

**MALAYSIAN INDUSTRIAL DEVELOPMENT  
FINANCE BERHAD  
(3755-M)  
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements  
31 December 2017**

**3755-M**

**Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)**

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**Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)**

**Directors' report**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

**Principal activities**

The Company is principally engaged in investment holding, providing finance, leasing and industrial hire-purchase services to industries and businesses in Malaysia.

Other information relating to the subsidiaries are disclosed in Note 13 to the financial statements.

**Results**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit for the financial year	50,144	84,541
Profit attributable to:		
Shareholder of the Company	50,099	84,541
Non-controlling interests	45	-
	<u>50,144</u>	<u>84,541</u>

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature.

**Reserves and provisions**

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

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**Dividends**

The amounts of dividend paid by the Company since 31 December 2016 are as follows:

In respect of the financial year ended 31 December 2016 as reported in the Directors' report of that financial year:

	<b>RM'000</b>
Single tier interim dividend of 19.3104 sen per share on 466,070,000 ordinary shares, paid on 3 May 2017.	<u>90,000</u>

Single tier interim dividend in respect of the current financial year ended 31 December 2017 of 10.7280 sen on 466,070,000 Ordinary Shares, amounting to a dividend payable of RM50.0 million has been approved by the Board of Directors on 28 February 2018. On 19 April 2018, Bank Negara Malaysia ("BNM") approved this dividend.

The financial statements for the current financial year ended 31 December 2017 do not reflect this proposed dividend. Such dividend, will be accounted for in the statements of changes in equity as an appropriation of the retained profits in the next financial year ending 31 December 2018.

The Directors do not recommend the payment of any final dividend for the current financial year.

**Directors**

The Directors who served in office since the beginning of the financial year to the date of this report were:

Tan Sri Abdul Rahman Bin Mamat  
Ahmad Lutfi Bin Abdull Mutalip @ Talib  
Datuk Mohd. Najib Bin Hj. Abdullah  
Dato' Wan Roshdi Bin Wan Musa  
Datuk Azizan Bin Hj. Abd Rahman  
Hasnah Binti Omar  
Dato' Kaziah Binti Abdul Kadir

**Directors' interests**

None of the Directors in office as at 31 December 2017 had any interest in the ordinary shares of the Company or its related companies during the financial year.

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**Malaysian Industrial Development Finance Berhad  
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**Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Company or of related companies as shown in Note 31 to the financial statements) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

During the financial year, the Group had made payments amounting to RM31,860 on insurance premium for indemnity for its directors and officers in 2017. Such payments are recognised as an expense in the profit or loss as incurred.

**Indemnification of Directors and Officers**

The Company maintained on a group basis, a Directors' and Officer's Liability Insurance up to an aggregate limit of RM40.0 million against any legal liability incurred by the directors and officers in the discharge of their duties while holding office for the Company and the Group. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

**Issue of shares and debentures**

There were no changes in the issued capital of the Company during the financial year.

There were no debentures issued during the financial year.

**Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the financial year.

**Malaysian Industrial Development Finance Berhad  
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**Other statutory information**

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
  - (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year other than those arising from the normal course of business of the Group and of the Company.
- (d) In the opinion of the Directors:
- (i) no contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) 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 the operations of the Group or of the Company for the financial year in which this report is made.

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**Malaysian Industrial Development Finance Berhad  
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**Holding and ultimate holding companies**

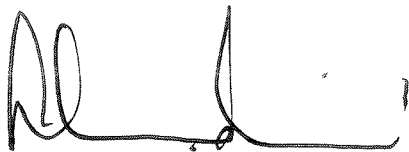
The immediate and ultimate holding companies are Permodalan Nasional Berhad (“PNB”) and Yayasan Pelaburan Bumiputra (“YPB”) respectively. Both companies are incorporated in Malaysia.

**Auditors and auditors' remuneration**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 30 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 April 2018.



Tan Sri Abdul Rahman Bin Mamat



Datuk Mohd. Najib Bin Hj. Abdullah

Kuala Lumpur, Malaysia

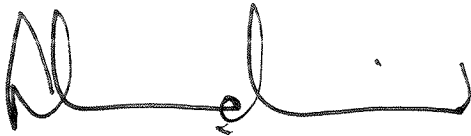
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**Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)**

**Statement by Directors  
Pursuant to Section 251(2) of the Companies Act, 2016**

We, Tan Sri Abdul Rahman Bin Mamat and Datuk Mohd. Najib Bin Hj. Abdullah, being two of the Directors of Malaysian Industrial Development Finance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 172 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 April 2018.



Tan Sri Abdul Rahman Bin Mamat



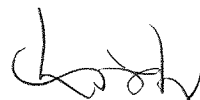
Datuk Mohd. Najib Bin Hj. Abdullah

Kuala Lumpur, Malaysia

**Statutory declaration  
Pursuant to Section 251(1)(b) of the Companies Act, 2016**

I, Foo Wei Hoong, being the officer primarily responsible for the financial management of Malaysian Industrial Development Finance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 172 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.

Subscribed and solemnly declared by  
the abovenamed Foo Wei Hoong  
at Kuala Lumpur in the Federal  
Territory on 19 APR 2018

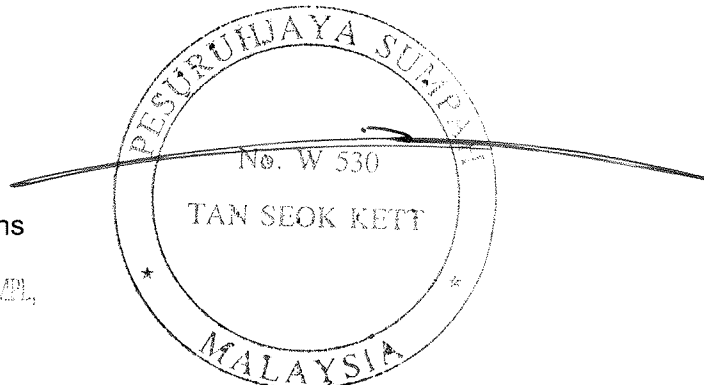


Foo Wei Hoong

Before me,

Commissioner for Oaths

Lot 333, 3rd Floor, Wisma MPL,  
Jalan Raja Chulan,  
50200 Kuala Lumpur.





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**Independent auditors' report to the member of  
Malaysian Industrial Development Finance Berhad  
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**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Malaysian Industrial Development Finance Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 172.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial 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 Group 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' *Code of Ethics for Professional Accountants* ("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 Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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**Independent auditors' report to the member of  
Malaysian Industrial Development Finance Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon (cont'd.)*

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group 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 this other information, 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 Group 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group'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 Group 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 Group 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.



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**Independent auditors' report to the member of  
Malaysian Industrial Development Finance Berhad (cont'd.)  
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*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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

- Identify and assess the risks of material misstatement of the financial statements of the Group 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 Group'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 Group'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 Group 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 Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group 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 Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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**Independent auditors' report to the member of  
Malaysian Industrial Development Finance Berhad (cont'd.)  
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*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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 member 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.

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

19 April 2018

Muhammad Syarizal Bin Abdul Rahim

No. 03157/01/2019 (J)

Chartered Accountant

**Malaysian Industrial Development Finance Berhad**  
**(Incorporated in Malaysia)**

**Statements of financial position as at 31 December 2017**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Cash and short-term funds	4	580,367	591,733	415,781	529,900
Deposits and placements with licensed banks and other financial institutions	5	434,823	164,450	424,573	157,920
Securities held-for-trading	6	246,079	259,065	246,079	259,065
Securities available-for-sale	7	3,828,614	3,548,516	1,655	1,655
Derivative assets	8	78	528	-	-
Other assets	9	236,628	129,447	13,511	19,198
Loans, advances and financing	10	783,593	980,908	107,185	249,793
Statutory deposits with Bank Negara Malaysia	11	114,282	114,645	-	-
Investment in associate	12	3,480	3,182	2,560	2,560
Investment in subsidiaries	13	-	-	600,756	600,954
Investment properties	14	2,805	2,894	-	-
Property, plant and equipment	15	3,784	3,864	2,671	2,236
Intangible assets	16	6,607	2,935	2,743	-
Deferred tax assets	17	13,419	19,038	4,645	4,259
		6,254,559	5,821,205	1,822,159	1,827,540
Goodwill	18	86,713	86,713	-	-
<b>Total assets</b>		<b>6,341,272</b>	<b>5,907,918</b>	<b>1,822,159</b>	<b>1,827,540</b>
<b>Liabilities</b>					
Deposits from customers	19	1,937,469	1,987,757	-	-
Deposits and placements of banks and other financial institutions	20	1,881,642	1,521,857	-	-
Other liabilities	21	275,613	124,880	55,370	43,270
Borrowings	22	458,404	470,003	310,167	321,972
Provision for taxation and zakat		2,380	2,278	899	646
Employee benefits	23	11,936	11,403	7,829	8,299
<b>Total liabilities</b>		<b>4,567,444</b>	<b>4,118,178</b>	<b>374,265</b>	<b>374,187</b>

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**Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)**

Statements of financial position as at 31 December 2017 (cont'd.)

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
<b>Shareholder's Equity</b>					
Capital and reserves attributable to shareholder of the Company:					
Share capital		829,931	466,070	829,931	466,070
Reserves	24	943,642	1,323,460	617,963	987,283
		<u>1,773,573</u>	<u>1,789,530</u>	<u>1,447,894</u>	<u>1,453,353</u>
Non-controlling interests		255	210	-	-
<b>Total equity</b>		<u>1,773,828</u>	<u>1,789,740</u>	<u>1,447,894</u>	<u>1,453,353</u>
<b>Total liabilities and equity</b>		<u>6,341,272</u>	<u>5,907,918</u>	<u>1,822,159</u>	<u>1,827,540</u>
<b>Commitments and contingencies</b>	25	<u>597,352</u>	<u>503,187</u>	<u>16,893</u>	<u>13,951</u>

The accompanying notes are an integral part of these financial statements.

**Malaysian Industrial Development Finance Berhad**  
**(Incorporated in Malaysia)**

**Statements of profit or loss**  
**For the financial year ended 31 December 2017**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating revenue	2(v)	351,788	367,745	152,110	99,784
Interest income	26	153,185	185,709	31,149	39,519
Interest expense	27	(105,595)	(107,961)	(4,255)	(4,633)
Net interest income		47,590	77,748	26,894	34,886
Net income from Islamic banking operations	47	91,492	83,302	40,403	34,293
Non-interest income	28	62,860	68,577	86,405	32,497
		201,942	229,627	153,702	101,676
Staff costs	29	(82,649)	(73,337)	(42,697)	(38,034)
Depreciation and amortisation		(2,868)	(1,867)	(1,003)	(899)
Other operating expenses	30	(28,947)	(30,179)	(17,399)	(18,329)
Operating profit before allowances		87,478	124,244	92,603	44,414
Impairment loss written back/ (made) on loans advances and financing	32	7,667	(537)	2,534	(6,472)
Impairment loss made on securities	33	(28,658)	(725)	(225)	23
Impairment loss (made)/written back on other assets	34	(842)	(542)	(198)	(716)
Share of profit of an associate	12 (ii)	1,315	1,230	-	-
Profit before taxation and zakat		66,960	123,670	94,714	37,249
Taxation	35	(15,510)	(30,833)	(9,634)	(9,693)
Zakat		(1,306)	(1,262)	(539)	(360)
Profit for the financial year		50,144	91,575	84,541	27,196
Attributable to:					
Shareholder of the Company		50,099	91,573	84,541	27,196
Non-controlling interests		45	2	-	-
Profit for the financial year		50,144	91,575	84,541	27,196
Earnings per ordinary share attributable to shareholder of the Company (sen):					
- Basic and diluted	36	10.7	19.6		
Dividends per ordinary share (sen)	37	19.3	17.2	19.3	17.2

The accompanying notes are an integral part of these financial statements.

**Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)**

**Statements of comprehensive income  
For the financial year ended 31 December 2017**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the financial year	50,144	91,575	84,541	27,196
Other comprehensive income/(loss):				
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</b>				
Net (loss)/gain on securities available- for-sale				
Transfer to profit or loss upon disposal	(4,900)	(2,939)	-	-
Fair value changes	36,424	(19,286)	-	-
	31,524	(22,225)	-	-
Income tax relating to net (gain)/loss on securities available-for-sale	(7,566)	5,334	-	-
<b>Net other comprehensive gain/(loss) to be reclassified to profit or loss in subsequent periods</b>	23,958	(16,891)	-	-
<b>Other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods:</b>				
Re-measurement (loss)/gain on defined benefit plans	(19)	859	-	859
Income tax relating to loss/(gain) on defined benefit plans	5	(206)	-	(206)
<b>Net other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods</b>	(14)	653	-	653



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**Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)**

**Statements of comprehensive income  
For the financial year ended 31 December 2017 (cont'd.)**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other comprehensive income/(loss) for the financial year, net of tax	23,944	(16,238)	-	653
Total comprehensive income for the financial year	74,088	75,337	84,541	27,849
<b>Total comprehensive income for the financial year attributable to:</b>				
Shareholder of the Company	74,043	75,335	84,541	27,849
Non-controlling interests	45	2	-	-
	<u>74,088</u>	<u>75,337</u>	<u>84,541</u>	<u>27,849</u>

The accompanying notes are an integral part of these financial statements.

**Malaysian Industrial Development Finance Berhad**  
(Incorporated in Malaysia)

**Statements of changes in equity**  
**For the financial year ended 31 December 2017**

Group	Attributable to shareholder of the Company		Non-distributable		Distributable		Securities available-for-sale		Non-controlling interests		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	for-sale reserve RM'000	Total RM'000	controlling interests RM'000	Total RM'000		
At 1 January 2016	466,070	363,861	131,324	1,458	857,125	(25,643)	1,794,195	208	1,794,403		
Profit for the financial year	-	-	-	-	91,573	-	91,573	2	91,575		
Other comprehensive (loss)/income	-	-	-	-	653	(16,891)	(16,238)	-	(16,238)		
Total comprehensive income for the financial year	-	-	-	-	92,226	(16,891)	75,335	2	75,337		
<b>Transaction with owner</b>											
Dividends (Note 37)	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)		
Transfer to (regulatory reserve) retained profits	-	-	-	2,474	(2,474)	-	-	-	-		
At 31 December 2016	466,070	363,861	131,324	3,932	866,877	(42,534)	1,789,530	210	1,789,740		

Note 24(a) Note 24(b) Note 24(c)

Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)

Statements of changes in equity  
For the financial year ended 31 December 2017 (cont'd.)

Group (cont'd.)	Attributable to shareholder of the Company		Non-distributable		Distributable		Securities available-		Non-		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	for-sale reserve RM'000	Retained profits RM'000	Total RM'000	controlling interests RM'000	Total RM'000		
At 1 January 2017	466,070	363,861	131,324	3,932	(42,534)	866,877	1,789,530	210	1,789,740		
Profit for the financial year	-	-	-	-	-	50,099	50,099	45	50,144		
Other comprehensive income/(loss)	-	-	-	-	23,958	(14)	23,944	-	23,944		
Total comprehensive income for the financial year	-	-	-	-	23,958	50,085	74,043	45	74,088		
<b>Transaction with owner</b>											
Dividends (Note 37)	-	-	-	-	-	(90,000)	(90,000)	-	(90,000)		
Transfer to paid up share capital	363,861	(363,861)	-	-	-	-	-	-	-		
Transfer to retained profits	-	-	(131,324)	(1,359)	-	132,683	-	-	-		
At 31 December 2017	829,931	-	-	2,573	(18,576)	959,645	1,773,573	255	1,773,828		
			Note 24(a)	Note 24(b)	Note 24(c)						

The accompanying notes are an integral part of these financial statements.

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**Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)**

**Statements of changes in equity  
For the financial year ended 31 December 2017 (cont'd.)**

Company	Note	- Attributable to shareholder of the Company -				Total RM'000
		Share capital RM'000	Share premium RM'000	Retained profits RM'000	Distributable	
At 1 January 2016		466,070	363,861	675,573	1,505,504	
Profit for the financial year		-	-	27,196	27,196	
Other comprehensive income		-	-	653	653	
Total comprehensive income for the financial year		-	-	27,849	27,849	
<b>Transaction with owner</b>						
Dividends	37	-	-	(80,000)	(80,000)	
At 31 December 2016		466,070	363,861	623,422	1,453,353	

**Malaysian Industrial Development Finance Berhad**  
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**Statements of changes in equity**  
**For the financial year ended 31 December 2017 (cont'd.)**

Company (cont'd.)	Note	- Attributable to shareholder of the Company -				Total RM'000
		Share capital RM'000	Share premium RM'000	Retained profits RM'000	Distributable	
At 1 January 2017		466,070	363,861	623,422	1,453,353	
Profit for the financial year		-	-	84,541	84,541	
Other comprehensive income		-	-	-	-	
Total comprehensive income for the financial year		-	-	84,541	84,541	
<b>Transaction with owner</b>						
Dividends	37	-	-	(90,000)	(90,000)	
Transfer to paid up share capital		363,861	(363,861)	-	-	
At 31 December 2017		829,931	-	617,963	1,447,894	

The accompanying notes are an integral part of these financial statements.

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**Malaysian Industrial Development Finance Berhad  
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**Statements of cash flows**

**For the financial year ended 31 December 2017**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	66,960	123,670	94,714	37,249
Adjustments for:				
Depreciation and amortisation	2,868	1,867	1,003	899
Impairment loss made/(written back) on loans, advances and financing	4,614	11,926	(379)	7,204
Impairment loss made/(written back) on securities	28,658	725	225	(23)
Share of profit of an associate	(1,315)	(1,230)	-	-
Accretion of discounts less amortisation of premiums	(15,811)	(6,945)	-	-
Net unrealised gain on revaluation of securities held-for-trading	(910)	(1,380)	(910)	(1,380)
Net unrealised loss on revaluation of derivatives	449	3,638	-	-
Net (gain)/loss on sale of securities:				
- Held-for-trading	(4,368)	(2,460)	(4,355)	(2,460)
- Available-for-sale	8	(2,917)	-	-
- Held-to-maturity	-	(12,080)	-	-
Dividend income	(2,150)	(891)	(54,217)	(1,917)
Gain on disposal of:				
- Property, plant and equipment	-	(9)	-	(9)
Employee benefits	1,094	1,108	800	811
Impairment loss made on other assets	842	542	198	716
Property, plant and equipment written off	-	38	-	18
Operating cash flows before working capital changes carried forward	80,939	115,602	37,079	41,108

**Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)**

**Statements of cash flows**

**For the financial year ended 31 December 2017 (cont'd.)**

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities (cont'd.)</b>				
Operating cash flows before working capital changes brought forward	80,939	115,602	37,079	41,108
Changes in working capital:				
Deposits and placements with licensed banks and other financial institutions with original maturity of more than 3 months	(374,921)	285,495	(360,801)	283,135
Loans, advances and financing	192,701	152,410	142,989	104,488
Securities held-for-trading and securities available-for-sale	(243,165)	(349,197)	18,026	(36,121)
Other assets	(107,163)	22,474	6,850	1,419
Statutory deposits with Bank Negara Malaysia	363	10,394	-	-
Deposits from customers and deposits and placements of banks and other financial institutions	309,497	159,611	-	-
Other liabilities	151,618	(35,323)	11,255	8,045
Cash generated from/(used in) operations	9,869	361,466	(144,602)	402,074
Taxes paid	(18,383)	(31,212)	(11,153)	(11,303)
Zakat paid	(1,000)	(1,288)	(162)	(116)
Retirement benefits paid	(580)	(572)	(580)	(572)
Net cash (used in)/generated from operating activities	<u>(10,094)</u>	<u>328,394</u>	<u>(156,497)</u>	<u>390,083</u>

**Malaysian Industrial Development Finance Berhad  
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**Statements of cash flows**

**For the financial year ended 31 December 2017 (cont'd.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from investing activities</b>				
Dividends received	2,150	891	54,217	1,917
Purchase of property, plant and equipment	(1,678)	(790)	(1,483)	(198)
Proceeds from disposal of property, plant and equipment	-	108	-	108
Purchase of intangible assets	(4,693)	(2,891)	(2,699)	-
Net cash (used in)/generated from investing activities	(4,221)	(2,682)	50,035	1,827
<b>Cash flows from financing activities</b>				
(Repayment)/drawdown on borrowings (net)	(11,805)	53,262	(11,805)	(15,399)
Dividends paid	(90,000)	(80,000)	(90,000)	(80,000)
Dividends paid to non-controlling interests	-	-	-	-
Net cash used in financing activities	(101,805)	(26,738)	(101,805)	(95,399)
<b>Net (decrease)/increase in cash and cash equivalents</b>				
	(116,120)	298,974	(208,267)	296,511
<b>Cash and cash equivalents at 1 January</b>	<b>741,183</b>	<b>442,209</b>	<b>672,820</b>	<b>376,309</b>
<b>Cash and cash equivalents at 31 December</b>	<b>625,269</b>	<b>741,183</b>	<b>464,553</b>	<b>672,820</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds (Note 4)	580,367	591,733	415,781	529,900
Deposits and placements with licensed banks and other financial institutions (Note 5)	434,823	164,450	424,573	157,920
	1,015,190	756,183	840,354	687,820
Less: Deposits with original maturity of more than 3 months	(389,921)	(15,000)	(375,801)	(15,000)
	625,269	741,183	464,553	672,820

The accompanying notes are an integral part of these financial statements.



**Malaysian Industrial Development Finance Berhad  
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**Notes to the financial statements - 31 December 2017**

**1. Corporate information**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 21, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business is located at Level 19, 20 and 21, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur.

The Company is principally engaged in investment holding, providing finance, leasing and industrial hire-purchase services to industries and businesses in Malaysia, whilst the principal activities of the subsidiaries are as stated in Note 13. There have been no significant changes in the nature of these activities during the financial year.

The immediate and ultimate holding companies are Permodalan Nasional Berhad ("PNB") and Yayasan Pelaburan Bumiputra ("YPB") respectively. Both companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 April 2018.

**2. Summary of significant accounting policies**

**(a) Basis of preparation**

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

The Group and the Company present the statements of financial position in the order of liquidity.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") which in Ringgit Malaysia ("RM"). The consolidated financial statements are presented in RM, which is also the Company's functional and presentation currency. All values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

Malaysian Industrial Development Finance Berhad  
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2. Summary of significant accounting policies (cont'd.)

(a) Basis of preparation (cont'd.)

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are retranslated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on retranslation and settlement of monetary items are recognised in profit or loss.

(i) Adoption of Amendments and Annual Improvements to Standards

The Group and the Company have adopted the following new pronouncements, with a date of initial application of 1 January 2017.

- Amendments to MFRS12 (*Annual Improvements to MFRS Standards 2014 - 2016 Cycle*)
- Amendments to MFRS107 Statement of Cash Flows *Disclosure Initiative*
- Amendments to MFRS 112 Income Taxes - *Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of the above pronouncements did not have any impact on the financial statements of the Group and the Company.

**Companies Act 2016**

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders.

Among the key changes introduced in the New Act which will affect the financial statements of the Group and the Company upon the commencement of the New Act on 31 January 2017 includes:

- (a) removal of the authorised share capital;
- (b) shares of the Company will cease to have par or nominal value;
- (c) utilisation of the share premium account in accordance with Section 618 of the New Act within the twenty four (24) months period allowed; and
- (d) the Company remaining share premium and capital redemption reserves will become part of the share capital.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

**(ii) Standards issued but not yet effective**

At the date of authorisation of the financial statements, the following were issued but not yet effective and have not been adopted by the Group and the Company.

Description	Effective for financial periods beginning on or after
Amendments to MFRS 1 and MFRS 128 ( <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i> )	1 January 2018
Amendments to MFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 - <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 15 <i>Clarifications to MFRS 15</i>	1 January 2018
MFRS 9 <i>Financial Instruments</i>	1 January 2018
Amendments to MFRS 140 - <i>Transfers of Investment Property</i>	1 January 2018
IC Int. 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 9 - <i>Prepayment Features with Negative Compensation</i>	1 January 2019
MFRS 16 <i>Leases</i>	1 January 2019
IC Int. 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Business Combination (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112 - <i>Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

**(ii) Standards issued but not yet effective**

At the date of authorisation of the financial statements, the following Standards and Amendments to Standards were issued but not yet effective and have not been adopted by the Group and the Company.

<b>Description</b>	<b>Effective for financial periods beginning on or after</b>
Amendments to MFRS 123 - <i>Borrowing Costs</i> ( <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i> )	1 January 2019
Amendments to MFRS 128 - <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 119 - <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 11 <i>Joint Arrangements</i> ( <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i> )	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company plans to adopt the above standards and interpretations when they become effective in the respective financial year. These standards and interpretation are expected to have no significant impact to the financial statements of the Group and of the Company upon their initial application except as described below:

**(a) MFRS 9 *Financial Instruments***

This standard contains new requirements for classification and measurement, impairment, and hedge accounting for financial instruments. It will introduce significant changes in the way that the Group and the Company accounts for financial instruments.

The key areas of significant impact and the reasonably estimable financial transitional differences upon adoption of MFRS 9 in replacing MFRS 139 Financial Instruments: Recognition and Measurement are summarised below:

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2. Summary of significant accounting policies (cont'd.)

(a) Basis of preparation (cont'd.)

(ii) Standards issued but not yet effective (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

**Classification and measurement**

To determine their classification and measurement category, the standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The MFRS 139 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and amortised cost have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; or
- Financial assets FVTPL

The accounting for financial liabilities remains largely the same as it was under MFRS 139, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Under MFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

**Impairment**

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for loans, advances and financing loss impairments by replacing incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group and the Company to record an allowance for ECLs for all loans, advances and financing and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

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**2. Summary of significant accounting policies (cont'd.)**

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

**(ii) Standards issued but not yet effective (cont'd.)**

**(a) MFRS 9 *Financial Instruments* (cont'd.)**

**Impairment (cont'd.)**

The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The ECL model also applies to contract assets under MFRS 15 *Revenue* from Contracts with Customers and lease receivables under MFRS 117 *Leases*. The Group and the Company will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

- Stage 1: 12-month ECL

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

- Stage 2: Lifetime ECL – non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, the lifetime ECL will be recognised.

- Stage 3: Lifetime ECL – credit impaired

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

Malaysian Industrial Development Finance Berhad  
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2. Summary of significant accounting policies (cont'd.)

(a) Basis of preparation (cont'd.)

(ii) Standards issued but not yet effective (cont'd.)

(a) *MFRS 9 Financial Instruments* (cont'd.)

**Transition impact**

Upon adoption of the new standard on 1 January 2018, it is expected that there would be a Day 1 adjustment to the retained earnings arising from the following:

- Classification of certain financial asset from MFRS 139 to MFRS 9 and the consequential change to the measurement amount;
- Transfer of AFS loss reserve to retained earnings; and
- Additional provisioning from financial assets arising from the introduction of the expected credit loss approach.

The transitional impact is based on management's best estimates as at the reporting date. The information provided in this note is focused upon material items; it does not represent a complete list of expected adjustments. The adjustments and estimated financial impacts are subject to the review of the Auditors.

(b) *MFRS 15 Revenue from Contracts with Customers*

*MFRS 15 Revenue from Contracts with Customers* was issued in September 2014 and established a new five-step model which will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

Malaysian Industrial Development Finance Berhad  
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2. Summary of significant accounting policies (cont'd.)

(a) Basis of preparation (cont'd.)

(ii) Standards issued but not yet effective (cont'd.)

**(b) MFRS 15 Revenue from Contracts with Customers (cont'd.)**

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group and the Company are in the process of assessing the financial implication for adopting MFRS 15. The adoption of MFRS 15 is not expected to have any material impact on financial statements of the Group and of the Company.

**(c) MFRS 16 Leases**

MFRS 16 Leases supersedes MFRS117, Leases and the related interpretations. Under MFRS 16, a lease contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by lessee as finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS116, Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in income statement. For lessors, MFRS 16 retains most of the requirement in MFRS 117. Lessors continue to classify all leases as either the operating leases or finance leases and account for them differently. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied.



**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained profits as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(c) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 13, is measured at fair value with the changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of MFRS 13, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(c) Business combinations and goodwill (cont'd.)**

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**(d) Investment in subsidiaries**

A subsidiary is an entity over which the Company has control as described in Note 2(b).

In the Company's separate financial statements, investment in subsidiaries is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j)(iv). On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is recognised in statements of profit or loss.

**(e) Investment in associate**

An associate is an entity over which the Group has significant influence. 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.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Investment in associate is stated in the Company's separate financial statements at cost less any impairment losses, unless the investment is classified as held-for-sale (or included in a disposal group that is classified as held-for-sale).

In the consolidated financial statements, the Group's investment in associate is accounted for using the equity method.

Under the equity method, the investment in associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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**2. Summary of significant accounting policies (cont'd.)**

**(e) Investment in associate (cont'd.)**

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as "Share of profit of an associate" in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**(f) Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group has become a party to the contractual provisions of the instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets.

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**2. Summary of significant accounting policies (cont'd.)**

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

**(i) Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held-for-trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are designated as such upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at fair value, and any gain or loss arising from a change in their fair values are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include interest and dividend income which are recognised separately in profit or loss as part of other expenses or other income.

**(ii) Loans and receivables**

Loans and receivables category comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market .

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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**2. Summary of significant accounting policies (cont'd.)**

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

**(iii) Held-to-maturity investments**

Held-to-maturity investments category comprises non-derivative financial assets with fixed or determinable payments that are quoted in an active market and that the Group and the Company have the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Any sale or reclassification of a significant amount of securities held-to-maturity not close to their maturity would result in the reclassification of all securities held-to-maturity to securities available-for-sale, and prevent the Group and the Company from classifying any securities as securities held-to-maturity for the current and following two financial years.

**(iv) Available-for-sale financial assets**

Available-for-sale category comprises equity and debt instruments that are designated as available-for-sale or are not classified in any of the three preceding categories. These financial assets are those which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or in response to changes in market conditions.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Other available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except for impairment losses, foreign exchange difference on monetary items and interest calculated using the effective interest method which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the profit or loss as a reclassification adjustment when the financial asset is derecognised.

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**2. Summary of significant accounting policies (cont'd.)**

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

**(iv) Available-for-sale financial assets (cont'd.)**

All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised or derecognised on the settlement date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

**(g) Property, plant and equipment**

**(i) Recognition and measurement**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for recognition and measurement of impairment loss is in accordance with Note 2(j)(iv). Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the assets and restoring the site on which the asset is located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "non-interest income" or "other operating expenses" respectively in the statements of profit or loss.

**(ii) Subsequent costs**

Subsequent costs incurred in replacing part of an item of property, plant and equipment are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.



**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

**(iii) Depreciation**

Leasehold buildings are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. The straight line method is used to write off the cost of the other assets to its residual value over the term of their estimated useful lives as follows:

Leasehold land	50 years
Leasehold buildings	20 to 25 years
Freehold buildings	50 years
Renovations	5 years
Furniture and equipment	5 years
Computers	3 years
Motor vehicles	5 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values of assets are reviewed, and adjusted if appropriate, at the reporting date.

**(h) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

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**2. Summary of significant accounting policies (cont'd.)**

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

The computer software is amortised on a straight-line basis over its estimated useful life of 3 years. Work-in-progress represents IT system costs, and are not amortised as these assets are not available for use.

**(i) Investment properties**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary business, use in production or supply of goods or services or for administration purposes.

Investment properties are stated at cost less any accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful life of 50 years for buildings.

**(j) Impairment of assets**

Financial assets (other than financial assets measured at fair value through profit or loss, investment in subsidiaries and investment in associate) are subject to impairment review at each reporting date. Impairment loss is recognised when there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred "loss event") that the recoverable amount of a financial asset is below its carrying amount. Losses expected as a result of future events, no matter how likely, are not recognised.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(j) Impairment of assets (cont'd.)**

**(i) Individual impairment of financial assets carried at amortised cost**

For financial assets carried at amortised cost (such as loans, advances and financing to customers as well as held to maturity investments), the Group and the Company first assess individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of individual impairment allowance is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an impairment allowance account and the amount of the individual impairment allowance is recognised in profit or loss.

If, in a subsequent period, the amount of the individual impairment allowance decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised individual impairment allowance shall be reversed and recognised in profit or loss.

The reversal of individual impairment allowance shall not result in the carrying amount of the financial assets that exceeds what the amortised cost would have been, had the impairment not been recognised, at the date the impairment is reversed.

An uncollectible financial asset classified as impaired is written-off after taking into consideration the realisable value of collateral, if any, when in the opinion of management, there is no prospect of recovery.

Subsequent to individual impairment allowance made, interest income continues to be accrued on the reduced carrying amount and it is accrued using the original effective interest rate which is used to discount the future cash flows for the purpose of measuring the individual impairment allowance.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(j) Impairment of assets (cont'd.)**

**(i) Individual impairment of financial assets carried at amortised cost (cont'd.)**

The clients' accounts relating to the stockbroking business are classified as impaired under the following circumstances:

<b>Types of accounts</b>	<b>Criteria for classification as impaired</b>
Contra losses	When the account remains outstanding for 16 calendar days or more from the date of contra transactions
Overdue purchase contract	When the account remains outstanding from T+5 market days onwards
Margin accounts	When the equity has fallen below 130% of the outstanding balance

**(ii) Individual impairment of available-for-sale financial assets**

For individually significant available-for-sale securities in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity is transferred from equity to profit or loss, even though the securities have not been derecognised. The amount of the cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

In the case of unquoted debt instruments classified as available-for-sale, the impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss.

For quoted equity instruments classified as available-for-sale, objective evidence of impairment also includes significant or prolonged decline in fair value of the investment below its cost. The Group and the Company define "significant" generally as more than 20% shortfall in its fair value against cost and "prolonged" as the fair value has been below its cost for more than twelve (12) months. The amount of impairment loss is recognised in profit or loss.

Impairment loss recognised on investments in equity instruments classified as available-for-sale is not reversed through profit or loss subsequent to its recognition. Reversals of impairment loss on debt instruments classified as available-for-sale are recognised in profit or loss if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

**Malaysian Industrial Development Finance Berhad  
(Incorporated in Malaysia)**

**2. Summary of significant accounting policies (cont'd.)**

**(j) Impairment of assets (cont'd.)**

**(ii) Individual impairment of available-for-sale financial assets (cont'd.)**

Interest income on debt instruments continues to be accrued on the reduced carrying amount and is accrued using the rate of interest which is used to discount the estimated future cash flows for the purpose of measuring the impairment loss.

**(iii) Goodwill**

Goodwill that has an indefinite useful life is reviewed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For impairment assessment, goodwill from business combinations is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination.

The recoverable amount is determined for each CGU based on its 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. An impairment loss is recognised in profit or loss when the carrying amount of the CGU, including attributable goodwill, exceeds the recoverable amount of the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rate basis.

An impairment loss on goodwill is not reversed in subsequent periods.

**(iv) Other non-financial assets**

Other non-financial assets such as property, plant and equipment, intangible assets, investment properties, investments in subsidiaries and associates are reviewed for objective indications of impairment at each reporting date or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment loss is determined as the excess of the asset's carrying amount over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in profit or loss.

Any reversal of impairment loss for these non-financial assets is recognised in profit or loss. The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the assets in prior financial years.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(k) Amount recoverable from Danaharta**

Amount recoverable from Danaharta relates to the non-performing loans sold by a former subsidiary to Pengurusan Danaharta Nasional Bhd (“Danaharta”) which was then acquired by another subsidiary under the restructuring scheme in 2000/2001. The total consideration receivable from Danaharta is in two portions: upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the subsidiary’s predetermined share of the surplus over the initial consideration upon recovery of the loans. The difference between the carrying value of the loans and the initial consideration is recognised as ‘Amount Recoverable from Danaharta’. Allowance against this amount is made in accordance with Note 2(j)(i).

**(l) Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash on hand, bank balances and deposits and placements with banks and other financial institutions with original maturity of three months or less, which are subject to an insignificant risk of changes in value.

**(m) Fiduciary assets**

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in fiduciary capacity are not recognised as the assets of the Group.

**(n) Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. Except for the derivatives which are classified as fair value through profit or loss as described in Note 2(f)(i), the Group classifies all its financial liabilities as other financial liabilities at amortised cost.

The other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(n) Financial liabilities (cont'd.)**

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(o) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

**(p) Provision**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(q) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

**(i) Group as a lessee**

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The depreciation method and the estimated useful life for leased assets is disclosed in the accounting policy for property, plant and equipment.

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

**(ii) Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

**(r) Share capital**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.



**Malaysian Industrial Development Finance Berhad**  
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**2. Summary of significant accounting policies (cont'd.)**

**(s) Employee benefits**

**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group 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.

**(ii) Defined contribution plans**

As required by law, companies in Malaysia make contribution to the Employees' Provident Fund ("EPF") and are recognised as an expense in profit or loss as incurred. Once contributions have been paid, the Group and the Company have no further obligations.

**(iii) Defined benefit plans**

The Group and the Company operate an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's and the Company's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior financial years is estimated. That benefit is discounted in order to determine its present value. Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statements of financial position with a corresponding debit or credit to retained profits through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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

- The date of the plan amendment or curtailment; and
- The date that the Group and the Company recognise restructuring-related

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group and the Company recognise the following changes in the net defined benefit obligation under 'staff costs' in statements of profit or loss:

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

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(t) Income tax**

**(i) Current income tax**

Current income tax for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

**(ii) Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax is not recognised if the temporary difference arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(u) Zakat**

This represents business zakat payable by the Group and the Company to comply with the principles of Shariah. Zakat provision is calculated based on the rate of 2.5775%.

**(v) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The specific recognition criteria described below must also be met before revenue is recognised.

(i) Interest/profit income from loans, advances and financing, and securities, including amortisation of premium and accretion of discount, is recognised using the effective interest/yield method.

(ii) Income from Government Scheme Funds is in relation to management fees derived from managing and distributing the funds under the respective schemes. It is recognised on an accrual basis.

(iii) Income from Islamic Banking business is recognised in accordance with Shariah principles.

**(iv) Fee-based activities**

- Corporate advisory, project feasibility study, participation and underwriting fees are recognised as income by reference to the stage of completion.
- Portfolio management, commitment, guarantee and agency fees, and commissions are recognised as income on a time apportionment basis.
- Fees received from capital market activities are recognised when the right to receive payment is established.
- Share registration fees are billed annually on a retainer basis and additional amounts are billed during the financial year based on activity levels.
- Fund management fees are recognised on accrual basis.

(v) Dividend income is recognised when the right to receive payment is established.

(vi) Rental income is recognised on an accrual basis.

Operating revenue of the Group comprises all types of revenue from banking, finance, hire purchase and leasing, and asset management.

**Malaysian Industrial Development Finance Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(w) Interest expense and financing costs**

Interest expense and attributable profit (on activities relating to Islamic Banking business) on deposits and borrowings of the Group and of the Company are recognised on an effective yield basis.

**(x) Earnings per ordinary share**

The Group presents basic and diluted earnings per share information for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**(y) Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(z) Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

**Malaysian Industrial Development Finance Berhad  
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**3. Critical accounting estimates and judgements**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

	Note
- Capital adequacy	44
- Financial risk management policies	42
- Sensitivity analyses disclosures	23, 42(b), 42(e)

**(a) Critical judgement made in applying accounting policies**

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

**(i) Impairment provision for loans, advances and financing**

The Group reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in profit or loss.

**(ii) Impairment of securities**

The Group reviews their securities available-for-sale at each reporting date to assess whether there are any objective evidence that these investments are impaired. If there are indicators or objective evidence, these investments are subjected to impairment review.

In carrying out the impairment review, the following management's judgements are required:

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuers or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of "significant" or "prolonged" requires judgement and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

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**3. Critical accounting estimates and judgements (cont'd.)**

**(a) Critical judgement made in applying accounting policies**

(iii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

**(b) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Estimated impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the cash-generating units and choose a suitable discount rate in order to calculate the present value of those cash flows.

The key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are as stated in Note 18.

(ii) Fair value estimations of securities held-for-trading, securities available-for-sale and investment properties

Quoted debt securities

The fair value of quoted debt securities is derived from market bid price. In the absence of market bid price in an active markets, the fair value of quoted debt securities is derived based on the following fair value hierarchy:

- Recent quoted last transacted price;
- Discounted cash flow method; or
- Relative price approach.

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**3. Critical accounting estimates and judgements (cont'd.)**

**(b) Key sources of estimation uncertainty (cont'd.)**

- (ii) Fair value estimations of securities held-for-trading, securities available-for-sale and investment properties (cont'd.)

The Group and the Company use acceptable valuation technique which involves making assumptions based on market conditions and other factors as of the reporting date.

Unquoted debt securities

The fair value of unquoted debt securities is determined based on quotes from independent dealers or using valuation technique such as the discounted cash flow method which involves making assumptions based on market conditions and other factors as of the reporting date.

Investment properties

The fair value of investment properties for disclosure purposes were valued by reference to market-based evidence, using comparable prices adjusted. When there was a lack of comparable market data because of the nature of the properties, valuation methodology based on a discounted cash flow method which involves making assumptions based on market yield and other factors.

- (iii) Impairment on loans, advances and financing

Management's estimation of the amount and timing of future cash flows is required when determining the impairment loss required. In estimating these cash flows, the Group makes estimates about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

Loans, advances and financing that have been assessed individually but for which no impairment is required and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar credit risk characteristic, to determine whether allowances should be made due to incurred loss events for which there is objective evidence but whose effects of which are not yet evident. The collective assessment takes account of data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and judgements on the effect of concentrations of risks (such as the performance of different individual groups).

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**3. Critical accounting estimates and judgements (cont'd.)**

**(b) Key sources of estimation uncertainty (cont'd.)**

(iv) Income taxes

Significant estimate is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in which the determination is made.

(v) Deferred tax assets

When deferred tax assets are recognised, assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of revenue, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

**4. Cash and short-term funds**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	123,265	40,255	6,185	3,724
Deposits and placements maturing within one month	457,102	551,478	409,596	526,176
	<u>580,367</u>	<u>591,733</u>	<u>415,781</u>	<u>529,900</u>

As at the reporting date, the dealer's representatives' and clients' monies held in trust by the Group amounted to RM2,304,000 and RM1,343,000 (2016: RM1,183,000 and RM959,000) respectively. These amounts are excluded from the cash and short-term funds of the Group.

Included in cash and short-term funds are deposits with original maturity of less than 3 months amounting to RM441,130,819 and RM397,495,275 for the Group and the Company respectively (2016: RM545,478,000 and RM520,176,000 respectively) which are classified as cash and cash equivalents for the statements of cash flows.



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**5. Deposits and placements with licensed banks and other financial institutions**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	434,823	155,450	424,573	148,920
Deposits with other financial institutions	-	9,000	-	9,000
	<u>434,823</u>	<u>164,450</u>	<u>424,573</u>	<u>157,920</u>

Included in deposits and placements with licensed banks and other financial institutions are deposits with original maturity of less than 3 months amounting to RM60,873,004 for the Group and the Company respectively (2016: RM155,450,000 and RM148,920,000 respectively) which are classified as cash and cash equivalents for the statements of cash flows.

**6. Securities held-for-trading**

At fair value	Group and Company	
	2017 RM'000	2016 RM'000
Money market instruments:		
Government Investment Issues	9,940	-
Corporate Bond and/or Sukuk	65,517	29,984
Islamic Commercial Papers	160,614	208,745
Shares	1	253
	<u>226,132</u>	<u>238,982</u>
Unit Trust	10,007	20,083
	<u>246,079</u>	<u>259,065</u>

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**7. Securities available-for-sale**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government Securities	481,359	471,465	-	-
Government Investment Issues	384,266	507,028	-	-
Negotiable Instruments of Deposits	497,021	248,925	-	-
	<u>1,362,646</u>	<u>1,227,418</u>	<u>-</u>	<u>-</u>
Quoted securities in Malaysia:				
Shares	19,737	21,218	-	-
Unquoted securities in Malaysia:				
Corporate bonds	2,426,751	2,288,050	7	7
Loan stocks	13,502	6,275	1,348	1,348
	<u>2,440,253</u>	<u>2,294,325</u>	<u>1,355</u>	<u>1,355</u>
<b>At cost</b>				
Unquoted securities in Malaysia:				
Shares	5,978	5,555	300	300
	<u>3,828,614</u>	<u>3,548,516</u>	<u>1,655</u>	<u>1,655</u>

**8. Derivative assets**

	Contract or underlying principal amount RM'000	Derivative assets RM'000
<b>Group</b>		
<b>2017</b>		
Interest rate related derivatives:		
- Interest rate swaps	<u>100,000</u>	<u>78</u>
<b>2016</b>		
Interest rate related derivatives:		
- Interest rate swaps	<u>320,000</u>	<u>528</u>

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**9. Other assets**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest/profit receivables		31,777	33,706	4,870	5,517
Amount due from brokers and clients	(a)	165,308	44,890	-	-
Deposits, prepayments and other receivables		15,516	21,853	3,011	8,468
Less: Individual impairment allowance		(4,350)	(4,515)	-	-
	(b)	11,166	17,338	3,011	8,468
Amount recoverable from Danaharta		96,973	97,032	-	-
Less: Individual impairment allowance		(96,973)	(97,032)	-	-
		-	-	-	-
Amounts due from subsidiaries					
- Current accounts	(c)	-	-	4,620	1,625
Amount due from Government Scheme Fund	(d)	-	3,588	-	3,588
Tax recoverable		28,377	29,925	1,010	-
		<u>236,628</u>	<u>129,447</u>	<u>13,511</u>	<u>19,198</u>

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## 9. Other assets (cont'd.)

## (a) Amount due from brokers and clients

	Group	
	2017	2016
	RM'000	RM'000
Brokers	52,399	24,654
Clients	112,909	20,236
	<u>165,308</u>	<u>44,890</u>

Clients' and brokers' debit balances arose from trading of securities, through the investment banking subsidiary, which are not yet due for settlement as at reporting date under the Rules of Bursa Malaysia Securities Berhad.

Movements in individual impairment allowances on amount due from clients are as follows:

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	-	(2,567)
Impairment made during the financial year (Note 34)	-	(1)
Amount written off	-	2,568
At 31 December	<u>-</u>	<u>-</u>

## (b) Deposits, prepayments and other receivables

Included in deposits, prepayments and other receivables of the Group and of the Company is an amount of RM Nil (2016: RM1,765,119) relating to unrealised foreign currency translation loss for the Overseas Economic Cooperation Fund (Note 22(a)) for which the foreign exchange risk will be borne by the Government of Malaysia.

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**9. Other assets (cont'd.)**

**(b) Deposits, prepayments and other receivables (cont'd.)**

Movements in individual impairment allowances are as follows:

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	(4,515)	(5,516)
Net impairment made during the financial year	(842)	(541)
Adjustment	(145)	-
Amount written off	1,152	1,542
At 31 December	<u>(4,350)</u>	<u>(4,515)</u>

**(c) Amount due from subsidiaries - current accounts**

These amounts are unsecured, interest-free and repayable on demand.

**(d) Amount due from Government Scheme Funds**

The amount due from Government Scheme Fund is unsecured, interest-free and repayable on demand.

**10. Loans, advances and financing**

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Term loans/financing				
- Syndicated term loans/financing	238,832	282,629	-	-
- Hire purchase receivables	10,205	10,275	1,339	1,383
- Real estate financing	27,735	96,047	-	-
- Murabahah financing	180,205	230,352	-	-
- Lease receivables	1,568	1,568	-	-
Other term loans/financing	141,577	239,861	160,026	303,927
	<u>600,122</u>	<u>860,732</u>	<u>161,365</u>	<u>305,310</u>
Margin accounts	317,038	261,148	-	-
Staff loans	1,441	2,003	948	1,333
	<u>918,601</u>	<u>1,123,883</u>	<u>162,313</u>	<u>306,643</u>
Less: Unearned interest/income	(9,160)	(9,189)	(9,160)	(9,189)
Gross loans, advances and financing	909,441	1,114,694	153,153	297,454
Less: Impairment allowances				
- Collective impairment allowance	(8,881)	(7,602)	(5,366)	(4,755)
- Individual impairment allowance	(116,967)	(126,184)	(40,602)	(42,906)
Net loans, advances and financing	<u>783,593</u>	<u>980,908</u>	<u>107,185</u>	<u>249,793</u>

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**10. Loans, advances and financing (cont'd.)**

The Group and the Company operate principally in Malaysia and hence, disclosure of information by geographical area is not presented.

**(a) Gross loans, advances and financing**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>(i) By type of customer</b>				
Domestic business enterprises				
- Small medium enterprises	444,848	504,177	101,091	249,506
- Others	193,811	244,468	51,114	46,615
Individuals	270,782	366,049	948	1,333
Gross loans, advances and financing	<u>909,441</u>	<u>1,114,694</u>	<u>153,153</u>	<u>297,454</u>

**(ii) By interest/profit rate sensitivity**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Fixed rate</b>				
- Staff loans	1,441	2,003	948	1,333
- Hire purchase receivables	10,205	10,275	1,339	1,383
- Other fixed rate loans/ financing	445,814	508,958	92,262	91,967
<b>Variable rate</b>				
- BLR plus	27,523	27,260	27,523	27,260
- Cost-plus	424,458	566,198	31,081	175,511
Gross loans, advances and financing	<u>909,441</u>	<u>1,114,694</u>	<u>153,153</u>	<u>297,454</u>

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## 10. Loans, advances and financing (cont'd.)

## (a) Gross loans, advances and financing (cont'd.)

## (iii) By economic sector

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Mining and quarrying	98,048	88,730	-	-
Manufacturing	115,382	129,209	52,829	55,695
Construction	117	117	-	-
Wholesale and retail trade and restaurants and hotels	72,582	51,008	44,790	39,778
Transport, storage and communications	2,864	3,066	2,196	2,398
Finance, insurance and business services	160,547	230,782	48,273	193,915
Purchase of transport vehicles	7,581	7,607	-	-
Real Estate	142,697	196,047	-	-
Education	32,556	41,721	-	-
Household	195,612	205,270	-	-
Others	81,455	161,137	5,065	5,668
Gross loans, advances and financing	<u>909,441</u>	<u>1,114,694</u>	<u>153,153</u>	<u>297,454</u>

## (iv) By residual contractual maturity

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within one year	556,270	658,920	72,464	77,800
One year to five years	334,857	434,427	73,843	198,429
After five years	18,314	21,347	6,846	21,225
Gross loans, advances and financing	<u>909,441</u>	<u>1,114,694</u>	<u>153,153</u>	<u>297,454</u>

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**10. Loans, advances and financing (cont'd.)**

**(b) Impaired loans, advances and financing ("ILs")**

**(i) Movements in ILs are as follows:**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	568,470	460,213	65,242	100,787
Classified as impaired/ (performing) during the financial year	33,365	244,974	-	(28,706)
Amount recovered	(151,347)	(116,499)	(711)	(2,776)
Amount written off	(788)	(20,218)	(788)	(4,063)
At 31 December	449,700	568,470	63,743	65,242
Less: Individual impairment allowance	(116,967)	(126,184)	(40,602)	(42,906)
Net ILs	332,733	442,286	23,141	22,336
Ratio of net ILs to gross loans, advances and financing less individual impairment allowance	41.99%	44.74%	20.56%	8.77%

**(ii) ILs by economic sector**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Mining and quarrying	98,048	88,730	-	-
Manufacturing	107,328	123,489	48,814	49,975
Construction	117	117	-	-
Wholesale and retail trade and restaurants and hotels	23,917	24,197	12,687	12,968
Transport, storage and communications	948	886	280	218
Finance, insurance and business services	1,543	89,185	1,543	1,663
Purchase of transport vehicles	7,581	7,607	-	-
Real Estate	142,697	149,967	-	-
Others	67,521	84,292	419	418
	449,700	568,470	63,743	65,242



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## 10. Loans, advances and financing (cont'd.)

## (c) Movements in impairment allowances by class of financial assets

## (i) Individual impairment allowance

Group	Term loans/ financing RM'000	Staff loans RM'000	Margin accounts RM'000	Total RM'000
<b>2016</b>				
At 1 January	137,804	115	817	138,736
Impairment made during the financial year	18,126	3	7	18,136
Amount written back	(1,800)	-	-	(1,800)
Amount written off	(19,394)	-	(824)	(20,218)
Discount unwind	(8,670)	-	-	(8,670)
At 31 December	<u>126,066</u>	<u>118</u>	<u>-</u>	<u>126,184</u>
<b>2017</b>				
At 1 January	126,066	118	-	126,184
Impairment made during the financial year	5,744	-	-	5,744
Amount written back	(2,409)	-	-	(2,409)
Amount written off	(1,545)	-	-	(1,545)
Reclassification to available-for-sale	(8,971)	-	-	(8,971)
Discount unwind	(2,036)	-	-	(2,036)
At 31 December	<u>116,849</u>	<u>118</u>	<u>-</u>	<u>116,967</u>
			<b>2017</b>	<b>2016</b>
<b>Company</b>			<b>RM'000</b>	<b>RM'000</b>
At 1 January			42,906	40,550
Impairment made during the financial year			67	8,609
Amount written back			(1,057)	(1,121)
Amount written off			(788)	(4,063)
Discount unwind			(526)	(1,069)
At 31 December			<u>40,602</u>	<u>42,906</u>

The individual impairment allowance of the Company is in relation to term loans/financing.

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**10. Loans, advances and financing (cont'd.)**

**(c) Movements in impairment allowances by class of financial assets**

**(ii) Collective impairment allowance**

	Group		Company	
	2017	2016	2017	2016
Terms loans/financing	RM'000	RM'000	RM'000	RM'000
At 1 January	7,602	12,012	4,755	5,039
Impairment made/(written back) during the financial year	1,279	(4,410)	611	(284)
At 31 December	<u>8,881</u>	<u>7,602</u>	<u>5,366</u>	<u>4,755</u>
% of total loans, advances and financing less individual impairment allowance (including regulatory reserve)	<u>1.45%</u>	<u>1.17%</u>	<u>4.77%</u>	<u>1.87%</u>

**11. Statutory deposits with Bank Negara Malaysia**

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

**12. Investment in associate**

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unquoted shares - At cost	1,062	1,062	2,560	2,560
Share of post-acquisition reserves	2,418	2,120	-	-
	<u>3,480</u>	<u>3,182</u>	<u>2,560</u>	<u>2,560</u>

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## 12. Investment in associate (cont'd.)

(i) The details of the associate of the Group and the Company are as follows:

Name of company	Effective ownership interest		Principal activities
	2017 %	2016 %	
<u>Incorporated in Malaysia</u>			
Amanah Butler Malaysia Sdn. Bhd.	46.2	46.2	Foreign exchange and currency broking services

(ii) The Group's interests in its associate are as follows:

	Group	
	2017 RM'000	2016 RM'000
Current assets	7,476	8,073
Non-current assets	667	1,136
Current liabilities	(611)	(2,322)
Equity	<u>7,532</u>	<u>6,887</u>
Proportion of the Group's ownership	<u>46.2%</u>	<u>46.2%</u>
Carrying amount of the investment	<u>3,480</u>	<u>3,182</u>

	Group	
	2017 RM'000	2016 RM'000
Revenue	17,855	17,646
Other operating income	106	116
Staff costs	(12,052)	(11,578)
Depreciation	(190)	(271)
Other operating expenses	(1,947)	(2,343)
Profit before taxation	<u>3,772</u>	<u>3,570</u>
Taxation	(926)	(908)
Profit for the financial year	<u>2,846</u>	<u>2,662</u>
Group's share of profit for the financial year	<u>1,315</u>	<u>1,230</u>

The associate had no contingent liabilities or capital commitment at end of each financial year

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**13. Investment in subsidiaries**

	Company	
	2017	2016
	RM'000	RM'000
Unquoted shares - At cost	980,821	980,821
Less: Pre-acquisition dividend received	(11,944)	(11,944)
	968,877	968,877
Less: Accumulated impairment loss	(368,121)	(367,923)
	600,756	600,954

**(a) The details of the subsidiaries are as follows:**

Name of companies	Effective ownership interest		Principal activities
	2017 %	2016 %	
MIDF Amanah Investment Bank Berhad	100.0	100.0	Investment banking and related financial services
MIDF Amanah Asset Management Berhad	100.0	100.0	Fund management and investment advisory
MIDF Amanah Capital Berhad	100.0	100.0	Investment and property holding
MIDF DFI Bhd.	100.0	100.0	Dormant
Amanah International Finance Sdn. Bhd. ("AIF")	100.0	100.0	Provision of real estate financing, mezzanine and short term financing
MIDF Amanah Ventures Sdn. Bhd.	100.0	100.0	Venture capital
Omega Matrix (M) Sdn. Bhd.	100.0	100.0	Loan management
Oriental 1936 Berhad	75.2	75.2	Dormant
Asia Unit Trusts Berhad *	100.0	100.0	Under Liquidation

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**13. Investments in subsidiaries (cont'd.)**

(a) The details of the subsidiaries are as follows (cont'd.):

Name of companies	Effective ownership interest		Principal activities
	2017 %	2016 %	
Amanah Futures & Options Sdn. Bhd. *	100.0	100.0	Under Liquidation
<u>Subsidiaries of MIDF Amanah Capital Berhad</u>			
Amanah General Assets Bhd *	100.0	100.0	Under Liquidation
MIDF ASD Berhad *	100.0	100.0	Under Liquidation
Mint Victor (M) Sdn. Bhd. *	100.0	100.0	Under Liquidation
<u>Subsidiaries of MIDF Amanah Investment Bank Berhad</u>			
MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd.	100.0	100.0	Nominees services
MIDF Amanah Investment Nominees (Asing) Sdn. Bhd.	100.0	100.0	Nominees services

\* Entities are under liquidation and dormant and are not required to be audited.

All of the subsidiaries are incorporated in Malaysia.

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## 13. Investments in subsidiaries (cont'd.)

- (b) Financial information of subsidiary that has material non-controlling interests is provided below:

## Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation	2017 %	2016 %
Oriental 1936 Berhad	Malaysia	24.8	24.8
		<b>2017 RM'000</b>	<b>2016 RM'000</b>
Accumulated balances of material non-controlling interest:		255	210
Profit allocated to material non-controlling interest:		45	2

The summarised financial information of Oriental 1936 Berhad is provided below. This information is based on amounts before inter-company eliminations.

- (i) Summarised statement of comprehensive income:

	2017 RM'000	2016 RM'000
Other operating income	28	29
Other operating expense	(15)	(16)
Profit before taxation	13	13
Taxation	166	(7)
Profit for the financial year, representing total comprehensive income for the financial year	179	6
Attributable to non-controlling interests	45	2

- (ii) Summarised statement of financial position:

	2017 RM'000	2016 RM'000
<b>Assets</b>		
Other receivables	182	19
Cash and bank balances	848	832
<b>Total assets</b>	<b>1,030</b>	<b>851</b>
<b>Liability</b>		
Other payables	5	5

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**13. Investments in subsidiaries (cont'd.)**

(b) Financial information of subsidiary that has material non-controlling interests is provided below (cont'd.):

(ii) Summarised statement of financial position (cont'd.):

	2017 RM'000	2016 RM'000
<b>Equity</b>		
Share capital	387,083	370,333
Share premium	-	16,750
Accumulated losses	(386,058)	(386,237)
Total equity	<u>1,025</u>	<u>846</u>
<b>Total liability and equity</b>	<u>1,030</u>	<u>851</u>
Attributable to:		
Equity holders of parent	775	636
Non-controlling interest	<u>255</u>	<u>210</u>

(iii) Summarised cash flow information:

	2017 RM'000	2016 RM'000
Cash balance at beginning of financial year	832	825
Cash flow generated from operating activities	16	7
Net increase in cash and cash equivalents	<u>16</u>	<u>7</u>
Cash balance at end of financial year	<u>848</u>	<u>832</u>

**14. Investment properties**

	Group	
	2017 RM'000	2016 RM'000
<b>Buildings</b>		
<b>Cost</b>		
At 1 January/31 December	<u>4,442</u>	<u>4,442</u>

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

	Group	
	2017	2016
	RM'000	RM'000
<b>Accumulated depreciation</b>		
At 1 January	1,548	1,459
Charge for the financial year	89	89
At 31 December	1,637	1,548
<b>Net book value</b>	2,805	2,894

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Had these buildings been carried at fair value, the carrying amount, by class, that would have been included in the financial statements of the Group is as follows:

	Group	
	2017	2016
	RM'000	RM'000
Investment properties		
Residential properties	6,983	6,508
Office property	1,575	1,301

The fair value of investment properties disclosed above has not been determined by an external independent valuer. The fair values of the investment properties are determined using the market comparison method. Market price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.



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15. Property, plant and equipment

Group	Land use rights unexpired period more than 50 years		Freehold buildings		Leasehold buildings		Renovations		Furniture, fittings and office equipment		Motor vehicles		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cost													
At 1 January 2016	521	670	1,496	7,023	12,010	27,313	3,243						52,276
Additions	-	-	-	-	11	682	97						790
Disposals	-	-	-	-	(2)	(38)	(622)						(662)
Written off	-	-	-	-	(142)	(13,769)	-						(13,911)
At 31 December 2016	521	670	1,496	7,023	11,877	14,188	2,718						38,493
Additions	-	-	-	12	35	1,268	363						1,678
Written off	-	-	-	-	(12)	(638)	-						(650)
Reclassification	-	-	-	-	-	(381)	-						(381)
At 31 December 2017	521	670	1,496	7,035	11,900	14,437	3,081						39,140

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15. Property, plant and equipment (cont'd.)

Group (cont'd.)	Land use rights unexpired period more than 50 years		Freehold buildings		Leasehold buildings		Renovations		Furniture, fittings and office equipment		Motor vehicles		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Accumulated depreciation</b>													
At 1 January 2016	192	265	1,015	6,761	11,897	25,154	2,200	47,484					
Charge for the financial year	10	14	46	74	59	1,005	373	1,581					
Disposals	-	-	-	-	(2)	(38)	(523)	(563)					
Written off	-	-	-	-	(142)	(13,731)	-	(13,873)					
At 31 December 2016	202	279	1,061	6,835	11,812	12,390	2,050	34,629					
Charge for the financial year	10	13	40	76	55	1,006	369	1,569					
Written off	-	-	-	-	(12)	(638)	-	(650)					
Reclassification	-	-	-	-	-	(192)	-	(192)					
At 31 December 2017	212	292	1,101	6,911	11,855	12,566	2,419	35,356					
<b>Net book value</b>													
At 31 December 2016	319	391	435	188	65	1,798	668	3,864					
At 31 December 2017	309	378	395	124	45	1,871	662	3,784					

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15. Property, plant and equipment (cont'd.)

Company	Freehold buildings RM'000	Leasehold buildings RM'000	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 January 2016	670	1,496	6,053	7,111	6,370	2,705	24,405
Additions	-	-	-	9	92	97	198
Disposals	-	-	-	-	(27)	(622)	(649)
Transfer to subsidiaries	-	-	-	32	(1)	-	31
Written off	-	-	-	(28)	(288)	-	(316)
Reclassification	-	-	-	(5)	5	-	-
At 31 December 2016	670	1,496	6,053	7,119	6,151	2,180	23,669
Additions	-	-	12	34	1,074	363	1,483
Transfer to subsidiaries	-	-	-	-	(11)	-	(11)
Written off	-	-	-	(12)	(168)	-	(180)
Reclassification	-	-	-	-	(381)	-	(381)
At 31 December 2017	670	1,496	6,065	7,141	6,665	2,543	24,580

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

Company (cont'd.)	Freehold buildings RM'000	Leasehold buildings RM'000	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
<b>Accumulated depreciation</b>							
At 1 January 2016	265	1,015	5,797	7,028	5,461	1,785	21,351
Charge for the financial year	13	46	72	45	378	345	899
Disposals	-	-	-	-	(27)	(523)	(550)
Transfer to subsidiaries	-	-	-	32	(1)	-	31
Written off	-	-	-	(28)	(270)	-	(298)
Reclassification	-	-	-	(5)	5	-	-
At 31 December 2016	278	1,061	5,869	7,072	5,546	1,607	21,433
Charge for the financial year	13	40	74	45	346	340	858
Transfer to subsidiaries	-	-	-	-	(10)	-	(10)
Written off	-	-	-	(12)	(168)	-	(180)
Reclassification	-	-	-	-	(192)	-	(192)
At 31 December 2017	291	1,101	5,943	7,105	5,522	1,947	21,909
<b>Net book value</b>							
At 31 December 2016	392	435	184	47	605	573	2,236
At 31 December 2017	379	395	122	36	1,143	596	2,671

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**16. Intangible assets**

<b>Group</b>	<b>Computer software RM'000</b>	<b>Work-in-progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2016	3,580	-	3,580
Addition	598	2,293	2,891
At 31 December 2016	4,178	2,293	6,471
Addition	3,723	970	4,693
Transfer	17	(17)	-
Reclassification	2,655	(2,274)	381
At 31 December 2017	10,573	972	11,545
<b>Accumulated amortisation</b>			
At 1 January 2016	(3,339)	-	(3,339)
Amortisation for the financial year	(197)	-	(197)
At 31 December 2016	(3,536)	-	(3,536)
Amortisation for the financial year	(1,210)	-	(1,210)
Reclassification	(192)	-	(192)
At 31 December 2017	(4,938)	-	(4,938)
<b>Net book value</b>			
At 31 December 2016	642	2,293	2,935
At 31 December 2017	5,635	972	6,607
<b>Company</b>			
	<b>Computer software RM'000</b>	<b>Total RM'000</b>	
<b>Cost</b>			
At 1 January/31 December 2016	-	-	
Addition	2,699	2,699	
Reclassification	381	381	
At 31 December 2017	3,080	3,080	
<b>Accumulated amortisation</b>			
At 1 January/31 December 2016	-	-	
Amortisation for the financial year	(145)	(145)	
Reclassification	(192)	(192)	
At 31 December 2017	(337)	(337)	
<b>Net book value</b>			
At 31 December 2016	-	-	
At 31 December 2017	2,743	2,743	

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**17. Deferred tax**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	19,038	20,114	4,259	4,657
Recognised in profit or loss (Note 35)	1,942	(6,204)	386	(192)
Recognised in other comprehensive income	(7,561)	5,128	-	(206)
At 31 December	<u>13,419</u>	<u>19,038</u>	<u>4,645</u>	<u>4,259</u>

Presented after appropriate offsetting as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	14,209	19,758	4,645	4,259
Deferred tax liabilities	(790)	(720)	-	-
	<u>13,419</u>	<u>19,038</u>	<u>4,645</u>	<u>4,259</u>

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 the deferred taxes relates to the same taxation authority.

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17. Deferred tax (cont'd.)

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

Deferred tax assets of the Group

	Profit equalisation reserve RM'000	Provisions RM'000	Revaluation of securities- available- for sale RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2016	2,233	4,758	8,098	5,754	20,843
Recognised in profit or loss	(2,233)	(357)	-	(3,623)	(6,213)
Recognised in other comprehensive income	-	(206)	5,334	-	5,128
At 31 December 2016	-	4,195	13,432	2,131	19,758
At 1 January 2017	-	4,195	13,432	2,131	19,758
Recognised in profit or loss	-	273	-	1,739	2,012
Recognised in other comprehensive income	-	-	(7,566)	5	(7,561)
At 31 December 2017	-	4,468	5,866	3,875	14,209

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## 17. Deferred tax (cont'd.)

## Deferred tax liabilities of the Group

	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2016	(729)	(729)
Recognised in profit or loss	9	9
At 31 December 2016	<u>(720)</u>	<u>(720)</u>
At 1 January 2017	(720)	(720)
Recognised in profit or loss	(70)	(70)
At 31 December 2017	<u>(790)</u>	<u>(790)</u>

## Deferred tax assets of the Company

	Provisions RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2016	3,989	1,196	5,185
Recognised in profit or loss	(211)	(68)	(279)
Recognised in other comprehensive income	(206)	-	(206)
At 31 December 2016	<u>3,572</u>	<u>1,128</u>	<u>4,700</u>
At 1 January 2017	3,572	1,128	4,700
Recognised in profit or loss	144	147	291
Reclassification	(13)	13	-
At 31 December 2017	<u>3,703</u>	<u>1,288</u>	<u>4,991</u>



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**17. Deferred tax (cont'd.)**

**Deferred tax liabilities of the Company**

	<b>Accelerated capital allowances RM'000</b>	<b>Total RM'000</b>
At 1 January 2016	(528)	(528)
Recognised in profit or loss	87	87
At 31 December 2016	<u>(441)</u>	<u>(441)</u>
At 1 January 2017	(441)	(441)
Recognised in profit or loss	95	95
At 31 December 2017	<u>(346)</u>	<u>(346)</u>

No deferred tax has been recognised on the following:

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Unutilised tax losses	342,149	372,601	-	-
Unabsorbed capital allowances	136,196	136,764	12,413	12,413
Deductible temporary differences	13,859	144	-	-
	<u>492,204</u>	<u>475,427</u>	<u>12,413</u>	<u>12,413</u>

The unutilised tax losses, unabsorbed capital allowances, and other deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits.

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**18. Goodwill**

	Group	
	2017 RM'000	2016 RM'000
<b>Cost</b>		
At 1 January/31 December	86,713	86,713

Impairment testing for cash-generating units ("CGU") containing goodwill :

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2017 RM'000	2016 RM'000
MIDF Amanah Investment Bank Berhad	86,713	86,713

The recoverable amounts of the assets of the investment banking unit are determined based on a computed value in use using cash flow projections based on financial budgets approved by the Board of Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated and consistent with the financial budgets as mentioned above with no growth rate projected. The pre-tax discount rate applied to the cash flow projections of 6.21% (2016: 8.54%) per annum is based on average return on equity of comparable investment banks.

The recoverable amount of the investment banking unit is determined to be higher than its carrying amount, based on computation that the investment banking unit is an on-going operation.

The values assigned to the key assumptions represent management's assessment of future trends in the investment banking business and are based on both external and internal sources (historical data).

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU.

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## 19. Deposits from customers

	Group	
	2017	2016
	RM'000	RM'000
<b>(i) By type of deposit</b>		
Call deposits	10,192	31,072
Fixed deposits	1,927,277	1,956,685
	<u>1,937,469</u>	<u>1,987,757</u>
<b>(ii) By type of customer</b>		
Business enterprises	1,465,036	1,678,421
Government and statutory bodies	469,857	306,847
Individual	2,576	2,489
	<u>1,937,469</u>	<u>1,987,757</u>
<b>(iii) The maturity structure of term deposits is as follows:</b>		
Due within six months	1,805,695	1,955,495
Six months to one year	116,101	32,262
One year to two years	15,673	-
	<u>1,937,469</u>	<u>1,987,757</u>

## 20. Deposits and placements of banks and other financial institutions

	Group	
	2017	2016
	RM'000	RM'000
<b>(i) Call deposits</b>		
- Other financial institutions	<u>3,860</u>	<u>3,811</u>
<b>(ii) Fixed deposits</b>		
- Licensed banks	68,700	12,300
- Other financial institutions	1,809,082	1,505,746
	<u>1,877,782</u>	<u>1,518,046</u>
	<u>1,881,642</u>	<u>1,521,857</u>

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**21. Other liabilities**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount due to clients	(a)	171,633	47,136	-	-
Accrued interest and other payables		54,873	36,011	21,027	17,348
Other creditors and accruals		46,099	41,708	30,004	25,387
Amount due to subsidiaries	(b)	-	-	1,331	510
Amounts due to Government Scheme Funds (GSF)		3,008	25	3,008	25
		<u>275,613</u>	<u>124,880</u>	<u>55,370</u>	<u>43,270</u>

(a) Clients' credit balances arose from trading of securities, through the investment banking subsidiary, which are not yet due for settlement as at reporting date under the Rules of Bursa Malaysia Securities Berhad.

(b) Amount due to subsidiaries

The amount due to subsidiaries are unsecured, interest-free and repayable on demand.

**22. Borrowings**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>					
Loan from OECF – SMIPP	(a)	-	4,821	-	4,821
Loan from JBIC – FSMI	(b)	6,984	6,984	6,984	6,984
		<u>6,984</u>	<u>11,805</u>	<u>6,984</u>	<u>11,805</u>
<b>Non-current</b>					
Loan from JBIC – FSMI	(b)	143,183	150,167	143,183	150,167
Loan from MITI	(c)	160,000	160,000	160,000	160,000
Commodity Financing-i	(d)	148,237	148,031	-	-
		<u>451,420</u>	<u>458,198</u>	<u>303,183</u>	<u>310,167</u>
<b>Total</b>		<u>458,404</u>	<u>470,003</u>	<u>310,167</u>	<u>321,972</u>

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## 22. Borrowings (cont'd.)

	Group		Company	
	Current borrowing RM'000	Non-current borrowings RM'000	Current borrowing RM'000	Non-current borrowings RM'000
At 1 January 2017	11,805	458,198	11,805	310,167
Repayment	(11,805)	-	(11,805)	-
Reclass from non-current/to current	6,984	(6,984)	6,984	(6,984)
Amortisation	-	206	-	-
At 31 December 2017	6,984	451,420	6,984	303,183

Note	Type of loan	Repayment terms	Security	Interest rate (per annum)
(a)	The Overseas Economic Cooperation Fund (OECF) - Small and Medium Scale Industry Promotion Program ("SMIPP")  (Foreign exchange risks borne by the Government of Malaysia)	First instalment - Yen 125,980,000 (about RM3.1 million) on 20 May 1999.  36 half yearly instalments - Yen 125,945,000 (about RM3.1 million) up to 20 May 2017.	Unsecured	3.00% (2016: 3.00%)
(b)	Japan Bank for International Cooperation Fund for Small and Medium Industries ("JBIC - FSMI")  (No foreign exchange risk as funds are provided in Ringgit Malaysia)	First instalment - RM3,492,286.99 on 20 March 2009.  60 half yearly instalments - RM3,492,249.00 up to 20 March 2039.	Unsecured	2.75% (2016: 2.75%)
(c)	Soft Loan Scheme for Services Sector ("SLSSS") provided by Ministry of International Trade and Industry ("MITI")	Five (5) annual installments of RM32,000,000 each. Repayable at the end of fifteen years (including a grace period of 10 years) from the date of first drawdown (31 December 2011).	Unsecured	Nil*

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**22. Borrowings (cont'd.)**

<b>Note</b>	<b>Type of loan</b>	<b>Repayment terms</b>	<b>Security</b>	<b>Interest rate (per annum)</b>
(d)	Commodity Financing-i (Note (1))	The Facility will be made available for utilisation for up to 5 years subject to annual review.	Unsecured	Effective Cost of Fund + 1.00% (2016: Effective Cost of Fund +1.00%)

- \* The facility of RM200 million with MITI is based on the Shariah financing concept of Al-Qardhul Hassan. As at 31 December 2017 and 2016, the Group and the Company have drawdown RM160 million from the facility.

**Note (1)**

The Company and its wholly owned subsidiary, Amanah International Finance Sdn Bhd ("AIF"), had both entered into this financing contract as a co-borrower to take up joint responsibility of financing repayments in November 2014.

Pursuant to the term of the borrowing contract, upon default in financing repayments by AIF, the bank is entitled to ask for repayments of borrowings and the co-borrower i.e. the Company, can be liable to repay the outstanding borrowing principal together with accrued interests accordingly.

**23. Employee benefits**

The Group and the Company operate an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Scheme is a final salary plan and the level of benefits provided depends on the employees' length of service and salary at retirement age.

Under the retirement benefit scheme, eligible employees are entitled to retirement benefits based on the length of service and last drawn salary. Retirement benefits are payable only to eligible employees who have completed at least five years of service with the Group or with the Company at the time of their retirement.

The amount of employee benefits recognised in the statements of financial position is determined as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Present value of unfunded defined benefit obligations	11,936	11,403	7,829	8,299
Fair value of plan assets	-	-	-	-
Present value of net obligations	<u>11,936</u>	<u>11,403</u>	<u>7,829</u>	<u>8,299</u>

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## 23. Employee benefits (cont'd.)

Analysed as:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non current</b>				
Later than 2 years but not later than 5 years	1,822	2,962	793	1,546
Later than 5 years	10,114	8,441	7,036	6,753
	<u>11,936</u>	<u>11,403</u>	<u>7,829</u>	<u>8,299</u>

Under the employee benefit scheme, eligible employees are entitled to employee benefits based on the length of service and last drawn salary. Employee benefits are payable only to eligible employees who have completed at least five years of service with the Group and/or the Company at the time of the retirement.

Movements in the net defined benefit liability recognised in the statements of financial position are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	11,403	11,726	8,299	8,919
Benefits paid	(580)	(572)	(580)	(572)
Transfer to AIF	-	-	(690)	-
	<u>10,823</u>	<u>11,154</u>	<u>7,029</u>	<u>8,347</u>
Recognised in profit or loss (Note 29):				
Current service cost	570	503	360	365
Interest cost	524	605	440	446
	<u>1,094</u>	<u>1,108</u>	<u>800</u>	<u>811</u>
Recognised in other comprehensive income:				
Remeasurement of the net defined benefit liability:				
- Actuarial loss/(gain) arising from changes in demographic assumptions	19	(859)	-	(859)
At 31 December	<u>11,936</u>	<u>11,403</u>	<u>7,829</u>	<u>8,299</u>

Principal actuarial assumptions used are as follows:

	Group and Company	
	2017	2016
Discount rate	5.00%	5.00%
Expected rate of salary increase	5.00%	5.00%

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**23. Employee benefits (cont'd.)**

A quantitative sensitivity analysis for significant assumptions above is as shown below:

Assumptions	Discount rate		Future salary increase	
	0.5% increase RM'000	0.5% decrease RM'000	0.5% increase RM'000	0.5% decrease RM'000

**Group**

(Decrease)/increase in the net defined benefit obligation:

<b>2017</b>	(326)	342	340	(327)
<b>2016</b>	(326)	342	340	(327)

**Company**

(Decrease)/increase in the net defined benefit obligation:

<b>2017</b>	(268)	282	280	(269)
<b>2016</b>	(268)	282	280	(269)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.



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**24. Reserves**

**(a) Statutory reserve**

The statutory reserve is maintained in compliance with the provisions of the Financial Services Act, 2013 and is not distributable as cash dividends. Following Bank Negara Malaysia's recent policy document on Capital Funds issued on 3 May 2017 whereby the previous requirements to maintain a reserve fund is no longer required given the implementation of the Capital Conservation Buffer under the Capital Adequacy Framework, the Group and the Bank transferred its statutory reserve back to retained profits.

**(b) Regulatory reserve**

Regulatory reserve is maintained by an investment bank subsidiary in compliance with the guidelines issued by BNM on 6 April 2015 in relation to the Policy on Classification and Impairment Provisions for Loans/Financing. The requirement to maintain, in aggregate, the collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances is applied by the relevant investment banking subsidiary within the Group and such reserve is not distributable as cash dividends.

**(c) Securities available-for-sale reserve**

The securities available-for-sale reserve of the Group and of the Company arose from the change in the fair value of the securities available-for-sale and it is not distributable as cash dividends.

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**25. Commitments and Contingencies**

In the normal course of business, the Group and the Company made various commitments and incurred certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies and the related risk-weighted exposures of the Group and of the Company as at the end of financial year are as follows:

	<----- 2017 ----->			<----- 2016 ----->		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<b>Group</b>						
Obligations under underwriting agreements	-	-	-	10,000	5,000	5,000
Interest rate related contracts with an original maturity of:						
- not exceeding one year	100,000	194	39	220,000	614	123
- exceeding one year	-	-	-	100,000	1,341	268
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	283,014	56,603	56,603	115,289	23,058	23,056
- Maturity exceeding one year	181,893	90,946	90,946	43,951	21,975	21,975
Loan facility commitment approved that have yet been drawdown:						
- Real estate financing	19,000	3,800	3,800	502	100	100
- Mezzanine/Short term financing	13,445	2,689	2,689	13,445	2,689	2,689
<b>Total</b>	<b>597,352</b>	<b>154,232</b>	<b>154,077</b>	<b>503,187</b>	<b>54,777</b>	<b>53,211</b>
<b>Company</b>						
Irrevocable commitments to extend credit:						
- Maturity exceeding one year	16,893	8,446	8,446	13,951	6,975	6,975
<b>Total</b>	<b>16,893</b>	<b>8,446</b>	<b>8,446</b>	<b>13,951</b>	<b>6,975</b>	<b>6,975</b>

\* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia Guidelines.

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**26. Interest income**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans, advances and financing				
- Interest income on non-impaired loans	21,303	36,360	4,330	12,796
- Interest income on impaired loans ("ILs")	11,713	21,711	526	1,054
Money at call and deposit placements with financial institutions	32,968	28,563	24,617	23,495
Securities held-for-trading ("HFT")	1,657	2,138	1,654	2,138
Securities available-for-sale ("AFS")				
- Interest income on non-impaired AFS	81,223	58,946	22	36
- Interest income on impaired AFS	3,955	445	-	-
Securities held-to-maturity ("HTM")				
- Interest income on non-impaired HTM	-	36,115	-	-
Accretion of discounts (net of amortisation of premium)	172	(447)	-	-
Derivative instruments	194	1,878	-	-
	<u>153,185</u>	<u>185,709</u>	<u>31,149</u>	<u>39,519</u>

**27. Interest expense**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits and placements of banks and other financial institutions	35,367	45,684	-	-
Deposits from customers	58,157	55,181	-	-
Borrowings	12,071	7,096	4,255	4,633
	<u>105,595</u>	<u>107,961</u>	<u>4,255</u>	<u>4,633</u>

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## 28. Non-interest income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Fee income:</b>				
Management fees	5,960	4,632	9,038	8,920
Underwriting fees	901	1,697	-	-
Corporate advisory fees	3,049	4,951	-	-
Brokerage fees	20,959	18,108	-	-
Income from Government Scheme Funds	12,826	11,258	12,826	11,258
Other fees	11,137	9,028	519	1,032
	<u>54,832</u>	<u>49,674</u>	<u>22,383</u>	<u>21,210</u>
<b>Investment income:</b>				
Gain/(loss) on sale of securities:				
- Held-for-trading	4,368	2,460	4,355	2,460
- Available-for-sale	(8)	2,917	-	-
- Held-to-maturity	-	12,080	-	-
Net unrealised gain on revaluation of securities held-for-trading	910	1,380	910	1,380
Net unrealised loss on revaluation of derivative instruments	(449)	(3,638)	-	-
	<u>4,821</u>	<u>15,199</u>	<u>5,265</u>	<u>3,840</u>
<b>Gross dividend income:</b>				
Subsidiaries	-	-	52,900	-
Associate	-	-	1,017	1,617
Securities available-for-sale	2,150	891	300	300
	<u>2,150</u>	<u>891</u>	<u>54,217</u>	<u>1,917</u>
<b>Other income:</b>				
Gain on disposal of property, plant and equipment	-	9	-	9
Gain on liquidation of subsidiaries	-	-	-	930
Rental from:				
- Office premises	286	1,197	4,094	3,900
- Investment properties	137	246	-	-
- Others	-	344	-	362
Others	634	1,017	446	329
	<u>1,057</u>	<u>2,813</u>	<u>4,540</u>	<u>5,530</u>
	<u>62,860</u>	<u>68,577</u>	<u>86,405</u>	<u>32,497</u>

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**29. Staff costs**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and bonuses	63,938	56,690	32,046	27,996
Employees' benefits:				
- Current financial year (Note 23)	1,094	1,108	800	811
Defined contribution plans	10,625	8,997	5,761	4,790
Social security costs	357	320	205	183
Other staff related expenses	6,635	6,222	3,885	4,254
	<u>82,649</u>	<u>73,337</u>	<u>42,697</u>	<u>38,034</u>

**30. Other operating expenses**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Establishment costs				
Rental of:				
- office equipment	93	105	39	41
- premises	7,844	7,900	7,860	7,831
General repairs and maintenance	2,026	2,122	1,813	2,048
Insurance	342	339	82	(12)
Water and electricity	1,255	1,368	1,186	1,291
Other establishment costs	5,082	3,975	6	6
	<u>16,642</u>	<u>15,809</u>	<u>10,986</u>	<u>11,205</u>
Promotion and marketing-related expenses				
Business promotion and advertisement	3,101	3,803	1,430	1,867
Entertainment	463	489	36	29
	<u>3,564</u>	<u>4,292</u>	<u>1,466</u>	<u>1,896</u>

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**30. Other operating expenses (cont'd.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Administration and general expenses				
Auditors' remuneration				
- Audit	502	471	199	181
- Regulatory-related services	34	18	-	-
- Non Audit Services	1,219	300	856	90
Non-executive Directors' remunerations:				
- Directors of the Company (Note 31)	1,042	1,134	1,042	825
- Directors of the subsidiaries	419	309	-	-
Property, plant and equipment written off	-	38	-	18
Communication expenses	439	245	243	318
Management fees	-	-	1,629	1,372
Professional fees	1,005	2,451	363	1,355
Others	4,081	5,112	615	1,069
	<u>8,741</u>	<u>10,078</u>	<u>4,947</u>	<u>5,228</u>
	<u>28,947</u>	<u>30,179</u>	<u>17,399</u>	<u>18,329</u>

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## 31. Directors' remuneration

	Company					Subsidiaries					Group	
	Salary RM'000	Fees RM'000	Bonus RM'000	Defined contribution plans RM'000	Other Benefits -in-kinds RM'000	Total RM'000	Salary RM'000	Fees RM'000	Other emoluments RM'000	Benefits -in-kinds RM'000		Total RM'000
2017	1,140	-	950	398	-	109	-	15	127	-	142	2,739
<b>Executive director:</b>												
Datuk Mohd. Najib Bin Hj. Abdullah	-	173	-	-	26	47	-	-	-	-	-	246
<b>Non-executive directors:</b>												
Tan Sri Abdul Rahman Mamat	-	155	-	-	26	6	-	146	41	6	193	380
Datuk Azizan Hj. Abd. Rahman	-	108	-	-	14	-	-	-	-	-	-	122
Dato' Wan Roshdi Wan Musa	-	110	-	-	12	-	-	27	12	-	39	161
Cik Hasnah Binti Omar	-	128	-	-	22	37	-	118	39	-	157	344
Datuk Kaziah Binti Abd Kadir	-	153	-	-	25	-	-	21	9	-	30	208
En. Ahmad Lutfi Bin Abdul Mutalip @ Talib	-	827	-	-	125	90	-	312	101	6	419	1,461
<b>Total directors' remuneration</b>	1,140	827	950	398	125	199	-	327	228	6	561	4,200

## 31. Directors' remuneration (cont'd.)

2016	Company					Subsidiaries					Group Total RM'000	
	Salary RM'000	Fees RM'000	Bonus RM'000	Defined contribution plans RM'000	Other Benefits -in-kinds RM'000	Total RM'000	Salary RM'000	Fees RM'000	emoluments RM'000	Other Benefits -in-kinds RM'000		Total RM'000
Executive director:												
Datuk Mohd. Najib Bin Hj. Abdullah	1,139	-	936	395	432	74	2,976	-	120	-	120	3,096
Non-executive directors:												
Tan Sri Dato' Mahmood Taib*	-	32	-	-	3	-	35	-	1	-	-	36
Dato' Kalsom Binti Abd. Rahman <sup>^</sup>	-	6	-	-	2	-	8	-	44	23	-	75
Ir. Dr. Hj. Muhamad Fuad Bin Abdullah <sup>^</sup>	-	7	-	-	3	-	-	-	-	-	-	-
Sharkawi Bin Alis#	-	45	-	-	9	-	54	-	40	18	-	112
Dato' Wan Roshdi Bin Wan Musa	-	90	-	-	15	-	105	-	-	-	-	105
Datuk Azizan Bin Abdul Rahman	-	125	-	-	24	-	149	-	102	39	-	290
Hasnah Binti Omar	-	88	-	-	13	-	101	-	7	6	-	114
Datuk Kaziah Binti Abd Kadir	-	101	-	-	25	-	126	-	20	9	-	155
Tan Sri Abdul Rahman Bin Mamat**	-	97	-	-	20	-	117	-	-	-	-	117
Ahmad Lutfi B Abdul Mutalip @ Talib	-	97	-	-	23	-	120	-	-	-	-	120
	-	688	-	-	137	-	825	-	214	95	-	1,134
<b>Total directors' remuneration</b>	<b>1,139</b>	<b>688</b>	<b>936</b>	<b>395</b>	<b>569</b>	<b>74</b>	<b>3,801</b>	<b>-</b>	<b>214</b>	<b>215</b>	<b>-</b>	<b>4,230</b>

\* Director who has passed away on 29 March 2016

<sup>^</sup> Director who has retired on 20 January 2016

# Director who has retired on 30 June 2016

\*\* Appointed as Chairman on 1 July 2016



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**32. Impairment loss written back/(made) on loans, advances and financing**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Collective impairment allowances (Note 10 (c)(ii))				
- Written back/(made) in the financial year	(1,279)	4,410	(611)	284
Individual impairment allowances (Note 10 (c)(i))				
- Made in the financial year	(5,744)	(18,136)	(67)	(8,609)
- Written back in the financial year	2,409	1,800	1,057	1,121
Recoveries from impaired loans	12,281	11,389	2,155	732
	<u>7,667</u>	<u>(537)</u>	<u>2,534</u>	<u>(6,472)</u>

**33. Impairment loss (made)/written back on securities**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Securities available-for-sale (net)	<u>(28,658)</u>	<u>(725)</u>	<u>(225)</u>	<u>23</u>

**34. Impairment loss (made)/written back on other assets**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Impairment loss (made)/written back on:				
Investment in subsidiaries	-	-	(198)	(716)
Amount due from brokers and clients				
- Made in the financial year	-	(1)	-	-
Other receivables				
- Made in the financial year	(975)	(843)	-	-
- Written back in the financial year	133	302	-	-
	<u>(842)</u>	<u>(542)</u>	<u>(198)</u>	<u>(716)</u>

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## 35. Taxation

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax expense:				
- Malaysia – current financial year	18,107	24,378	10,342	9,205
- (Over)/under provision in prior financial years	(655)	251	(322)	296
	<u>17,452</u>	<u>24,629</u>	<u>10,020</u>	<u>9,501</u>
Deferred tax expense (Note 17):				
- Origination and reversal of temporary differences	(1,942)	6,244	(386)	232
- Over provision in prior financial years	-	(40)	-	(40)
	<u>(1,942)</u>	<u>6,204</u>	<u>(386)</u>	<u>192</u>
Tax expense for the financial year	<u>15,510</u>	<u>30,833</u>	<u>9,634</u>	<u>9,693</u>

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation and zakat	<u>66,960</u>	<u>123,670</u>	<u>94,714</u>	<u>37,249</u>
Taxation at Malaysian Statutory tax rate of 24% (2016: 24%)	16,071	29,681	22,731	8,940
Non-deductible expenses	404	1,246	236	497
Income not subject to tax	(3,320)	(134)	(13,011)	-
Deferred tax asset not recognised in respect of unutilised tax losses	3,326	124	-	-
Share of results of associate	(316)	(295)	-	-
	<u>16,165</u>	<u>30,622</u>	<u>9,956</u>	<u>9,437</u>
(Over)/under provision in prior years				
- Income tax	(655)	251	(322)	296
- Deferred tax	-	(40)	-	(40)
Tax expense for the financial year	<u>15,510</u>	<u>30,833</u>	<u>9,634</u>	<u>9,693</u>

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**36. Earnings per ordinary share - Basic and diluted**

The calculation of basic and diluted earnings per ordinary share is based on the Group's profit attributable to shareholder of the Company of RM50,099,000 (2016: RM91,573,000) by the weighted average number of ordinary shares outstanding during the financial year of 466,070,000 (2016: 466,070,000).

**37. Dividends**

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
In respect of financial year ended 31 December 2015:		
Single-tier interim dividend of 17.1648 sen per share on 466,070,000 ordinary shares, paid on 21 October 2016	-	80,000
In respect of financial year ended 31 December 2016:		
Single-tier interim dividend of 19.3104 sen per share on 466,070,000 ordinary shares, paid on 3 May 2017	90,000	-
	<u>90,000</u>	<u>80,000</u>

A single tier interim dividend in respect of the current financial year ended 31 December 2017 of 10.7280 sen on 466,070,000 Ordinary Shares, amounting to a dividend payable of RM50.0 million has been approved by the Board of Directors on 28 February 2018. On 19 April 2018, Bank Negara Malaysia ("BNM") approved this dividend.

The financial statements for the current financial year ended 31 December 2017 do not reflect this proposed dividend. Such dividend, will be accounted for in the statements of changes in equity as an appropriation of the retained profits in the next financial year ending 31 December 2018.

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**38. Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

<b>2017</b>	<b>Within</b>	<b>More than</b>	<b>Total</b>
<b>Group</b>	<b>12 months</b>	<b>12 months</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>			
Cash and short-term funds	580,367	-	580,367
Deposits and placements with licensed banks and other financial insititutions	434,823	-	434,823
Securities held-for-trading	170,621	75,458	246,079
Securities available-for-sale	1,080,481	2,748,133	3,828,614
Derivative assets	78	-	78
Other assets	204,352	32,276	236,628
Loans, advances and financing	536,415	247,178	783,593
Statutory deposits with Bank Negara Malaysia	-	114,282	114,282
Investment in associate	-	3,480	3,480
Investment properties	-	2,805	2,805
Property, plant and equipment	-	3,784	3,784
Intangible assets	-	6,607	6,607
Deferred tax assets	-	13,419	13,419
	<u>3,007,137</u>	<u>3,247,422</u>	<u>6,254,559</u>
Goodwill	-	86,713	86,713
<b>Total assets</b>	<u>3,007,137</u>	<u>3,334,135</u>	<u>6,341,272</u>
<b>Liabilities</b>			
Deposits from customers	1,921,796	15,673	1,937,469
Deposits and placements of banks and other financial institutions	1,881,642	-	1,881,642
Other liabilities	219,570	56,043	275,613
Borrowings	6,984	451,420	458,404
Provision for taxation and zakat	2,379	-	2,379
Employee benefits	-	11,936	11,936
<b>Total liabilities</b>	<u>4,032,371</u>	<u>535,072</u>	<u>4,567,443</u>

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**38. Maturity analysis of assets and liabilities (cont'd.)**

2016 Group	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
<b>Assets</b>			
Cash and short-term funds	591,733	-	591,733
Deposits and placements with licensed banks and other financial insititutions	164,450	-	164,450
Securities held-for-trading	228,829	30,236	259,065
Securities available-for-sale	688,839	2,859,677	3,548,516
Derivative assets	198	330	528
Other assets	84,828	44,619	129,447
Loans, advances and financing	693,302	287,606	980,908
Statutory deposits with Bank Negara Malaysia	-	114,645	114,645
Investment in associate	-	3,182	3,182
Investment properties	-	2,894	2,894
Property, plant and equipment	-	3,864	3,864
Intangible assets	-	2,935	2,935
Deferred tax assets	-	19,038	19,038
	<u>2,452,179</u>	<u>3,369,026</u>	<u>5,821,205</u>
Goodwill	-	86,713	86,713
<b>Total assets</b>	<u>2,452,179</u>	<u>3,455,739</u>	<u>5,907,918</u>
<b>Liabilities</b>			
Deposits from customers	1,987,757	-	1,987,757
Deposits and placements of banks and other financial institutions	1,521,857	-	1,521,857
Other liabilities	99,325	25,555	124,880
Borrowings	11,805	458,198	470,003
Provision for taxation and zakat	2,278	-	2,278
Employee benefits	-	11,403	11,403
<b>Total liabilities</b>	<u>3,623,022</u>	<u>495,156</u>	<u>4,118,178</u>

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**38. Maturity analysis of assets and liabilities (cont'd.)**

<b>2017</b>	<b>Within</b>	<b>More than</b>	<b>Total</b>
<b>Company</b>	<b>12 months</b>	<b>12 months</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>			
Cash and short-term funds	415,781	-	415,781
Deposits and placements with licensed banks and other financial insitutions	424,573	-	424,573
Securities held-for-trading	170,621	75,458	246,079
Securities available-for-sale	1,355	300	1,655
Other assets	12,096	1,415	13,511
Loans, advances and financing	31,341	75,843	107,184
Investment in associate	-	2,560	2,560
Investment in subsidiaries	-	600,757	600,757
Property, plant and equipment	-	2,671	2,671
Intangible assets	-	2,743	2,743
Deferred tax assets	-	4,645	4,645
<b>Total assets</b>	<b>1,055,767</b>	<b>766,392</b>	<b>1,822,159</b>
<b>Liabilities</b>			
Other liabilities	29,640	25,730	55,370
Borrowings	6,984	303,183	310,167
Provision for taxation and zakat	899	-	899
Employee benefits	-	7,829	7,829
<b>Total liabilities</b>	<b>37,523</b>	<b>336,742</b>	<b>374,265</b>
<b>2016</b>			
<b>Company</b>	<b>Within</b>	<b>More than</b>	<b>Total</b>
	<b>12 months</b>	<b>12 months</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>			
Cash and short-term funds	529,900	-	529,900
Deposits and placements with licensed banks and other financial insitutions	157,920	-	157,920
Securities held-for-trading	228,829	30,236	259,065
Securities available-for-sale	1,355	300	1,655
Other assets	10,816	8,382	19,198
Loans, advances and financing	34,313	215,480	249,793
Investment in associate	-	2,560	2,560
Investment in subsidiaries	-	600,954	600,954
Property, plant and equipment	-	2,236	2,236
Deferred tax assets	-	4,259	4,259
<b>Total assets</b>	<b>963,133</b>	<b>864,407</b>	<b>1,827,540</b>

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**38. Maturity analysis of assets and liabilities (cont'd.)**

2016 Company (cont'd.)	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
<b>Liabilities</b>			
Other liabilities	18,577	24,693	43,270
Borrowings	11,805	310,167	321,972
Provision for taxation and zakat	646	-	646
Employee benefits	-	8,299	8,299
<b>Total liabilities</b>	<u>31,028</u>	<u>343,159</u>	<u>374,187</u>

**39. Segment information**

For management purposes, the Group which is organised into business units based on their products and services, has five reportable operating segments as follows:

(i) Investment banking

Providing investment banking, money lending operation and related financial services.

(ii) Asset management

Managing unit trust funds, providing fund management operations and services to investors and individual customers.

(iii) Development finance

Providing financing, leasing, industrial hire-purchase services, factoring to industries and businesses in Malaysia.

(iv) Investment holding

This reportable segment has been formed by aggregating operating segments engaged in investment holding activities, which are regarded by management to exhibit similar economic characteristics.

(v) Other reportable segments

Other reportable segments comprise operating segments engaged in providing share registry, share issue and consultancy services, mezzanine financing, venture capital, in which management review its operating results on an aggregate basis to allocate resources to these operating segments and assess its segment performance.

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**39. Segment information (cont'd.)**

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group operates principally in Malaysia and hence, disclosure of information by geographical area is not presented.

The Group does not rely on any major customers who contribute 10% or more of the reportable segments' revenue and hence, disclosure of information about major customers is not presented.



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39. Segment information (cont'd.)

Group 2017	Investment banking RM'000	Asset management RM'000	Development finance RM'000	Investment holding RM'000	Others RM'000	Eliminations RM'000	Notes	Total RM'000
<b>Revenue</b>								
External customers	249,171	3,927	58,869	24,462	15,359	-		351,788
Inter-segment	687	1,119	4	69,145	-	(70,955)	(i)	-
Total revenue	249,858	5,046	58,873	93,607	15,359	(70,955)		351,788
<b>Results</b>								
Interest income	114,535	366	7,833	23,426	10,201	(3,176)		153,185
Interest expense	(93,524)	-	(4,255)	-	(10,992)	3,176		(105,595)
Net income from Islamic banking operations	51,089	-	40,403	-	-	-		91,492
Non-interest income	34,134	4,680	12,006	78,174	5,159	(71,293)		62,860
Depreciation and amortisation	(1,577)	(176)	(317)	(789)	(9)	-		(2,868)
Impairment losses written back/(made) on loans, advances and financing	8,392	-	2,534	-	(3,259)	-		7,667
Impairment losses made on securities	(28,432)	-	-	(226)	-	-		(28,658)
Impairment losses made on other assets	(835)	-	-	(198)	(7)	198		(842)
Share of results in associate	-	-	-	-	-	1,315		1,315
Taxation	(5,884)	(31)	(8,934)	(721)	60	-		(15,510)
Zakat	(767)	-	(539)	-	-	-		(1,306)
Segment profit/(loss)	20,785	(237)	29,259	55,295	(2,509)	(52,448)		50,144
<b>Assets and liabilities</b>								
Additions to non-current assets	1,838	53	3,362	820	300	-	(ii)	6,373
Investment in associate	-	-	-	2,560	-	920		3,480
Segment assets	4,816,894	12,046	390,091	1,438,910	235,552	(552,221)	(iii)	6,341,272
Segment liabilities	4,036,193	474	360,832	15,922	190,524	(36,502)	(iv)	4,567,444

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Group 2016	Investment banking RM'000	Asset management RM'000	Development finance RM'000	Investment holding RM'000	Others RM'000	Eliminations RM'000	Notes	Total RM'000
<b>Revenue</b>								
External customers	254,440	3,324	58,166	20,296	31,519	-		367,745
Inter-segment	75	942	-	21,441	-	(22,458)	(i)	-
Total revenue	<u>254,515</u>	<u>4,266</u>	<u>58,166</u>	<u>41,737</u>	<u>31,519</u>	<u>(22,458)</u>		<u>367,745</u>
<b>Results</b>								
Interest income	134,275	390	10,140	29,498	22,800	(11,394)		185,709
Interest expense	(100,865)	-	(4,633)	-	(13,857)	11,394		(107,961)
Net income from Islamic banking operations	49,009	-	34,293	-	-	-		83,302
Non-interest income	38,540	3,882	14,875	17,868	8,719	(15,307)		68,577
Depreciation and amortisation	(772)	(83)	(315)	(688)	(9)	-		(1,867)
Impairment losses (made)/write back on loans, advances and financing	5,825	-	(6,472)	-	110	-		(537)
Impairment losses made on securities	(748)	-	23	-	-	-		(725)
Impairment losses made on other assets	(596)	-	-	(716)	54	716		(542)
Share of results in associate	-	-	-	1,230	-	-		1,230
Taxation	(17,995)	-	(6,748)	(2,991)	(3,099)	-		(30,833)
Zakat	(902)	-	(360)	-	-	-		(1,262)
Segment profit/(loss)	<u>55,683</u>	<u>(624)</u>	<u>18,608</u>	<u>8,559</u>	<u>9,998</u>	<u>(649)</u>		<u>91,575</u>
<b>Assets and liabilities</b>								
Additions to non-current assets	3,021	448	97	101	14	-	(ii)	3,681
Investment in associate	-	-	-	3,182	-	-		3,182
Segment assets	<u>4,376,553</u>	<u>12,389</u>	<u>379,559</u>	<u>1,454,837</u>	<u>377,893</u>	<u>(693,313)</u>	(iii)	<u>5,907,918</u>
Segment liabilities	<u>3,590,581</u>	<u>594</u>	<u>357,887</u>	<u>16,392</u>	<u>330,672</u>	<u>(177,948)</u>	(iv)	<u>4,118,178</u>

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**39. Segment information (cont'd.)**

**Notes**

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- (i) Inter-segment revenues are eliminated on consolidation.
- (ii) All additions to non-current assets are related to purchase of property, plant and equipment, and intangible assets.
- (iii) The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	13,419	19,038
Tax recoverable	28,377	29,925
Goodwill	86,713	86,713
Inter-segment assets	<u>(680,730)</u>	<u>(828,989)</u>
	<u>(552,221)</u>	<u>(693,313)</u>

- (iv) The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Provision for taxation and zakat	2,380	2,278
Inter-segment liabilities	<u>(38,882)</u>	<u>(180,226)</u>
	<u>(36,502)</u>	<u>(177,948)</u>

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**40. Capital Commitments**

Capital expenditures pertaining to the Group and the Company approved by Directors but not provided for in the financial statements are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Approved but not contracted for	6,921	8,805	3,899	3,397

**41. Related party disclosures**

**(a) Significant related party transactions and balances**

The following significant transactions between the Group and related parties took place at terms agreed between parties during the financial year.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Penultimate holding company</b>				
Income:				
Interest income on securities	1,995	-	-	-
Brokerage fees earned	6,783	7,595	-	-
Fee Income	11,313	-	-	-
Expenditures:				
Interest expense on deposits	-	198	-	-
Rental expense	7,442	7,442	7,442	7,442
<b>Subsidiaries</b>				
Income:				
Interest on loans	-	-	3,176	11,394
Rental of premises	-	-	2,660	2,721
Management fees	-	-	8,489	8,431
Dividend from subsidiaries	-	-	52,900	-
Expenditures:				
Management fees	-	-	1,629	1,372
Other expenses	-	-	-	25

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

**(a) Significant related party transactions and balances (cont'd.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Associate</b>				
Income:				
Rental received	435	435	435	435
Dividend from associate	-	-	1,017	1,617
<b>Other related companies</b>				
Income:				
Interest income on securities	4,704	14,635	-	-
Brokerage fees earned	3,165	2,148	-	-
Management fees	1,975	225	4	43
Expenditures:				
Interest expense on deposits	4,738	6,259	-	-
Brokerage fees	-	15	-	-
Car park charges	13	15	-	-

In addition to the related party information disclosed elsewhere in the financial statements, the significant outstanding balances of the Group and of the Company with their related parties are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Penultimate holding company</b>				
Amount due from:				
Fee receivable	138	-	-	-
Securities	35,000	-	-	-
Sundry deposit received	1,861	1,861	1,861	1,861

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

**(a) Significant related party transactions and balances (cont'd.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Subsidiaries</b>				
Loans, advances and financing	-	-	31,081	175,511
Trade receivables	-	-	4,619	1,625
<hr/>				
Amount due to:				
Rental deposit received	-	-	649	649
Other payables	-	-	1,331	510
<hr/>				
<b>Associate</b>				
Amount due to:				
Rental deposit received	109	109	109	109
<hr/>				
<b>Other related companies</b>				
Amount due from:				
Fee receivables	71	80	-	-
Sundry deposits	553	553	-	-
Trade receivables	-	1	-	1
Securities	179,244	169,475	-	-
<hr/>				
Amount due to:				
Deposits from placements of banks and other financial institutions	126,099	104,909	-	-
Other payables	185	134	-	25
<hr/>				

Other related companies include companies within the YPB Group and companies related to the Directors of the Group and of the Company.

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

**(b) Compensation of key management personnel**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits	15,735	16,667	9,001	7,971
Defined contribution plan	2,655	2,551	1,561	1,371
Defined benefit plans	347	866	240	803
	<u>18,737</u>	<u>20,084</u>	<u>10,802</u>	<u>10,145</u>

Included in the above are Directors' remuneration amounting to RM4,200,000 (2016: RM4,230,000) and RM3,639,000 (2016: RM3,801,000) for the Group and for the Company.

**42. Financial risk management policies**

The Group 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, interest rate risk, equity price risk and liquidity risk.

The Board of Directors recognises that all areas of the Group's business involve some degree of risk and is committed to ensure that an effective risk management process is in place to manage those risks. The Company has established a Group Risk Management Policy and Methodology to identify, assess and monitor the key financial risks of the Group.

The Risk Management Committee ("RMC") is responsible to review the key financial risks of the Group and to monitor the implementation of risk management strategies for those risks. The RMC is supported by the Group Risk Management Division ("GRM") whose primary objective is to facilitate the assessment of the key financial risks of the Group as well as to ensure that the recommendations of risk management strategies to mitigate the impact of those risks are implemented.

Other objectives of the GRM include promoting the practice of a strong risk management culture across the Group, optimising the sharing of risk information across the Group and preparing the Group to deal with uncertainties and thus ensure continuity of operations. Group Control Assurance Services also evaluates and contributes to the effectiveness of Risk Management in the Group.

The exposure to key financial risks as mentioned above and its risk management policies have been throughout the current and previous financial year.

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**42. Financial risk management policies (cont'd.)**

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned key financial risks and the objectives, policies and processes for the management of these risks.

The carrying amounts of financial instruments by categories are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets at fair value through profit or loss				
- Held-for-trading	246,079	259,065	246,079	259,065
- Derivative assets	78	528	-	-
Available-for-sale financial assets	3,828,614	3,548,516	1,655	1,655
Loans and receivables	2,126,915	1,950,307	961,011	956,730
Financial liabilities at amortised cost	4,553,128	4,104,497	365,537	365,242

**(a) Credit risks**

The Group and the Company actively use collateral to reduce its credit risk. The Group and the Company have established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group and the Company to assess the potential loss as a result of the risks to which it is exposed to and take corrective action plans.

- (i) Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

The Group's and the Company's concentrations of credit risk are managed by counterparty and by economic sector.

The following table shows the maximum exposure to credit risk (without taking account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, by economic sector. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to counterparties.



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**42. Financial risk management policies (cont'd.)**

**(a) Credit risk (cont'd.)**

(i) Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements

Group 2017	Manufacturing RM'000	Real estate RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communi- cations RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
<b>Financial assets</b>							
Cash and short-term funds	-	-	-	-	580,367	-	580,367
Deposits and placements with licensed banks and other financial institutions	-	-	-	-	434,823	-	434,823
Securities held-for-trading	-	-	-	55,463	10,054	-	65,517
Corporate bond	-	-	-	-	9,940	-	9,940
Money Market	-	-	-	-	160,614	-	160,614
Islamic commercial paper	-	-	-	-	497,021	-	497,021
Securities available-for-sale	-	-	-	-	738,018	865,625	1,362,646
Money market instruments	171,793	-	9,965	197,854	78	1,322,623	2,440,253
Unquoted securities	-	-	-	-	-	-	78
Derivative assets	-	-	-	-	-	-	-
Loans, advances and financing	-	-	-	-	-	-	-
Term loans	24,873	139,737	39,103	1,883	13,769	181,958	401,323
Margin accounts	-	-	-	-	121,806	195,232	317,038
Others	-	-	-	-	-	65,232	65,232
Other financial assets	-	-	-	-	166,681	161,451	328,132
	196,666	139,737	49,068	255,200	2,733,171	2,792,121	6,165,963
<b>Commitments and contingencies</b>							
Other commitments	-	-	33,691	115,000	47,658	301,003	497,352
	-	-	33,691	115,000	47,658	301,003	497,352
	196,666	139,737	82,759	370,200	2,780,829	3,093,124	6,663,315

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42. Financial risk management policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements (cont'd.)

Group 2016	Manufacturing RM'000	Real estate RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communi- cations RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
<b>Financial assets</b>							
Cash and short-term funds	-	-	-	-	591,733	-	591,733
Deposits and placements with licensed banks and other financial institutions	-	-	-	-	164,450	-	164,450
Securities held-for-trading	-	-	-	20,165	9,819	-	29,984
Corporate bond	-	-	-	-	148,825	59,920	208,745
Islamic commercial paper	-	-	-	-	-	-	-
Securities available-for-sale	-	-	-	-	248,925	978,493	1,227,418
Money market instruments	69,439	-	9,880	229,602	650,564	1,334,840	2,294,325
Unquoted securities	-	-	-	-	528	-	528
Derivative assets	-	-	-	-	-	-	-
Loans, advances and financing	-	-	-	-	-	-	-
Term loans	31,101	196,047	34,865	2,139	168,524	131,511	564,187
Margin accounts	-	-	-	-	56,406	204,742	261,148
Others	-	-	-	-	-	155,573	155,573
Other financial assets	-	-	-	-	139,299	73,917	213,216
	100,540	196,047	44,745	251,906	2,179,073	2,938,996	5,711,307
<b>Commitments and contingencies</b>							
Obligations under an ongoing underwriting agreement	-	-	-	-	-	10,000	10,000
Other commitments	-	502	12,064	-	63,405	97,216	173,187
	-	502	12,064	-	63,405	107,216	183,187
	100,540	196,549	56,809	251,906	2,242,478	3,046,212	5,894,494

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42. Financial risk management policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements (cont'd.)

Company 2017	Manufacturing RM'000	Real estate RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communi- cations RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
<b>Financial assets</b>							
Cash and short-term funds	-	-	-	-	415,781	-	415,781
Deposits and placements with licensed banks and other financial institutions	-	-	-	-	424,573	-	424,573
Securities held-for-trading	-	-	-	55,463	10,054	-	65,517
Corporate bond	-	-	-	-	9,940	-	9,940
Money Market Instrument	-	-	-	-	160,614	-	160,614
Islamic commercial paper	-	-	-	-	-	-	-
Securities available-for-sale	7	-	-	-	1,348	-	1,355
Unquoted securities	-	-	-	-	-	-	-
Loans, advances and financing	16,887	-	39,097	1,883	44,850	3,520	106,237
Term loans	-	-	-	-	-	947	947
Others	-	-	-	-	-	13,473	13,473
Other financial assets	16,894	-	39,097	57,346	1,067,160	17,940	1,198,437
<b>Commitments and contingencies</b>							
Other commitments	-	-	14,691	-	2,164	38	16,893
	-	-	14,691	-	2,164	38	16,893
	16,894	-	53,788	57,346	1,069,324	17,978	1,215,330

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42. Financial risk management policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements (cont'd.)

Company 2016	Manufacturing RM'000	Real estate RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communi- cations RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
<b>Financial assets</b>							
Cash and short-term funds	-	-	-	-	529,900	-	529,900
Deposits and placements with licensed banks and other financial institutions	-	-	-	-	157,920	-	157,920
Securities held-for-trading	-	-	-	20,165	9,819	-	29,984
Corporate bond	-	-	-	-	148,825	59,920	208,745
Islamic commercial paper	7	-	-	-	1,348	-	1,355
Securities available-for-sale	18,635	-	34,865	2,139	188,977	3,844	248,460
Unquoted securities	-	-	-	-	-	1,333	1,333
Loans, advances and financing	-	-	-	-	-	19,117	19,117
Term loans	18,642	-	34,865	22,304	1,036,789	84,214	1,196,814
Others	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
<b>Commitments and contingencies</b>							
Other commitments	-	-	12,064	-	1,812	75	13,951
	-	-	12,064	-	1,812	75	13,951
	18,642	-	46,929	22,304	1,038,601	84,289	1,210,765

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**42. Financial risk management policies (cont'd.)**

**(a) Credit risks (cont'd.)**

(ii) Credit quality by class of financial assets

The credit quality of financial assets is managed by the Group and the Company using internal credit ratings. The table below shows the credit quality by class financial assets exposed to credit risk, based on the Group's and the Company's internal credit ratings. The amounts are presented gross of impairment allowances.

<b>Group 2017</b>	<b>Neither past due nor impaired RM'000</b>	<b>Past due but not impaired RM'000</b>	<b>Individually impaired RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Cash and short-term funds	580,367	-	-	580,367
Deposits and placements with licensed banks and other financial institutions	434,823	-	-	434,823
Securities held-for-trading				
Corporate bond	65,517	-	-	65,517
Money market	9,940	-	-	9,940
Islamic commercial papers	160,614	-	-	160,614
Securities available-for-sale				
Money market instruments	1,362,646	-	-	1,362,646
Unquoted securities	2,309,796	-	130,457	2,440,253
Derivative assets	78	-	-	78
Loans, advances and financing				
Term loans	136,487	4,799	373,215	514,501
Margin accounts	317,038	-	-	317,038
Others	1,417	-	76,485	77,902
Other financial assets	328,132	-	9,326	337,458
	<u>5,706,855</u>	<u>4,799</u>	<u>589,483</u>	<u>6,301,137</u>

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**42. Financial risk management policies (cont'd.)**

**(a) Credit risks (cont'd.)**

(ii) Credit quality by class of financial assets (cont'd.)

<b>Group 2016</b>	<b>Neither past due nor impaired RM'000</b>	<b>Past due but not impaired RM'000</b>	<b>Individually impaired RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Cash and short-term funds	591,733	-	-	591,733
Deposits and placements with licensed banks and other financial institutions	164,450	-	-	164,450
Securities held-for-trading				
Corporate bond	29,984	-	-	29,984
Islamic commercial papers	208,745	-	-	208,745
Securities available-for-sale				
Money market instruments	1,227,418	-	-	1,227,418
Unquoted securities	2,220,353	-	143,965	2,364,318
Derivative assets	528	-	-	528
Loans, advances and financing				
Term loans	203,543	8,077	475,188	686,808
Margin accounts	261,148	-	-	261,148
Others	8,051	65,404	93,282	166,737
Other financial assets	211,908	-	4,515	216,423
	<u>5,127,861</u>	<u>73,481</u>	<u>716,950</u>	<u>5,918,292</u>

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**42. Financial risk management policies (cont'd.)**

**(a) Credit risks (cont'd.)**

**(ii) Credit quality by class of financial assets (cont'd.)**

<b>Company 2017</b>	<b>Neither past due nor impaired RM'000</b>	<b>Past due but not impaired RM'000</b>	<b>Individually impaired RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Cash and short-term funds	415,781	-	-	415,781
Deposits and placements with licensed banks and other financial institutions	424,573	-	-	424,573
Securities held-for-trading				
Corporate bond	65,517	-	-	65,517
Money Market Instrument	9,940	-	-	9,940
Islamic commercial papers	160,614	-	-	160,614
Securities available-for-sale				
Unquoted securities	-	-	1,355	1,355
Loans, advances and financing				
Term loans	83,663	4,799	63,743	152,205
Others	948	-	-	948
Other financial assets	13,473	-	-	13,473
	<u>1,174,509</u>	<u>4,799</u>	<u>65,098</u>	<u>1,244,406</u>
<b>2016</b>				
<b>Financial assets</b>				
Cash and short-term funds	529,900	-	-	529,900
Deposits and placements with licensed banks and other financial institutions	157,920	-	-	157,920
Securities held-for-trading				
Corporate bond	29,984	-	-	29,984
Islamic commercial papers	208,745	-	-	208,745
Securities available-for-sale				
Unquoted securities	-	-	1,355	1,355
Loans, advances and financing				
Term loans	222,802	8,077	65,242	296,121
Others	1,333	-	-	1,333
Other financial assets	19,117	-	-	19,117
	<u>1,169,801</u>	<u>8,077</u>	<u>66,597</u>	<u>1,244,475</u>

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**42. Financial risk management policies (cont'd.)**

**(a) Credit risks (cont'd.)**

(iii) Collateral and other credit enhancements

The main types of collateral or other credit enhancements held by the Group and the Company to mitigate credit risk are fixed deposits, securities, commercial and residential properties, machineries, motor vehicles and trade receivables.

As at 31 December 2017, the financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Company is at 97% (2016: 73%) and 44% (2016: 22%), respectively. The financial effect of collateral held for other financial assets is not significant.

(iv) Aging analysis of past due but not impaired financial assets

<b>Group Financial assets</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1 to 3 months RM'000</b>	<b>More than 3 months RM'000</b>	<b>Total RM'000</b>
<b>2017</b>				
Loans, advances and financing				
Term loans	4,189	610	-	4,799
<b>2016</b>				
Loans, advances and financing				
Term loans	1,816	6,261	-	8,077
Equity financing	65,080	324	-	65,404
	66,896	6,585	-	73,481
<b>Company</b>				
<b>Financial assets</b>				
<b>2017</b>				
Loans, advances and financing				
Term loans	4,189	610	-	4,799
<b>2016</b>				
Loans, advances and financing				
Term loans	1,816	6,261	-	8,077



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**42. Financial risk management policies (cont'd.)**

**(a) Credit risks (cont'd.)**

- (v) There were no financial assets that would otherwise be past due or impaired whose terms have been renegotiated in the current and prior financial year.

**(b) Interest rate risks**

Interest rate risks are the exposure of the Group's and the Company's interest rate-sensitive assets and interest rate-sensitive liabilities/borrowings to movements in interest rates.

It is the Group's and the Company's policy to contain interest rate risks within prudent levels. The Group has procedures to regularly review the impact of interest rates on the financial position of the Group so that appropriate action is taken to mitigate the risks.

With respect to the investment bank subsidiary, the management of these risks are the responsibility of the subsidiary's Asset and Liability Management Committee ("ALCO"). The ALCO regularly reviews and monitors the composition of the subsidiary's interest rate-sensitive assets and liabilities taking into consideration the interest rate outlook and its impact on the subsidiary's financial position.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before taxation and equity.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on profit or loss for the year, based on the floating loan, advances and financing and fixed rate securities held-for-trading held as at the reporting date. The sensitivity of equity is calculated by revaluing fixed rate securities available-for-sale as at the reporting date for the effects of the assumed changes in interest rates. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

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## 42. Financial risk management policies (cont'd.)

## (b) Interest rate risks (cont'd.)

	Group		Company	
	Sensitivity of profit before taxation - Increase/ (decrease) RM '000	Sensitivity of equity - Increase/ (decrease) RM '000	Sensitivity of profit before taxation - Increase/ (decrease) RM '000	Sensitivity of equity - Increase/ (decrease) RM '000
<b>2017</b>				
Change in basis points				
+ 25	808	32,288	599	-
- 25	(808)	(32,800)	(599)	-
<b>2016</b>				
Change in basis points				
+ 25	1,223	(35,573)	656	-
- 25	(1,223)	36,198	(656)	-

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**42. Financial risk management policies (cont'd.)**

**(b) Interest rate risks (cont'd.)**

The Group and the Company are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table indicates the effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group 2017	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000					
<b>Assets</b>										
Cash and short-term funds	431,102					149,265		580,367	3.34	
Deposits and placements with licensed banks and other financial institutions	-	299,223	135,600	-	-	-	-	434,823	3.64	
Securities held-for-trading	-	-	-	-	-	-	246,079	246,079	4.01	
Securities available-for-sale	50,016	497,021	375,671	1,819,252	927,824	158,830	-	3,828,614	4.17	
Loans, advances and financing										
- Non-impaired	750	318,568	6,768	126,743	6,912	(8,881)*	-	450,860	7.29	
- Impaired	-	-	-	-	-	332,733	-	332,733	-	
Derivative assets	-	-	-	-	-	-	78	78	-	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	114,282	114,282	-	
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	-	
- Other financial assets	-	-	-	-	-	236,628	-	236,628	-	
- Other non-financial assets	-	-	-	-	-	116,808	-	116,808	-	
<b>Total assets</b>	<b>481,868</b>	<b>1,114,812</b>	<b>518,039</b>	<b>1,945,995</b>	<b>934,736</b>	<b>985,383</b>	<b>360,439</b>	<b>6,341,272</b>		

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42. Financial risk management policies (cont'd.)

(b) Interest rate risks (cont'd.)

Group 2017 (cont'd.)	Non-trading book ----->						Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non- interest sensitive RM'000	
<b>Liabilities</b>							
Deposits from customers	1,126,060	514,310	281,426	15,673	-	-	3.58
Deposits and placements of banks and other financial institutions	1,244,873	298,733	338,036	-	-	-	3.48
Borrowings	-	3,492	3,492	176,176	275,244	-	1.38
Other non-interest sensitive balances	-	-	-	-	-	-	
- Other financial liabilities	-	-	-	-	-	275,613	
- Other non-financial liabilities	-	-	-	-	-	14,316	
<b>Total liabilities</b>	<b>2,370,933</b>	<b>816,535</b>	<b>622,954</b>	<b>191,849</b>	<b>275,244</b>	<b>289,929</b>	
Shareholders' funds	-	-	-	-	-	1,773,573	
Non-controlling interests	-	-	-	-	-	255	
<b>On-balance sheet interest sensitivity gap</b>	<b>(1,889,065)</b>	<b>298,277</b>	<b>(104,915)</b>	<b>1,754,146</b>	<b>659,492</b>	<b>(1,078,374)</b>	
Off-balance sheet interest sensitivity gap (interest rate swap)	-	-	-	-	-	-	
<b>Total interest sensitivity gap</b>	<b>(1,889,065)</b>	<b>298,277</b>	<b>(104,915)</b>	<b>1,754,146</b>	<b>659,492</b>	<b>(1,078,374)</b>	

\* Collective impairment allowance

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42. Financial risk management policies (cont'd.)

(b) Interest rate risks (cont'd.)

Group 2016	Non-trading book ----->						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000					
<b>Assets</b>										
Cash and short-term funds	551,478	-	-	-	-	40,255	-	591,733	3.25	
Deposits and placements with licensed banks and other financial institutions	-	155,450	9,000	-	-	-	-	164,450	3.74	
Securities held-for-trading	-	-	-	-	-	-	259,065	259,065	3.29	
Securities available-for-sale	10,001	248,925	334,724	1,087,562	1,766,560	100,744	-	3,548,516		
Securities held-to-maturity	-	-	-	-	-	-	-	-		
Loans, advances and financing										
- Non-impaired	6,132	328,176	5,752	132,798	73,365	(7,601)*	-	538,622	7.87	
- Impaired	-	-	-	-	-	442,286	-	442,286		
Derivative assets	-	-	-	-	-	-	528	528		
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	114,645	-	
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	-	
- Other financial assets	-	-	-	-	-	213,216	-	213,216		
- Other non-financial assets	-	-	-	-	-	34,857	-	34,857		
<b>Total assets</b>	<b>567,611</b>	<b>732,551</b>	<b>349,476</b>	<b>1,220,360</b>	<b>1,839,925</b>	<b>938,402</b>	<b>259,593</b>	<b>5,907,918</b>		

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42. Financial risk management policies (cont'd.)

(b) Interest rate risks (cont'd.)

Group 2016 (cont'd.)	Non-trading book ----->						Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non- interest sensitive RM'000	
Liabilities							
Deposits from customers	1,477,194	374,689	135,874	-	-	-	3.52
Deposits and placements of banks and other financial institutions	1,053,999	223,724	244,134	-	-	-	3.59
Borrowings	-	3,492	8,313	175,969	122,229	160,000	2.46
Other non-interest sensitive balances	-	-	-	-	-	-	
- Other financial liabilities	-	-	-	-	-	124,880	
- Other non-financial liabilities	-	-	-	-	-	13,681	
Total liabilities	2,531,193	601,905	388,321	175,969	122,229	298,561	
Shareholders' funds	-	-	-	-	-	1,789,530	
Non-controlling interests	-	-	-	-	-	210	
	2,531,193	601,905	388,321	175,969	122,229	2,088,301	
On-balance sheet interest sensitivity gap	(1,963,582)	130,646	(38,845)	1,044,391	1,717,696	(1,149,899)	259,593
Off-balance sheet interest sensitivity gap (interest rate swap)	-	-	-	-	-	-	-
Total interest sensitivity gap	(1,963,582)	130,646	(38,845)	1,044,391	1,717,696	(1,149,899)	259,593

\* Collective impairment allowance

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42. Financial risk management policies (cont'd.)

(b) Interest rate risks (cont'd.)

Company 2017	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non- interest sensitive RM'000			
<b>Assets</b>									
Cash and short-term funds	409,596	-	-	-	-	6,185	415,781	3.35	
Deposits and placements with licensed banks and other financial institutions	-	288,973	135,600	-	-	-	424,573	3.65	
Securities held-for-trading	-	-	-	-	-	-	246,079	4.01	
Securities available-for-sale	-	-	-	-	-	1,655	1,655	-	
Loans, advances and financing	750	1,254	6,718	73,842	6,845	(5,366)*	84,043	2.92	
- Non-impaired	-	-	-	-	-	23,141	23,141	-	
- Impaired	-	-	-	-	-	-	-	-	
Other non-interest sensitive balances	-	-	-	-	-	13,473	13,473	-	
- Other financial assets	-	-	-	-	-	613,414	613,414	-	
- Other non-financial assets	-	-	-	-	-	-	-	-	
<b>Total assets</b>	<b>410,346</b>	<b>290,227</b>	<b>142,318</b>	<b>73,842</b>	<b>6,845</b>	<b>652,502</b>	<b>246,079</b>	<b>1,822,159</b>	

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42. Financial risk management policies (cont'd.)

(b) Interest rate risks (cont'd.)

Company 2017 (cont'd.)	Non-trading book						Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non- interest sensitive RM'000	
<b>Liabilities</b>							
Borrowings	-	3,492	3,492	27,939	275,244	-	310,167
Other non-interest sensitive balances	-	-	-	-	-	55,370	-
- Other financial liabilities	-	-	-	-	-	8,728	55,370
- Other non-financial liabilities	-	-	-	-	-	-	8,728
Total liabilities	-	3,492	3,492	27,939	275,244	64,098	374,265
Shareholders' funds	-	-	-	-	-	1,447,894	-
	-	3,492	3,492	27,939	275,244	1,511,992	1,822,159
On-balance sheet interest sensitivity gap	410,346	286,735	138,823	45,903	(268,399)	(859,490)	246,079
Off-balance sheet interest sensitivity gap (interest rate swap)	-	-	-	-	-	-	-
Total interest sensitivity gap	410,346	286,735	138,823	45,903	(268,399)	(859,490)	246,079

\* Collective impairment allowance



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42. Financial risk management policies (cont'd.)

(b) Interest rate risks (cont'd.)

Company 2016	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000					
<b>Assets</b>										
Cash and short-term funds	526,176	-	-	-	-	3,724	-	529,900	3.26	
Deposits and placements with licensed banks and other financial institutions	-	148,920	9,000	-	-	-	-	157,920	3.75	
Securities held-for-trading	-	-	-	-	-	-	259,065	259,065	3.29	
Securities available-for-sale	-	-	-	-	-	1,655	-	1,655	-	
Loans, advances and financing										
- Non-impaired	5,338	1,279	5,610	198,954	21,031	(4,755)*	-	227,457	4.69	
- Impaired	-	-	-	-	-	22,336	-	22,336	-	
Other non-interest sensitive balances										
- Other financial assets	-	-	-	-	-	19,117	-	19,117	-	
- Other non-financial assets	-	-	-	-	-	610,090	-	610,090	-	
<b>Total assets</b>	<b>531,514</b>	<b>150,199</b>	<b>14,610</b>	<b>198,954</b>	<b>21,031</b>	<b>652,167</b>	<b>259,065</b>	<b>1,827,540</b>		

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42. Financial risk management policies (cont'd.)

(b) Interest rate risks (cont'd.)

Company 2016 (cont'd.)	----- Non-trading book ----->						Effective interest rate %	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non- interest sensitive RM'000		Trading book RM'000
<b>Liabilities</b>								
Borrowings	-	3,492	8,313	27,938	122,229	160,000	-	321,972
Other non-interest sensitive balances								
- Other financial liabilities	-	-	-	-	-	43,270	-	43,270
- Other non-financial liabilities	-	-	-	-	-	8,945	-	8,945
Total liabilities	-	3,492	8,313	27,938	122,229	212,215	-	374,187
Shareholders' funds								
	-	-	-	-	-	1,453,353	-	1,453,353
	-	3,492	8,313	27,938	122,229	1,665,568	-	1,827,540
On-balance sheet interest sensitivity gap	531,514	146,707	6,297	171,016	(101,198)	(1,013,401)	259,065	
Off-balance sheet interest sensitivity gap (interest rate swap)	-	-	-	-	-	-	-	
Total interest sensitivity gap	531,514	146,707	6,297	171,016	(101,198)	(1,013,401)	259,065	

\* Collective impairment allowance

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**42. Financial risk management policies (cont'd.)**

**(c) Operational risks**

Operational risks are the risks of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Group and the Company have established appropriate policies and procedures with the objective to minimise losses arising from operational risks. Policies and procedures are based on the principles of dual control, segregation of duties, independent checks and verification process, empowerment through a defined authority structure and limits as well as maintaining back-up procedures for key activities, and the need for contingency planning.

**(d) Liquidity risks**

Liquidity or cash flow risks are the exposure to loss as a result of the Group's and the Company's inability to generate and maintain sufficient cash flow to fund daily operations and to meet financial obligations to depositors, borrowers and clients in a timely and cost-effective manner.

It is also the Group's and the Company's policy to maintain sufficient liquidity and cash flow to fund daily operations and to meet its obligations to depositors, borrowers and clients. Cash flows are analysed to ascertain any funding shortfall and measures are taken to address the liquidity gap. All fund raising exercises are reviewed and approved by the respective Board of Directors.

With respect to the investment bank subsidiary, liquidity risks are being managed by the subsidiary's ALCO. The ALCO reviews and monitors the liquidity position using "Bank Negara Malaysia's Liquidity Framework for Investment Banking" that is based on the behavioural cash flows of assets, liabilities and off balance sheet commitments.

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**42. Financial risk management policies (cont'd.)**

**(d) Liquidity risks (cont'd.)**

The table below summarises the maturity profile of the carrying amount of the Group's and the Company's assets and liabilities as at 31 December 2017 based on remaining contractual maturity.

Group 2017	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	123,265	457,102	-	-	-	-	580,367
Deposits and placements with licensed banks and other financial institutions	-	-	299,223	135,600	-	-	434,823
Securities held-for-trading	-	170,621	-	-	9,941	65,517	246,079
Securities available-for-sale	157,773	50,016	497,021	375,671	1,819,257	928,876	3,828,614
Derivative assets	-	-	-	78	-	-	78
Loans, advances and financing	31,133	705	329,415	6,365	236,889	179,086	783,593
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,282	114,282
Other assets	10,579	166,773	12,428	15,703	43,591	104,362	353,436
<b>Total assets</b>	<b>322,750</b>	<b>845,217</b>	<b>1,138,087</b>	<b>533,417</b>	<b>2,109,678</b>	<b>1,392,123</b>	<b>6,341,272</b>
<b>Liabilities</b>							
Deposits from customers	10,192	1,126,060	514,310	271,234	15,673	-	1,937,469
Deposits and placements of banks and other financial institutions	3,860	1,244,873	298,733	334,176	-	-	1,881,642
Borrowings	-	-	3,492	3,492	176,176	275,244	458,404
Other liabilities	4,040	187,595	21,304	30,616	37,749	8,624	289,928
<b>Total liabilities</b>	<b>18,092</b>	<b>2,558,528</b>	<b>837,839</b>	<b>639,518</b>	<b>229,598</b>	<b>283,868</b>	<b>4,567,443</b>
<b>Net maturity mismatch</b>	<b>304,658</b>	<b>(1,713,311)</b>	<b>300,248</b>	<b>(106,101)</b>	<b>1,880,080</b>	<b>1,108,255</b>	<b>1,773,829</b>

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42. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

Group 2016	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	40,255	551,478	-	-	-	-	591,733
Deposits and placements with licensed banks and other financial institutions	-	-	155,450	9,000	-	-	164,450
Securities held-for-trading	20,084	208,745	-	-	-	30,236	259,065
Securities available-for-sale	95,189	10,001	248,925	334,724	1,092,060	1,767,617	3,548,516
Derivative assets	-	-	-	198	330	-	528
Loans, advances and financing	266,948	6,022	414,694	5,638	111,913	175,693	980,908
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,645	114,645
Other assets	4,017	48,931	13,980	17,900	54,181	109,064	248,073
<b>Total assets</b>	<b>426,493</b>	<b>825,177</b>	<b>833,049</b>	<b>367,460</b>	<b>1,258,484</b>	<b>2,197,255</b>	<b>5,907,918</b>
<b>Liabilities</b>							
Deposits from customers	31,072	1,471,722	374,689	110,274	-	-	1,987,757
Deposits and placements of banks and other financial institutions	3,811	1,053,999	223,724	240,323	-	-	1,521,857
Borrowings	-	-	3,492	8,313	175,969	282,229	470,003
Other liabilities	3,934	55,216	10,695	31,757	12,387	24,572	138,561
<b>Total liabilities</b>	<b>38,817</b>	<b>2,580,937</b>	<b>612,600</b>	<b>390,667</b>	<b>188,356</b>	<b>306,801</b>	<b>4,118,178</b>
<b>Net maturity mismatch</b>	<b>387,676</b>	<b>(1,755,760)</b>	<b>220,449</b>	<b>(23,207)</b>	<b>1,070,128</b>	<b>1,890,454</b>	<b>1,789,740</b>

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42. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

Company 2017	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	6,186	409,595	-	-	-	-	415,781
Deposits and placements with licensed banks and other financial institutions	-	-	288,973	135,600	-	-	424,573
Securities held-for-trading	-	170,621	-	-	9,941	65,517	246,079
Securities available-for-sale	1,355	-	-	-	-	300	1,655
Loans, advances and financing	23,141	705	1,179	6,315	69,410	6,434	107,184
Other assets	7,195	30	4,871	-	11,474	603,317	626,887
<b>Total assets</b>	<b>37,877</b>	<b>580,951</b>	<b>295,023</b>	<b>141,915</b>	<b>90,825</b>	<b>675,568</b>	<b>1,822,159</b>
<b>Liabilities</b>							
Borrowings	-	-	3,492	3,492	27,939	275,244	310,167
Other liabilities	1,331	3,633	12,497	13,077	27,161	6,399	64,098
<b>Total liabilities</b>	<b>1,331</b>	<b>3,633</b>	<b>15,989</b>	<b>16,569</b>	<b>55,100</b>	<b>281,643</b>	<b>374,265</b>
<b>Net maturity mismatch</b>	<b>36,546</b>	<b>577,318</b>	<b>279,034</b>	<b>125,346</b>	<b>35,725</b>	<b>393,925</b>	<b>1,447,894</b>

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42. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

Company 2016	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	3,724	526,176	-	-	-	-	529,900
Deposits and placements with licensed banks and other financial institutions	-	-	148,920	9,000	-	-	157,920
Securities held-for-trading	20,084	208,745	-	-	-	30,236	259,065
Securities available-for-sale	1,355	-	-	-	-	300	1,655
Loans, advances and financing	22,337	5,228	1,253	5,495	194,880	20,600	249,793
Other assets	1,625	3,649	5,542	-	14,877	603,514	629,207
<b>Total assets</b>	<b>49,125</b>	<b>743,798</b>	<b>155,715</b>	<b>14,495</b>	<b>209,757</b>	<b>654,650</b>	<b>1,827,540</b>
<b>Liabilities</b>							
Borrowings	-	-	3,492	8,313	27,938	282,229	321,972
Other liabilities	535	862	5,016	12,810	10,109	22,883	52,215
<b>Total liabilities</b>	<b>535</b>	<b>862</b>	<b>8,508</b>	<b>21,123</b>	<b>38,047</b>	<b>305,112</b>	<b>374,187</b>
<b>Net maturity mismatch</b>	<b>48,590</b>	<b>742,936</b>	<b>147,207</b>	<b>(6,628)</b>	<b>171,710</b>	<b>349,538</b>	<b>1,453,353</b>

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group and the Company expect that many customer will not request repayment on the earliest date the Group and the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Group's and the Company's deposit retention history.

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**42. Financial risk management policies (cont'd.)**

**(d) Liquidity risks (cont'd.)**

The following table shows the contractual undiscounted cash flow payable for financial liabilities, including unrecognised firm commitments, by remaining contractual maturity. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The financial liabilities in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Group 2017	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
<b>Non-derivative financial liabilities</b>							
Deposits from customers	31,160	1,475,231	378,019	53,059	-	-	1,937,469
Deposits and placements of banks and other financial institutions	3,843	1,056,763	225,974	595,062	-	-	1,881,642
Borrowings	-	-	5,540	5,525	145,143	302,196	458,404
Other liabilities	4,351	51,714	216,337	10,807	6,719	-	289,928
	39,354	2,583,708	825,870	664,453	151,862	302,196	4,567,443
<b>Unrecognised firm commitments</b>							
Obligations under an-ongoing underwriting agreement	-	-	-	-	-	-	-
Irrevocable commitments to extend credit	464,907	-	-	-	-	-	464,907
	464,907	-	-	-	-	-	464,907
Total financial liabilities	504,261	2,583,708	825,870	664,453	151,862	302,196	5,032,350



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42. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

Group 2016	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
<b>Non-derivative financial liabilities</b>							
Deposits from customers	31,160	1,475,231	378,019	111,559	-	-	1,995,969
Deposits and placements of banks and other financial institutions	3,843	1,056,763	225,974	245,213	-	-	1,531,793
Borrowings	-	-	7,435	15,919	206,620	312,495	542,469
Other liabilities	3,814	48,409	4,025	15,294	9,028	16,130	96,700
	<u>38,817</u>	<u>2,580,403</u>	<u>615,453</u>	<u>387,985</u>	<u>215,648</u>	<u>328,625</u>	<u>4,166,931</u>
<b>Unrecognised firm commitments</b>							
Obligations under an-ongoing underwriting agreement	10,000	-	-	-	-	-	10,000
Irrevocable commitments to extend credit	173,187	-	-	-	-	-	173,187
	<u>183,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,187</u>
<b>Total financial liabilities</b>	<u>222,004</u>	<u>2,580,403</u>	<u>615,453</u>	<u>387,985</u>	<u>215,648</u>	<u>328,625</u>	<u>4,350,118</u>

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42. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

Company 2017	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
<b>Non-derivative financial liabilities</b>							
Borrowings	-	-	5,540	5,525	42,353	302,196	355,614
Other liabilities	1,331	3,633	9,083	3,154	5,857	-	23,058
	1,331	3,633	14,623	8,679	48,210	302,196	378,672
<b>Unrecognised firm commitments</b>							
Irrevocable commitments to extend credit	16,893	-	-	-	-	-	16,893
	16,893	-	-	-	-	-	16,893
<b>Total financial liabilities</b>	18,224	3,633	14,623	8,679	48,210	302,196	395,565
<b>Company 2016</b>							
<b>Non-derivative financial liabilities</b>							
Borrowings	-	-	5,635	10,519	43,120	312,495	371,769
Other liabilities	535	328	3,926	3,207	8,166	16,130	32,292
	535	328	9,561	13,726	51,286	328,625	404,061
<b>Unrecognised firm commitments</b>							
Irrevocable commitments to extend credit	13,951	-	-	-	-	-	13,951
	13,951	-	-	-	-	-	13,951
<b>Total financial liabilities</b>	14,486	328	9,561	13,726	51,286	328,625	418,012

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**42. Financial risk management policies (cont'd.)**

**(e) Equity price risks**

Equity price risks are the exposure to fluctuations in the value of the equity shares or income streams from equity ownership in an incorporated entity.

It is the Group's and the Company's policy to contain equity price risks within prudent levels. The Group and the Company have a process for evaluation, approval and regular monitoring of the performance of equity ownership. Prices are marked to market and allowances are made for any diminution in value where necessary.

The non-trading equity price risk exposure arises from equity securities classified as available-for sale.

The following table demonstrates the sensitivity to a reasonable possible change in equity price, with all other variables held constant, of the Group's and the Company's profit before taxation and equity.

	Group		Company	
	Sensitivity of profit before taxation - Increase/ (decrease) RM '000	Sensitivity of equity - Increase/ (decrease) RM '000	Sensitivity of profit before taxation - Increase/ (decrease) RM '000	Sensitivity of equity - Increase/ (decrease) RM '000
<b>2017</b>				
Change in value				
+ 10%	1,001	-	1,001	-
- 10%	(1,001)	-	(1,001)	-
<b>2016</b>				
Change in value				
+ 10%	2,008	2,122	2,008	-
- 10%	(2,008)	(2,122)	(2,008)	-

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**43. Credit exposures arising from credit transactions with connected parties**

The credit exposures in respect of the investment bank subsidiary are as follows:

	Group	
	2017	2016
	RM'000	RM'000
(i) Outstanding credit exposures with connected parties	152,500	241,015
(ii) Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	4.15%	6.79%
(iii) Percentage of outstanding credit exposures to connected parties which is impaired or in default	Nil	Nil

**44. Capital adequacy**

The Group's and the Company's objectives when managing capital are to maintain a strong capital base and safeguard the Group's and the Company's ability to continue as a going concern, so as to maintain investor, creditor/fund provider and market confidence and to sustain future development of the business.

The review of capital requirements for the Group and the Company is based on the following requirements and consideration:

- (a) Minimum statutory capital requirements pursuant to the prescriptive capital framework issued by Bank Negara Malaysia, the Securities Commission and/or other regulatory authorities;
- (b) Capital efficiency measured by the Return of Equity ("ROE") ratio; and
- (c) Funding requirements for business operations.

The Group maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios in the Basel II and III Framework established by the Basel Committee on Banking Supervision and adopted by Bank Negara Malaysia in supervising the Bank.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its business and to maximise shareholder's value.

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**44. Capital adequacy (cont'd.)**

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholder, return capital to shareholder or issue capital securities. No changes have been made in the objectives, policies and processes from the previous years. It is, however, under constant scrutiny of the Board of the Company and the respective subsidiaries.

The Group has complied in full with all its externally imposed capital requirements for the financial years ended 31 December 2017 (2016 : complied).

(i) The capital adequacy ratio of the Group and of the Company are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b><u>Tier 1 Capital</u></b>				
<b>Common Equity Tier 1 ("CET1")</b>				
<b>Capital</b>				
Ordinary shares	829,931	466,070	829,931	466,070
Share premium	-	363,861	-	363,861
Statutory reserve	-	131,324	-	-
Regulatory Reserve	2,573	3,932	-	-
Securities available-for-sale reserve	(18,576)	(42,534)	-	-
Retained profits	959,645	866,877	617,963	623,422
	<u>1,773,573</u>	<u>1,789,530</u>	<u>1,447,894</u>	<u>1,453,353</u>
Less: Regulatory adjustments	<u>(120,835)</u>	<u>(121,884)</u>	<u>(620,385)</u>	<u>(613,857)</u>
<b>Total CET1 Capital / Tier 1 Capital</b>	<u>1,652,738</u>	<u>1,667,646</u>	<u>827,509</u>	<u>839,496</u>
<b><u>Tier 2 Capital</u></b>				
Collective impairment allowance and regulatory reserve	<u>3,802</u>	<u>5,956</u>	<u>537</u>	<u>1,074</u>
<b>Total Tier 2 capital</b>	<u>3,802</u>	<u>5,956</u>	<u>537</u>	<u>1,074</u>
<b>Total Capital</b>	<u>1,656,540</u>	<u>1,673,602</u>	<u>828,046</u>	<u>840,570</u>

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**44. Capital adequacy (cont'd.)**

(i) The capital adequacy ratio of the Group and of the Company are as follows (cont'd.):

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividend:				
CET 1 Capital	63.101%	62.935%	146.751%	128.771%
Tier 1 Capital	63.101%	62.935%	146.751%	128.771%
Total Capital	63.246%	63.160%	146.847%	128.936%
After deducting proposed dividend:				
CET 1 Capital	61.192%	59.538%	137.884%	114.966%
Tier 1 Capital	61.192%	59.538%	137.884%	114.966%
Total Capital	61.337%	59.763%	137.980%	115.131%

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Total risk-weighted assets for credit risk	2,153,437	2,176,711	307,154	417,923
Total risk-weighted assets equivalent for market risk	80,666	93,952	75,916	62,752
Total risk-weighted assets equivalent for operational risk	385,086	379,138	180,815	171,252
	<u>2,619,189</u>	<u>2,649,801</u>	<u>563,885</u>	<u>651,927</u>

(iii) Capital allocation

BNM via its letter dated 23<sup>rd</sup> September 2014 approved MIDF to carry out its Development Financing business as an approved business under MIDF being a Financial Holding Company. This approval is subject to such capital allocation for credit risks emanating from Development Finance Business being covered by shareholders funds of Development Finance Division ("DFD"). As at 31 December 2017, the shareholders' funds of the DFD is sufficient to meet the proposed capital allocation as prescribed by BNM (2016: complied).

For performing loans/financing portfolio with one month to three months in arrears, no collateral values were assigned.

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**45. Fair value measurement**

**(i) Fair values of recognised financial instruments**

Set out below is a comparison by class of the carrying amounts and fair value of the financial instruments of the Group and of the Company other than those with carrying amounts which are reasonable approximations of fair value:

<b>Group</b>	<b>2017</b>		<b>2016</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Securities held-for-trading	246,079	246,079	259,065	259,065
Securities available-for-sale <sup>^</sup>	3,822,636	3,822,636	3,547,888	3,547,888
Derivative assets	78	78	528	528
Loans, advances and financing - staff loans <sup>*</sup>	1,441	1,153	2,003	1,154
<b>Financial liability</b>				
Borrowings	458,404	458,404	470,003	470,003
<b>Company</b>				
<b>Financial assets</b>				
Securities held-for-trading	246,079	246,079	259,065	259,065
Securities available-for-sale <sup>^</sup>	1,355	1,355	1,355	1,355
Loans, advances and financing - staff loans <sup>*</sup>	947	731	1,333	1,029
<b>Financial liability</b>				
Borrowings	310,167	310,167	321,972	321,972

<sup>^</sup> Exclude unrated securities available-for-sale

<sup>\*</sup> Excludes loans, advances and financing with carrying amounts that approximate fair value.

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**45. Fair value measurement (cont'd.)**

**(i) Fair values of recognised financial instruments (cont'd.)**

Fair value information has not been disclosed for the Group's and the Company's investment in unquoted shares that are carried cost because fair value cannot be measured reliably. The investment mainly represents ordinary shares in organisation which was set up for specific socio-economic reason that are not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant.

The carrying amounts of other financial assets and financial liabilities approximate their fair values due to the relatively short term nature of these financial instruments.

**(ii) Determination of fair values**

The following summarises the methods and assumptions applied in determining the fair values of each class of financial assets and liabilities as disclosed in Note 45(i):

**(a) Securities held-for-trading, securities available-for-sale and securities held-to-maturity**

Fair values of securities that are actively traded is derived from quoted bid prices. For non-actively traded securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method.

Where discounted cash flows method is used, the estimated future cash flow shall include projections from liquidation, realisation of collateral assets or estimates of future operating cash flows. The estimated future cash flows (excluding future expected credit losses that have not yet been incurred) are discounted using applicable prevailing market or indicative rates of return for a similar instruments at the reporting date.

**(b) Derivative assets/liabilities**

The fair values of derivative assets/liabilities are derived using discounted cash flows method.

**(c) Loans, advances and financing**

The fair values of variable rate loans, advances and financing are estimated to approximate their carrying values. For fixed rate loans, advances and financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values which are net of impairment allowances.



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**45. Fair value measurement (cont'd.)**

**(ii) Determination of fair values (cont'd.)**

**(c) Borrowings**

The fair value of variable rate non-concessional borrowings is estimated to approximate the carrying amount.

Management is of the view that all concessionary borrowings bear interest rate which approximates the market rate for similar concessionary borrowings granted to other development financial institutions. Therefore, the fair value of concessionary borrowings is estimated to approximate the carrying amount.

**(iii) Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>Group 2017</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Assets measured at fair value:</b>				
Securities held-for-trading				
Unquoted securities	-	246,078	1	246,079
Securities available-for-sale				
Money market instruments	-	1,362,646	-	1,362,646
Quoted securities	19,737	-	-	19,737
Unquoted securities*		2,302,206	138,047	2,440,253
Derivative financial assets	-	78	-	78

\* Excluded unrated securities for the purpose of fair value hierarchy.

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## 45. Fair value measurement (cont'd.)

## (iii) Fair value hierarchy (cont'd.)

<b>Group 2017</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Assets for which fair values are disclosed:</b>				
Loans, advances and financing - staff loans	-	1,153	-	1,153
Investment properties				
Residential properties	-	-	6,983	6,983
Office property	-	-	1,575	1,575
<b>Liability for which fair values are disclosed:</b>				
Borrowings	-	458,404	-	458,404
<b>Group 2016</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Assets measured at fair value:</b>				
Securities held-for-trading				
Money market instruments	-	-	-	-
Unquoted securities	-	258,812	253	259,065
Securities available-for-sale				
Money market instruments	-	1,227,418	-	1,227,418
Quoted securities	21,218	-	-	21,218
Unquoted securities*	-	1,969,562	329,690	2,299,252
Derivative financial assets	-	528	-	528

\* Excluded unrated securities for the purpose of fair value hierarchy.

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**45. Fair value measurement (cont'd.)**

**(iii) Fair value hierarchy (cont'd.)**

<b>Group 2016</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Assets for which fair values are disclosed:</b>				
Loans, advances and financing				
Money market instruments	-	-	-	-
Private Debt Securities	-	-	-	-
Loans, advances and financing - staff loans	-	1,154	-	1,154
Investment properties				
Residential properties	-	-	6,508	6,508
Office property	-	-	1,301	1,301
<b>Liability for which fair values are disclosed:</b>				
Borrowings	-	470,003	-	470,003
<b>Company 2017</b>				
	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Assets measured at fair value:</b>				
Securities held-for-trading				
Unquoted securities	-	246,078	1	246,079
Securities available-for-sale				
Unquoted securities	-	-	1,355	1,355
<b>Assets for which fair values are disclosed:</b>				
Loans, advances and financing - staff loans	-	731	-	731
<b>Liabilities for which fair values are disclosed:</b>				
Borrowings	-	310,167	-	310,167

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## 45. Fair value measurement (cont'd.)

## (iii) Fair value hierarchy (cont'd.)

Company 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets measured at fair value:</b>				
Securities held-for-trading				
Unquoted securities	-	258,812	253	259,065
Securities available-for-sale				
Unquoted securities	-	-	1,355	1,355
<b>Assets for which fair values are disclosed:</b>				
Loans, advances and financing				
- staff loans	-	1,029	-	1,029
<b>Liabilities for which fair values are disclosed:</b>				
Borrowings	-	321,972	-	321,972

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**45. Fair value measurement (cont'd.)**

**(iii) Fair value hierarchy (cont'd.)**

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value:

<b>Group</b>	<b>Securities held-for- trading RM'000</b>	<b>Securities available- for-sale RM'000</b>	<b>Total RM'000</b>
<b>2017</b>			
Unquoted securities At 1 January	253	329,690	329,943
Addition of unquoted securities	-	7,590	7,590
Total gains recognised in profit or loss:			
Included within interest income	-	3,977	3,977
Included within net income from Islamic Banking operation	-	2,717	2,717
Included within impairment loss on securities	(252)	(18,536)	(18,788)
	(252)	(11,842)	(12,094)
Settlements	-	(187,391)	(187,391)
At 31 December	<u>1</u>	<u>138,047</u>	<u>138,048</u>
<b>2016</b>			
Unquoted securities At 1 January	253	10,279	10,532
Addition of unquoted securities	-	323,408	323,408
Total gains recognised in profit or loss:			
Included within interest income	-	481	481
Included within impairment loss on securities	-	151	151
	-	632	632
Settlements	-	(4,629)	(4,629)
At 31 December	<u>253</u>	<u>329,690</u>	<u>329,943</u>

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**45. Fair value measurement (cont'd.)**

**(iii) Fair value hierarchy (cont'd.)**

<b>Company 2017</b>	<b>Securities held-for- trading RM'000</b>	<b>Securities available- for-sale RM'000</b>	<b>Total RM'000</b>
Unquoted securities			
At 1 January	253	1,355	1,608
Total gains recognised in profit or loss:			
Included within interest income	-	22	22
Included within net income from Islamic Banking operation			-
Included within impairment loss on securities	(252)	27	(225)
	<u>(252)</u>	<u>49</u>	<u>(203)</u>
Settlements	-	(49)	(49)
At 31 December	<u>1</u>	<u>1,355</u>	<u>1,356</u>
<b>2016</b>			
Unquoted securities			
At 1 January	253	3,157	3,410
Total gains recognised in profit or loss:			
Included within interest income	-	36	36
Included within impairment loss on securities	-	23	23
	<u>-</u>	<u>59</u>	<u>59</u>
Settlements	-	(1,861)	(1,861)
At 31 December	<u>253</u>	<u>1,355</u>	<u>1,608</u>

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**46. Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group	Gross amount of recognised financial assets/liabilities RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Related amount not set off in the statement of financial position		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
<b>2017</b>						
Derivative assets	78	-	78	-	-	78
Other assets	349,274	(112,646)	236,628	-	-	236,628
Other liabilities	388,259	(112,646)	275,613	-	-	275,613
<b>2016</b>						
Derivative assets	528	-	528	-	-	528
Other assets	149,521	(20,074)	129,447	-	-	129,447
Other liabilities	144,954	(20,074)	124,880	-	-	124,880

There is no offsetting of financial assets or financial liabilities at Company level.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amounts not set off in the statements of financial position relate to transaction where:

- (i) the counterparty has an offsetting exposure with the Group and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and
- (ii) cash or securities are received or cash pledged in respect of the transaction described above.

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**47. Islamic banking business**

The state of affairs at 31 December 2017 and results for the financial year ended on this date under the Islamic banking business ("SPI") of the Group and of the Company are summarised as follows:

**Statements of financial position as at 31 December 2017**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Cash and short-term funds	a	156,922	120,067	118,070	119,491
Deposits and placements with licensed banks and other financial institutions	b	59,600	43,600	59,600	43,600
Securities available-for-sale	c	1,995,191	1,478,943	-	-
Financing and advances	d	205,615	228,014	38,100	31,897
Other assets	e	31,165	33,730	18,018	20,134
Intangible assets		860	-	-	-
Deferred tax assets	f	2,701	3,257	448	423
<b>Total assets</b>		<b>2,452,054</b>	<b>1,907,611</b>	<b>234,236</b>	<b>215,545</b>
<b>Liabilities</b>					
Deposits from customers	g	727,464	502,766	-	-
Deposits and placements of banks and other financial institutions	h	852,676	553,439	-	-
Borrowings (unsecured)	i	160,000	160,000	160,000	160,000
Other liabilities	j	80,983	49,977	32,772	21,169
Provision for taxation and zakat		11,858	10,809	899	522
Amount due to Head Office		196	302	196	302
<b>Total liabilities</b>		<b>1,833,177</b>	<b>1,277,293</b>	<b>193,867</b>	<b>181,993</b>
<b>Islamic banking capital funds</b>					
Funds allocated from Head Office		416,600	416,600	20,000	20,000
Reserves		202,277	213,718	20,369	13,552
<b>Total Islamic banking capital funds</b>		<b>618,877</b>	<b>630,318</b>	<b>40,369</b>	<b>33,552</b>
<b>Total liabilities and Islamic banking capital funds</b>		<b>2,452,054</b>	<b>1,907,611</b>	<b>234,236</b>	<b>215,545</b>

The accompanying notes are an integral part of these financial statements.



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**47. Islamic banking business (cont'd.)**

**Statements of profit or loss for the financial year ended 31 December 2017**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income derived from investment of depositors' funds and others	k	142,485	117,322	40,403	34,293
Total attributable income		142,485	117,322	40,403	34,293
Income attributable to depositors	l	(50,993)	(34,020)	-	-
Net income attributable to reporting institutions		91,492	83,302	40,403	34,293
Staff costs	m	(2,221)	(1,840)	-	-
Other operating expenses	n	(16,826)	(15,566)	(15,111)	(14,106)
Operating profit		72,445	65,896	25,292	20,187
Impairment loss written back/ (made) on financing and advances	o	4,097	61	1,620	(1,648)
Impairment loss (made)/written back on securities	p	(10,241)	(719)	-	-
Impairment loss (made)/written back on other assets	q	(410)	(698)	-	18
Profit before taxation and zakat		65,891	64,540	26,912	18,557
Taxation	r	(15,223)	(15,625)	(6,004)	(4,630)
Zakat		(1,306)	(1,262)	(539)	(360)
Profit for the financial year		49,362	47,653	20,369	13,567

The accompanying notes are an integral part of these financial statements.

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**47. Islamic banking business (cont'd.)**

**Statements of comprehensive income for the year ended 31 December 2017**

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	49,362	47,653	20,369	13,567
Other comprehensive income/(loss):				
<b>Other comprehensive income /(loss) to be reclassified to profit or loss in subsequent periods:</b>				
Net (loss)/income on securities available-for-sale:				
Transfer to profit or loss upon disposal	(4,907)	(39)	-	-
Fair value changes	8,524	(3,405)	-	-
	3,617	(3,444)	-	-
Income tax relating to net (gain)/loss on securities available-for-sale	(868)	827	-	-
Other comprehensive income/ (loss) for the financial year, net of tax	2,749	(2,617)	-	-
Total comprehensive income for the financial year	52,111	45,036	20,369	13,567

The accompanying notes are an integral part of these financial statements.

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**47. Islamic banking business (cont'd.)**

**Statements of changes in equity  
For the financial year ended 31 December 2017**

Group	Non-distributable ----->				Distributable		Total RM'000
	Islamic banking funds RM'000	Securities available- for-sale reserve RM'000	Profit equalisation reserve RM'000	Retained profits RM'000			
At 1 January 2016	416,600	(5,639)	-	184,821			595,782
Profit for the financial year	-	-	-	47,653			47,653
Other comprehensive income	-	(2,617)	-	-			(2,617)
Total comprehensive income for the financial year	-	(2,617)	-	47,653			45,036
Allocation to Head Office	-	-	-	(10,500)			(10,500)
Transfer from profit equalisation reserve for the financial year	-	-	-	-			-
At 31 December 2016	416,600	(8,256)	-	221,974			630,318
At 1 January 2017	416,600	(8,256)	-	221,974			630,318
Profit for the financial year	-	-	-	49,362			49,362
Other comprehensive income	-	2,749	-	-			2,749
Total comprehensive income for the financial year	-	2,749	-	49,362			52,111
Dividend	-	-	-	(50,000)			(50,000)
Allocation to Head Office	-	-	-	(13,552)			(13,552)
At 31 December 2017	416,600	(5,507)	-	207,784			618,877

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**47. Islamic banking business (cont'd.)**

**Statements of changes in equity (cont'd.)**  
**For the financial year ended 31 December 2017**

Company	<----- Non-distributable ----->			Distributable
	Islamic banking funds RM'000	Retained profits RM'000	Total RM'000	
At 1 January 2016	20,000	10,485		30,485
Total comprehensive income for the financial year	-	13,567		13,567
Allocation to Head Office	-	(10,500)		(10,500)
At 31 December 2016	<u>20,000</u>	<u>13,552</u>		<u>33,552</u>
At 1 January 2017	20,000	13,552		33,552
Total comprehensive income for the financial year	-	20,369		20,369
Allocation to Head Office	-	(13,552)		(13,552)
At 31 December 2017	<u>20,000</u>	<u>20,369</u>		<u>40,369</u>

The accompanying notes are an integral part of these financial statements.

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**47. Islamic banking business (cont'd.)**

**Statements of cash flows for the financial year ended 31 December 2016**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	65,891	64,540	26,912	18,557
Adjustments for:				
Depreciation and amortisation	245	-	-	-
Impairment loss written back on securities	10,241	719	-	-
Impairment loss (written back)/ made on financing and advances	(4,094)	(24)	(1,617)	1,685
Impairment loss made/(written back) on other assets	410	698	-	(18)
Accretion of discount less amortisation of premium	(15,639)	(7,392)	-	-
Net gain on sale of securities:				
- Held-to-maturity	-	(2,253)	-	-
- Available-for-sale	(4,907)	(39)	-	-
Operating profit before working capital changes	52,147	56,249	25,295	20,224
Changes in working capital:				
Deposits from customers and deposits and placement of banks and other financial institutions	523,935	335,325	-	-
Deposits and placements with licensed banks and other financial institutions with original maturity of more than 3 months	(16,000)	(1,900)	(16,000)	(1,900)
Securities available-for-sale and securities held-to-maturity	(502,326)	(398,980)	-	-
Other assets	4,611	(408)	4,572	4,220
Financing and advances	26,493	42,629	(4,586)	588
Other liabilities	22,005	(6,856)	11,603	2,650
Amount due from Head Office	(106)	150	(106)	150
Cash generated from operations	110,759	26,209	20,778	25,932
Tax and zakat paid	(9,247)	(6,242)	(8,647)	(5,642)
Net cash generated from operating activities	101,512	19,967	12,131	20,290

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## 47. Islamic banking business (cont'd.)

## Statements of cash flows for the financial year ended 31 December 2016 (cont'd.)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activity</b>				
Purchase of intangible assets	(1,105)	-	-	-
Net cash used in investing activity	<u>(1,105)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>				
Dividend paid	(50,000)	-	-	-
Net funds allocated to Head Office	(13,552)	(10,500)	(13,552)	(10,500)
Net cash used in financing activities	<u>(63,552)</u>	<u>(10,500)</u>	<u>(13,552)</u>	<u>(10,500)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	36,855	9,467	(1,421)	9,790
<b>Cash and cash equivalents at 1 January</b>	<u>120,067</u>	<u>110,600</u>	<u>119,491</u>	<u>109,701</u>
<b>Cash and cash equivalents at 31 December</b>	<u>156,922</u>	<u>120,067</u>	<u>118,070</u>	<u>119,491</u>
<b>Cash and cash equivalents comprise:</b>				
Cash and short-term funds	<u>156,922</u>	<u>120,067</u>	<u>118,070</u>	<u>119,491</u>

The accompanying notes are an integral part of these financial statements.

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**47. Islamic banking business (cont'd.)**

**(a) Cash and short-term funds**

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	14,922	1,667	2,070	1,091
Deposits and placements maturing within one month	142,000	118,400	116,000	118,400
	<u>156,922</u>	<u>120,067</u>	<u>118,070</u>	<u>119,491</u>

**(b) Deposits and placements with licensed banks and other financial institutions**

	Group and Company	
	2017	2016
	RM'000	RM'000
Deposits with licensed banks	59,600	43,600
	<u>59,600</u>	<u>43,600</u>

**(c) Securities available-for-sale**

	Group	
	2017	2016
	RM'000	RM'000
<b>At fair value</b>		
Money market instruments:		
Government Investment Issue	378,327	501,129
Islamic Negotiable Instruments	447,008	248,925
	<u>825,335</u>	<u>750,054</u>
Unquoted securities:		
Islamic Private Debt Securities	1,169,856	728,889
	<u>1,995,191</u>	<u>1,478,943</u>

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**47. Islamic banking business (cont'd.)**

**(d) Financing and advances**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing				
- Syndicated term financing	170,104	198,901	-	-
- Islamic hire purchase/leasing	542	590	542	590
- Other term financing	49,580	44,972	49,580	44,972
	<u>220,226</u>	<u>244,463</u>	<u>50,122</u>	<u>45,562</u>
Less: Unearned income	(9,141)	(9,167)	(9,141)	(9,167)
Gross financing and advances	<u>211,085</u>	<u>235,296</u>	<u>40,981</u>	<u>36,395</u>
Less: Impairment allowances				
- Collective impairment allowance	(4,456)	(4,546)	(1,867)	(1,762)
- Individual impairment allowance	(1,014)	(2,736)	(1,014)	(2,736)
Total net financing and advances	<u>205,615</u>	<u>228,014</u>	<u>38,100</u>	<u>31,897</u>



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## 47. Islamic banking business (cont'd.)

## (d) Financing and advances (cont'd.)

## (i) By types

Group	Sale-based contract		Lease-based contract	Total financing and advances RM'000
	Commodity Murabahah RM'000	Bai Bithaman Ajil RM'000	Al-Ijarah Thumma Al-Bai RM'000	
<b>2017</b>				
Syndicated term financing	170,104	-	-	170,104
Deferred payment sales	-	35,964	-	35,964
Finance lease	-	-	5,017	5,017
	<u>170,104</u>	<u>35,964</u>	<u>5,017</u>	<u>211,085</u>
<b>2016</b>				
Syndicated term financing	198,901	-	-	198,901
Deferred payment sales	-	35,805	-	35,805
Finance lease	-	-	590	590
	<u>198,901</u>	<u>35,805</u>	<u>590</u>	<u>235,296</u>
Company	Sale-based contract		Lease-based contract	Total financing and advances RM'000
	Bai Bithaman Ajil RM'000	Al-Ijarah Thumma Al-Bai RM'000	Al-Ijarah Thumma Al-Bai RM'000	
<b>2017</b>				
Deferred payment sales	35,964	-	-	35,964
Finance lease	-	-	5,017	5,017
	<u>35,964</u>	<u>-</u>	<u>5,017</u>	<u>40,981</u>
<b>2016</b>				
Deferred payment sales	35,805	-	-	35,805
Finance lease	-	-	590	590
	<u>35,805</u>	<u>-</u>	<u>590</u>	<u>36,395</u>

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## 47. Islamic banking business (cont'd.)

## (d) Financing and advances (cont'd.)

## (ii) By contract

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Commodity Murabahah	170,104	198,901	-	-
Bai Bithaman Ajil (deferred)	35,964	35,805	35,964	35,805
Al-Ijarah Thumma Al-Bai (finance lease)	5,017	590	5,017	590
	<u>211,085</u>	<u>235,296</u>	<u>40,981</u>	<u>36,395</u>

## (iii) By types of customer

Domestic business enterprises	<u>211,085</u>	<u>235,296</u>	<u>40,981</u>	<u>36,395</u>
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## (iv) By profit rate sensitivity

Variable rate				
Cost Plus	170,104	198,901	-	-
Fixed rate				
Hire purchase receivables	542	590	542	590
Other fixed rate financing	40,439	35,805	40,439	35,805
	<u>211,085</u>	<u>235,296</u>	<u>40,981</u>	<u>36,395</u>

## (v) By economic sector

Mining and quarrying	86,200	88,730	-	-
Manufacturing	804	1,202	804	1,202
Wholesale & retail trade and restaurants & hotels	20,717	14,462	20,717	14,462
Transport, storage and communications	492	504	492	504
Finance, insurance and business services	66,200	84,352	14,852	15,902
Education, health and others	32,556	41,721	-	-
Others	4,116	4,325	4,116	4,325
	<u>211,085</u>	<u>235,296</u>	<u>40,981</u>	<u>36,395</u>

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## 47. Islamic banking business (cont'd.)

## (d) Financing and advances (cont'd.)

## (vi) By residual contractual maturity

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within one year	7,570	8,188	7,304	7,064
One year to five years	198,036	212,116	28,198	14,339
After five years	5,479	14,992	5,479	14,992
Gross loans, advances and financing	<u>211,085</u>	<u>235,296</u>	<u>40,981</u>	<u>36,395</u>

## (vii) Impaired financing and advances

## (a) Impaired financing and advances by economic sector:

	Group and Company	
	2017 RM'000	2016 RM'000
Manufacturing	324	373
Wholesale & retail trade and restaurants & hotels	1,954	1,954
Transport, storage and communications	280	218
Finance, insurance and business services	373	371
Others	418	418
	<u>3,349</u>	<u>3,334</u>

## (b) Movements in impaired financing accounts

	Group and Company	
	2017 RM'000	2016 RM'000
At 1 January	3,334	6,850
Impaired during the financial year	-	-
Amount written off	-	(3,442)
Amount recovered	15	(74)
At 31 December	<u>3,349</u>	<u>3,334</u>
Less: Individual impairment allowance	<u>(1,014)</u>	<u>(2,736)</u>
Net impaired financing and advances	<u>2,335</u>	<u>598</u>

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## 47. Islamic banking business (cont'd.)

## (d) Financing and advances (cont'd.)

## (vii) Impaired financing and advances (cont'd.)

## (b) Movements in impaired financing accounts (cont'd.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
As % of gross financing and advances less individual impairment allowance	1.11%	0.26%	5.84%	1.78%

## (c) Movements in impairment allowances

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Collective impairment allowance</b>				
At 1 January	4,546	6,034	1,762	1,541
Impairment (written back)/made during the financial year	(90)	(1,488)	105	221
At 31 December	4,456	4,546	1,867	1,762
As % of gross financing and advances less individual impairment allowance	2.12%	1.95%	4.67%	5.23%

	Group and Company	
	2017 RM'000	2016 RM'000
<b>Individual impairment allowance</b>		
At 1 January	2,736	2,251
Impairment made during the financial year	-	1,694
Impairment written back during the financial year	(1,722)	(230)
Amount written off	-	(964)
Discount unwind	-	(15)
At 31 December	1,014	2,736

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## 47. Islamic banking business (cont'd.)

## (e) Other assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit receivables	13,605	13,272	471	321
Others	378	927	365	282
Amount due from MIDF DFD				
Conventional	-	-	-	-
Amount due from MITI (SLSSS)	8,377	9,516	8,377	9,516
Amount due from Government				
Scheme Funds	5,490	9,157	5,490	9,157
Tax recoverable	3,315	858	3,315	858
	<u>31,165</u>	<u>33,730</u>	<u>18,018</u>	<u>20,134</u>

## (f) Deferred tax

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	3,257	4,610	423	370
Recognised in profit or loss (Note s)	312	(2,180)	25	53
Recognised in other comprehensive income	(868)	827	-	-
At 31 December	<u>2,701</u>	<u>3,257</u>	<u>448</u>	<u>423</u>

Presented after appropriate offsetting as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	<u>2,701</u>	<u>3,257</u>	<u>448</u>	<u>423</u>
	<u>2,701</u>	<u>3,257</u>	<u>448</u>	<u>423</u>

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**47. Islamic banking business (cont'd.)**

**(f) Deferred tax (cont'd.)**

The components and movements of deferred tax assets and liabilities prior to offsetting are as follows:

<b>Group</b>	<b>Revaluation of securities available- for-sale RM'000</b>	<b>Profit equalisation reserve RM'000</b>	<b>Other temporary differences RM'000</b>	<b>Total RM'000</b>
At 1 January 2016	1,781	2,233	596	4,610
Recognised in profit or loss	-	(2,233)	53	(2,180)
Recognised in other comprehensive income	827	-	-	827
At 31 December 2016	2,608	-	649	3,257
Recognised in profit or loss	-	-	312	312
Recognised in other comprehensive income	(868)	-	-	(868)
At 31 December 2017	1,740	-	961	2,701

<b>Company</b>	<b>Collective impairment allowance RM'000</b>
At 1 January 2016	370
Recognised in profit or loss	53
At 31 December 2016	423
Recognised in profit or loss	25
At 31 December 2017	448

**(g) Deposits from customers**

	<b>Group</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Non-Mudharabah Fund</b>		
<b>(i) By type of deposit</b>		
<b>Commodity Murabahah Fund</b>		
Term deposit	727,464	502,766
	<u>727,464</u>	<u>502,766</u>

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**47. Islamic banking business (cont'd.)**

**(g) Deposits from customers (cont'd.)**

	Group	
	2017	2016
	RM'000	RM'000
<b>(ii) By type of customers</b>		
<b>Commodity Murabahah Fund</b>		
Business enterprises	421,717	413,833
Government and statutory bodies	305,747	88,933
	<u>727,464</u>	<u>502,766</u>

**(iii) Maturity analysis**

	Group	
	2017	2016
	RM'000	RM'000
<b>The maturity structure of term deposits is as follows:</b>		
Due within six months	627,417	-
Six months to one year	100,047	502,766
	<u>727,464</u>	<u>502,766</u>

**(h) Deposits and placements of banks and other financial institutions**

	Group	
	2017	2016
	RM'000	RM'000
<b>(i) By type of deposit</b>		
<b>Commodity Murabahah Fund</b>		
Term deposits	852,676	553,439
	<u>852,676</u>	<u>553,439</u>

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**47. Islamic banking business (cont'd.)**

**(h) Deposits and placements of banks and other financial institutions (cont'd.)**

	Group	
	2017	2016
	RM'000	RM'000
<b>(ii) By type of customer</b>		
Commodity Murabahah Fund		
Other financial institutions	852,676	553,439
	<u>852,676</u>	<u>553,439</u>

**(i) Borrowings (unsecured)**

	Group and Company	
	2017	2016
	RM'000	RM'000
Funds from MITI (SLSSS-i)	<u>160,000</u>	<u>160,000</u>

The facility of RM200 million is provided to the Group and Company by MITI under SLSSS-i scheme and is based on the Shariah financing concept of Al-Qardhul Hassan. The funds are provided for the financing of eligible projects bearing profit rate of 4.0% and 5.0% per annum for SME and non-SME client respectively. The facility has a tenure of 15 years, including a grace period of 10 years which shall be calculated from the date of first disbursement of the fund. The facility is repayable by 5 annual installments on the first day of the subsequent month after the expiry of the grace period and every succeeding year thereafter.

As at 31 December 2017 and 2016, the Group and the Company have drawdown RM160 million from the facility.

**(j) Other liabilities**

	Group		Company	
	2017	2016	2017	2016
Note	RM'000	RM'000	RM'000	RM'000
Profit payable	29,582	19,847	19,874	16,130
Sundry creditors and accruals	14,680	3,633	9,051	2,821
Amount due to MIDF DFD Conventional	36,721	26,497	3,847	2,218
	<u>80,983</u>	<u>49,977</u>	<u>32,772</u>	<u>21,169</u>



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**47. Islamic banking business (cont'd.)**

**(k) Income derived from investment of depositors' funds and others**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income derived from investment of:				
(i) General investment deposits	79,739	63,109	-	-
(ii) Other deposits	62,746	54,213	40,403	34,293
	<u>142,485</u>	<u>117,322</u>	<u>40,403</u>	<u>34,293</u>

(i) Income derived from investment of general investment deposits

	Group	
	2017 RM'000	2016 RM'000
<b>Finance income and hibah</b>		
Securities available-for-sale		
- Profit on non-impaired securities	52,678	18,998
- Profit on impaired securities	2,717	-
Securities held-to-maturity	-	32,698
Money at call and deposit placements with financial institutions	3,798	1,729
	<u>59,193</u>	<u>53,425</u>
Accretion of discounts less amortisation of premiums	15,639	7,392
Total finance income and hibah	<u>74,832</u>	<u>60,817</u>

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**47. Islamic banking business (cont'd.)**

**(k) Income derived from investment of depositors' funds and others (cont'd.)**

(i) Income derived from investment of general investment deposits (cont'd.)

	Group	
	2017	2016
	RM'000	RM'000
<b>Other operating income</b>		
Net gain on sale of securities		
- Held-for-maturity	-	2,253
- Available-for-sale	4,907	39
	<u>4,907</u>	<u>2,292</u>
	<u>79,739</u>	<u>63,109</u>

(ii) Income derived from investment of other deposits

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing and advances				
- impaired	-	15	-	15
- non-impaired	9,110	18,483	1,492	1,343
Money at call and deposit placements with other financial institutions	1,209	1,199	1,209	1,199
	<u>10,319</u>	<u>19,697</u>	<u>2,701</u>	<u>2,557</u>
<b>Other operating income</b>				
Management fee from Government Scheme Funds	35,282	29,988	35,282	29,988
Fee income	15,831	3,478	1,113	753
Other income	1,314	1,050	1,307	995
	<u>52,427</u>	<u>34,516</u>	<u>37,702</u>	<u>31,736</u>
	<u>62,746</u>	<u>54,213</u>	<u>40,403</u>	<u>34,293</u>

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**47. Islamic banking business (cont'd.)**

**(l) Income attributable to depositors**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Commodity Murabahah Fund</b>		
- Deposits from customers	30,594	17,812
- Deposits and placements of banks and other financial institutions	20,399	16,208
	<u>50,993</u>	<u>34,020</u>
	<u>50,993</u>	<u>34,020</u>

**(m) Staff costs**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Wages, salaries and bonuses	1,774	1,458
Social security costs	9	8
Defined contributions plan	360	290
Other staff related expenses	78	84
	<u>2,221</u>	<u>1,840</u>

**(n) Other operating expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Establishment costs	647	500	-	14
Marketing expenses	18	19	-	-
Management fees	15,037	14,491	15,037	13,982
Administrative and general expenses	1,124	556	74	110
	<u>16,826</u>	<u>15,566</u>	<u>15,111</u>	<u>14,106</u>

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**47. Islamic banking business (cont'd.)**

**(o) Impairment losses (made)/written back on financing and advances**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Collective impairment allowance				
- Made in the financial year	(327)	(272)	(327)	(272)
- Written back in the financial year	417	1,760	222	51
Individual impairment allowance				
- Made in the financial year	-	(1,694)	-	(1,694)
- Written back in the financial year	1,722	230	1,722	230
Bad debts recovered on financing and advances	2,285	37	3	37
	<u>4,097</u>	<u>61</u>	<u>1,620</u>	<u>(1,648)</u>

**(p) Impairment losses written back on securities**

	Group	
	2017 RM'000	2016 RM'000
Securities available-for-sale (net)	<u>(10,241)</u>	<u>(719)</u>

**(q) Impairment loss written back/(made) on other assets**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Impairment loss written back/(made) on:				
Trade receivables	-	18	-	18
Other receivables	(410)	(716)	-	-
	<u>(410)</u>	<u>(698)</u>	<u>-</u>	<u>18</u>

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**47. Islamic banking business (cont'd.)**

**(r) Taxation**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax expense	15,536	13,445	6,029	4,683
Deferred tax expense				
Origination and reversal of temporary differences (Note g)	(313)	2,180	(25)	(53)
	<u>15,223</u>	<u>15,625</u>	<u>6,004</u>	<u>4,630</u>

**(s) Capital adequacy**

- (i) The capital adequacy ratios in respect of the Group and of the Company are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier 1 (CET1) Capital</b>				
Islamic capital fund	416,600	416,600	20,000	20,000
Securites available-for-sale reserve	(5,506)	(8,256)	-	-
Retained profits	207,248	221,974	20,369	13,552
	<u>618,342</u>	<u>630,318</u>	<u>40,369</u>	<u>33,552</u>
Less: Regulatory adjustments	(3,561)	(3,257)	(448)	(423)
Capital allocation	(3,783)	(2,780)	(3,783)	(2,780)
<b>Total CET1 Capital/ Tier 1 Capital/</b>	<u>610,998</u>	<u>624,281</u>	<u>36,138</u>	<u>30,349</u>
<b>Tier 2 Capital</b>				
Collective impairment allowance	966	1,298	274	411
<b>Total Tier 2 Capital</b>	<u>966</u>	<u>1,298</u>	<u>274</u>	<u>411</u>
<b>Total Capital</b>	<u>611,964</u>	<u>625,579</u>	<u>36,412</u>	<u>30,760</u>
CET 1 Capital	62.024%	82.947%	23.045%	21.540%
Tier 1 Capital	62.024%	82.947%	23.045%	21.540%
Total Capital	62.122%	83.119%	23.220%	21.831%

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**47. Islamic banking business (cont'd.)**

**(t) Capital adequacy (cont'd.)**

- (ii) Breakdown of gross risk-weighted assets of the Group and of the Company are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total risk-weighted assets for credit risk	837,708	623,386	90,992	86,192
Total risk-weighted assets equivalent for market risk	-	-	-	-
Total risk-weighted assets equivalent for operational risk	147,396	129,242	65,821	54,706
	<u>985,104</u>	<u>752,628</u>	<u>156,813</u>	<u>140,898</u>