

Registration No: 195801000175 (025457-V)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

FINANCIAL REPORT
for the financial year ended 31 December 2023

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

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BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Economic Entity and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company, a financial institution with the primary objective of promoting home ownership, is principally engaged in providing end finance to house owners and other property owners and bridging finance to developers.

RESULTS

	Economic Entity RM	The Company RM
Profit after taxation for the financial year	28,511,522	28,209,924

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2022 are as follows:-

	RM
Ordinary Share	
<u>In respect of the financial year 31 December 2022</u>	
Final dividend of 11.07 sen per ordinary share, paid on 8 December 2023	14,000,000
<u>In respect of the financial year 31 December 2023</u>	
Interim dividend of 4.75 sen per ordinary share, paid on 26 June 2024	6,000,000
	<u>20,000,000</u>

Subsequent to the financial year end, a final dividend of 6.33 sen per ordinary share amounting to RM8,000,000 in respect of the current financial year was declared on 26 September 2024. The financial statements for the current financial year do not reflect this declared dividend. Such dividend will be accounted for as a liability in the financial year ending 31 December 2024.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Economic Entity and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Economic Entity and of the Company.

CURRENT ASSETS

Before the financial statements of the Economic Entity and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Economic Entity and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Economic Entity and of the Company misleading or inappropriate.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Economic Entity and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Economic Entity and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Economic Entity and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Economic Entity and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Economic Entity and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Economic Entity and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Economic Entity and of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors who served during the financial year and up to the date of this report are as follows:-

Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Haji Husain
Datuk Bolkiah Bin Ismail
Datu Hasmawati Binti Sapawi
Ahmad Rizal Bin Dahli
Datu Elean Binti Masa'at
Mohd Faizal Mohd Tahir

DIRECTORS' INTERESTS

None of the directors in office at the end of the financial year held shares or had beneficial interests in the shares of the Company during or at the beginning and end of the financial year.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Economic Entity or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNIFICATION OF OFFICERS

During the financial year, the amount of indemnity coverage and insurance premium paid for the directors and officers of the Company, are RM10,000,000 and RM48,770 respectively.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Crowe Malaysia PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Crowe Malaysia PLT during the financial period and up to the date of this report.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Economic Entity and of the Company during the financial year are as follows:-

	Economic Entity/The Company
	RM
Fees	273,600
Other emoluments	64,295
	<hr/>
	337,895
	<hr/>

SHAREHOLDERS

The Company is equally owned by the Sarawak State Financial Secretary, a body corporate constituted under the State Financial Secretary (Incorporation) Ordinance, 1948, and Qhazanah Sabah Bhd., a company wholly-owned by the State Government of Sabah.

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BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The audit fees of the Company for the financial year was RM128,000.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 September 2024.



Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Haji Husain



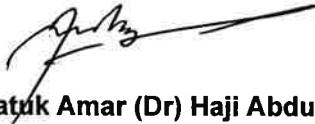
Ahmad Rizal Bin Dahli

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016**

We, Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Haji Husain and Ahmad Rizal Bin Dahli, being two of the directors of Borneo Housing Mortgage Finance Berhad, state that, in the opinion of the directors, the financial statements set out on pages 11 to 68 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Economic Entity and of the Company as of 31 December 2023 and of their financial performance and cash flows for the financial year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 September 2024.



Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Haji Husain



Ahmad Rizal Bin Dahli

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Bong Say Man, being the officer primarily responsible for the financial management of Borneo Housing Mortgage Finance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 68 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Bong Say Man
at Kuching
in the State of Sarawak
on this 26 September 2024



Bong Say Man

Before me



PHANG DAH NAN
Commissioner For Oaths
No. 55, 1st Floor,
Jalan Chan Bee Kiew
Off Jalan Padungan,
93100 Kuching, Sarawak.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

Registration No: 195801000175 (025457-V)

Report on the Financial Statements

We have audited the financial statements of Borneo Housing Mortgage Finance Berhad, which comprise the statements of financial position as at 31 December 2023 of the Economic Entity and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Economic Entity and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 11 to 68.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Economic Entity and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Economic Entity and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Economic Entity and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Economic Entity and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Economic Entity and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BORNEO HOUSING MORTGAGE FINANCE BERHAD (CONT'D)

(Incorporated in Malaysia)

Registration No: 195801000175 (025457-V)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Economic Entity and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Economic Entity's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BORNEO HOUSING MORTGAGE FINANCE BERHAD (CONT'D)

(Incorporated in Malaysia)

Registration No: 195801000175 (025457-V)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Economic Entity's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Economic Entity and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Economic Entity or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Economic Entity and of the Company, including the disclosures, and whether the financial statements of the Economic Entity and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Economic Entity to express an opinion on the financial statements of the Economic Entity. We are responsible for the direction, supervision and performance of the Economic Entity audit. We remain solely responsible for our audit opinion.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BORNEO HOUSING MORTGAGE FINANCE BERHAD (COND'T)**

(Incorporated in Malaysia)

Registration No: 195801000175 (025457-V)

OTHER MATTERS

1. The financial statements of the Economic Entity and of the Company for the preceding financial year were audited by another firm of auditors whose report dated 9 September 2023 expressed an unmodified opinion on those statements.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Crowe Malaysia PLT
201906000005 (LPP0018817-LCA) & AF 1018
Chartered Accountants



Chin Su Su
03436/05/2025 J
Chartered Accountant

Kuching

26 September 2024

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	NOTE	Economic Entity			The Company		
		2023 RM	2022 RM (Restated)	2021 RM (Restated)	2023 RM	2022 RM (Restated)	2021 RM (Restated)
ASSETS							
Cash and bank balances	6	13,090,695	10,870,043	7,532,438	13,090,695	10,870,043	7,532,438
Deposits and placements with financial institutions	7	74,000,000	108,000,000	67,000,000	74,000,000	108,000,000	67,000,000
Loan/financing receivables	8	1,084,369,478	1,063,563,075	1,039,016,061	1,084,369,478	1,063,563,075	1,039,016,061
Other receivables	9	1,611,922	1,114,068	1,112,484	1,611,922	1,114,068	1,112,484
Assets held for sale	10	19,942	-	-	19,942	-	-
Investment in associates	11	8,688,912	8,387,314	8,370,482	4,000,000	4,000,000	4,000,000
Property, plant and equipment	12	11,728,690	12,179,063	12,289,039	11,728,690	12,179,063	12,289,039
Right-of-use assets	13	6,695,627	6,967,791	7,255,886	6,695,627	6,967,791	7,255,886
Deferred tax assets	14	2,961,974	2,131,063	2,545,581	2,961,974	2,131,063	2,545,581
TOTAL ASSETS		1,203,167,240	1,213,212,417	1,145,121,971	1,198,478,328	1,208,825,103	1,140,751,489

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

	NOTE	Economic Entity			The Company		
		2023 RM	2022 RM (Restated)	2021 RM (Restated)	2023 RM	2022 RM (Restated)	2021 RM (Restated)
LIABILITIES							
Deposits from customers	15	725,248,311	754,687,864	704,947,084	725,248,311	754,687,864	704,947,084
Borrowings	16	1,000,000	1,493,525	2,041,817	1,000,000	1,493,525	2,041,817
Other payables and accruals	17	40,557,066	27,553,017	29,586,604	40,557,066	27,553,017	29,586,604
Accrued expenses		1,125,662	2,085,058	1,668,427	1,125,662	2,085,058	1,668,427
Provision for gratuity and defined benefit obligations	18	7,003,174	6,153,147	6,468,806	7,003,174	6,153,147	6,468,806
Lease liabilities	19	81,525	372,294	666,013	81,525	372,294	666,013
Current tax liabilities		1,488,171	2,104,736	2,218,749	1,488,171	2,104,736	2,218,749
TOTAL LIABILITIES		776,503,909	794,449,641	747,597,500	776,503,909	794,449,641	747,597,500
EQUITY							
Share capital	20	154,420,084	154,420,084	154,420,084	154,420,084	154,420,084	154,420,084
General reserve	21	118,499,884	113,499,884	108,499,884	118,499,884	113,499,884	108,499,884
Retained earnings	21	153,743,363	150,842,808	134,604,503	149,054,451	146,455,494	130,234,021
TOTAL EQUITY		426,663,331	418,762,776	397,524,471	421,974,419	414,375,462	393,153,989
TOTAL EQUITY AND LIABILITIES		1,203,167,240	1,213,212,417	1,145,121,971	1,198,478,328	1,208,825,103	1,140,751,489

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	NOTE	Economic Entity		The Company	
		2023 RM	2022 RM (Restated)	2023 RM	2022 RM (Restated)
INTEREST/PROFIT INCOME	22	79,443,061	78,976,009	79,443,061	78,976,009
INTEREST/PROFIT EXPENSES	23	(29,680,971)	(22,216,919)	(29,680,971)	(22,216,919)
NET INTEREST INCOME		49,762,090	56,759,090	49,762,090	56,759,090
OTHER INCOME	24	5,856,577	5,462,272	5,856,577	5,462,272
		55,618,667	62,221,362	55,618,667	62,221,362
ADMINISTRATIVE EXPENSES		(14,231,886)	(14,028,343)	(14,231,886)	(14,028,343)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS	25	(3,571,726)	(1,605,989)	(3,571,726)	(1,605,989)
FINANCE COSTS		(13,819)	(30,281)	(13,819)	(30,281)
SHARE OF PROFITS OF EQUITY ACCOUNTED ASSOCIATES		301,598	16,833	-	-
PROFIT BEFORE TAXATION	26	38,102,834	46,573,582	37,801,236	46,556,749
INCOME TAX EXPENSES	27	(9,591,312)	(11,335,277)	(9,591,312)	(11,335,277)
PROFIT AFTER TAXATION		28,511,522	35,238,305	28,209,924	35,221,472
OTHER COMPREHENSIVE INCOME					
<u>Item that Will Not be Reclassified</u> <u>Subsequently to Profit or Loss</u>					
Remeasurement of defined benefit obligations		(610,967)	-	(610,967)	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		27,900,555	35,238,305	27,598,957	35,221,472

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

The Economic Entity	NOTE	Share Capital RM	General Reserve RM	Retained Profits RM	Total Equity RM
At 1.1.2022					
- As previously reported		154,420,084	108,499,884	216,600,387	479,520,355
- Prior year adjustments	35	-	-	(81,995,884)	(81,995,884)
As restated		154,420,084	108,499,884	134,604,503	397,524,471
Profit after taxation, representing total comprehensive income for the financial year					
- As previously reported		-	-	26,091,379	26,091,379
- Prior year adjustments	35	-	-	9,146,926	9,146,926
As restated		-	-	35,238,305	35,238,305
Transfer to general reserve		-	5,000,000	(5,000,000)	-
Dividends	28	-	-	(14,000,000)	(14,000,000)
Balance at 31.12.2022/1.1.2023		154,420,084	113,499,884	150,842,808	418,762,776
Profit after taxation for the financial year		-	-	28,511,522	28,511,522
Other comprehensive income for the financial year					
- Remeasurement of defined benefit obligations	18	-	-	(610,967)	(610,967)
Transfer to general reserve		-	5,000,000	(5,000,000)	-
Dividends	28	-	-	(20,000,000)	(20,000,000)
Balance at 31.12.2023		154,420,084	118,499,884	153,743,363	426,663,331

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)**

The Company	NOTE	Share Capital RM	General Reserve RM	Retained Profits RM	Total Equity RM
At 1.1.2022					
- As previously reported		154,420,084	108,499,884	212,148,206	475,068,174
- Prior year adjustments	35	-	-	(81,914,184)	(81,914,184)
As restated		154,420,084	108,499,884	130,234,022	393,153,990
Profit after taxation, representing total comprehensive income for the financial year					
- As previously reported		-	-	26,033,696	26,033,696
- Prior year adjustments	35	-	-	9,187,776	9,187,776
As restated		-	-	35,221,472	35,221,472
Transfer to general reserve		-	5,000,000	(5,000,000)	-
Dividends	28	-	-	(14,000,000)	(14,000,000)
Balance at 31.12.2022/1.1.2023		154,420,084	113,499,884	146,455,494	414,375,462
Profit after taxation for the financial year		-	-	28,209,924	28,209,924
Other comprehensive income for the financial year					
- Remeasurement of defined benefit obligations	18	-	-	(610,967)	(610,967)
Transfer to general reserve		-	5,000,000	(5,000,000)	-
Dividends	28	-	-	(20,000,000)	(20,000,000)
Balance at 31.12.2023		154,420,084	118,499,884	149,054,451	421,974,419

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Economic Entity		The Company		
	NOTE	2023 RM	2022 RM (Restated)	2023 RM	2022 RM (Restated)
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before taxation		38,102,834	46,573,582	37,801,236	46,556,749
Adjustments for:-					
Allowance/(Reversal) for impairment losses:					
- loan/financing receivables		3,422,617	1,668,676	3,422,617	1,668,676
- bank guarantee		160,852	(72,290)	160,852	(72,290)
Bad debts written off		14,800	-	14,800	-
Depreciation of property, plant and equipment		754,157	741,251	754,157	741,251
Depreciation of right-of-use assets		315,918	288,095	315,918	288,095
Defined benefit obligation		551,392	582,975	551,392	582,975
Interest expense		13,819	30,281	13,819	30,281
Property, plant and equipment written off		630	-	630	-
Gain on disposal of property, plant and equipment		(2,050)	-	(2,050)	-
Interest income from fixed and short-term deposits		(4,274,346)	(3,933,797)	(4,274,346)	(3,933,797)
Share of profits of equity accounted associates		(301,598)	(16,833)	-	-
Operating profit before working capital		38,759,025	45,861,940	38,759,025	45,861,940
Decrease/(Increase) in deposits and placements with financial institution with maturity more than one month		40,000,000	(80,000,000)	40,000,000	(80,000,000)
Increase in loan/financing receivables		(24,243,820)	(26,215,689)	(24,243,820)	(26,215,689)
Increase in other receivables		(497,854)	(1,584)	(497,854)	(1,584)
(Decrease)/Increase in deposits from customers		(29,439,553)	49,740,780	(29,439,553)	49,740,780
Increase/(Decrease) in other payables		12,843,197	(1,961,297)	12,843,197	(1,961,297)
(Decrease)/Increase in accrued expenses		(959,396)	416,631	(959,396)	416,631
Decrease in provisions for gratuity and defined benefits obligations		(312,332)	(898,634)	(312,332)	(898,634)
CASH FROM/(FOR) OPERATIONS		36,149,267	(13,057,853)	36,149,267	(13,057,853)
Interest paid		(3,341)	(7,800)	(3,341)	(7,800)
Income tax paid		(11,038,788)	(11,690,949)	(11,038,788)	(11,690,949)
Income tax refunded		-	656,177	-	656,177
NET CASH FROM/(FOR) OPERATING ACTIVITIES		25,107,138	(24,100,425)	25,107,138	(24,100,425)

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)**

	NOTE	Economic Entity		The Company	
		2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		2,050	-	2,050	-
Purchase of property, plant and equipment		(324,356)	(631,275)	(324,356)	(631,275)
Interest income received		4,274,346	3,933,797	4,274,346	3,933,797
NET CASH FROM INVESTING ACTIVITIES		3,952,040	3,302,522	3,952,040	3,302,522
CASH FLOWS FOR FINANCING ACTIVITIES					
Drawdown/(Repayment) of revolving credits	29(a)	1,000,000	(2,000,000)	1,000,000	(2,000,000)
Dividend paid	28	(20,000,000)	(14,000,000)	(20,000,000)	(14,000,000)
Interest paid		(10,478)	(22,481)	(10,478)	(22,481)
Repayment of lease liabilities	29(a)	(334,523)	(293,719)	(334,523)	(293,719)
NET CASH FOR FINANCING ACTIVITIES		(19,345,001)	(16,316,200)	(19,345,001)	(16,316,200)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,714,177	(37,114,103)	9,714,177	(37,114,103)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		17,376,518	54,490,621	17,376,518	54,490,621
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	29(c)	27,090,695	17,376,518	27,090,695	17,376,518

BORNEO HOUSING MORTGAGE FINANCE BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

The registered office and principal place of business are as follows:-

Registered office : Lot 13499, 13500 & 13501, Section 65,
Kuching Town Land District,
Medan Hamizan, Jalan Tun Abdul Rahman Yaakub,
93050 Petra Jaya, Kuching, Sarawak, Malaysia.

Principal place of business : Menara Borneo Housing, Lot No. 48, Jalan Ikan Juara 2,
Sadong Jaya, Karamunsing,
88100 Kota Kinabalu, Sabah, Malaysia.

Lot 13499, 13500 & 13501, Section 65,
Kuching Town Land District,
Medan Hamizan, Jalan Tun Abdul Rahman Yaakub,
93050 Petra Jaya, Kuching, Sarawak, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 September 2024.

2. SHAREHOLDERS

The Company is equally owned by the Sarawak State Financial Secretary, a body corporate constituted under the State Financial Secretary (Incorporation) Ordinance, 1948, and Qhazanah Sabah Bhd., a company wholly-owned by the State Government of Sabah.

3. PRINCIPAL ACTIVITIES

The Company, a financial institution with the primary objective of promoting home ownership, is principally engaged in providing end finance to house owners and other property owners and bridging finance to developers.

4. BASIS OF PREPARATION

The financial statements of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

4. BASIS OF PREPARATION (CONT'D)

- 4.1 During the current financial year, the Economic Entity and the Company have adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the financial statements of the Economic Entity and of the Company.

- 4.2 The Economic Entity and the Company have not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Effective Date

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Deferred

Amendments to MFRS 16: Lease Liability in a Sale and Leaseback

1 January 2024

Amendments to MFRS 101: Classification of Liabilities as Current or Non-current

1 January 2024

Amendments to MFRS 101: Non-current Liabilities with Covenants

1 January 2024

Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

1 January 2024

Amendments to MFRS 121: Lack of Exchangeability

1 January 2025

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Economic Entity and of the Company upon their initial application.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Impairment of Loan/Financing Receivables

The Economic Entity and the Company use the three-stage general approach to estimate a lifetime expected credit loss allowance for all loan/financing receivables. The Economic Entity and the Company develops the expected loss rates based on the internally developed statistical models, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of loan/financing receivables. The carrying amount of loan/financing receivables as at the reporting date is disclosed in Note 8 to the financial statements.

(b) Defined Benefit Obligations

The cost of defined benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rates of return of assets, future salary increases, mortality rates and future benefit increases.

Due to complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least an 'AA' rating or above, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the country, Future salary increases and benefit increases are based on expected future inflation rates for the country, The carrying amount of defined benefit obligations as at the reporting date is disclosed in Note 18 to the financial statements.

(c) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount deferred tax assets as at the reporting date is disclosed in Note 14 to the financial statements.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the accounting policies of the Economic Entity and of the Company which will have a significant effect on the amounts recognised in the financial statements.

5.2 FOREIGN CURRENCY

The financial statements of the Economic Entity and of the Company are presented in the currency of the primary economic environment of which the Economic Entity and the Company operate (their functional currency). The financial statements are expressed in Ringgit Malaysia, which is the functional currency of the Economic Entity and of the Company, and also the presentation currency.

Transactions in currencies other than the functional currency of the Economic Entity and of the Company (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are remeasured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gains or losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income.

5.3 FINANCIAL INSTRUMENTS

(a) Financial Assets

Financial Assets Through Profit or Loss

The financial assets are initially measured at fair value. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest and dividend income.

Financial Assets at Amortised Cost

The financial assets are initially measured at fair value plus transaction costs except for receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Financial Assets Through Other Comprehensive Income

The financial assets are initially measured at fair value plus transaction costs. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes taken up in other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference of a debt instrument which are recognised directly in profit or loss. The fair value changes do not include interest and dividend income.

The carrying amount of the asset (other than debt instrument measured at FVOCI) is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

The impairment loss for a debt instrument measured at FVOCI does not reduce the carrying amount of the financial asset which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset was measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss.

The accumulated loss recognised in other comprehensive income is reclassified to the profit or loss upon the derecognition of the financial asset. For loan/financing commitments and financial guarantee contracts, the loss allowance is recognised as expected credit losses on loan/financing commitments and financial guarantees which is reported under 'other payables' in the statements of financial position.

Modification of loans/financing

Where a loan/financing shows evidence of significant credit weaknesses, the Economic Entity and the Company sometimes renegotiate or otherwise modify the contractual cash flows of the loans/financing rather than take possession of the collateral. When this happens, the Economic Entity and the Company assess whether the new terms are substantially different from the original terms. The Economic Entity and the Company consider, among others, the following factors:-

- (a) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- (b) Whether any substantial new terms are introduced that substantially affects the risk profile of the loan/financing;
- (c) Significant extension of the loan/financing term;
- (d) Significant change in the interest/profit rate; and
- (e) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan/financing.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Modification of loans/financing (Cont'd)

The Economic Entity and the Company derecognised a loan/financing when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan/financing and recalculates a new effective interest/profit rate for the loan/financing. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Economic Entity and the Company also assess whether the new loan/financing recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition and impairment continues to be assessed for significant increase in credit risk compared to the credit risk at initial origination.

Write-off policy

Where a loan/financing is uncollectible, it is written off against the related allowance for loan/financing impairment. Such loans/financing are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in profit or loss.

(b) Financial Liabilities

Financial Liabilities Through Profit or Loss

The financial liabilities are initially measured at fair value. Subsequent to the initial recognition, the financial liabilities are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest expense.

Financial Liabilities at Amortised Cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

(c) Equity

Ordinary Shares

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

(d) Financial Guarantee Contracts

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to the initial recognition, the financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Economic Entity, as the issuer, is required to reimburse the holder for the associated loss, the reimbursement is recognised as a liability and measured at the higher of the amount of loss allowance determined using the expected credit loss model and the amount of financial guarantee initially recognised less cumulative amortisation.

5.4 INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Economic Entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, an investment in an associate is recognised initially in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Economic Entity's share of the profit or loss and other comprehensive income of the associate. When the Economic Entity's share of losses of an associate exceeds the Economic Entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Economic Entity's net investment in the associate), the Economic Entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Economic Entity has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Economic Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Economic Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Economic Entity's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.4 INVESTMENTS IN ASSOCIATES (CONT'D)

Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Economic Entity discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Economic Entity retains an interest in the former associate and the retained interest is a financial asset, the Economic Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate.

In addition, the Economic Entity accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Economic Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Economic Entity reduces its ownership interest in an associate but the Economic Entity continues to use the equity method, the Economic Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Economic Entity, profits and losses resulting from the transactions with the associate are recognised in the Economic Entity's consolidated financial statements only to the extent of interests in the associate that are not related to the Economic Entity.

Investment in associates are stated at cost less accumulated impairment losses, at the Company's separate financial statements. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.5 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost.

Subsequent to the initial recognition, all property, plant and equipment, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual depreciation rates are:-

Buildings	2%
Motor vehicles	15%
Office equipment, furniture, fittings and renovation	12.5% - 33.3%

5.6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Short-term Leases and Leases of Low value Assets

The Economic Entity and the Company apply the "short-term lease" and "lease of low-value assets" recognition exemption. For these leases, the Economic Entity and the Company recognise the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more appropriate.

(b) Right-of-use Assets

Right-of-use assets are initially measured at cost. Subsequent to the initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term.

(c) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the entities' incremental borrowing rate. Subsequent to the initial recognition, the lease liabilities are measured at amortised cost and adjusted for any lease reassessment or modifications.

5.7 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Economic Entity and the Company.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.7 EMPLOYEE BENEFITS (CONT'D)

(b) Defined Contribution Plans

The Economic Entity's and the Company's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Economic Entity and the Company have no further liability in respect of the defined contribution plans.

(c) Defined Benefit Plans

The Economic Entity and the Company operate an unfunded defined benefit plan for qualifying employees of its branches in Sabah and Sarawak. Under the plans, the employees are entitled to retirement benefits of one month final salary for each of service upon attaining the mandatory retirement age of sixty (60) or optional retirement age or passed away before attaining the retirement age. The amount payable under this plan will be net off the amount paid under the previous two retirement schemes, namely Staff Provident Fund and Gratuity Retrenchment Fund.

The Economic Entity and the Company have since ceased further contributions to the previous two retirement schemes and that the Staff Provident Fund had been transferred to Employees' Provident Fund in 2010, by virtue of the deed of dissolution and discharge dated 25 January 2010. However, contributions accrued under the Gratuity Retrenchment Fund will only be disbursed to the staff upon them attaining the mandatory retirement age of sixty (60) or optional retirement age or passed away before attaining the age.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on the high quality corporate bond) at the reporting date reduced by the fair value of plan assets (if any), adjusted for an effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.7 EMPLOYEE BENEFITS (CONT'D)

(c) Defined Benefit Plans (Cont'd)

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately on other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity of expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed for some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when, and only when, reimbursement is virtually certain

5.8 REVENUE AND OTHER OPERATING INCOME

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Economic Entity and the Company and the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Interest/Profit Income

Interest/Profit income is recognised in the statements of comprehensive income on an accrual basis using the effective interest method.

(b) Fee Income

Fee income such as the managing agency fee, loan processing fee and insurance commission are recognised at a point in time when the services have been rendered.

(c) Reminder and Guarantee Fee

Fees earned for the provision of services over a period of time, such as reminder and guarantee fees, are accrued over the period.

BORNEO HOUSING MORTGAGE FINANCE BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

6. CASH AND BANK BALANCES

	Economic Entity/The Company	
	2023	2022
	RM	RM
Cash and bank balances	13,090,695	10,881,786
Allowance for impairment losses	-	(11,743)
	13,090,695	10,870,043
Allowance for impairment losses:		
Stage 1 - 12 months ECL:		
At 1 January	11,743	2,140
(Reversal)/Addition during the financial year	(11,743)	9,603
At 31 December	-	11,743

7. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Economic Entity/The Company	
	2023	2022
	RM	RM
Deposits and placements with financial institutions with original maturity of:		
- Within one month	14,000,000	8,000,000
- More than one month	60,000,000	100,000,000
	74,000,000	108,000,000

The deposits and placements with financial institutions of the Economic Entity and of the Company at the end of the reporting period bore interest rates ranging from 3.50% to 3.90% (2022 – 3.20% to 3.80%) per annum. The deposits and placements with financial institutions have maturity periods ranging from 1 to 3 (2022 – 1 to 3) months for the Economic Entity and the Company.

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BORNEO HOUSING MORTGAGE FINANCE BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****8. LOAN/FINANCING RECEIVABLES**

	Economic Entity/The Company		
	2023 RM	2022 RM	2021 RM
Mortgage loan/financing receivables:			
- End finance loans/financing	830,377,236	840,069,052	834,232,424
- Bridging loans	167,139,483	162,154,553	158,465,187
- Revolving loans	104,761,047	81,793,372	64,599,773
- Term loans	15,086,945	13,096,785	13,634,910
	1,117,364,711	1,097,113,762	1,070,932,294
Unsecured loans receivable	2,900,895	1,291,840	1,309,656
Gross loan/financing receivables	1,120,265,606	1,098,405,602	1,072,241,950
Allowance for impairment losses			
- Stage 1 - 12 months ECL	(244,250)	(231,810)	(91,666)
- Stage 2 - Lifetime ECL not credit impaired	(145,654)	(149,507)	(57,406)
- Stage 3 - Lifetime ECL credit impaired	(35,506,224)	(34,461,210)	(33,076,817)
	(35,896,128)	(34,842,527)	(33,225,889)
	1,084,369,478	1,063,563,075	1,039,016,061
Allowance for impairment losses:-			
At 1 January	34,842,527	33,225,889	33,336,846
Addition during the year	3,803,945	3,529,255	4,884,844
Reversal during the year	(381,329)	(1,860,579)	(4,989,807)
Written off during the year	(2,369,015)	(52,038)	(5,994)
At 31 December	35,896,128	34,842,527	33,225,889

- (a) The mortgage loan/financing receivables are mainly secured by freehold or leasehold properties. The weighted average effective interest/profit rate of the Economic Entity and the Company is 5.41% (2022 – 6.13%) per annum.

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BORNEO HOUSING MORTGAGE FINANCE BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
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(b) The maturity structure of gross loan/financing receivables are as follows:-

	Economic Entity/The Company		
	2023	2022	2021
	RM	RM	RM
Maturing within one year	237,731,868	261,347,461	254,126,652
One year to three years	39,247,944	159,563,434	160,265,862
Three years to five years	39,723,643	159,541,756	159,971,912
Over five years	803,562,151	517,952,951	497,877,524
	<u>1,120,265,606</u>	<u>1,098,405,602</u>	<u>1,072,241,950</u>

(c) The exposure to credit risk for gross loan/financing receivables are as follows:

	Economic Entity/The Company		
	2023	2022	2021
	RM	RM	RM
Stage 1	886,383,000	989,875,599	961,291,197
Stage 2	16,978,334	12,401,238	6,006,734
Stage 3	216,904,272	96,128,765	104,944,019
	<u>1,120,265,606</u>	<u>1,098,405,602</u>	<u>1,072,241,950</u>

9. OTHER RECEIVABLES

	Economic Entity/The Company	
	2023	2022
	RM	RM
Other receivables	9,050	48,552
Staff loans and advances	1,469,921	931,101
Deposits	132,951	134,415
	<u>1,611,922</u>	<u>1,114,068</u>

Staff loans and advances are unsecured and bears weighted average effective interest rate of 3.50% (2022 – 3.50%) per annum.

10. ASSETS HELD FOR SALE

	Economic Entity/The Company	
	2023	2022
	RM	RM
Building	19,942	-

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11. INVESTMENTS IN ASSOCIATES

	Economic Entity		The Company	
	2023 RM	2022 RM (Restated)	2023 RM	2022 RM
Unquoted shares, at cost	4,000,000	4,000,000	4,000,000	4,000,000
Share of post acquisition reserves	4,688,912	4,387,314	-	-
	<u>8,688,912</u>	<u>8,387,314</u>	<u>4,000,000</u>	<u>4,000,000</u>

(a) The details of the associates are as follows:-

Name of Associate	Country of Incorporation and Principal Place of Business	Percentage of Ownership Interest		Principal Activities
		2023	2022	
		%	%	
BHMF Realty Sdn. Bhd.	Malaysia	40	40	Property development
Held through BHMF Realty Sdn. Bhd. Cendana Emas Sdn. Bhd.	Malaysia	40	40	Investment holding and property management

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

11. INVESTMENTS IN ASSOCIATES (CONT'D)

(b) The summarised financial information for associates are as follows:-

	BHMF Realty and its subsidiary	
	2023	2022
	RM	RM
		(Restated)
<u>At 31 December</u>		
Non-current assets	16,952,031	17,055,373
Current assets	5,242,517	4,133,582
Current liabilities	(472,269)	(220,670)
Net assets	<u>21,722,279</u>	<u>20,968,285</u>
<u>12-month Period Ended 31 December</u>		
Revenue	340,200	340,200
Profit for the financial year	753,994	42,083
Total comprehensive income	<u>753,994</u>	<u>42,083</u>
<u>Reconciliation of Net Assets to Carrying Amount</u>		
Group's share of net assets	8,387,314	8,370,481
Profit for the year	301,598	16,833
Carrying amount of the Economic Entity's interests in associates	<u>8,688,912</u>	<u>8,387,314</u>

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BORNEO HOUSING MORTGAGE FINANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12. PROPERTY, PLANT AND EQUIPMENT

Economic Entity/The Company	At 1.1.2023 RM	Addition RM	Classified as Held for Sale (Note 10) RM	Written Off RM	Depreciation Charge RM	At 31.12.2023 RM
<i>Carrying Amount</i>						
Buildings	11,343,086	-	(19,942)	-	(294,180)	11,028,964
Motor vehicles	199,780	-	-	-	(59,952)	139,828
Office equipment, furniture, fittings and renovation	636,197	324,356	-	(630)	(400,025)	559,898
	12,179,063	324,356	(19,942)	(630)	(754,157)	11,728,690

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BORNEO HOUSING MORTGAGE FINANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2022 RM	Additions RM	Depreciation Charge RM	At 31.12.2022 RM
Economic Entity/The Company				
<i>Carrying Amount</i>				
Buildings	11,629,082	-	(285,996)	11,343,086
Motor vehicles	92,441	156,184	(48,845)	199,780
Office equipment, furniture, fittings and renovation	567,516	475,091	(406,410)	636,197
	<u>12,289,039</u>	<u>631,275</u>	<u>(741,251)</u>	<u>12,179,063</u>

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
Economic Entity/The Company			
2023			
Buildings	14,350,731	(3,321,767)	11,028,964
Motor vehicles	1,162,418	(1,022,590)	139,828
Office equipment, furniture, fittings and renovation	10,208,508	(9,648,610)	559,898
	<u>25,721,657</u>	<u>(13,992,967)</u>	<u>11,728,690</u>

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
Economic Entity/The Company			
2022			
Buildings	14,402,290	(3,059,204)	11,343,086
Motor vehicles	1,162,418	(962,638)	199,780
Office equipment, furniture, fittings and renovation	9,952,482	(9,316,285)	636,197
	<u>25,517,190</u>	<u>(13,338,127)</u>	<u>12,179,063</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

13. RIGHT-OF-USE ASSETS

	At 1.1.2023 RM	Additions RM	Depreciation Charge RM	At 31.12.2023 RM
Economic Entity/The Company				
<i>Carrying Amount</i>				
Leasehold land	6,617,093	-	(7,537)	6,609,556
Office building	350,698	43,754	(308,381)	86,071
	<u>6,967,791</u>	<u>43,754</u>	<u>(315,918)</u>	<u>6,695,627</u>

	At 1.1.2022 RM	Additions RM	Depreciation Charge RM	At 31.12.2022 RM
Economic Entity/The Company				
<i>Carrying Amount</i>				
Leasehold land	6,624,630	-	(7,537)	6,617,093
Office building	631,256	-	(280,558)	350,698
	<u>7,255,886</u>	<u>-</u>	<u>(288,095)</u>	<u>6,967,791</u>

- (a) The Economic Entity and the Company had lease contracts for leasehold land and office building used in its operations. Their lease terms range from 2 to 999 (2022 – 2 to 999) years.
- (b) The Economic Entity and the Company have leases with lease terms of 12 months or less. The Economic Entity and the Company have applied the 'short-term lease' recognition exemptions for these leases.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

14. DEFERRED TAX ASSETS

	Recognised in Profit or Loss		
	At 1.1.2023 RM	(Note 27) RM	At 31.12.2023 RM
Economic Entity/The Company			
2023			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	(131,620)	131,620	-
<i>Deferred Tax Assets</i>			
Allowance for impairment losses of loan/ financing receivables	785,928	433,290	1,219,218
Property, plant and equipment	-	61,994	61,994
Provision for gratuity and defined benefit obligation	1,476,755	204,007	1,680,762
	<u>2,262,683</u>	<u>699,291</u>	<u>2,961,974</u>
	<u>2,131,063</u>	<u>830,911</u>	<u>2,961,974</u>

	Recognised in Profit or Loss		
	At 1.1.2022 RM	(Note 27) RM	At 31.12.2022 RM
Economic Entity/The Company			
2022			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	(60,333)	(71,287)	(131,620)
<i>Deferred Tax Assets</i>			
Allowance for impairment losses of loan/ financing receivables	1,053,401	(267,473)	785,928
Provision for gratuity and defined benefit obligation	1,552,513	(75,758)	1,476,755
	<u>2,605,914</u>	<u>(343,231)</u>	<u>2,262,683</u>
	<u>2,545,581</u>	<u>(414,518)</u>	<u>2,131,063</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

15. DEPOSITS FROM CUSTOMERS

	Economic Entity/The Company	
	2023	2022
	RM	RM
Fixed deposits	723,989,919	753,389,526
Savings deposits	1,258,392	1,298,338
	<u>725,248,311</u>	<u>754,687,864</u>

(a) These deposits are sourced from the following types of customers:-

	Economic Entity/The Company	
	2023	2022
	RM	RM
State Government of Sarawak	625,000,000	535,000,000
State Government of Sabah	-	100,000,000
Corporate shareholder	-	2,670,861
State-owned enterprises and institutions	40,089,208	22,706,789
Associate	3,340,683	3,181,443
Other business enterprises and individuals	56,818,420	91,128,771
	<u>725,248,311</u>	<u>754,687,864</u>

(b) The maturity structure of deposits from customers is as follows:-

	Economic Entity/The Company	
	2023	2022
	RM	RM
Within one year	724,308,938	754,034,642
More than one year	939,373	653,222
	<u>725,248,311</u>	<u>754,687,864</u>

(c) The deposits from customers of the Economic Entity and of the Company at the end of the reporting period bore interest rates ranging from 1.50% to 4.05% (2022 – 1.50% to 4.20%) per annum.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16. BORROWINGS

	Economic Entity/The Company	
	2023	2022
	RM	RM
Unsecured:-		
Bank overdrafts	-	1,493,525
Revolving credit	1,000,000	-
	1,000,000	1,493,525

- (a) No security is being pledged for the borrowing facilities.
- (b) The borrowings at the end of the reporting period bore weighted average effective interest rate as follows:-

	Economic Entity/The Company	
	2023	2022
	%	%
Bank overdrafts	-	7.44
Revolving credit	4.39	-
	4.39	-

17. OTHER PAYABLES

	Economic Entity/The Company	
	2023	2022
	RM	RM
Amount owing to associates	(a) 2,192,850	1,253,695
Amount owing to Supplementary Housing Loan Fund of the State Government of Sabah	(b) 17,613,745	17,131,508
Interest payable	8,819,171	3,527,965
Other payables	(c) 11,698,723	5,568,124
	40,324,489	27,481,292
Expected credit losses on bank guarantee at Stage 1:-		
At 1 January	71,725	144,015
Addition during the year	160,852	-
Reversal during the year	-	(72,290)
At 31 December	232,577	71,725
	40,557,066	27,553,017

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17. OTHER PAYABLES (CONT'D)

- (a) Amounts owing to associates mainly represents rental payable and management service fee received on behalf for the associates. The amount is unsecured, interest-free and repayable upon demand.
- (b) The Supplementary Housing Loan Fund of the State Government of Sabah is established pursuant to an agreement entered between the State Government of Sabah and the Company on 1 January 1971. The Fund shall be managed by the Company and that the Fund shall be used to provide Supplementary Loans to state government officers and other employees of the Government for the purchase of residential houses.

The amount owing to Supplementary Housing Loan Fund of the State Government of Sabah bears interest at 3.00% (2022: 3.00%) per annum.

- (c) Included in other payables are project management accounts of developers amounting to RM2,032,151 (2022: RM2,048,030).

18. PROVISION FOR GRATUITY AND DEFINED BENEFIT OBLIGATIONS

	Economic Entity/The Company	
	2023	2022
	RM	RM
Provision for gratuity	14,220	14,220
Defined benefit obligations	6,988,954	6,138,927
	7,003,174	6,153,147

- (a) Provision for gratuity

The movement in the provision for gratuity is as follows:-

	Economic Entity/The Company	
	2023	2022
	RM	RM
At 1 January	14,220	45,828
Benefits paid	-	(31,608)
At 31 December	14,220	14,220

This is in respect of Gratuity Retrenchment Fund. Contributions accrued under the Gratuity Retrenchment Fund will only be disbursed to the staff upon them attaining the mandatory retirement age of sixty (60) or optional retirement age or passed away before attaining the retirement age.

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18. PROVISION FOR GRATUITY AND DEFINED BENEFIT OBLIGATIONS (CONT'D)

(b) Defined benefit obligations

The Company operates an unfunded defined benefit plan for qualifying employees of its branches in Sabah and Sarawak. Under the plan, the employees are entitled to retirement benefits of one month final salary for each year of service upon attaining the mandatory retirement age of sixty (60) or optional retirement age or passed away before attaining the retirement age.

The following tables summarise the components of net benefit expense recognised in profit or loss and the amount recognised in the statements of financial position of the plan.

Changes in present value of defined benefit obligations are as follows:-

	Economic Entity/The Company	
	2023	2022
	RM	RM
At 1 January	6,138,927	6,422,978
Included in profit or loss:		
- Current service cost	310,340	341,212
- Interest cost	241,052	241,763
	551,392	582,975
Included in other comprehensive income:		
- Remeasurement	610,967	-
Benefits paid by the Company	(312,332)	(867,026)
At 31 December	<u>6,988,954</u>	<u>6,138,927</u>

Net benefit expense

	Economic Entity/The Company	
	2023	2022
	RM	RM
Current service costs	310,340	341,212
Interest cost on benefits obligations	241,052	241,763
Net benefit expense, included in employee benefits expense (Note 26)	<u>551,392</u>	<u>582,975</u>

The cost of defined benefit plan and the present value of the obligations are determined using actuarial valuation. The actuarial valuation involved making various assumptions.

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18. PROVISION FOR GRATUITY AND DEFINED BENEFIT OBLIGATIONS (CONT'D)

(b) Defined benefit obligations (Cont'd)

The principal assumptions used in determining employee defined benefit liabilities are shown below:-

	Economic Entity/The Company	
	2023	2022
	%	%
Discount rate	4.60	3.90
Expected rate of salary increase	5.00	4.00

The average duration of the defined benefit obligations at the reporting date is 15.3 (2022 – 15.3) years.

19. LEASE LIABILITIES

	Economic Entity/The Company	
	2023	2022
	RM	RM
At 1 January	372,294	666,013
Addition	43,754	-
Interest expense recognised in profit or loss	10,478	22,481
Repayment of principal	(334,523)	(293,719)
Repayment of interest expense	(10,478)	(22,481)
	81,525	372,294
Analysed by:-		
Current liabilities	81,525	307,035
Non-current liabilities	-	65,259
	81,525	372,294

The weighted average leases incremental borrowing rate applied to lease liabilities range from 4.20% - 4.53% (2022 – 4.53%) per annum.

As of 31 December 2023, all the lease liabilities represent rental of office buildings.

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	Economic Entity/The Company			
	2023	2022	2023	2022
	Number of Shares		RM	RM
Issued And Fully Paid-Up				
Ordinary shares	126,420,084	126,420,084	154,420,084	154,420,084

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

21. GENERAL RESERVES

	Economic Entity		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Distributable reserves:-				
General reserves	118,499,884	113,499,884	118,499,884	113,499,884
Retained earnings	153,743,363	150,842,808	149,054,451	146,455,494
	<u>272,243,247</u>	<u>264,342,692</u>	<u>267,554,335</u>	<u>259,955,378</u>

- (a) General reserve represents amount set aside out of the profits of the Company which shall, at the discretion of the directors, be application for meeting contingencies, repair and maintenance of any works connected with the business of the Company, for equalising dividends, for special dividend or bonus, or such other purposes for which the profits of the Company may lawfully be applied.
- (b) The entire retained earnings of the Company is available for distribution as single tier tax-exempt dividend to the shareholders of the Company.

22. INTEREST/PROFIT INCOME

	Economic Entity/The Company	
	2023	2022
	RM	RM
Mortgage loan/financing receivables:-		
End finance loans/financing	58,589,741	58,527,155
Bridging loans	13,465,280	13,120,104
Revolving loans	6,628,263	6,298,789
Term loans	702,002	1,008,401
Unsecured loans receivable	57,775	21,560
	<u>79,443,061</u>	<u>78,976,009</u>

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23. INTEREST/PROFIT EXPENSE

	Economic Entity/The Company	
	2023	2022
	RM	RM
Deposits from:-		
Customers	29,152,229	21,460,511
Supplementary Housing Loan Fund of the State		
Government of Sabah	531,510	519,284
Others	(2,768)	237,124
	29,680,971	22,216,919

24. OTHER INCOME

	Economic Entity/The Company	
	2023	2022
	RM	RM
Agency fees	219,220	230,660
Bad debts recovered	33,440	21,142
Commission	560,613	640,680
Interest income:		
- fixed and short-term deposits	4,274,346	3,933,797
- staff loans	37,999	31,134
Gain of disposal of property, plant and equipment	2,050	-
Loan processing fees	77,700	19,475
Rental income	306,935	307,385
Reminder and guarantee fees	284,409	216,319
Others	59,865	61,680
	5,856,577	5,462,272

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NOTES TO THE FINANCIAL STATEMENTS
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25. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Economic Entity/The Company	
	2023	2022
	RM	RM
Loan/financing receivables:		
Allowance/(Reversal) for impairment losses:-		
Stage 1 - 12 months ECL	12,440	140,144
Stage 2 - Lifetime ECL not credit impaired	(3,853)	92,101
Stage 3 - Lifetime ECL credit impaired	3,414,030	1,436,431
	3,422,617	1,668,676
Cash and bank balances:		
(Reversal)/Allowance for impairment losses:-		
Stage 1 - 12 months ECL	(11,743)	9,603
Bank guarantee		
Allowance/(Reversal) for impairment losses:-		
Stage 1 - 12 months ECL	160,852	(72,290)
	3,571,726	1,605,989

26. PROFIT BEFORE TAXATION

	Economic Entity/The Company	
	2023	2022
	RM	RM
Profit before taxation for the financial year is arrived at after charging:-		
Auditors' remuneration:		
- current year provision	128,000	80,000
Depreciation:		
- property, plant and equipment	754,157	741,251
- right-of-use assets	315,918	288,095
Directors' remuneration:		
- fee	273,600	273,600
- other emoluments	64,295	75,973
Lease expenses:		
- short-term lease	-	28,800

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26. PROFIT BEFORE TAXATION (CONT'D)

	Economic Entity/The Company	
	2023	2022
	RM	RM
Profit before taxation for the financial year is arrived at after charging:- (Cont'd)		
Employee benefits expense:		
- salaries and wages	6,623,125	7,374,862
- defined benefit obligation	551,392	582,975
- E.P.F. contributions	1,086,984	1,059,351
- SOCSO and E.I.S. contribution	91,792	29,935
Interest expenses:		
- bank overdraft interest	3,341	7,800
- lease interest	10,478	22,481
Property, plant and equipment written off	630	-

27. INCOME TAX EXPENSE

	Economic Entity		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Current tax expense:				
- for the financial year	10,404,837	10,964,736	10,404,837	10,964,736
- under/(over)provision in the previous financial year	17,386	(43,977)	17,386	(43,977)
	10,422,223	10,920,759	10,422,223	10,920,759
Deferred tax expense:				
- origination and reversal of temporary differences	(625,722)	401,602	(625,722)	401,602
- (over)/underprovision in the previous financial year	(205,189)	12,916	(205,189)	12,916
	(830,911)	414,518	(830,911)	414,518
	9,591,312	11,335,277	9,591,312	11,335,277

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****27. INCOME TAX EXPENSE (CONT'D)**

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Economic Entity and the Company are as follows:-

	Economic Entity		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit before taxation	38,102,834	46,573,582	37,801,236	46,556,749
Tax at the statutory tax rate of 24% (2022: 24%)	9,144,680	11,177,660	9,072,297	11,173,619
Tax effects of:-				
Non-deductible expenses	706,818	192,719	706,818	192,719
Share of tax of associates	(72,383)	(4,041)	-	-
Under/(Over)provision in the previous financial year:				
- income tax	17,386	(43,977)	17,386	(43,977)
- deferred tax	(205,189)	12,916	(205,189)	12,916
Income tax expense for financial year	9,591,312	11,335,277	9,591,312	11,335,277

28. DIVIDENDS

	Economic Entity/The Company	
	2023 RM	2022 RM
Final dividend of 11.07 (2022 - 11.07) sen per ordinary share in respect of the financial year ended 31.12.2022/31.12.2021	14,000,000	14,000,000
Interim dividend of 4.75 (2022 - Nil) sen per ordinary share in respect of the current financial year	6,000,000	-
	20,000,000	14,000,000

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29. CASH FLOW INFORMATION

(a) The reconciliations of liabilities arising from financing activities are as follows:-

Economic Entity/The Company	Lease Liabilities RM	Revolving Credit RM	Total RM
2023			
At 1 January	372,294	-	372,294
<u>Changes in Financing Cash Flows</u>			
Proceeds from drawdown	43,754	1,000,000	1,043,754
Repayment of borrowing principal	(334,523)	-	(334,523)
Repayment of borrowing interest	(10,478)	-	(10,478)
	(301,247)	1,000,000	698,753
<u>Other Changes</u>			
Interest expense recognised in profit or loss	10,478	-	10,478
At 31 December	81,525	1,000,000	1,081,525
2022			
At 1 January	666,013	2,000,000	2,666,013
<u>Changes in Financing Cash Flows</u>			
Repayment of borrowing principal	(293,719)	(2,000,000)	(2,293,719)
Repayment of borrowing interest	(22,481)	-	(22,481)
	(316,200)	(2,000,000)	(2,316,200)
<u>Other Changes</u>			
Interest expense recognised in profit or loss	22,481	-	22,481
At 31 December	372,294	-	372,294

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BORNEO HOUSING MORTGAGE FINANCE BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
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29. CASH FLOW INFORMATION (CONT'D)

(b) The total cash outflows for leases as a lessee are as follows:-

	Economic Entity/The Company	
	2023	2022
	RM	RM
Interest paid on lease liabilities	10,478	22,481
Payment of lease liabilities	334,523	293,719
Payment of short-term leases	-	28,800
	345,001	345,000

(c) The cash and cash equivalents comprise the following:-

	Economic Entity/The Company	
	2023	2022
	RM	RM
Cash and bank balances	13,090,695	10,870,043
Deposits and placements with financial institutions	74,000,000	108,000,000
Bank overdrafts	-	(1,493,525)
	87,090,695	117,376,518
Less: Deposits and placements with financial institutions with original maturity more than one month	(60,000,000)	(100,000,000)
	27,090,695	17,376,518

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BORNEO HOUSING MORTGAGE FINANCE BERHAD
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**NOTES TO THE FINANCIAL STATEMENTS
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30. KEY MANAGEMENT PERSONNEL COMPENSATION.

The key management personnel of the Economic Entity and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Economic Entity and of the Company.

The key management personnel compensation during the financial year are as follows:-

(a) Directors of the Company

	Economic Entity/The Company	
	2023	2022
	RM	RM
Short-term employee benefits:		
- fee	273,600	273,600
- other emoluments	64,295	75,973
Total directors' remuneration (Note 26)	337,895	349,573

(b) Other Key Management Personnel

	Economic Entity/The Company	
	2023	2022
	RM	RM
Short-term employee benefits	532,602	606,818
Defined contribution plan	81,691	79,953
Total compensation for other key management personnel (Note 26)	614,293	686,771

31. RELATED PARTY DISCLOSURES

(a) Shareholders

The shareholders are disclosed in Note 2 to the financial statements.

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BORNEO HOUSING MORTGAGE FINANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions

Other than those disclosed elsewhere in the financial statements, the Economic Entity and the Company also carried out the following significant transactions with the related parties during the year:-

	Economic Entity/The Company	
	2023 RM	2022 RM
Interest payable/paid to:		
- Corporate shareholder	74,592	69,123
- Associate	89,240	89,766
- Supplementary Housing Loan Fund of the State Government of Sabah	531,510	519,284
Dividend payable/paid to shareholders	20,000,000	14,000,000
Office rental payable/paid to associate	316,200	316,200
Agency fee receivable/received from:		
- Supplementary Housing Loan Fund of the State Government of Sabah	(219,220)	(230,660)
Rental receivable/received from a corporate shareholder	(300,785)	(300,785)

32. COMMITMENTS AND BANK GUARANTEE

In the normal course of business, the Economic Entity and the Company make various commitments to their customers. No material losses are anticipated as a result of these transactions.

	Economic Entity/The Company	
	2023 RM	2022 RM
Loans commitment not yet recognised in the financial statements:		
- End finance	70,691,449	73,599,248
- Bridging, term loans and revolving loans	171,889,608	105,382,019
Guarantees issued	15,509,000	5,995,000
	<u>258,090,057</u>	<u>184,976,267</u>

Guarantees issued are given to other parties on behalf of customers, mainly as a guarantee for the due performance of the customer's obligations under the Housing (Control and Licensing of Developers) Enactment 1978 with legal recourse with its customers. These guarantees are partially secured by fixed deposits placed with the Company and properties charged to the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS

The activities of the Economic Entity and of the Company are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Economic Entity and of the Company.

33.1 FINANCIAL RISK MANAGEMENT POLICIES

The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Economic Entity and the Company do not have any transactions or balances denominated in foreign currencies and hence, are not exposed to foreign currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rate risk arises mainly from deposits and placements with financial institutions, loan receivables, deposits from customers, borrowings and other payables. The Economic Entity and the Company adopt a policy of obtaining the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings. In addition, the Economic Entity and the Company's interest-bearing financial liabilities are hedged by interest-bearing financial assets, such as deposits and placements with financial institutions and loans receivables.

The fixed rate debt instruments of the Economic Entity and of the Company are not subject to interest rate risk since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 7, 8, 15, 16 and 17 to the financial statements.

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) **Market Risk (Cont'd)**

(ii) Interest Rate Risk (Cont'd)

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	Economic Entity/The Company	
	2023	2022
	RM	RM
Effects on Profit After Taxation		
Increase of 50 basis points	(3,800)	(5,675)
Decrease of 50 basis points	3,800	5,675

There is no impact on the Economic Entity's equity.

(iii) Equity Price Risk

The Economic Entity and the Company do not have any quoted investments and hence, is not exposed to equity price risk.

(b) **Credit Risk**

The exposure to credit risk, or the risk of counterparties defaulting, arises mainly from loan/financing receivables and other receivables. The Economic Entity and the Company deal with creditworthy counterparties and would endeavour to obtain sufficient collateral for the loans granted, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the Board of Directors.

(i) Credit Risk Concentration Profile

The Economic Entity and the Company do not have any significant credit risk related to any individual customer or counterparty.

(ii) Maximum Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Economic Entity and of the Company after deducting any allowance for impairment losses (where applicable).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Maximum Exposure to Credit Risk (Cont'd)

Guarantees issued are given to other parties on behalf of customers, mainly as a guarantee for the due performance of the customer's obligations under the Housing Developers (Control and Licensing) Enactment 1978 with legal recourse with its customers. These guarantees are partially secured by fixed deposits placed with the Company and properties charged to the Company. Thus no material losses are anticipated as a result of these guarantees issued.

The maximum amount the Economic Entity and the Company could be forced to settle under the financial guarantee contract is RM15.5 million (2022 - RM6.0 million) and such financial guarantees are partially secured by fixed deposits placed with the Economic Entity and the Company. Based on expectations at the end of the reporting period, the Economic Entity and the Company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(iii) Assessment of Impairment Losses

The Economic Entity and the Company have a formal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the payment profile of borrowers. The Economic Entity and the Company closely monitor the borrowers' financial strength to reduce the risk of loss.

At each reporting date, the Economic Entity and the Company evaluate whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; or
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

The Economic Entity and the Company consider a financial instrument to be in default when :

- Principal or interest/profit or both on loan/financing receivable are in arrear for more than 6 months; or
- Principal or interest/profit or both on staff loans are in arrear for more than 1 month.

As a part of a qualitative assessment of whether a borrower is in default, the Economic Entity and the Company also considers a variety of instances that may indicate unlikelihood to pay.

When such events occur, the Economic Entity and the Company carefully considers whether the event should result in treating the borrower as defaulted and therefore assessed as Stage 3 for expected credit loss ("ECL") calculations or whether Stage 2 is appropriate.

The Economic Entity and the Company apply 3-stage general approach to measuring ECL for financial assets measured at amortised cost, irrevocable loan/financing commitments and financial guarantee contracts, which include loans, advances and financing and debt instruments held by the Economic Entity and the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

Under this approach, the Economic Entity and the Company assess whether there is a significant increase in credit risk is key in establishing the point of switching between the requirement to measure an allowance based on 12-months ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Inputs, Assumptions and Techniques used for Estimating Impairment Losses (Cont'd)

The Economic Entity and the Company use 3 categories to reflect their credit risk and how the loss allowance is determined for each category:-

Stage	Definition of Category	Principal and interest/profit in arrear
1	Receivables have a low risk of default and a strong capacity to meet contractual cash flows	0 – 3 months
2	Receivables for which there is a significant increase in credit risk	4 – 5 months
3	There is evidence indicating the receivable is credit impaired	6 months and above

Stage 1: 12-months ECL – not credit-impaired

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

Stage 2: Lifetime ECL – not credit-impaired

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

Stage 3: Lifetime ECL – credit-impaired

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Inputs, Assumptions and Techniques used for Estimating Impairment Losses (Cont'd)

ECL measurement

There are three main components to measure ECL which are a probability of default model ("PD"), a loss given default model ("LGD") and the exposure at default model ("EAD"). These parameters are derived from internally developed statistical models and adjusted to reflect forward-looking information as described below.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of the financial instrument respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk. The LGD represents the expected loss if a default event occurs at a given time, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest/profit from the reporting date to the default event together with any expected drawdown of a facility.

The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the remaining life multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest rate or an approximation thereof.

Forward looking information

The Economic Entity and the Company have developed methodologies for the application of forward macro-economic variables ("MEV") which comprise economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEVs into the estimation of the PD and LGD via an application of a scale. The process of formulating a scale involves developing the correlation of MEVs to default rates and recovery rates for various portfolios of financial assets based on analysis of historical data. This correlation is then used to form the predicted effect between the MEVs and PD as well as LGD, taking into account the projection of MEVs.

There is no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****33. FINANCIAL INSTRUMENTS (CONT'D)****33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses (Cont'd)***Allowance for Impairment Losses*

The information about the credit exposure and loss allowances recognised for loan/financing receivables are as follows:-

Economic Entity/ The Company	Stage 1	Stage 2	Stage 3	Total RM
	12-months ECL RM	Lifetime ECL not credit impaired RM	Lifetime ECL credit impaired RM	
Balance at 1.1.2022	91,666	57,406	33,076,817	33,225,889
Additions	137,541	99,502	3,292,212	3,529,255
Reversals	-	-	(1,860,579)	(1,860,579)
Transfer	2,603	(7,401)	4,798	-
Written offs	-	-	(52,038)	(52,038)
Balance at 31.12.2022/1.1.2023	231,810	149,507	34,461,210	34,842,527
Additions	244,262	145,654	3,414,029	3,803,945
Reversals	(231,822)	(149,507)	-	(381,329)
Written offs	-	-	(2,369,015)	(2,369,015)
Balance at 31.12.2023	244,250	145,654	35,506,224	35,896,128

There has not been any significant change in the gross amounts of loan/financing receivables that impacted the allowance for impairment losses.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Economic Entity and the Company's short, medium and long-term funding and liquidity management requirements. The Economic Entity and the Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowings facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) **Liquidity Risk (Cont'd)**

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

Economic Entity/The Company	Contractual Coupon/ Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 years RM
2023					
<u>Non-derivative Financial Liabilities</u>					
Deposits from customers	2.40% - 4.05%	725,248,311	754,972,777	754,007,364	965,413
Borrowings	4.39%	1,000,000	1,003,728	1,003,728	-
Other payables	3.00%	40,557,066	41,085,478	41,085,478	-
Accrued expenses	-	1,125,662	1,125,662	1,125,662	-
Lease liabilities	4.53%	81,525	81,950	81,950	-
Guarantees issued	-	-	15,509,000	15,509,000	-
			768,012,564	813,778,595	812,813,182
					965,413

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

Economic Entity/The Company	Contractual Coupon/ Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 years RM
2022					
<u>Non-derivative Financial Liabilities</u>					
Deposits from customers	1.50 - 3.10%	754,687,864	776,196,468	775,524,629	671,839
Borrowings	7.44%	1,493,525	1,603,000	1,603,000	-
Other payables	3.00%	27,553,017	28,066,962	28,066,962	-
Accrued expenses	-	2,085,058	2,085,058	2,085,058	-
Lease liabilities	4.53%	372,294	381,650	316,200	65,450
Guarantees issued	-	-	5,923,275	5,923,275	-
			786,191,758	814,256,413	813,519,124
					737,289

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NOTES TO THE FINANCIAL STATEMENTS
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33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 CAPITAL RISK MANAGEMENT

The Economic Entity and the Company manage their capital to ensure that entities within the Economic Entity will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Economic Entity and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Company is required to maintain a borrowing limit (75% of mortgage loans) in order to comply with the requirement under Article 89 of its Articles of Associations. As at 31 December 2023, deposits from customers and borrowings represent 65% (2022 – 69%) of gross mortgage loans/financing receivables of the Company.

	Economic Entity/The Company	
	2023	2022
	RM	RM
Deposits from customers	725,248,311	754,687,864
Borrowings	1,000,000	1,493,525
	726,248,311	756,181,389
Gross mortgage loans/financing receivables	1,120,265,606	1,098,405,602
Borrowing limit	65%	69%

There were no changes in the approach to capital management during the year.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS (CONT'D)

33.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Economic Entity/The Company	
	2023	2022
	RM	RM
Financial Assets		
<u>Amortised Cost</u>		
Cash and bank balances	13,090,695	10,870,043
Deposits and placements with financial institution	74,000,000	108,000,000
Loan/financing receivables	1,084,369,478	1,063,563,075
Other receivables	1,478,971	979,653
	<u>1,172,939,144</u>	<u>1,183,412,771</u>
Financial Liabilities		
<u>Amortised Cost</u>		
Deposits from customers	725,248,311	754,687,864
Borrowings	1,000,000	1,493,525
Other payables and accruals	40,557,066	27,553,018
Accrued expenses	1,125,662	2,085,058
Lease liabilities	81,525	372,294
	<u>768,012,564</u>	<u>786,191,759</u>

33.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	Economic Entity/The Company	
	2023	2022
	RM	RM
Financial Assets		
<u>Amortised Cost</u>		
Net gains recognised in profit or loss	80,344,532	81,262,661
	<u>80,344,532</u>	<u>81,262,661</u>
Financial Liabilities		
<u>Amortised Cost</u>		
Net losses recognised in profit or loss	(29,845,164)	(22,152,429)
	<u>(29,845,164)</u>	<u>(22,152,429)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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33. FINANCIAL INSTRUMENTS (CONT'D)

33.5 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statements of financial position.

The fair values of the financial assets and financial liabilities of the Economic Entity and of the Company that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or is estimated based on expected future cash flows of contractual instalments discounted at prevailing indicative rates adjusted for credit risk.

34. ISLAMIC BANKING BUSINESS

The financial performance and the financial position under the Islamic Banking Business of the Economic Entity and of the Company included in the financial statements of the Economic Entity and of the Company are summarized as follows:-

Statements of financial position as of 31 December

	NOTE	Economic Entity/The Company	
		2023 RM	2022 RM
Assets			
Cash and bank balances	(a)	2,171,097	1,729,959
Financing receivables	(b)	62,079,846	51,080,201
Other receivables		-	431
Total assets		64,250,943	52,810,591
Liabilities			
Deposits from customers	(c)	327,958	276,880
Other payables		182,963	124,185
Total liabilities		510,921	401,065
Equity			
Retained earnings	(d)	8,162,714	4,565,016
Islamic banking funds		55,577,308	47,844,510
Total equity		63,740,022	52,409,526
Total equity and liabilities		64,250,943	52,810,591

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****34. ISLAMIC BANKING BUSINESS (CONT'D)****Statement of comprehensive income for the year ended 31 December**

	NOTE	Economic Entity/The Company	
		2023 RM	2022 RM
Profit income on Tawarruq Home Financing-i		3,864,170	3,069,380
Profit expense		(27,885)	(15,595)
		<u>3,836,285</u>	<u>3,053,785</u>
Other income	(e)	120,906	124,588
Total income		<u>3,957,191</u>	<u>3,178,373</u>
Expenditure			
Employee benefits expense	(f)	(296,627)	(281,343)
Administrative expense		(29,816)	(49,997)
		<u>3,630,748</u>	<u>2,847,033</u>
Allowance for impairment losses		(33,049)	(5,731)
Profit for the year		<u>3,597,699</u>	<u>2,841,302</u>

		Economic Entity/The Company	
		2023 RM	2022 RM
(a) Cash and bank balances			
Cash and bank balances		2,171,160	1,730,022
Less: Allowance for impairment losses		(63)	(63)
		<u>2,171,097</u>	<u>1,729,959</u>
(b) Financing receivables			
Financing receivables		62,260,773	51,228,016
Less: Allowance for impairment losses		(180,927)	(147,815)
		<u>62,079,846</u>	<u>51,080,201</u>
(c) Deposits from customers			
Tawarruq Term Deposit-i		252,759	170,776
Wadiah Savings Account-i		75,199	106,104
		<u>327,958</u>	<u>276,880</u>

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34. ISLAMIC BANKING BUSINESS (CONT'D)

	Economic Entity/The Company	
	2023 RM	2022 RM
(d) Retained earnings		
Movement of retained earnings are as follows:-		
At 1 January	4,565,015	1,723,714
Profit for the year	3,597,699	2,841,302
At 31 December	8,162,714	4,565,016
(e) Other income		
Profit on deposits with financial institution	120	-
Commission	80,722	83,990
Agency fee	24,889	19,363
Others	15,175	21,235
	120,906	124,588
(f) Employee benefits expense		
Wages and salaries	245,304	238,605
Employees provident fund contributions	44,091	35,808
Social security contributions	4,788	4,548
HRD levy	2,444	2,382
	296,627	281,343

35. PRIOR YEAR ADJUSTMENTS

The prior year adjustments were in respect of the followings:-

- (i) Reversal of interest income charged to a loan/financing receivable which was under court winding up by the Company from 20 April 2018 to 31 December 2022 amounting to RM6,850,385;
- (ii) Reversal of impairment losses on loan/financing receivables relating to reversal of interest income charged by the Company in the previous financial years as mentioned in (i) above amounting to RM6,850,385;
- (iii) Adjustment of leasehold lands transferred that have not been depreciated as of the financial year ended 31 December 2020 in the associate; and

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

35. PRIOR YEAR ADJUSTMENTS (CONT'D)

The prior year adjustments were in respect of the followings:- (Cont'd)

- (iv) The loan receivables were measured at fair value through profit or loss ("FVTPL") since the financial year 2010. A total fair value gains of RM91,065,183 on loan receivables was recognised as of 1 January 2010. The total loan receivables were recorded at a value of RM717,194,913 as of 1 January 2010 before its re-measurement to fair value.

The Economic entity and the Company measured its loan receivables into 2 models – amortised cost (for loan released after 31 December 2017) or FVTPL (for loan released before 1 January 2018).

In November 2011, the Malaysian Accounting Standards Board (MASB) issued MFRS 139 "Financial Instruments: Recognition and Measurement". The Standard is applicable for annual periods beginning on or after 1 January 2012. Thereafter, MFRS 9 "Financial Instruments" replaces the MFRS 139 "Financial Instruments: Recognition and Measurement" with effect from 1 January 2018 and introduces changes in classification and measurement of financial assets.

Two criteria are used in MFRS 9 to determine the classification and measurement of financial assets:

- (1) The entity's business model for managing the financial assets; and
- (2) The cash flows characteristics of the financial assets

MFRS 9 permits financial assets to be measured at amortised cost if both of the following criteria are met:

- (1) The objective of the entity's business model is to hold the financial asset in order to collect its contractual cash flows; and
- (2) The contractual cash flows represent solely payments of principal and interest ("SPPI") on the principal amount outstanding.

During the financial year, the Economic entity and the Company made a re-assessment of the objective of its business model in which the financial assets is held at a portfolio level which best reflects the way the business is managed and information is provided to management. The factors considered include policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets.

The re-assessment has resulted in a reclassification of its loan receivables, which were measured under FVTPL basis to amortised cost basis. As such, the recognition of fair value gain on loan receivables and its corresponding increase in retained profits in prior years were adjusted retrospectively. The fair value gain is considered as unrealised profits and do not form part of distributable profits. Fair value gain is classified as non-distributable because they are not readily convertible to cash and therefore cannot be distributed as dividends to shareholders.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

35. PRIOR YEAR ADJUSTMENTS (CONT'D)

The prior year adjustments were in respect of the followings:- (Cont'd)

(iv) The financial impacts arising from the abovementioned adjustments are as follows:

- (1) A decrease in loan receivables at 1 January 2022 and 31 December 2022 of RM81,914,184 and RM72,726,408 respectively; and
- (2) The resulting adjustment on item (i) above was adjusted against retained profits at 1 January 2022 and 31 December 2022 of RM81,914,184 and RM72,726,408 respectively.

The prior year errors were adjusted retrospectively by restating the comparative amounts for the prior year presented in which the error occurred as below:-

	Economic Entity	
	As Restated RM	As Previously Reported RM
Statements of Financial Position (Extract):-		
Loan/financing receivables	1,063,563,075	1,136,289,483
Investments in associates	8,387,314	8,509,864
Retained earnings	150,842,808	223,691,766
Statements of Comprehensive Income (Extract):-		
Interest/Profit income	78,976,009	71,622,501
Net impairment losses on financial assets	(1,605,989)	(3,466,568)
Administrative expenses	(14,028,343)	(14,002,032)
Share of profits of equity accounted associates	16,833	57,683
Statements of Cash Flows (Extract):-		
Increase in loan/financing receivables	(26,215,689)	(18,888,492)
Share of profits of equity accounted associates	16,833	57,683

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NOTES TO THE FINANCIAL STATEMENTS
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35. PRIOR YEAR ADJUSTMENTS (CONT'D)

The prior year errors were adjusted retrospectively by restating the comparative amounts for the prior year presented in which the error occurred as below:- (Cont'd)

	As Restated RM	The Company As Previously Reported RM
Statements of Financial Position (Extract):-		
Loan/financing receivables	1,063,563,075	1,136,289,483
Retained earnings	146,455,494	219,181,902
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Statements of Comprehensive Income (Extract):-		
Interest/Profit income	78,976,009	71,622,501
Net impairment losses on financial assets	(1,605,989)	(3,466,568)
Administrative expenses	(14,028,343)	(14,002,032)
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Statements of Cash Flows (Extract):-		
Increase in loan/financing receivables	(26,215,689)	(18,888,492)
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36. OPERATING LEASE

The Economic Entity and the Company as lessors

Operating leases, in which the Economic Entity and the Company are the lessors, relate to the lease of the building owned by the Economic Entity and the Company with lease terms of 2 years.

Maturity analysis of operating lease payments:

	Economic Entity/The Company	
	2023 RM	2022 RM
Not later than one year	-	75,196
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37. COMPARATIVE FIGURES

The comparative figures have been audited by a firm of Chartered Accountants other than Crowe Malaysia PLT.