BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Registration No: 195801000175 (025457-V))
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(In Ringgit Malaysia)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

CONTENTS **PAGE(S)**

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **BORNEO HOUSING MORTGAGE FINANCE BERHAD** have pleasure in submitting their report and the audited financial statements of the Economic Entity and of the Company for the financial year ended 31 December 2020.

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 OF OPERATIONS

The results of operations of the Economic Entity and of the Company for the financial year are as follows:

	Economic Entity RM	Company RM
Profit for the year	13,251,117	13,113,107

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

DIVIDENDS

Since the end of the previous financial year, the amounts of dividends declared by the Company are as follows:

(i) A final tax exempt (single tier) dividend of RM10,000,000 was declared on 15 September 2020 in respect of the financial year ended 31 December 2019. The dividend was paid on 8 December 2020.

(ii) A final tax exempt (single tier) dividend of RM10,000,000 was declared on 28 December 2021 in respect of the financial year ended 31 December 2020.

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.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Economic Entity and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Economic Entity and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Economic Entity and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Economic Entity and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Economic Entity and of the Company misleading or inappropriate; or

(d) 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.

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

(a) any charge on the assets of the Economic Entity and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(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 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 as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Economic Entity and of the Company for the financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report:

Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Haji Husain
Datuk Bolkiah Bin Ismail (appointed on 15.2.2021)
Dionysia @ Audrey Binti Aloysius Kibat
Hasmawati Binti Sapawi
Ahmad Rizal Bin Dahli
Elean Binti Masa'at (appointed on 1.6.2021)
Datuk Nordin Siman (resigned on 15.2.2021)
Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman (resigned on 31.5.2021)

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.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate of emoluments received or due and receivable by directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Note 31 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

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

There were no indemnity given to or insurance effected for the auditors of the Economic Entity and of the Company in accordance with Section 289 of the Companies Act 2016.

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. (formerly known as Qhazanah Sabah Sdn. Bhd. and Warisan Harta Sabah Sdn. Bhd.), a company wholly-owned by the State Government of Sabah.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount payable as remuneration of the auditors for the year ended 31 December 2020 is as disclosed in Note 12 to the financial statements.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the Directors

TAN SRI DATUK AMAR (DR) HAJI ABDUL AZIZ BIN HAJI HUSAIN

DIONYSIA @ AUDREY BINTI ALOYSIUS KIBAT

Kota Kinabalu
28 December 2021

Deloitte.

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
Lot B8.2, 8th Floor, Block B
No. 71, Bangunan KWSP
88000 Kota Kinabalu
Sabah, Malaysia

P.O. Box 11663
88818 Kota Kinabalu
Sabah, Malaysia

Tel: +6088 239 601/602
Fax: +6088 239 605
mykk@deloitte.com
www.deloitte.com/my

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Borneo Housing Mortgage Finance Berhad., which comprise the statements of financial position as at 31 December 2020 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 64.

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 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

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.

- 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.

Other Matters

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.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

WONG KING YU
Partner - 03194/06/2023 J
Chartered Accountant

Kota Kinabalu
28 December 2021

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Economic Entity 2020 RM	Economic Entity 2019 RM (Restated)	Company 2020 RM	Company 2019 RM
Interest/Profit income	5	68,895,268	57,414,172	68,895,268	57,414,172
Interest expense	6	(24,680,131)	(26,000,469)	(24,680,131)	(26,000,469)
Net interest income		44,215,137	31,413,703	44,215,137	31,413,703
Investment income	7	4,258,357	1,429,692	4,258,357	1,429,692
Other income	8	1,089,384	1,330,534	1,089,384	1,330,534
Net income		49,562,878	34,173,929	49,562,878	34,173,929
Other operating expenses					
Employee benefits expense	9	(8,165,725)	(8,410,415)	(8,165,725)	(8,410,415)
Depreciation and amortisation expense		(1,143,312)	(1,532,093)	(1,143,312)	(1,532,093)
Administrative expense		(2,999,793)	(4,789,533)	(2,999,793)	(4,789,533)
Other finance costs	10	(103,790)	(444,755)	(103,790)	(444,755)
		37,150,258	18,997,133	37,150,258	18,997,133
Allowance for impairment loss	11	(17,965,686)	(2,123,765)	(17,965,686)	(2,123,765)
Operating profit		19,184,572	16,873,368	19,184,572	16,873,368
Share of results of associates		138,010	47,622	-	-
Profit before tax	12	19,322,582	16,920,990	19,184,572	16,873,368
Income tax expense	13	(6,071,465)	(6,061,324)	(6,071,465)	(6,061,324)
Profit for the year		13,251,117	10,859,666	13,113,107	10,812,044
Other comprehensive loss	25	(1,435,110)	-	(1,435,110)	-
Total comprehensive income for the year		11,816,007	10,859,666	11,677,997	10,812,044
Profit attributable to owners of the Company		13,251,117	10,859,666	13,113,107	10,812,044
Total comprehensive income attributable to owners of the Company		11,816,007	10,859,666	11,677,997	10,812,044

The accompanying Notes form an integral part of the Financial Statements.

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020

			Economic Entity	
	Note	**31.12.2020**	**31.12.2019**	**1.1.2019**
		RM	**RM**	**RM**
			(Restated)	**(Restated)**
Assets				
Cash and bank balances	14	6,639,146	4,156,855	1,827,261
Deposits and placements with financial institutions	15	64,000,000	45,463,903	20,460,927
Loan/financing receivables	16	1,101,192,034	1,073,614,485	1,047,050,538
Other receivables	17	724,844	920,191	862,248
Investments in associates	18	8,393,166	8,255,156	8,207,533
Property, plant and equipment	19	12,852,006	13,465,897	21,031,366
Right-of-use assets	20	7,559,634	7,875,091	-
Deferred tax assets	21	2,929,806	2,930,214	2,972,053
Income tax refundable		51,666	-	-
Total assets		1,204,342,302	1,156,681,792	1,102,411,926
Liabilities				
Deposits from customers	22	704,790,824	568,015,689	527,832,634
Borrowings	23	1,017,483	34,921,723	28,264,144
Other payables	24	27,517,585	83,663,529	78,169,391
Accrued expenses		1,390,804	1,555,493	1,400,948
Provisions for gratuity and defined benefit obligations	25	6,888,905	5,521,685	5,351,922
Lease liabilities	26	963,308	1,259,619	-
Income tax payables		-	1,786,668	2,295,168
Total liabilities		742,568,909	696,724,406	643,314,207
Equity attributable to owners of the Company				
Share capital	27	154,420,084	154,420,084	154,420,084
General reserves	28	107,499,884	106,499,884	102,499,884
Retained earnings	28	199,853,425	199,037,418	202,177,751
Total equity		461,773,393	459,957,386	459,097,719
Total equity and liabilities		1,204,342,302	1,156,681,792	1,102,411,926

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020 - (CONTINUED)

		The Company	
	Note	2020 RM	2019 RM
Assets			
Cash and bank balances	14	6,639,146	4,156,855
Deposits and placements with financial institutions	15	64,000,000	45,463,903
Loan/financing receivables	16	1,101,192,034	1,073,614,485
Other receivables	17	724,844	920,191
Investments in associates	18	4,000,000	4,000,000
Property, plant and equipment	19	12,852,006	13,465,897
Right-of-use assets	20	7,559,634	7,875,091
Deferred tax assets	21	2,929,806	2,930,214
Income tax refundable		51,666	-
Total assets		1,199,949,136	1,152,426,636
Liabilities			
Deposits from customers	22	704,790,824	568,015,689
Borrowings	23	1,017,483	34,921,723
Other payables	24	27,517,585	83,663,529
Accrued expenses		1,390,804	1,555,493
Provisions for gratuity and defined benefit obligations	25	6,888,905	5,521,685
Lease liabilities	26	963,308	1,259,619
Income tax payables		-	1,786,668
Total liabilities		742,568,909	696,724,406
Equity attributable to owners of the Company			
Share capital	27	154,420,084	154,420,084
General reserves	28	107,499,884	106,499,884
Retained earnings	28	195,460,259	194,782,262
Total equity		457,380,227	455,702,230
Total equity and liabilities		1,199,949,136	1,152,426,636

The accompanying Notes form an integral part of the Financial Statements.

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share capital RM	Distributable reserves General reserve RM	Distributable reserves Retained earnings RM	Total RM
Economic Entity					
Balance as of 1 January 2019					
As previously stated		154,420,084	102,499,884	201,038,438	457,958,406
Effect of changes in accounting policy of the associates	37	-	-	1,139,314	1,139,314
As restated		154,420,084	102,499,884	202,177,752	459,097,720
Profit and total comprehensive income for the year					
As previously stated		-	-	10,832,204	10,832,204
Effect of changes in accounting policy of the associates	37	-	-	27,462	27,462
As restated		-	-	10,859,666	10,859,666
Dividends	29	-	-	(10,000,000)	(10,000,000)
Transfer to general reserve		-	4,000,000	(4,000,000)	-
Balance as of 31 December 2019		154,420,084	106,499,884	199,037,418	459,957,386

(Forward)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 - (CONTINUED)

	Note	Share capital RM	Distributable reserves General reserve RM	Distributable reserves Retained earnings RM	Total RM
Economic Entity					
Balance as of 1 January 2020					
As previously stated		154,420,084	106,499,884	197,870,642	458,790,610
Effect of changes in accounting policy of the associates	37	-	-	1,166,776	1,166,776
As restated		154,420,084	106,499,884	199,037,418	459,957,386
Profit for the year		-	-	13,251,117	13,251,117
Other comprehensive loss		-	-	(1,435,110)	(1,435,110)
Total comprehensive income		-	-	11,816,007	11,816,007
Dividends	29	-	-	(10,000,000)	(10,000,000)
Transfer to general reserve		-	1,000,000	(1,000,000)	-
Balance as of 31 December 2020		154,420,084	107,499,884	199,853,425	461,773,393

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 - (CONTINUED)

	Note	Share capital RM	Distributable reserves General reserve RM	Retained earnings RM	Total RM
Company					
Balance as of 1 January 2019		154,420,084	102,499,884	197,970,218	454,890,186
Profit and total comprehensive income for the year		-	-	10,812,044	10,812,044
Dividends	29	-	-	(10,000,000)	(10,000,000)
Transfer to general reserve		-	4,000,000	(4,000,000)	-
Balance as of 31 December 2019		154,420,084	106,499,884	194,782,262	455,702,230
Balance as of 1 January 2020		154,420,084	106,499,884	194,782,262	455,702,230
Profit for the year		-	-	13,113,107	13,113,107
Other comprehensive loss		-	-	(1,435,110)	(1,435,110)
Total comprehensive income		-	-	11,677,997	11,677,997
Dividends	29	-	-	(10,000,000)	(10,000,000)
Transfer to general reserve		-	1,000,000	(1,000,000)	-
Balance as of 31 December 2020		154,420,084	107,499,884	195,460,259	457,380,227

The accompanying Notes form an integral part of the Financial Statements.

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Economic Entity		Company	
		2020	2019	2020	2019
	Note	RM	RM (Restated)	RM	RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit for the year		13,251,117	10,859,666	13,113,107	10,812,044
Adjustments for:					
Allowance/(Reversal) for:					
Impairment loss on loan/ financing receivables	11	18,257,457	2,185,804	18,257,457	2,185,804
Impairment loss on bank guarantee	11	(287,255)	(42,681)	(287,255)	(42,681)
Impairment loss on staff loan	11	(4,726)	(20,057)	(4,726)	(20,057)
Depreciation of property, plant and equipment	12	827,855	1,220,950	827,855	1,220,950
Gain on disposal of property, plant and equipment	8	(28,913)	-	(28,913)	-
Property, plant and equipment written off	12	-	61	-	61
Income tax recognised	13	6,071,465	6,061,324	6,071,465	6,061,324
Defined benefit obligation	9	554,299	561,873	554,299	561,873
Interest income	7	(3,950,972)	(1,122,307)	(3,950,972)	(1,122,307)
Depreciation of right-of-use assets	12	315,457	311,143	315,457	311,143
Other finance costs	10	103,790	444,755	103,790	444,755
Share of result of associates		(138,010)	(47,622)	-	-
Operating Profit Before Working Capital Changes		34,971,564	20,412,909	34,971,564	20,412,909
Movements in working capital:					
Decrease/(Increase) in deposits and placements with financial institutions with maturity more than one month		463,903	(2,976)	463,903	(2,976)
Increase in loan receivables		(45,835,006)	(28,749,751)	(45,835,006)	(28,749,751)
Decrease/(Increase) in other receivables		200,073	(37,886)	200,073	(37,886)
Increase in deposits from customers		136,775,135	40,183,055	136,775,135	40,183,055
(Decrease)/Increase in other payables		(55,858,689)	5,536,819	(55,858,689)	5,536,819
(Decrease)/Increase in accrued expense		(164,689)	154,545	(164,689)	154,545
Gratuity/Defined benefits paid		(622,189)	(392,110)	(622,189)	(392,110)
Cash Generated from Operations		69,930,102	37,104,605	69,930,102	37,104,605

(Forward)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 – (CONTINUED)

	Note	Economic Entity		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Interest paid		(55,101)	(383,628)	(55,101)	(383,628)
Income taxes paid		(7,909,391)	(6,992,500)	(7,909,391)	(6,992,500)
Income taxes refund		-	464,515	-	464,515
Net Cash From Operating Activities		61,965,610	30,192,992	61,965,610	30,192,992
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		54,965	-	54,965	-
Purchase of property, plant and equipment		(240,016)	(302,783)	(240,016)	(302,783)
Interest received		3,950,972	1,122,307	3,950,972	1,122,307
Net Cash From Investing Activities		3,765,921	819,524	3,765,921	819,524
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
(Repayment)/Drawdown of revolving credits	30	(22,000,000)	3,000,000	(22,000,000)	3,000,000
Dividends paid		(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Repayment of lease liabilities	30	(296,311)	(279,374)	(296,311)	(279,374)
Interest paid		(48,689)	(61,127)	(48,689)	(61,127)
Net Cash Used In Financing Activities		(32,345,000)	(7,340,501)	(32,345,000)	(7,340,501)
NET INCREASE IN CASH AND CASH EQUIVALENTS		33,386,531	23,672,015	33,386,531	23,672,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		37,235,132	13,563,117	37,235,132	13,563,117
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	70,621,663	37,235,132	70,621,663	37,235,132

(Forward)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 – (CONTINUED)

Cash outflows for leases as a lessee

	Note	Economic Entity and Company	
		2020	2019
		RM	RM
Included in net cash from operating activities:			
Payment relating to short-term leases	12	-	12,500
Included in net cash used in financing activities:			
Interest paid in relation to lease liabilities	10	48,689	61,127
Repayment of lease liabilities	30	296,311	279,374
Total cash outflows for leases		345,000	353,001

The accompanying Notes form an integral part of the Financial Statements.

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

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

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

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.

The principal activities of the associates are as disclosed in Note 18.

The registered office of the Company is located at Lot 13499, 13500 & 13501, Section 65, Kuching Town Land District, Medan Hamizan, Jalan Tun Abdul Rahman Yaakub, 93050 Petra Jaya, Kuching, Sarawak, Malaysia.

The principal places of business of the Company is located at Menara Borneo Housing, Lot No. 48, Jalan Ikan Juara 2, Sadong Jaya, Karamunsing, 88100 Kota Kinabalu, Sabah, Malaysia and 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 of the Company have been approved by the Board of Directors and were authorised for issuance on 28 December 2021.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Economic Entity and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act 2016 in Malaysia.

2.1 Amended MFRS Standards that are effective for the current year

In the current year, the Economic Entity and the Company have adopted all of the amendments to MFRS issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2020:

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

The adoption of these amendments to MFRS has had no material impact on the disclosures or on the amounts recognised in the financial statements.

2.2 New and revised MFRS in issue but not yet effective

At the date of authorisation of these financial statements, the Economic Entity and the Company have not applied the following MFRS and amendments to MFRS that have been issued but are not yet effective:

MFRS 17	Insurance Contracts[5]
Amendments to MFRS 3	Reference to the Conceptual Framework[4]
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9[5]
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest rate Benchmark Reform - Phase 2[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to MFRS 16	Covid-19 - Related Rent Concessions[1]
Amendments to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021[3]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current[5]
Amendments to MFRS 101	Disclosure of Accounting Policies[5]
Amendments to MFRS 108	Definition of Accounting Estimates[5]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[4]
Amendments to MFRS 137	Onerous Contract - Cost of Fulfilling a Contract[4]
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 – 2020[4]

[1] Effective for annual periods beginning on or after 1 June 2020, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 April 2021, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

[6] Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the abovementioned MFRS and amendments to MFRS will be adopted in the financial statements of the Economic Entity and the Company when they become effective. The Economic Entity and the Company are currently assessing the impact of the abovementioned MFRS and amendments to MFRS. As of the date of authorisation of issue of the financial statements, this assessment process is still on-going. Thus, the impact of adopting the abovementioned MFRS and amendments to MFRS cannot be determined and estimated reliably now until the process is complete.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Economic Entity and of the Company have been prepared on the historical cost basis unless otherwise indicated in the accounting policies stated below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Economic Entity and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue Recognition

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.

(i) **Interest income**

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

(ii) **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.

(iii) **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.

Foreign Currency

The financial statements of the Economic Entity and of the Company are presented in the currency of the primary economic environment in 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 measured 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 and 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.

Employee Benefits

(i) **Short-term Employee Benefits**

Wages, salaries, bonuses and social contributions are recognised in the year in which the associated services are rendered by employees of the Economic Entity and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) **Defined Contribution Plan**

The Economic Entity and the Company are required by law to make monthly contributions to the Employees' Provident Fund ("EPF"), a statutory defined contribution plan for all its eligible employees based on certain prescribed rates of the employees' salaries. The Economic Entity's and the Company's contributions to EPF are disclosed separately. The employees' contributions to EPF are included in salaries and wages. The said contributions are recognised as an expense when employees have rendered service entitling them to the contributions. The Economic Entity and the Company have no further payment obligations once these contributions have been paid.

(iii) **Defined Benefit Plans**

The Company operates 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 Company has 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.

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.

Borrowing Costs

All borrowing costs are recognised as an expense in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability of the Economic Entity and of the Company for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Economic Entity and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Economic Entity and the Company intend to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the statements of profit or loss, except when they relate to items that are recognised outside statements of profit or loss, in which case the tax is also recognised outside the statements of profit or loss.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses; if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method on the following bases:

Buildings	2%
Motor vehicles	15%
Office equipment, furniture, fittings and renovation	12.5% - 33.33%

The estimated useful lives, residual values and depreciation method of property, plant and equipment are reviewed at each year end, with the effect of any changes in estimates accounted for prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statements of profit or loss.

Leases

(a) **As Lessee**

The Economic Entity and the Company assess whether a contract is or contains a lease, at inception of the contract. The Economic Entity and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Economic Entity and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Economic Entity and the Company use the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability by using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Economic Entity and the Company remeasure the lease liability and make a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Economic Entity and the Company did not make such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Economic Entity and the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137, to the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Economic Entity and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Economic Entity and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

(b) **As Lessor**

Leases for which the Economic Entity and the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Economic Entity and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

Impairment of Non-Financial Assets

At the end of the reporting period, the Economic Entity and the Company review the carrying amounts of assets (other than financial assets, which are dealt with in its respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

Where it is not possible to estimate the recoverable amount of an individual asset, the Economic Entity and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statements of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. A reversal is recognised immediately in the statements of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

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 in included in profit or loss.

Provisions

Provisions are recognised when the Economic Entity and the Company have a present obligation (legal or constructive) as a result of a past event and it is probable that the Economic Entity and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Financial Instruments

Financial assets and financial liabilities are recognised in the Economic Entity's and the Company's statements of financial position when the Economic Entity and the Company become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) **Financial assets**

(i) **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Economic Entity's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Economic Entity has applied the practical expedient, the Economic Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Economic Entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Economic Entity commits to purchase or sell the asset.

(ii) **Classification and subsequent measurement**

The Economic Entity and the Company classify all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics, measured at either:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL").

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at amortised cost using the effective interest method. The carrying amount of these assets is adjusted by impairment losses recognised and measured using the expected credit loss models. Interest income on financial assets measured at amortised cost is recognised in 'interest income' in the statements of profit or loss. The losses arising from impairment on loans, advances and financing are recognised in the statements of profit or loss as 'allowance for impairment loss'.

Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. The changes in the fair value are recognised through other comprehensive income, except for the recognition of impairment losses measured using the expected credit loss models, interest income and foreign exchange gains or losses on the financial assets' amortised cost which are recognised in profit or loss. Interest earned whilst holding the assets are reported as 'interest income' using the effective interest method. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss. Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Economic Entity and the Company measure the changes through FVOCI (without recycling profit or loss upon derecognition). Such classification is determined on an instrument-by-instrument basis. When this election is used, fair value gains or losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividends earned whilst holding the equity investment are recognised in profit or loss when the right to the payment has been established.

Fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for amortised cost or FVOCI, including financial assets held-for-trading and derivatives, are measured at FVTPL. Upon derecognition, the gain or loss on a financial asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss. Interest earned whilst holding the assets are reported as 'interest income' using the effective interest method.

Business model assessment

The Economic Entity and the Company make an assessment of the objective of a business model in which an asset is held at a portfolio level which best reflects the way the business is managed and information is provided to management. The factors considered includes 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. Other factors considered also include the frequency, volume and timing of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

The SPPI test

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Economic Entity and the Company assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Economic Entity and the Company consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iii) **Impairment of financial assets**

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan 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.

Significant increase in credit risk

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month 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 a 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.

The following table shows the staging transfer criteria which the Economic Entity and the Company used to identify customers (excluding staff) that has significantly increased in credit risk.

Stage	Credit Risk Status	Principal or Interest/Profit In Arrear
1	Not significantly increased in credit risk	0 - 3 months
2	Significantly increased in credit risk	4 - 5 months
3	Significantly increased in credit risk	6 months and above

The Economic Entity and the Company apply a three-stage approach based on the change in credit quality since initial recognition:

Stage 1: 12-month 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.

Definition of default

The Economic Entity and the Company consider a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when:

- Principal or interest/profit or both on loan/financing receivables 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 customer is in default, the Economic Entity and the Company also considers a variety of instances that may indicate unlikeliness to pay.

When such events occur, the Economic Entity and the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include borrower is insolvent or it is becoming probable that the borrower will enter bankruptcy.

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 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.

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 commitments and financial guarantee contracts, the loss allowance is recognised as expected credit losses on loan commitments and financial guarantees which is reported under 'other liabilities' in the statements of financial position.

Write-off policy

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans 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.

(iv) **Derecognition of financial assets**

The Economic Entity and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Economic Entity and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Economic Entity and the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Economic Entity and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Economic Entity and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(b) **Financial liabilities and equity**

(i) **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Economic Entity and the Company are recognised at the proceeds received, net of direct issue costs.

(iii) **Financial liabilities**

All financial liabilities of the Economic Entity and the Company are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

(iv) **Derecognition of financial liabilities**

The Economic Entity and the Company derecognise financial liabilities when, and only when, the Economic Entity's and the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Statements of Cash Flows

The Economic Entity and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of one month or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value net of outstanding bank overdraft.

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the accounting policies of the Economic Entity and the Company, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical Judgements in Applying Accounting Policies

In the process of applying the Economic Entity's and the Company's accounting policy, the directors are of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment losses on loan receivables

The measurement of the ECL for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

The use of macroeconomic factors which include, but is not limited to, interest rates, gross domestic product, inflation and property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of estimation as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly. Further details are disclosed in Note 16.

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, the Economic Entity and the Company have assessed their ECL model and the directors are of the opinion that no management overlays have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2020.

(b) Retirement 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 the 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. Further details are disclosed in Note 25.

(c) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie. an exit price) regardless of whether that price is directly observable or estimated under valuation technique.

When the fair values of financial assets and liabilities recorded in the statements of position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as current and expected future credit losses and market rates of interest. Further details about determination of fair value of the financial instruments are disclosed in Note 34.

(d) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. this involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. Further details are disclosed in Note 21.

5. INTEREST/PROFIT INCOME

	Economic Entity and Company	
	2020	2019
	RM	RM
Mortgage loan/financing receivables:		
End finance loans/financing	51,612,974	41,715,346
Bridging loans	12,162,394	11,407,708
Revolving loans	4,131,834	3,246,917
Term loans	964,454	1,020,521
	68,871,656	57,390,492
Unsecured loans receivable	23,612	23,680
	68,895,268	57,414,172

6. INTEREST EXPENSE

	Economic Entity and Company	
	2020	2019
	RM	RM
Deposits from:		
Customers	22,351,692	22,820,472
Supplementary Housing Loan Fund of the State Government of Sabah	1,944,478	2,145,870
Others	383,961	1,034,127
	24,680,131	26,000,469

7. INVESTMENT INCOME

	Economic Entity and Company	
	2020	2019
	RM	RM
Interest income from:		
Fixed and short-term deposits	3,950,972	1,122,307
Rental income	307,385	307,385
	4,258,357	1,429,692

The following is an analysis of investment income by category of assets.

	Economic Entity and Company	
	2020	2019
	RM	RM
Investment income from financial instruments measured at amortised cost	3,950,972	1,122,307
Investment income earned on non-financial assets	307,385	307,385
	4,258,357	1,429,692

8. OTHER INCOME

	Economic Entity and Company	
	2020	2019
	RM	RM
Fee income:		
Commission	596,170	758,382
Agency fees	243,431	246,073
Loan processing fees	36,500	30,150
	876,101	1,034,605
Income from financial instruments:		
Reminder and guarantee fees	116,398	129,873
Interest income from staff loans	21,440	23,035
	137,838	152,908
Sundry income:		
Bad debts recovered	2,444	72,126
Gain on disposal of property, plant and equipment	28,913	-
Others	44,088	70,895
	75,445	143,021
	1,089,384	1,330,534

9. EMPLOYEE BENEFITS EXPENSE

	Economic Entity and Company	
	2020	2019
	RM	RM
Wages and salaries	6,598,967	6,809,516
Employees provident fund contributions	984,211	1,012,157
Define benefit obligation (Note 25)	554,299	561,873
Social security contributions	28,248	26,869
	8,165,725	8,410,415

10. OTHER FINANCE COSTS

	Economic Entity and Company	
	2020	2019
	RM	RM
Interest expense of financial liabilities that are not measured at fair value through profit or loss:		
Interest on:		
Bank overdrafts	55,101	383,628
Lease liabilities	48,689	61,127
	103,790	444,755

11. ALLOWANCE FOR IMPAIRMENT LOSS

	Economic Entity and Company 2020 RM	2019 RM
(a) Loan/financing receivables:		
Allowance/(Reversal) for impairment:		
Stage 1 - 12 months ECL	17,783	(29,431)
Stage 2 - Lifetime ECL not credit impaired	(2,587)	10,988
Stage 3 - Lifetime ECL credit impaired	18,242,261	2,204,247
	18,257,457	2,185,804
(b) Cash and bank balances:		
Allowance for impairment:		
Stage 1 - 12 months ECL	210	699
Stage 2 - Lifetime ECL not credit impaired	-	-
Stage 3 - Lifetime ECL credit impaired	-	-
	210	699
(c) Bank guarantee:		
(Reversal)/Allowance for impairment:		
Stage 1 - 12 months ECL	(287,255)	16,843
Stage 2 - Lifetime ECL not credit impaired	-	-
Stage 3 - Lifetime ECL credit impaired	-	(59,524)
	(287,255)	(42,681)
(d) Staff loan:		
Reversal of impairment:		
Stage 1 - 12 months ECL	(4,726)	(20,057)
Stage 2 - Lifetime ECL not credit impaired	-	-
Stage 3 - Lifetime ECL credit impaired	-	-
	(4,726)	(20,057)
Total allowance for impairment	17,965,686	2,123,765

12. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Economic Entity and Company	
	2020	2019
	RM	RM
Depreciation and amortisation expense:		
Property, plant and equipment (Note 19)	827,855	1,220,950
Right-of-use assets (Note 20)	315,457	311,143
Directors' remuneration:		
Non-executive directors:		
Fee	272,500	239,158
Other emoluments	100,000	398,316
Auditors' remuneration	60,000	60,000
Expenses relating to short-term leases	-	12,500
Property, plant and equipment written off	-	61

13. INCOME TAX EXPENSE

	Economic Entity		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Income tax expense:				
Current year	6,190,000	8,000,000	6,190,000	8,000,000
Overprovision in prior year	(118,943)	(1,980,515)	(118,943)	(1,980,515)
	6,071,057	6,019,485	6,071,057	6,019,485
Deferred tax expense (Note 21):				
Relating to the (reversal)/ origination of temporary differences	(246,451)	7,258	(246,451)	7,258
Underprovision in prior year	246,859	34,581	246,859	34,581
	408	41,839	408	41,839
	6,071,465	6,061,324	6,071,465	6,061,324

The Economic Entity's and the Company's income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the taxable profit for the year.

13. INCOME TAX EXPENSE - (CONTINUED)

A numerical reconciliation of income tax expense applicable to profit before tax at the statutory income tax expense at the effective tax rate is as follows:

	Economic Entity		Company	
	2020 RM	2019 RM (Restated)	2020 RM	2019 RM
Profit before tax	19,322,582	16,920,990	19,184,572	16,873,368
Tax expense at the applicable tax rates of 24% (2019: 24%)	4,637,419	4,061,038	4,604,297	4,049,608
Tax effects of:				
Non-deductible expenses	1,339,252	3,957,650	1,339,252	3,957,650
Overprovision of income tax in prior year	(118,943)	(1,980,515)	(118,943)	(1,980,515)
Underprovision of deferred tax in prior year	246,859	34,581	246,859	34,581
Share of results of associates	(33,122)	(11,430)	-	-
Income tax expense recognised in profit or loss	6,071,465	6,061,324	6,071,465	6,061,324

14. CASH AND BANK BALANCES

	Economic Entity and Company	
	2020 RM	2019 RM
Cash and bank balances	6,640,467	4,157,966
Less: Allowance for impairment loss	(1,321)	(1,111)
	6,639,146	4,156,855
Allowance for impairment loss:		
At 1 January	1,111	412
Impairment loss recognised in profit or loss during the year	210	699
At 31 December	1,321	1,111

Cash and cash equivalents comprise the following at the reporting date:

	Economic Entity and Company	
	2020 RM	2019 RM
Cash at banks and on hand	6,639,146	4,156,855
Deposits and placements maturing within one month (Note 15)	64,000,000	45,000,000
Bank overdrafts (Note 23)	(17,483)	(11,921,723)
	70,621,663	37,235,132

15. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Economic Entity and Company 2020 RM	2019 RM
Deposits and placements maturing within one month (Note 14)	64,000,000	45,000,000
Deposits and placements maturing more than one month	-	463,903
	64,000,000	45,463,903

Deposits and placements are made for varying periods of between 1 day and 1 year depending on the cash requirements of the Economic Entity and the Company, and earn interest at the respective short-term deposit and placements rates.

The weighted average effective interest rate of the Economic Entity and the Company was 2.40% (2019: 3.46%) per annum.

16. LOAN/FINANCING RECEIVABLES

	Economic Entity and Company 2020 RM	2019 RM
Mortgage loan/financing receivables:		
End-finance loans/financing	906,608,990	880,826,873
Bridging finance	155,334,766	151,442,921
Revolving credits	58,052,282	42,242,091
Term loans	13,361,330	13,178,385
	1,133,357,368	1,087,690,270
Unsecured loan receivables	1,171,512	978,252
Gross loan/financing receivables	1,134,528,880	1,088,668,522
Less:		
Allowance for impairment loss:		
Stage 1 - 12 months ECL	(93,476)	(75,693)
Stage 2 - Lifetime ECL not credit impaired	(67,248)	(69,835)
Stage 3 - Lifetime ECL credit impaired	(33,176,122)	(14,908,509)
	(33,336,846)	(15,054,037)
Net loan/financing receivables	1,101,192,034	1,073,614,485

The mortgage loan/financing receivables are mainly secured by freehold or leasehold properties amounting to RM2,135,119,638 (2019: RM2,134,739,655). The weighted average effective interest/profit rate of the Economic Entity and the Company is 6.20% (2019: 5.74%) per annum.

16. **LOAN/FINANCING RECEIVABLES - (CONTINUED)**

(a) The maturity structure of gross loan/financing receivables are as follows:

	Economic Entity and Company	
	2020	**2019**
	RM	**RM**
Maturing within one year	300,754,152	283,466,091
One year to three years	159,732,273	163,260,573
Three years to five years	158,233,130	161,365,259
Over five years	515,809,325	480,576,599
	1,134,528,880	1,088,668,522

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

	Economic Entity and Company	
	2020	**2019**
	RM	**RM**
Stage 1	1,037,314,133	925,960,381
Stage 2	3,108,604	11,425,937
Stage 3	94,106,143	151,282,204
	1,134,528,880	1,088,668,522

(c) Movements in allowance for impairment loss of loan/financing receivables are as follows:

2020	**Economic Entity and Company**			
	Stage 1	**Stage 2**	**Stage 3**	
	12-months ECL	**Lifetime ECL not credit impaired**	**Lifetime credit impaired**	**Total**
	RM	**RM**	**RM**	**RM**
At 1 January	75,693	69,835	14,908,509	15,054,037
Transferred to stage 1	143,154	(45,697)	(97,457)	-
Transferred to stage 2	(2,773)	40,579	(37,806)	-
Transferred to stage 3	(295)	(12,727)	13,022	-
Financial assets derecognised	(21,995)	(3,004)	(36,896)	(61,895)
New financial assets	27,044	4,978	13,352,798	13,384,820
Net remeasurement of allowances	(127,352)	13,284	5,048,600	4,934,532
Reversal of impairment loss written off in previous year	-	-	25,352	25,352
At 31 December	93,476	67,248	33,176,122	33,336,846

16. **LOAN/FINANCING RECEIVABLES - (CONTINUED)**

(c) Movements in allowance for impairment of loan/financing receivables are as follows - (continued):

2019	**Economic Entity and Company**			
	Stage 1	**Stage 2**	**Stage 3**	
	12-months ECL RM	**Lifetime ECL not credit impaired RM**	**Lifetime credit impaired RM**	**Total RM**
At 1 January	105,124	58,847	12,704,262	12,868,233
Transferred to stage 1	53,655	(42,970)	(10,685)	-
Transferred to stage 2	(15,913)	15,913	-	-
Transferred to stage 3	(2,400)	(8,429)	10,829	-
Financial assets derecognised	(9,106)	(45)	(453,951)	(463,102)
New financial assets	11,912	18,618	1,492,722	1,523,252
Net remeasurement of allowances	(67,579)	27,901	1,165,332	1,125,654
At 31 December	75,693	69,835	14,908,509	15,054,037

17. **OTHER RECEIVABLES**

	Economic Entity and Company	
	2020 RM	**2019 RM**
Other receivables	11,761	11,547
Net staff loans and advances	580,238	764,982
Deposits	132,845	143,662
	724,844	920,191

Staff loans and advances are unsecured and bears weighted average effective interest rate of 3.55% (2019: 4.18%) per annum.

	Economic Entity and Company	
	2020 RM	**2019 RM**
Gross staff loans and advances	580,238	769,708
Less:		
Allowance for impairment loss:		
At 1 January	(4,726)	(24,783)
Reversal of impairment loss	4,726	20,057
At 31 December	-	(4,726)
Net staff loans and advances	580,238	764,982

18. INVESTMENTS IN ASSOCIATES

	Economic Entity 2020 RM	Economic Entity 2019 RM (Restated)	Company 2020 RM	Company 2019 RM
Unquoted shares - at cost	4,000,000	4,000,000	4,000,000	4,000,000
Share of post-acquisition reserves:				
As previously stated	4,393,166	3,088,380	-	-
Effect of changes in accounting policy of the associates	-	1,166,776	-	-
At restated	4,393,166	4,255,156	-	-
	8,393,166	8,255,156	4,000,000	4,000,000

Details of associates are as follows:

Name of company	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Company 2020	2019	Principal activities
BHMF Realty Sdn. Bhd.	Malaysia	40%	40%	Property development
Held through BHMF Realty Sdn. Bhd.:				
Cendana Emas Sdn. Bhd.	Malaysia	40%	40%	Investment holdings and property management

All of the above associates are accounted for using the equity method as set out in the accounting policies in Note 3 to the financial statements.

The summarised financial information below represents the amounts in associates' financial statements, prepared in accordance with MFRS standards.

BHMF Realty Sdn. Bhd. and its subsidiary

Summarised consolidated statements of financial position:

	2020 RM	2019 RM (Restated)
Non-current assets	17,366,860	17,119,881
Current assets	3,755,412	3,688,137
Current liabilities	(139,357)	(170,128)
Net assets	20,982,915	20,637,890

18. INVESTMENTS IN ASSOCIATES - (CONTINUED)

Summarised consolidated statements of comprehensive income:

	2020 RM	2019 RM (Restated)
Revenue	340,200	340,200
Profit before tax	410,326	181,111
Income tax expense	(65,301)	(62,053)
Profit for the year	345,025	119,058
Other comprehensive income	-	-
Total comprehensive income for the year	345,025	119,058

Summarised consolidated statements of cash flows:

	2020 RM	2019 RM
Net cash used in operating activities	(6,537)	(112,010)
Net cash from investing activities	72,929	167,588
Net cash inflow	66,392	55,578

Reconciliation of the summarised financial information presented above to the carrying amount of the Economic Entity's interest in associates are as follows:

	2020 RM	2019 RM (Restated)
Net assets at 1 January	20,637,890	20,518,832
Profit for the year	345,025	119,058
Net assets at 31 December	20,982,915	20,637,890
Interest in associates	40%	40%
	8,393,166	8,255,156

19. PROPERTY, PLANT AND EQUIPMENT

Economic Entity and Company

2020	Cost				Accumulated depreciation			
	At beginning of year RM	Additions RM	Disposals RM	At end of year RM	At beginning of year RM	Charge for the year RM	Disposals RM	At end of year RM
Buildings	14,402,290	-	-	14,402,290	2,201,216	285,996	-	2,487,212
Motor vehicles	1,135,857	138,174	(267,797)	1,006,234	914,685	184,859	(242,485)	857,059
Office equipment, furniture, fittings and renovation	9,537,287	101,842	(211,423)	9,427,706	8,493,636	357,000	(210,683)	8,639,953
	25,075,434	240,016	(479,220)	24,836,230	11,609,537	827,855	(453,168)	11,984,224

2019	Cost				Accumulated depreciation			
	At beginning of year RM	Additions RM	Write off RM	At end of year RM	At beginning of year RM	Charge for the year RM	Write off RM	At end of year RM
Buildings	14,402,290	-	-	14,402,290	1,913,174	288,042	-	2,201,216
Motor vehicles	1,130,457	5,400	-	1,135,857	736,791	177,894	-	914,685
Office equipment, furniture, fittings and renovation	9,968,632	297,383	(728,728)	9,537,287	8,467,289	755,014	(728,667)	8,493,636
	25,501,379	302,783	(728,728)	25,075,434	11,117,254	1,220,950	(728,667)	11,609,537

19. PROPERTY, PLANT AND EQUIPMENT - (CONTINUED)

	Economic Entity and Company	
	← Carrying amount →	
	2020 RM	2019 RM
Buildings	11,915,078	12,201,074
Motor vehicles	149,175	221,172
Office equipment, furniture, fittings and renovation	787,753	1,043,651
Total	12,852,006	13,465,897

20. RIGHT-OF-USE ASSETS

Economic Entity and Company

2020	**Leasehold land RM**	**Office building RM**	**Warehouse RM**	**Total RM**
Cost				
At 1 January and 31 December	6,700,000	1,472,931	66,062	8,238,993
Accumulated Depreciation				
At 1 January	60,296	280,558	23,048	363,902
Charge for the year	7,537	280,558	27,362	315,457
At 31 December	67,833	561,116	50,410	679,359
Carrying amount				
At 31 December	6,632,167	911,815	15,652	7,559,634
2019				
Cost				
At 1 January	6,700,000	1,472,931	45,356	8,218,287
Addition	-	-	20,706	20,706
At 31 December	6,700,000	1,472,931	66,062	8,238,993
Accumulated Depreciation				
At 1 January	52,759	-	-	52,759
Charge for the year	7,537	280,558	23,048	311,143
At 31 December	60,296	280,558	23,048	363,902
Carrying amount				
At 31 December	6,639,704	1,192,373	43,014	7,875,091

The Company leases several assets including leasehold land, office building and warehouse. The lease terms is 2 to 999 years (2019: 2 to 999 years).

21. DEFERRED TAX ASSETS

	Economic Entity and Company 2020 RM	2019 RM
At 1 January	2,930,214	2,972,053
Recognised in profit or loss (Note 13)	(408)	(41,839)
At 31 December	2,929,806	2,930,214

Presented after appropriate offsetting as follows:

	Economic Entity and Company 2020 RM	2019 RM
Deferred tax assets	3,038,704	3,071,501
Deferred tax liabilities	(108,898)	(141,287)
	2,929,806	2,930,214

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Deferred tax assets:

	Allowance for impairment loss of loan/financing receivables RM	Provision for gratuity and defined benefit obligation RM	Total RM
At 1 January 2020	1,746,297	1,325,204	3,071,501
Recognised in profit or loss	(360,930)	328,133	(32,797)
At 31 December 2020	1,385,367	1,653,337	3,038,704
At 1 January 2019	1,746,297	1,284,461	3,030,758
Recognised in profit or loss	-	40,743	40,743
At 31 December 2019	1,746,297	1,325,204	3,071,501

Deferred tax liabilities:

	Property, plant and equipment RM	Total RM
At January 1, 2020	(141,287)	(141,287)
Recognised in profit or loss	32,389	32,389
At 31 December 2020	(108,898)	(108,898)
At 1 January 2019	(58,705)	(58,705)
Recognised in profit or loss	(82,582)	(82,582)
At 31 December 2019	(141,287)	(141,287)

22. DEPOSITS FROM CUSTOMERS

	Economic Entity and Company 2020 RM	2019 RM
Fixed deposits	703,328,544	567,152,622
Savings deposits	1,462,280	863,067
	704,790,824	568,015,689

These deposits are sourced from the following types of customers:

	Economic Entity and Company 2020 RM	2019 RM
State Government of Sarawak	500,000,000	430,000,000
State Government of Sabah	68,000,000	18,000,000
Corporate shareholder	5,000,000	6,497,235
State-owned enterprises and institutions	53,614,268	50,521,731
Associate	2,462,469	2,394,762
Other business enterprises and individuals	75,714,087	60,601,961
	704,790,824	568,015,689

The maturity structure of deposits from customers is as follows:

	Economic Entity and Company 2020 RM	2019 RM
Within one year	666,460,072	567,089,568
More than one year	38,330,752	926,121
	704,790,824	568,015,689

Interest rates for these deposits range from 1.50% to 3.85% (2019: 1.50% to 4.10%) per annum.

23. BORROWINGS

	Economic Entity and Company 2020 RM	2019 RM
Unsecured:		
Bank overdrafts (Note 14)	17,483	11,921,723
Revolving credit facility	1,000,000	23,000,000
	1,017,483	34,921,723

23. BORROWINGS - (CONTINUED)

As of 31 December 2020, the Economic Entity and the Company have the following banking facilities:

(a) Bank overdraft facilities obtained by the Company from five (2019: five) local financial institutions with a total approved limit of RM20,500,000 (2019: RM20,500,000). No security is being pledged for the bank overdraft facilities.

(b) Revolving credit facilities obtained by the Company from two (2019: two) local financial institutions with a total approved limit of RM40,000,000 (2019: RM40,000,000). No security is being pledged for the revolving credit facilities.

The effective interest rates for borrowings during the financial year are as follows:

	Economic Entity and Company	
	2020	**2019**
	%	**%**
Bank overdrafts	6.20 - 7.47	7.45 - 7.97
Revolving credit facility	2.88 - 4.55	4.00 - 5.40

24. OTHER PAYABLES

	Economic Entity and Company	
	2020	**2019**
	RM	**RM**
Amounts owing to associates	1,330,177	1,184,602
Amount owing to Supplementary Housing Loan Fund of the State Government of Sabah	18,259,513	74,350,244
Interest payable	2,128,500	2,862,301
Other payables	5,773,269	4,953,001
	27,491,459	83,350,148
Expected credit losses on bank guarantee at stage 1:		
At 1 January	31,030	14,187
(Reversal)/Allowance for the year	(27,550)	16,843
At 31 December	3,480	31,030
Expected credit losses on bank guarantee at stage 3:		
At 1 January	282,351	341,875
Reversal for the year	(259,705)	(59,524)
At 31 December	22,646	282,351
	27,517,585	83,663,529

(a) **Amount owing to associates**

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.

24. OTHER PAYABLES - (CONTINUED)

(b) Amount owing to Supplementary Housing Loan Fund of the State Government of Sabah

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 3.0% (2019: 3.0%) per annum.

(c) Other payables

Included in other payables are project management accounts of developers amounting to RM1,344,175 (2019: RM310,251).

25. PROVISION FOR GRATUITY AND DEFINED BENEFIT OBLIGATIONS

	Economic Entity and Company	
	2020	2019
	RM	RM
Provision for gratuity	52,656	65,210
Defined benefit obligations	6,836,249	5,456,475
	6,888,905	5,521,685

(a) Provision for gratuity

Movement in the provision for gratuity is as follows:

	Economic Entity and Company	
	2020	2019
	RM	RM
At 1 January	65,210	126,575
Benefits paid	(12,554)	(61,365)
At 31 December	52,656	65,210

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.

(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, other comprehensive income and the amount recognsed in the statements of financial position of the plan.

25. **PROVISION FOR GRATUITY AND DEFINED BENEFIT OBLIGATIONS - (CONTINUED)**

(b) **Defined benefit obligations - (Continued)**

Benefit Liability

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

	Economic Entity and Company	
	2020	**2019**
	RM	**RM**
At 1 January	5,456,475	5,225,347
Included in profit or loss:		
Current service cost	279,848	293,846
Interest cost	274,451	268,027
	554,299	561,873
Included in other comprehensive income:		
Re-measurement	1,435,110	-
Benefits paid by the Company	(609,635)	(330,745)
At 31 December	6,836,249	5,456,475

Net Benefit Expense

	Economic Entity and Company	
	2020	**2019**
	RM	**RM**
Current service costs	279,848	293,846
Interest cost on benefits obligations	274,451	268,027
Net benefit expense, included in employee benefits expense (Note 9)	554,299	561,873

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.

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

	Economic Entity and Company	
	2020	**2019**
	%	**%**
Discount rate	3.90	5.30
Expected rate of salary increase	4.00	4.00

The average duration of the defined benefit obligations at the reporting date is 15.3 years (2019: 15.5 years).

26. LEASE LIABILITIES

	Economic Entity and Company 2020 RM	2019 RM
Maturity analysis:		
Year 1	297,295	296,311
Year 2	293,719	297,295
Year 3	307,035	293,719
Year 4	65,259	307,035
Year 5	-	65,259
	963,308	1,259,619

The weighted average leases incremental borrowing rate applied to lease liabilities is 4.53% (2019: 4.53%) per annum.

Included in lease liabilities are office rental payable to associate amounting to RM946,995 (2019: RM1,215,791).

27. SHARE CAPITAL

	Economic Entity and Company			
	No. of ordinary shares		2020 RM	2019 RM
Issued and fully paid				
Ordinary shares	126,420,084	126,420,084	154,420,084	154,420,084

All ordinary shares are equally eligible to receive dividends and the repayment of capital and carry one vote per share at the shareholders meeting of the Company.

28. GENERAL RESERVES AND RETAINED EARNINGS

	Economic Entity		Company	
	2020 RM	2019 RM (Restated)	2020 RM	2019 RM
Distributable reserves:				
General reserve	107,499,884	106,499,884	107,499,884	106,499,884
Retained earnings	199,853,425	199,037,418	195,460,259	194,782,262
	307,353,309	305,537,302	302,960,143	301,282,146

General reserve

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.

Retained earnings

The entire retained earnings of the Company is available for distribution as single tier tax-exempt dividend to the shareholders of the Company.

29. DIVIDENDS

	Economic Entity and Company	
	2020	**2019**
	RM	**RM**
Final tax exempt (single tier) dividend for 2018:		
7.91 sen per share	-	10,000,000
Final tax exempt (single tier) dividend for 2019:		
7.91 sen per share	10,000,000	-
	10,000,000	10,000,000

Subsequent to the financial year end, the directors at the Company's Board of Directors' meeting on 28 December 2021 declared a final tax-exempt dividend (single tier) dividend of RM10,000,000 in respect of the financial year ended 31 December 2020. The dividend has not been included as a liability in the financial statements in view of the dividend has not been approved as of the end of the financial year.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Economic Entity's and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Economic Entity's and Company's statements of cash flows as cash flows used in financing activities.

Economic Entity and Company

	Note	1.1.2020 RM	Net financing cash flows RM	Interest RM	Interest paid RM	31.12.2020 RM
Borrowings - revolving credit facility	23	23,000,000	(22,000,000)	-	-	1,000,000
Lease liabilities	26	1,259,619	(296,311)	48,689	(48,689)	963,308
		24,259,619	(22,296,311)	48,689	(48,689)	1,963,308

	Note	1.1.2019 RM	Net financing cash flows RM	Interest RM	Interest paid RM	New lease arrangement RM	31.12.2019 RM
Borrowings - revolving credit facility	23	20,000,000	3,000,000	-	-	-	23,000,000
Lease liabilities	26	1,518,287	(279,374)	61,127	(61,127)	20,706	1,259,619
		21,518,287	2,720,626	61,127	(61,127)	20,706	24,259,619

31. RELATED PARTY TRANSACTIONS

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. (formerly known as Qhazanah Sabah Sdn. Bhd. and Warisan Harta Sabah Sdn. Bhd.), a company wholly-owned by the State Government of Sabah.

Significant transactions undertaken between the Economic Entity and the Company and related parties are as follows:

	Economic Entity and Company	
	2020	**2019**
	RM	**RM**
Interest receivable from:		
Supplementary Housing Loan Fund of the State Government of Sabah	243,431	246,073
Rental received from corporate shareholder	300,785	300,785
Interest payable to:		
Corporate shareholder	(184,195)	(243,965)
Associates	(73,248)	(88,004)
Supplementary Housing Loan Fund of the State Government of Sabah	(1,944,478)	(2,145,870)
Office rental payable to associate	(316,200)	(316,200)

The related parties transactions are negotiated based on terms and obligations agreed between the Economic Entity and the Company and the related parties.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Economic Entity and of the Company either directly or indirectly. The compensation of key management personnel are as follows:

	Economic Entity and Company	
	2020	**2019**
	RM	**RM**
Short-term employee benefits	421,201	534,798
Defined contribution plan	64,981	164,395
	486,182	699,193

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 and Company	
	2020	**2019**
	RM	**RM**
Loans commitment not yet recognised in the financial statements:		
End finance	80,770,244	74,456,491
Bridging, term loans and revolving loans	51,678,518	45,653,770
Guarantees issued	4,670,306	5,177,612
	137,119,068	125,287,873

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

33. OPERATING LEASE ARRANGEMENTS

<u>The Economic Entity and the Company as lessors</u>

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:

	2020	**2019**
	RM	**RM**
Year 1	75,196	300,785
Year 2	-	75,196
	75,196	375,981

Rental income recognised as investment income during the financial year is disclosed in Note 7.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	Economic Entity and Company	
	2020	2019
	RM	RM
Financial assets		
Amortised cost:		
Cash and bank balances	6,639,146	4,156,855
Deposits and placements with financial institutions	64,000,000	45,463,903
Loan/financing receivables	1,101,192,034	1,073,614,485
Other receivables	724,844	920,191
Financial liabilities		
Amortised cost:		
Deposits from customers	704,790,824	568,015,689
Borrowings	1,017,483	34,921,723
Other payables	27,517,585	83,663,529
Accrued expenses	1,390,804	1,555,493
Lease liabilities	963,308	1,259,619

Financial Risk Management Objectives and Policies

The Economic Entity and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which influence the primary objective of the Economic Entity and the Company's capital management which are executed by the management.

It is, and has been throughout the current and previous financial year, the Economic Entity's policy that no trading in derivatives for speculative purposes shall be undertaken.

There has been no change to the Economic Entity's exposure to these financial risks or the manner in which it manages and measures the risks.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Economic Entity and the Company. 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.

Exposure to credit risk

The Economic Entity and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Economic Entity and the Company defines counterparties having similar characteristics if they are related entities. Concentration of credit risks did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds (investment in the form of fixed deposits and money market instruments) is limited because the counterparties are banks and financial institution with high credit-ratings.

34. FINANCIAL INSTRUMENTS – (CONTINUED)

Financial Risk Management Objectives and Policies – (Continued)

Credit risk management - (Continued)

Exposure to credit risk – (continued)

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 RM4.67 million (2019: RM5.18 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.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, and the exposure to defaults from financial guarantees above, represents the Economic Entity and the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity and cash flow risks management

Liquidity risk is the risk that the Economic Entity or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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.

As at the reporting date, the Economic Entity and the Company have at their disposal undrawn bank overdraft and revolving credit loan facilities of RM59.5 million (2019: RM25.6 million), deposit placements with financial institutions of RM64 million (2019: RM45 million) and cash and bank balances of RM6.6 million (2019: RM4.2 million), totalling RM130.1 million (2019: RM74.8 million) to further reduce liquidity risk. In addition, a significant portion of the financial liabilities are deposits from shareholders and state governments, insurance companies and Supplementary Housing Loan Fund of the State Government of Sabah (Note 22 and Note 24). The directors believe that the shareholders would continue to support the Company by rolling over their deposit placements and that the probability of them withdrawing the deposits within next 12 months is remote.

Analysis of financial instruments by remaining contractual maturities

The following table details the Economic Entity and the Company's liquidity analysis for its non-derivative financial liabilities. The table below has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date in which the Economic Entity and the Company can be required to pay.

34. FINANCIAL INSTRUMENTS – (CONTINUED)

Financial Risk Management Objectives and Policies – (Continued)

Liquidity and cash flow risks management - (Continued)

Analysis of financial instruments by remaining contractual maturities - (Continued)

Economy Entity and Company

2020	**Effective interest rate %**	**On demand or within one year RM**	**One year to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities:					
Deposits from customers	1.50 - 3.85	666,460,072	38,330,752	-	704,790,824
Borrowings	2.88 - 7.47	1,017,483	-	-	1,017,483
Other payables	3.00 - 7.00	19,565,999	-	-	19,565,999
Other payables	-	7,951,586	-	-	7,951,586
Accrued expenses	-	1,390,804	-	-	1,390,804
Lease liabilities	4.53	332,700	697,850	-	1,030,550
Guarantees issued	-	4,644,180	-	-	4,644,180
		701,362,824	39,028,602	-	740,391,426
2019					
Financial liabilities:					
Deposits from customers	1.50 - 4.10	567,089,568	926,121	-	568,015,689
Borrowings	4.00 - 7.97	34,921,723	-	-	34,921,723
Other payables	3.00 - 7.00	75,607,566	-	-	75,607,566
Other payables	-	8,055,963	-	-	8,055,963
Accrued expenses	-	1,555,493	-	-	1,555,493
Lease liabilities	4.53	345,000	1,030,550	-	1,375,550
Guarantees issued	-	4,864,231	-	-	4,864,231
		692,439,544	1,956,671	-	694,396,215

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Economic Entity and the Company’s financial instruments will fluctuate because of changes in market interest rates.

The Economic Entity and the Company’s exposure to interest rate risk arises primarily from its deposits and placements with financial institutions, loan receivables, deposits from customers, borrowings and other payables.

The Economic Entity and the Company’s policy is to manage its interest cost by maintaining a mix of fixed and floating rate borrowings and by spreading out the timing of interest rate fixing. 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.

34. FINANCIAL INSTRUMENTS – (CONTINUED)

Financial Risk Management Objectives and Policies – (Continued)

Interest rate risk management – (Continued)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points higher/lower, with all other variables held constant, the Economic Entity's and the Company's profit for the year would have been RM1.76 million (2019: RM1.51 million) lower/higher respectively, arising mainly as a result of the Economic Entity's and the Company's exposure to interest rates on their variable rate financial assets and financial liabilities. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Capital risk management

The primary objective of the Economic Entity and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The capital structure of the Economic Entity and the Company consist of net debt (deposits from customers, borrowings and lease liabilities) and equity of the Economic Entity and the Company (comprising issued capital, other reserves and retained earnings).

	Economic Entity		**Company**	
	2020	**2019**	**2020**	**2019**
	RM	**RM (Restated)**	**RM**	**RM**
Deposits from customers	704,790,824	568,015,689	704,790,824	568,015,689
Borrowings	1,017,483	34,921,723	1,017,483	34,921,723
Lease liabilities	963,308	1,259,619	963,308	1,259,619
Net debt	706,771,615	604,197,031	706,771,615	604,197,031
Equity attributable to the owners	461,773,393	459,957,386	457,380,227	455,702,230
Capital and net debt	1,168,545,008	1,064,154,417	1,164,151,842	1,059,899,261
Gearing ratio	60%	57%	61%	57%

The Economic Entity and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Economic Entity and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

The Economic Entity and the Company are not subject to any externally imposed capital requirements.

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 Association. As at 31 December 2020, deposits from customers and borrowings represent 62% (2019: 55%) of gross mortgage loans/financing of the Company.

34. FINANCIAL INSTRUMENTS – (CONTINUED)

Fair Values of Assets and Liabilities

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair value:

	Note
Cash and bank balances	14
Deposits and placements with financial institution	15
Other receivables	17
Deposits from customers	22
Borrowings	23
Other payables	24
Lease liabilities	26

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to short-term maturities of these instruments.

35. 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 summarised as follows:

Statements of comprehensive income for the year ended 31 December

	Note	Economic Entity and Company	
		2020	2019
		RM	RM
Profit income on Tawarruq Home Financing-i		1,057,636	268,840
Income attributable to deposits from customers		(45,271)	(30,300)
		1,012,365	238,540
Other income	(a)	88,209	93,543
Total income		1,100,574	332,083
Expenditure			
Employee benefits expense	(b)	(269,363)	(150,140)
Administrative expense		(65,517)	(213,640)
		765,694	(31,697)
Allowance for impairment loss		(26,906)	(624)
Profit/(Loss) for the year		738,788	(32,321)

35. ISLAMIC BANKING BUSINESS – (CONTINUED)

Statements of financial position as of 31 December

	Note	Economic Entity and Company 2020 RM	2019 RM
Assets			
Cash and bank balances	(c)	609,561	1,317,304
Financing receivables	(d)	22,942,993	11,370,722
Total assets		23,552,554	12,688,026
Liabilities			
Deposits from customers	(e)	167,954	116,691
Borrowings		-	3,000,000
Other payables		34,661	15,517
Total liabilities		202,615	3,132,208
Equity			
Retained earnings/(Accumulated losses)	(f)	97,746	(641,042)
Islamic banking funds		23,252,193	10,196,860
Total equity		23,349,939	9,555,818
Total equity and liabilities		23,552,554	12,688,026

		Economic Entity and Company 2020 RM	2019 RM
(a)	**Other income**		
	Profit on deposits with financial institution	109	1,123
	Commission	62,733	64,112
	Agency fee	6,177	2,153
	Others	19,190	26,155
		88,209	93,543
(b)	**Employee benefits expense**		
	Wages and salaries	230,486	128,250
	Employees provident fund contributions	34,403	19,246
	Social security contributions	4,474	2,644
		269,363	150,140
(c)	**Cash and bank balances**		
	Cash and bank balances	609,572	1,317,333
	Less: Allowance for impairment loss	(11)	(29)
		609,561	1,317,304
(d)	**Financing receivables**		
	Financing receivables	22,970,515	11,371,320
	Less: Allowance for impairment loss	(27,522)	(598)
		22,942,993	11,370,722

35. ISLAMIC BANKING BUSINESS – (CONTINUED)

		Economic Entity and Company	
		2020	2019
		RM	RM
(e)	**Deposits from customers**		
	Tawarruq Term Deposit-i	114,219	95,343
	Wadiah Savings Account-i	53,735	21,348
		167,954	116,691
(f)	**Retained earnings/(Accumulated losses)**		
	Movement of retained earnings/(accumulated losses) are as follows:		
	At 1 January	(641,042)	(608,721)
	Profit/(Loss) for the year	738,788	(32,321)
	At 31 December	97,746	(641,042)

36. SIGNIFICANT EVENT

The COVID-19 pandemic has significantly disrupted many business operations around the world. In line with measures announced by Bank Negara Malaysia on 24 March 2020 to support those impacted by COVID-19, the Economic Entity and the Company have automatically granted a six-month's moratorium on loan repayments from 1 April 2020 to 30 September 2020 to its eligible borrowers. The automatic moratorium was applicable to end finance loans/financing, bridging loans, revolving loans and term loans that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. Optional three-month's moratorium on loan repayments from 1 October 2020 to 31 December 2020 was also granted to its eligible borrowers. The payment moratorium does not significantly impact on business operations of the Economic Entity and of the Company.

Subsequent to the financial year end, in line with the announcement made by State Government of Sabah and Sarawak to further support those impacted by Covid-19, the Economic Entity and the Company have granted additional six-month's moratorium on loan repayments from 1 September 2021 to 28 February 2022 to its eligible borrowers.

At the date of this report, there have not been any circumstances that would require a material adjustment to be made to the carrying values of the assets and liabilities of the Economic Entity and of the Company as at 31 December 2020. The Economic Entity and the Company have sufficient capital and will be able to continue prudently manage risks while implementing cost reduction measures in order to ensure that it remains resilient through this period of uncertainty.

37. CHANGES IN ACCOUNTING POLICY OF THE ASSOCIATE

During the year, the associate of the Economic Entity and of the Company, BHMF Realty Sdn. Bhd. had changed the accounting policy to measure the investment properties using the fair value model. The change of accounting policy is applied retrospectively. Previously, the associate measured the investment properties using cost model. The change in policy has been made because the directors are in the opinion that the fair value model more accurately reflects the value of the investment properties of the associate. Consequently, the abovementioned change had impacted the amount of share of results of associates to the Economic Entity.

Below is a summary of the impact of the change in accounting policy of the associate to the Economic Entity for the previous year.

Economic Entity	**As previously stated RM**	**Effect of change of accounting policy RM**	**As restated RM**
Statements of comprehensive income			
For the year ended 31 December 2019			
Share of results of associates	20,160	27,462	47,622
Profit before tax	16,893,528	27,462	16,920,990
Profit for the year	10,832,204	27,462	10,859,666
Total comprehensive income for the year	10,832,204	27,462	10,859,666
Statements of financial position			
As of 31 December 2019			
Investments in associates	7,088,380	1,166,776	8,255,156
Retained earnings	(197,870,642)	(1,166,776)	(199,037,418)
As of 1 January 2019			
Investments in associates	7,068,220	1,139,314	8,207,534
Retained earnings	(201,038,438)	(1,139,314)	(202,177,752)
Statements of cash flows			
For the year ended 31 December 2019			
Profit for the year	10,832,204	27,462	10,859,666
Adjustments for share of results of associates	(20,160)	(27,462)	(47,622)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **BORNEO HOUSING MORTGAGE FINANCE BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions 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 2020 and of the financial performance and cash flows of the Economic Entity and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

TAN SRI DATUK AMAR (DR) HAJI ABDUL AZIZ BIN HAJI HUSAIN

DIONYSIA @ AUDREY BINTI ALOYSIUS KIBAT

Kota Kinabalu
28 December 2021

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **BONG SAY MAN,** the officer primarily responsible for the financial management of **BORNEO HOUSING MORTGAGE FINANCE BERHAD,** do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, 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.

BONG SAY MAN

Subscribed and solemnly declared by the abovenamed **BONG SAY MAN** at **KOTA KINABALU, SABAH** this 28th day of December, 2021.

Before me,

JUSTICE OF THE PEACE
JAKSA PENDAMAI
Ref. JP 97/25
MAJAPS NO.97
SABAH, MALAYSIA

DATUK YONG WE KONG
123-12-5111
16, Jalan Haji Yaakub, Kg. Air,
88807 Kota Kinabalu, Sabah.

COMMISSIONER FOR OATHS