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

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(In Ringgit Malaysia)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

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BORNEO HOUSING MORTGAGE FINANCE BERHAD
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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 2021.

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	27,746,962	27,687,947

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 28 December 2021 in respect of the financial year ended 31 December 2020. The dividend was paid on 29 December 2021.

(ii) A final tax exempt (single tier) dividend of RM14,000,000 was declared on 26 September 2022 in respect of the financial year ended 31 December 2021.

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 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)
Hasmawati Binti Sapawi
Ahmad Rizal Bin Dahli
Elean Binti Masa'at (appointed on 1.6.2021)
Mohd. Faizal Mohd. Tahir (appointed on 16.8.2022)
Datuk Nordin Siman (resigned on 15.2.2021)
Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman (resigned on 31.5.2021)
Dionysia @ Audrey Binti Aloysius Kibat (resigned on 16.8.2022)

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 amounting to RM542,421) 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 RM46,120 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., 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 2021 is RM60,000.

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

AHMAD RIZAL BIN DAHLI

Kota Kinabalu
26 September 2022

Deloitte.

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
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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 2021 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 62.

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 2021, 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

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

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

Kota Kinabalu
26 September 2022

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		Economic Entity		Company	
	Note	**2021 RM**	**2020 RM**	**2021 RM**	**2020 RM**
Interest/Profit income	5	74,236,056	68,895,268	74,236,056	68,895,268
Interest/Profit expense	6	(20,039,638)	(24,680,131)	(20,039,638)	(24,680,131)
Net interest income		54,196,418	44,215,137	54,196,418	44,215,137
Investment income	7	2,330,280	4,258,357	2,330,280	4,258,357
Other income	8	1,159,697	1,089,384	1,159,697	1,089,384
Net income		57,686,395	49,562,878	57,686,395	49,562,878
Other operating expenses					
Employee benefits expense	9	(8,607,764)	(8,165,725)	(8,607,764)	(8,165,725)
Depreciation and amortisation expense		(971,779)	(1,143,312)	(971,779)	(1,143,312)
Administrative expense		(3,576,981)	(2,999,793)	(3,576,981)	(2,999,793)
Other finance costs	10	(45,398)	(103,790)	(45,398)	(103,790)
		44,484,473	37,150,258	44,484,473	37,150,258
Allowance for impairment loss	11	(5,003,552)	(17,965,686)	(5,003,552)	(17,965,686)
Operating profit		39,480,921	19,184,572	39,480,921	19,184,572
Share of results of associates		59,015	138,010	-	-
Profit before tax	12	39,539,936	19,322,582	39,480,921	19,184,572
Income tax expense	13	(11,792,974)	(6,071,465)	(11,792,974)	(6,071,465)
Profit for the year		27,746,962	13,251,117	27,687,947	13,113,107
Other comprehensive loss:					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement of defined benefit obligations	25	-	(1,435,110)	-	(1,435,110)
Total comprehensive income for the year		27,746,962	11,816,007	27,687,947	11,677,997
Profit attributable to owners of the Company		27,746,962	13,251,117	27,687,947	13,113,107
Total comprehensive income attributable to owners of the Company		27,746,962	11,816,007	27,687,947	11,677,997

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 2021

	Note	Economic Entity		Company	
		2021	**2020**	**2021**	**2020**
		RM	**RM**	**RM**	**RM**
Assets					
Cash and bank balances	14	7,532,438	6,639,146	7,532,438	6,639,146
Deposits and placements with financial institutions	15	67,000,000	64,000,000	67,000,000	64,000,000
Loan/financing receivables	16	1,120,930,246	1,101,192,034	1,120,930,246	1,101,192,034
Other receivables	17	1,112,484	724,844	1,112,484	724,844
Investments in associates	18	8,452,181	8,393,166	4,000,000	4,000,000
Property, plant and equipment	19	12,289,039	12,852,006	12,289,039	12,852,006
Right-of-use assets	20	7,255,886	7,559,634	7,255,886	7,559,634
Deferred tax assets	21	2,545,581	2,929,806	2,545,581	2,929,806
Income tax refundable		-	51,666	-	51,666
Total assets		1,227,117,855	1,204,342,302	1,222,665,674	1,199,949,136
Liabilities					
Deposits from customers	22	704,947,084	704,790,824	704,947,084	704,790,824
Borrowings	23	2,041,817	1,017,483	2,041,817	1,017,483
Other payables	24	29,586,604	27,517,585	29,586,604	27,517,585
Accrued expenses		1,668,427	1,390,804	1,668,427	1,390,804
Provisions for gratuity and defined benefit obligations	25	6,468,806	6,888,905	6,468,806	6,888,905
Lease liabilities	26	666,013	963,308	666,013	963,308
Income tax payables		2,218,749	-	2,218,749	-
Total liabilities		747,597,500	742,568,909	747,597,500	742,568,909
Equity attributable to owners of the Company					
Share capital	27	154,420,084	154,420,084	154,420,084	154,420,084
General reserves	28	108,499,884	107,499,884	108,499,884	107,499,884
Retained earnings	28	216,600,387	199,853,425	212,148,206	195,460,259
Total equity		479,520,355	461,773,393	475,068,174	457,380,227
Total equity and liabilities		1,227,117,855	1,204,342,302	1,222,665,674	1,199,949,136

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 2021

Economic Entity			**Distributable reserves**		
	Note	**Share capital RM**	**General reserve RM**	**Retained earnings RM**	**Total RM**
Balance as of 1 January 2020		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
Balance as of 1 January 2021		154,420,084	107,499,884	199,853,425	461,773,393
Profit and total comprehensive income		-	-	27,746,962	27,746,962
Dividends	29	-	-	(10,000,000)	(10,000,000)
Transfer to general reserve		-	1,000,000	(1,000,000)	-
Balance as of 31 December 2021		154,420,084	108,499,884	216,600,387	479,520,355

(Forward)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 - (CONTINUED)

Company			**Distributable reserves**		
	Note	**Share capital RM**	**General reserve RM**	**Retained earnings RM**	**Total RM**
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
Balance as of 1 January 2021		154,420,084	107,499,884	195,460,259	457,380,227
Profit and total comprehensive income		-	-	27,687,947	27,687,947
Dividends	29	-	-	(10,000,000)	(10,000,000)
Transfer to general reserve		-	1,000,000	(1,000,000)	-
Balance as of 31 December 2021		154,420,084	108,499,884	212,148,206	475,068,174

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 2021

		Economic Entity		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit for the year		27,746,962	13,251,117	27,687,947	13,113,107
Adjustments for:					
Allowance/(Reversal) for:					
Impairment loss on loan/ financing receivables	11	4,884,844	18,257,457	4,884,844	18,257,457
Impairment loss on bank guarantee	11	117,889	(287,255)	117,889	(287,255)
Impairment loss on staff loan	11	-	(4,726)	-	(4,726)
Depreciation of property, plant and equipment	12	668,031	827,855	668,031	827,855
Gain on disposal of property, plant and equipment	8	-	(28,913)	-	(28,913)
Income tax recognised	13	11,792,974	6,071,465	11,792,974	6,071,465
Defined benefit obligation	9	625,258	554,299	625,258	554,299
Interest income from fixed and short-term deposits	7	(2,022,895)	(3,950,972)	(2,022,895)	(3,950,972)
Depreciation of right-of-use assets	12	303,748	315,457	303,748	315,457
Other finance costs	10	45,398	103,790	45,398	103,790
Share of result of associates		(59,015)	(138,010)	-	-
Operating profit before working capital changes		44,103,194	34,971,564	44,103,194	34,971,564
Movements in working capital:					
(Increase)/Decrease in deposits and placements with financial institutions with maturity more than one month		(20,000,000)	463,903	(20,000,000)	463,903
Increase in loan receivables		(24,623,056)	(45,835,006)	(24,623,056)	(45,835,006)
(Increase)/Decrease in other receivables		(387,640)	200,073	(387,640)	200,073
Increase in deposits from customers		156,260	136,775,135	156,260	136,775,135
Increase/(Decrease) in other payables		1,951,130	(55,858,689)	1,951,130	(55,858,689)
Increase/(Decrease) in accrued expense		277,623	(164,689)	277,623	(164,689)
Decrease in provisions for gratuity and defined benefits obligations		(1,045,357)	(622,189)	(1,045,357)	(622,189)
Cash generated from operations		432,154	69,930,102	432,154	69,930,102

(Forward)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 - (CONTINUED)

	Note	Economic Entity		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Interest paid		(9,993)	(55,101)	(9,993)	(55,101)
Income taxes paid		(9,138,334)	(7,909,391)	(9,138,334)	(7,909,391)
Net cash (used in)/from operating activities		(8,716,173)	61,965,610	(8,716,173)	61,965,610
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	19	(105,064)	(240,016)	(105,064)	(240,016)
Interest received		2,022,895	3,950,972	2,022,895	3,950,972
Net cash from investing activities		1,917,831	3,765,921	1,917,831	3,765,921
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Drawdown/(Repayment) of revolving credits	30	1,000,000	(22,000,000)	1,000,000	(22,000,000)
Dividends paid	29	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Repayment of lease liabilities	30	(297,295)	(296,311)	(297,295)	(296,311)
Interest paid		(35,405)	(48,689)	(35,405)	(48,689)
Net cash used in financing activities		(9,332,700)	(32,345,000)	(9,332,700)	(32,345,000)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(16,131,042)	33,386,531	(16,131,042)	33,386,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		70,621,663	37,235,132	70,621,663	37,235,132
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	54,490,621	70,621,663	54,490,621	70,621,663

(Forward)

BORNEO HOUSING MORTGAGE FINANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 – (CONTINUED)

Cash outflows for leases as a lessee

	Note	Economic Entity and Company	
		2021	2020
		RM	RM
Included in net cash from operating activities:			
Payment relating to short-term leases	12	12,300	-
Included in net cash used in financing activities:			
Interest paid in relation to lease liabilities	10	35,405	48,689
Repayment of lease liabilities	30	297,295	296,311
Total cash outflows for leases		345,000	345,000

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 2021

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 26 September 2022.

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 2021:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2

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. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS - (CONTINUED)

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[3]
Amendments to MFRS 3	Reference to the Conceptual Framework[2]
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9[3]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021[1]
Amendments to MFRS 17	Insurance Contracts[3]
Amendments to MFRS 17	Initial application of MFRS 17 and MFRS 19 – Comparative Information[3]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current[3]
Amendments to MFRS 101	Disclosure of Accounting Policies[3]
Amendments to MFRS 108	Definition of Accounting Estimates[3]
Amendments to MFRS 112	Deferred tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to MFRS 137	Onerous Contract - Cost of Fulfilling a Contract[2]
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020[2]

[1] Effective for annual periods beginning on or after 1 April 2021, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.
[4] 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 and that the adoption of these MFRS and amendments to MFRS will have no material impact on the financial statements of the Economic Entity and of the Company in the period of initial application.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Basis of accounting - (Continued)

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.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Economic Entity and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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.

3. **SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

Employee benefits - (Continued)

(iii) **Defined benefit plans - (Continued)**

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.

3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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.

3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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.

3. **SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

Leases - (Continued)

(a) **As lessee – (Continued)**

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.

3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Leases - (Continued)

(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.

3. **SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

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.

3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Investments in associates - (Continued)

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.

3. **SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

Financial instruments - (Continued)

(a) **Financial assets - (Continued)**

(i) **Initial recognition and measurement - (Continued)**

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.

3. **SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

Financial instruments - (Continued)

(a) **Financial assets - (Continued)**

(ii) **Classification and subsequent measurement - (Continued)**

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.

3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Financial instruments - (Continued)

(a) **Financial assets - (Continued)**

(iii) **Impairment of financial assets - (Continued)**

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:

<u>Stage 1: 12-month ECL - not credit-impaired</u>

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.

<u>Stage 2: Lifetime ECL - not credit-impaired</u>

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.

<u>Stage 3: Lifetime ECL - credit-impaired</u>

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.

3. **SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

Financial instruments - (Continued)

(a) **Financial assets - (Continued)**

(iii) **Impairment of financial assets - (Continued)**

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 29ealized 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.

3. **SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

Financial instruments - (Continued)

(a) **Financial assets - (Continued)**

(iii) **Impairment of financial assets - (Continued)**

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.

Modification of loans/financing

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Financial instruments - (Continued)

(a) **Financial assets - (Continued)**

(iii) **Impairment of financial assets - (Continued)**

Modification of loans - (Continued)

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

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

Write-off policy

Where a loan 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.

3. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Financial instruments - (Continued)

(b) **Financial liabilities and equity - (Continued)**

(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.

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY - (CONTINUED)

(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 2021.

(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) 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 2021 RM	2020 RM
Mortgage loan/financing receivables:		
End finance loans/financing	49,320,369	51,612,974
Bridging loans	18,219,166	12,162,394
Revolving loans	5,492,873	4,131,834
Term loans	1,176,048	964,454
	74,208,456	68,871,656
Unsecured loans receivable	27,600	23,612
	74,236,056	68,895,268

6. INTEREST/PROFIT EXPENSE

	Economic Entity and Company 2021 RM	2020 RM
Deposits from:		
Customers	19,220,182	22,351,692
Supplementary Housing Loan Fund of the State Government of Sabah	549,407	1,944,478
Others	270,049	383,961
	20,039,638	24,680,131

7. INVESTMENT INCOME

	Economic Entity and Company 2021 RM	2020 RM
Interest income from:		
Fixed and short-term deposits	2,022,895	3,950,972
Rental income	307,385	307,385
	2,330,280	4,258,357

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

	Economic Entity and Company 2021 RM	2020 RM
Investment income from financial instruments measured at amortised cost	2,022,895	3,950,972
Investment income earned on non-financial assets	307,385	307,385
	2,330,280	4,258,357

8. OTHER INCOME

	Economic Entity and Company 2021 RM	2020 RM
Fee income:		
Commission	630,045	596,170
Agency fees	239,731	243,431
Loan processing fees	7,750	36,500
	877,526	876,101
Income from financial instruments:		
Reminder and guarantee fees	179,422	116,398
Interest income from staff loans	28,722	21,440
	208,144	137,838
Sundry income:		
Bad debts recovered	3,327	2,444
Gain on disposal of property, plant and equipment	-	28,913
Others	70,700	44,088
	74,027	75,445
	1,159,697	1,089,384

9. EMPLOYEE BENEFITS EXPENSE

	Economic Entity and Company 2021 RM	2020 RM
Wages and salaries	6,958,668	6,598,967
Employees provident fund contributions	995,156	984,211
Define benefit obligation (Note 25)	625,258	554,299
Social security contributions	28,682	28,248
	8,607,764	8,165,725

10. OTHER FINANCE COSTS

	Economic Entity and Company 2021 RM	2020 RM
Interest expense of financial liabilities that are not measured at fair value through profit or loss:		
Interest on:		
Bank overdrafts	9,993	55,101
Lease liabilities	35,405	48,689
	45,398	103,790

11. ALLOWANCE FOR IMPAIRMENT LOSS

	Economic Entity and Company	
	2021	2020
	RM	RM
(a) Loan/financing receivables:		
(Reversal)/Allowance for impairment:		
Stage 1 - 12 months ECL	(1,810)	17,783
Stage 2 - Lifetime ECL not credit impaired	(9,842)	(2,587)
Stage 3 - Lifetime ECL credit impaired	4,896,496	18,242,261
	4,884,844	18,257,457
(b) Cash and bank balances:		
Allowance for impairment:		
Stage 1 - 12 months ECL	819	210
Stage 2 - Lifetime ECL not credit impaired	-	-
Stage 3 - Lifetime ECL credit impaired	-	-
	819	210
(c) Bank guarantee:		
Allowance/(Reversal) for impairment:		
Stage 1 - 12 months ECL	117,889	(287,255)
Stage 2 - Lifetime ECL not credit impaired	-	-
Stage 3 - Lifetime ECL credit impaired	-	-
	117,889	(287,255)
(d) Staff loan:		
Reversal of impairment:		
Stage 1 - 12 months ECL	-	(4,726)
Stage 2 - Lifetime ECL not credit impaired	-	-
Stage 3 - Lifetime ECL credit impaired	-	-
	-	(4,726)
Total allowance for impairment	5,003,552	17,965,686

12. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Economic Entity and Company	
	2021	2020
	RM	RM
Depreciation and amortisation expense:		
Property, plant and equipment (Note 19)	668,031	827,855
Right-of-use assets (Note 20)	303,748	315,457
Directors' remuneration:		
Non-executive directors:		
Fee	270,922	272,500
Other emoluments	271,499	100,000
Auditors' remuneration	60,000	60,000
Expenses relating to short-term leases	12,300	-

13. INCOME TAX EXPENSE

	Economic Entity		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Income tax expense:				
Current year	11,254,926	6,190,000	11,254,926	6,190,000
Under/(Over)provision in prior year	153,823	(118,943)	153,823	(118,943)
	11,408,749	6,071,057	11,408,749	6,071,057
Deferred tax expense (Note 21):				
Relating to the (reversal)/ origination of temporary differences	398,846	(246,451)	398,846	(246,451)
(Over)/Underprovision in prior year	(14,621)	246,859	(14,621)	246,859
	384,225	408	384,225	408
	11,792,974	6,071,465	11,792,974	6,071,465

The Economic Entity's and the Company's income tax is calculated at the statutory tax rate of 24% (2020: 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit before tax	39,539,936	19,322,582	39,480,921	19,184,572
Tax expense at the applicable tax rates of 24% (2020: 24%)	9,489,585	4,637,419	9,475,421	4,604,297
Tax effects of:				
Non-deductible expenses	2,178,351	1,339,252	2,178,351	1,339,252
Under/(Over)provision of income tax in prior year	153,823	(118,943)	153,823	(118,943)
(Over)/Underprovision of deferred tax in prior year	(14,621)	246,859	(14,621)	246,859
Share of tax of associates	(14,164)	(33,122)	-	-
Income tax expense recognised in profit or loss	11,792,974	6,071,465	11,792,974	6,071,465

14. CASH AND BANK BALANCES

	Economic Entity and Company	
	2021 RM	2020 RM
Cash and bank balances	7,534,578	6,640,467
Less:		
Allowance for impairment loss:		
At 1 January	(1,321)	(1,111)
Impairment loss recognised in profit or loss during the year	(819)	(210)
At 31 December	(2,140)	(1,321)
Net cash and bank balances	7,532,438	6,639,146

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

	Economic Entity and Company	
	2021 RM	2020 RM
Cash at banks and on hand	7,532,438	6,639,146
Deposits and placements with financial institutions maturing within one month (Note 15)	47,000,000	64,000,000
Bank overdrafts (Note 23)	(41,817)	(17,483)
	54,490,621	70,621,663

15. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Economic Entity and Company 2021 RM	2020 RM
Deposits and placements with financial institutions maturing:		
Within one month (Note 14)	47,000,000	64,000,000
More than one month	20,000,000	-
	67,000,000	64,000,000

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 2.04% (2020: 2.40%) per annum.

16. LOAN/FINANCING RECEIVABLES

	Economic Entity and Company 2021 RM	2020 RM
Mortgage loan/financing receivables:		
End-finance loans/financing	916,146,609	906,608,990
Bridging finance	163,454,994	155,334,766
Revolving credits	64,599,773	58,052,282
Term loans	13,634,910	13,361,330
	1,157,836,286	1,133,357,368
Unsecured loan receivables	1,309,656	1,171,512
Gross loan/financing receivables	1,159,145,942	1,134,528,880
Less:		
Allowance for impairment loss:		
Stage 1 - 12 months ECL	(91,666)	(93,476)
Stage 2 - Lifetime ECL not credit impaired	(57,406)	(67,248)
Stage 3 - Lifetime ECL credit impaired	(38,066,624)	(33,176,122)
	(38,215,696)	(33,336,846)
Net loan/financing receivables	1,120,930,246	1,101,192,034

The mortgage loan/financing receivables are mainly secured by freehold or leasehold properties amounting to RM2,157,756,612 (2020: RM2,135,119,638). The weighted average effective interest/profit rate of the Economic Entity and the Company is 6.47% (2020: 6.20%) per annum.

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

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

	Economic Entity and Company 2021 RM	2020 RM
Maturing within one year	341,030,644	300,754,152
One year to three years	160,265,862	159,732,273
Three years to five years	159,971,912	158,233,130
Over five years	497,877,524	515,809,325
	1,159,145,942	1,134,528,880

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

	Economic Entity and Company 2021 RM	2020 RM
Stage 1	961,291,197	953,459,643
Stage 2	6,006,734	36,226,613
Stage 3	191,848,011	144,842,624
	1,159,145,942	1,134,528,880

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

2021	**Economic Entity and Company**			
	Stage 1 12-months ECL RM	**Stage 2 Lifetime ECL not credit impaired RM**	**Stage 3 Lifetime credit impaired RM**	**Total RM**
At 1 January	93,476	67,248	33,176,122	33,336,846
Transferred to stage 1	25,183	(19,437)	(5,746)	-
Transferred to stage 2	(2,107)	39,677	(37,570)	-
Transferred to stage 3	(1,421)	-	1,421	-
Financial assets derecognised	(9,761)	(41,038)	(3,706,438)	(3,757,237)
New financial assets	7,431	5,915	577,998	591,344
Net remeasurement of allowances	(21,135)	5,041	8,066,831	8,050,737
Amount written-off	-	-	(5,994)	(5,994)
At 31 December	91,666	57,406	38,066,624	38,215,696

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

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

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

17. **OTHER RECEIVABLES**

	Economic Entity and Company	
	2021	**2020**
	RM	**RM**
Other receivables	76,748	11,761
Net staff loans and advances	902,891	580,238
Deposits	132,845	132,845
	1,112,484	724,844

Staff loans and advances are unsecured and bears weighted average effective interest rate of 3.50% (2020: 3.50%) per annum.

	Economic Entity and Company	
	2021	**2020**
	RM	**RM**
Gross staff loans and advances	902,891	580,238
Less:		
Allowance for impairment loss:		
At 1 January	-	(4,726)
Reversal of impairment loss	-	4,726
At 31 December	-	-
Net staff loans and advances	902,891	580,238

18. INVESTMENTS IN ASSOCIATES

	Economic Entity		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Unquoted shares - at cost	4,000,000	4,000,000	4,000,000	4,000,000
Share of post-acquisition reserves	4,452,181	4,393,166	-	-
	8,452,181	8,393,166	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 2021	2020	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:

	2021 RM	**2020 RM**
Non-current assets	17,364,304	17,366,860
Current assets	3,930,048	3,755,412
Current liabilities	(163,900)	(139,357)
Net assets	21,130,452	20,982,915

Summarised consolidated statements of comprehensive income:

	2021 RM	**2020 RM**
Revenue	340,200	340,200
Profit before tax	206,688	410,326
Income tax expense	(59,151)	(65,301)
Profit for the year	147,537	345,025
Other comprehensive income	-	-
Total comprehensive income for the year	147,537	345,025

18. INVESTMENTS IN ASSOCIATES - (CONTINUED)

Summarised consolidated statements of cash flows:

	2021 RM	2020 RM
Net cash from/(used in) operating activities	114,249	(6,537)
Net cash (used in)/from investing activities	(2,468,905)	72,929
Net cash (outflow)/inflow	(2,354,656)	66,392

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

	2021 RM	2020 RM
Net assets at 1 January	20,982,915	20,637,890
Profit for the year	147,537	345,025
Net assets at 31 December	21,130,452	20,982,915
Interest in associates	40%	40%
	8,452,181	8,393,166

19. PROPERTY, PLANT AND EQUIPMENT

Economic Entity and Company

2021	Cost				Accumulated depreciation			
	At beginning of year RM	Additions RM	Written off RM	At end of year RM	At beginning of year RM	Charge for the year RM	Written off RM	At end of year RM
Buildings	14,402,290	-	-	14,402,290	2,487,212	285,996	-	2,773,208
Motor vehicles	1,006,234	-	-	1,006,234	857,059	56,734	-	913,793
Office equipment, furniture, fittings and renovation	9,427,706	105,064	(35,259)	9,497,511	8,639,953	325,301	(35,259)	8,929,995
	24,836,230	105,064	(35,259)	24,906,035	11,984,224	668,031	(35,259)	12,616,996

2020	Cost				Accumulated depreciation			
	At beginning of year RM	Additions RM	Written off RM	At end of year RM	At beginning of year RM	Charge for the year RM	Written off 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

19. PROPERTY, PLANT AND EQUIPMENT - (CONTINUED)

	Economic Entity and Company	
	← Carrying amount →	
	2021	2020
	RM	RM
Buildings	11,629,082	11,915,078
Motor vehicles	92,441	149,175
Office equipment, furniture, fittings and renovation	567,516	787,753
Total	12,289,039	12,852,006

20. RIGHT-OF-USE ASSETS

Economic Entity and Company

2021	**Leasehold land RM**	**Office building RM**	**Warehouse RM**	**Total RM**
Cost				
At 1 January	6,700,000	1,472,931	66,062	8,238,993
Retirement	-	-	(66,062)	(66,062)
At 31 December	6,700,000	1,472,931	-	8,172,931
Accumulated depreciation				
At 1 January	67,833	561,116	50,410	679,359
Charge for the year	7,537	280,559	15,652	303,748
Retirement	-	-	(66,062)	(66,062)
At 31 December	75,370	841,675	-	917,045
Carrying amount				
At 31 December	6,624,630	631,256	-	7,255,886
2020				
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

The Company leases several assets including leasehold land, office building and warehouse. The lease terms is 2 to 999 years (2020: 2 to 999 years).

21. DEFERRED TAX ASSETS

	Economic Entity and Company	
	2021 RM	2020 RM
At 1 January	2,929,806	2,930,214
Recognised in profit or loss (Note 13)	(384,225)	(408)
At 31 December	2,545,581	2,929,806

Presented after appropriate offsetting as follows:

	Economic Entity and Company	
	2021 RM	2020 RM
Deferred tax assets	2,605,914	3,038,704
Deferred tax liabilities	(60,333)	(108,898)
	2,545,581	2,929,806

The components and movements of deferred tax assets and liabilities of the Economic Entity and the Company 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 2021	1,385,367	1,653,337	3,038,704
Recognised in profit or loss	(331,966)	(100,824)	(432,790)
At 31 December 2021	1,053,401	1,552,513	2,605,914
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

Deferred tax liabilities:

	Property, plant and equipment RM	Total RM
At 1 January 2021	(108,898)	(108,898)
Recognised in profit or loss	48,565	48,565
At 31 December 2021	(60,333)	(60,333)
At 1 January 2020	(141,287)	(141,287)
Recognised in profit or loss	32,389	32,389
At 31 December 2020	(108,898)	(108,898)

22. DEPOSITS FROM CUSTOMERS

	Economic Entity and Company	
	2021	**2020**
	RM	**RM**
Fixed deposits	703,519,948	703,328,544
Savings deposits	1,427,136	1,462,280
	704,947,084	704,790,824

These deposits are sourced from the following types of customers:

	Economic Entity and Company	
	2021	**2020**
	RM	**RM**
State Government of Sarawak	515,000,000	500,000,000
State Government of Sabah	58,000,000	68,000,000
Corporate shareholder	2,601,738	5,000,000
State-owned enterprises and institutions	71,620,755	53,614,268
Associate	2,511,678	2,462,469
Other business enterprises and individuals	55,212,913	75,714,087
	704,947,084	704,790,824

The maturity structure of deposits from customers is as follows:

	Economic Entity and Company	
	2021	**2020**
	RM	**RM**
Within one year	704,418,817	666,460,072
More than one year	528,267	38,330,752
	704,947,084	704,790,824

Interest rates for these deposits range from 1.50% to 3.10% (2020: 1.50% to 3.85%) per annum.

23. BORROWINGS

	Economic Entity and Company	
	2021	**2020**
	RM	**RM**
Unsecured:		
Bank overdrafts (Note 14)	41,817	17,483
Revolving credit facility	2,000,000	1,000,000
	2,041,817	1,017,483

23. **BORROWINGS - (CONTINUED)**

As of 31 December 2021, the Economic Entity and the Company have the following banking facilities:

(a) Bank overdraft facilities obtained by the Company from five (2020: five) local financial institutions with a total approved limit of RM20,500,000 (2020: RM20,500,000). No security is being pledged for the bank overdraft facilities.

(b) Revolving credit facilities obtained by the Company from two (2020: two) local financial institutions with a total approved limit of RM40,000,000 (2020: 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	
	2021	**2020**
	%	**%**
Bank overdrafts	5.40 - 5.64	6.20 - 7.47
Revolving credit facility	2.84 - 4.15	2.88 - 4.55

24. **OTHER PAYABLES**

	Economic Entity and Company	
	2021	**2020**
	RM	**RM**
Amounts owing to associates	1,689,695	1,330,177
Amount owing to Supplementary Housing Loan Fund of the State Government of Sabah	17,963,481	18,259,513
Interest payable	1,811,759	2,128,500
Other payables	7,977,654	5,773,269
	29,442,589	27,491,459
Expected credit losses on bank guarantee at stage 1:		
At 1 January	26,126	313,381
Allowance/(Reversal) for the year	117,889	(287,255)
At 31 December	144,015	26,126
	29,586,604	27,517,585

(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 3.00% (2020: 3.00%) per annum.

(c) Other payables

Included in other payables are project management accounts of developers amounting to RM2,086,729 (2020: RM1,344,175).

25. PROVISION FOR GRATUITY AND DEFINED BENEFIT OBLIGATIONS

	Economic Entity and Company	
	2021	**2020**
	RM	**RM**
Provision for gratuity	45,828	52,656
Defined benefit obligations	6,422,978	6,836,249
	6,468,806	6,888,905

(a) Provision for gratuity

Movement in the provision for gratuity is as follows:

	Economic Entity and Company	
	2021	**2020**
	RM	**RM**
At 1 January	52,656	65,210
Benefits paid	(6,828)	(12,554)
At 31 December	45,828	52,656

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 2021 RM	2020 RM
At 1 January	6,836,249	5,456,475
Included in profit or loss:		
Current service cost	373,802	279,848
Interest cost	251,456	274,451
	625,258	554,299
Included in other comprehensive income:		
Re-measurement	-	1,435,110
Benefits paid by the Company	(1,038,529)	(609,635)
At 31 December	6,422,978	6,836,249

Net benefit expense

	Economic Entity and Company 2021 RM	2020 RM
Current service costs	373,802	279,848
Interest cost on benefits obligations	251,456	274,451
Net benefit expense, included in employee benefits expense (Note 9)	625,258	554,299

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 2021 %	2020 %
Discount rate	3.90	3.90
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 (2020: 15.3 years).

26. LEASE LIABILITIES

	Economic Entity and Company 2021 RM	2020 RM
Maturity analysis:		
Year 1	316,200	332,700
Year 2	316,200	316,200
Year 3	65,450	316,200
Year 4	-	65,450
	697,850	1,030,550
Less; Unearned interest	(31,837)	(67,242)
	666,013	963,308

The weighted average leases incremental borrowing rate applied to lease liabilities is 4.53% (2020: 4.53%) per annum.

Included in lease liabilities are office rental payable to associate amounting to RM666,013 (2020: RM946,995).

27. SHARE CAPITAL

	Economic Entity and Company			
	No. of ordinary shares		2021 RM	2020 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Distributable reserves:				
General reserve	108,499,884	107,499,884	108,499,884	107,499,884
Retained earnings	216,600,387	199,853,425	212,148,206	195,460,259
	325,100,271	307,353,309	320,648,090	302,960,143

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	
	2021	2020
	RM	RM
Final tax exempt (single tier) dividend for 2019:		
7.91 sen per share	-	10,000,000
Final tax exempt (single tier) dividend for 2020:		
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 26 September 2022 declared a final tax-exempt dividend (single tier) dividend of RM14,000,000 in respect of the financial year ended 31 December 2021. 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	1.1.2021 RM	Net financing cash flows RM	Interest RM	Interest paid RM	31.12.2021 RM
Borrowings - revolving credit facility	23	1,000,000	1,000,000	-	-	2,000,000
Lease liabilities	26	963,308	(297,295)	35,405	(35,405)	666,013
		1,963,308	702,705	35,405	(35,405)	2,666,013

	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

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., 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	
	2021	**2020**
	RM	**RM**
Interest receivable/received from:		
Supplementary Housing Loan Fund of the State Government of Sabah	239,731	243,431
Rental received from corporate shareholder	300,785	300,785
Interest payable/paid to:		
Corporate shareholder	(79,212)	(184,195)
Associates	(65,082)	(73,248)
Supplementary Housing Loan Fund of the State Government of Sabah	(549,407)	(1,944,478)
Office rental payable/paid 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	
	2021	**2020**
	RM	**RM**
Short-term employee benefits	463,053	421,201
Defined contribution plan	71,258	64,981
	534,311	486,182

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	
	2021	**2020**
	RM	**RM**
Loans commitment not yet recognised in the financial statements:		
End finance	88,218,650	80,770,244
Bridging, term loans and revolving loans	60,099,214	51,678,518
Guarantees issued	8,178,306	4,670,306
	156,496,170	137,119,068

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

The Economic Entity and the Company as lessors

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

Maturity analysis of operating lease payments:

	2021	**2020**
	RM	**RM**
Year 1	300,785	75,196
Year 2	75,196	-
	375,981	75,196

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	
	2021	2020
	RM	RM
Financial assets		
Amortised cost:		
Cash and bank balances	7,532,438	6,639,146
Deposits and placements with financial institutions	67,000,000	64,000,000
Loan/financing receivables	1,120,930,246	1,101,192,034
Other receivables	1,112,484	724,844
Financial liabilities		
Amortised cost:		
Deposits from customers	704,947,084	704,790,824
Borrowings	2,041,817	1,017,483
Other payables	29,586,604	27,517,585
Accrued expenses	1,668,427	1,390,804
Lease liabilities	666,013	963,308

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.

<u>Exposure to credit risk</u>

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 RM8.74 million (2020: RM4.67 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 RM58.5 million (2020: RM59.5 million), deposit placements with financial institutions of RM67 million (2020: RM64 million) and cash and bank balances of RM7.5 million (2020: RM6.6 million), totalling RM133 million (2020: RM130.1 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

2021	**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 - 3.10	704,418,817	528,267	-	704,947,084
Borrowings	2.84 - 5.64	2,041,817	-	-	2,041,817
Other payables	3.00	17,963,481	-	-	17,963,481
Other payables	-	11,623,123	-	-	11,623,123
Accrued expenses	-	1,668,427	-	-	1,668,427
Lease liabilities	4.53	316,200	381,650	-	697,850
Guarantees issued	-	8,034,291	-	-	8,034,291
		746,066,156	909,917	-	746,976,073
2020					
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	18,259,513	-	-	18,259,513
Other payables	-	9,258,072	-	-	9,258,072
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

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 RM3.63 million (2020: RM1.76 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**	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Deposits from customers	704,947,084	704,790,824	704,947,084	704,790,824
Borrowings	2,041,817	1,017,483	2,041,817	1,017,483
Lease liabilities	666,013	963,308	666,013	963,308
Net debt	707,654,914	706,771,615	707,654,914	706,771,615
Equity attributable to the owners	479,520,355	461,773,393	475,068,174	457,380,227
Capital and net debt	1,187,175,269	1,168,545,008	1,182,723,088	1,164,151,842
Gearing ratio	60%	60%	60%	61%

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 2021 and 31 December 2020.

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

34. FINANCIAL INSTRUMENTS – (CONTINUED)

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 2021, deposits from customers and borrowings represent 61% (2020: 62%) of gross mortgage loans/financing of the Company.

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
Loan/financing receivables	16
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 or is estimated based on expected future cash flows of contractual instalments discounted at prevailing indicative rates adjusted for credit risk.

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**	
		2021	**2020**
		RM	**RM**
Profit income on Tawarruq Home Financing-i		1,965,899	1,057,636
Profit expense		(31,244)	(45,271)
		1,934,655	1,012,365
Other income	(a)	126,602	88,209
Total income		2,061,257	1,100,574
Expenditure			
Employee benefits expense	(b)	(280,749)	(269,363)
Administrative expense		(39,926)	(65,517)
		1,740,582	765,694
Allowance for impairment loss		(114,614)	(26,906)
Profit for the year		1,625,968	738,788

35. ISLAMIC BANKING BUSINESS - (CONTINUED)

Statements of financial position as of 31 December

	Note	Economic Entity and Company 2021 RM	Economic Entity and Company 2020 RM
Assets			
Cash and bank balances	(c)	842,517	609,561
Financing receivables	(d)	37,137,204	22,942,993
Total assets		37,979,721	23,552,554
Liabilities			
Deposits from customers	(e)	208,420	167,954
Borrowings		1,000,000	-
Other payables		68,740	34,661
Total liabilities		1,277,160	202,615
Equity			
Retained earnings	(f)	1,723,714	97,746
Islamic banking funds		34,978,847	23,252,193
Total equity		36,702,561	23,349,939
Total equity and liabilities		37,979,721	23,552,554

		Economic Entity and Company 2021 RM	Economic Entity and Company 2020 RM
(a)	**Other income**		
	Profit on deposits with financial institution	68	109
	Commission	88,685	62,733
	Agency fee	12,434	6,177
	Others	25,415	19,190
		126,602	88,209
(b)	**Employee benefits expense**		
	Wages and salaries	240,148	230,486
	Employees provident fund contributions	36,023	34,403
	Social security contributions	4,578	4,474
		280,749	269,363
(c)	**Cash and bank balances**		
	Cash and bank balances	842,532	609,572
	Less: Allowance for impairment loss	(15)	(11)
		842,517	609,561
(d)	**Financing receivables**		
	Financing receivables	37,279,336	22,970,515
	Less: Allowance for impairment loss	(142,132)	(27,522)
		37,137,204	22,942,993

35. ISLAMIC BANKING BUSINESS – (CONTINUED)

Statements of financial position as of 31 December - (Continued)

		Economic Entity and Company	
		2021	**2020**
		RM	**RM**
(e)	**Deposits from customers**		
	Tawarruq Term Deposit-i	93,757	114,219
	Wadiah Savings Account-i	114,663	53,735
		208,420	167,954
(f)	**Retained earnings**		
	Movement of retained earnings are as follows:		
	At 1 January	97,746	(641,042)
	Profit for the year	1,625,968	738,788
	At 31 December	1,723,714	97,746

36. SIGNIFICANT EVENT

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. The payment moratoriam does not significantly impact on business operations of the Economic Entity and the Company.

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 2021. 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.

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 2021 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

AHMAD RIZAL BIN DAHLI

Kota Kinabalu
26 September 2022

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 26th day of September, 2022.

Before me,

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

DATUK YONG WE KONG
561123-12-5111
16, Jalan Haji Yaakub, Kg. Air,
88807 Kota Kinabalu, Sabah.

COMMISSIONER FOR OATHS