 34)	**-**	6,549
Reversal of impairment lossess (Note 34)	**(2,607)**	(64,568)
Write off	**(126,494)**	-
At 31 December	**81,462**	210,563

iv) Amount due from subsidiaries

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

	TH	
	2022 RM'000	2021 RM'000
At 1 January	**152,764**	151,464
Reversal of impairment losses (Note 34)	**(3,284)**	(404)
Foreign exchange difference	**(4,293)**	1,704
At 31 December	**145,187**	152,764

14. Biological assets

	Group	
	2022 RM'000	2021 RM'000
At 1 January	**32,432**	41,664
Changes in fair value recognised in profit or loss	**(12,313)**	(9,234)
Effect of movement in exchange rate	**(6)**	2
At 31 December	**20,113**	32,432

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

	Group	
	2022 RM'000	2021 RM'000
Biological assets	**(15,513)**	(14,058)

During the financial year, the Group harvested approximately 695,824 tonnes (2021: 701,251 tonnes) of fresh fruit bunches ("FFB"). The Group has considered the oil content of all unripe 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 one (1) month prior to harvest, FFB more than one (1) month 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 FFB price (RM608/mt – RM756/mt) (2021: RM969/mt – RM1,202/mt).

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 RM3,370,000 and RM353,000 respectively.

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15. Inventories

	Note	Group 2022 RM'000	Group 2021 RM'000
At cost			
Land held for property development	(i)	**803,351**	769,651
Property development costs	(i)	**121,212**	158,765
Completed properties	(ii)	**53,752**	65,151
Stores		**26,849**	15,591
Finished goods		**6,248**	4,620
		1,011,412	1,013,778

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

	Group 2022 RM'000	Group 2021 RM'000
Balance as at 1 January	**2,491,341**	2,475,624
Add: Cost incurred during the year	**22,437**	15,717
	2,513,778	2,491,341
Less: Costs recognised as an expense in profit or loss		
- Previous years	**(1,345,294)**	(1,325,095)
- Current year	**(47,677)**	(43,047)
- Unsold inventories	**(177,975)**	(179,014)
Less: Accumulated impairment loss	**(18,269)**	(15,769)
	924,563	928,416
Non-current portion - land held for property development	**(803,351)**	(769,651)
Current portion - property development cost	**121,212**	158,765

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

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

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15. 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	
	2022 **RM'000**	2021 RM'000
At 1 January	**15,769**	15,769
Charge for the year (Note 34)	**2,500**	-
At 31 December	**18,269**	15,769

(ii) Completed properties

During the year, the amount of inventories recognised as an expense in cost of sales and impairment of the Group are RM19,554,109 (2021: RM16,279,315) and RM22,625 (2021: RM2,388,898) respectively.

16. Investment properties

	Group	
	2022 **RM'000**	2021 RM'000
At fair value		
At 1 January	**5,841,934**	5,661,371
Additions	**1,242,301**	197,576
Disposal	**(3,035)**	-
Transfer from property, plant and equipment (Note 23)	**1,314**	30,548
Accrued rental income	**(14,873)**	(19,500)
Fair value adjustment as per valuation report	**(309,124)**	(76,760)
Foreign exchange difference	**(103,031)**	48,699
At 31 December	**6,655,486**	5,841,934

	TH	
	2022 **RM'000**	2021 RM'000
At fair value		
At 1 January	**4,093,205**	3,927,707
Additions	**4,191**	219,212
Transfer from/(to) property, plant and equipment (Note 23)	**3,114**	(52)
Accrued rental income	**(14,873)**	(19,500)
Fair value adjustment as per valuation report	**(15,591)**	(34,162)
At 31 December	**4,070,046**	4,093,205

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

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*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Within one year	**315,435**	322,011	**209,954**	213,469
Between one and five years	**743,093**	766,012	**524,707**	505,766
More than 5 years	**1,222,064**	1,383,300	**1,143,966**	1,261,639
	2,280,592	2,471,323	**1,878,627**	1,980,874

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**
2022			
Freehold land and buildings	**999,198**	**2,779,648**	**3,778,846**
Leasehold land and buildings	**2,718,640**	**158,000**	**2,876,640**
	3,717,838	**2,937,648**	**6,655,486**
2021			
Freehold land and buildings	1,004,042	2,799,763	3,803,805
Leasehold land and buildings	1,879,094	159,035	2,038,129
	2,883,136	2,958,798	5,841,934

TH	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2022			
Freehold land and buildings	**1,290,398**	**2,779,648**	**4,070,046**
2021			
Freehold land and buildings	1,293,442	2,799,763	4,093,205

16. 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.

Level 2 fair value

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

Level 3 fair value

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

17. Investment in jointly controlled entities

	Note	Group 2022 RM'000	Group 2021 RM'000
At cost			
Unquoted shares		**558,641**	636,908
Disposal		**-**	(78,267)
		558,641	558,641
Group's share of reserves in jointly controlled entities		**(371,854)**	(367,654)
Less: Accumulated impairment loss	(i)	**(130)**	(130)
		186,657	190,857

	Note	*TH* 2022 RM'000	*TH* 2021 RM'000
At cost			
Unquoted shares		**364,486**	364,486
Less: Accumulated impairment loss	(i)	**(364,486)**	(364,486)
		-	-

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

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

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2021 RM'000**	2020 RM'000
At 1 January/31 December	**130**	130	**364,486**	364,486

(ii) **Trurich Resources Sdn. Bhd. ("Trurich")**

2021

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

2022

During the financial year, Trurich was in the midst of finalising the disposal of its subsidiaries in Kalimantan, Indonesia and received IDR474.0 billion, equivalent to approximately USD31.74 million in September 2022, which shall be credited to MIB as part of its outstanding settlement. ***TH*** has fully impaired its cost of investment in Trurich amounting to RM364,311,000 as at 31 December 2022. ***TH*** does not have further payment obligation to Trurich as at 31 December 2022.

(iii) **Other jointly controlled entities**

No impairment was recognised in financial year 2022.

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

Details of jointly controlled entities are as follows:

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
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
TH Properties Sdn. Bhd. *and its jointly controlled entities:*			
59 Inc. Sdn Bhd.	Property development	**70**	70
THP Utara Facilities Sdn. Bhd.	Facilities management	**26**	26

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

Termination of Jointly Controlled Entities

2021

On 7 October 2021, the Group's property subsidiary, TH Properties Sdn. Bhd. disposed its equity interest in Piety Capital Pty. Ltd., Piety THP Capital Pty. Ltd. and Piety THP Capital Developments Pty. Ltd. for a total consideration of AUD147,108,051.

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

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

	Trurich Resources Sdn. Bhd. RM'000	THP Utara Facilities Sdn. Bhd. RM'000	59 Inc. Sdn. Bhd. RM'000	Other jointly controlled entities RM'000	Total RM'000
<u>2022</u>					
Summarised statements of financial position					
Assets	246,152	45,372	293,087	16,776	601,387
Liabilities	(1,552,122)	(40,527)	(32,723)	(98,849)	(1,724,221)
Net (liabilities)/assets	(1,305,970)	4,845	260,364	(82,073)	(1,122,834)
Summarised statements of profit or loss and comprehensive income					
Revenue	68,397	74,726	-	-	143,123
Profit/(Loss)for the year	-	5,112	(999)	-	4,113
Total comprehensive income/(loss)	-	5,112	(999)	-	4,113
Share of net results for the financial year	-	2,619	(699)	-	1,920

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	THP Utara Facilities Sdn. Bhd. RM'000	59 Inc. Sdn. Bhd. RM'000	Other jointly controlled entities RM'000	Total RM'000
Group's share of net assets	-	2,486	184,171	-	186,657
Group's carrying amount of the investment	-	2,486	184,171	-	186,657

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

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

	Trurich Resources Sdn. Bhd. RM'000	THP Utara Facilities Sdn. Bhd. RM'000	59 Inc. Sdn. Bhd. RM'000	Other jointly controlled entities RM'000	Total RM'000
2021					
Summarised statements of financial position					
Assets	1,123,236	20,817	295,926	22,985	1,462,964
Liabilities	(1,383,220)	(9,079)	(31,825)	(101,976)	(1,526,100)
Net (liabilities)/assets	(259,984)	11,738	264,101	(78,991)	(63,136)
Summarised statements of profit or loss and other comprehensive income					
Revenue	98,336	75,994	-	62,127	236,457
(Loss)/profit for the year	(147,036)	4,514	(774)	(3,124)	(146,420)
Total comprehensive (loss)/income	(147,036)	4,514	(774)	(3,124)	(146,420)
Share of net results for the financial year	-	2,302	(541)	-	1,761

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	THP Utara Facilities Sdn. Bhd. RM'000	59 Inc. Sdn. Bhd. RM'000	Other jointly controlled entities RM'000	Total RM'000
Group's share of net assets	-	5,986	184,871	-	190,857
Group's carrying amount of the investment	-	5,986	184,871	-	190,857

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18. Investment in associates

	Note	Group 2022 RM'000	Group 2021 RM'000	TH 2022 RM'000	TH 2021 RM'000
At cost					
Quoted shares		**4,010,953**	3,918,489	**4,010,953**	3,901,968
Group's share of post acquisition reserves		**223,188**	56,741	**-**	-
Less: Accumulated impairment loss		**-**	-	**-**	-
Unquoted shares		**204,873**	205,659	**410,449**	410,449
Group's share of post acquisition reserves		**137,007**	177,816	**-**	-
Less: Accumulated impairment loss	(i)	**(36,957)**	(36,957)	**(205,576)**	(204,791)
		4,539,064	4,321,748	**4,215,826**	4,107,626

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

	Group 2022 RM'000	Group 2021 RM'000	TH 2022 RM'000	TH 2021 RM'000
At 1 January	**36,957**	40,101	**204,791**	207,935
Charge for the year (Note 34)	**-**	-	**4,750**	-
Writeback for the year (Note 34)	**-**	(3,144)	**(3,965)**	(3,144)
At 31 December	**36,957**	36,957	**205,576**	204,791

(ii) Impairment

2022

During the year, based on impairment assessment performed, Putrajaya Perdana Berhad's ("PPB") recoverable amount was lower than its net carrying amount due to lower net assets recorded by PPB as at 31 December 2022 which is included in the recoverable amount calculation. Therefore, a further impairment was recorded at RM1,268,000.

Meanwhile for BATA (M) Sdn. Bhd., its recoverable amount was higher than its net carrying amount as a result of improved financial performance that contributed to higher EBITDA which is included in the recoverable amount calculation. Therefore, an impairment writeback was recorded at RM3,965,000.

2021

In prior year, ***TH*** received RM3,144,000 from CCM Fertilizers Sdn. Bhd. following its capital reduction and repayment exercise on 8 June 2021. Therefore, a writeback of impairment was recorded of the same amount.

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

Details of associates are as follows:

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
Direct holding			
Quoted and incorporated in Malaysia			
Bank Islam Malaysia Berhad #	Islamic banking business and investment holding	**48**	48
Syarikat Takaful Malaysia Keluarga Berhad # ("STMKB")	Family and General Takaful business	**28**	28
Theta Edge Berhad #	Investment holding	**27**	30
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 Bayu Emas 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

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

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

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
Indirect holding			
TH Properties Sdn. Bhd. *and its associates:*			
HCM-TH Technologies JV ^	Dormant	**40**	40
YTL THP JV Sdn. Bhd.	To undertake construct, maintain, improve, develop, implement, control, execute and manage any railway project	**30**	30

\# *Reclassified from subsidiaries to associates in prior year.*

* ***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.*

^ *The unincorporated partnership was dissolved on 2 April 2018 following the dissolution of the company's partner namely HCM-TH Technologies Sdn. Bhd. through striking off in accordance with the Companies Act 2016 on 2 April 2018.*

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

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

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

2022

	Bank Islam Malaysia Berhad RM'000	Syarikat Takaful Malaysia Keluarga Berhad RM'000	Theta Edge Berhad RM'000	Perumahan Kinrara Berhad RM'000	Putrajaya Perdana Berhad RM'000	Other associates RM'000	Total RM'000
Summarised statements of financial position							
Assets	89,851,671	13,651,585	140,791	984,943	637,514	2,277,069	107,543,573
Liabilities	(83,055,428)	(11,632,144)	(67,337)	(140,493)	(483,467)	(2,455,898)	(97,834,767)
Net assets	6,796,243	2,019,441	73,454	844,450	154,047	(178,829)	9,708,806
Group's share of net assets	3,281,227	569,484	20,038	206,890	46,214	51,818	4,175,671
Effect of group restructuring	(119,516)	482,909	-	-	-	-	363,393
Group's carrying amount of the investment	3,161,711	1,052,393	20,038	206,890	46,214	51,818	4,539,064
Summarised statements of profit or loss and other comprehensive Income							
Revenue	2,159,459	3,764,542	97,121	235,674	396,621	573,593	7,227,010
Profit/(loss) for the year	491,672	318,517	8,069	62,385	(6,880)	(55,643)	818,120
Other comprehensive (loss)/income	(70,505)	(28,578)	-	-	-	-	(99,083)
Total comprehensive income/(loss)	421,167	289,939	8,069	62,385	(6,880)	(55,643)	719,037
Share of net results for the financial year	240,607	88,759	2,749	17,797	(2,846)	115	347,181
Share of total other comprehensive (loss)/income	(34,040)	(8,059)	-	-	-	-	(42,099)
Distribution of profits	(108,216)	(31,875)	-	(53,900)	-	(2,760)	(196,751)

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

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

2021

	Bank Islam Malaysia Berhad RM'000	Syarikat Takaful Malaysia Keluarga Berhad RM'000	Theta Edge Berhad RM'000	Perumahan Kinrara Berhad RM'000	Putrajaya Perdana Berhad RM'000	Other associates RM'000	Total RM'000
Summarised statements of financial position							
Assets	80,156,214	12,708,834	100,380	1,123,411	554,246	2,012,788	96,655,873
Liabilities	(73,756,276)	(10,866,451)	(42,777)	(131,601)	(390,712)	(2,071,901)	(87,259,718)
Net assets	6,399,938	1,842,383	57,603	991,810	163,534	(59,113)	9,396,155
Group's share of net assets	3,073,890	520,658	17,289	242,994	49,060	54,464	3,958,355
Effect of group restructuring	(119,516)	482,909	-	-	-	-	363,393
Group's carrying amount of the investment	2,954,374	1,003,567	17,289	242,994	49,060	54,464	4,321,748
Summarised statements of profit or loss and other comprehensive Income							
Revenue	1,463,311	2,029,779	144,143	278,930	432,134	454,672	4,802,969
Profit/(loss) for the year	318,543	283,805	(4,796)	78,096	2,857	(132,501)	546,004
Other comprehensive (loss)/income	(78,456)	3,635	-	-	-	-	(74,821)
Total comprehensive income/(loss)	240,087	287,440	(4,796)	78,096	2,857	(132,501)	471,183
Share of net results for the financial year	152,996	80,203	(2,486)	18,374	(741)	(33,498)	214,848
Share of total other comprehensive (loss)/income	(37,682)	1,027	-	(650)	-	-	(37,305)
Distribution of profits	(108,985)	(28,333)	-	(4,966)	-	(1,967)	(144,251)

19. Investment in subsidiaries

	Note	*TH* 2022 RM'000	*TH* 2021 RM'000
At cost			
Quoted shares in Malaysia		**776,963**	776,963
Less: Accumulated impairment loss	(i)	**-**	-
		776,963	776,963
Unquoted shares in Malaysia		**1,616,412**	1,616,412
Less: Accumulated impairment loss	(ii)	**(205,516)**	(203,706)
		1,410,896	1,412,706
		2,187,859	2,189,669
Market value of quoted shares		**342,612**	391,557

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

		TH 2022 RM'000	*TH* 2021 RM'000
(i)	Quoted shares		
	Balance as at 1 January	**-**	170,059
	Writeback for the year (Note 34)	**-**	(170,059)
	As at 31 December	**-**	-

		TH 2022 RM'000	*TH* 2021 RM'000
(ii)	Unquoted shares		
	Balance as at 1 January	**203,706**	361,268
	Charge for the year (Note 34)	**1,810**	136
	Writeback for the year (Note 34)	**-**	(157,698)
	As at 31 December	**205,516**	203,706

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

Disposal of subsidiaries

i) Deru Semangat Sdn. Bhd. ("DSSB")

2021

On 17 December 2021, ***TH*** signed a sale and purchase agreement with Yang Amat Mulia Tengku Muda Pahang Tengku Abd Rahman Al-Haj Ibni Al Marhum Sultan Ahmad Shah Al-Musta'in Billah ("YAM TMP") for the disposal of the entire ***TH*** shareholding in Deru Semangat Sdn. Bhd. ("DSSB"). As a result, DSSB has been reclassified as asset held for sale as at 31 December 2021.

2022

The divestment of DSSB was completed on 22 September 2022 upon completion of the selective capital reduction exercise (approved by high court on 2 August 2022) through payment for the transfer of shares from ***TH*** to YAM TMP of RM159,966,423.

The details of the disposal of DSSB are as follows:

	As at disposal date RM'000
Net disposal proceeds	**159,966**
***Less*: Group share of net assets disposed**	
Assets held for sale (Note 26)	**399,166**
Liabilities directly associated with assets held for sale (Note 26)	**(387,812)**
Non-controlling interest	**(5,110)**
	6,244
Net gain on disposal	**153,722**

Gain on disposal of subsidiary is recognised in the statement of profit or loss within revenue during the year.

ii) TH Hotel Sarawak Sdn. Bhd. ("THHS")

2022

THHS has completed its striking off process and gazetted on 10 January 2022. The details of the disposal of THHS are as follows:

The details of the disposal of DSSB are as follows:

	As at disposal date RM'000
Net disposal proceeds	**-**
***Less*: Net assets disposed**	
Liability	
Amount due to group companies	**(3,927)**
Net gain on disposal	**3,927**

Gain on disposal of subsidiary is recognised in the statement of profit or loss within revenue during the year.

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

Disposal of subsidiaries *(cont'd.)*

iii) TH Trust

2022

TH Trust has completed its liquidation process on 30 September 2022. The details of the disposal of TH Trust are as follows:

	As at disposal date RM'000
Net disposal proceeds	**-**
***Less*: Net assets disposed**	**-**
Net gain on disposal before reclassification of foreign currency translation reserve	**-**
Reclassification of foreign currency translation reserve to profit or loss	**20,123**
Net gain on disposal	**20,123**

Gain on disposal of subsidiary is recognised in the statement of profit or loss within revenue during the year.

iv) BIMB Holdings Berhad ("BHB")

2021

In prior year, BIMB Holdings Berhad ("BHB") had been reclassified as asset held for sale due to the proposed restructuring with various proposals to be undertaken. Upon completion of the exercise on 8 October 2021, ***TH*** owned:

(a) 48% of the shares in Bank Islam Malaysia Berhad ("Bank Islam"), in line with BNM's expectation that no single industrial conglomerate shall have control of a licensed financial institution; and

(b) 28% in Syarikat Takaful Malaysia Keluarga Berhad ("STMKB"). With the dilution of its equity interest, ***TH*** loses control in BHB, Bank Islam and STMKB.

Subsequent to the lost of control, the subsidiaries are reclassified as associates during the year.

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

Disposal of subsidiaries *(cont'd.)*

iv) BIMB Holdings Berhad ("BHB") *(cont'd.)*

Details of the disposal of BHB are as follows:

	As at disposal date RM'000
Fair value of remaining stake as an associate	**3,898,715**
***Less*: Group share of net assets disposed**	
Cash and short-term funds	4,630,456
Deposits and placements with banks and other financial institutions	1,834,409
Financial assets at fair value through profit or loss	2,399,756
Derivative financial assets	34,668
Financial assets at fair value through other comprehensive income	17,712,008
Financing, advances and others	54,901,569
Other financial assets at amortised cost	733,173
Retakaful assets	1,006,029
Statutory deposits with Bank Negara Malaysia	230,864
Current tax assets	176,508
Deferred tax assets	80,602
Right-of-use assets	222,319
Property, plant and equipment	184,477
Investment properties	10,371
Assets held for sale	84,157,209
Deposits from customers	(48,085,128)
Investment accounts of customers	(12,554,794)
Derivative financial liabilities	(17,425)
Bills and acceptances payable	(22,405)
Recourse obligations on financing sold to Cagamas	(1,501,187)
Lease liabilities	(309,320)
Other liabilities	(1,656,648)
Takaful contract liabilities	(9,252,020)
Expense reserves	(326,949)
Sukuk liabilities	(2,655,396)
Zakat and taxation	(116,517)
Liabilities directly associated with assets held for sale	(76,497,789
Non-controlling interest	(3,980,371)
Group share of net assets disposed	**3,679,049**
Net gain on disposal	**219,666**

Gain on deemed disposal of subsidiary is recognised in the statement of profit or loss within revenue in prior year.

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

Disposal of subsidiaries *(cont'd.)*

v) Theta Edge Berhad

2021

In prior year, ***TH*** received a letter of offer from Arcadia Acres Sdn. Bhd. to acquire 30% equity interest in Theta Edge Berhad, comprising 32.5 million ordinary shares, at RM0.70 per share or for a total cash consideration of RM22.8 million. The disposal was completed on 31 March 2021.

Pursuant to completion of the disposal, Theta Edge Berhad has been reclassified to associate in April 2021.

On 12 October, 13 October and 15 October 2021, ***TH*** further disposed 2.47 million, 3.0 million and 3.53 million shares of Theta Edge Berhad respectively, retaining 30.0% of shareholding in the associate company.

The details of the disposal of Theta Edge are as follows:

	As at disposal date RM'000
Fair value of remaining stake as an associate	**25,305**
Net disposal proceeds	**22,736**
	48,041
***Less*: Group share of net assets disposed**	
Property, plant and equipment	2,306
Right-of-use assets	2,699
Inventories	31
Trade and other receivables	15,481
Contract assets	11,317
Contract costs	284
Cash and short-term funds	43,172
Assets held for sale	75,290
Lease liabilities	(2,444)
Borrowings	(2,211)
Trade and other payables	(4,135)
Contract liabilities	(599)
Liabilities directly associated with assets held for sale	(9,389)
Non-controlling interest	(20,625)
Group share of net assets disposed	**45,276**
Net gain on disposal	**2,765**

Gain on deemed disposal of subsidiary is recognised in the statement of profit or loss within revenue in prior year.

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

Impairment of investments in subsidiaries

i) Plantation sector

TH Plantations Berhad

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

a) market value of the listed plantation subsidiary has decreased below its cost of investment;

b) ongoing uncertainties over the plantation industry; and

c) uncertainty issues over the future plan and the development status.

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

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

2022

Period of projection	25 years
Bare land terminal value	RM1,504,759,000 (valuation performed by professional independent valuers)
Crude palm oil (CPO) selling price	RM2,600 / metric tonne - RM3,000 / metric tonne
Discount rate	10.05%

Based on impairment test performed, no impairment was recognised during the financial year.

2021

Period of projection	25 years
Bare land terminal value	RM1,662,260,000 (valuation performed by professional independent valuers)
Crude palm oil (CPO) selling price	RM2,600 / metric tonne - RM3,000 / metric tonne
Discount rate	9%

During the year, based on impairment test performed, ***TH*** Plantations Berhad's value in use is higher than the carrying amount of the cost of investment as at 31 December 2022. Therefore, no impairment was recognized by ***TH*** during the financial year.

In prior year, based on impairment test performed, ***TH*** Plantations Berhad's value in use is higher than the carrying amount of the cost of investment as at 31 December 2021. Therefore, a writeback of impairment was recorded by ***TH*** amounting to RM170,059,000.

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

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

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

ii) Marine sector

2022

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

Period of projection	4 years
Daily charter rate	RM47,000 to RM50,000
Utilisation rate:	
Normal	58% - 83%
Docking period	Nil
Terminal value	Scrap value of RM7.8 million for both vessels based on the deadweight of the vessels at current steel scrap rate;
Discount rate	5.50 %

Based on impairment test performed, no impairment was recognised during the financial year.

2021

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

Period of projection	5 years
Daily charter rate	RM40,000 to RM42,000
Utilisation rate:	
Normal	65% - 89%
Docking period	Nil
Terminal value	Scrap value of RM10 million for both vessels based on the deadweight of the vessels at current steel scrap rate;
Discount rate	5.50 %

Based on impairment test performed, no impairment was recognised in prior year.

iii) Property sector

2022

During the financial year, based on impairment test performed, LTH Property Investment (L) Inc. recorded a net tangible asset value (mainly contributed by drop in market value of properties owned as per latest valuation report issued by certified professional valuer) which was lower than its net carrying amount. Therefore, an impairment was recorded by ***TH*** amounting to RM1,809,291.

2021

No further impairment was recognised in prior year.

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

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

iv) System & Technology sector

2022

No further impairment was recognised during the financial year.

2021

In prior year, based on impairment test performed, Premia Cards Sdn. Bhd. recorded a net tangible asset value which was lower that the net carrying amount. Therefore, an impairment was recorded by ***TH*** amounting to RM135,594.

Commitments

As at 31 December 2022, ***TH*** has no further commitment to invest in any subsidiary.

As at 31 December 2021, ***TH*** has a commitment to invest in TH Properties Sdn. Bhd., Marine 1 (L) Inc. and LTH Property Holdings Ltd. for the amount of RM50.2 million, RM37.4 million and RM1.1 million respectively for the property development activities and marine activities of the subsidiary companies.

Details of subsidiaries are as follows:

Name of company	Principal activities	Effective ownership interest 2022 %	Effective ownership interest 2021 %
Quoted and incorporated in Malaysia			
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
Manisraya Sdn. Bhd.	Tradeline services in dealing and trading of fresh fruit bunches	**74**	74

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

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

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
Quoted and incorporated in Malaysia *(cont'd.)*			
TH Plantations Berhad *and its subsidiaries: (cont'd.)*			
THP Saribas Sdn. Bhd.	Cultivation of oil palm, processing and marketing of palm products	**59**	59
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 subsidiaries:*	Investment holding	**74**	74
TH PELITA Sadong Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	**52**	52
TH-Bonggaya Sdn. Bhd.	Forestry	**74**	74
Ladang Jati Keningau Sdn. Bhd.	Forestry	**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

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

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

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
Quoted and incorporated in Malaysia *(cont'd.)*			
TH Plantations Berhad *and its subsidiaries: (cont'd.)*			
TH Ladang (Sabah & Sarawak) Sdn. Bhd. *and its subsidiaries: (cont'd.)*			
TH PELITA Beladin Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	**41**	41
THP Applications & Services Sdn. Bhd.	Dormant	**74**	74
Halus Riang Sdn. Bhd.	Dormant	**74**	74
Kuni Riang Sdn. Bhd.	Dormant	**74**	74
Unquoted and incorporated in Malaysia			
TH Indo Industries Sdn. Bhd.	Leasing of transportation equipment	**100**	100
TH Indopalms Sdn. Bhd.	Investment holding	**100**	100
Deru Semangat Sdn. Bhd. ^	Cultivation of oil palm	**-**	55
Sigma Entity 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

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

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

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
Unquoted and incorporated in Malaysia *(cont'd.)*			
TH Properties Sdn. Bhd. *and its subsidiaries: (cont'd.)*			
THP Mutiara Sdn. Bhd.	Property development	**100**	100
THP Perlis Sdn. Bhd.	Property development	**100**	100
THP Pelindung Sdn. Bhd.	Property development	**100**	100
Keramat Green Development Sdn. Bhd.	Property development	**100**	100
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-SBB JV Sdn. Bhd.	Dormant	**100**	100
THP Enstek Development Sdn. Bhd.	Property development	**100**	100

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

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

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
Unquoted and incorporated in Malaysia *(cont'd.)*			
TH Properties Sdn. Bhd. *and its subsidiaries: (cont'd.)*			
THP Bina Sdn. Bhd.	Major infrastructure concessions, construction, provision of venture capital and management expertise	**100**	100
THP Services Sdn. Bhd. *and its subsidiary:*	Provision of facilities management services	**100**	100
THPS Capital Sdn. Bhd.	Investment holding	**100**	100
THP Konsortium Sdn. Bhd.	Investment holding	**51**	51
TH Hotel & Residence Sdn. Bhd. *and its subsidiaries:*	Investment holding and hotel operations	**100**	100
TH Travel & Services Sdn. Bhd.	Provision of umrah and hajj services, tour and ticketing	**100**	100
TH Hotel Alor Setar Sdn. Bhd.	Dormant	**100**	100
TH Hotel Terengganu Sdn. Bhd.	Dormant	**100**	100
THV Management Services Sdn. Bhd.	Hotel management and operations	**100**	100
TH Hotel (Sarawak) Sdn. Bhd. ^^	Hotel operations	**-**	100
TH Global Services Sdn. Bhd. ^^	Dormant	**-**	100
TH Marine Holding (L) Inc. *and its subsidiaries:*	Investment holding	**100**	100
Marine 1 (L) Inc.	Ship owning	**100**	100

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

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

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
Unquoted and incorporated in Malaysia *(cont'd.)*			
TH Marine Holding (L) Inc. *and its subsidiaries: (cont'd.)*			
TH-Alam Holdings (L) Inc. *and its subsidiaries:*	Investment holding	**51**	51
Alam-JV DP1 (L) Inc.	Ship owning	**51**	51
Alam-JV DP2 (L) Inc.	Ship owning	**51**	51
Premia Cards Sdn. Bhd.	Debit or prepaid card issuer	**100**	100
LTH Property Investment (L) Inc.	Investment holding and property investment	**100**	100
Incorporated in United Kingdom			
LTH Property Holdings Limited *and its subsidiary:*	Investment holding	**100**	100
10 Queen Street Place London Limited	Investment property holding	**100**	100
LTH Property Holdings 2 Limited *and its subsidiaries:*	Investment holding	**100**	100
Leatherhead Properties Limited	Investment property holding	**100**	100
Millstream Property Limited	Investment property holding	**100**	100
LTH Oxford Limited	Investment holding	**100**	100
LTH Property Holdings 3 Limited *and its subsidiaries:*	Investment holding	**100**	100
Horseferry Property Limited #	Investment property holding	**100**	-

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

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

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
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
THPS Capital Sdn. Bhd. *and its subsidiary:*			
THPS Capital UK Limited **	Provision of asset management services in the commercial real estate sector	**-**	100
Incorporated in Australia			
LTH Property Investment (L) Inc. *and its trust fund:*			
TH Trust * *and its trust fund:*	Investment holding	**-**	100
747 CS Melbourne Trust *	Property investment	**-**	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 One The Waterfront Project, Wentworth, Sydney	**100**	100
THP Lidcombe Pty. Ltd.	Trustee to THP Lidcombe Trust which extends financing to the Kee Lidcombe Project, Sydney	**100**	100

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

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

Name of company	Principal activities	Effective ownership interest 2022 %	2021 %
Incorporated in Indonesia			
TH Plantations Berhad *and its subsidiary:*			
P.T. Persada Kencana Prima	Cultivation of oil palm and marketing of fresh fruit bunches	**69**	69

^ *Disposal of subsidiary has been completed on 22 September 2022.*

^^ *These companies had been dissolved and gazetted in accordance with Section 308 of the Companies Act 1965 on 10 January 2022 and 10 February 2023 respectively.*

LTH Property Holdings 3 had acquired the subsidiary on 4 August 2022.

** *The company had been struck off in accordance with the United Kingdom Companies Act 2006 on 12 April 2022.*

* *The trust funds has completed liquidation process on 30 September 2022.*

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

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

Acquisition of Additional Equity Interest in THP Services Sdn. Bhd.

On 15 January 2021, the Group's property subsidiary acquired an additional 40% equity interest in THP Services Sdn. Bhd. ("THPS") from its minority shareholder for a cash consideration of RM2,544,196. As a result of this acquisition, THPS became a wholly-owned subsidiary of the Group. On the date of acquisition, the carrying value of the additional interest was RM1,700,000. The difference between the consideration and the book value of interest acquired of RM844,196 is reflected in equity as premium paid on acquisition of minority interests.

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:

	TH Plantations Berhad	
	2022 RM'000	2021 RM'000
Summarised statements of financial position		
Assets	**2,680,447**	2,861,906
Liabilities	**(1,373,339)**	(1,917,020)
Net assets	**1,307,108**	944,886
Summarised statements of profit or loss and statements of comprehensive income		
Revenue	**881,259**	760,804
Profit for the year	**87,936**	101,569
Total comprehensive income	**91,574**	100,072
Summarised statements of cash flows		
Cash flows from operating activities	**142,470**	63,525
Cash flows used in investing activities	**(34,313**	(79,532)
Cash flows (used in)/generated from financing activities	**(252,734)**	191,971
Net increase in cash and cash equivalents	**(144,577)**	175,964
Dividends to non-controlling interests	**9,683**	5,279

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20. Forestry

	Group	
	2022 **RM'000**	2021 RM'000
At 1 January	**21,587**	12,111
Additions during the year	**16,400**	13,079
Reclassification from plantation development expenditure (Note 21)	**-**	1,987
Additions charged to profit or loss	**(16,400)**	(13,079)
Change in fair value recognised in profit or loss (Note 33)	**17,371**	7,489
At 31 December	**38,958**	21,587

Fair value information

Fair value of forestry is categorised as follows:

	Level 3	
	2022 **RM'000**	2021 RM'000
Forestry	**38,958**	21,587

Fair value information

The fair value of forestry is determined by external, independent professional valuer on an annual basis except for RM1,987,000 which is determined based on an offer from a market participant at as it is basis.

The following information shows the valuation techniques used in the determination of fair value within Level 3, as well as the significant unobservable inputs used in the valuation models in the current and prior year.

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 forestry, taking into account expected timber volume, timber sales price, canopy wood sales price, upkeep and maintenance cost and land rental. The expected net cash flows are discounted using risk-adjusted discount rates.

Significant unobservable inputs in current year

- Expected clear bole volume (142tonne/ha - 330tonne/ha)
- Clear bole price (RM190/tonne)
- Log extraction cost (RM86/tonne - RM90/tonne)
- Pre-tax discount rate (10%)
- Land rental rate (3%)

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20. Forestry *(cont'd.)*

Fair value information *(cont'd.)*

Significant unobservable inputs in prior year

- Expected clear bole volume (142tonne/ha - 325tonne/ha)
- Clear bole price (RM180/tonne)
- Log extraction cost (RM86/tonne)
- Pre-tax discount rate (10%)
- Land rental rate (3%)

Inter-relationship between significant unobservable inputs and fair value measurement

The estimated fair value would increase/(decrease) if:

- Expected clear bole volume were higher/(lower)
- Clear bole price higher/(lower)
- Log extraction cost were lower/(higher)
- Discount rates were lower/(higher)
- 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). 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:

- A reduction of timber volume by 10% would have resulted in a decrease in the change of fair value by RM6,230,000.
- A reduction of timber price by 10% would have resulted in a decrease in the change of fair value by RM6,230,000.
- An increase of 2% in the discount rate would have resulted in a decrease of fair value gain by RM7,132,000.

The fair value less cost to sell of forestry amounting RM1,987,000 was estimated based on THPB Group Director's valuation, which was based on the offer letter received from a minority shareholder of the subsidiary to acquire forestry based on its current condition.

21. Plantation development expenditure

	Group	
	2022	2021
	RM'000	RM'000
At 1 January	**55,883**	154,480
Additions during the year	**15,465**	30,305
Transfer to property, plant and equipment (Note 23)	**(29,199)**	(96,275)
Impairment of plantation development expenditure (Note 34)	**(2,840)**	-
Transfer of impairment to property, plant and equipment	**-**	5,129
Reclassification to forestry (Note 20)	**-**	(1,987)
Transfer to assets of disposal group classified as held for sale	**-**	(36,700)
Foreign exchange difference	**(1,462)**	931
At 31 December	**37,847**	55,883

Included in additions during the year were:

	Group	
	2022	2021
	RM'000	RM'000
Depreciation of:		
- Property, plant and equipment (Note 23(a))	**673**	730
- Right-of-use assets (Note 22)	**38**	158
Personnel expenses:		
- Wages, salaries and others	**6,701**	7,887
- Contribution to Employees Provident Fund	**368**	326

i) TH Plantations Berhad Group ("THPB Group")

Impairment loss on plantations development expenditure ("PDE")

2022

During the year, a nursery belongs to one of THPB Group's subsidiary was overgrown and therefore, no future income is expected to be generated from the nursery.

Subsequent to this, the THPB Group has fully impaired RM2,840,000 in relation to carrying amount of the nursery as at 31 December 2022 and recognised in profit or loss.

2021

No impairment recognised in prior year.

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22. Right-of-use assets

The Group's obligation under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group and ***TH*** have lease contracts for land. The lease terms are between 20 to 999 years.

Asset restoration obligation ("ARO") are stated in some of the contracts. Therefore, provisions have been made for these purposes, where applicable.

The Group also has certain leases of fittings and other equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

2022

Group	Land RM'000	Building RM'000	Equipment & motor vehicle RM'000	Total RM'000
Cost				
At 1 January 2022	181,456	419,334	197	600,987
Additions	-	4,725	-	4,725
Rental relief adjustment	-	(81,305)	-	(81,305)
Derecognition	(195)	-	-	(195)
Foreign exchange difference	(3,288)	-	-	(3,288)
At 31 December 2022	177,973	342,754	197	520,924
Accumulated depreciation				
At 1 January 2022	48,338	209,746	197	258,281
Depreciation for the year	13,331	103,743	-	117,074
At 31 December 2022	61,669	313,489	197	375,355
At 1 January 2022/31 December 2022	22,819	19,197	-	42,016
Net carrying amount at 31 December 2022	93,485	10,068	-	103,553

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22. 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.)*

2021

Group	Land RM'000	Building RM'000	Equipment & motor vehicle RM'000	Total RM'000
Cost				
At 1 January 2021	180,653	511,448	197	692,298
Additions	56	7,013	-	7,069
Rental relief adjustment	-	(99,127)	-	(99,127)
Disposal	(745)	-	-	(745)
Foreign exchange difference	1,492	-	-	1,492
At 31 December 2021	181,456	419,334	197	600,987
Accumulated depreciation				
At 1 January 2021	34,084	201,350	197	235,631
Depreciation for the year	14,254	8,396	-	22,650
At 31 December 2021	48,338	209,746	197	258,281
Accumulated impairment				
At 1 January 2021/31 December 2021	22,819	19,197	-	42,016
Net carrying amount at 31 December 2021	110,299	190,391	-	300,690

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22. 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.)*

2022

TH	**Land RM'000**	**Building RM'000**	**Total RM'000**
Cost			
At 1 January 2022	**26,442**	**391,707**	**418,149**
Additions	**-**	**4,193**	**4,193**
Rental relief adjustment	**-**	**(81,305)**	**(81,305)**
At 31 December 2022	**26,442**	**314,595**	**341,037**
Accumulated depreciation			
At 1 January 2022	**4,401**	**202,436**	**206,837**
Depreciation for the year	**1,468**	**102,853**	**104,321**
At 31 December 2022	**5,869**	**305,289**	**311,158**
Net carrying amount at 31 December 2022	**20,573**	**9,306**	**29,879**

2021

Cost			
At 1 January 2021	26,442	485,233	511,675
Additions	-	5,601	5,601
Rental relief adjustment	-	(99,127)	(99,127)
At 31 December 2021	26,442	391,707	418,149
Accumulated depreciation			
At 1 January 2021	2,934	194,269	197,203
Depreciation for the year	1,467	8,167	9,634
At 31 December 2021	4,401	202,436	206,837
Net carrying amount at 31 December 2021	22,041	189,271	211,312

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

The following are the amounts recognised in profit or loss:

2022

	Group RM'000	*TH* RM'000
Depreciation of right-of-use assets	**117,074**	**104,321**
Finance cost on lease liabilities	**15,917**	**9,086**
Expense relating to:		
- short-term leases	**15,571**	**15,543**
- leases of low-value assets	**3,333**	**3,061**
	151,895	**132,011**
Breakdown of depreciation charge for the year, are as follows:		
Depreciation:		
Plantation development expenditure (Note 21)	**38**	**-**
Recognised in profit or loss (Note 35)	**115,602**	**102,887**
Depreciation of right-of-use assets under TKJHM and TWT (Note 28(iii))	**1,434**	**1,434**
Capitalised in plantation development expenditure (Note 21)	**38**	**-**
	117,074	**104,321**

2021

	Group RM'000	*TH* RM'000
Depreciation of right-of-use assets	22,650	9,634
Finance cost on lease liabilities	30,747	23,584
Expense relating to:		
- short-term leases	12,255	12,220
- leases of low-value assets	2,673	2,340
	68,325	47,778
Breakdown of depreciation charge for the year, are as follows:		
Depreciation:		
Plantation development expenditure (Note 21)	158	-
Recognised in profit or loss (Note 35)	18,669	5,811
Depreciation of right-of-use assets under TKJHM and TWT (Note 28(iii))	3,823	3,823
Capitalised in plantation development expenditure (Note 21)	158	-
	22,650	9,634

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

Impairment of right-of-use assets

TH Plantations Berhad Group

The Group has engaged a registered valuer in prior year to value the plantation assets which consist of bearer plant, plantation development ("PDE") and right-of-use assets ("ROU") of a plantation subsidiary that has not been performing up to Group expectation. The total carrying amount of bearer plant, PDE and ROU as at 31 December 2022 amounted to RM81,148,000 (2021: RM81,952,000). The Group is of the view that the fair value less cost to sell are consistent with prior year valuation report as there is no significant change in the market condition. The cash-generating unit consists of planted area in relation to oil palm oil and plantable area.

The estimated recoverable amount of the cash-generating unit is based on its fair value less cost to sell. No impairment loss is being recognised as the recoverable amount of the cash-generating unit is higher than the carrying amount of the cash-generating unit.

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.

Extension option

The Group and ***TH*** have several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and ***TH***'s business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

There are also leases that are either non-cancellable, or may only be cancelled by incurring a substantive termination fee. There are also some leases that contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for further term.

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23. 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 2022	23,640	11,228	1,013,020	559,490	227,704	330,553	1,393,746	17,329	3,576,710
Additions	-	107	-	1,196	-	638	27,121	12,638	41,700
Disposals	-	-	-	(639)	-	(45)	(3,174)	-	(3,858)
Write off	-	-	(6,425)	(20,242)	-	-	(5,456)	-	(32,123)
Transfer from plantation development expenditure (Note 21)	-	-	29,199	-	-	-	-	-	29,199
Transfer from/(to) investment property (Note 16)	-	-	-	1,800	-	(3,130)	16	-	(1,314)
Reclassifications	-	-	-	5,065	-	8,698	7,619	(21,382)	-
Foreign exchange difference	-	-	(1,580)	(19)	-	-	(37)	(1)	(1,637)
At 31 December 2022	23,640	11,335	1,034,214	546,651	227,704	336,714	1,419,835	8,584	3,608,677
Accumulated depreciation									
At 1 January 2022	-	2,537	306,532	208,612	134,089	247,011	821,308	-	1,720,089
Depreciation for the year (Note 23(a))	-	(488)	46,923	22,651	4,625	34,103	61,866	-	169,680
Disposals	-	-	-	(129)	-	(15)	(3,041)	-	(3,185)
Write off	-	-	(6,125)	(16,745)	-	-	(5,306)	-	(28,176)
Foreign exchange difference	-	-	(246)	(9)	-	-	(31)	-	(286)
At 31 December 2022	-	2,049	347,084	214,380	138,714	281,099	874,796	-	1,858,122
Accumulated impairment									
At 1 January 2022	-	-	67,029	480	-	758	222,125	1,056	291,448
Impairment loss during the year	-	-	-	-	-	-	15,672	-	15,672
Reclassification	-	-	-	-	-	556	-	(556)	-
At 31 December 2022	-	-	67,029	480	-	1,314	237,797	500	307,120
Net carrying amount **at 31 December 2022**	23,640	9,286	620,101	331,791	88,990	54,301	307,242	8,084	1,443,435

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23. 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 2021	23,640	35,418	959,792	569,685	227,704	325,323	1,371,133	12,262	3,524,957
Additions	-	-	-	1,304	-	2,983	28,719	13,109	46,115
Disposals	-	-	-	-	-	-	(255)	-	(255)
Write off	-	-	(4,667)	(167)	-	(102)	(3,204)	(7)	(8,147)
Transfer from plantation development expenditure (Note 21)	-	-	96,275	-	-	-	-	-	96,275
Transfer (to)/from investment property (Note 16)	-	-	-	(30,600)	-	52	-	-	(30,548)
Reversal of fair value change	-	-	-	19,500	-	-	-	-	19,500
Transfer to assets held for sale	-	(24,190)	(39,165)	(822)	-	-	(7,828)	-	(72,005)
Transfer from completed inventories	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	579	-	2,297	5,159	(8,035)	-
Foreign exchange difference	-	-	785	11	-	-	22	-	818
At 31 December 2021	23,640	11,228	1,013,020	559,490	227,704	330,553	1,393,746	17,329	3,576,710

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23. 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 2021	-	4,175	265,689	188,680	129,464	213,228	757,419	-	1,558,655
Depreciation for the year (Note 23(a))	-	(190)	46,885	20,547	4,625	34,008	70,925	-	176,800
Disposals	-	-	-	-	-	-	(255)	-	(255)
Write off	-	-	(4,526)	(111)	-	(102)	(2,722)	-	(7,461)
Transfer from assets held for sale	-	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	(1,448)	(1,567)	(75)	-	-	(4,627)	-	(7,717)
Foreign exchange difference	-	-	51	4	-	-	12	-	67
Reclassification	-	-	-	(433)	-	(123)	556	-	-
At 31 December 2021	-	2,537	306,532	208,612	134,089	247,011	821,308	-	1,720,089
Accumulated impairment									
At 1 January 2021	-	-	62,849	-	-	759	188,761	-	252,369
Impairment loss during the year	-	-	-	480	-	-	34,027	1,056	35,563
Reversal of impairment loss	-	-	(949)	-	-	(1)	(663)	-	(1,613)
Transfer from investment property (Note 16)	-	-	5,129	-	-	-	-	-	5,129
At 31 December 2021	-	-	67,029	480	-	758	222,125	1,056	291,448
Net carrying amount at 31 December 2021	23,640	8,691	639,459	350,398	93,615	82,784	350,313	16,273	1,565,173

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23. 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 2022	23,640	11,228	140,862	227,704	322,175	457,224	8,438	1,191,271
Additions	-	107	581	-	298	19,774	1,056	21,816
Disposals	-	-	-	-	-	(2,665)	-	(2,665)
Write off	-	-	-	-	-	(1,065)	-	(1,065)
Transfer to investment property (Note 16)	-	-	-	-	(3,130)	16	-	(3,114)
Reclassification	-	-	-	-	8,142	1,352	(9,494)	-
At 31 December 2022	23,640	11,335	141,443	227,704	327,485	474,636	-	1,206,243
Accumulated depreciation								
At 1 January 2022	-	3,771	45,942	134,090	241,809	396,077	-	821,689
Depreciation for the year (Note 23(a))	-	129	2,836	4,624	33,658	29,138	-	70,385
Disposals	-	-	-	-	-	(2,660)	-	(2,660)
Write off	-	-	-	-	-	(1,065)	-	(1,065)
Reclassification	-	-	-	-	-	-	-	-
At 31 December 2022	-	3,900	48,778	138,714	275,467	421,490	-	888,349
Net carrying amount at 31 December 2022	23,640	7,435	92,665	88,990	52,018	53,146	-	317,894

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23. 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 2021	23,640	11,228	140,509	227,704	317,013	437,340	9,504	1,166,938
Additions	-	-	353	-	2,812	16,930	4,254	24,349
Write off	-	-	-	-	-	(68)	-	(68)
Transfer from investment property (Note 16)	-	-	-	-	52	-	-	52
Reclassification	-	-	-	-	2,298	3,022	(5,320)	-
At 31 December 2021	23,640	11,228	140,862	227,704	322,175	457,224	8,438	1,191,271
Accumulated depreciation								
At 1 January 2021	-	3,589	43,128	129,465	208,556	368,426	-	753,164
Depreciation for the year (Note 23(a))	-	182	3,247	4,625	33,376	27,163	-	68,593
Write off	-	-	-	-	-	(68)	-	(68)
Reclassification	-	-	(433)	-	(123)	556	-	-
At 31 December 2021	-	3,771	45,942	134,090	241,809	396,077	-	821,689
Net carrying amount at 31 December 2021	23,640	7,457	94,920	93,614	80,366	61,147	8,438	369,582

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

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

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Profit or loss (Note 35)	**167,940**	172,745	**69,318**	67,259
Depreciation of assets under TKJHM and TWT (Note 28(iii))	**1,067**	1,334	**1,067**	1,334
Capitalised in plantation development expenditure (Note 21)	**673**	730	**-**	-
	169,680	174,809	**70,385**	68,593
Transfer to asset held for sale	**-**	1,991	**-**	-
	169,680	176,800	**70,385**	68,593

(b) Change in estimates on bearer plant

2021

In prior year, the Group's plantation subsidiaries have decided to change the depreciation rate to be based on estimated individual estate output of the bearer plant instead of estimated production yield table used previously.

The effects of these changes on depreciation expense of the Group, recognised in cost of sales, in current and future years are as follows:

	2022 RM'000	**2023 RM'000**	**2024 RM'000**	**2025 RM'000**
Increase in depreciation expense	3,845	3,167	1,155	94

(c) Collateral

i) Vessels owned by subsidiary companies of the Group at a carrying value of RM123,753,000 (2021: RM134,250,000) have been pledged as securities for bank borrowings totalling RM116,097,000 (2021: RM131,229,000), as disclosed in Note 30(iii).

ii) Leasehold land held by a subsidiary company at a carrying value amounting to RM7,156,000 (2021: RM7,323,000) has been pledged as security for bank borrowings as disclosed in Note 30(i).

24. Intangible assets

Group	Goodwill RM'000	Total RM'000
2022		
Cost		
At 1 January 2022	**285,397**	**285,397**
Addition	**17,607**	**17,607**
At 31 December 2022	**303,004**	**303,004**
Accumulated amortisation		
At 1 January 2022/31 December 2022	**-**	**-**
Accumulated impairment		
At 1 January 2022/31 December 2022	**285,397**	**285,397**
Net carrying amount as at 31 December 2022	**17,607**	**17,607**
2021		
Cost		
At 1 January 2021/31 December 2021	285,397	285,397
Accumulated amortisation		
At 1 January 2021/31 December 2021	-	-
Accumulated impairment		
At 1 January 2021/31 December 2021	285,397	285,397
Net carrying amount as at 31 December 2021	-	-

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.

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25. 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	
	2022 RM'000	2021 RM'000
Deferred tax assets	**45,634**	48,935
Deferred tax liabilities	**(112,295)**	(96,263)
	(66,661)	(47,328)

Deferred tax assets and liabilities are, after appropriate offsetting, attributable to the following:

		Group	
	Assets RM'000	**Liabilities RM'000**	**Net RM'000**
2022			
Property, plant and equipment	**-**	**(22,199)**	**(22,199)**
Other investments	**-**	**(5,214)**	**(5,214)**
Accelerated capital allowances	**-**	**(4,650)**	**(4,650)**
Tax losses and unabsorbed capital allowances	**36,024**	**-**	**36,024**
Provisions	**9,861**	**(15,851)**	**(5,990)**
Impairment allowances	**-**	**(598)**	**(598)**
Change in fair value reserve	**-**	**(22,232)**	**(22,232)**
Biological assets	**-**	**(4,788)**	**(4,788)**
Right-of-use assets	**-**	**(12,023)**	**(12,023)**
Lease liabilities	**16,135**	**-**	**16,135**
Others	**-**	**(41,126)**	**(41,126)**
Set off of tax	**(16,386)**	**16,386**	**-**
Tax assets/(liabilities)	**45,634**	**(112,295)**	**(66,661)**

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25. 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		
	Assets RM'000	**Liabilities RM'000**	**Net RM'000**
2021			
Property, plant and equipment	-	(22,915)	(22,915)
Other investments	-	(5,357)	(5,357)
Accelerated capital allowances	-	(4,650)	(4,650)
Tax losses and unabsorbed capital allowances	49,235	-	49,235
Provisions	2,129	-	2,129
Impairment allowances	-	(598)	(598)
Change in fair value reserve	-	(22,973)	(22,973)
Biological assets	-	(7,739)	(7,739)
Right-of-use assets	-	(13,772)	(13,772)
Lease liabilities	17,232	-	17,232
Others	-	(37,920)	(37,920)
Set off of tax	(19,661)	19,661	-
Tax assets/(liabilities)	48,935	(96,263)	(47,328)

Unrecognised deferred tax assets

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

	Group	
	2022 RM'000	2021 RM'000
Unabsorbed capital allowances	**733,550**	10,417
Unutilised tax losses	**11,679**	703,767
Deductible temporary differences	**9,926**	1,288
	755,155	715,472

The unutilised business losses are allowed to be carried forward for a maximum period of ten (10) consecutive years of assessment. The unabsorbed capital allowances do not expire under the current tax legislation in Malaysia and can be utilised against income from the same business source, subject to no substantial change in shareholdings.

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

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

Movement in temporary differences during the year 2022:

Group	As at 1.1.2022 RM'000	Recognised in profit or loss RM'000	Recognised in profit or loss relating to asset held for sale RM'000	Withholding tax paid RM'000	As at 31.12.2022 RM'000
Property, plant and equipment	**(22,915)**	**(9,144)**	**9,860**	**-**	**(22,199)**
Other investments	**(5,357)**	**143**	**-**	**-**	**(5,214)**
Accelerated capital allowances	**(4,650)**	**-**	**-**	**-**	**(4,650)**
Tax loss and unabsorbed capital allowances	**49,235**	**(12,693)**	**(518)**	**-**	**36,024**
Provisions	**2,129**	**(13,000)**	**-**	**4,881**	**(5,990)**
Impairment allowances	**(598)**	**-**	**-**	**-**	**(598)**
Change in fair value reserve	**(22,973)**	**10,492**	**9,751**	**-**	**(22,232)**
Biological assets	**(7,739)**	**2,183**	**768**	**-**	**(4,788)**
Right-of-use assets	**(13,772)**	**1,762**	**(13)**	**-**	**(12,023)**
Lease liabilities	**17,232**	**(1,138)**	**41**	**-**	**16,135**
Others	**(37,920)**	**772**	**(3,978)**	**-**	**(41,126)**
Tax assets/(liabilities)	**(47,328)**	**(20,623)**	**(3,591)**	**4,881**	**(66,661)**

Movement in temporary differences during the year 2021:

Group	As at 1.1.2021 RM'000	Recognised in profit or loss RM'000	Recognised in profit or loss relating to asset held for sale RM'000	Withholding tax paid RM'000	As at 31.12.2021 RM'000
Property, plant and equipment	(87,455)	71,190	(6,650)	-	(22,915)
Other investments	(5,357)	-	-	-	(5,357)
Accelerated capital allowances	(6,502)	-	1,852	-	(4,650)
Tax loss and unabsorbed capital allowances	95,794	(47,759)	1,200	-	49,235
Provisions	(19,923)	13,902	-	8,150	2,129
Impairment allowances	(598)	-	-	-	(598)
Change in fair value reserve	(14,047)	(11,493)	2,567	-	(22,973)
Biological assets	(8,681)	(4,564)	5,506	-	(7,739)
Right-of-use assets	(12,932)	(806)	(34)	-	(13,772)
Lease liabilities	27,043	(3,173)	(6,638)	-	17,232
Others	(40,597)	2,677	-	-	(37,920)
Tax assets/(liabilities)	(73,255)	19,974	(2,197)	8,150	(47,328)

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26. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Assets of disposal group classified as held for sale:				
Property, plant and equipment	**507,616**	557,576	**9,153**	10,348
Right-of-use assets	**203,633**	202,276	**-**	-
Investment in subsidiary	**-**	-	**-**	159,967
Plantation development expenditure	**7,184**	43,273	**-**	-
Current tax assets	**1,719**	502	**-**	-
Deferred tax assets	**23,808**	17,917	**-**	-
Biological assets	**5,932**	9,132	**-**	-
Inventories	**6,715**	2,039	**-**	-
Trade and other receivables at amortised cost	**6,371**	83,228	**-**	-
Tax recoverable	**-**	34	**-**	-
Cash and short-term funds	**169**	2,424	**-**	-
	763,147	918,401	**9,153**	170,315
Liabilities associated with assets of disposal group classified as held for sale:				
Deferred tax liabilities	**80,761**	78,462	**-**	-
Other liabilities	**23,082**	69,826	**-**	-
Lease liabilities	**34,963**	34,792	**-**	-
Current tax liabilities	**1,401**	1,428	**-**	-
	140,207	184,508	**-**	-

	Group			
	Assets		Liabilities	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale				
Assets of TH Plantations Berhad (a)	**751,814**	737,132	**140,207**	126,662
Assets of TH Indo Industries (b)	**2,180**	2,180	**-**	-
Deru Semangat Sdn Bhd (c)	**-**	168,741	**-**	57,846
Property, plant and equipment	**9,153**	10,348	**-**	-
	763,147	918,401	**140,207**	184,508

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FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

26. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

	TH **Assets** **2022** **RM'000**	***TH*** **Assets** 2021 RM'000
Assets of disposal group classified as held for sale		
Deru Semangat Sdn Bhd (c)	**-**	159,967
Property, plant and equipment	**9,153**	10,348
	9,153	170,315

Investment in subsidiaries classified as asset held for sale by ***TH*** is in respect of ***TH***'s investment in Deru Semangat Sdn. Bhd. as discussed in Note 26 (c) below.

Property, plant and equipment classified as assets held for sale by ***TH*** comprise land, shop lots, factory and apartments in Malaysia. Aggressive initiatives are taken to look for prospective buyers for these properties. The sale is expected to be completed by end of the next financial year ending 2023.

(a) TH Plantations Berhad Group ("THPB Group")

2022

As at 31 December 2022, investments in TH PELITA Meludam Sdn. Bhd., TH PELITA Beladin Sdn. Bhd., TH PELITA Simunjan Sdn. Bhd., TH PELITA Gedong Sdn. Bhd. and TH PELITA Sadong Sdn. Bhd are classified as assets held for sale as one disposal group. The efforts to sell the disposal group have commenced, and the sale is now expected to be completed in financial year 2023 instead of 2022. The carrying amount of assets held for sale are stated at cost.

The assets and liabilities of THPB classified as held for sale prior to any consolidation adjustments in the Group's statement of financial position are as follows:

Group	**2022** **RM'000**	2021 RM'000
Assets		
Property, plant and equipment	**525,509**	522,858
Right-of-use assets	**203,633**	202,276
Plantation development expenditure	**7,184**	6,581
Deferred tax assets	**23,808**	17,917
Biological assets	**5,932**	9,132
Inventories	**6,715**	2,009
Current tax assets	**1,719**	502
Trade and other receivables	**6,355**	14,981
Prepayment and other assets	**16**	69
Cash and short-term funds	**169**	727
Assets of disposal group classified as held for sale	**781,040**	777,052

26. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

(a) TH Plantations Berhad Group ("THPB Group") *(cont'd.)*

2022 *(cont'd.)*

The assets and liabilities of THPB classified as held for sale prior to any consolidation adjustments in the Group's statement of financial position are as follows: *(cont'd.)*

Group *(cont'd.)*	**2022** **RM'000**	2021 RM'000
Liabilities		
Deferred tax liabilities	**79,111**	79,379
Trade and other payables	**23,082**	11,979
Lease liabilities	**1,401**	1,428
Current tax liabilities of disposal group classified as held for sale	**34,963**	34,792
Liabilities directly associated with assets held for sale	**138,557**	127,578
Net assets directly associated with assets and liabilities of disposal group classified as held for sale	**642,483**	649,474

2021

In prior year, investments in TH PELITA Meludam Sdn. Bhd., TH PELITA Beladin Sdn. Bhd., TH PELITA Simunjan Sdn. Bhd., TH PELITA Gedong Sdn. Bhd. and TH PELITA Sadong Sdn. Bhd. were presented as assets held for sale. These investments relate to the oil palm plantations segment of the Group.

(b) TH Indo Industries Sdn. Bhd. ("THII")

On 21 July 2021, the board of directors of THII had approved to sell the Cessna Caravan Aircraft 9M MAR to a third party for a consideration of RM2.8 million. THII signed a sales and purchase agreement with a third party on 1 April 2022. However, the third party failed to meet the agreement requirements which resulted in cancellation of the agreement due to breach of contract. In continuing the intention of selling the aircraft, the management of THII has appointed a third party as the sale agent to market the aircraft at a minimum price of USD900,000 to potential buyers. The sale and purchase agreement is expected to be signed in 2023.

	2022 **RM'000**	2021 RM'000
Property, plant and equipment	**6,303**	6,303
Less: Accumulated depreciation	**(4,123)**	(4,123)
Liabilities directly associated with assets held for sale	**2,180**	2,180

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26. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

(c) Deru Semangat Sdn. Bhd. ("DSSB")

On 17 December 2021, ***TH*** signed a sale and purchase agreement with Yang Amat Mulia Tengku Muda Pahang Tengku Abd Rahman Al-Haj Ibni Al Marhum Sultan Ahmad Shah Al-Musta'in Billah ("YAM TMP") for the disposal of the entire ***TH*** shareholding in Deru Semangat Sdn. Bhd. ("DSSB").

The divestment of DSSB was completed on 22 September 2022 upon completion of the selective capital reduction exercise (approved by high court on 2 August 2022) through payment for the transfer of shares from ***TH*** to YAM TMP.

Group

The results of DSSB are presented below:

	RM'000	RM'000
Revenue	**3,752**	12,018
Cost of sales	**(2,809)**	(4,274)
Gross loss	**943**	7,744
Other income	**343**	43
Expenses	**(8,973)**	(956)
Operating losses	**(7,687)**	6,831
Finance cost	**-**	(2,292)
Profit/(loss) for the year from discontinued operations	**(7,687)**	4,539

* Result of DSSB recognised in the consolidated statement of profit or loss is up to August 2022 which is prior to completion of disposal of the subsidiary on 22 September 2022.

The assets and liabilities of DSSB classified as held for sale in the Group's statement of financial position are as follows:

	2022* **RM'000**	2020 RM'000
Assets		
Property, plant and equipment	**7,581**	7,581
Inventories	**28**	30
Trade and other receivables	**278,904**	68,178
Current tax assets	**1**	34
Cash and short-term funds	**1,372**	1,697
Assets classified as held for sale	**111,280**	116,315
Assets of disposal group classified as held for sale	**399,166**	193,835

26. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

(c) Deru Semangat Sdn. Bhd. ("DSSB") *(cont'd.)*

The assets and liabilities of DSSB classified as held for sale in the Group's statement of financial position are as follows: *(cont'd.)*

	2022* **RM'000**	2020 RM'000
Liabilities		
Trade and other payables	**277,299**	89,965
Borrowings	**110,513**	107,954
Liabilities directly associated with assets held for sale	**387,812**	197,919
Net asset/(liabilities) directly associated with assets and liabilities of disposal group classified as held for sale	**11,354**	(4,084)

* As at disposal date.

The net cash flows in respect of DSSB are as follows:

	2022 **RM'000**	2021 RM'000
Cash flow generated from/(used in) operating activities	**15,438**	(305)
Cash flow used in investing activities	**-**	(4,279)
Net cash inflow/(outflow)	**15,438**	(4,584)

Earnings per share

	2022	2021
Basic loss per ordinary share from discontinued operations (RM)	**(1.54)**	(0.81)

TH

	2022 **RM'000**	2021 RM'000
Net carrying amount of investment transferred from/(to) assets held for sale	**11,354**	(4,084)

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26. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

(Loss)/Profit from discontinued operations

Group	2022 RM'000	2021 RM'000
Deru Semangat Sdn Bhd (Note 26(c))	(7,687)	4,539
TH Trust (i)	(512)	-
BIMB Holdings Berhad (ii)	-	397,963
Theta Edge Berhad (iii)	-	(623)
	(8,199)	401,879

(i) TH Trust

The results of TH Trust are presented below:

	2022* RM'000	2020 RM'000
Expenses	(512)	(211)
Loss for the year from discontinued operations	(512)	(211)

(ii) BIMB Holdings Berhad ("BHB")

The result of BHB in prior year are presented below:

	2021** RM'000
Revenue	1,646,254
Cost of sales	(485,183)
Gross profit	1,161,071
Expenses	(614,209)
Operating losses	546,862
Finance cost	(48,045)
Profit for the year from discontinued operations	498,817
Zakat	(5,420)
Tax expense	(95,434)
Profit for the year from discontinued operations	397,963

26. Assets of disposal group classified as held for sale / Liabilities associated with assets of disposal group classified as held for sale *(cont'd.)*

Profit from discontinued operations *(cont'd.)*

(iii) Theta Edge Berhad ("Theta Edge")

The result of Theta Edge in prior year are presented below:

	2021** RM'000
Revenue	12,697
Cost of sales	(10,738)
Gross profit	1,959
Other income	265
Expenses	(2,881)
Operating losses	(657)
Finance cost	192
Finance income	(158)
Loss for the year from discontinued operations	(623)

* As at disposal date.

** No longer a subsidiary of ***TH*** in 2022. Further details on the disposals are disclosed in Note 19.

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27. Depositors' savings fund

	Group / *TH*	
	2022 RM'000	2021 RM'000
As at 1 January	**83,337,584**	75,919,809
Deposits received during the year	**23,143,242**	20,165,612
Less: Withdrawals during the year	**(21,336,120)**	(14,989,978)
	85,144,706	81,095,443
Profit distribution paid during the year	**2,455,282**	2,242,141
As at 31 December	**87,599,988**	83,337,584

i) Requirements under the ***TH*** Act

Requirements under the ***TH*** Act that govern the distribution of profits to depositors and the Government Guarantee Payments are stated in Section 22 and 24 of the ***TH*** Act, respectively, as disclosed in Note 2(a)(iii) and 2(a)(iv)

ii) Distribution of profit

On 28 April 2023, ***TH*** declared a profit distribution to its depositors at the rate of 3.10% for the financial year ended 31 December 2022 (financial year ended 2021: 3.10%) amounting to RM2,643,595,000 (2022: RM2,455,282,000). The financial statements for the year ended 31 December 2022 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 2023.

The effects of the profit distributions declared for financial years ended 31 December 2022 and 2021 as per Section 22 of the ***TH*** Act are as follows:

	TH	
	2022 RM'000	2021 RM'000
Revenue reserve	**2,466,469**	2,941,827
Equalisation reserve	**780,000**	600,000
Total distributable reserves prior to profit distributions	**3,246,469**	3,541,827
Profit declared for the financial years ended 31 December 2022/2021	**(2,643,595)**	(2,455,282)
Net distributable reserves after profit distributions	**602,874**	1,086,545

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28. Other liabilities

	Note	Group 2022 RM'000	Group 2021 RM'000
Trade payables			
Trade payables		**75,750**	104,870
Hajj related payables		**1,772**	-
Deposits received		**51,080**	49,566
Retention sum		**25,022**	25,022
Contract liabilities		**14,002**	13,944
Transfer to asset held for sale		**-**	(410)
		167,626	192,992
Other payables			
Other payables and accruals	(i)	**270,618**	398,697
Inactive depositors' accounts	(ii)	**371,652**	391,043
TKJHM and TWT funds	(iii)	**93,175**	80,211
Amount due to associates		**221**	-
Amount due to jointly controlled entities		**42,176**	44,044
		777,842	913,995
		945,468	1,106,987

	Note	*TH* 2022 RM'000	*TH* 2021 RM'000
Trade payables			
Trade payables		**1,372**	17,484
Hajj related payables		**1,772**	-
Deposits received		**51,080**	49,566
Retention sum		**25,022**	25,022
		79,246	92,072
Other payables			
Other payables and accruals	(i)	**147,429**	178,148
nactive depositors' accounts	(ii)	**371,652**	391,043
TKJHM and TWT funds	(iii)	**93,175**	80,211
Amount due to subsidiaries		**-**	2
		612,256	649,404
		691,502	741,476

Trade and other payables are non-profit bearing and the normal trade credit terms granted to ***TH*** range from 1 month to 3 months (2021: 1 month to 3 months).

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

i) Other payables and accruals

Included in other payables is a sum of RM45.0 million being provision recorded in 2021 for legal claim which ***TH*** and its subsidiary have been named as defendants.

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 have exceeded the validity period shall be cancelled with balances transferred to TKJHM funds.

If claims are subsequently made by the depositors or their heirs, executors, personal representatives, administrators, assigns, lawful attorney or agents, these balances will be returned to the claimant upon verification of their identity.

The movement of inactive depositors' accounts is as follows:

	TH	
	2022 **RM'000**	2021 RM'000
As at 1 January	**391,043**	344,627
Additions during the year	**94**	66,820
Withdrawals during the year	**(19,485)**	(20,404)
As at 31 December	**371,652**	391,043

iii) Tabung Kebajikan Jemaah Haji Malaysia ("TKJHM") and Tabung Was'ul Khair Tetamu Allah ("TWT") (formerly known as Tabung Warga Tua) 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 is from a one-off contribution received from depositors of ***TH*** upon establishment of the TWT Fund. The unutilised contribution is placed with Shariah compliant financial institution to earn income that would be used to fund eligible elderly pilgrims to perform hajj in the future.

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

iii) Tabung Kebajikan Jemaah Haji Malaysia ("TKJHM") and Tabung Was'ul Khair Tetamu Allah ("TWT") (formerly known as Tabung Warga Tua) funds *(cont'd.)*

The movement of TKJHM and TWT Funds is as follows:

	Group / *TH*	
	2022 **RM'000**	2021 RM'000
TKJHM Fund		
As at 1 January	**78,154**	74,435
Net surplus during the year	**15,595**	3,719
Transfer to hajj financial support	**(2,889)**	-
As at 31 December	**90,860**	78,154
TWT Fund		
As at 1 January	**2,057**	2,006
Net surplus during the year	**258**	51
As at 31 December	**2,315**	2,057
Total funds of TKJHM and TWT	**93,175**	80,211

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	
	2022 **RM'000**	2021 RM'000	**2022** **RM'000**	2021 RM'000
Receipts and income	**27,422**	9,678	258	51
Less: Expenses and welfare contributions	**(9,326)**	(802)	**-**	-
Depreciation of properties, plant and equipment (Note 23(a))	**(1,067)**	(1,334)	**-**	-
Depreciation of right-of-use asset	**(1,434)**	(3,823)	**-**	-
Net surplus during the year	**15,595**	3,719	**258**	51

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29. Lease liabilities

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Within 1 year				
Lease liabilities	**59,067**	44,194	**48,242**	43,261
> 1 year				
Lease liabilities	**387,968**	590,835	**321,578**	509,368
	447,035	635,029	**369,820**	552,629

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

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
At 1 January	**635,029**	711,404	**552,629**	631,357
Additions during the year	**2,625**	20,869	**4,600**	4,792
Accretion for the year	**45,960**	30,767	**39,129**	23,567
Payments during the year	**(128,659)**	(7,310)	**(119,408)**	(969)
Rental relief adjustment	**(93,990)**	(117,872)	**(93,990)**	(117,579)
Derecognition	**(208)**	(5,801)	**-**	-
Reclassification to accruals	**(179)**	(8,502)	**-**	-
Modification of lease rentals	**(404)**	-	**-**	-
Foreign exchange differences	**(13,139)**	11,474	**(13,140)**	11,461
At 31 December	**447,035**	635,029	**369,820**	552,629

30. Borrowings

	Note	Group 2022 RM'000	Group 2021 RM'000
Current - < 12 months:			
Secured			
Commodity Murabahah term financing-i (I)	(i)	**32,000**	30,000
Commodity Murabahah term financing-i (II)	(ii)	**-**	2,088
Term financing	(iii)	**116,097**	131,229
Murabahah financing	(iv)	**570,172**	605,097
Unsecured			
Islamic trade financing-i	(v)	**-**	14,476
		718,269	782,890
Non-current - > 12 months:			
Secured			
Commodity Murabahah term financing-i (I)	(i)	**127,471**	155,558
Commodity Murabahah term financing-i (II)	(ii)	**-**	44,908
Unsecured			
Term financing	(vi)	**46,887**	44,665
		174,358	245,131
		892,627	1,028,021

Borrowings of the Group are repayable as follows:

	Group 2022 RM'000	Group 2021 RM'000
Less than one year	**718,269**	782,890
Between one and five years	**127,471**	200,466
More than five years	**46,887**	44,665
	892,627	1,028,021

30. Borrowings *(cont'd.)*

i) *Commodity Murabahah Term Financing-i (I) (THP Saribas Sdn. Bhd.)*

The Commodity Murabahah Term Financing-i (I) Facility, which was obtained by a subsidiary of TH Plantations Berhad ("THPB"), THP Saribas Sdn. Bhd., is secured over the leasehold land with a carrying amount of RM7,156,000 (2021: RM7,323,000).

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 dispose or lease all or a substantial part of its assets or undertaking except in the ordinary course of its business, on ordinary commercial terms and on arm's length basis; and

e) 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.

ii) *Commodity Murabahah Term Financing-I (II) (PT Persada Kencana Prima)*

The Commodity Murabahah Term Financing-i (II) Facility was obtained by a subsidiary of 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 51% or more;

c) THPB shall remain as subsidiary of Lembaga Tabung Haji; and

d) 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.

The loan was fully paid during the year.

30. Borrowings *(cont'd.)*

iii) *Secured Term Financing*

The secured Term Financing relates 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.

iv) *Murabahah Financing Facilities*

I) *Murabahah Financing Facility (I)*

On 24 December 2020, LTH Property Holdings entered into a master Murabahah financing arrangement with Standard Chartered Bank ("SCB"), effective from 31 December 2020. SCB agreed to provide a facility up to £108,000,000 to enable the subsidiary to settle the short term commodity Murabahah financing noted above. The financing is subject to a profit rate of 3 month LIBOR plus 1.5% per annum and is repayable on 31 December 2021, with an extension option for a futher year at SCB's sole discretion and subject to agreement between the parties on the profit rate and other terms applicable in relation to the extension. The facility was extended on revised terms and is repayable on 31 December 2022. Under the revised terms, LIBOR has been replaced with SONIA.

On 29 December 2022 , LTH Property Holdings has opted to extend the facility for a further six months on similar terms and it is repayable on 30 June 2023, with an extension option for a further six months at the bank's sole discretion, subject to agreement between the parties on the profit rate and other terms applicable in relation to the extension. LTH Property has also opted to extend the facility for a further six months on similar terms, and it is repayable on 29 December 2023.

v) *Islamic Trade Financing-i*

The unsecured Islamic Trade Financing-I Facility was obtained by a subsidiary of THPB, Manisraya Sdn. Bhd.

Significant covenants

The Islamic trade financing facility is subject to the fulfilment of the following significant covenants:

a) not to grant any financings, loans or advances, or provide security or guarantee any person, except for normal trade credit or trade guarantee in the ordinary course of business; and

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;

The loan was fully paid during the year.

30. Borrowings *(cont'd.)*

vi) *Unsecured Term Financing*

The unsecured term financing was obtained by a subsidiary of THPB, TH Bonggaya Sdn. Bhd., and was recognised at fair value at the date of initial drawdown. The total drawdown of Forest Plantations Facility as at 31 December 2022 is RM79,297,000 (2021: RM79,297,000). The unsecured term loan facility is a conventional loan granted by a government agency, Forest Plantation Development Sdn. Bhd. ("FPDSB").

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.

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31. Provision for retirement benefits

	Group		*TH*	
	2022 **RM'000**	2021 RM'000	**2022** **RM'000**	2021 RM'000
At 1 January	**785,034**	862,676	**784,579**	862,131
Remeasurement of retirement benefit liability	**(12,611)**	(93,837)	**(12,616)**	(93,718)
Provision for the year (Note 35)	**63,317**	53,148	**63,317**	53,148
Payment during the year	**(51,087)**	(36,953)	**(51,055)**	(36,982)
At 31 December	**784,653**	785,034	**784,225**	784,579

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

	Group		*TH*	
	2022 **RM'000**	2021 RM'000	**2022** **RM'000**	2021 RM'000
Present value of unfunded retirement benefit plan	**784,653**	785,034	**784,225**	784,579

The provisions recognised in profit or loss are as follows:

	Group		*TH*	
	2022 **RM'000**	2021 RM'000	**2022** **RM'000**	2021 RM'000
Current service cost	**23,341**	28,047	**23,341**	28,047
Finance cost	**37,544**	29,788	**37,544**	29,788
Remeasurement	**2,432**	(4,687)	**2,432**	(4,687)
Total	**63,317**	53,148	**63,317**	53,148

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

Actuarial assumptions

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

	Group		*TH*	
	2022 %	2021 %	**2022** %	2021 %
Discount rate	**5.3 - 6.9**	4.7 - 6.9	**5.3 - 5.5**	4.7 - 5.0
Salary increment rate	**4.5 - 5.0**	4.0 - 5.0	**4.5**	4.0
Medical cost inflation rate	**4.5 - 5.5**	4.5 - 5.5	**4.5 - 5.5**	4.5 -5.5
Hajj cost inflation rate	**4.0**	4.0	**4.0**	4.0

The professional actuarist has taken into account both external and internal factors in deriving the assumptions. External factors are current market condition, economic outlook and industry data while internal factors consist of the Group's and ***TH***'s historical experience and policies.

TH provides for several retirement plans on an unfunded basis. These plans are briefly described as follows:

Types of retirement benefits

i) Post-employment medical benefits

TH provides post-employment medical benefits for its employees and dependents covering cost of medical treatment at private and/or government hospitals after employees' retirement. The costs of medical treatment at the hospital for retired employees are borne directly by ***TH***.

ii) Accumulated annual leave reward

TH provides a plan that allows its employees to accumulate their annual leave which can be converted into cash upon retirement in accordance with the number of accumulated leave up to a maximum of 120 or 150 days.

iii) Hajj performance

TH provides for employees and spouse or a family member the opportunity to perform Hajj as employees attain retirement age and fulfil the number of years in service that entitles them for this benefit.

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.

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

Additional disclosure information

i) Description of the plans' characteristics and associated risks

The plans cover several sub-plans, of which the largest (in terms of the size of the liability) is the post- employment medical plan followed by the gratuity plan. As such, the valuation results are particularly sensitive to changes in the discount rate, the assumed medical cost inflation rate and the assumed salary increase rate.

ii) Description of funding arrangements and policies

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

iii) Detail profile of defined benefit obligation

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

TH	Post-Employment Medical	Accumulated Annual Leave	Hajj Performance	Staff Gratuity	Total
2022					
Obligation (RM'000)	**529,677**	**15,343**	**53,112**	**186,093**	**784,225**
(%) of total	**67.5**	**2.0**	**6.8**	**23.7**	**100.0**
Expected obligation within 12 months	**13,527**	**1,567**	**2,928**	**21,294**	**39,316**
2021					
Obligation (RM'000)	523,600	19,984	48,716	192,279	784,579
(%) of total	66.8	2.5	6.2	24.5	100.0
Expected obligation within 12 months	10,250	2,352	2,311	22,392	37,305

iv) Administrative expenses

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

v) Curtailment, settlement and plan amendments

There were no events of curtailment or settlement for the financial year ended 31 December 2022.

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

Significant actuarial assumptions and sensitivity analysis

i) Significant actuarial assumptions

The following analysis shows the increase/(decrease) in the defined benefit obligation arising from a change in the assumptions:

TH	Base rate	Sensitivity analysis	2022 RM'000
Assumptions			
Discount rate	5.3% - 5.5%	1% increase	**(99,898)**
Discount rate	5.3% - 5.5%	1% decrease	**125,502**
Future medical cost inflation rate	4.5% - 5.5%	1% increase	**97,602**
Future medical cost inflation rate	4.5% - 5.5%	1% decrease	**(77,880)**
Future salary increment rate	4.5%	1% increase	**16,303**
Future salary increment rate	4.5%	1% decrease	**(14,419)**

TH	Base rate	Sensitivity analysis	2021 RM'000
Assumptions			
Discount rate	4.7% - 6.9%	1% increase	(101,566)
Discount rate	4.7% - 6.9%	1% decrease	131,408
Future medical cost inflation rate	4.5% - 5.5%	1% increase	114,705
Future medical cost inflation rate	4.5% - 5.5%	1% decrease	(89,780)
Future salary increment rate	4.0%	1% increase	22,868
Future salary increment rate	4.0%	1% decrease	(17,698)

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.

32. Surplus funds

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

Distributable reserves

Group

(a) **Revenue reserve**

Revenue reserve represents cumulative net profits of the Group.

TH

(a) **Revenue reserve**

Revenue reserve represents accumulated distributable profits of ***TH*** that may be used, at the discretion of the Lembaga for the purpose of profit distribution subject to fulfilment of Section 22 of the ***TH*** Act which is further disclosed in Note 2(a)(iv).

(b) **Equalisation reserve**

TH shall transfer into or out of the Equalisation Reserve certain amount as may be determined by the Lembaga from time to time to strengthen ***TH***'s reserve in achieving continuous financial soundness and prudent profit distribution to depositors.

Non-distributable reserves

Group

(a) **Capital reserve**

Capital reserve comprises share of post-acquisition capital reserve of certain associated companies and jointly-controlled entities of the Group, issuance of bonus issue in a subsidiary and negative goodwill on acquisition of subsidiary companies in prior years.

(b) **Translation reserve**

Translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations in Indonesia, United Kingdom and Australia and offshore banking operations - Federal Territory of Labuan.

(c) **Fair value through other comprehensive income ("FVOCI") reserve**

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

TH

(a) **Statutory reserve**

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

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

Group	Capital reserve RM'000	Translation reserve RM'000	FVOCI reserve RM'000	Total other reserves RM'000
<u>2022</u>				
At 1 January 2022	**9,353**	**(9,260)**	**(358,470)**	**(358,377)**
Remeasurement of retirement benefit liability	-	-	(5)	(5)
Movement in fair value reserve of debt instruments at FVOCI:				
Net changes in fair value	-	-	(409,086)	(409,086)
Changes in expected credit losses	-	-	(50,503)	(50,503)
Income tax effect relating to components of other comprehensive income	-	-	-	-
Changes in fair value of equity instruments at FVOCI	-	-	(961,161)	(961,161)
Share of other comprehensive loss of associated companies	-	4,558	(46,657)	(42,099)
Currency translation differences in respect of foreign operations	-	(12,099)	-	(12,099)
Total other comprehensive income for the year	-	(7,541)	(1,467,412)	(1,474,953)
Changes in group structure	-	-	-	-
Disposal of equity instruments at FVOCI	-	-	(228,317)	(228,317)
Transfer of equity instruments at FVOCI	-	-	-	-
Transfer between reserves	-	-	(709)	(709)
At 31 December 2022	**9,353**	**(16,801)**	**(2,054,908)**	**(2,062,356)**

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

Group	Capital reserve RM'000	Translation reserve RM'000	FVOCI reserve RM'000	Total other reserves RM'000
2021				
At 1 January 2021	9,353	(101,813)	264,449	171,989
Remeasurement of retirement benefit liability	-	-	-	-
Movement in fair value reserve of debt instruments at FVOCI:				
Net changes in fair value	-	-	(763,524)	(763,524)
Changes in expected credit losses	-	-	17,246	17,246
Income tax effect relating to components of other comprehensive income	-	-	59,520	59,520
Changes in fair value of equity instruments at FVOCI	-	-	86,100	86,100
Share of other comprehensive loss of associated companies	-	(1,169)	(36,136)	(37,305)
Currency translation differences in respect of foreign operations	-	7,483	-	7,483
Total other comprehensive income for the year	-	6,314	(636,794)	(630,480)
Changes in group structure	-	86,239	(21,750)	64,489
Disposal of equity instruments at FVOCI	-	-	(198,593)	(198,593)
Transfer of equity instruments at FVOCI	-	-	234,218	234,218
At 31 December 2021	9,353	(9,260)	(358,470)	(358,377)

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33. Revenue

	Note	Group 2022 RM'000	Group 2021 RM'000	TH 2022 RM'000	TH 2021 RM'000
Revenue from:					
Income from financial assets at FVTPL	(i)	**292,616**	290,295	**301,709**	291,331
Income from equity instruments at FVOCI	(ii)	**440,601**	348,280	**440,400**	348,025
Income from debt instruments at FVOCI	(ii)	**794,209**	599,746	**794,209**	600,752
Income from financial assets at amortised cost	(iii)	**305,901**	278,858	**359,235**	354,162
Income from UJSB Sukuk (Note 10(iii))		**877,141**	838,813	**877,141**	838,813
Income from financing to subdiaries		**-**	-	**56,062**	67,845
Income from money market		**136,939**	193,944	**136,939**	215,561
Income from investment in subsidiaries, associates and jointly controlled entities	(iv)	**177,772**	231,432	**232,085**	241,856
Income from derivatives		**-**	17,026	**-**	17,026
Rental of properties		**366,629**	338,640	**233,929**	220,142
Accrued rental income		**14,873**	19,500	**14,873**	19,500
Gain on disposal of investment properties		**65**	49	**65**	49
Finance lease income		**143,867**	145,247	**143,867**	151,858
Revenue from contracts with customers	(v)	**1,285,892**	921,016	**-**	-
Changes in fair value of:					
- investment properties		**(309,124)**	(76,760)	**(15,591)**	(34,162)
- accrued rental income		**(14,873)**	(19,500)	**(14,873)**	(19,500)
- trade receivables		**(2,004)**	-	**(2,004)**	-
- forestry		**17,371**	7,489	**-**	-
- biological assets		**(15,513)**	(14,058)	**-**	-
Changes in fair value of financial assets at FVTPL		**(433,921)**	(243,760)	**(433,921)**	(243,760)
		4,078,441	3,876,257	**3,124,125**	3,069,498

Details of revenue by category are as follows:

	Group 2022 RM'000	Group 2021 RM'000	TH 2022 RM'000	TH 2021 RM'000
(i) Income from financial assets at FVTPL:				
Income from Sukuk	**50,845**	48,463	**50,512**	48,463
Income from perpetual securities	**166,149**	169,013	**175,575**	169,013
Income from unit trusts	**29,231**	29,027	**29,231**	29,027
Income from placement in term investment accounts	**46,124**	34,781	**46,124**	35,817
Income from other investments	**267**	9,011	**267**	9,011
	292,616	290,295	**301,709**	291,331

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33. Revenue *(cont'd.)*

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

		Group		*TH*	
		2022	2021	**2022**	2021
		RM'000	RM'000	**RM'000**	RM'000
(ii)	Income from financial assets at FVOCI:				
	Equity instruments:				
	Dividend income				
	- quoted equities	**330,280**	274,812	**330,079**	274,557
	- unquoted equities	**23,134**	29,388	**23,134**	29,388
	- external fund managers	**87,187**	44,080	**87,187**	44,080
		440,601	348,280	**440,400**	348,025
	Debt instruments:				
	Income from government debt securities	**108,531**	52,511	**108,958**	52,511
	Income from government guaranteed debt securities	**176,431**	155,301	**176,431**	155,301
	Income from Sukuk	**509,247**	391,934	**508,820**	392,940
		794,209	599,746	**794,209**	600,752
	Total	**1,234,810**	948,026	**1,234,609**	948,777
(iii)	Income from financial assets at amortised cost:				
	Income from government guaranteed debt securities	**101,105**	41,106	**100,968**	41,106
	Income from Sukuk	**163,771**	176,904	**217,243**	252,208
	Income from Negotiable Islamic debt certificates	**41,020**	60,785	**41,019**	60,785
	Income from other investments	**5**	63	**5**	63
		305,901	278,858	**359,235**	354,162

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33. Revenue *(cont'd.)*

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

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
(iv) Income from investment in subsidiaries, associates and jointly controlled entities:				
- quoted subsidiaries	**-**	-	**9,789**	-
- unquoted subsidiaries	**-**	-	**25,546**	85,840
- quoted associates	**-**	-	**140,090**	137,317
- unquoted associates	**-**	-	**56,660**	6,933
Gain on disposal of:				
- quoted subsidiaries	**-**	222,431	**-**	2,765
- unquoted subsidiaries	**177,772**	-	**-**	-
- quoted associates	**-**	9,001	**-**	9,001
	177,772	231,432	**232,085**	241,856

(v) Disaggregation of the Group's revenue from contracts with customers are as follows:

	Group	
	2022 RM'000	2021 RM'000
Type of services		
Plantation	**881,058**	760,549
Services	**283,148**	75,645
Property development	**47,805**	21,896
Land sales	**43,253**	33,940
Property and facilities management	**30,628**	28,986
	1,285,892	921,016
Timing of revenue recognition		
At a point in time	**1,078,593**	905,932
Over time	**207,299**	15,084
	1,285,892	921,016

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33. Revenue *(cont'd.)*

(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	2023 RM'000	2024 RM'000	Total RM'000
Land sales	25,734	-	25,734
Facilities management	19,867	12,517	32,384
	45,601	12,517	58,118

(b) Contract balances

The Group's contract balances are as follows:

	2022 **RM'000**	2021 RM'000
Trade receivables	**47,942**	48,112
Contract assets (Note 13)	**-**	464
Contract liabilities (Note 28)	**(14,002)**	(13,944)

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 (2021: 30 days) and payment is expected within 30 days (2021: 30 days).

The contract liabilities primarily relate to the advance consideration received from customers for commercial properties under construction and land sale, which revenue is recognised upon completion of contracts. The contract liabilities are expected to be recognised as revenue upon issuance of vacant possession to purchasers for commercial properties under construction and land sale.

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33. Revenue *(cont'd.)*

(b) Contract balances *(cont'd.)*

Significant changes to property segment's contract assets/(contract liabilities) balances during the year are as follows:

Group	At beginning of the year RM'000	Revenue recognised RM'000	Progress billed RM'000	At the end of the year RM'000
2022				
Land	**(2,518)**	**43,253**	**(43,283)**	**(2,548)**
Commercial lots	**-**	**-**	**-**	**-**
Residential properties	**381**	**47,805**	**(48,186)**	**-**
Property management	**-**	**-**	**-**	**-**
Facilities management	**-**	**72,218**	**(72,218)**	**-**
Other services	**(11,343)**	**-**	**(111)**	**(11,454)**
	(13,480)	**163,276**	**(163,798)**	**(14,002)**
2021				
Land	(7,406)	33,940	(29,052)	(2,518)
Commercial lots	(1,710)	2,354	(644)	-
Residential properties	16,480	19,543	(35,642)	381
Property management	4	837	(841)	-
Facilities management	(10,597)	65,030	(54,433)	-
Other services	(7,994)	20,688	(24,037)	(11,343)
	(11,223)	142,392	(144,649)	(13,480)

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34. Impairment, write off and expected credit losses

	Group		***TH***	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Impairment:				
- unquoted subsidiaries	**-**	-	**1,810**	136
- unquoted associates	**-**	-	**4,750**	-
- property, plant and equipment	**15,672**	35,563	**-**	-
- inventory	**2,500**	2,389	**-**	-
- plantation development expenditure	**2,840**	-	**-**	-
Reversal of impairment and expected credit losses:				
- quoted subsidiaries	**-**	-	**-**	(170,059)
- unquoted subsidiaries	**-**	-	**-**	(157,698)
- unquoted associates	**-**	(3,144)	**(3,965)**	(3,144)
- amount due from jointly controlled entities	**(2,607)**	(64,568)	**-**	-
- financing, advances and others	**-**	-	**(37,880)**	(90,923)
- amount due from subsidiaries	**-**	-	**(3,284)**	(404)
- property, plant and equipment	**-**	(1,613)	**-**	-
- trade receivables	**(9,931)**	(12,769)	**(4,011)**	(11,195)
- other receivables	**(1,313)**	(409)	**(133)**	(409)
- bad debts recovered	**(50)**	(90)	**-**	-
- finance lease receivables	**(44,203)**	-	**(44,203)**	-
- other investments at amortised costs	**(147)**	(224)	**(147)**	(224)
- financial assets at FVOCI	**(50,841)**	(16,932)	**(50,841)**	(16,932)
- financial assets at amortised costs	**(1,828)**	(5,434)	**(1,828)**	(5,434
Expected credit losses on:				
- financing, advances and others	**-**	-	**213,412**	85,060
- amount due from jointly controlled entities	**-**	6,549	**-**	-
- trade receivables	**20,451**	7,395	**18,565**	6,193
- other receivables	**6,040**	1,273	**4,262**	-
- finance lease receivables	**248,858**	519,602	**248,858**	519,602
- financial assets at FVOCI	**338**	34,178	**338**	34,178
Write off:				
- investment in subsidiary	**-**	24	**-**	-
- waiver of accrued profit on financing	**-**	-	**-**	29,559
- property, plant and equipment	**3,947**	666	**-**	-
- asset held for sale	**22**	58	**-**	-
- other receivables	**2**	-	**-**	-
	189,750	502,514	**345,703**	218,306

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34. Impairment, write off and expected credit losses *(cont'd.)*

The details of impairment, write off and expected credit losses arising from this are as follows:

Group	Note	Property, plant and equipment RM'000	Plantation development expenditure RM'000	Amount due from jointly controlled entity RM'000	Finance lease receivables RM'000	Others RM'000	Total RM'000
2022							
TH	(i)	**-**	**-**	**-**	**204,655**	**-**	**204,655**
TH Plantations Berhad Group		**3,947**	**2,840**	**-**	**-**	**-**	**6,787**
TH Marine Holdings (L)	(ii)	**15,672**	**-**	**(2,607)**	**-**	**-**	**13,065**
		19,619	**2,840**	**(2,607)**	**204,655**	**-**	**224,507**
Others		**-**	**-**	**-**	**-**	**(34,757)**	**(34,757)**
		19,619	**2,840**	**(2,607)**	**204,655**	**(34,757)**	**189,750**
2021							
TH	(i)	-	-	-	519,602	-	519,602
TH Properties Sdn. Bhd.	(iii)	480	-	(58,019)	-	-	(57,539)
TH Plantations Berhad Group		(949)	-	-	-	-	(949)
TH Marine Holdings (L)	(ii)	-	-	-	-	-	-
		(469)	-	(58,019)	519,602	-	461,114
Others		34,419	-	-	-	6,981	41,400
		33,950	-	(58,019)	519,602	6,981	502,514

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34. Impairment, write off and expected credit losses *(cont'd.)*

Impairment in 2022 of finance lease receivables and property, plant and equipment are discussed as follows:

2022

(i) Finance lease receivables

TH

TH entered into Sub-Lease Agreements ("Agreements") with several counterparties to operate several hotels in the Kingdom of Saudi Arabia ("KSA"). Some of the counterparties are having difficulties in making payments to ***TH*** due to adverse financial position exacerbated by COVID-19 which resulted in non-payment of the outstanding sub-lease income.

For most hotels, ***TH*** secured the sub lease receivables via Promissory Notes ("PN") either with the operator and/or third party guarantee. The enforcement process from filing of PN with the court of KSA to liquidation of the assets are assumed to take place within 24 months period.

TH allocates the exposure to the finance lease receivable's credit risk based on cash flow projections taking into account KSA's tourism industry outlook as a result of COVID-19 pandemic, the recoverability of the enforcement of the PN in KSA and a revised settlement plan as proposed by the operator during the year. In prior year, ***TH*** also took into account the ability of the Group to find new operator for the hotels for the cash flow projections in place of the current year proposed revised settlement plan.

TH also projected the Tourism Industry in KSA will return to pre-pandemic level as follows:

2022	2021
2023 : 100% effective from January 2023	2022 : 60% effective from January 2022
	2023 : 80% effective from January 2023
	2024 : 90% effective from January 2024
	2025 : 100% effective from January 2025

During the financial year ended 31 December 2022, ***TH*** has provided RM204,655,000 (2021: RM519,602,000) for the expected credit losses of the receivables. Please refer to Note 48 (d) for further details of events subsequent to 31 December 2022 with respect to finance lease receivables.

(ii) Property, plant and equipment

TH Marine Holdings (L)

The Group had performed a review of the recoverable amount of the Group's vessels and equipment. Impairment assessment review for each vessel was performed as those vessels are able to generate its own identifiable cash inflows. The review led to the recognition of impairment losses on the Group's vessels and equipment amounting to RM15,672,000 (2021: RM33,977,500). The recoverable amount of the vessels and equipment were based on the higher of the assets' fair value less costs to sell and its value in use.

Impairment in 2021 of amount due from jointly controlled entity of ***TH*** Properties Sdn. Bhd. is discussed as follows:

2021

(iii) Amount due from jointly controlled entity

In prior year, the Group made an impairment writeback on amount due from jointly controlled entities relating to ***TH*** Properties Sdn. Bhd. amounting to RM58,019,000 previously provided following the completion of out- of-court settlement with regards to dispute with JV partners.

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35. Operating profit

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Operating profit was arrived at after crediting/(charging):				
Gain/(loss) on disposal of:				
- property, plant and equipment	**276**	6	**276**	-
- investment properties	**65**	49	**65**	49
- right-of-use assets (AHFS)	**-**	296	**-**	-
Depreciation of property, plant and equipment (Note 19)	**(167,940)**	(172,745)	**(69,318)**	(67,259)
Depreciation of right-of-use assets (Note 22)	**(115,602)**	(18,669)	**(102,887)**	(5,811)
Audit fees:				
- Jabatan Audit Negara	**(889)**	(705)	**(889)**	(705)
- Other auditors	**(2,674)**	(2,605)	**(225)**	-
Rental of premises	**(200)**	(200)	**-**	-
Low value item leases	**(3,333)**	(2,487)	**(3,061)**	(2,340)
Short-term leases	**(2,225)**	156	**(2,197)**	156
Contract reassessed leases	**(13,346)**	(12,376)	**(13,346)**	(12,376)
Provision for retirement benefits (Note 31)	**(63,317)**	(53,148)	**(63,317)**	(53,148)
Net gain/(loss) on foreign exchange differences:				
- Realised	**9,092**	13	**8,954**	2,321
- Unrealised	**4,308**	121,785	**9,997**	122,896
Staff costs:				
- Employee short term benefits	**(374,212)**	(346,962)	**(223,696)**	(206,911)
- EPF Contributions	**(43,673)**	(42,208)	**(28,287)**	(28,286)

36. Finance costs

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Finance costs				
- Borrowings	**38,041**	43,327	**-**	-
- Finance lease charges on lease liabilities	**15,917**	30,747	**9,086**	23,584
	53,958	74,074	**9,086**	23,584

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37. 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.

38. Tax expense

	Group		*TH*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Malaysia income tax:				
- Current year	**51,923**	50,579	**-**	-
- Overprovision in prior years	**(519)**	(3,362)	**-**	-
Overseas income tax:				
- Current year	**10,696**	5,875	**-**	-
- Under provision in prior years	**-**	1,403	**-**	-
	62,100	54,495	**-**	-
Deferred tax				
- Overprovision in prior years	**(306)**	(10,822)	**-**	-
- Origination and reversal of temporary differences	**20,929**	(9,152)	**-**	-
	20,623	(19,974)	-	-
	82,723	34,521	**-**	-

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. On 8 April 2022, ***TH*** has been granted a period of extension for the exemption for a further period of 5 years commencing from year of assessment 2022 until 2026.

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38. Tax expense *(cont'd.)*

A reconciliation of income tax expense of ***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*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Profit before taxation and zakat	**2,405,007**	2,336,542	**2,029,878**	2,397,812
Income tax using Malaysian statutory tax rate of 24% (2021: 24%)	**577,202**	560,770	**487,171**	575,475
Effect of differences in tax rates	**12,938**	8,844	**-**	-
Non-deductible expenses	**135,541**	108,606	**-**	-
Non-assessable income	**(325,992)**	(445,958)	**(325,775)**	(433,903)
Recognition of previously unrecognised tax losses	**(8,123)**	(6,090)	**-**	-
Tax exempt income	**(161,396)**	(141,572)	**(161,396)**	(141,572)
Effects of unrecognised deferred tax assets	**26,882**	7,163	**-**	-
Share of tax of associates	**(173,043)**	(44,039)	**-**	-
Share of tax of jointly controlled entities	**(461)**	(422)	**-**	-
	83,548	47,302	**-**	-
Overprovision of tax in prior years				
- Current	**(519)**	(1,959)	**-**	-
- Deferred tax	**(306)**	(10,822)	**-**	-
	82,723	34,521	**-**	-

39. Segment information

The ***TH*** Group comprises the following main business segments:

(a) Investment holding - Investment in companies from different industries as part of the Group's corporate strategy;

(b) Banking & Takaful - Islamic banking and provision of related services and underwriting of family and general Islamic insurance ("Takaful");

(c) Plantation - Oil palm estate and teak plantations; and

(d) Others - Property, hospitality, information technology and marine.

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39. 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
2022						
Revenue						
Revenue from external customers	2,928,911	-	883,117	266,413	-	4,078,441
Inter-segment revenue	195,214	-	-	44,240	(239,454)	-
	3,124,125	-	883,117	310,653	(239,454)	4,078,441
Profit for the year						
Profit before impairment	2,384,667	-	212,258	(110,830)	(186,481)	2,299,614
Impairment, write off, and expected credit losses	(345,703)	-	(7,970)	(8,827)	172,750	(189,750)
Finance costs	(9,086)	-	(72,242)	(84,883)	112,253	(53,958)
Share of loss after tax and zakat of associates	-	-	-	-	347,181	347,181
Share of profit after tax and zakat of jointly controlled entities	-	-	-	1,920	-	1,920
Zakat	(96,620)	-	-	(1,295)	-	(97,915)
Tax expense	-	-	(37,890)	(43,007)	(1,826)	(82,723)
Profit/(loss) from discontinued operations	-	-	15,438	(510)	(23,127)	(8,199)
	1,933,258	-	109,594	(247,432)	420,750	2,216,170
Segment assets						
Assets by segment	86,698,629	-	2,113,860	4,855,670	(7,113,365)	86,554,794
Interest in associates	4,215,826	-	-	2	323,236	4,539,064
Investments in jointly controlled entities	-	-	-	186,657	-	186,657
Deferred tax assets	-	-	38,979	8,507	(1,852)	45,634
Assets held for sale	9,153	-	783,220	-	(29,226)	763,147
Total	90,923,608	-	2,936,059	5,050,836	(6,821,207)	92,089,296
Segment liabilities						
Liabilities by segment	89,556,397	-	1,045,394	4,533,939	(4,350,186)	90,785,544
Deferred tax liabilities	-	-	192,810	28,052	(108,567)	112,295
Liabilities associated with assets held for sale	-	-	138,557	-	1,650	140,207
Total	89,556,397	-	1,376,761	4,561,991	(4,457,103)	91,038,046

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39. 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
2021						
Revenue						
Revenue from external customers	2,894,608	-	754,235	227,414	-	3,876,257
Inter-segment revenue	174,890	-	-	37,913	(212,803)	-
	3,069,498	-	754,235	265,327	(212,803)	3,876,257
Profit for the year						
Profit before impairment	2,639,702	-	227,781	(8,941)	(162,021)	2,696,521
Impairment, write off, and expected credit losses	(218,306)	-	1,307	11,011	(296,526)	(502,514)
Finance costs	(23,584)	-	(80,672)	(88,519)	118,701	(74,074)
Share of loss after tax and zakat of associates	-	-	-	-	214,848	214,848
Share of profit after tax and zakat of jointly controlled entities	-	-	-	1,761	-	1,761
Zakat	(107,208)	-	(486)	-	-	(107,694)
Tax expense	-	-	(38,158)	5,465	(1,828)	(34,521)
Profit/(loss) from discontinued operations	-	348,024	(4,068)	-	57,923	401,879
	2,290,604	348,024	105,704	(79,223)	(68,903)	2,596,206
Segment assets						
Assets by segment	84,571,582	-	2,312,461	3,968,093	(6,258,083)	84,594,053
Interest in associates	4,107,626	-	-	2	214,120	4,321,748
Investments in jointly controlled entities	-	-	-	190,857	-	190,857
Deferred tax assets	-	-	40,046	8,889	-	48,935
Assets held for sale	170,315	-	973,067	-	(224,981)	918,401
Total	88,849,523	-	3,325,574	4,167,841	(6,268,944)	90,073,994
Segment liabilities						
Liabilities by segment	85,552,180	-	1,611,941	3,421,318	(3,545,809)	87,039,630
Deferred tax liabilities	-	-	193,575	10,514	(107,826)	96,263
Liabilities associated with assets held for sale	-	-	325,497	-	(140,989)	184,508
Total	85,552,180	-	2,131,013	3,431,832	(3,794,624)	87,320,401

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40. Commitments

	Group		*TH*	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Capital commitments				
Contracted but not accounted for in the financial statements:				
- Property development costs	**50,269**	42,271	**-**	-
- Investments	**477,039**	266,471	**477,039**	266,471
- Financing to subsidiaries	**-**	-	**-**	293,873
	527,308	308,742	**477,039**	560,344
Authorised but not contracted for:				
- Property, plant and equipment	**179,069**	59,232	**109,800**	-
- Plantation development expenditure	**34,458**	26,071	**-**	-
	213,527	85,303	**109,800**	-

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41. 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 19), associates (Note 18), jointly controlled entities (Note 17), directors and key management personnel (Note 41(b)).

(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*	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Jointly controlled entities				
Charter hire of vessels	**54,494**	43,827	**-**	-
Other related income	**6,743**	2,756	**-**	-
Associates				
Dividends	**-**	-	**196,750**	144,250
Subsidiaries				
Dividends	**-**	-	**35,335**	85,840
Income from debt securities	**-**	-	**62,427**	77,345
Income from services	**-**	-	**44,240**	37,913
Profit from financing	**-**	-	**56,062**	67,845
Rental income	**-**	-	**7,612**	14,032
Income from money market	**-**	-	**-**	21,577

41. Related party transactions *(cont'd.)*

(b) Key management personnel

	Group		*TH*	
	2022 **RM'000**	2021 RM'000	**2022** **RM'000**	2021 RM'000
Members and Directors				
Honorarium fees	**486**	458	**486**	458
Fees and other emoluments*	**2,348**	2,180	**-**	-
Other key management personnel				
Remunerations and other emoluments	**22,700**	23,924	**18,424**	18,855

In accordance with Section 7 of the ***TH*** Act, Members of ***TH*** shall not be entitled to any remuneration but may be paid such honorarium and travelling and subsistence allowances as the Minister may determine. In accordance with Section 6 (1) of the ***TH*** Act, Members of ***TH*** comprise the following:

i) a Chairman, who shall be appointed by the Minister;

ii) a representative of the Prime Minister's Department;

iii) a representative of the Treasury; and

iv) not more than seven other members who shall be appointed by the Minister.

* Fees and other emoluments for the Group includes the Directors of subsidiary companies.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and ***TH*** either directly or indirectly. The key management personnel include all the directors of the Group and ***TH***, and certain members of senior management of the Group and ***TH***.

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42. Financial risk management policies

Categories of financial instruments

The tables below provide an analysis of financial instruments categorised as follows:

- At fair value through profit or loss ("FVTPL")
- At fair value through other comprehensive income ("FVOCI")
- At amortised cost

Group	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
2022				
Financial assets				
Cash and short term funds	5,481,934	-	-	5,481,934
Deposits and placements with banks and other financial institutions	1,131,255	-	-	1,131,255
Financial assets at FVTPL	5,189,145	5,189,145	-	-
Financial assets at FVOCI	33,964,818	-	33,964,818	-
UJSB Sukuk and receivables at amortised cost	22,403,416	-	-	22,403,416
Other financial assets at amortised cost	6,340,323	-	-	6,340,323
Finance lease receivables	1,762,596	-	-	1,762,596
Trade and other receivables at amortised cost	934,733	-	-	934,733
	77,208,220	5,189,145	33,964,818	38,054,257
Financial liabilities				
Depositors' savings fund	87,599,988	-	-	87,599,988
Other liabilities	945,468	-	-	945,468
Lease liabilities	447,035	-	-	447,035
Borrowings	892,627	-	-	892,627
	89,885,118	-	-	89,885,118

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42. 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
2021				
Financial assets				
Cash and short term funds	4,667,892	-	-	4,667,892
Deposits and placements with banks and other financial institutions	3,288,099	-	-	3,288,099
Financial assets at FVTPL	5,960,550	5,960,550	-	-
Financial assets at FVOCI	31,030,868	-	31,030,868	-
UJSB Sukuk and receivables at amortised cost	21,526,275	-	-	21,526,275
Other financial assets at amortised cost	6,505,299	-	-	6,505,299
Finance lease receivables	1,785,298	-	-	1,785,298
Trade and other receivables at amortised cost	983,953	-	-	983,953
	75,748,234	5,960,550	31,030,868	38,756,816
Financial liabilities				
Depositors' savings fund	83,337,584	-	-	83,337,584
Other liabilities	1,106,987	-	-	1,106,987
Lease liabilities	635,029	-	-	635,029
Borrowings	1,028,021	-	-	1,028,021
	86,107,621	-	-	86,107,621

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42. 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
2022				
Financial assets				
Cash and short term funds	4,868,313	-	-	4,868,313
Deposits and placements with banks and other financial institutions	1,103,332	-	-	1,103,332
Financial assets at FVTPL	5,441,393	5,441,393	-	-
Financial assets at FVOCI	33,964,678	-	33,964,678	-
UJSB Sukuk and receivables at amortised cost	22,403,416	-	-	22,403,416
Other financial assets at amortised cost	6,990,323	-	-	6,990,323
Financing, advances and others	919,495	-	-	919,495
Finance lease receivables	1,762,596	-	-	1,762,596
Trade and other receivables at amortised cost	2,639,405	-	-	2,639,405
	80,092,951	5,441,393	33,964,678	40,686,880
Financial liabilities				
Depositors' savings fund	87,599,988	-	-	87,599,988
Other liabilities	691,502	-	-	691,502
Lease liabilities	369,820	-	-	369,820
	88,661,310	-	-	88,661,310

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42. 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**
2021				
Financial assets				
Cash and short term funds	3,911,719	-	-	3,911,719
Deposits and placements with banks and other financial institutions	3,249,764	-	-	3,249,764
Derivative financial instruments	-	-	-	-
Financial assets at FVTPL	5,910,838	5,910,838	-	-
Financial assets at FVOCI	31,030,703	-	31,030,703	-
UJSB Sukuk and receivables at amortised cost	21,526,275	-	-	21,526,275
Other financial assets at amortised cost	7,585,299	-	-	7,585,299
Financing, advances and others	1,374,402	-	-	1,374,402
Finance lease receivables	1,785,298	-	-	1,785,298
Trade and other receivables at amortised cost	1,333,517	-	-	1,333,517
	77,707,815	5,910,838	31,030,703	40,766,274
Financial liabilities				
Depositors' savings fund	83,337,584	-	-	83,337,584
Other liabilities	741,476	-	-	741,476
Lease liabilities	552,629	-	-	552,629
	84,631,689	-	-	84,631,689

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42. Financial risk management policies *(cont'd.)*

Financial risk management

The Group and ***TH*** are exposed to the following risks arising from investments in financial instruments:

i) Credit risk

ii) Market risk

iii) Liquidity risk

The Group and ***TH***'s overall financial risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and ***TH***. Financial risk management is carried out through risk review, internal control systems, insurance programmes and adherence to the Group and ***TH***'s financial risk management policies. The members of the Lembaga and directors of the subsidiary companies regularly review these risks and approve the treasury policies, which cover the management of these risks.

i) Credit risk

Credit risk is the risk of a financial loss to the Group and ***TH*** if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and ***TH***'s exposure to credit risk arises principally from the following types of financial assets that are subjects to assessment of expected credit losses:

- Cash and short-term funds and deposits and placements with banks and other financial institutions
- Trade receivables and contract assets
- Debt instruments at amortised cost
- Debt instruments measured at FVOCI
- Other financial assets at amortised cost
- Finance lease receivables

a) Impairment of financial assets

i) *Cash and short-term funds and deposits and placements*

While cash and short-term funds and deposits and placements are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ii) *Trade receivables and contract assets*

The Group and ***TH*** have applied the MFRS 9 simplified approach in measuring expected credit losses which uses lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics (e.g. tenant type) and the days past due.

The expected loss rates are based on previous year's 12 months collection trend against the outstanding receivables. At every reporting date, the expected loss rates are revised based on the analysis of the forward-looking information and macroeconomic factors that affect the ability of the customer to settle the receivables.

42. Financial risk management policies *(cont'd.)*

i) Credit risk *(cont'd.)*

a) Impairment of financial assets *(cont'd.)*

ii) Trade receivables and contract assets *(cont'd.)*

The assessment of the correlation between historical observed default rate, forecast economic data (such as Kuala Lumpur Composite Index, unemployment rate, amongst others) and ECLs are significant estimates. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group's and ***TH***'s historical credit loss experience and forecast economic data may also not be representative of customer's actual default in the future.

The allowance account in respect of receivables is used to record impairment losses. Unless the Group and ***TH*** 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 ***TH***, and a failure to make contractual payments for a period greater than 365 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

iii) Debt instruments

The Group and ***TH*** measure loss allowance for debt instruments at amortised cost and FVOCI at amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

i) *Debt instruments at fair value through other comprehensive income (FVOCI)*

The loss allowance for debt instruments at FVOCI is recognised in other comprehensive income and does not reduce the carrying amount of the financial assets in the statement of financial position. The movement of the loss allowance for debt instruments at FVOCI is set out in Note 8.

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 10.

iii) *Other financial assets at amortised cost*

Other financial assets at amortised cost include financing to subsidiaries and trade and other receivables. The movement of the loss allowance for other financial assets at amortised cost is set out in Note 11 and Note 13.

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42. Financial risk management policies *(cont'd.)*

i) Credit risk *(cont'd.)*

a) Impairment of financial assets *(cont'd.)*

iv) *Finance lease receivables*

TH's exposure to credit risk of finance lease receivables arises principally from its accommodation sub-lease receivables from counterparties in Malaysia and Kingdom of Saudi Arabia. To measure the expected credit losses, the ability for each counterparties to settle the receivables is assessed separately based on historical default rate, analysis of forward-looking information, macroeconomic factors and the applicable law of which the counterparties operates.

The estimated ECLs are very sensitive to the changes in macroeconomics factor and the ability to enforce payment of the Promissory Notes issued by the counterparties. However, the factors above may not be representative of counterparties' actual default in the future.

b) Credit quality of investment portfolio

The investment portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating is as follows:

Group	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2022				
Financial assets at FVOCI				
Debt instrument				
Government bonds and treasury bills	3,366,948	-	-	3,366,948
Sukuk				
Rated AAA	228,654	-	-	228,654
Rated A1 to AA1	8,749,841	-	-	8,749,841
Rated A	2,803,081	-	-	2,803,081
Lower than A*	-	570,415	100,000	670,415
Not rated	276,826	-	-	276,826
Government Guaranteed Debt Securities	4,171,356	-	-	4,171,356
Gross carrying amount	19,596,706	570,415	100,000	20,267,121
Impairment allowances	(6,213)	(156)	-	(6,369)
Financial assets at amortised cost				
Other financial assets at amortised cost	6,340,712	-	-	6,340,712
UJSB Sukuk and receivables at amortised cost	21,526,275	-	-	21,526,275
Finance lease receivables	1,762,596	-	1,006,416	2,769,012
Trade and other receivables at amortised cost	934,733	-	134,213	1,068,946
Impairment allowances	(389)	-	(1,140,629)	(1,141,018)
Net carrying amount	30,563,927	-	-	30,563,927

* Included in debt instruments under financial assets at FVOCI is Tranche A Sukuk on Menara ABS which has defaulted in principal payment since 13 January 2023 as mentioned in Note 48(a).

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42. Financial risk management policies *(cont'd.)*

i) Credit risk *(cont'd.)*

b) Credit quality of investment portfolio *(cont'd.)*

The investment portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating is as follows: *(cont'd.)*

Group	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2021				
Financial assets at FVOCI				
Debt instrument				
Government bonds and treasury bills	3,189,583	-	-	3,189,583
Sukuk				
Rated AAA	5,036,582	-	-	5,036,582
Rated A1 to AA1	4,973,316	-	-	4,973,316
Rated A	215,696	-	-	215,696
Lower than A	-	138,212	-	138,212
Not rated	70,046	-	-	70,046
Government Guaranteed Debt Securities	4,389,438	-	-	4,389,438
Gross carrying amount	17,874,661	138,212	-	18,012,873
Impairment allowances	(3,691)	(53,181)	-	(56,872)
Financial assets at amortised cost				
Other financial assets at amortised cost	6,507,517	-	10,140	6,517,657
UJSB Sukuk and receivables at amortised cost	21,526,275	-	-	21,526,275
Finance lease receivables	1,785,298	-	754,515	2,539,813
Trade and other receivables at amortised cost	983,953	-	316,537	1,300,490
Impairment allowances	(2,218)	-	(1,081,192)	(1,083,410)
Net carrying amount	30,800,825	-	-	30,800,825

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42. Financial risk management policies *(cont'd.)*

i) Credit risk *(cont'd.)*

b) Credit quality of investment portfolio *(cont'd.)*

The investment portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of ***TH*** by external party rating is as follows:

TH	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2022				
Financial assets at FVOCI				
Debt instruments				
Malaysian Government investment issues	**3,366,948**	**-**	**-**	**3,366,948**
Sukuk				
Rated AAA	**228,654**	**-**	**-**	**228,654**
Rated A1 to AA1	**8,749,841**	**-**	**-**	**8,749,841**
Rated A	**2,803,081**	**-**	**-**	**2,803,081**
Lower than A*	**-**	**570,415**	**100,000**	**670,415**
Not rated	**276,826**	**-**	**-**	**276,826**
Government Guaranteed Debt Securities	**4,171,356**	**-**	**-**	**4,171,356**
Gross carrying amount	**19,596,706**	**570,415**	**100,000**	**20,267,121**
Impairment allowances	**(6,213)**	**(156)**	**-**	**(6,369)**
Financial assets at amortised cost				
Other financial assets at amortised cost	**6,990,323**	**-**	**-**	**6,990,323**
UJSB Sukuk and receivables at amortised cost	**22,403,416**	**-**	**-**	**22,403,416**
Finance lease receivables	**591,583**	**-**	**2,177,429**	**2,769,012**
Trade and other receivables at amortised cost	**2,639,405**	**-**	**172,915**	**2,812,320**
Financing to subsidiaries	**919,495**	**-**	**463,223**	**1,382,718**
Impairment allowances	**(389)**	**-**	**(1,642,556)**	**(1,642,945)**
Net carrying amount	**33,543,833**	**-**	**1,171,011**	**34,714,844**

* Included in debt instruments under financial assets at FVOCI is Tranche A Sukuk on Menara ABS which has defaulted in principal payment since 13 January 2023 as mentioned in Note 48(a).

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42. Financial risk management policies *(cont'd.)*

i) Credit risk *(cont'd.)*

b) Credit quality of investment portfolio *(cont'd.)*

The investment portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of ***TH*** by external party rating is as follows: *(cont'd.)*

TH	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2021				
Financial assets at FVOCI				
Debt instruments				
Malaysian Government investment issues	3,189,583	-	-	3,189,583
Sukuk				
Rated AAA	5,036,582	-	-	5,036,582
Rated A1 to AA1	4,973,316	-	-	4,973,316
Rated A	215,696	-	-	215,696
Lower than A	-	138,212	-	138,212
Not rated	70,046	-	-	70,046
Government Guaranteed Debt	4,389,438	-	-	4,389,438
Gross carrying amount	17,874,661	138,212	-	18,012,873
Impairment allowances	(3,691)	(53,181)	-	(56,872)
Financial assets at amortised cost				
Other financial assets at amortised cost	7,587,517	-	10,140	7,597,657
UJSB Sukuk and receivables at amortised cost	21,526,275	-	-	21,526,275
Finance lease receivables	1,785,298	-	754,515	2,539,813
Trade and other receivables at amortised cost	1,333,517	-	162,047	1,495,564
Financing to subsidiaries	1,374,402	-	304,514	1,678,916
Impairment allowances	(2,218)	-	(1,231,216)	(1,233,434)
Net carrying amount	33,604,791	-	-	33,604,791

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.

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FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

42. Financial risk management policies *(cont'd.)*

ii) Market risk *(cont'd.)*

a) *Foreign currency exchange risk*

The Group and ***TH***'s exposure to foreign currency risk at the end of the reporting period, is as follows:

	Group				
	USD RM'000	**GBP RM'000**	**AUD RM'000**	**SAR RM'000**	**IDR RM'000**
2022					
Cash and short-term funds	**22,215**	**143,191**	**18**	**3,932**	**-**
Finance lease receivables	**-**	**-**	**-**	**1,596,857**	**-**
Trade and other receivables at amortised cost	**-**	**-**	**-**	**-**	**-**
Other liabilities	**-**	**-**	**-**	**-**	**(233)**
Borrowings	**-**	**(570,172)**	**-**	**-**	**-**
2021					
Cash and short-term funds	216,929	179,816	6,316	4,364	-
Finance lease receivables	-	-	-	1,614,889	-
Trade and other receivables at amortised cost	-	606,226	9,397	-	-
Other liabilities	-	-	(822)	-	(177)
Borrowings	-	(605,097)	-	-	-

	TH			
	USD RM'000	**GBP RM'000**	**AUD RM'000**	**SAR RM'000**
2022				
Cash and short-term funds	**22,211**	**16**	**8**	**3,931**
Finance lease receivables	**-**	**-**	**-**	**1,596,857**
Financing to subsidiaries	**-**	**1,082,360**	**-**	**-**
Trade and other receivables at amortised cost	**-**	**1,916,771**	**-**	**-**
2021				
Cash and short-term funds	216,925	50,893	153	4,362
Finance lease receivables	-	-	-	1,614,889
Financing to subsidiaries	-	1,161,911	-	-
Trade and other receivables at amortised cost	-	606,226	3,293	-

42. Financial risk management policies *(cont'd.)*

ii) Market risk *(cont'd.)*

a) *Foreign currency exchange risk (cont'd.)*

The Group and ***TH*** is primarily exposed to changes in USD/RM, GBP/RM, AUD/RM and SAD/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**	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
USD/RM exchange rate - increase 1%	**222**	2,169	**222**	2,169
USD/RM exchange rate - decrease 1%	**(222)**	(2,169)	**(222)**	(2,169)
GBP/RM exchange rate - increase 1%	**(4,270)**	1,809	**29,991**	18,190
GBP/RM exchange rate - decrease 1%	**4,270**	(1,809)	**(29,991)**	(18,190)
AUD/RM exchange rate - increase 1%	**-**	149	**-**	34
AUD/RM exchange rate - decrease 1%	**-**	(149)	**-**	(34)
SAR/RM exchange rate - increase 1%	**15,946**	16,149	**16,008**	16,149
SAR/RM exchange rate - decrease 1%	**(15,946)**	(16,149)	**(16,008)**	(16,149)

Changes in exchange rates may have an impact on the Group's and ***TH***'s foreign currency position. The Group and ***TH*** control the overall foreign exchange risk by limiting the open exposure to non-Ringgit positions on an aggregate basis.

Foreign currency risk for the Group and ***TH*** in respect of Indonesian Rupiah is deemed not material and hence, sensitivity analysis is not presented.

b) *Profit rate risk*

The Group and ***TH*** may be exposed to a loss in earnings due to the profit rates structure of the balance sheet arising from profit rates and yield curve changes. The sensitivity to profit rates arises from the mismatches in the repricing rates, cash flows and other characteristic of the assets and their corresponding liability funding. The Group and ***TH*** manage their profit rate risk exposure through the use of fixed/floating rate debts and financial instruments.

The following table summarises the Group's and ***TH***'s exposure to profit rate risk. The table indicates effective average profit rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

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42. 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 %
2022							
Assets							
Cash and short term funds	3,571,448	-	-	1,910,486	-	5,481,934	0.00-5.00
Deposits and placements with banks and other financial institutions	1,131,255	-	-	-	-	1,131,255	1.55-5.00
Financial assets at FVTPL	2,150,833	1,227,505	1,264,079	-	546,728	5,189,145	2.25-9.59
Financial assets at FVOCI	864,867	7,462,516	11,939,738	13,697,557	140	33,964,818	1.78-8.95
UJSB Sukuk and receivables at amortised cost	-	-	-	22,403,416	-	22,403,416	4.05-4.10
Financial assets at amortised cost	274,978	1,122,125	4,943,220	-	-	6,340,323	0.73-7.00
Finance lease receivables	-	-	1,762,596	-	-	1,762,596	-
Trade and other receivables at amortised cost	623,495	149,047	-	162,191	-	934,733	5.56-6.65
Other non-profit sensitive balances	-	-	-	14,881,076	-	14,881,076	-
	8,616,876	9,961,193	19,909,633	53,054,726	546,868	92,089,296	
Liabilities							
Depositors' savings fund	-	-	-	87,599,988	-	87,599,988	-
Lease liabilities	11,268	112,017	323,750	-	-	447,035	5.30-8.20
Borrowings	154,154	703,092	35,381	-	-	892,627	3.00-5.53
Other non-profit sensitive balances	-	-	-	2,098,396	-	2,098,396	-
	165,422	815,109	359,131	89,698,384	-	91,038,046	
Total surplus funds	-	-	-	-	1,051,250	1,051,250	
Total profit sensitivity gap	8,451,454	9,146,084	19,550,502	(36,643,518)	(504,522)	-	

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FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

42. 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 %
2021							
Assets							
Cash and short term funds	3,191,814	-	-	1,476,078	-	4,667,892	0.00-5.00
Deposits and placements with banks and other financial institutions	3,288,099	-	-	-	-	3,288,099	1.55-5.00
Financial assets at FVTPL	2,074,671	2,105,796	1,055,371	-	724,712	5,960,550	2.25-9.59
Financial assets at FVOCI	-	2,534,011	15,478,862	13,017,996	-	31,030,869	1.78-8.95
UJSB Sukuk and receivables at amortised cost	-	-	-	21,526,275	-	21,526,275	4.05-4.10
Financial assets at amortised cost	120,000	400,000	5,985,299	-	-	6,505,299	0.73-7.00
Finance lease receivables	-	-	1,785,298	-	-	1,785,298	-
Trade and other receivables at amortised cost	640,767	195,002	-	148,165	19	983,953	5.56-6.65
Other non-profit sensitive balances	-	-	-	14,325,759	-	14,325,759	-
	9,315,351	5,234,809	24,304,830	50,494,273	724,731	90,073,994	
Liabilities							
Depositors' savings fund	-	-	-	83,337,584	-	83,337,584	-
Lease liabilities	9,397	118,011	507,621	-	-	635,029	-
Borrowings	77,794	928,958	21,269	-	-	1,028,021	-
Other non-profit sensitive balances	-	-	-	2,319,767	-	2,319,767	-
	87,191	1,046,969	528,890	85,657,351	-	87,320,401	
Total surplus funds	-	-	-	-	2,753,593	2,753,593	
Total profit sensitivity gap	9,228,160	4,187,840	23,775,940	(35,163,078)	(2,028,862)	-	

* This is arrived at after deducting impairment allowances from the outstanding gross impaired financing.

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FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

42. Financial risk management policies *(cont'd.)*

ii) Market risk *(cont'd.)*

b) *Profit rate risk (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	Effective profit rate %
2022							
Assets							
Cash and short term funds	3,209,750	-	-	1,658,563	-	4,868,313	2.00-4.45
Deposits and placements with banks and other financial institutions	1,103,332	-	-	-	-	1,103,332	2.65-4.10
Financial assets at FVTPL	2,150,833	1,527,504	1,264,079	-	498,977	5,441,393	2.80-11.60
Financial assets at FVOCI	864,867	7,462,516	11,939,738	13,697,557	-	33,964,678	2.32-6.90
UJSB Sukuk and receivables at amortised cost	-	-	-	22,403,416	-	22,403,416	4.05-4.10
Financial assets at amortised cost	274,978	1,122,124	5,593,221	-	-	6,990,323	0.35-5.95
Financing, advances and others	49,912	869,583	-	-	-	919,495	0.00-5.53
Finance lease receivables	-	-	1,762,596	-	-	1,762,596	5.30-10.30
Trade and other receivables at amortised cost	490,640	2,148,765	-	-	-	2,639,405	-
Other non-profit sensitive balances	-	-	-	10,830,657	-	10,830,657	-
	8,144,312	13,130,492	20,559,634	48,590,193	498,977	90,923,608	
Liabilities							
Depositors' savings fund	-	-	-	87,599,988	-	87,599,988	-
Other liabilities	-	-	-	691,502	-	691,502	-
Lease liabilities	-	-	369,820	-	-	369,820	5.30
Other non-profit sensitive balances	-	-	-	895,087	-	895,087	-
	-	-	369,820	89,186,577	-	89,556,397	
Total surplus funds	-	-	-	1,367,211	-	1,367,211	
Total profit sensitivity gap	8,144,312	13,130,492	20,189,814	(41,963,595)	498,977	-	

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42. Financial risk management policies *(cont'd.)*

ii) Market risk *(cont'd.)*

b) *Profit rate risk (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	Effective profit rate %
2021							
Assets							
Cash and short term funds	2,908,370	-	-	1,003,349	-	3,911,719	0.70-5.00
Deposits and placements with banks and other financial institutions	3,249,764	-	-	-	-	3,249,764	1.55-5.00
Financial assets at FVTPL	2,074,671	2,105,796	1,055,371	-	675,000	5,910,838	2.25-9.59
Financial assets at FVOCI	-	2,534,011	15,478,862	13,017,830	-	31,030,703	1.78-8.95
UJSB Sukuk and receivables at amortised cost	-	-	-	21,526,275	-	21,526,275	4.05-4.10
Financial assets at amortised cost	120,000	700,000	6,765,299	-	-	7,585,299	0.73-7.00
Financing, advances and others	215,807	995,911	162,684	-	-	1,374,402	0.00-7.00
Finance lease receivables	-	-	1,785,298	-	-	1,785,298	5.30-10.30
Trade and other receivables at amortised cost	496,976	836,541	-	-	-	1,333,517	-
Other non-profit sensitive balances	-	-	-	11,141,709	-	11,141,709	-
	9,065,588	7,172,259	25,247,514	46,689,163	675,000	88,849,524	
Liabilities							
Depositors' savings fund	-	-	-	83,337,584	-	83,337,584	-
Other liabilities	-	-	-	741,476	-	741,476	-
Lease liabilities	-	-	552,629	-	-	552,629	-
Other non-profit sensitive balances	-	-	-	920,491	-	920,491	-
	-	-	552,629	84,999,551	-	85,552,180	
Total surplus funds	-	-	-	3,297,344	-	3,297,344	
Total profit sensitivity gap	9,065,588	7,172,259	24,694,885	(41,607,732)	675,000	-	

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42. Financial risk management policies *(cont'd.)*

ii) Market risk *(cont'd.)*

c) *Price risk*

i) *Equity investment risk*

The Group's and ***TH***'s equity positions or investments is exposed to the changes in equity prices or values that may affect their profitability.

The table below summarises the impact of increases/decreases of the Group's and ***TH***'s equity and post-tax profit:

	Impact on post-tax profit	
Group	**2022** **RM'000**	2021 RM'000
Quoted shares - increase 1%	**169,906**	162,505
Quoted shares - decrease 1%	**(169,906)**	(162,505)
Unquoted shares - increase 1%	**11,096**	10,825
Unquoted shares - decrease 1%	**(11,096)**	(10,825)
TH		
Quoted shares - increase 1%	**177,674**	170,108
Quoted shares - decrease 1%	**(177,674)**	(170,108)
Unquoted shares - increase 1%	**23,338**	23,043
Unquoted shares - decrease 1%	**(23,338)**	(23,043)

To manage rate of return or profit rate risk and equity investment risk, the Group and ***TH*** diversify their portfolios. Diversification of the portfolios are in accordance with the limits set by the Group and ***TH*** respectively.

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.

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42. 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 their obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. The Group's and ***TH***'s exposure to liquidity risk arises primarily from depositors' saving fund, trade payables, financing and deposits and placements of banks and other financial institutions.

Management of ***TH*** monitors rolling forecast of ***TH***'s liquidity reserve and cash and cash equivalents on the bases of expected cash flows. The most significant financial liabilities of ***TH*** is the depositors' savings fund. If any expenditure of ***TH*** in relation to withdrawals by the depositors cannot be met by ***TH***, it shall be charged on and payable out of the Consolidated Fund of the Government of Malaysia in accordance with the ***TH*** Act. Any payment out of the Consolidated Fund of the Government shall as soon as practicable be repaid by ***TH*** to the Consolidated Fund and until it is repaid, it shall be a debt to the Government and a first charge on the assets of ***TH***, as disclosed in Note 2(a)(iii).

Subsidiary companies maintain a level of cash and cash equivalents and bank facilities deemed adequate by the respective management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

a) The tables below summarises the Group's assets and liabilities based on the remaining contractual maturities.

	Non-trading book					
Group	**Less than 1 year RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Trading books RM'000**	**Total RM'000**
2022						
Assets						
Cash and short term funds	**3,571,448**	**-**	**-**	**1,910,486**	**-**	**5,481,934**
Deposits and placements with banks and other financial institutions	**1,131,255**	**-**	**-**	**-**	**-**	**1,131,255**
Financial assets at FVTPL	**2,150,833**	**1,227,505**	**1,264,079**	**-**	**546,728**	**5,189,145**
Financial assets at FVOCI	**864,867**	**7,462,516**	**11,939,738**	**13,697,697**	**-**	**33,964,818**
UJSB Sukuk and receivables at amortised cost	**-**	**-**	**-**	**22,403,416**	**-**	**22,403,416**
Financial assets at amortised cost	**274,978**	**1,122,125**	**4,943,220**	**-**	**-**	**6,340,323**
Finance lease receivables	**-**	**-**	**1,762,596**	**-**	**-**	**1,762,596**
Trade and other receivables at amortised cost	**623,495**	**149,047**	**-**	**162,191**	**-**	**934,733**
Other non-specific maturity	**-**	**-**	**-**	**14,881,076**	**-**	**14,881,076**
	8,616,876	**9,961,193**	**19,909,633**	**53,054,866**	**546,728**	**92,089,296**

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42. Financial risk management policies *(cont'd.)*

iii) Liquidity risk *(cont'd.)*

a) The tables below summarises the Group's assets and liabilities based on the remaining contractual maturities. *(cont'd.)*

	Non-trading book					
Group *(cont'd.)*	**Less than 1 year RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Trading books RM'000**	**Total RM'000**
2022 *(cont'd.)*						
Liabilities						
Depositors' savings fund	-	-	-	87,599,988	-	87,599,988
Lease liabilities	11,268	112,017	323,750	-	-	447,035
Borrowings	154,154	703,092	35,381	-	-	892,627
Other non-specific maturity	-	-	-	2,098,396	-	2,098,396
	165,422	815,109	359,131	89,698,384	-	91,038,046
Net maturity mismatches	8,451,454	9,146,084	19,550,502	(36,643,518)	546,728	1,051,250

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42. Financial risk management policies *(cont'd.)*

iii) Liquidity risk *(cont'd.)*

a) The tables below summarises the Group's assets and liabilities based on the remaining contractual maturities. *(cont'd.)*

Group	Non-trading book					
	Less than 1 year RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Trading books RM'000	Total RM'000
2021						
Assets						
Cash and short term funds	3,191,814	-	-	1,476,078	-	4,667,892
Deposits and placements with banks and other financial institutions	3,288,099	-	-	-	-	3,288,099
Financial assets at FVTPL	2,074,671	2,105,796	1,055,371	-	724,712	5,960,550
Financial assets at FVOCI	710,681	5,900,037	11,402,155	13,017,996	-	31,030,869
UJSB Sukuk and receivables at amortised cost	-	-	-	21,526,275	-	21,526,275
Financial assets at amortised cost	1,527,986	1,066,077	3,911,236	-	-	6,505,299
Finance lease receivables	-	-	1,785,298	-	-	1,785,298
Trade and other receivables at amortised cost	640,767	195,002	-	148,165	19	983,953
Other non-specific maturity	-	-	-	14,325,759	-	14,325,759
	11,434,018	9,266,912	18,154,060	50,494,273	724,731	90,073,994
Liabilities						
Depositors' savings fund	-	-	-	83,337,584	-	83,337,584
Lease liabilities	9,397	118,011	507,621	-	-	635,029
Borrowings	77,794	928,958	21,269	-	-	1,028,021
Other non-specific maturity	-	-	-	2,319,767	-	2,319,767
	87,191	1,046,969	528,890	85,657,351	-	87,320,401
Net maturity mismatches	11,346,827	8,219,943	17,625,170	(35,163,078)	724,731	2,753,593

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42. Financial risk management policies *(cont'd.)*

iii) Liquidity risk *(cont'd.)*

a) The tables below summarises the ***TH***'s assets and liabilities based on the remaining contractual maturities.

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-specific maturity RM'000	Trading books RM'000	Total RM'000
2022						
Assets						
Cash and short term funds	3,209,750	-	-	1,658,563	-	4,868,313
Deposits and placements with banks and other financial institutions	1,103,332	-	-	-	-	1,103,332
Financial assets at FVTPL	2,150,833	1,527,504	1,264,079	-	498,977	5,441,393
Financial assets at FVOCI	864,867	7,462,516	11,939,738	13,697,557	-	33,964,678
UJSB Sukuk and receivables at amortised cost	-	-	-	22,403,416	-	22,403,416
Financial assets at amortised cost	274,978	1,122,125	5,593,220	-	-	6,990,323
Financing, advances and others	49,912	869,583	-	-	-	919,495
Finance lease receivables	-	-	1,762,596	-	-	1,762,596
Trade and other receivables at amortised cost	490,640	2,148,765	-	-	-	2,639,405
Other non-specific maturity	-	-	-	10,830,657	-	10,830,657
	8,144,312	13,130,493	20,559,633	48,590,193	498,977	90,923,608
Liabilities						
Depositors' savings fund	-	-	-	87,599,988	-	87,599,988
Other liabilities	-	-	-	691,502	-	691,502
Lease liabilities	-	-	369,820	-	-	369,820
Other non-specific maturity	-	-	-	895,087	-	895,087
	-	-	369,820	89,186,577	-	89,556,397
Net maturity mismatches	8,144,312	13,130,493	20,189,813	(40,596,384)	498,977	1,367,211

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42. Financial risk management policies *(cont'd.)*

iii) Liquidity risk *(cont'd.)*

a) The tables below summarises 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-specific maturity RM'000**	**Trading books RM'000**	**Total RM'000**
2021						
Assets						
Cash and short term funds	2,908,370	-	-	1,003,349	-	3,911,719
Deposits and placements with banks and other financial institutions	3,249,764	-	-	-	-	3,249,764
Derivative financial instruments	-	-	-	-	-	-
Financial assets at FVTPL	2,074,670	2,105,796	1,055,372	-	675,000	5,910,838
Financial assets at FVOCI	710,681	5,900,037	11,402,155	13,017,830	-	31,030,703
UJSB Sukuk and receivables at amortised cost	-	-	-	21,526,275	-	21,526,275
Financial assets at amortised cost	1,927,859	1,545,465	4,111,975	-	-	7,585,299
Financing, advances and others	215,807	995,911	162,684	-	-	1,374,402
Finance lease receivables	-	-	1,785,298	-	-	1,785,298
Trade and other receivables at amortised cost	496,976	836,541	-	-	-	1,333,517
Other non-specific maturity	-	-	-	11,141,709	-	11,141,709
	11,584,127	11,383,750	18,517,484	46,689,163	675,000	88,849,524
Liabilities						
Depositors' savings fund	-	-	-	83,337,584	-	83,337,584
Other liabilities	-	-	-	741,476	-	741,476
Lease liabilities	-	-	552,629	-	-	552,629
Other non-specific maturity	-	-	-	920,491	-	920,491
	-	-	552,629	84,999,551	-	85,552,180
Net maturity mismatches	11,584,127	11,383,750	17,964,855	(38,310,388)	675,000	3,297,344

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42. Financial risk management policies *(cont'd.)*

iii) Liquidity risk *(cont'd.)*

b) The tables below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis.

	Non-trading book					
Group	**Less than 1 year RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Trading books RM'000**	**Total RM'000**
2022						
Financial liabilities						
Depositors' savings fund	**-**	**-**	**-**	**87,599,988**	**-**	**87,599,988**
Borrowings	**154,154**	**703,092**	**35,381**	**-**	**-**	**892,627**
Lease liabilities	**11,268**	**112,017**	**323,750**	**-**	**-**	**447,035**
Other liabilities	**945,468**	**-**	**-**	**-**	**-**	**945,468**
	1,110,890	**815,109**	**359,131**	**87,599,988**	**-**	**89,885,118**
2021						
Financial liabilities						
Depositors' savings fund	-	-	-	83,337,584	-	83,337,584
Borrowings	77,961	933,633	16,427	-	-	1,028,021
Lease liabilities	9,397	118,821	506,811	-	-	635,029
Other liabilities	1,061,550	-	-	-	-	1,061,550
	1,148,908	1,052,454	523,238	83,337,584	-	86,062,184

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42. Financial risk management policies *(cont'd.)*

iii) Liquidity risk *(cont'd.)*

b) The tables below presents the cash flows payable by ***TH*** under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis..

	Non-trading book					
TH	**Less than 1 year RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Trading books RM'000**	**Total RM'000**
2022						
Financial liabilities						
Depositors' savings fund	**-**	**-**	**-**	**87,599,988**	**-**	**87,599,988**
Other liabilities	**-**	**-**	**-**	**691,502**	**-**	**691,502**
Lease liabilities	**-**	**-**	**369,820**	**-**	**-**	**369,820**
	-	**-**	**369,820**	**88,291,490**	**-**	**88,661,310**
2021						
Financial liabilities						
Depositors' savings fund	-	-	-	83,337,584	-	83,337,584
Other liabilities	-	-	-	696,476	-	696,476
Lease liabilities	-	-	552,629	-	-	552,629
	-	-	552,629	84,034,060	-	84,586,689

43. Fair value of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Fair value of financial instruments of the Group and ***TH*** which comprise cash and short-term funds, deposits and placements with banks and other financial institutions and short-term receivables, payables and financing are not very sensitive to changes in market conditions due to the short-term maturity of these financial instruments. Therefore, the carrying amount of financial assets and liabilities at the financial position date approximated their fair values.

Fair value hierarchy

MFRS 7 *Disclosures* specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques adopted are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's and ***TH***'s assumptions. The fair value hierarchy is as follows:

a) Level 1

Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.

b) Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level includes profit rate swaps and structured debts. The sources of input parameters include Bank Negara Malaysia's indicative yields.

c) Level 3

Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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43. 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 the carrying amounts of the instruments not carried at fair value 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				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**	**Total RM'000**	**Total RM'000**
2022									
Assets									
Financial assets at FVTPL	45,927	4,872,699	270,519	5,189,145	-	-	-	-	-
Financial assets at FVOCI	12,979,661	20,267,121	718,036	33,964,818	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	3,502,441	2,809,901	6,312,342	6,340,323
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	21,842,356	21,842,356	22,403,4166
Finance lease receivables	-	-	-	-	-	-	1,762,596	1,762,596	1,762,596
	13,025,588	25,139,820	988,555	39,153,963	-	3,502,441	26,414,853	29,917,294	30,506,335
Liabilities									
Depositors' savings fund	-	-	-	-	-	-	87,599,988	87,599,988	87,599,988
Lease liabilities	-	-	-	-	-	-	447,035	447,035	447,035
Borrowings	-	-	-	-	-	-	890,868	890,868	892,627
	-	-	-	-	-	-	88,937,891	88,937,891	88,939,650

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43. 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 the carrying amounts of the instruments not carried at fair value 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				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	Total RM'000	Total RM'000
2022 *(cont'd.)*									
Assets									
Financial assets at FVTPL	-	5,172,958	268,435	5,441,393	-	-	-	-	-
Financial assets at FVOCI	12,979,521	20,267,121	718,036	33,964,678	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	4,152,441	2,809,900	6,962,341	6,990,323
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	21,842,356	21,842,356	22,403,416
Financing, advances and others	-	-	-	-	-	-	1,382,718	1,382,718	919,495
Finance lease receivables	-	-	-	-	-	-	1,762,596	1,762,596	1,762,596
	12,979,521	25,440,079	986,471	39,406,071	-	4,152,441	27,797,570	31,950,011	32,075,830
Liabilities									
Depositors' savings fund	-	-	-	-	-	-	87,599,988	87,599,988	87,599,988
Lease liabilities	-	-	-	-	-	-	369,820	369,820	369,820
	-	-	-	-	-	-	87,969,808	87,969,808	87,969,808

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43. 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 the carrying amounts of the instruments not carried at fair value 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				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	Total RM'000	Total RM'000
2021									
Assets									
Financial assets at FVTPL	47,887	5,295,020	615,818	5,958,725	-	-	-	-	-
Financial assets at FVOCI	12,332,010	18,012,873	685,986	31,030,869	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	4,019,004	2,578,561	6,597,565	6,505,299
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	21,934,577	21,934,577	21,526,275
Finance lease receivables	-	-	-	-	-	-	1,785,298	1,785,298	1,785,298
	12,379,897	23,307,893	1,301,804	36,989,594	-	4,019,004	26,298,436	30,317,440	29,816,872
Liabilities									
Depositors' savings fund	-	-	-	-	-	-	83,337,584	83,337,584	83,337,584
Lease liabilities	-	-	-	-	-	-	635,029	635,029	635,029
Borrowings	-	-	-	-	-	-	983,457	983,457	1,028,021
	-	-	-	-	-	-	84,956,070	84,956,070	85,000,634

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43. 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 the carrying amounts of the instruments not carried at fair value 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				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	Total RM'000	Total RM'000
2021									
Assets									
Financial assets at FVTPL	-	5,295,020	615,818	5,910,838	-	-	-	-	-
Financial assets at FVOCI	12,331,844	18,012,873	685,986	31,030,703	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	5,098,011	2,578,561	7,676,572	7,585,299
UJSB Sukuk and receivables at amortised cost	-	-	-	-	-	-	21,934,577	21,934,577	21,526,275
Financing, advances and others	-	-	-	-	-	-	1,678,916	1,678,916	1,374,402
Finance lease receivables	-	-	-	-	-	-	1,785,298	1,785,298	1,785,298
	12,331,844	23,307,893	1,301,804	36,941,541	-	5,098,011	27,977,352	33,075,363	32,271,274
Liabilities									
Depositors' savings fund	-	-	-	-	-	-	83,337,584	83,337,584	83,337,584
Lease liabilities	-	-	-	-	-	-	552,629	552,629	552,629
	-	-	-	-	-	-	83,890,213	83,890,213	83,890,213

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43. Fair value of financial assets and liabilities *(cont'd.)*

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key observable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and input used
a) Amount due from/(to) related companies Amount due from/(to) subsidiaries	The fair values of amount due from/(to) related companies or subsidiaries are estimated to approximate their carrying amount.
b) Borrowings	The fair values of borrowings are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for similar instruments as at reporting date.
c) Financing, advances and others	The fair values of variable rate financings, advances and others are estimated to approximate their carrying amount. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles.
d) Finance lease receivables	The fair values of finance lease receivables are estimated to approximate their carrying amount.
e) UJSB sukuk	For those inputs which cannot be referenced to observable data and, therefore, inputs are adjusted for relative tenor and issuer quality.
f) Depositors' savings fund	The fair values of deposits approximate their carrying amount due to the deposits being repayable on demand.
g) Lease liabilities	Discounted cash flow based on repayment schedule, discounted at market rate.

Financial instruments carried at fair value

Type	Description of valuation technique and input used
a) Unquoted shares	Adjusted net assets value or market approach using observable inputs.
b) Menara ABS Tranche C Sukuk	Discounted cash flows using a discount rate of 3.31% based on corporate bond rating BB and below. Main inputs used are valuation of the properties as well as rental collection.

The profit rates used to discount estimated cash flows, when applicable, are as follows:

	Group	
	2022	2021
Borrowings	**5.44%**	5.37%

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44. Contingent liabilities

(a) Litigation

Group

(i) THP Enstek Development Sdn Bhd ("THPED")

THP Enstek Development Sdn Bhd ("THPED"), a property subsidiary of the Group had entered into various agreements with Davanam Constructions Sdn Bhd ("Davanam") and Ascenteus Holdings Sdn Bhd ("Ascenteus") on 26 March 2009, 3 July 2009 and 1 June 2010 (together "the Agreement") for the development by Davanam of land area in Bandar Enstek into premium villas and a club house. THPED was to be entitled to 10% of the gross development value of the entire project less deductible items or not less than RM1 million per acre of the total gross land area, whichever was higher.

THPED through its solicitors issued a letter of demand on 23 August 2016 to Davanam demanding remedy of several breaches of the Agreement. As Davanam failed to do so, THPED terminated the Agreement via letter dated 27 October 2016.

On 21 August 2019, THPED received a sealed copy of the Plaintiff's Writ of Summons and Statement of Claim from Davanam. THPED filed its Defence and Counterclaim on 24 September 2019.

The trial had commenced on 18 April 2022 and was concluded on 15 September 2022 with cross- examination and the re-examination of THPED's final witness. The Judge ordered both parties to submit the written submissions by 6 January 2023, and the subsequent replies to the submissions by 20 January 2023.

Davanam had applied for an extension of time to submit the written submission for reasons that it took longer to transcribe the notes of evidence after months of trial and submit to court, and that the weight of the evidence and documents to be sieved through amounts to 4,650 pages of bundles of documents and 2,700 pages of witnesses' statements. Thus, the Court has allowed the submissions to be filed by 6 March 2023, and reply to submissions to be filed by 24 March 2023. THPED will object to any further requests for extension by Davanam henceforth.

45. Capital management

Under the wakalah contract (Note 2(e)), ***TH*** act as an agent to administer the depositors' savings fund. Accordingly, ***TH***'s capital management is to ensure that the depositors' savings are secured and profit distribution to depositors are stable. To achieve this, ***TH*** has developed a long term strategic asset allocation and, reserves and distribution policies. ***TH*** may adjust its tactical asset allocation and investment risk profile in light of the changes in economic conditions while observing the above policies.

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group is determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

One of the subsidiaries, TH Plantations Berhad ("THPB Group") was adopting the strategy to maintain the debt-to-equity ratio of less than one time during the year.

46. Significant events during the year

a) The Coronavirus Virus Disease 2019 ("COVID-19") - Transition to Endemic Phase

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.

From 1 April 2022, Malaysia entered the "Transition to Endemic" phase of Covid-19 with removal of business restrictions, loosening of Standard Operating Procedures ("SOPs") and reopening of international borders allowing Malaysians to return to near-normal life and is a temporary phase before the country moves to full endemic phase.

b) Bank Islam Malaysia Berhad ("Bank Islam") – Dividend Reinvestment Plan

On 19 November 2021, the shareholders of Bank Islam in the Extraordinary General Meeting had approved the Dividend Reinvestment Plan ("DRP") of Bank Islam. The DRP among others results in Bank Islam paying the dividend to its shareholders by way of new shares instead of cash payment at an issue price at not more than a ten percent (10%) discount to the five (5)-Market Day volume weighted average price ("VWAP") of Bank Islam Shares immediately before the price fixing date.

On 29 November 2021, the board of directors of Bank Islam declared an interim single tier dividend ("interim dividend") of 10.93 sen per ordinary share in Bank Islam ("Bank Islam share(s)") for the financial year ended 31 December 2021 at an issued price of RM2.51 per share. A total of 90,053,200 new shares of Bank Islam were issued pursuant to this DRP of which ***TH*** new shares under this DRP amounted to 43,420,100. This has resulted in ***TH*** shareholding to increase from 48.03% to 48.28% with corresponding increase in its cost of investment from RM2,935.6 million to RM3,044.5 million. These new shares were listed on Bursa Malaysia on 19 January 2022.

c) TH Plantations Berhad ("TH Plant") - Sukuk Wakalah Programme

Lembaga has approved TH Plant – New Sukuk Programme ("Sukuk Wakalah Programme") in its meeting on 20 December 2021. The new sukuk structure comprises junior sukuk (up to RM650 million) and senior tranches (up to RM430 million) with tenure of up to 15 years and perpetual respectively. The ultimate objective of the new sukuk programme is for ***TH*** Plant to have sustainable cash flow and to avoid further capital injection from ***TH*** in near term.

A presentation to YB Minister was held on 14 February 2022 on the Sukuk Wakalah Programme proposal and on 28 June 2022, ***TH*** has obtained the YB Minister's approval with regards to the refinancing of Sukuk of THP Suria Mekar ("TSM") with a new Sukuk issuance of RM1.08 billion.

On 8 July and 3 October 2022, TH Plant announced to Bursa Malaysia on the issuance of RM300.0 million and RM650.0 million in nominal value of perpetual Sukuk Wakalah and of senior Sukuk Wakalah, respectively, under the Sukuk Wakalah Programme. The proceeds from this issuance were used by TSM to refinance existing outstanding Sukuk issued under TSM's existing Sukuk Murabahah Programme of up to RM1.2 billion in nominal value.

d) Private Placement of up to 10% of the Issued Shares in Theta Edge Berhad ("Theta")

On 25 February 2022, Theta proposed a private placement of up to 10,724,300 new ordinary shares in the Company, representing up to approximately 10% of the total number of issued shares proceeds of which were to be utilised by Theta Group mainly as working capital for Jalinan Digital Nasional ("JENDELA") Project.

The Private Placement was completed on 25 April 2022 and the placement shares were allotted to third party investors at an issue price of RM0.725 with gross proceeds of RM7,775,118.

As a result, Theta's issued share capital currently stands at 117,967,569 shares and ***TH***'s shareholding has diluted from 30.01% to 27.28% as the number of shares held remains at 32,179,250 shares.

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46. Significant events during the year *(cont'd.)*

e) Unwinding Transaction of Deru Semangat Sdn Bhd ("DSSB")

On 17 December 2021, ***TH*** signed a sale and purchase agreement with Yang Amat Mulia Tengku Muda Pahang Tengku Abd Rahman Al-Haj Ibni Al Marhum Sultan Ahmad Shah Al-Musta'in Billah ("YAM TMP") for the disposal of the entire ***TH*** shareholding in Deru Semangat Sdn. Bhd. ("DSSB").

The divestment of DSSB was completed on 22 September 2022 upon completion of the selective capital reduction exercise (approved by high court on 2 August 2022) through payment for the transfer of shares from ***TH*** to YAM TMP.

47. Hajj financial support ("HAFIS")

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 HAFIS. HAFIS is the result of Hajj payment being set below the Hajj direct cost for the Muassasah pilgrims performing their Hajj for the first time. The Hajj direct cost comprises costs incurred in Malaysia and the Holy Land for the pilgrimage, which include cost of accommodations in Makkah, Madinah, Arafah and Mina, transportations, meals and other compulsory payments to the Saudi authorities.

On 9 April 2022, the Saudi Ministry of Hajj and Umrah announced that Hajj quota set by the Government of Saudi Arabia for Malaysia for this Hajj season was 14,306 pilgrims. Hajj payments for first-time Muassasah pilgrims were set at RM10,980 for B40 category and RM12,980 for non B40 category. Hajj costs for Hajj season 1443H/2022M was initially estimated at RM25,540 but subsequently increased to RM28,632 due to imposition of certain new charges by Muassasah operator in Saudi Arabia. With the tiered hajj payment and hajj cost of RM28,632 per pilgrim, total HAFIS expenses for this year hajj season amounted to approximately RM189.0 million.

In prior year, the Government of Saudi Arabia has decided to restrict 1442H/2021M Hajj Pilgrimage for only Saudi citizens and residents of other countries residing in the Kingdom of Saudi Arabia due to the on-going pandemic in which the number of cases were on the rise.

In line with this decision, the Government of Malaysia did not receive any hajj quota and consequently did not send any hajj pilgrims for 1442H/2021M Hajj Season.

48. Subsequent event

TH

a) Investments in Sukuk issued by Menara ABS Berhad ("Menara ABS")

On 9 January 2023, Menara ABS has notified AmanahRaya Trustee Berhad ("Trustee") on Menara ABS' inability to redeem amongst others, Tranche A Sukuk on the Final Distribution Date / Legal Maturity Date. Therefore, on 13 January 2023, the sukuk has fallen under Dissolution Event, i.e. default in principal payment. The Trustee has notified and requested Menara ABS to remedy such non-payment within 7 business days. Nevertheless, since Menara ABS could not remedy the payment within the stipulated timeline, the Trustee shall now exercise all its right under Declaration of Trust for the purpose of enforcement including but not limited to realisation or disposition of the Trust Asset. Sukukholders have appointed Andra, Sundra & Low as their legal counsel in relation to managing the legal aspect of the sukuk post Legal Maturity.

To date, Menara ABS has managed to dispose only 2 out of 4 of its properties. TM Cyberjaya was sold on 13 May 2022 at a disposal price of RM44.8 million while Wisma TM Taman Desa was sold on 5 September 2022 at RM35.3 million. This leaves Menara ABS with two remaining unsold properties namely Menara TM Bangsar and TM Semarak. TM Semarak has recently received an offer from a prospective buyer and negotiation is still on-going.

48. Subsequent event *(cont'd.)*

TH *(cont'd.)*

a) Investments in Sukuk issued by Menara ABS Berhad ("Menara ABS") *(cont'd.)*

As at 31 December 2022, Tranche C Sukuk, which is solely held by ***TH*** with a market value of RM225,033,386 (2021: RM413,520,362), shall only be paid after full settlement of Tranche A. The reduction in Tranche C's market value is reflected by the lower property valuation derived from replacement tenants' issues and significantly lower rental than the Master Ijarah payments. Tranche C carries a profit rate of 10.0% of which only 7.5% is paid and the remaining 2.5% will be is accrued and shall be settled on 'cash sweep' basis based on the excess cash post full payment to amount outstanding on Tranche A.

Tranche A Sukuk saw further downgrades on its credit rating in financial year 2022, with a final rating of 'D' after the Dissolution Event. According to RAM, the D rating reflects Menara ABS' failure to redeem the RM345 mil Tranche A Sukuk due on 13 January 2023. Estimated cash balances in the designated accounts would be enough to cover final profit payment but insufficient to redeem all of Tranche A Sukuk. The following table illustrates the rating downgrade on each Tranche A:

		Downgrade on						
Sukuk Ijarah	**Initial Rating**	**28 July 2021**	**29 March 2022**	**21 Sept 2022**	**13 Jan 2023**	**Outlook**	**Legal Maturity Date**	***TH*'s Holdings in nominal value (RM Mil)**
Tranche A								
Tranche A1	AAA	AA2	BBB1	C3	D	N/A	13-Jan-2023	40
Tranche A2	AA2	A1	BBB3	C3	D	N/A	13-Jan-2023	20
Tranche A3	AA3	A3	BB2	C3	D	N/A	13-Jan-2023	30
Tranche A4	AA3	A3	BB2	C3	D	N/A	13-Jan-2023	10
Tranche B					Redeemed			
Tranche C		Unrated				N/A	13-Jan-2023	500
							Total	600

b) Early Redemption of Series 1 of UJSB Sukuk Murabahah

On 9 February 2023, a notice was issued by UJSB ("Issuer") on its decision to exercise the early redemption option Pursuant to Clause 10.3 of the Subscription Agreement dated 15 May 2019 whereby the Issuer may redeem the Sukuk Murabahah at any time prior to the relevant Maturity Date of the Sukuk Murabahah (in whole or in part) subject to Issuer providing a notice to the Facility Agent, in respect of the Sukuk.

On 28 February 2023, UJSB made a partial early redemption amounting to RM200 million of the Sukuk Murabahah (Series 1). The details of the early redemption is as follows:

Stock code	:	VK190099
Series	:	1
Early redemption date	:	28 February 2023
Outstanding nominal value prior to early redemption	:	RM12,954,902,134.75
Total nominal value to be redeemed	:	RM227,538,533.65
Outstanding nominal value post early redemption	:	RM12,727,363,601.10
Total early redemption amount payable	:	RM200,000,000.00

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(cont'd.)*

48. Subsequent event *(cont'd.)*

TH *(cont'd.)*

c) Civil Action against Medic IG Holdings Sdn. Bhd. (''Medic IG'')

Pursuant to an agreement between Lembaga Tabung Haji ("Plaintiff") and Medic IG ("Defendant") known as the Lease Agreement ("Agreement") dated 1 November 2018, Plaintiff is the registered owner and beneficial owner of a private hospital building with facilities therein, measuring an area of approximately 34,186 square metres, completed in accordance with the specifications in the 3rd Schedule of the said Agreement and constructed on a piece of land known as Grant No. PN 99983, Lot 78216 or known as An-Nur Specialist Hospital ("Demised Premise").

Plaintiff as the lessor, agrees to grant the Defendant a lease of the Demised Premise, as the lessee, for period of 21 years commencing from the date of delivery of vacant possession received by the Defendant, at an agreed monthly rental and based on the terms of the said Agreement. Defendant then breached the terms of the Agreement, wherein the Defendant has failed, refused and/or neglected to make payment of the monthly rentals of the said Demised Premis to the Plaintiff, despite being served with reminder notices by the Plaintiff. Subsequently, Plaintiff has instructed its solicitors to issue notices of demand dated 4 January 2021 and 14 November 2021 to the Defendant to demand for the outstanding rental, respectively in the sum of RM7,712,500 as at 28 December 2020 and RM18,630,000 as at 1 November 2022, within 14 days period from the date of the notices being issued.

Nevertheless, Defendant continued to fail, refuse and/or neglect to make full payment of the sum demanded in the said notices within the stipulated period. Pursuant thereto, Plaintiff filed a Writ of Summons on 9 March 2023 to demand against the Defendant, amongst others:

a) total outstanding rental amounting to RM21,735,000 as at 1 March 2023;

b) late payment charges at 10% rate on RM21,735,000 from the date of filing of the said Writ of Summons till date of full realisation;

c) costs of this suit; and

d) other reliefs as the Court deems fit and just.

Plaintiff also filed a Statutory Winding Up Notice against the Defendant on 30 March 2023.

The civil suit was called for case management on 4 April 2023, wherein parties were given instructions regarding the filing of cause papers. Defendant then filed the Statement of Defence and Counter claim against the Plaintiff on 5 May 2023.

Further, in line with the Court's order at the case management, Plaintiff filed the Reply to Defence and Defendant's Defence to Counter claim on 30 May 2023.

Court has instructed parties to file the pre-trial documents by 7 August 2023. The civil suit is now fixed for case management on 9 August 2023 for parties to update the Court on the status of filing of the pre-trial documents.

d) Arbitration results on a financial lease receivable

TH was awarded an amount of SAR899.2 million from an arbitration following a dispute on the outstanding amount due from the counter party on a finance lease receivable arrangement. ***TH*** is in the process of taking various actions to ensure full recoverability of the awarded amount.