

# THE FINANCIAL

Financial Overview and Analysis	117
Report of The Auditor General	120
Statement by Chairman and a Board Member as Trustees	124
Declaration by The Officer Primarily Responsible for The Financial Management Employees Provident Fund	125
Statement of Financial Position as at 31 December 2019	126
Statement of Comprehensive Income for The Year Ended 31 December 2019	128
Statement of Changes in Net Assets Attributable to Members for The Year Ended 31 December 2019	132
Statement of Changes in Equity for The Year Ended 31 December 2019	134
Statements of Cash Flows for The Year Ended 31 December 2019	135
Notes to The Financial Statements for The Year Ended 31 December 2019	138
EPF Properties in Malaysia	321
Glossary	322

# FINANCIAL OVERVIEW AND ANALYSIS

## FINANCIAL RESULTS

### Gross Investment Income

The EPF recorded gross investment income of RM39.20 billion, RM5.99 billion or 18% higher than RM33.21 billion posted in 2018. From the total gross investment income, RM21.60 billion or 55% was contributed by Interest and Profit on Investments, RM12.41 billion or 32% contributed by Dividend on Investment, RM3.13 billion or 8% contributed by Capital Gain from Disposal of Investments and RM2.06 billion or 5% contributed by Other Investment Income.

As a retirement saving fund that focuses on capital preservation of members' savings, EPF investment income is driven by the consistent and steady stream of Interest and Profit from its investments in 2019, which recorded RM21.60 billion; increased by RM1.58 billion or 8% from RM20.02 billion recorded in 2018. EPF investment also focuses on stable dividend paying companies in 2019, which contributed RM12.41 billion from the total income, increased by 4% compared to figures recorded in 2018. The growth of investment income from interest, profit and dividend was mainly driven by the increasing EPF investment asset size.

Capital Gain from Disposal of Investments increased by more than 100% or RM1.75 billion compared to the figure recorded in 2018. The increase was contributed by higher capital gain from bonds portfolio, from both valued at Amortized Cost and Fair Value through Other Comprehensive Income, due to the drop in yield across the globe especially in United States and Malaysia.

In 2019, due to the movement of Malaysian Ringgit against other currencies, EPF investment recorded Net Realised Foreign Exchange Loss of RM241.80 million and Net Unrealised Foreign Exchange Loss of RM178.33 million. Combined, the figures are Net Foreign Exchange Loss of RM420.13 million or represents -1% of the total Gross Investment Income.

For EPF financial asset valued at Fair Value through Profit and Loss, EPF posted Net Realised Gain of RM1.04 billion and Net Unrealised Gain of RM1.30 billion. The combined figures at RM2.34 billion represents 6% of the total Gross Investment Income and attributed to the improvement of mark-to-market value of the underlying assets.

In term of breakdown between Simpanan Konvensional and Simpanan Syariah for Gross Investment Income, RM35.59 billion is attributed to Simpanan Konvensional while the balance of RM3.61 billion is attributed to Simpanan Syariah.

### Other Income

Other Income decreased by 10% to RM170.92 million from RM189.65 million in 2018. The decreased were mainly due to higher Gain on Disposal of EPF's properties in 2018 compared to current year. Also contribute the decreased were Dividend collected from employers on Contribution paid late by RM3.27 million. Increase in miscellaneous income by RM5.81 million which mainly from payment received on insurance claims for KWSP Petaling Jaya Building and service fees charged by RM5.50 million.

## Operating Expenditure

In 2019, EPF's Operating Expenditure decreased by 3% to RM1,367.95 million as compared to RM1,410.90 million in 2018. The decrease was primarily contributed by Staff Costs by RM106.76 million, mainly due to payment for the Career Transformation Plan 2.0 (CTP) totalling RM115.00 million. Meanwhile, there were rise in Employee Benefits of RM51.40 million was a result of the revision made on provision for medical cost and gratuity to retirees for CTP which partially offset such decrease.

### Salaries, Allowances and Staff Costs

Staff Costs decreased by 9% to RM1,031.47 million, as compared with RM1,138.23 million in 2018 due to the Career Transformation Plan 2.0 (CTP) payment made to 269 employees totalling RM115.00 million in 2018. The decrease was set off by the increase in annual salary increment, training cost as well as medical expenses.

### Depreciation and Amortisation Charges

Depreciation and amortisation charges comprises depreciation on property, plant and equipment, investment properties, right-of-use assets as well as amortisation of intangible assets and prepaid land lease. For the financial year ended 31 December 2019, depreciation and amortisation charges increased by 9% to RM96.40 million, as compared to RM88.87 million in the preceding year. This was due to introduction of depreciation of right-of-use assets amounting of RM8.53 million as a result of the implementation of MFRS 16 - Leases in 2019.

## FINANCIAL OVERVIEW AND ANALYSIS

### Repair and Maintenance Costs

Repair and Maintenance costs include repair and maintenance of computer equipment, buildings, cleaning costs as well as utility charges. For the financial year ended 31 December 2019, repair and maintenance costs increased by 2% to RM88.64 million, as compared with RM86.92 million in the preceding year. Such rise was primarily due to higher repair and maintenance cost on computer equipment by RM4.03 million and cleaning costs for owned and rent premises by RM0.85 million, which partially offset by the drop in repair and maintenance of electrically supplies & building machinery for owned and rent premises by RM2.22 million and RM1.09 million respectively.

### Statutory Charges

Statutory charges consist of payment of Death Benefits and Incapacitation Benefits to beneficiaries and members under Sections 58(1) and 58(2) respectively as well as Invocation Cost under Section 50(3) of the EPF Act, 1991, which was recognised during the year. The decrease of 2% from RM71.05 million compared to RM72.40 million in 2018 due to the decrease in payment of Invocation Cost under Section 50(3) of the EPF Act, 1991 in 2019 amounting to RM4.08 million compared to 2018.

### Net Profit Attributable to Members

EPF recorded a net profit attributable to members of RM36.78 billion in 2019. The allocation to Simpanan Konvensional and Simpanan Shariah were RM33.54 billion and RM3.24 billion respectively. The allocation was applying ratios as below:

#### Members' Saving Ratio (MSR)

**9.79%**

#### Shariah Income Ratio (SIR)

**25.02%**

#### Shariah Asset Ratio (SAR)

**39.07%**

#### Opt-In Ratio (OIR)

**0.44%**

On the EPF's exposure to low-risk and steady income-generating assets, namely the assets categorised as Investment Asset at Amortised Cost (AC) and Loans, Advances and Financing stood at RM305.19 billion or 34% and RM59.52 billion or 6% respectively. For AC assets, the breakdown between Conventional and Shariah Asset is RM191.50 billion and RM113.69 billion respectively while for the Loans, Advances and Financing, the breakdown between Conventional and Shariah Asset is RM52.18 billion and RM7.34 billion respectively.

In 2019, additional investments were also made into our subsidiaries, associates companies and joint ventures particularly into the foreign inflation-linked asset class. Cumulatively, the holdings in both subsidiaries, associates and joint ventures companies stood at RM39.12 billion or 4% of the total investments, an increase of RM2.62 billion or 7% from RM36.50 billion in 2018. The amount comprises of Conventional Asset amounting to RM33.05 billion and Shariah Asset amounting to RM6.07 billion.

There was a 30% or RM12.69 billion increase in Deposit with Financial Institution which brings the deposit amount to RM54.70 billion or 6% from EPF total Investment Assets.

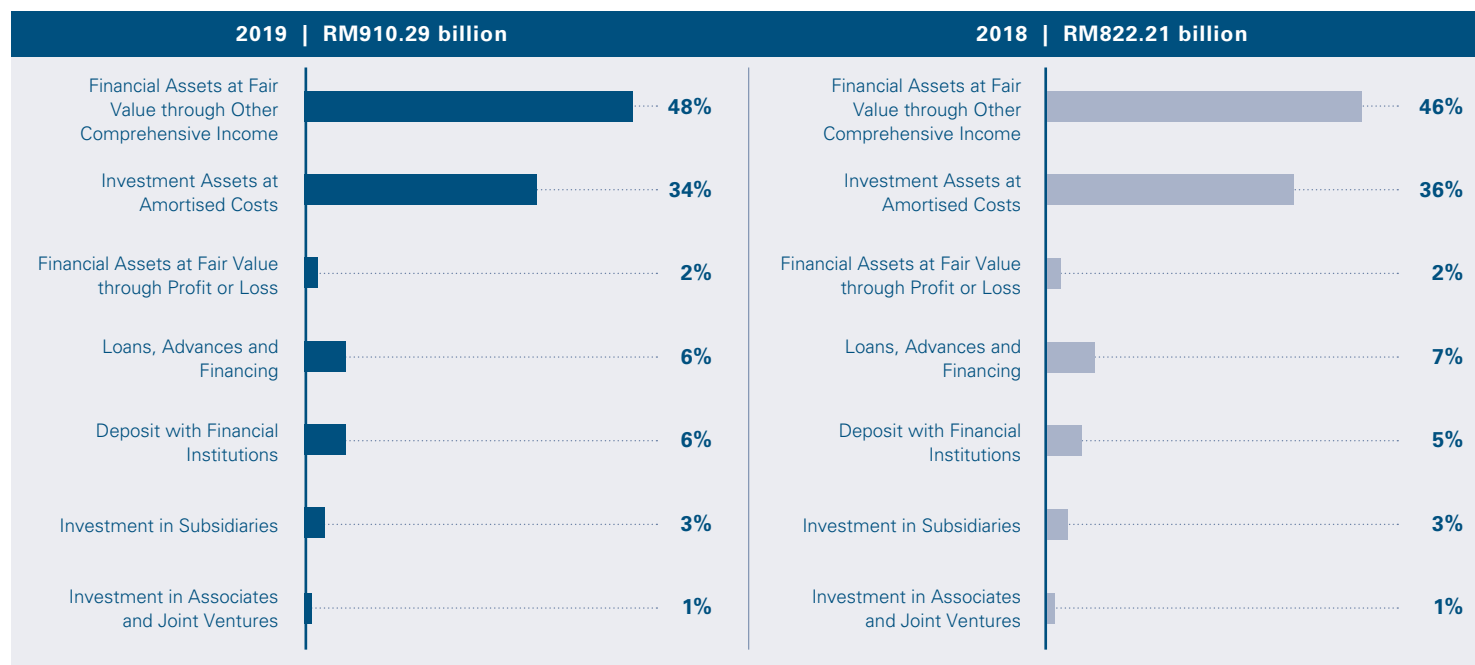
## FINANCIAL POSITION

### Investment Assets

As at December 2019, the values of Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) stood at RM434.13 billion or 48% of the total investment assets, increased by RM59.72 billion or 16% compared to 2018. The Financial Assets at Fair Value through Other Comprehensive Income (FVOCI), which mainly made up of listed equity investment, comprises of Conventional Asset amounting to RM248.94 billion and Shariah Asset amounting to RM185.19 billion.

Other investment Assets are Financial Assets at Fair Value through Profit or Loss, Investment Property and Asset Held-For-Sale amounting to RM16.40 billion, RM1.16 billion and RM0.07 billion respectively.

## FINANCIAL OVERVIEW AND ANALYSIS



### Liabilities

Total liabilities reduced by 29% to RM3.01 billion from RM4.23 billion in 2018, primarily due to maturity of forward currency translation contract in 2019 and lower accruals on the purchase of investment instruments at close year end.

### Payables and Accrued Liabilities

As at 31 December 2019, the EPF's payables and accrued liabilities of RM2.04 billion was reduced by 26% compared with RM2.75 billion as of 31 December 2018. Such decrease was a result of mainly due to lower purchases of global and domestic equities close to year end.

### Contributions

Cumulative contributions stood at RM916.59 billion as at 31 December 2019, indicating a growth of 9% or RM76.95 billion, from the closing balance of RM839.64 billion as of 2018. Simpanan Konvensional recorded cumulative contributions amounting to

RM827.39 billion while Simpanan Shariah amounting to RM89.20 billion. Members' cumulative savings in the Contribution Account, as reflected in the Statement of Financial Position, grew as employers' contributions exceeded the total paid in withdrawals to members and beneficiaries, resulting in a consistent net cash inflow throughout the year.

### Collection during the Year

In 2019, a total of RM72.81 billion was collected from employers, as opposed to RM68.73 billion in the preceding year. This represented an increase of RM4.08 billion or 6%, consistent with higher growth in the number of active members. On average, approximately RM6.07 billion was collected per month in 2019.

### Withdrawals and Refunds during the Year

Total withdrawals and refunds in 2019 amounted to RM44.80 billion comprises of RM37.57 billion for Simpanan Konvensional

while Simpanan Shariah RM7.23 billion, compared with RM47.62 billion in the previous year. This represent a decrease of RM2.82 billion, or 6% mainly from Member Investment Withdrawal Scheme. Details of withdrawals are provided in the Statistics section of this Annual Report. On average, approximately RM3.73 billion was paid to members and beneficiaries per month in the current year.

### Net Assets Attributable to Members

Net Assets Attributable to Members stood at RM8.30 billion as at 31 December 2019, comprising RM1.59 billion in Cumulative Surplus and RM6.71 billion in Financial Assets at Fair Value through Other Comprehensive Income Reserves. This marked an increase of RM15.63 billion, or more than 100%, from the Net Assets Attributable to Members of -RM7.33 billion in 2018, in line with the increasing balance in respect of Financial Assets at Fair Value through Other Comprehensive Income Reserves as at 31 December 2019 due to uptrend performance in the stock market.



**CERTIFICATE OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
EMPLOYEES PROVIDENT FUND  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Certificate on the Audit of the Financial Statements**

**Opinion**

The financial statements of the Employees Provident Fund which comprise the Statement of Financial Position as at 31 December 2019 of the Group and of the Employees Provident Fund, and the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Members, Statement of Changes in Equity and Statements of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, have been audited by my representative.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Employees Provident Fund as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards (MFRS) and Employees Provident Fund Act 1991(Act 452).

**Basis for Opinion**

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

## **Independence and Other Ethical Responsibilities**

I am independent of the Group and of the Employees Provident Fund and I have fulfilled our other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

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

The Board of the Employees Provident Fund is responsible for the other information in the Annual Certificate. My opinion on the Financial Statements of the Group and of the Employees Provident Fund does not cover the other information than the financial statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

## **Responsibilities of the Board for the Financial Statements**

The Board is responsible for the preparation of Financial Statements of the Group and of the Employees Provident Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards (MFRS) and Employees Provident Fund Act 1991(Act 452). The Board is also responsible for such internal control as it is necessary to enable the preparation of the Financial Statements of the Group and of the Employees Provident Fund that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Group and of the Employees Provident Fund, the Board is responsible for assessing the Group's and the Employees Provident Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Employees Provident Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with The International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the Financial Statements of the Group and of the Employees Provident Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Employees Provident Fund's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- d. Conclude on the appropriateness of the Board's 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 Employees Provident Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I have to draw attention in my Auditor's Certificate to the related disclosures in the Financial Statements of the Group and of the Employees Provident Fund or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate.
- e. Evaluate the overall presentation of the Financial Statements of the Group and of the Employees Provident Fund, including the disclosures and whether the Financial Statements of the Group and of the Employees Provident Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Financial Statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

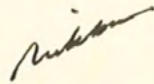
We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Certificate on Other Legal and Regulatory Requirements**

In accordance with the requirements of Employees Provident Fund Act 1991 (Act 452), I report that the subsidiaries, of which I have not acted as auditor, are disclosed in Note 40 to the Financial Statements.

### **Other Matters**

This certificate is made solely for the Board in accordance with Employees Provident Fund Act 1991 (Act 452) and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.



**(DATUK NIK AZMAN NIK ABDUL MAJID)**  
AUDITOR GENERAL  
MALAYSIA

PUTRAJAYA  
5 OCTOBER 2020



## STATEMENT BY CHAIRMAN AND A BOARD MEMBER AS TRUSTEES

We, **TAN SRI AHMAD BADRI BIN MOHD ZAHIR** and **KHALID BIN SUFAT** as the Chairman and a member of the Board, as representatives of the Trustee of the **EMPLOYEES PROVIDENT FUND**, do hereby state that, in the opinion of the Board, the accompanying Financial Statements which includes the Statements of Financial Position, Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Members, Statements of Changes in Equity and Statements of Cash Flows, as follows together with the Notes to The Financial Statements are drawn up so as to give a true and fair view of the state of affairs of the **EMPLOYEES PROVIDENT FUND** as at 31 December 2019, the results of its operations and changes in financial position for the year ended on that date.

On behalf of the Board,



NAME : **TAN SRI AHMAD BADRI BIN MOHD ZAHIR**  
TITLE : CHAIRMAN OF EPF  
DATE : 5 OCTOBER 2020  
PLACE : KUALA LUMPUR

On behalf of the Board,



NAME : **KHALID BIN SUFAT**  
TITLE : A BOARD MEMBER OF EPF  
DATE : 5 OCTOBER 2020  
PLACE : KUALA LUMPUR

# DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT EMPLOYEES PROVIDENT FUND

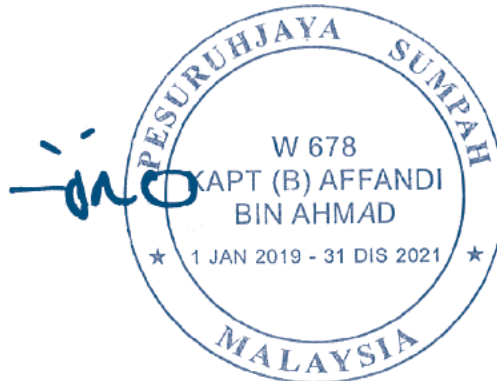
I, **SAZALIZA BIN ZAINUDDIN**, as a representative of the Trustee and an officer primarily responsible for the financial management of the **EMPLOYEES PROVIDENT FUND** do solemnly and sincerely declare that the accompanying Financial Statements which includes the Statements of Financial Position, Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Members, Statements of Changes in Equity and Statements of Cash Flows, in the following financial position together with the Notes to The Financial Statements to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and ]  
solemnly declared by ]  
the abovenamed in ]  
KUALA LUMPUR ]  
on 5 OCTOBER 2020 ]



SAZALIZA BIN ZAINUDDIN

Before me,



COMMISSIONER FOR OATHS

No. 86, Jalan Putra  
50350 Kuala Lumpur

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	GROUP		
		31 DECEMBER 2019 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)	RESTATED 1 JANUARY 2018 (RM'000)
<b>ASSETS</b>				
Cash and Bank Balances		<b>16,914,803</b>	14,892,306	21,755,804
Deposit with Financial Institutions	3	<b>57,117,886</b>	46,385,338	36,077,790
Receivables, Deposits and Prepayments	4	<b>3,734,695</b>	3,414,366	3,608,729
Loans, Advances and Financing	5	<b>94,816,688</b>	93,678,506	85,337,988
Financial Assets at Fair Value through Profit or Loss	6	<b>17,368,522</b>	16,967,147	23,086,171
Financial Assets at Fair Value through Other Comprehensive Income	7	<b>447,381,972</b>	381,579,319	385,752,528
Investment Assets at Amortised Cost	8	<b>304,326,067</b>	291,154,477	270,270,319
Investment in Joint Ventures	9	<b>3,352,289</b>	2,965,158	3,080,190
Investment in Associates	10	<b>16,822,850</b>	15,595,301	16,662,724
Assets Held for Sale	12	<b>662,200</b>	66,583	213,425
Inventories	13	<b>3,116,443</b>	3,140,136	1,759,360
Prepaid Land Lease	14	-	52,440	55,285
Intangible Assets	15	<b>318,406</b>	292,339	35,362
Investment Properties	16	<b>23,930,684</b>	23,514,203	23,218,301
Right-of-Use Assets	17	<b>273,781</b>	-	-
Property, Plant and Equipment	18	<b>566,392</b>	555,404	402,094
Deferred Tax Assets	19	<b>65,235</b>	41,240	41,459
		<b>990,768,913</b>	894,294,263	871,357,529
<b>EQUITY</b>				
Non-Controlling Interests		<b>3,634,717</b>	3,444,215	3,093,629
<b>LIABILITIES</b>				
Contribution Withdrawal Payables		<b>16,126</b>	15,511	16,991
Payable and Accrued Liabilities	20	<b>4,828,799</b>	5,884,583	5,255,702
Deposits and Advances	21	<b>34,398,206</b>	32,183,025	33,000,453
Lease Liabilities	17	<b>503,153</b>	-	-
Financial Liabilities at Fair Value through Profit or Loss	6	<b>371,880</b>	992,789	492,121
Loans and Overdrafts	22	<b>18,126,680</b>	15,827,980	15,636,116
Provision for Taxation		<b>26,408</b>	63,561	50,495
Employee Benefits	23	<b>346,114</b>	321,810	341,714
Deferred Tax Liabilities	19	<b>225,342</b>	80,168	31,830
		<b>58,842,708</b>	55,369,427	54,825,422
<b>Net Assets Attributable to Members</b>				
Contribution		<b>916,586,744</b>	839,642,921	768,508,567
Cumulative Surplus and Reserves		<b>11,704,744</b>	(4,162,300)	44,929,911
	24	<b>928,291,488</b>	835,480,621	813,438,478
		<b>990,768,913</b>	894,294,263	871,357,529

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

## STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	EPF		
		31 DECEMBER 2019 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)	RESTATED 1 JANUARY 2018 (RM'000)
<b>ASSETS</b>				
Cash and Bank Balances		14,668,712	12,167,214	18,938,977
Deposit with Financial Institutions	3	54,701,006	42,011,917	27,619,830
Receivables, Deposits and Prepayments	4	2,324,529	1,626,967	2,477,335
Loans, Advances and Financing	5	59,769,327	59,378,178	61,851,753
Financial Assets at Fair Value through Profit or Loss	6	16,398,018	16,407,036	13,037,988
Financial Assets at Fair Value through Other Comprehensive Income	7	434,132,954	374,405,679	382,057,883
Investment Assets at Amortised Cost	8	305,190,360	292,486,626	270,779,049
Investment in Joint Ventures	9	1,666,000	1,666,000	1,666,000
Investment in Associates	10	11,259,846	11,052,696	11,044,130
Investment in Subsidiaries	11	26,195,205	23,781,586	22,069,350
Assets Held for Sale	12	75,666	66,389	265,985
Prepaid Land Lease	14	-	47,178	49,862
Intangible Assets	15	29,818	26,957	20,731
Investment Properties	16	1,157,023	1,194,154	1,287,196
Right-of-Use Assets	17	105,374	-	-
Property, Plant and Equipment	18	221,092	223,612	226,277
		<b>927,894,930</b>	836,542,189	813,392,346
<b>LIABILITIES</b>				
Contribution Withdrawal Payables		16,126	15,511	16,991
Payable and Accrued Liabilities	20	2,043,029	2,753,654	2,139,722
Deposits and Advances	21	297,151	241,758	209,896
Lease Liabilities	17	60,523	-	-
Financial Liabilities at Fair Value through Profit or Loss	6	249,901	899,050	317,689
Employee Benefits	23	346,114	321,810	341,714
		<b>3,012,844</b>	4,231,783	3,026,012
<b>Net Assets Attributable to Members</b>				
Contribution		916,586,744	839,642,921	768,508,567
Cumulative Surplus and Reserves		8,295,342	(7,332,515)	41,857,767
	24	<b>924,882,086</b>	832,310,406	810,366,334
		<b>927,894,930</b>	836,542,189	813,392,346

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	GROUP	
		31 DECEMBER 2019 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)
<b>INCOME</b>			
Gross Investment Income	25	41,262,777	37,163,619
Investment Expenditures	26	(1,529,052)	(1,361,670)
Net Impairment on Financial Investment Assets	27	(132,074)	(41,842)
Net Write-back of Impairment/(Impairment) on Investment in Subsidiaries, Associates and Joint Ventures	28	5,082	(14,008)
Net Investment Income		39,606,733	35,746,099
Other Income	29	239,336	966,709
<b>Total Income</b>		39,846,069	36,712,808
Operating Expenditures	30	(4,394,852)	(4,773,862)
Statutory Charges	31	(71,050)	(72,396)
<b>Total Expenditures</b>		(4,465,902)	(4,846,258)
<b>Net Profit</b>		35,380,167	31,866,550
Share of Profit/(Loss) in Associates and Joint Ventures		858,396	(90,629)
Net Profit before Tax and Zakat		36,238,563	31,775,921
Tax and Zakat	32	(312,420)	(312,354)
<b>Net Profit after Tax and Zakat</b>		35,926,143	31,463,567
<b>Net Profit Attributable to Members</b>	24.2	(35,673,812)	(31,536,579)
Profit/(Loss) for the Group (Attributable to Non-Controlling Interest)		252,331	(73,012)

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	GROUP	
		31 DECEMBER 2019	RESTATED 31 DECEMBER 2018
		(RM'000)	(RM'000)
<b>Other Comprehensive Income/(Loss):</b>			
<b>Items that will not be reclassified subsequently to Profit or Loss</b>			
Adjustment on Employee Benefits for the Financial Year	23	-	(3,879)
Net Unrealised Gain/(Loss) on Fair Value Revaluation on Investment in Equity Instruments at Fair Value through Other Comprehensive Income	24.3	10,310,879	(49,801,894)
Shariah Non-Compliant Income on Excess Gain of Securities which are reclassified from Shariah to Conventional	33.4	1,592	10,410
Net Realised Gain on Investment in Equity Instruments at Fair Value through Other Comprehensive Income	24.2	11,705,457	18,214,809
Income Tax Paid Relating to the Global Investments	24.2	(118,305)	(247,340)
		<b>21,899,623</b>	<b>(31,827,894)</b>
<b>Items that may be reclassified subsequently to Profit or Loss</b>			
Net Unrealised Gain/(Loss) on Fair Value Revaluation on Investment in Debt Instruments at Fair Value through Other Comprehensive Income	24.3	3,632,781	(2,280,693)
Changes in the Fair Value of Debt Instruments at Fair Value through Other Comprehensive Income Reclassified to Profit or Loss on Disposal		(57,246)	1,925,528
Loss Allowance on Investment in Debt Instruments at Fair Value through Other Comprehensive Income		(14,258)	132,867
Foreign Currency Translation Differences		502,973	(567,556)
Net Movement on Cash Flow Hedging Derivatives		(30,715)	52,229
Share of Other Comprehensive Income/(Loss) from Associates and Joint Ventures		399,069	(333,450)
		<b>4,432,604</b>	<b>(1,071,075)</b>
<b>Total Other Comprehensive Income/(Loss) before Attributable to Members</b>		<b>26,332,227</b>	<b>(32,898,969)</b>
<b>Amount Attributable to Members</b>		<b>(26,294,225)</b>	<b>32,885,131</b>
Other Comprehensive Income/(Loss) for the Group (Attributable to Non-Controlling Interest)		38,002	(13,838)
<b>Total Comprehensive Income/(Loss) for the Group (Attributable to Non-Controlling Interest)</b>		<b>290,333</b>	<b>(86,850)</b>

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	EPF	
		RESTATED	
		31 DECEMBER 2019 (RM'000)	31 DECEMBER 2018 (RM'000)
<b>INCOME</b>			
Gross Investment Income	25	<b>39,197,556</b>	33,210,866
Investment Expenditures	26	<b>(1,064,404)</b>	(987,518)
Net Impairment on Financial Investment Assets	27	<b>(50,899)</b>	6,597
Net Impairment on Investment in Subsidiaries, Associates and Joint Ventures	28	<b>(37,882)</b>	(32,981)
Net Investment Income		<b>38,044,371</b>	32,196,964
Other Income	29	<b>170,918</b>	189,651
<b>Total Income</b>		<b>38,215,289</b>	32,386,615
Operating Expenditures	30	<b>(1,367,954)</b>	(1,410,902)
Statutory Charges	31	<b>(71,050)</b>	(72,396)
<b>Total Expenditures</b>		<b>(1,439,004)</b>	(1,483,298)
<b>Net Profit Attributable to Members</b>	24.2	<b>36,776,285</b>	30,903,317

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	EPF	
		31 DECEMBER 2019 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)
<b>Other Comprehensive Income/(Loss):</b>			
<b><u>Items that will not be reclassified subsequently to Profit or Loss</u></b>			
Adjustment on Employee Benefits for the Financial Year	23	-	(3,879)
Net Unrealised Gain/(Loss) on Fair Value Revaluation on Investment in Equity Instruments at Fair Value through Other Comprehensive Income	24.3	<b>9,962,465</b>	(50,165,173)
Shariah Non-Compliant Income on Excess Gain of Securities which are reclassified from Shariah to Conventional	33.4	<b>1,592</b>	10,410
Net Realised Gain on Investment in Equity Instruments at Fair Value through Other Comprehensive Income	24.2	<b>11,705,457</b>	18,214,809
Income Tax Paid Relating to the Global Investments	24.2	<b>(118,305)</b>	(247,340)
		<b>21,551,209</b>	(32,191,173)
<b><u>Items that may be reclassified subsequently to Profit or Loss</u></b>			
Net Unrealised Gain/(Loss) on Fair Value Revaluation on Investment in Debt Instruments at Fair Value through Other Comprehensive Income	24.3	<b>3,633,635</b>	(2,297,962)
Changes in the Fair Value of Debt Instruments at Fair Value through Other Comprehensive Income Reclassified to Profit or Loss on Disposal	24.3	<b>(201,610)</b>	1,925,528
Loss Allowance on Investment in Debt Instruments at Fair Value through Other Comprehensive Income	24.3	<b>(14,088)</b>	132,867
		<b>3,417,937</b>	(239,567)
Total Other Comprehensive Gain/(Loss) Attributable to Members		<b>24,969,146</b>	(32,430,740)
Increase/(Decrease) in Net Assets Attributable to Members		<b>61,745,431</b>	(1,527,423)

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

# STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS

for the year ended 31 December 2019

	Note	GROUP	
		2019 (RM'000)	RESTATED 2018 (RM'000)
At 1 January	a	835,480,621	813,438,478
<b>Add/(Less):</b>			
Increase/(Decrease) in Net Assets Attributable to Members		61,968,037	(1,348,552)
Contribution Received and Adjustments for the Financial Year		75,928,078	71,466,971
Contributions Withdrawals and Refunds		(44,803,394)	(47,620,251)
Dividend on Contribution Withdrawals		(294,694)	(344,345)
Adjustments of Contributions with Incomplete Information (CTML) and Reject Cases		(3,741)	(30,880)
Net Asset Movement from Changes in Equity Holdings in Subsidiaries		16,581	(51,705)
Movement in Other Reserves of Subsidiaries		-	(29,095)
<b>At 31 December</b>	a, 24	<b>928,291,488</b>	835,480,621

- a. The balance amounting to RM813,438.48 million being the net assets attributable to members as at 1 January 2018 is the restated amount after the initial adoption of MFRS 9 on 1 January 2018. Prior to the adoption of MFRS 9, the closing balance of net assets attributable to members as at 31 December 2017 amounted to RM814,321.39 million.

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS**

for the year ended 31 December 2019

	Note	EPF	
		2019 (RM'000)	RESTATED 2018 (RM'000)
At 1 January	a	<b>832,310,406</b>	810,366,334
<b>Add/(Less):</b>			
Increase/(Decrease) in Net Assets Attributable to Members		<b>61,745,431</b>	(1,527,423)
Contribution Received and Adjustments for the Financial Year		<b>75,928,078</b>	71,466,971
Contributions Withdrawals and Refunds		<b>(44,803,394)</b>	(47,620,251)
Dividend on Contribution Withdrawals		<b>(294,694)</b>	(344,345)
Adjustments of Contributions with Incomplete Information (CTML) and Reject Cases		<b>(3,741)</b>	(30,880)
<b>At 31 December</b>	a,24	<b>924,882,086</b>	832,310,406

- a. The balance amounting to RM810,366.33 million being the net assets attributable to members as at 1 January 2018 is the restated amount after the initial adoption of MFRS 9 on 1 January 2018. Prior to the adoption of MFRS 9, the closing balance of net assets attributable to members as at 31 December 2017 amounted to RM810,399.33 million.

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	GROUP	
	2019 (RM'000)	RESTATED 2018 (RM'000)
At 1 January	3,444,215	3,093,629
<b>Add/(Less):</b>		
Increase/(Decrease) in Net Assets Attributable to Non-Controlling Interests	290,333	(86,850)
Net Asset Movement from Changes in Equity Holdings in Subsidiaries	47,878	577,595
Dividend Credited to Non-Controlling Interests	(147,709)	(140,159)
<b>At 31 December</b>	<b>3,634,717</b>	3,444,215

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

	Note	GROUP		EPF	
		RESTATED		RESTATED	
		2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net Profit before Tax and Zakat		<b>36,238,563</b>	31,775,921	<b>36,776,285</b>	30,903,317
<i>Adjustment for:</i>					
Share of (Profit)/Loss in Associates and Joint Ventures		<b>(858,396)</b>	90,629	-	-
Net Unrealised (Gain)/Loss on Foreign Exchange	25	<b>776,904</b>	165,254	<b>178,327</b>	128,540
Net Unrealised Gain on Financial Assets at Fair Value through Profit or Loss	25	<b>(1,599,256)</b>	(1,094,044)	<b>(1,301,073)</b>	(183,309)
Net Impairment on Deposit with Financial Institutions	27	<b>(165)</b>	205	<b>619</b>	(139)
Net Impairment on Rent Receivables	27	<b>20</b>	(2,373)	<b>20</b>	(2,373)
Net Impairment on Loans, Advances and Financing	27	<b>80,646</b>	177,449	<b>(24,641)</b>	23,426
Net Impairment on Financial Assets at Fair Value through Other Comprehensive Income	27	<b>13,453</b>	23,016	<b>13,621</b>	27,375
Net Impairment on Investment Assets at Amortised Cost	27	<b>67,851</b>	(54,250)	<b>61,280</b>	(54,886)
Net Impairment on Commitments and Contingencies	20,27	<b>(29,731)</b>	(102,205)	-	-
Net Impairment on Investment in Subsidiaries, Associates and Joint Ventures	28	<b>(5,082)</b>	14,008	<b>37,882</b>	32,981
Gain on Disposal of Foreclosed Properties	29	<b>(7,109)</b>	-	-	-
Loss/(Gain) on Disposal of Assets Held for Sale	29	<b>4</b>	(13,464)	-	(21,557)
Loss on Disposal of Right-of-Use Assets	29	<b>3,938</b>	-	-	-
Gain on Disposal of Investment Properties	29	-	(642,288)	-	-
Loss on Disposal of Property, Plant and Equipment	29	<b>842</b>	148	<b>842</b>	148
Employee Benefits	23,30	<b>38,178</b>	(13,220)	<b>38,178</b>	(13,220)
Amortisation of Prepaid Land Lease	14,30	-	659	-	498
Amortisation of Intangible Assets	15,30	<b>36,992</b>	47,837	<b>12,782</b>	14,753
Depreciation of Investment Properties	16,30	<b>321,770</b>	793,145	<b>35,581</b>	35,536
Depreciation of Right-of-Use Assets	17a,30	<b>17,882</b>	-	<b>8,534</b>	-
Depreciation of Property, Plant and Equipment	18,30	<b>50,226</b>	60,936	<b>39,503</b>	38,085
Net Impairment on Investment Properties	16,30	<b>(8,334)</b>	2,057	-	(6,497)
Net Impairment on Other Receivables	30	<b>72,225</b>	52,845	<b>(161)</b>	563
Write-Off/Net Losses	30	<b>115</b>	84	<b>59</b>	84
Adjustment from Account Work in Progress to Profit or Loss	18	<b>14,223</b>	15,428	<b>14,223</b>	15,428
Dividend Income from Subsidiaries		-	-	<b>(766,478)</b>	(1,087,029)
Dividend Income from Associates and Joint Ventures		<b>(237,670)</b>	(220,500)	<b>(693,317)</b>	(609,005)
Interest Income from Financial Assets		<b>(24,121,523)</b>	(22,230,683)	<b>(21,602,690)</b>	(20,022,313)
Profit Expense on Lease Liabilities	17b,30	<b>12,228</b>	-	<b>2,468</b>	-
Amortisation of Loan Acquisition Costs		<b>16,973</b>	18,618	-	-
		<b>10,895,767</b>	8,865,212	<b>12,831,844</b>	9,220,406

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

	Note	GROUP		EPF	
		2019 (RM'000)	RESTATED 2018 (RM'000)	2019 (RM'000)	RESTATED 2018 (RM'000)
<b>(Increase)/Decrease in Operating Assets:</b>					
Deposit with Financial Institutions		<b>(20,557,634)</b>	(15,657,328)	<b>(20,563,862)</b>	(14,419,225)
Loans, Advances and Financing		<b>(704,042)</b>	12,551,560	<b>(366,508)</b>	11,941,762
Receivables, Deposits and Prepayments		<b>(918,520)</b>	397,319	<b>(697,479)</b>	789,713
Tax Receivable		-	23,742	-	60,000
Accrued Interest/Dividend		<b>4,132</b>	530,688	-	-
Other Receivables		<b>94,175</b>	75,381	-	-
Financial Assets at Fair Value through Profit or Loss		<b>962,036</b>	(15,689,501)	<b>1,131,765</b>	(13,983,446)
Purchase of Financial Assets at Fair Value through Other Comprehensive Income		<b>(546,254,834)</b>	(466,756,815)	<b>(546,144,356)</b>	(466,749,852)
Sales of Financial Assets at Fair Value through Other Comprehensive Income		<b>511,328,162</b>	453,885,594	<b>511,372,608</b>	453,817,304
Purchase of Investment Assets at Amortised Cost		<b>(124,461,841)</b>	(162,763,077)	<b>(125,238,816)</b>	(162,763,077)
Sales of Investment Assets at Amortised Cost		<b>111,696,901</b>	130,422,613	<b>112,768,739</b>	130,685,077
Inventories		<b>257</b>	810	-	-
		<b>(68,811,208)</b>	(62,979,014)	<b>(67,737,909)</b>	(60,621,744)
<b>Increase/(Decrease) in Operating Liabilities:</b>					
Contribution Withdrawal Payables		<b>615</b>	(1,480)	<b>615</b>	(1,480)
Payables and Accrued Liabilities		<b>(1,878,554)</b>	803,956	<b>(808,020)</b>	613,932
Deposits and Advances		<b>3,161,832</b>	65,022	<b>55,393</b>	31,862
Financial Liabilities at Fair Value through Profit or Loss		<b>(649,150)</b>	581,361	<b>(649,149)</b>	581,361
Employee Benefits		<b>(13,874)</b>	(10,564)	<b>(13,874)</b>	(10,564)
		<b>620,869</b>	1,438,295	<b>(1,415,035)</b>	1,215,111
Interest Received		<b>25,056,084</b>	23,190,202	<b>21,307,754</b>	19,757,465
Interest Paid		<b>(677,033)</b>	(941,558)	-	-
Tax and Zakat Paid		<b>(335,599)</b>	(452,141)	-	-
Tax Refunded		<b>319,514</b>	9,497	-	-
		<b>(32,931,606)</b>	(30,869,507)	<b>(35,013,346)</b>	(30,428,762)

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

	Note	GROUP		EPF	
		2019 (RM'000)	RESTATED	2019 (RM'000)	RESTATED
			2018 (RM'000)		2018 (RM'000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Financial Assets at Fair Value through Profit or Loss		(5,596)	38,409	-	-
Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(5,085,436)	(1,895,188)	-	-
Sales of Financial Assets at Fair Value through Other Comprehensive Income		1,697	-	-	-
Purchase of Investment Assets at Amortised Cost		(449,022)	-	-	-
Sales of Investment Assets at Amortised Cost		-	3,438	-	-
Investment in Joint Ventures		(235,038)	(817,544)	-	-
Investment in Associates		(303,720)	(87,318)	(276,146)	(64,584)
Capital Return from Investment in Associates		50,982	56,018	50,982	56,018
Investments in Subsidiaries		-	-	(5,505,892)	(5,692,533)
Capital Return from Investment in Subsidiaries		-	-	3,169,799	3,691,424
Dividend Received from Subsidiaries		-	-	766,478	1,087,029
Dividend Received from Associates and Joint Ventures		719,812	609,005	693,317	609,005
Proceeds from Disposal of Foreclosed Properties		18,221	-	-	-
Proceeds from Disposal of Asset Held for Sale		-	585,330	-	543,535
Proceeds from Disposal of Right-of-Use Assets		711	-	-	-
Property Development Costs		15,689	17,034	-	-
Purchase of Intangible Assets	15	(33,569)	(283,835)	-	-
Purchase of Investment Properties	16	(1,040,671)	(3,101,592)	-	-
Proceeds from Disposal of Investment Properties		-	1,629,784	-	-
Purchase of Property, Plant and Equipment	18	(136,549)	(251,504)	(75,361)	(72,465)
Proceeds from Disposal of Property, Plant and Equipment		35,983	706	11	190
<b>Net Cash Used in Investing Activities</b>		<b>(6,446,506)</b>	<b>(3,497,257)</b>	<b>(1,176,812)</b>	<b>157,619</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from Borrowings	22	3,899,417	1,615,070	-	-
Repayments of Borrowings	22	(1,927,826)	(1,480,934)	-	-
Dividend Paid to Non-Controlling Interests		(148,146)	(139,783)	-	-
Dividend on Withdrawals/Dividend Adjustments		(294,694)	(344,345)	(294,694)	(344,345)
Lease Payments		(14,887)	-	(6,279)	-
Interest Paid on Lease Payment		(12,228)	-	(2,468)	-
Net Contribution		31,120,943	23,815,840	31,120,943	23,815,840
<b>Net Cash Generated from Financing Activities</b>		<b>32,622,579</b>	<b>23,465,848</b>	<b>30,817,502</b>	<b>23,471,495</b>
Increase/(Decrease) in Cash and Cash Equivalents		(6,755,533)	(10,900,916)	(5,372,656)	(6,799,648)
Adjustments of Foreign Currency Translation Differences		(101,223)	(361,762)	-	-
Cash and Cash Equivalents as at 1 January	34	50,986,770	62,249,448	44,995,675	51,795,323
<b>Cash and Cash Equivalents as at 31 December</b>	34	<b>44,130,014</b>	<b>50,986,770</b>	<b>39,623,019</b>	<b>44,995,675</b>

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 1. CORPORATE INFORMATION

The EPF was established under the EPF Ordinance 1951 in which later was amended to the EPF Act 1991 to act as the trustee of the Employees Provident Fund, which is a Defined Contribution Scheme.

The principal activities of the EPF are to receive and to collect contributions, to meet all withdrawals of savings and other benefits to members or their beneficiaries upon satisfaction of any condition for withdrawals and to invest its monies for the benefits of its members. The principal activities of the subsidiaries, associates and joint ventures are as stated in Notes 40 and 41 to the Financial Statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The EPF headquarters is situated in EPF Building, Jalan Raja Laut, 50350 Kuala Lumpur. As at 31 December 2019, the EPF operates 68 branches located at the main cities all over Malaysia.

The Financial Statements of the Group and EPF for the financial year ended 31 December 2019 have been accepted and approved by the Board on 5 October 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently with the accounting standards adopted in previous years in dealing with items that are considered material in relation to the Financial Statements.

### 2.1 Basis of Preparation

#### (a) Statement of Compliance

The Financial Statements of the Group and EPF have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and EPF Act 1991 (Act 452).

The accounting policies set out below have been applied consistently to the periods presented in these Financial Statements and have been applied consistently by Group entities, unless otherwise stated.

The Group and EPF have applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- a) MFRS 16 "Leases";
- b) Amendments to MFRS 9 "Prepayment Features with Negative Compensation";
- c) Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures";
- d) Annual Improvements to MFRS Standards 2015 – 2017 Cycle;
- e) Amendments to MFRS 119 "Plan Amendment, Curtailment or Settlement"; and
- f) Interpretation 23 "Uncertainty over Income Tax Treatments".

The Group and EPF have adopted MFRS 16 for the first time in the 2019 financial statements with the date of initial application ("DIA") of 1 January 2019 by applying the simplified retrospective transition method.

The practical expedients elected and the detailed impacts of the changes in accounting policies on leases are disclosed in Note 42. The details of the accounting policies on leases are disclosed separately in Note 2.9.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.1 Basis of Preparation (Cont'd.)

## (a) Statement of Compliance (Cont'd.)

The Group and EPF intend to adopt accounting standards issued by Malaysian Accounting Standard Board (MASB) as follows, where it is effective:

## New MFRSs

Description	Effective for Annual Periods Beginning on or after
MFRS 17 "Insurance Contract"	1 January 2023

## Amendments/Improvements to MFRSs

Description	Effective for Annual Periods Beginning on or after
MFRS 3 "Business Combinations" (Definition of Business)	1 January 2020
MFRS 7 "Financial Instruments Disclosure" (Interest Rate Benchmark Reform)	1 January 2020
MFRS 9 "Financial Instruments" (Interest Rate Benchmark Reform)	1 January 2020
MFRS 16 "Leases" (COVID-19 Related Rent Concessions)	1 January 2020
MFRS 101 "Presentation of Financial Statements" (Definition of Material)	1 January 2020
MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" (Definition of Material)	1 January 2020
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
MFRS 3 "Business Combinations" (Reference to the Conceptual Framework)	1 January 2022
MFRS 116 "Property, Plant and Equipment" (Proceeds before Intended Use)	1 January 2022
MFRS 137 "Onerous Contracts" (Cost of Fulfilling a Contract)	1 January 2022
MFRS 101 "Presentation of Financial Statements" (Classification of Liabilities as Current or Non-Current)	1 January 2023
MFRS 17 "Insurance Contract"	1 January 2023
MFRS 10 "Consolidated Financial Statements" (Sale or Contribution of Assets Between an Investor and its Associate or Joint Ventures)	Deferred
MFRS 128 "Investments in Associates and Joint Ventures" (Sale or Contribution of Assets Between an Investor and its Associate or Joint Ventures)	Deferred

The Group and EPF plan to apply abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2020 for those accounting standards, interpretations, and amendments that are effective for annual periods beginning on or after 1 January 2020.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period Financial Statements of the Group and EPF.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.1 Basis of Preparation (Cont'd.)

##### (b) Basis of Measurement

The Financial Statements of the Group and EPF have been prepared on the historical cost basis other than as disclosed in Note 2.

##### (c) Functional and Presentation Currency

These Financial Statements are presented in Ringgit Malaysia ("RM"), which is the EPF's functional currency. All financial information is presented in ("RM") and has been rounded to the nearest thousand, unless otherwise stated.

##### (d) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure 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.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Consolidated Financial Statements:

##### i. Impairment of Investment in Subsidiaries, Associates and Joint Ventures

The Group and EPF assess whether there is any indication that an Investment in Subsidiaries, Associates and Joint Ventures may be impaired at each reporting date.

The Group and EPF determine whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment.

##### ii. Impairment of Investment Assets at Amortised Cost ("AC") and Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI")

The Group and EPF assess on a forward looking basis the Expected Credit Losses ("ECL") associated with its Investment Assets at AC and Financial Assets at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For Investment Assets & Financial Assets accounted for at AC, FVOCI and with the exposure arising from loan commitments and financial guarantee contracts, The Group and EPF use three categories for Investment and Financial assets accounted for at AC, FVOCI and with the exposure arising from loan commitments and financial guarantee contracts which reflect their credit risk and how the ECL is determined for each of those categories. A summary of the assumptions underpinning the Group's and the EPF's Expected Credit Loss model is set out in Note 2.16.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.1 Basis of Preparation (Cont'd.)****(d) Significant Accounting Judgements, Estimates and Assumptions (Cont'd.)****Judgements (Cont'd.)****iii. Recognition of Deferred Tax Assets**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Deferred Tax Assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

**Estimates and Assumptions**

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 amount of assets and liabilities within the next financial year, are described below. Consolidated Financial Statements were prepared by Group based on assumptions and estimates on available parameter. 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. Impairment of Investment in Subsidiaries, Associates and Joint Ventures**

Should indicators exist, these assets are subject to impairment review. The impairment review comprises a comparison between the carrying amount of the investment and the investment's estimated recoverable amounts.

Depending on their nature and the location in which the investments relate to, the Group and EPF will select suitable valuation technique such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions. Once a suitable valuation technique is selected, the Group and EPF will make certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other uncertain key sources of estimation at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investments, assumptions made by the Group and EPF may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purpose of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trend. Due to high sensitivity to changes in assumptions, the Group and EPF believe that no reasonably expected possible changes in the key assumptions described above would cause the carrying amount of the investments to materially exceed their recoverable amounts.

**ii. Expected Credit Loss ("ECL") Allowance on Investment Assets at Amortised Cost ("AC") and Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI")**

The measurement of the ECL allowance for investment assets measured at AC and financial assets at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimations techniques used in measuring the ECL is further detailed in Note 2.16.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.1 Basis of Preparation (Cont'd.)

##### (d) Significant Accounting Judgements, Estimates and Assumptions (Cont'd.)

###### Estimates and Assumptions (Cont'd.)

##### ii. Expected Credit Loss ("ECL") Allowance on Investment Assets at Amortised Cost ("AC") and Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI") (Cont'd.)

A number of significant judgements are also required in applying the accounting requirements for measuring the ECL, such as:

- (a) Determining criteria for significant increase in credit risk;
- (b) Choosing appropriate models and assumptions for the measurement of ECL;
- (c) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- (d) Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 2.16.

##### iii. Impairment of Financial Assets on Loans, Advance and Financing

In estimating the impairment loss on loans, advances and financing, the Group and EPF are required to estimate the amount and timing of future cash flows. In estimating these cash flows, the Group and EPF make judgement about the borrower's or the customer's financial situation and the net realisable value of collateral.

##### iv. Cost Write Down on Listed Equities

For equity instruments carried at FVOCI, costs of such instruments are assessed on a yearly basis for each individual equity security. When there is evidence of significant decline in fair value of listed equities, the unrealised loss residing in Financial Assets at FVOCI Reserve on such securities is recognised as realised loss through an actual transfer to Cumulative Surplus. The costs of these instruments will be correspondingly written down based on the equivalent amount of losses transferred from FVOCI Reserve to Cumulative Surplus.

##### v. Valuation of Investment Properties

For the purpose of assessing impairment of investment properties which are carried at cost, the carrying amount are compared against the fair value of the investment properties to assess whether there is any indication of impairment. The measurement of the fair value for this purpose is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent valuers who hold a recognised and relevant professional qualification and recent experience in the locations and category of properties being valued.

##### vi. Deferred Tax and Income Taxes

The Group and EPF are subject to income taxes in many jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until sometime later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.1 Basis of Preparation (Cont'd.)****(d) Significant Accounting Judgements, Estimates and Assumptions (Cont'd.)****Estimates and Assumptions (Cont'd.)****vii. Post-Retirement Medical Benefit Obligation**

The present value of Post-Retirement Medical Benefit Obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. The assumptions used in determining the net cost for Post-Retirement Medical Benefit Obligation include the discount rate and the expected medical cost rate. Any changes in these assumptions will impact the carrying amount of Post-Retirement Medical Benefit Obligation.

The Group and EPF performed actuarial valuation once at every three (3) years. The most recent actuarial valuation was done in 2018. Discount rate used is based on the interest rate of high quality corporate bonds. This interest rate was used to determine the present value of the estimated expected future cash outflows required to settle the Post-Retirement Medical Benefit Obligation.

In determining appropriate discount rate, the Group and EPF consider the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related liability.

The medical cost rate is based on the average historical cost incurred by the Group and EPF.

**viii. Post-Retirement Gratuity Benefit Obligation**

The present value of Post-Retirement Gratuity Benefit Obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. The assumptions used in determining total amount of gratuities include the discount rate, expected annual salary increment and salary revision rate. Any changes in these assumptions will impact the carrying amount of Post-Retirement Gratuity Benefit Obligation.

The Group and EPF performed actuarial valuation once at every three (3) years. The most recent actuarial valuation was done in 2018. Discount rate used is based on the interest rate of high quality corporate bonds. This interest rate was used to determine the present value of the estimated expected future cash outflows required to settle the Post-Retirement Gratuity Benefit Obligation.

In determining appropriate discount rate, the Group and EPF consider the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related liability.

Annual salary increment rate is based on the average of previous year salary increment incurred by the Group and EPF.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.1 Basis of Preparation (Cont'd.)

##### (d) Significant Accounting Judgements, Estimates and Assumptions (Cont'd.)

##### Estimates and Assumptions (Cont'd.)

##### ix. Methodology Applied on Allocation for Simpanan Shariah and Simpanan Konvensional

Members' contribution balance has been classified as Simpanan Shariah (SS) or Simpanan Konvensional (SK) based on the option made by the members. Financial disclosure with regard to members' contribution based on SS and SK is disclosed at Note 33.

In arriving at the current year's financial results and balance sheet for SS and SK, certain ratios have been applied to allocate income, expenses as well as Statement of Financial Position. The concept of allocation is introduced with the objective of deriving distributable profit for both SS and SK fairly based on the actual take up for SS and SK members. As the source of funds in acquiring shariah investment assets are funded from members' contribution, hence the profit generated from shariah portfolio will be allocated to SS members based on actual funding contributed by SS members. The remaining will be distributed to SK members.

The following ratios are used by EPF after the implementation of SS to allocate distributable profits to both SS and SK:

1. Opt-in Ratio (OIR) is used to allocate Cumulative Surplus opening balance to reflect the portion that belongs to SS and SK members accordingly.
2. Members Savings Ratio (MSR) is used to allocate specific types of income, expenses and Statement of Financial Position items to SS and SK.
3. Shariah Assets Ratio (SAR) is used to allocate Net Other Assets and Other Net Profits for the year classified as common items to Shariah component balance.
4. Shariah Income Ratio (SIR) is used to allocate specific types of direct investment expenses and income generated from Shariah Investment Portfolios to SS and SK.

MSR, SAR and SIR are calculated on monthly average basis to ensure that any fluctuation of the ratios during the year are being reflected accurately as at the year end. Meanwhile, OIR is calculated and applied once at the beginning of every financial year.

#### 2.2 Basis of Consolidation

The Consolidated Financial Statements comprises the Financial Statements of the EPF and its subsidiaries which have been prepared as at the financial year end. The Financial Statements of the subsidiaries are prepared on the same reporting date as the EPF, using consistent accounting policies for transaction and events in similar circumstances.

Subsidiaries are consolidated from the date of acquisition, being the date on which Group and EPF obtain control and continue to be consolidated until the date such control effectively ceased. All intragroup balances, income and expenses and unrealised gain and losses resulting from intragroup transactions are eliminated in full.

Unrealised gains arising from intragroup transactions with Investment in Associates and Joint Ventures are eliminated to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Investment in Subsidiaries**

Subsidiaries are all entities (inclusive those incorporated for special purpose) of which the Group has the power to control. Control exists when the Group is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results of the subsidiaries are included in the Consolidated Financial Statements from the date the control is transferred to the Group until the date that control ceases.

The quoted and unquoted Investment in Subsidiaries are stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.16.

Acquisition method is used in accounting for the consolidation of subsidiaries. The consideration transferred for acquisition of a Subsidiary is the fair value of the assets transferred, equity instruments issued and the existing outstanding liabilities or assumed at the date of exchange.

Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of consideration transferred over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as Goodwill as per Note 2.11. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the gain is recognised directly in the Profit or Loss.

Non-Controlling Interests represents the minority portion of the Profit or Loss and net assets of a subsidiary attributable to the equity interests that are not owned directly or indirectly by the parent.

Non-Controlling Interests is measured in respect of its minority share of the subsidiaries identifiable assets and liabilities at fair value as at the acquisition date and the minority share on changes in equity of the subsidiaries from that date.

Intragroup transactions, balances and unrealised gains on transactions between companies of the Group are eliminated. Unrealised losses are also eliminated but is considered as impairment indicator on the assets transferred.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in Profit or Loss. This fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an Associate, Joint Venture or Financial Assets. In addition, any amount previously recognised in Other Comprehensive Income in respect to that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

Gain or loss on disposal of a Subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any foreign exchange differences that relate to the subsidiary is recognised in the Consolidated of Profit or Loss.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.4 Investment in Associates

Associates are entities in which the Group exercise significant influence. Significant influence is the power to participate in the financial and operating policies decision of the Associates but not power to exercise control or joint control over those policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence over another entity.

Investment in Associates are accounted for using the equity method of accounting. Under the equity method, the Investment in Associates are initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in Profit or Loss, and the Group's share of movement in other comprehensive income of the Associate in Other Comprehensive Income. Dividend received or receivable from an Associate are recognised as a reduction in the carrying amount of the investment. The Group's Investment in Associates includes Goodwill identified on acquisition.

The quoted and unquoted Investment in Associates are stated at cost and thereafter adjusted to its recoverable value which take into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.16.

When the Group's share of losses in Associate equals or exceeds its interest in the Associate, including any long term interests that, in substance, form part of the Group's Investment in Associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associate.

#### 2.5 Investment in Joint Ventures

A Joint Venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement. Investment in Joint Ventures are accounted for using the equity method of accounting. Under the equity method, the Investment in Joint Ventures are initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the Joint Venture in Profit or Loss, and the Group's share of movement in Other Comprehensive Income of the Joint Venture in Other Comprehensive Income. Dividend received or receivable from a Joint Venture are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in a Joint Venture equals or exceeds its interests in the Joint Ventures (which includes any long-term interests that, in substance, form part of the Group's net Investment in Joint Ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Joint Ventures.

Investment in Joint Ventures is stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. Policy for the recognition and measurement of impairment loss is in accordance with Note 2.16.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.6 Foreign Currency****i. Foreign Currency Transactions and Balances**

Transactions and Balances in foreign currencies are measured in the respective functional currencies of subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate of exchange ruling at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the actual exchange rates as at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or on translating monetary items at the reporting date are recognised in the Profit or Loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in Other Comprehensive Income and accumulated under Foreign Currency Translation Reserve in the Statements of Financial Position. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the Profit or Loss for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in the Other Comprehensive Income.

**ii. Foreign Operations**

The results and financial position of foreign operations that have functional currency different from the presentation currency of Ringgit Malaysia ("RM") of the Consolidated Financial Statements are translated into Ringgit Malaysia ("RM") as follows:

- i. Assets and Liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- ii. Income and expenses for each Profit or Loss are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- iii. All results for exchange differences are taken directly to Profit or Loss and Other Comprehensive Income through the Foreign Currency Translation Reserve.

**2.7 Financial Instruments****i. Initial Recognition and Measurement**

A financial asset or financial liability is recognised in the Statements of Financial Position when, and only when, the Group or EPF becomes a party to the contractual provisions of the instrument.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the EPF commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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 as Fair Value through Profit or Loss ("FVTPL"). Financial asset with embedded derivative are considered in its entirety when considering their classification and measurement. 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.7 Financial Instruments (Cont'd.)

##### ii. Financial Instruments Categories and Subsequent Measurements

The Group and EPF categorise financial instruments as follows:

##### Financial Assets

The classification of financial assets as per MFRS 9 is based on the following measurement categories:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); or
- Fair Value through Profit or Loss ("FVTPL").

The classification requirements for debt and equity instruments are described below:

##### a) Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

##### i. Business Model

The business model reflects how the Group and EPF manages the financial assets in order to generate cash flows. That is, whether the Group and EPF's objective is solely to collect the contractual cash flows from the assets, or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. the financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model. Factors considered by the Group and EPF in determining the business model for a portfolio of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

##### ii. Cash Flow Characteristics

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and EPF assesses whether the financial assets' contractual cash flows represent Solely Payment of Principal and Interest ("SPPI"). In making this assessment, the Group and the EPF considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.7 Financial Instruments (Cont'd.)****ii. Financial Instruments Categories and Subsequent Measurements (Cont'd.)****Financial Assets (Cont'd.)****a) Debt Instruments (Cont'd.)****ii. Cash Flow Characteristics (Cont'd.)**

Based on these factors, the Group and EPF classified the debt instruments into one (1) of the following three (3) measurement categories:

**i. Amortised Cost ("AC")**

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at AC using the effective interest method. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured using the methodology described in Note 2.16. AC is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective Interest Rate ("EIR"). The EIR amortisation is included in "Interest Income" in Profit or Loss. The losses arising from impairment are recognised in the Profit or Loss in "Net Impairment on Financial Investment Assets".

The Group's and EPF's debt instruments classified as AC comprise Financial Assets at AC, Loans, Advances and Financing, Receivable and Deposits, Deposits with Financial Institutions and Cash and Bank Balances. Included in Financial Assets at AC are Fixed Income Investment Instruments such as Malaysian Government Securities, Government Investment Issues, Bonds and Private Debts Securities.

**ii. Fair Value through Other Comprehensive Income ("FVOCI")**

Financial assets that are held for contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and are not designated at FVTPL, are measured at FVOCI. Changes in the fair value are recognised through other comprehensive income, except for the recognition of impairment losses measured using the methodology described in Note 2.16, interest income and foreign exchange gains or losses on the assets' AC which are recognised in Profit or Loss. Interest earned whilst holding the assets are reported as "Interest Income" using the effective interest method. The losses arising from impairment are reclassified from Other Comprehensive Income to Profit or Loss in "Impairment Losses on Financial Investment Assets". When the financial asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified to Profit or Loss and recognised in "Gross Investment Income".

The Group's and EPF's debt instruments classified as FVOCI comprise of Global and Domestic Fixed Income Investment Instrument.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.7 Financial Instruments (Cont'd.)

##### ii. Financial Instruments Categories and Subsequent Measurements (Cont'd.)

##### Financial Assets (Cont'd.)

##### a) Debt Instruments (Cont'd.)

##### ii. Cash Flow Characteristics (Cont'd.)

##### iii. Fair Value through Profit or Loss ("FVTPL")

Financial assets that do not meet the criteria for AC or FVOCI, including financial assets held-for-trading and derivatives, are measured at FVTPL. A gain or loss on an asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in Profit or Loss and presented within "Gross Investment Income". Interest earned whilst holding the assets are reported as "Interest Income" using the effective interest method.

In addition, financial assets that meet the criteria for AC or FVOCI may be irrevocably designated by management as FVTPL on initial recognition, provided the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis. Such designation is determined on an instrument by instrument basis. Any change in fair value is recognised in Profit or Loss and presented within "Gross Investment Income". Interest earned is recognised in "Interest Income" using the effective interest method.

The fair value of forward foreign translation contracts is determined using forward exchange rates at the date of statements of financial position with the resulting value discounted back to present value.

##### Reclassification of Debt Investments

The Group and EPF reclassify debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the financial year.

##### b) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence of a residual interest in the issuers' net assets.

The Group and EPF subsequently measure all equity investments at FVTPL, except where the management has elected at initial recognition to irrevocably designate an equity investment that is not held for trading at FVOCI. When this election is used, fair value gains and losses are recognised in Other Comprehensive Income and are not subsequently reclassified to Profit or Loss, including on disposal. Dividends earned whilst holding the equity investment are recognised in Profit or Loss as "Gross Investment Income" when the right to the payment has been established.

Gains and losses on equity investments at FVTPL, including dividends earned, are included in "Gross Investment Income" in Profit or Loss.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.7 Financial Instruments (Cont'd.)****ii. Financial Instruments Categories and Subsequent Measurements (Cont'd.)****c) Loans, Advances and Financing**

Loans, Advances and Financing are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans, Advances and Financing are recognised on the trade date in which the Group and EPF commit to give out loans plus related transaction costs, if any. The subsequent measurement of this financial asset is at AC using the effective yield method.

Included in Loans, Advances and Financing are Staff Loans financial assets and Capital Advances to Subsidiaries.

**d) Staff Loans**

There is no significant impact to state Staff Loan at fair value in the subsequent measurement. There are three (3) types of loan schemes offered to the EPF's staffs at the interest rate approved by the Board based on the terms and conditions of service as follows:

- i. Housing Loan Scheme;
- ii. Vehicle Loan Scheme; and
- iii. Personal Loan Scheme.

The fund used to finance staff loans for the abovementioned three (3) schemes is subject to the fund allocated approved by the Board.

**e) Receivables**

Receivables are carried at invoice amount less allowance for impairment loss. There is no significant impact to state Receivables at fair value in the subsequent measurement. Allowance for impairment loss is made when there is an objective evidence that the Group will not be able to collect all amount due according to the original terms of receivables as disclosed in Note 2.16.

All financial assets, except for those measured at FVTPL, are subject to review for impairment as per Note 2.16.

**Financial Liabilities**

All financial liabilities are subsequently measured at AC other than those categorised as FVTPL.

FVTPL category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as FVTPL are subsequently measured at fair values with the gain or loss recognised in the Profit or Loss.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.7 Financial Instruments (Cont'd.)

##### ii. Financial Instruments Categories and Subsequent Measurements (Cont'd.)

###### Financial Liabilities (Cont'd.)

###### i. Hedge Accounting

###### Cash Flow Hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the Profit or Loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the Statements of Other Comprehensive Income and accumulated in the Cash Flow Hedge Reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Profit or Loss. However, if the Group closes out its position early, the cumulative gains and losses recognised in Statement of Other Comprehensive Income are frozen and reclassified from the Cash Flow Hedging Reserves to the Profit or Loss using the effective interest method.

###### ii. Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the Statement of Financial Position is recognised in the Profit or Loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Profit or Loss.

###### iii. Financial Guarantee Contract

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- (a) the amount of the loss allowance; and
- (b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented within "Accruals on Investment Payments" under Payables and Accrued Liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.7 Financial Instruments (Cont'd.)****iii. Income Recognition****i. Interest, Financing and Profit Income and Expenditure**

Interest on income and expenses for all financial instruments are measured at AC and for financial assets that generate income are classified as Financial Assets at FVOCI and Financial Assets at FVTPL is recognised as interest income and interest expenditure in Profit or Loss using the effective interest rate.

Interest income on granting of loans and financing are recognised on accrual basis. When an account is classified as non-performing, the interest is suspended with retrospective adjustments will be made to the date of first default until it is realised on cash basis. Customer account is classified as non-performing where repayments are in arrears for six (6) months or more.

Loan arrangement fees and commissions are recognised as income based on contractual arrangements.

**ii. Dividend Income**

Dividend Income is recognised in Profit or Loss on accrual basis when the Group's and EPF's right to receive the dividend established. For dividend from quoted equity, the recognition is on the ex-dividend date.

**iii. Capital Gain**

Capital Gain arising from sales of investment instruments is also recognised on accrual basis and takes into account the effects of foreign exchange for the global investment instruments. Capital Gain is recognised when the risks and rewards of ownership of the investment currency instruments have been significantly transferred to the buyers.

**2.8 Property, Plant and Equipment and Depreciation**

Property, Plant and Equipment are stated at cost after deducting accumulated depreciation and accumulated impairment loss. Costs include expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or 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 and EPF and the costs of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Profit or Loss during the financial year in which they are incurred.

Freehold Land and Work in Progress are not depreciated. All other Property, Plant and Equipment are depreciated using straight line method based on the following estimated useful life:

Buildings	30 years - 50 years
Plant, Building and Machinery	5 years - 10 years
Office/Building Renovation	5 years - 10 years
Furniture, Fixtures and Fittings	5 years
Motor Vehicles	5 years
Office Equipment	5 years
Computer Software and Hardware	3 years - 5 years

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.8 Property, Plant and Equipment and Depreciation (Cont'd.)

Furniture, Fixtures and Fittings and Office Equipment which costs below RM1,000 per unit is fully depreciated in the year of acquisition.

Office/Building Renovation valued at RM100,000 and above is capitalised. For renovation of which the project cost is less than RM100,000, such renovation cost is charged to current year expenses.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each Statements of Financial Position date. At each Statements of Financial Position date, the Group and EPF assesses whether there is any indication of impairment. Valuation on properties is made once every five (5) years, to assess for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Impairment loss is recognised if the carrying amount exceeds the recoverable amount as disclosed in Note 2.16.

The depreciation on the purchase of completed building of which the cost of land and building could not be specifically identified at the acquisition stage will follow the depreciation method based on estimated useful life of a building which is 30 to 50 years.

Upon the disposal of Property, Plant and Equipment, the difference between net disposal proceeds and carrying amount is recognised in the Profit or Loss. If changes occurred on the intention of utilisation of owned used property to investment property, such property will be revalued based on fair value and thereafter reclassified as Investment Property.

#### 2.9 Leases

##### i. Accounting by Lessee

##### Accounting Policies Applied from 1 January 2019

From 1 January 2019, Leases are recognised as Right-of-Use ("ROU") Assets and a corresponding liability at the date on which the leased asset is available for use by the Group and EPF.

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

##### **Lease Term**

The Group and EPF lease various properties for its office spaces and ground rent/branches. The leases of office space typically run for a fixed period of one (1) to nine (9) years meanwhile leases for headlease/ground rent typically run for a fixed period of 70 to 185 years. These leases may have extension options. Lease term are negotiated on an individual basis and have contain a wide range of different terms and conditions.

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.9 Leases (Cont'd.)****i. Accounting by Lessee (Cont'd.)****Lease Term (Cont'd.)**

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Some leases provide for an additional rent payments that are based on changes in local price indices, these amounts are generally determined annually.

The Group and EPF reassess the lease term upon the occurrence of a significant event or a change in circumstances that is within the control of the Group and EPF and affects whether the Group and EPF are reasonably certain to exercise an option not previously included in determination of lease term, or not to exercise an option previously included in determination of lease term. A revision of lease term results in remeasurement of the lease liabilities. Refer accounting policy below on reassessment of Lease Liabilities.

**Rights-of-Use ("ROU") Assets**

ROU Assets that are not Investment Properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU Assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and EPF are reasonably certain to exercise a purchase option, the ROU Assets depreciated over the underlying asset's useful life. In addition, the ROU Assets are adjusted for certain remeasurement of Lease Liabilities.

ROU Assets are initially measured at cost comprising the following:

- a. The amount of the initial measurement of Lease Liabilities;
- b. Any lease payments made at or before the commencement date less any lease incentive received;
- c. Any initial direct cost; and
- d. Decommissioning or restoration costs.

The Group and EPF present ROU Assets that meet the definition of Investment Property in the Statement of Financial Position as Investment Property. ROU Assets that are not meet definition of investment properties are presented as a separate line item in the Statement of Financial Position.

**Lease Liabilities**

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

- a. Fixed payments, less any lease incentive receivable;
- b. Variable lease payments that are based on index or a rate, initially measured using the index or rate as at the commencement date;
- c. Amounts expected to be payable by the Group and EPF under residual value guarantees;
- d. The exercise price of a purchase and extension options if the Group and EPF are reasonably certain to exercise that option; and
- e. Payments of penalties for terminating the lease, if the lease term reflects the Group and EPF exercising that option.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.9 Leases (Cont'd.)

##### i. Accounting by Lessee (Cont'd.)

###### Lease Liabilities (Cont'd.)

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

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

Variable lease payments that depends on sales are recognised in Profit or Loss in the period in which the condition that triggers those payments occurs. For Group and EPF, the variable lease payments arise from the ground rent equivalent to a certain percentage of rent received from commercial occupational tenants subject to minimum payment per annum. There are also ground rent that are subject to peppercorn rent.

The Group and EPF present the Lease Liabilities as a separate line item in the Statement of Financial Position. Profit expense on the Lease Liabilities is presented within the operating expenditure in Profit or Loss.

###### Reassessment of Lease Liabilities

The Group and EPF are also exposed to potential future increases in variable lease payments that depends on an index or rate, which are not included in the Lease Liabilities until they take effect. When adjustments to lease payments based on index or rate take effect, the Lease Liabilities are remeasured and adjusted against the ROU Assets.

###### Short Term Leases and Leases of Low Value Assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in Profit or Loss. For Group and EPF, low-value assets are assets valued at cost of RM20,000 and below per asset.

###### Accounting Policies Applied until 31 December 2018

Leases of assets where substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Profit or Loss on the straight-line basis over the period of the lease.

Upfront payments made for leasehold land represent prepaid lease rentals and are amortised on straight-line basis over the lease term.

Where an operating lease is terminated before the lease period expired, any payment required to be made to the lessor by way of penalty is recognised as expenses in the period when termination takes place.

##### ii. Accounting by Lessor

When assets are leased out under operating lease, the assets are included in the Statements of Financial Position based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.10 Investment Properties**

Investment Properties which comprise of land and buildings, are held for long term rental yields or for capital appreciation or both, and are not fully or insignificantly occupied by the Group and EPF. Investment Properties are stated at cost less any accumulated depreciation and any accumulated impairment losses. Investment Properties are depreciated on a straight-line basis to write-off the cost of the assets to their residual values over their estimated useful life of 40 to 50 years. On disposal of an Investment Property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be eliminated from the Statements of Financial Position.

The difference between the net disposal proceeds and the carrying amount is recognised in the Profit or Loss in the period of the retirement or disposal.

The depreciation rate for building which has been classified as Investment Property is at useful life of 30 to 50 years as stated in Note 2.8. At each date of Statements of Financial Position, the Group and EPF need to assess whether there is any indication of impairment. Revaluation on Investment Properties is made once every five (5) years, to assess for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Impairment loss is recognised if the carrying amount exceeds the recoverable amount as disclosed in Note 2.16.

**2.11 Intangible Assets****a. Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for Non-Controlling Interests 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 gain is recognised in the Profit or Loss. After initial recognition, Goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment loss on Goodwill will not be written back. Policy associated with recognition and measurement of impairment loss is in accordance with Note 2.16.

**b. Other Intangible Asset**

Intangible Assets other than Goodwill that are acquired is initially measured at cost. Following initial acquisition, these Intangible Assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible Assets with finite useful life are amortised over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on Intangible Assets with finite life is recognised in Profit or Loss.

Intangible Assets that have an indefinite useful life are not amortised and tested for impairment annually, or more frequently if the event and circumstances indicate that the carrying value may be impaired. The useful life of an Intangible Asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Other Intangible Assets and their estimated economic useful life are as follows:

Core Deposit	Six (6) years
License and Information Technology Software	Five (5) years
Banking License	Indefinite

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.12 Prepaid Land Lease

Prepaid Land Lease is stated at cost less accumulated amortisation and accumulated impairment loss. Prepaid Land Lease is amortised on straight-line basis to write off the cost of the assets to its residual value over the lease period.

The difference between the net disposal proceeds and the carrying amount is recognised in the Profit or Loss in the period of disposal. At each date of Statements of Financial Position, the Group and EPF need to assess whether there is any indication of impairment. Revaluation on Prepaid Land Lease is made once every five (5) years, to assess for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Impairment loss is provided if the carrying amount exceeds the recoverable amount as disclosed in Note 2.16.

#### 2.13 Assets Held for Sale

Non-current assets or disposal of Group and EPF comprising of assets and liabilities are classified as Assets Held for Sale, are measured at the lower of their carrying amount and fair value less costs of sale, thereafter, if their carrying amounts are expected to be recovered primarily through sale rather than continuing use.

Once classified as an Assets Held for Sale, non-current assets are not amortised or depreciated. Such assets will no longer be recognised upon disposal and the differences between net sale proceeds and the carrying amount is recognised as realised gain or losses in the period in which the assets being disposed.

Assets which cease to be classified as held for sale are measured at the lower of their carrying amount before being classified as Assets Held for Sale, adjusted for depreciation, amortisation or revaluation that may have been recognised had the assets not been classified as Assets Held for Sale, and the recoverable amount at the date when decision not to sell is made.

#### 2.14 Contract Asset/Contract liability

Contract Asset is the right to consideration for goods or services transferred to the customers. In the case of property development and construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

The Group and EPF assess a contract asset for impairment at each reporting period and the loss allowance is measured at an amount equal to lifetime Expected Credit Loss ("ECL") for the Contract Asset.

Contract Liability is the obligation to transfer goods or services to customer for which the Group and EPF has received the consideration or has billed the customer. In the case of property development and construction contracts, Contract Liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include downpayments received from customers and other deferred income where the Group and EPF have billed or have collected the payment before the goods are delivered or services are provided to the customers.

#### 2.15 Cash and Cash Equivalent

Cash and Cash Equivalents consist of cash in hand, balances with banks (including those managed by External Fund Managers), deposits with financial institutions and highly liquid investment which have an insignificant risk of changes in fair value with original maturities of three (3) months or less. Cash and Cash Equivalent are used by the Group and EPF in the management of their short term commitments.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.16 Impairment****Non-Financial Assets**

Non-financial assets that have indefinite useful life are not subject to amortisation and are assessed annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recovered.

Impairment loss is recognised when the carrying amount of non-financial assets exceed its recoverable amount. The recoverable amount is the higher of fair value of non-financial assets less costs to sell or value in use.

For the purposes of assessing impairment, non-financial assets are grouped at the lowest level for which cash flows (cash-generating units) can be separately identified. Non-financial assets other than Goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting year.

Impairment loss is charged to Profit or Loss. In respect of other non-financial assets, any subsequent increase in the recoverable amount is recognised in Profit or Loss except for the reversal of an impairment loss on a revalued non-financial assets in which it is accounted for in the Revaluation Surplus Account.

**Financial Assets****Impairment of Financial Assets**

The Group and EPF applies a three (3) stages approach to measure ECL for the following categories of financial assets that are not measured at FVTPL:

- Debt instruments measured at AC and FVOCI;
- Loan commitments; and
- Financial guarantee contracts.

No ECL is recognised on equity investments.

Obligatory triggers applied by the Group and the EPF in determining whether there has been a significant increase in credit risk is where the principal or profit or both of the financing assets are overdue between one (1) to six (6) months or hit any of the qualitative indicators but not limited to increase in internal credit spread of an existing facility, breach of covenants and decrease in securities prices. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's and the EPF's credit risk management processes. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watchlist. Such qualitative factors are based on the management's expert judgement and relevant historical experience.

The Group and EPF determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.16 Impairment (Cont'd.)

##### Financial Assets (Cont'd.)

##### Impairment of Financial Assets (Cont'd.)

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on a financial asset returns to being measured as 12 month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group and EPF determine a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a financing have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group.

Financial assets move through the following three (3) stages based on the change in credit risk since initial recognition:

##### Stage 1: 12 Months 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 portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

##### Stage 2: Lifetime ECL – Not Credit Impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

The Group and EPF assesses if an exposure has increased in credit risk since initial recognition (Stage 2) through the following criteria:

- Credit rating deterioration as determined by EPF impairment policy;
- Missing origination ratings; and
- Restructured and rescheduled due to increase in credit risk.

##### Stage 3: Lifetime ECL – Credit impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the AC (net of provision) rather than the gross carrying amount.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.16 Impairment (Cont'd.)****Financial Assets (Cont'd.)****Impairment of Financial Assets (Cont'd.)****Stage 3: Lifetime ECL – Credit impaired (Cont'd.)**

The Group or EPF assesses if an exposure is credit-impaired through the following criteria:

Investment Asset at AC

1. Decline in investment grade rating below the acceptable investment grade as at the Statements of Financial Position date;
2. Default in paying principal/interest according to the repayment schedule;
3. Cease business operations/bankruptcy (upon filing of the case);
4. Winding up order on business operations;
5. Company invested has been classified as PN17;
6. Material fraud with publicised news/upon appointment of financial advisor; and
7. Company invested received a Qualified Audit Certificate.

Financial Asset at FVOCI

1. Decline in investment grade rating below the acceptable investment grade as at the Statements of Financial Position date;
2. Default in paying principal/interest according to the repayment schedule;
3. Cease business operations/bankruptcy (upon filing of the case);
4. Company invested has been classified as PN17;
5. Material fraud with publicised news/upon appointment of financial advisor; and
6. Company invested received a Qualified Audit Certificate.

Loans, Advances and Financing

1. Decline in investment grade rating below the acceptable investment grade as at the Statements of Financial Position date;
2. Default in paying principal/interest according to the repayment schedule;
3. Borrower ceased business operations/bankruptcy (upon filing of the case);
4. Borrower received winding up order on business operations;
5. Material fraud with publicised news/upon appointment of financial advisor; and
6. Borrower received a Qualified Audit Certificate.

Measurement of the ECL

The ECL is measured on either a 12 month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.16 Impairment (Cont'd.)

##### Financial Assets (Cont'd.)

##### Impairment of Financial Assets (Cont'd.)

##### Stage 3: Lifetime ECL – Credit impaired (Cont'd.)

##### Measurement of the ECL (Cont'd.)

##### Stage 1 and 2

ECL of Stage 1 and 2 exposures are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), defined as follows:

- a. PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.
- b. EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- c. LGD represents the Group's expectation of the extent of loss on a defaulted exposure.

The ECL is determined by projecting the PD, EAD and LGD for each future month for each individual exposure. These three (3) components are multiplied together and adjusted for the likelihood of survival.

##### Stage 3

Stage 3 ECL is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the financial asset's original effective yield method. The carrying value of the financial assets is reduced and the amount of the impairment loss is recognised in the Profit or Loss.

##### Receivables

The Group and EPF apply simplified approach as permitted by MFRS 9, which requires an entity to recognise a impairment loss allowance based on lifetime ECL at each reporting date. MFRS 9 allows the use of practical expedients when measuring ECL and states that a provision matrix is an example of such expedient for trade receivables and contract assets. An entity that applies a provision matrix may use historical loss experience on its trade receivables, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

##### Forward Looking Information

The assessment of significant increase in credit risk and calculation of ECL both incorporate forward looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Expert judgement has also been applied in this process. Forecasts of these economic variables are provided by the EPF Capital Markets and Economic Department on an annual basis and provide the best estimate view of the economy over the next five (5) years. In addition, the Capital Markets and Economics Department also provide other possible scenarios along with scenario weightings.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.16 Impairment (Cont'd.)****Financial Assets (Cont'd.)****Impairment of Financial Assets (Cont'd.)****Stage 3: Lifetime ECL – Credit impaired (Cont'd.)**Measurement of the ECL (Cont'd.)**Stage 3 (Cont'd.)**Write-down/Write-off

Financial assets and related impairment allowances are normally written-down, either partially or in full, when there is no realistic prospect of recovery of the financial assets. Where financial assets are secured, the written-down is normally done after receipt of any proceeds from the realisation of security.

However, the Group and EPF will continue to collect and monitor the written-down financial assets.

**2.17 Modified Financial Assets**

Modification of financial assets involves any modification made to the original payment terms and conditions of the financing facility following an increase in the credit risk of the customer. This includes but is not limited to an extension of tenure and flexible payment schedule including payment vacation, profit only payments, or capitalisation of principal or profit or both.

Once the financing assets have been modified, its satisfactory performance is monitored for a period of six (6) months before it can be reclassified as non-credit impaired.

ECL for modified financial assets that are not considered to be credit-impaired will be recognised on 12 months basis. However, if there is a significant increase in credit risk, the ECL will be recognised on a lifetime basis.

**2.18 Inventories**

Inventories of the Group comprises of Land Held for Development, Land Held for Sales and Hotel Inventories.

**a. Land Held for Development**

The costs of Land Held for Development is stated at the lower of historical cost and net realisable value. The cost of Land Held for Development consists of the purchase price of land, professional fees, stamp duties, commissions, conversion fees, other relevant levies and direct development cost incurred in preparing the land for development.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. If net realisable value cannot be determined reliably, these inventories will be stated at the lower of cost or fair value less costs to sell. Fair value is the amount the inventory can be sold in an arm's length transaction.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.18 Inventories (Cont'd.)

##### a. Land Held for Development (Cont'd.)

Land Held for Development is land for which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle.

Land Held for Development is transferred to Land Held for Sale when development activities have commenced and where development activities can be completed within the Group's normal operating cycle.

##### b. Land Held for Sale

Land Held for Sale includes completed properties, are stated at the lower of historical cost and net realisable value. The costs comprise of costs associated with the acquisition of land or such portion thereof and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

##### c. Hotel Inventories

The cost of Hotel Inventories is calculated using the first-in first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location.

#### 2.19 Taxation and Zakat

##### a. Taxation

The EPF is exempted from income tax on its income under paragraph 20 - Schedule 6, Part 1, Income Tax Act, 1967.

Income tax of the subsidiaries on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the Statements of Financial Position date.

Deferred tax is provided for, using the liability method, on the temporary differences at the Statements of Financial Position date between the tax bases of assets and liabilities and its carrying amounts at the Statements of Financial Position date. Principally, Deferred Tax Liabilities are recognised for all taxable temporary differences and Deferred Tax Assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against of which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is 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 that have been enacted or substantively enacted at the Statements of Financial Position date. Deferred tax is recognised in the Profit or Loss, except when it arises from a transaction which is recognised directly in the Statements of Financial Position, in which case the deferred tax is also charged or credited directly in the Statements of Financial Position, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting Goodwill or Negative Goodwill.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.19 Taxation and Zakat (Cont'd.)****b. Zakat**

This represent business zakat payable by a subsidiary in compliance with Shariah principles and as approved by the Shariah Advisory Committee. Zakat is computed based on working capital method at a rate of 2.5%.

**2.20 Employee Benefits****a. Short Term Benefits**

Wages, salaries, bonuses, social security contributions and gratuity paid to contract staff are recognised as an expense in the year in which the associated services are rendered by employees of the Group and EPF. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees whereas short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**b. Defined Contribution Plans**

Contribution is made to the EPF for employees who have selected to receive the EPF benefits.

**c. Long Term Benefits**

Gain or loss on the actuarial valuation is fully recognised in Other Comprehensive Income in the financial period which they occur.

Payment of long term benefits after retirement and/or after the expiry of the contract, is recognised as an accrual basis in the current year of Profit or Loss as employee benefits expenses, whereas in the Statements of Financial Position, such amount is recognised as liability known as Employee Benefits. Types of long term benefits which will be recognised as an accrual basis are as follows:

- i. Post-retirement medical benefit;
- ii. Gratuity to retirees; and
- iii. Cash award in lieu of annual leave (inclusive of the employer share on contributions for such payments).

The computation of post-retirement medical benefits and gratuity liability to retirees are determined by an actuarial valuation is made once in every three (3) years.

The computation of gratuity liability to contract staffs and cash award in lieu of annual leave to retiree is based on actual information available at the Statements of Financial Position date and the eligibility is based on the term and condition of service. The current salary rate is used to compute these liabilities.

**d. Termination Benefits**

Termination Benefits are payable whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and EPF recognises Termination Benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the intention to withdraw the plan.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.21 Loans and Overdraft

Loans are initially recognised at fair value less transaction costs. Subsequently, loans are stated at AC using the effective interest method. The difference between collectable amount (less transaction costs) and redeemable value is recognised in the Profit or Loss across the tenure of the loans. Interest, dividend, losses and gains relating to the financial instruments or its component, classified as liability is reported as an investment expenses in the Profit or Loss.

Loans are classified as current liabilities except if the Group has unconditional rights to postpone the settlement of the liabilities to the minimum of 12 months after the date of Statements of Financial Position.

Fees incurred in obtaining the loan facility are recognised as transaction costs to the extent of partial or entire loan facility that may have been granted.

#### 2.22 Provision for Liabilities

Provision for Liabilities are recognised when the Group and EPF has present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each Statements of Financial Position date and adjusted to reflect the current best estimation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expected expenditure to be required to settle the obligation.

#### 2.23 Liability on Invocation Cost under Section 50(3)

Liability on Invocation Cost under Section 50(3), EPF Act, 1991 is for the purpose of financing employee share of contribution as well as dividend attributable on the said contribution for deduction that has been made on the employee salary should the employer fails to pay the share of such contributions, is disclosed as Statutory Charges in the EPF's Profit or Loss and under Payables and Accrued Liabilities in the Statements of Financial Position.

#### 2.24 Contingent Assets and Liabilities

Contingent Asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence of one (1) or more uncertain future events beyond the control of the Group and EPF. The Group and EPF does not recognise Contingent Asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

The Group and EPF does not recognise Contingent Liability but discloses its existence in the Financial Statements. Contingent Liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence of one (1) or more uncertain future events beyond the control of the Group and EPF or a present obligation that is not recognised because it is not probable that outflow of resources will be required to settle the obligation.

Contingent Liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

#### 2.25 Net Assets Attributable to Members

Contributions are credited to members' account following the contribution month based on cash received basis except for cases of which crediting is based on Invocation of Section 50(3), EPF Act, 1991 is in accordance with Note 2.23.

The Net Assets Attributable to Members is EPF's present obligation towards its members. It has been computed as the EPF's net assets as stated on the Statement of Financial Position and comprises members' Contribution and Cumulative Surplus and Reserves.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.26 Dividend Credited/Paid to Members**

Annual dividend is calculated on the opening balance as at 1st January (less withdrawals) and plus contribution following contribution month and credited to the members' account at the end of the financial year. Dividend on withdrawals is calculated from the beginning of the year in which the withdrawal is made until the date the contribution account is debited. Income received in the current year is distributed to EPF members to the maximum after taking into account all expenditures incurred, based on the EPF accounting policies approved by the Board.

**2.27 Reserve****Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI") Reserve**

Financial Assets at FVOCI Reserve has been established to account for the movement in change of fair value of financial asset which is classified as Financial Assets at FVOCI. The Financial Assets at FVOCI Reserve account is credited when there is a positive change in the fair value of Financial Assets at FVOCI. On the contrary, this reserve account is debited when there is a negative change in the fair value of Financial Assets at FVOCI or when there is a disposal of Financial Assets at FVOCI.

Please refer to Note 2.1 (d) (iv) under Estimates and Assumptions on accounting policy on Cost Write Down on Listed Equity.

**2.28 Revenue Recognition**

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or EPF recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or EPF transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (i) the customer simultaneously receives and consumes the benefits provided as the Group or EPF performs; or
- (ii) the Group's or EPF's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities. Revenue is recognised as net value after tax, refunds, rebates and discounts and after eliminating sales within intragroup. The Group's revenue are described below:

**Recognition of Income on Sale of Properties**

Revenue from sale of completed properties is measured at the fixed transaction price agreed under the sales and purchase agreement net of expected Liquidated Ascertained Damages (LAD) payment, based on the expected value method.

Revenue from sale of completed properties is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group and EPF will receive the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.29 Financial Risk Management Objectives and Policies

The EPF's overall financial risk management policy is to optimise value creation for members while minimising the potential adverse impact arising from fluctuation of the interest rates and the unpredictability of the financial markets.

The EPF is required to ensure that its investment activities are balanced between the targeted annual dividend and various financial risks.

The EPF's overall risk management framework seeks to minimize potential adverse effects on its financial performance. The EPF investments based on broad asset allocation strategy which determines the long term and strategically optimal allocation of funds across asset classes. The Strategic Asset Allocation (SAA) is typically based on the risk/return profile of a benchmark for each asset class. Varying the potential asset allocations will result in different magnitudes of risk. Based on the returns and risks for each potential asset allocation, the Investment Panel will be able to adjust the allocations until the strategically optimal allocation for the EPF is achieved.

The SAA is the highest level of investment decision making and is the most important step in the investment process as it determines the majority of the risk of its investments.

The SAA decision is subject to the EPF's Risk Appetite Statements as follows:

- i. The EPF will not tolerate a greater than 10% chance of the dividend falling below 2.50% in any year over the next 10 years.
- ii. The EPF will not tolerate a greater than one third chance of the annualised dividend falling below inflation +2% over any rolling three (3) years period.
- iii. The EPF will not tolerate a greater than 10% chance of there being a negative value of Financial Assets at FVOCI at the end of any year that is greater than 5% of the book value of assets.

Another decision in the investment process is the Tactical Asset Allocation (TAA), would allow the EPF to vary each asset class allocation from the strategic allocation determined in the SAA and prevent excessive deviation from the SAA.

In order for the EPF to achieve its mission, it has to manage the various risks posed by ever changing business environment. These risks include operational risk and financial risk.

#### a. Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed of internal processes, people or systems, or from external events.

Operational Risk Management (ORM) is used to support and enhance its activities in all operational areas. ORM is an integral part of the EPF's decision making process and corporate culture.

The Corporate Risk Scorecard (CRS) methodology, a risk management approach consistent with the MS ISO 31000:2010 Risk Management – Principles and Guidelines, has been adopted in the implementation of operational risk management in the EPF. One of the key elements in the CRS methodology is the Risk and Control Self-Assessment (RCSA) module which allows the EPF staff to self-assess and update their risk profiles.

#### b. Financial Risk

Financial Risks are risks associated with various changes in economic aspects which give impact to the EPF's financial stability. There are three (3) types of financial risks faced by the EPF, as follows:

- i. Market Risk (which comprises of price risk, interest rate risk and foreign currency exchange risk);
- ii. Liquidity Risk; and
- iii. Credit Risk.

Detailed policies pertaining to each type of financial risks as listed above are disclosed in Note 37.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 3. DEPOSIT WITH FINANCIAL INSTITUTIONS

## 3.1 GROUP

	Note	2019 (RM'000)	2018 (RM'000)
Time Deposit		21,854,735	14,889,023
Fixed Deposit		7,993,605	10,176,759
Murabahah Commodity		16,593,346	11,487,665
Statutory Deposits with Bank Negara Malaysia		1,090,000	1,053,000
Money Market Account with Bank Negara Malaysia	34	250,472	106,371
Money Market Account in Multi Currency		6,526,514	4,326,907
Money Market Account with Bank of New York Mellon		13	61,720
Money Market Account Managed by Internal Fund Managers		-	2,383
Money Market Account Managed by External Fund Managers		2,809,850	4,282,324
		57,118,535	46,386,152
Allowances for Impairment Loss	37.1b	(649)	(814)
	37.1a	57,117,886	46,385,338

The maturity structure of the Deposit with Financial Institutions, gross of allowance for impairment losses are as follows:

	Note	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months		56,013,503	45,333,152
Maturing after 12 Months		1,105,032	1,053,000
	37.1c	57,118,535	46,386,152

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 3. DEPOSIT WITH FINANCIAL INSTITUTIONS (CONT'D.)

#### 3.2 EPF

	Note	2019 (RM'000)	2018 (RM'000)
Time Deposit		21,854,735	14,889,023
Fixed Deposit		4,822,594	5,959,867
Murabahah Commodity		18,437,917	12,386,174
Money Market Account with Bank Negara Malaysia	34	250,472	106,371
Money Market Account in Multi Currency		6,526,513	4,326,907
Money Market Account with Bank of New York Mellon		13	61,720
Money Market Account Managed by External Fund Managers		2,809,850	4,282,324
		<b>54,702,094</b>	42,012,386
Allowances for Impairment Loss	37.1b	<b>(1,088)</b>	(469)
	37.1a	<b>54,701,006</b>	42,011,917

The maturity structure of the Deposit with Financial Institutions, gross of allowance for impairment losses are as follows:

	Note	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months		54,687,062	42,012,386
Maturing after 12 Months		15,032	-
	37.1c	<b>54,702,094</b>	42,012,386

Time Deposit, Fixed Deposit, Murabahah Commodity and Money Market Account with Bank Negara Malaysia as above have maturity of less than three (3) months, therefore are classified as cash and cash equivalents in the Statements of Cash Flows of the Group and EPF.

Details on Deposit with Financial Institutions which are assessed as impaired for the Group and EPF as at 31 December 2019 are disclosed in Note 37.1a. Movement in accumulated impairment loss is disclosed within Allowances for Impairment Loss in Note 37.1b.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 4. RECEIVABLES, DEPOSITS AND PREPAYMENTS

## 4.1 GROUP

	Note	2019 (RM'000)	2018 (RM'000)
Endowment Fund		26,535	26,535
Prepayments		48,299	43,363
Rental Deposits		5,188	5,862
Rental Debtors		112,547	82,755
Unsecured Advances for Joint Venture Projects		514,322	463,014
Foreclosed Properties		113,262	133,505
Trade Receivables		361,645	428,342
Tax Recoverable		625,424	1,131,276
Accruals on Miscellaneous Non-Investment Items and Deposits		568,896	633,763
Accrued Dividend Income		370,301	458,906
Accruals on Sale of Investments		1,545,992	527,443
Accruals on Goods and Services Tax		26,933	36,862
Service Charge Receivables		7,066	6,421
		<b>4,326,410</b>	3,978,047
Allowances for Impairment Loss:			
Unsecured Advances for Joint Venture Projects	37.1b	(510,130)	(458,821)
Others	37.1b	(81,585)	(104,860)
		<b>3,734,695</b>	3,414,366

The maturity structure of the Receivables, Deposits and Prepayments, gross of allowance for impairment losses are as follows:

	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months	2,443,680	1,815,634
Maturing after 12 Months	1,882,730	2,162,413
	<b>4,326,410</b>	3,978,047

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 4. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D.)

#### 4.2 EPF

	Note	2019 (RM'000)	2018 (RM'000)
Endowment Fund		26,535	26,535
Prepayments		7,216	6,020
Rental Deposits		1,927	1,801
Rental Debtors		14,617	8,152
Owings from Subsidiaries		52,399	122,915
Tax Claim on Dividend Receivable		5,741	270,750
Accruals on Miscellaneous Non-Investment Items and Deposits		1,702	2,346
Accrued Dividend Income		675,153	837,442
Accruals on Sale of Investments		1,537,271	349,517
Accruals on Goods and Services Tax		332	765
Service Charge Receivables		7,066	6,421
		<b>2,329,959</b>	1,632,664
Allowances for Impairment Loss	37.1b	<b>(5,430)</b>	(5,697)
		<b>2,324,529</b>	1,626,967

The maturity structure of the Receivables, Deposits and Prepayments, gross of allowance for impairment losses are as follows:

	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months	2,295,982	1,598,399
Maturing after 12 Months	33,977	34,265
	<b>2,329,959</b>	1,632,664

Details on Receivables and Deposits (excluding Prepayments) which are assessed as impaired for the Group and EPF as at 31 December 2019 are disclosed in Note 37.1a. Movement in accumulated impairment loss is disclosed within Allowances for Impairment Loss in Note 37.1b.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 5. LOANS, ADVANCES AND FINANCING

## 5.1 GROUP

	Note	2019 (RM'000)	2018 (RM'000)
Loans and Financing		<b>57,727,846</b>	57,049,122
Loans to Associates and Joint Ventures	5.1a	<b>2,892,531</b>	3,259,796
Islamic Loans and Financing:			
Property Financing		<b>5,169,539</b>	4,340,082
Personal Financing		<b>19,994,419</b>	20,562,134
Staff Loans		<b>219,370</b>	206,803
Hire Purchase and Auto Financing		<b>969,437</b>	213,898
Bridging Financing and Other Term Financing		<b>6,543,798</b>	6,172,953
Revolving Credit		<b>703,389</b>	743,218
Trade Finance		<b>564,641</b>	971,116
Conventional Loans and Financing:			
End Financing:			
Normal Housing Programme		<b>864,289</b>	1,063,043
Low Cost Housing Programme		<b>3,252</b>	3,367
Staff Loans		<b>76,417</b>	77,403
Hire Purchase and Auto Financing		<b>17,080</b>	17,319
Bridging Financing and Other Term Financing		<b>989,528</b>	1,043,820
		<b>96,735,536</b>	95,724,074
Allowances for Impairment Loss:			
Loans and Financing	37.1b	<b>(367)</b>	(434)
Staff Loans	37.1b	<b>(74)</b>	(213)
Loans to Associates and Joint Ventures	37.1b	<b>(7,739)</b>	(62)
Corporate Loans and Financing	37.1b	<b>(783,156)</b>	(1,238,056)
Individual Loans and Financing	37.1b	<b>(1,127,512)</b>	(806,803)
	37.1a	<b>94,816,688</b>	93,678,506

- a. Included in the Loans to Associates and Joint Ventures are balances amounting to RM1,979.79 million that are unsecured, bear interest at a range of 4% to 8% (2018: 4% to 8%) per annum and have maturity dates ranging from 2025 to 2026 except for associates and joint ventures of Tanjung Wibawa Sdn Bhd, Kwasa Singapore Solo Pte. Ltd., Kwasa Singapore Duo Pte. Ltd. and Kwasa Singapore Trio Pte. Ltd. which have no fixed repayment terms.

In addition, Loans to Associates and Joint Ventures include loans granted by EPF's subsidiary, Naungan Sentosa Sdn Bhd to its associate amounting to RM147.23 million. These advances are unsecured, bear interest at 7.65% (2018: 7.9%) and are repayable at any time at the option of the associate.

The remaining Loans to Associates and Joint Ventures balances amounting to RM765.51 million are unsecured, have variable interest rates and maturing on 15 December 2020. These variable interest rates are based on loans granted to Property SPVs less margin applicable for the relevant financial year.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 5. LOANS, ADVANCES AND FINANCING (CONT'D.)

#### 5.1 GROUP (Cont'd.)

The maturity structure of the Loans, Advances and Financing, gross of allowance for impairment losses are as follows:

	Note	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months		4,688,473	6,302,876
Maturing after 12 Months		92,047,063	89,421,198
	37.1c	96,735,536	95,724,074

#### 5.2 EPF

	Note	2019 (RM'000)	2018 (RM'000)
Loans and Financing	5.2a	57,727,846	57,049,122
Loans to Associates		-	148,800
Islamic Loans and Financing:			
Staff Loans		174,572	165,526
Conventional Loans and Financing:			
Staff Loans		76,097	77,023
Capital Advances to Subsidiaries	5.2b	1,791,330	1,962,936
		59,769,845	59,403,407
Allowances for Impairment Loss:			
Loans and Financing	37.1b	(367)	(434)
Staff Loans	37.1b	(74)	(213)
Capital Advances to Subsidiaries	37.1b	(77)	(24,520)
Loans to Associates	37.1b	-	(62)
	37.1a	59,769,327	59,378,178

- a. These Loans and Financing are extended to various Agencies and Companies which mainly are guaranteed by the Government of Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 5. LOANS, ADVANCES AND FINANCING (CONT'D.)

## 5.2 EPF (Cont'd.)

- b. These Capital Advances to EPF's subsidiaries are unsecured and non-interest bearing except for Kwasa Singapore Solo Pte. Ltd., Kwasa Singapore Duo Pte. Ltd. and Kwasa Singapore Trio Pte. Ltd. which bear interest of 4% per annum. These Capital Advances to Subsidiaries have no fixed repayment terms except for KWASA Europe S.à.r.l. where the capital advances are repayable at the end of the loan period, which is 10 years from the effective date of capital advances agreement. Capital Advances to Subsidiaries which failed the 'SPPI' test based on MFRS 9 are classified under Financial Assets at Fair Value through Profit or Loss (Note 6).

The maturity structure of the Loans, Advances and Financing, gross of allowance for impairment losses are as follows:

	Note	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months		1,428,887	3,243,952
Maturing after 12 Months		58,340,958	56,159,455
	37.1c	59,769,845	59,403,407

Details on Loans, Advances and Financing which are assessed as impaired for the Group and EPF as at 31 December 2019 are disclosed in Note 37.1a. Movement in accumulated impairment loss is disclosed within Allowances for Impairment Loss in Note 37.1b.

## 6. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

## 6.1 GROUP

	Note	2019			RESTATED 2018		
		Notional Value	Fair Value		Notional Value	Fair Value	
		(RM'000)	Assets (RM'000)	Liabilities (RM'000)	(RM'000)	Assets (RM'000)	Liabilities (RM'000)
Investment Assets Held for Trading		-	13,893,280	-	-	11,666,153	-
Equity Instruments		-	665,540	-	-	517,694	-
Debt Instruments		-	1,530,652	-	-	4,460,751	-
Hedging Instruments:	6b						
- Forward Currency Translation Contract		57,603,886	1,095,082	93,577	36,097,199	172,335	646,195
- Cross Currency Swap		1,315,840	79,061	155,993	1,644,821	77,291	252,659
- Interest Rate Swap		10,148,967	4,341	121,978	9,168,897	13,802	93,737
Other Derivative Financial Assets/Liabilities		-	100,566	332	-	59,121	198
	37.1a	69,068,693	17,368,522	371,880	46,910,917	16,967,147	992,789

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 6. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D.)

#### 6.2 EPF

	Note	2019			RESTATED 2018		
		Notional Value	Fair Value		Notional Value	Fair Value	
		(RM'000)	Assets (RM'000)	Liabilities (RM'000)	(RM'000)	Assets (RM'000)	Liabilities (RM'000)
Debt Instruments		-	3,274,894	-	-	5,192,584	-
Capital Advances to Subsidiaries	6a	-	11,851,162	-	-	10,899,448	-
Hedging Instruments:	6b						
- Forward Currency Translation Contract		57,375,591	1,090,843	93,576	36,091,357	172,268	646,193
- Cross Currency Swap		1,315,840	79,061	155,993	1,644,821	77,291	252,659
- Interest Rate Swap		189,540	1,492	-	189,540	6,324	-
Other Derivative Financial Assets/Liabilities		-	100,566	332	-	59,121	198
	37.1a	<b>58,880,971</b>	<b>16,398,018</b>	<b>249,901</b>	37,925,718	16,407,036	899,050

- a. Capital Advances to Subsidiaries represent the outstanding capital advances which have failed the Solely Payments of Principal and Interest ("SPPI") test based on MFRS 9. These Capital Advances are unsecured and bear interest ranging from 0.50% to 8.00% per annum, except for Ekuiti Merdu Sdn Bhd, Affordable Homes Sdn Bhd, KWASA Capital Partners Limited, Pingiran Ventures Sdn Bhd and Kwasa Infrastructure I which are non-interest bearing on capital advances.

These Capital Advances to the Subsidiaries have no fixed repayment terms except for Kwasa Land Sdn Bhd, Tanjung Wibawa Sdn Bhd, Kwasa Utama Sdn Bhd, Kwasa Logistics Sdn Bhd, KWASA Europe S.à.r.l. and KWASA Europe-I where the capital advances are repayable after the end of the loan period, which is within one (1) to 15 years from the date of capital advances agreement.

- b. Hedging instruments are measured at fair value and are utilised by the Group and EPF to hedge against changes in the fair value of financial assets as a result of changes in foreign currency exchange rates and market interest rates. All derivatives are treated as an asset when the fair value is positive and is treated as a liability when the fair value is negative and the fair value changes on revaluation of derivative contracts is recognised in Profit or Loss. The fair value of Forward Currency Translation Contracts is determined using forward exchange rates at the date of Statements of Financial Position with the resulting value discounted back to present value.

Included in hedging instruments for the Group are Interest Rate Swap which are assigned as hedging instruments carried at net fair value amounting to RM117.64 million (2018: RM79.94 million) and notional value amounting to RM10,148.97 million (2018: RM9,168.90 million). The Group applies these Interest Rate Swap instruments to manage exposures to interest rate movements on bank loans taken by exchanging part of the loans from floating rate to fixed rate.

These Interest Rate Swap for floating rate and fixed rate are settled on a monthly and quarterly basis respectively. The Group will settle the differences between fixed rate and floating rate on a net basis. These Interest Rate Swap contracts which exchanges from floating rate to fixed rate reduces the exposure of the Group's cash flows caused by variable interest rate on loans and will be designated as cash flow hedges.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

## 7.1 GROUP

	2019 Fair Value (RM'000)	RESTATED 2018 Fair Value (RM'000)
<b>QUOTED EQUITIES</b>		
Domestic Equities Internally Managed	<b>120,394,206</b>	126,598,815
Domestic Equities Managed by External Fund Managers	<b>16,323,474</b>	13,273,862
Global Equities Internally Managed	<b>111,464,355</b>	89,020,595
Global Equities Managed by External Fund Managers	<b>65,269,581</b>	52,328,852
	<b>313,451,616</b>	281,222,124
<b>UNQUOTED EQUITIES</b>		
Domestic Unquoted Equities	<b>1,319,635</b>	1,285,096
Global Unquoted Equities	<b>26,413,624</b>	19,692,087
	<b>27,733,259</b>	20,977,183
<b>PERPETUAL FIXED INCOME INSTRUMENTS</b>		
Domestic Perpetual Fixed Income Instruments	<b>296,825</b>	437,700
Global Perpetual Fixed Income Instruments	<b>312,034</b>	305,207
	<b>608,859</b>	742,907
<b>FIXED INCOME INSTRUMENTS</b>		
Domestic Fixed Income Instruments Internally Managed	<b>38,671,425</b>	19,447,325
Domestic Fixed Income Instruments Managed by External Fund Managers	<b>23,033,354</b>	20,249,047
Global Fixed Income Instruments Internally Managed	<b>4,964,754</b>	3,444,937
Global Fixed Income Instruments Managed by External Fund Managers	<b>18,190,312</b>	15,299,757
	<b>84,859,845</b>	58,441,066
<b>OTHER INSTRUMENTS</b>		
Domestic Private Debt Securities Internally Managed	<b>8,936,087</b>	12,354,032
Global Private Debt Securities Internally Managed	<b>11,792,306</b>	7,842,007
	<b>20,728,393</b>	20,196,039
	<b>447,381,972</b>	381,579,319

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTD.)

#### 7.1 GROUP (Cont'd.)

The maturity structure of the Fixed Income Instruments and Other Instruments, gross of allowance for impairment losses within Financial Assets at Fair Value through Other Comprehensive Income are as follows:

	Note	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months		4,274,275	3,856,124
Maturing after 12 Months		101,313,963	74,780,981
	37.1a	105,588,238	78,637,105

Details on Financial Assets at Fair Value through Other Comprehensive Income which was assessed as impaired for Group as at 31 December 2019, are disclosed in Note 37.1a. The movement in Allowances for Impairment Loss at Financial Assets at Fair Value through Other Comprehensive Income Reserve is disclosed in Note 37.1b.

#### a. Group Has Designated The Following Equity Portfolios as Fair Value through Other Comprehensive Income ("FVOCI"):

	2019 Fair Value (RM'000)	2018 Fair Value (RM'000)
<b>EQUITY PORTFOLIOS DESIGNATED AT FVOCI</b>		
Bursa Malaysia	136,717,680	139,872,677
New York Stock Exchange	20,935,844	15,421,279
Hong Kong Stock Exchange	19,930,518	17,497,383
Singapore Stock Exchange	15,292,837	14,132,940
NASDAQ	15,179,192	11,203,988
Tokyo Stock Exchange	11,721,488	8,850,120
London Stock Exchange	10,590,019	9,718,191
South Korea Stock Exchange	10,374,761	8,751,518
Thailand Stock Exchange	9,836,158	9,975,698
Indonesia Stock Exchange	9,594,471	8,228,717
Taiwan Stock Exchange	8,904,685	6,795,042
Philippine Stock Exchange	7,513,498	5,510,300
Euronext Paris Exchange	6,316,943	2,832,780
Frankfurt Stock Exchange	6,007,341	2,491,542
Toronto Stock Exchange	3,685,375	2,385,961
Other Quoted Equity Stock Exchange	20,850,806	17,553,988
Unquoted Equities and Perpetual Fixed Income	28,342,118	21,720,090
	<b>341,793,734</b>	<b>302,942,214</b>

The Group elected to designate the above equity portfolios at Fair Value through Other Comprehensive Income because the investments were made to preserve and enhance the value of capital from members' contribution as well as to maintain stable returns over the long term.

Dividends recognised on these equity instruments designated at FVOCI amounted to RM11,008.99 million (2018: RM10,326.34 million) as disclosed in Note 25.

As part of its strategy to enhance the value of capital from members' contribution, the Group and EPF sold RM148,788.85 million (2018: RM158,772.28 million) of equity instruments designated at FVOCI which resulted in a net gain of RM11,705.46 million (2018: RM18,214.81 million) which is included in other comprehensive income as disclosed in Note 24.2. This net gain has been transferred to Cumulative Surplus. The net impact on these disposed equity instruments will not have a material impact on the future dividend income.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTD.)

## 7.2 EPF

	2019 Fair Value (RM'000)	RESTATED 2018 Fair Value (RM'000)
<b>QUOTED EQUITIES</b>		
Domestic Equities Internally Managed	<b>120,394,206</b>	126,598,815
Domestic Equities Managed by External Fund Managers	<b>16,323,474</b>	13,273,862
Global Equities Internally Managed	<b>111,464,355</b>	89,020,595
Global Equities Managed by External Fund Managers	<b>65,269,581</b>	52,328,852
	<b>313,451,616</b>	281,222,124
<b>UNQUOTED EQUITIES</b>		
Domestic Unquoted Equities	<b>1,391,918</b>	1,366,194
Global Unquoted Equities	<b>23,687,112</b>	17,493,093
	<b>25,079,030</b>	18,859,287
<b>PERPETUAL FIXED INCOME INSTRUMENTS</b>		
Domestic Perpetual Fixed Income Instruments	<b>296,825</b>	437,700
Global Perpetual Fixed Income Instruments	<b>312,034</b>	305,207
	<b>608,859</b>	742,907
<b>FIXED INCOME INSTRUMENTS</b>		
Domestic Fixed Income Instruments Internally Managed	<b>29,086,568</b>	19,447,325
Domestic Fixed Income Instruments Managed by External Fund Managers	<b>23,133,209</b>	20,290,408
Global Fixed Income Instruments Internally Managed	<b>4,964,754</b>	3,444,937
Global Fixed Income Instruments Managed by External Fund Managers	<b>18,190,312</b>	15,299,757
	<b>75,374,843</b>	58,482,427
<b>OTHER INSTRUMENTS</b>		
Domestic Private Debt Securities Internally Managed	<b>7,826,300</b>	7,256,927
Global Private Debt Securities Internally Managed	<b>11,792,306</b>	7,842,007
	<b>19,618,606</b>	15,098,934
	<b>434,132,954</b>	374,405,679

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTD.)

#### 7.2 EPF (Cont'd.)

The maturity structure of the Fixed Income Instruments and Other Instruments, gross of allowance for impairment losses within Financial Assets at Fair Value through Other Comprehensive Income are as follows:

	Note	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months		3,673,530	3,285,453
Maturing after 12 Months		91,319,919	70,295,908
	37.1a	94,993,449	73,581,361

Details on Financial Assets at Fair Value through Other Comprehensive Income which was assessed as impaired for EPF as at 31 December 2019, are disclosed in Note 37.1a. The movement in Allowances for Impairment Loss at Financial Assets at Fair Value through Other Comprehensive Income Reserve is disclosed in Note 37.1b.

#### a. EPF Has Designated The Following Equity Portfolios as Fair Value through Other Comprehensive Income ("FVOCI"):

	2019 Fair Value (RM'000)	2018 Fair Value (RM'000)
<b>EQUITY PORTFOLIOS DESIGNATED AT FVOCI</b>		
Bursa Malaysia	136,717,680	139,872,677
New York Stock Exchange	20,935,844	15,421,279
Hong Kong Stock Exchange	19,930,518	17,497,383
Singapore Stock Exchange	15,292,837	14,132,940
NASDAQ	15,179,192	11,203,988
Tokyo Stock Exchange	11,721,488	8,850,120
London Stock Exchange	10,590,019	9,718,191
South Korea Stock Exchange	10,374,761	8,751,518
Thailand Stock Exchange	9,836,158	9,975,698
Indonesia Stock Exchange	9,594,471	8,228,717
Taiwan Stock Exchange	8,904,685	6,795,042
Philippine Stock Exchange	7,513,498	5,510,300
Euronext Paris Exchange	6,316,943	2,832,780
Frankfurt Stock Exchange	6,007,341	2,491,542
Toronto Stock Exchange	3,685,375	2,385,961
Other Quoted Equity Stock Exchange	20,850,806	17,553,988
Unquoted Equities and Perpetual Fixed Income	25,687,889	19,602,194
	339,139,505	300,824,318

The EPF elected to designate the above equity portfolios at Fair Value through Other Comprehensive Income because the investments were made to preserve and enhance the value of capital from members' contribution as well as to maintain stable returns over the long term.

Dividends recognised on these equity instruments designated at FVOCI amounted to RM10,941.50 million (2018: RM10,287.95 million) as disclosed in Note 25.

As part of its strategy to enhance the value of capital from members' contribution, the EPF sold RM148,788.85 million (2018: RM158,772.28 million) of equity instruments designated at FVOCI which resulted in a net gain of RM11,705.46 million (2018: RM18,214.81 million) which is included in other comprehensive income as disclosed in Note 24.2. This net gain has been transferred to Cumulative Surplus. The net impact on these disposed equity instruments will not have a material impact on the future dividend income.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 8. INVESTMENT ASSETS AT AMORTISED COST

## 8.1 GROUP

	Note	2019 (RM'000)	2018 (RM'000)
Malaysian Government Securities		145,049,195	135,483,859
Government Investment Issues		70,263,900	68,132,606
Bonds and Sukuk		78,401,020	77,060,873
Commercial Papers		965,539	661,486
Negotiable Certificates		9,897,231	9,998,069
		<b>304,576,885</b>	291,336,893
Allowances for Impairment Loss	37.1b	(250,818)	(182,416)
	37.1a	<b>304,326,067</b>	291,154,477

The maturity structure of the Investment Assets at Amortised Cost, gross of allowance for impairment losses are as follows:

	Note	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months		28,985,337	25,795,026
Maturing after 12 Months		275,591,548	265,541,867
	37.1c	<b>304,576,885</b>	291,336,893

## 8.2 EPF

	Note	2019 (RM'000)	2018 (RM'000)
Malaysian Government Securities		145,049,195	135,483,859
Government Investment Issues		70,263,900	68,132,606
Bonds and Sukuk		79,265,293	78,399,575
Commercial Papers		965,539	661,486
Negotiable Certificates		9,897,231	9,998,069
		<b>305,441,158</b>	292,675,595
Allowances for Impairment Loss	37.1b	(250,798)	(188,969)
	37.1a	<b>305,190,360</b>	292,486,626

The maturity structure of the Investment Assets at Amortised Cost, gross of allowance for impairment losses are as follows:

	Note	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months		29,080,741	25,927,714
Maturing after 12 Months		276,360,417	266,747,881
	37.1c	<b>305,441,158</b>	292,675,595

Details on Investment Assets at Amortised Costs which was assessed as impaired for Group and EPF as at 31 December 2019, are disclosed in Note 37.1a. Meanwhile movement of accumulated impairment loss which has been accounted as Allowances for Impairment Loss is disclosed in Note 37.1b.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 9. INVESTMENT IN JOINT VENTURES

#### 9.1 GROUP

	2019 (RM'000)	2018 (RM'000)
Domestic Unquoted Equities	1,819,229	1,803,007
Allowance for Impairment Loss	(2,246)	(2,868)
	<b>1,816,983</b>	1,800,139
Global Unquoted Equities	3,375,936	2,948,146
Allowance for Impairment Loss	(4,361)	(4,361)
	<b>3,371,575</b>	2,943,785
Loss and Adjustments in Joint Ventures	(1,836,269)	(1,778,766)
	<b>3,352,289</b>	2,965,158

a. Details of Joint Ventures which the Group has material joint control are as follows:

Name of Entity	Note Measurement Method	Principal Activity	Country of Incorporation	Ownership Interest On Voting Rights		Carrying Amount	
				2019 %	2018 %	2019 (RM'000)	2018 (RM'000)
Battersea Project Holding Company Limited	Equity Accounting	Investment Holding Company	Jersey	20.00	20.00	1,371,774	1,266,411
Melati Asia Holdings Limited	Equity Accounting	Investment Holding Company	Cayman Island	51.00	51.00	601,931	562,758
Yarra Park City Pty Ltd	Equity Accounting	Investment Holding Company	Australia	49.00	49.00	424,276	441,583
PNB Kwasa International Holding Limited	9.1a Equity Accounting (i)	Investment Holding Company	Jersey	35.00	-	359,915	-
The Arena Unit Trust	Equity Accounting	Investment Holding Company	Jersey	50.00	50.00	256,681	323,804
PLUS Malaysia Berhad ("PLUS")	9.1a Equity Accounting (ii)	Investment Holding Company	Malaysia	49.00	49.00	-	-
Immaterial Joint Ventures	9.1c					337,712	370,602
Total Investment in Joint Ventures						<b>3,352,289</b>	2,965,158

a (i) During the year, PNB Kwasa International Holding Limited was incorporated as Joint Ventures between KWASA Jewel Limited, a wholly owned subsidiary of EPF through KWASA Global Jersey Limited and Permodalan Nasional Berhad (PNB) for the purpose of indirectly acquiring the group of companies that holds Phase 2 of the Battersea Power Station.

KWASA Jewel Limited and PNB jointly control PNB Kwasa International Holding Limited with 35% and 65% ownership of ordinary shares respectively.

In March 2019, KWASA Jewel Limited had committed funding to PNB Kwasa International Holding Limited in respect of the development of Phase 2 of the Battersea Power Station Development.

Total funding commitment amounted to GBP166.22 million (RM883.88 million) at an interest rate of 5% per annum, expiring on 28 February 2022. As at 31 December 2019, undrawn commitment amounted to GBP100.76 million (RM546.01 million).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 9. INVESTMENT IN JOINT VENTURES (CONT'D.)

## 9.1 GROUP (Cont'd.)

- a (ii) The Group has discontinued recognition of share of losses from PLUS since 2017 after the carrying amount of the Group's investment in PLUS had been reduced to zero in accordance with MFRS 128. As at 31 December 2019, the cumulative unrecognised amount of the Group's share of losses in PLUS is RM639.67 million (2018: RM582.73 million).
- b. The tables below provide summarised financial information for those Joint Ventures that are material to the Group. The information disclosed reflects the amounts presented in the Financial Statements of the relevant Joint Ventures and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy:

	Battersea Project Holding Company Limited		Melati Asia Holdings Limited		Yarra Park City Pty Ltd	
	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
<b>Summarised Statement of Financial Position</b>						
Cash and Cash Equivalents	861,291	256,545	1,180,251	5,379	32,462	91,892
Other Assets	12,118,779	12,157,891	29	1,098,090	2,011,555	1,162,876
<b>Total Assets</b>	<b>12,980,070</b>	<b>12,414,436</b>	<b>1,180,280</b>	<b>1,103,469</b>	<b>2,044,017</b>	<b>1,254,768</b>
Financial Liabilities (excluding trade payables)	6,085,577	6,055,536	-	-	1,003,100	250,078
Other Liabilities	35,625	26,846	23	20	185,647	116,023
<b>Total Liabilities</b>	<b>6,121,202</b>	<b>6,082,382</b>	<b>23</b>	<b>20</b>	<b>1,188,747</b>	<b>366,101</b>
<b>Total Net Assets</b>	<b>6,858,868</b>	<b>6,332,054</b>	<b>1,180,257</b>	<b>1,103,449</b>	<b>855,270</b>	<b>888,667</b>
<b>Extraction from Statement of Comprehensive Income</b>						
Revenue	1,696,409	1,053,119	-	-	3,293	3,611
Interest Income	441	-	-	-	-	-
Depreciation and Amortisation	(2,357)	(9,096)	-	-	(2,325)	(3,717)
Interest Expense	(21)	(4,489)	-	-	-	-
Tax	(2,349)	(11,439)	-	-	4,344	7,646
Profit/(Loss) after Tax for the Financial Year	92,015	(47,367)	76,918	182,337	(16,162)	(11,654)
Other Comprehensive Income for the Financial Year	-	-	116	820	-	-
<b>Total Comprehensive Income/(Loss) for the Financial Year</b>	<b>92,015</b>	<b>(47,367)</b>	<b>77,034</b>	<b>183,157</b>	<b>(16,162)</b>	<b>(11,654)</b>
<b>Dividends Received from Joint Ventures for the Financial Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218,040</b>	<b>-</b>	<b>-</b>
Group's Share in %	20%	20%	51%	51%	49%	49%
Group's Share of Net Assets	1,371,774	1,266,411	601,931	562,758	419,082	435,447
Goodwill	-	-	-	-	5,194	6,136
<b>Carrying Amount</b>	<b>1,371,774</b>	<b>1,266,411</b>	<b>601,931</b>	<b>562,758</b>	<b>424,276</b>	<b>441,583</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 9. INVESTMENT IN JOINT VENTURES (CONT'D.)

#### 9.1 GROUP (Cont'd.)

- b. The tables below provide summarised financial information for those Joint Ventures that are material to the Group. The information disclosed reflects the amounts presented in the Financial Statements of the relevant Joint Ventures and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy: (Cont'd.)

	PNB Kwasa International Holding Limited		The Arena Unit Trust		PLUS Malaysia Berhad	
	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
<b>Summarised Statement of Financial Position</b>						
Cash and Cash Equivalents	40,268	-	48,175	48,842	1,164,635	3,615,683
Other Assets	6,345,437	-	1,576,034	1,773,905	30,164,774	27,996,290
<b>Total Assets</b>	<b>6,385,705</b>	<b>-</b>	<b>1,624,209</b>	<b>1,822,747</b>	<b>31,329,409</b>	<b>31,611,973</b>
Financial Liabilities (excluding trade payables)	5,357,377	-	1,092,364	1,115,639	29,900,000	30,200,000
Other Liabilities	-	-	18,483	59,500	2,732,156	2,598,509
<b>Total Liabilities</b>	<b>5,357,377</b>	<b>-</b>	<b>1,110,847</b>	<b>1,175,139</b>	<b>32,632,156</b>	<b>32,798,509</b>
<b>Total Net Assets</b>	<b>1,028,328</b>	<b>-</b>	<b>513,362</b>	<b>647,608</b>	<b>(1,302,747)</b>	<b>(1,186,536)</b>
<b>Extraction from Statements of Comprehensive Income</b>						
Revenue	-	-	109,042	109,709	4,432,423	3,873,318
Interest Income	-	-	-	-	151,837	122,346
Depreciation and Amortisation	-	-	(157,979)	(116,439)	(1,146,026)	(1,087,219)
Interest Expense	(95,869)	-	(23,087)	(24,025)	(1,510,195)	(1,522,367)
Tax	-	-	-	-	(23,071)	(18,729)
Profit/(Loss) after Tax for the Financial Year	(100,954)	-	(149,640)	(86,577)	394,279	(92,532)
Other Comprehensive Income for the Financial Year	-	-	-	-	-	5,565
<b>Total Comprehensive Income/(Loss) for the Financial Year</b>	<b>(100,954)</b>	<b>-</b>	<b>(149,640)</b>	<b>(86,577)</b>	<b>394,279</b>	<b>(86,967)</b>
<b>Dividends Received from Joint Ventures for the Financial Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217,070</b>	<b>220,500</b>
Group's Share in %	35%	-	50%	50%	49%	49%
Group's Share of Net Assets	359,915	-	256,681	323,804	-	-
Goodwill	-	-	-	-	-	-
<b>Carrying Amount</b>	<b>359,915</b>	<b>-</b>	<b>256,681</b>	<b>323,804</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 9. INVESTMENT IN JOINT VENTURES (CONT'D.)

## 9.1 GROUP (Cont'd.)

## c. Individually Immaterial Joint Ventures

In addition to the interests in Joint Ventures disclosed above, the Group also has interests in a number of individually immaterial Joint Ventures using the accounting equity method.

	2019 (RM'000)	2018 (RM'000)
<b>Total Carrying Amount of Individually Immaterial Joint Ventures</b>	<b>337,712</b>	370,602
Aggregate Amounts of the Group's Share of:		
Profit for the Financial Year	<b>(17,718)</b>	131,451
<b>Total Comprehensive Income</b>	<b>(17,718)</b>	131,451

## 9.2 EPF

	2019 Cost/ Book Value (RM'000)	2018 Cost/ Book Value (RM'000)
Domestic Unquoted Equities	<b>1,666,000</b>	1,666,000
	<b>1,666,000</b>	1,666,000

List of Joint Ventures is disclosed in Note 41.

## 10. INVESTMENT IN ASSOCIATES

## 10.1 GROUP

	2019 Cost/ Book Value (RM'000)	2018 Cost/ Book Value (RM'000)
Domestic Quoted Equities	<b>9,172,776</b>	8,942,212
Allowances for Impairment Loss	-	(4,549)
	<b>9,172,776</b>	8,937,663
Domestic Unquoted Equities	<b>2,605,328</b>	2,610,728
Allowances for Impairment Loss	<b>(12,730)</b>	(12,641)
	<b>2,592,598</b>	2,598,087
Global Unquoted Equities	<b>981,010</b>	472,001
Profit and Adjustments in Associates	<b>4,076,466</b>	3,587,550
	<b>16,822,850</b>	15,595,301

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 10. INVESTMENT IN ASSOCIATES (CONT'D.)

#### 10.1 GROUP (Cont'd.)

- a. Details of Associates which the Group has material significant influence are as follows:

Name of Entity	Note	Measurement Method	Principal Activities	Country of Incorporation	Ownership Interest		Market Price		Carrying Amount	
					2019 %	2018 %	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
RHB Bank Berhad		Equity Accounting	Banking	Malaysia	<b>41.55</b>	40.62	<b>9,629,554</b>	8,617,506	<b>11,700,693</b>	10,474,763
Malaysian Resources Corporation Berhad		Equity Accounting	Investment holding and conduct activities relating to construction, property development and management services to its subsidiaries	Malaysia	<b>35.85</b>	35.48	<b>1,154,525</b>	959,134	<b>1,864,075</b>	1,862,216
Konsortium Lebuhraya Utara - Timur (KL) Sdn Bhd		Equity Accounting	Highway concession operator	Malaysia	<b>40</b>	40	-	-	<b>1,120,169</b>	1,124,014
Immaterial Associates	10.1 c								<b>2,137,913</b>	2,134,308
Total Investment in Associates									<b>16,822,850</b>	15,595,301

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 10. INVESTMENT IN ASSOCIATES (CONT'D.)

## 10.1 GROUP (Cont'd.)

- b. The tables below provide summarised financial information for those Associates that are material to the Group. The information disclosed reflects the amounts presented in the Financial Statements of the relevant Associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy:

	RHB Bank Berhad		Malaysian Resources Corporation Berhad		Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd	
	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
<b>Summarised Statement of Financial Position</b>						
Total Assets	<b>257,592,496</b>	243,165,679	<b>8,505,017</b>	8,711,718	<b>4,917,276</b>	4,924,540
Total Liabilities	<b>231,781,687</b>	219,769,731	<b>3,681,542</b>	3,814,750	<b>2,455,328</b>	2,452,980
Total Net Assets	<b>25,810,809</b>	23,395,948	<b>4,823,475</b>	4,896,968	<b>2,461,948</b>	2,471,560
Non-Controlling Interests (NCI)	<b>35,415</b>	37,961	<b>31,901</b>	68,123	-	-
<b>Total Net Assets excluding NCI</b>	<b>25,775,394</b>	23,357,987	<b>4,791,574</b>	4,828,845	<b>2,461,948</b>	2,471,560
<b>Extraction from Statement of Comprehensive Income</b>						
Income	<b>7,100,740</b>	6,805,712	<b>1,319,393</b>	1,879,726	<b>192,863</b>	183,365
Profit/(Loss) after Tax for the Financial Year	<b>2,487,809</b>	2,308,912	<b>18,692</b>	99,318	<b>(9,611)</b>	(22,580)
Other Comprehensive Income/ (Loss) for the Financial Year	<b>960,629</b>	87,508	<b>(166)</b>	(1,532)	-	-
<b>Total Comprehensive Income/ (Loss) for the Financial Year</b>	<b>3,448,438</b>	2,396,420	<b>18,526</b>	97,786	<b>(9,611)</b>	(22,580)
<b>Dividend Received from Associates for the Financial Year</b>	<b>418,432</b>	285,379	<b>27,677</b>	27,292	-	-
Group's Share in %	<b>41.55%</b>	40.62%	<b>35.85%</b>	35.48%	<b>40.00%</b>	40.00%
Group's Share of Net Assets	<b>10,709,676</b>	9,488,014	<b>1,717,779</b>	1,713,274	<b>984,779</b>	988,624
Goodwill	<b>991,017</b>	986,749	<b>146,296</b>	148,942	<b>135,390</b>	135,390
<b>Carrying Amount</b>	<b>11,700,693</b>	10,474,763	<b>1,864,075</b>	1,862,216	<b>1,120,169</b>	1,124,014

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 10. INVESTMENT IN ASSOCIATES (CONT'D.)

#### 10.1 GROUP (Cont'd.)

c. Individually Immaterial Associates

In addition to the interests in Associates disclosed above, the Group also has interests in a number of individually immaterial Associates using the equity method.

	2019 (RM'000)	2018 (RM'000)
<b>Total Carrying Amount of Individually Immaterial Associates</b>	<b>2,137,913</b>	2,134,308
Aggregate Amounts of the Group's Share of:		
Loss for the Year	(99,530)	(874,260)
Other Comprehensive Income	270	24,137
<b>Total Comprehensive Loss</b>	<b>(99,260)</b>	(850,123)

#### 10.2 EPF

	2019 Cost/ Book Value	2018 Cost/ Book Value
Domestic Quoted Equities	9,172,776	8,942,212
Domestic Unquoted Equities	2,117,725	2,123,125
Allowances for Impairment Loss	(30,655)	(12,641)
	<b>2,087,070</b>	2,110,484
	<b>11,259,846</b>	11,052,696
<b>Market Price</b>		
Domestic Quoted Equities	<b>10,784,079</b>	9,576,640

List of Associates is disclosed in Note 41.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**11. INVESTMENT IN SUBSIDIARIES**

	Note	EPF	
		2019 Cost/Book Value (RM'000)	2018 Cost/Book Value (RM'000)
Domestic Quoted Equities		4,838,577	4,634,853
Domestic Unquoted Equities		2,753,711	2,752,952
Allowances for Impairment Loss		(54,326)	(66,396)
		<b>2,699,385</b>	2,686,556
Global Unquoted Equities	11.a.,11.b.,11.c.	18,717,144	16,488,140
Allowances for Impairment Loss		(59,901)	(27,963)
		<b>18,657,243</b>	16,460,177
		<b>26,195,205</b>	23,781,586
<b>Market Price</b>			
Domestic Quoted Equities		<b>3,593,178</b>	3,748,517

No impairment loss has been recognised for Domestic Quoted Equities even though market price is lower than costs in the year of 2019 and 2018. This is because the recoverable amount for Domestic Quoted Equities is higher than the cost and it is measured using a valuation technique based on EPF's accounting policy approved by the Board.

List of Subsidiaries is disclosed in Note 40.

Details of new/additional capital injection and decrease in investment via shares redemption or return of capital which involve significant transaction in the financial year of 2019 for Investment in Subsidiaries are as follows:

**11.a. Additional Capital Injection****i. KWASA Global-I (Jersey) Limited**

During the year, EPF injected additional capital into KWASA Global-I (Jersey) Limited amounting to GBP154.00 million or RM811.40 million for the purpose of investing in its newly incorporated subsidiary, KWASA UK-I Limited. KWASA UK-I Limited will then utilise the capital to purchase properties in Shirebrook via its subsidiary, KWASA Logix Sportivo Limited.

**ii. KWASA Global (Jersey) Limited**

During the year, EPF injected additional injection of capital into KWASA Global (Jersey) Limited amounting to GBP115.01 million or RM608.88 million representing additional investments in Battersea Project Development and for a project to purchase commercial buildings in United Kingdom.

**iii. Kwasa Asia**

During the year, EPF injected additional capital of USD68.26 million or RM281.81 million in Kwasa Asia for participation in a new project to invest in Grade A office buildings in Hong Kong.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 11. INVESTMENT IN SUBSIDIARIES (CONT'D.)

#### 11.b. Return of Capital

**i. KWASA Global-I (Jersey) Limited**

During the year, the total return of capital received from KWASA Global-I (Jersey) Limited was GBP94.53 million or RM498.05 million due to external financing done with Standard Chartered Bank by KWASA Logix Sportivo Limited, an indirect subsidiary of KWASA Global-I (Jersey) Limited.

**ii. KWASA US**

During the year, EPF received USD46.10 million or RM193.21 million representing return of capital from KWASA US for the sales of assets in Harvest Logistics Holdings, LP in September 2019. Harvest Logistics Holdings, LP is an investment fund under KWASA Liberty, a subsidiary of KWASA US.

**iii. KWASA Global (Jersey) Limited**

During the year, the total return of capital received from KWASA Global (Jersey) Limited was GBP5.11 million or RM27.59 million due to share repurchase via its subsidiary, KWASA Global Links Limited. This is due to the loan repayment by its 11 subsidiaries in Malaysia which are KWASA Links Malaysia One Sdn Bhd to KWASA Links Malaysia Eleven Sdn Bhd.

#### 11.c. Injection and Return of Capital from "Fund-of-Funds" Subsidiaries

**i. During the year, EPF injected additional capital amounting to RM1,874.58 million to 10 subsidiaries owned by EPF to support private equity fund in foreign countries based on the approved capital commitments as follows:**

- (1) Cengal Private Equity Investments II plc – RM367.60 million
- (2) Cengal Private Equity Investments III plc – RM183.70 million
- (3) Cengal Private Equity Investments plc – RM82.58 million
- (4) Meranti Fund L.P. – RM371.98 million
- (5) Meranti Fund II L.P. – RM219.99 million
- (6) Jati Private Equity Fund II L.P. – RM291.74 million
- (7) Jati Private Equity Fund III L.P. – RM225.61 million
- (8) Merbau Investors Offshore II L.P. – RM83.40 million
- (9) Merbau Investors Offshore III L.P. – RM43.56 million
- (10) Merbau Investors Offshore L.P. – RM4.42 million

**ii. The total return of capital from seven (7) EPF "Fund-of-Funds" subsidiaries for the year 2019 was RM906.06 million as follows:**

- (1) Cengal Private Equity Investments plc – RM292.53 million
- (2) Cengal Private Equity Investments II plc – RM89.62 million
- (3) Meranti Fund L.P. – RM222.97 million
- (4) Jati Private Equity Fund II L.P. – RM139.79 million
- (5) Jati Private Equity Fund L.P. – RM19.96 million
- (6) Merbau Investors Offshore L.P. – RM87.66 million
- (7) Merbau Investors Offshore II L.P. – RM53.53 million

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 11. INVESTMENT IN SUBSIDIARIES (CONT'D.)

## 11.1 NON-CONTROLLING INTERESTS

Set out below are summarised financial information of Malaysia Building Society Berhad (MBSB), a 64.48% (2018: 63.77%) subsidiary which has Non-Controlling Interests that are material to the Group.

The summarised financial information are presented before the intra-group eliminations and is presented together with the amount attributable to NCI as follows:

	2019 (RM'000)	2018 (RM'000)
<b>Summarised Statement of Financial Position</b>		
Total Assets	50,709,657	45,425,512
Total Liabilities	(42,122,786)	(37,639,909)
<b>Total Net Assets</b>	<b>8,586,871</b>	7,785,603
Accumulated Non-Controlling Interests	3,050,057	2,820,724
<b>Summarised Statement of Comprehensive Income</b>		
Revenue	2,987,080	2,800,464
Profit before Tax and Zakat	897,069	853,573
Tax and Zakat	(180,168)	(211,174)
Profit after Tax and Zakat	716,901	642,399
Other Comprehensive Income	144,382	17,268
<b>Total Comprehensive Income</b>	<b>861,283</b>	659,667
Total Comprehensive Income Attributable to NCI	305,928	238,997
Dividend Paid to NCI	115,731	113,294
<b>Summarised Statement of Cash Flows</b>		
Cash Flows from Operating Activities	3,122,995	(1,218,319)
Cash Flows from Investing Activities	(5,318,066)	(2,426,644)
Cash Flows from Financing Activities	817,973	(730,182)
Decrease in Cash and Cash Equivalents	(1,377,098)	(4,375,145)
Cash and Cash Equivalents as at 1 January	3,411,987	7,787,132
<b>Cash and Cash Equivalents as at 31 December</b>	<b>2,034,889</b>	3,411,987

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 12. ASSETS HELD FOR SALE

	Note	GROUP		EPF	
		2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
<b>Net Book Value</b>					
At 1 January		<b>66,583</b>	213,425	<b>66,389</b>	265,985
Additions		<b>12,075</b>	60	-	-
Sales		<b>(139)</b>	(213,291)	-	(265,985)
Reclassification from Prepaid Land Lease	14	-	2,186	-	2,186
Reclassification from Investment Properties	16	<b>576,010</b>	64,003	<b>1,550</b>	64,003
Reclassification to Investment Properties	16	<b>(56)</b>	-	-	-
Reclassification from Right-of-Use Asset	17	<b>71</b>	-	<b>71</b>	-
Reclassification from Property, Plant and Equipment	18	<b>7,656</b>	200	<b>7,656</b>	200
<b>At 31 December</b>		<b>662,200</b>	66,583	<b>75,666</b>	66,389

The fair value of Assets Held for Sale of the Group as at the date of Statements of Financial Position amounting to RM838.13 million (2018: RM118.94 million) was based on valuation carried out from the year 2016 to 2019. Inclusive is the fair value of Assets Held for Sale of the EPF as at 31 December 2019 amounting to RM132.44 million (2018: RM118.73 million).

Valuations were performed by Accredited Independent Valuers with recent experience in valuation of land and building. The valuations are based on the sales comparison method which involves the analysis of sales of similar properties and adjusting for factors which can influence the value or price of the said properties.

Assets Held for Sale for the Group consist of:

- 1) One (1) building in Reading, United Kingdom.

Whereas, the Assets Held for Sale for EPF consist of:

- 1) One (1) EPF Jalan Sultan Ismail building, Kuala Lumpur;
- 2) One (1) land in Labuan;
- 3) One (1) shophouse building in Kudat, Sabah;
- 4) One (1) condominium in Fraser Hill, Pahang;
- 5) One (1) land and apartment in Port Dickson, Negeri Sembilan; and
- 6) One (1) land and apartment in Cameron Highland, Pahang.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**13. INVENTORIES**

	Note	GROUP	
		2019 (RM'000)	2018 (RM'000)
<b>Land Held for Development</b>			
At 1 January		3,037,704	1,645,190
Additions		24,368	1,410,892
Adjustments on Cost	13b	(47,804)	(18,378)
At 31 December	13c	3,014,268	3,037,704
<b>Inventories</b>			
Hotel Inventories - at Cost		12	269
Freehold Land Held for Sale - at Net Realisable Value		102,163	102,163
		3,116,443	3,140,136

- a. Cost of inventories recognised as current year expenses amounting to RM0.14 million (2018: RM0.15 million).
- b. The adjustment on cost during the year refers to reversal of provision on affordable housing capitalised in the prior years due to the withdrawal of FRSIC Consensus 17 "Development of Affordable Housing" by Malaysian Institute of Accountants ("MIA").
- c. Below is the breakdown of the Land Held for Development:

	GROUP	
	2019 (RM'000)	2018 (RM'000)
Freehold Land	484,949	584,521
Leasehold Land	2,247,188	2,288,719
Development Cost	282,131	164,464
	3,014,268	3,037,704

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 14. PREPAID LAND LEASE

	Note	GROUP		EPF	
		2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
<b>Cost</b>					
At 1 January		<b>65,294</b>	67,535	<b>56,866</b>	59,107
Reclassification to Assets Held for Sale	12	-	(2,241)	-	(2,241)
Reclassification to Right-of-Use Assets	17	<b>(65,294)</b>	-	<b>(56,866)</b>	-
<b>At 31 December</b>		-	65,294	-	56,866
<b>Accumulated Amortisation</b>					
At 1 January		<b>(12,854)</b>	(12,250)	<b>(9,688)</b>	(9,245)
Current Year Amortisation	30	-	(659)	-	(498)
Reclassification to Assets Held for Sale	12	-	55	-	55
Reclassification to Right-of-Use Assets	17	<b>12,854</b>	-	<b>9,688</b>	-
<b>At 31 December</b>		-	(12,854)	-	(9,688)
<b>Net Book Value at 31 December</b>		-	52,440	-	47,178

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 15. INTANGIBLE ASSETS

## 15.1 GROUP

	Note	Goodwill (RM'000)	License and Information Technology Software (RM'000)	Banking License (RM'000)	Core Deposits (RM'000)	Total (RM'000)
<b>Cost</b>						
At 1 January 2018		-	205,844	-	-	205,844
Additions		188,790	95,045	-	-	283,835
Reclassification from Property, Plant and Equipment	18	-	20,979	-	-	20,979
At 31 December 2018/At 1 January 2019		<b>188,790</b>	<b>321,868</b>	-	-	<b>510,658</b>
Additions		-	<b>33,569</b>	-	-	<b>33,569</b>
Reallocation from Completion of Purchase Price Allocation		<b>(53,631)</b>	-	<b>47,415</b>	<b>6,216</b>	-
Reclassification from Property, Plant and Equipment	18	-	<b>16,633</b>	-	-	<b>16,633</b>
Reallocated to Deferred Tax Liabilities from Completion of Purchase Price Allocation	19	<b>12,872</b>	-	-	-	<b>12,872</b>
Disposals		-	<b>(224)</b>	-	-	<b>(224)</b>
<b>At 31 December 2019</b>		<b>148,031</b>	<b>371,846</b>	<b>47,415</b>	<b>6,216</b>	<b>573,508</b>
<b>Accumulated Amortisation</b>						
At 1 January 2018		-	170,482	-	-	170,482
Current Year Amortisation	30	-	47,837	-	-	47,837
At 31 December 2018/At 1 January 2019		-	<b>218,319</b>	-	-	<b>218,319</b>
Current Year Amortisation	30	-	<b>35,006</b>	-	<b>1,986</b>	<b>36,992</b>
Disposals		-	<b>(209)</b>	-	-	<b>(209)</b>
<b>At 31 December 2019</b>		-	<b>253,116</b>	-	<b>1,986</b>	<b>255,102</b>
<b>Net Book Value</b>						
At 1 January 2018		-	35,362	-	-	35,362
At 31 December 2018/At 1 January 2019		188,790	103,549	-	-	292,339
<b>At 31 December 2019</b>		<b>148,031</b>	<b>118,730</b>	<b>47,415</b>	<b>4,230</b>	<b>318,406</b>

Goodwill arose from the acquisition of MBSB Bank Berhad (formerly known as Asian Finance Bank Berhad) in February 2018 by Malaysia Building Society Berhad ("MBSB"), a subsidiary of EPF. There is no impairment to goodwill since acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 15. INTANGIBLE ASSETS (CONT'D.)

#### 15.1 GROUP (Cont'd.)

##### a. Impairment Testing for Cash-Generating Unit Containing Goodwill

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

The recoverable amount of cash-generating units ("CGU") is determined based on the value-in-use ("VIU") calculations. These calculations use pre-tax cash flow projections based on the 2020 financial budgets approved by the Board of Directors, projected for three (3) years. Cash flows beyond the three (3) years period are extrapolated using the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments.

The estimated terminal growth rates and discount rates used for VIU calculations are as follows:

	<b>Terminal Growth Rate</b>	<b>Pre-Tax Discount Rate</b>
Corporate Banking	3.2%	7.4%
Retail Banking	3.2%	7.5%

The estimated recoverable amounts significantly exceeds that carrying amount of the cash generating units containing goodwill. Management considers that it is not reasonably possible for the terminal growth rate and pre-tax discount to change so significantly as to eliminate this excess.

##### b. Business Combination

As allowed by MFRS 3 Business Combinations, the Group had previously accounted for the acquisition of MBSB Bank Berhad (formerly known as Asian Finance Bank Berhad) on 7 February 2018 using the provisional fair values on the acquisition date.

During the year, the Group completed the allocation of the assets acquired and liabilities assumed. The fair value adjustments and Intangible Assets identified on acquisition were based on finalised purchase price allocation and fair value exercise.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

##### i) Fair Value of Consideration Transferred

	<b>GROUP (RM'000)</b>
Purchase consideration satisfied via cash	396,894
Purchase consideration satisfied via issuance of shares (225,507,974 ordinary shares)	266,099
	<b>662,993</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 15. INTANGIBLE ASSETS (CONT'D.)

## 15.1 GROUP (Cont'd.)

## b. Business Combination (Cont'd.)

## ii) Identifiable Assets Acquired and Liabilities Assumed

	<b>GROUP (RM'000)</b>
<b>Assets</b>	
Cash and Short-Term Funds	577,970
Derivative Financial Assets	293
Financial Investments at FVOCI	227,966
Financial Investments at Amortised Cost	602,736
Financing and Advances	998,250
Other Assets	8,165
Statutory Deposits with Bank Negara Malaysia	24,174
Property and Equipment	2,517
Investment Properties	820
Deferred Tax Assets	626
Tax Recoverable	5,750
Banking License	47,415
Core Deposits	6,216
	2,502,898
<b>Liabilities</b>	
Deposits from Customers	1,184,855
Deposits and Placement of Banks and Other Financial Institution	769,273
Other Payables	20,936
Deferred Tax Liabilities (arising from banking license and core deposits)	12,872
	1,987,936
<b>Fair Value of Identifiable Net Assets</b>	<b>514,962</b>

## iii) Net Cash Outflow Arising from Acquisition

	<b>GROUP (RM'000)</b>
Purchase consideration satisfied via cash	396,894
Less: Cash and short-term funds acquired	(577,970)
	(181,076)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 15. INTANGIBLE ASSETS (CONT'D.)

#### 15.1 GROUP (Cont'd.)

##### b. Business Combination (Cont'd.)

##### iv) Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	<b>GROUP (RM'000)</b>
Fair value of consideration transferred	662,993
Less: Fair value of identifiable net assets	(514,962)
Goodwill	148,031

Goodwill is allocated to the following:

Corporate Banking	146,256
Retail Banking	1,775
	148,031

#### 15.2 EPF

	Note	<b>License and Information Technology Software (RM'000)</b>
<b>Cost</b>		
At 1 January 2018		117,747
Reclassification from Property, Plant and Equipment	18	20,979
At 31 December 2018/At 1 January 2019		<b>138,726</b>
Reclassification from Property, Plant and Equipment	18	<b>15,643</b>
<b>At 31 December 2019</b>		<b>154,369</b>
<b>Accumulated Amortisation</b>		
At 1 January 2018		97,016
Current Year Amortisation	30	14,753
At 31 December 2018/At 1 January 2019		<b>111,769</b>
Current Year Amortisation	30	<b>12,782</b>
<b>At 31 December 2019</b>		<b>124,551</b>
<b>Net Book Value</b>		
At 1 January 2018		20,731
At 31 December 2018/At 1 January 2019		26,957
<b>At 31 December 2019</b>		<b>29,818</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 16. INVESTMENT PROPERTIES

	Note	GROUP		EPF	
		2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
<b>Cost</b>					
At 1 January		26,626,120	26,081,688	1,631,871	1,724,564
Impact on Initial Adoption of MFRS 16	42	276,410	-	-	-
Restated Balance at 1 January		26,902,530	26,081,688	1,631,871	1,724,564
Additions		1,040,671	3,101,592	-	-
Sales		-	(1,646,694)	-	-
Reclassification to Assets Held for Sale	12	(770,116)	(92,693)	(2,937)	(92,693)
Reclassification from Assets Held for Sale	12	56	-	-	-
Foreign Currency Translation Differences		108,406	(833,164)	-	-
Adjustments		25,176	15,391	-	-
<b>At 31 December</b>		<b>27,306,723</b>	26,626,120	<b>1,628,934</b>	1,631,871
<b>Accumulated Depreciation</b>					
At 1 January		(3,056,511)	(2,735,618)	(432,827)	(425,981)
Current Year Depreciation	30	(321,770)	(793,145)	(35,581)	(35,536)
Sales		-	131,274	-	-
Reclassification to Assets Held for Sale	12	192,719	28,690	-	28,690
Foreign Currency Translation Differences		(40,132)	89,792	-	-
Adjustments		(113,786)	222,496	-	-
<b>At 31 December</b>		<b>(3,339,480)</b>	(3,056,511)	<b>(468,408)</b>	(432,827)
<b>Accumulated Impairment Loss</b>					
At 1 January		(55,406)	(127,769)	(4,890)	(11,387)
Current Year Impairment Loss	30	-	(8,554)	-	-
Writeback of Impairment Loss	30	8,334	6,497	-	6,497
Sales		-	69,981	-	-
Reclassification to Assets Held for Sale	12	1,387	-	1,387	-
Foreign Currency Translation Differences		(505)	4,439	-	-
Adjustments		9,631	-	-	-
<b>At 31 December</b>		<b>(36,559)</b>	(55,406)	<b>(3,503)</b>	(4,890)
<b>Net Book Value at 31 December</b>		<b>23,930,684</b>	23,514,203	<b>1,157,023</b>	1,194,154

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 16. INVESTMENT PROPERTIES (CONT'D.)

Statements of Profit or Loss for Investment Properties are as follows:

	Note	GROUP		EPF	
		2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
Rental Income		1,736,699	1,594,080	95,829	101,889
Variable Rental Income		5,673	4,609	5,673	4,609
Operating Expenditures:					
- Depreciation	30	(321,770)	(793,145)	(35,581)	(35,536)
- Current Year Impairment Loss	30	-	(8,554)	-	-
- Writeback of Impairment Loss	30	8,334	6,497	-	6,497
- Miscellaneous		(25,455)	(21,513)	(22,832)	(21,607)
<b>Net Profit Related to Investment Properties</b>		<b>1,403,481</b>	<b>781,974</b>	<b>43,089</b>	<b>55,852</b>

The Investment Properties of the Group are stated at cost, including transaction costs. The fair value of the Investment Properties of the Group as at 31 December 2019 amounted to RM33,659.96 million (2018: RM32,279.78 million), which has been determined based on valuations during the year of 2015 to 2019. Meanwhile, the fair value of the EPF's Investment Properties as at 31 December 2019 amounted to RM1,890.57 million (2018: RM2,162.59 million).

The frequency of revaluations was performed in accordance with the accounting policy adopted by the EPF. Valuations were performed by the Accredited Independent Valuers with recent experience in valuation of land and building. The valuations are based on the sales comparison method which involves the analysis of sales of similar properties and adjusting for factors which can influence the value or price of the said properties.

As at financial year ended 31 December 2019, the Group's Investment Properties amounting to RM13,734.79 million (2018: RM13,676.99 million) were pledged by EPF's subsidiaries as collateral to bank borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 17. LEASES

Information pertaining to Right-of-Use Assets, Lease Liabilities, expenses and cash flows related to Leases are shown below:

- (i) Amounts recognised in the Statements of Financial Position

The Statements of Financial Position shows the following amounts relating to Leases:

## a) Right-of-Use Assets

GROUP	Note	Leasehold Land (RM'000)	Building (RM'000)	Office Equipment (RM'000)	Total (RM'000)
<b>Cost</b>					
At 31 December 2018/At 1 January 2019		-	-	-	-
Reclassification from Prepaid Land Lease	14	65,294	-	-	65,294
Impact on Initial Adoption of MFRS 16	42	161,757	55,879	1,041	218,677
Restated Balance at 1 January 2019		227,051	55,879	1,041	283,971
Additions		-	18,518	419	18,937
Disposals		(7,274)	-	-	(7,274)
Reclassification to Assets Held for Sale	12	(128)	-	-	(128)
Lease Modification		-	2,759	-	2,759
Foreign Currency Translation Differences		3,603	-	-	3,603
<b>At 31 December 2019</b>		<b>223,252</b>	<b>77,156</b>	<b>1,460</b>	<b>301,868</b>
<b>Accumulated Depreciation</b>					
At 31 December 2018/At 1 January 2019		-	-	-	-
Reclassification from Prepaid Land Lease	14	12,854	-	-	12,854
Restated Balance at 1 January 2019		12,854	-	-	12,854
Current Year Depreciation	30	2,044	15,496	342	17,882
Disposals		(2,625)	-	-	(2,625)
Reclassification to Assets Held for Sale	12	(57)	-	-	(57)
Foreign Currency Translation Differences		33	-	-	33
<b>At 31 December 2019</b>		<b>12,249</b>	<b>15,496</b>	<b>342</b>	<b>28,087</b>
<b>Net Book Value</b>					
At 1 January 2019		214,197	55,879	1,041	271,117
<b>At 31 December 2019</b>		<b>211,003</b>	<b>61,660</b>	<b>1,118</b>	<b>273,781</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 17. LEASES (CONT'D.)

#### a) Right-of-Use Assets (Cont'd.)

EPF	Note	Leasehold Land (RM'000)	Building (RM'000)	Total (RM'000)
<b>Cost</b>				
At 31 December 2018/At 1 January 2019		-	-	-
Reclassification from Prepaid Land Lease	14	56,866	-	56,866
Impact on Initial Adoption of MFRS 16	42	-	51,228	51,228
Restated Balance at 1 January 2019		56,866	51,228	108,094
Additions		-	12,814	12,814
Reclassification to Assets Held for Sale	12	(128)	-	(128)
Lease Modification		-	2,759	2,759
<b>At 31 December 2019</b>		<b>56,738</b>	<b>66,801</b>	<b>123,539</b>
<b>Accumulated Depreciation</b>				
At 31 December 2018/At 1 January 2019		-	-	-
Reclassification from Prepaid Land Lease	14	9,688	-	9,688
Restated Balance at 1 January 2019		9,688	-	9,688
Current Year Depreciation	30	495	8,039	8,534
Reclassification to Assets Held for Sale	12	(57)	-	(57)
<b>At 31 December 2019</b>		<b>10,126</b>	<b>8,039</b>	<b>18,165</b>
<b>Net Book Value</b>				
At 1 January 2019		47,178	51,228	98,406
<b>At 31 December 2019</b>		<b>46,612</b>	<b>58,762</b>	<b>105,374</b>

#### b) Lease Liabilities

GROUP	Note	Leasehold Land (RM'000)	Building (RM'000)	Office Equipment (RM'000)	Total (RM'000)
At 31 December 2018/At 1 January 2019		-	-	-	-
Impact on Initial Adoption of MFRS 16	42	438,167	55,879	1,041	495,087
Restated Balance at 1 January 2019		438,167	55,879	1,041	495,087
Additions		-	18,518	419	18,937
Profit Expense on Lease Liabilities	30	9,522	2,656	50	12,228
Lease Modification		-	2,759	-	2,759
Lease Payments		(10,317)	(16,426)	(372)	(27,115)
Foreign Currency Translation Differences		1,257	-	-	1,257
<b>At 31 December 2019</b>		<b>438,629</b>	<b>63,386</b>	<b>1,138</b>	<b>503,153</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

**17. LEASES (CONT'D.)**

**b) Lease Liabilities (Cont'd.)**

<b>EPF</b>	<b>Note</b>	<b>Building (RM'000)</b>
At 31 December 2018/At 1 January 2019		-
Impact on Initial Adoption of MFRS 16	42	<b>51,228</b>
Restated Balance at 1 January 2019		<b>51,228</b>
Additions		<b>12,815</b>
Profit Expense on Lease Liabilities	30	<b>2,468</b>
Lease Modification		<b>2,759</b>
Lease Payments		<b>(8,747)</b>
<b>At 31 December 2019</b>		<b>60,523</b>

(ii) Amounts recognised in the Statements of Profit or Loss

The Statements of Profit or Loss shows the following amounts relating to Leases:

	<b>GROUP</b>		<b>EPF</b>	
	<b>2019 (RM'000)</b>	<b>2018 (RM'000)</b>	<b>2019 (RM'000)</b>	<b>2018 (RM'000)</b>
Items Included in Rent and Assessments:				
Expense Relating to Short-Term Leases	<b>506</b>	-	<b>417</b>	-
Expense Relating to Variable Lease Payments Not Included in Lease Liabilities	<b>7,424</b>	-	-	-
	<b>7,930</b>	-	<b>417</b>	-

(iii) Amounts recognised in the Statements of Cash Flows

The total cash outflow for Leases in 2019 are RM35.04 million and RM9.16 million for Group and EPF respectively.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 18. PROPERTY, PLANT AND EQUIPMENT

#### 18.1 GROUP

		Freehold Land	Building	Building Plant and Machinery	Office/ Building Renovation	Furniture, Fixtures and Fittings	Motor Vehicles	Office Equipment	Computer Software and Hardware	Work in Progress	Total
	Note	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Cost</b>											
At 1 January 2018		18,525	362,140	21,190	196,804	87,937	7,103	29,235	189,436	132,924	1,045,294
Additions		-	-	22	10,564	3,984	1,057	2,398	17,628	215,851	251,504
Sales		-	(367)	(3)	-	(369)	(368)	(109)	(715)	-	(1,931)
Foreign Currency Translation Differences		-	-	-	-	-	-	(32)	-	-	(32)
Adjustments/ Reclassifications		-	-	(4,560)	9,021	546	-	6,641	10,580	(37,656)	(15,428)
Write-Off		-	-	(3,354)	(7,574)	(948)	(5)	(597)	(11,587)	-	(24,065)
Reclassification to Intangible Assets	15	-	-	-	-	-	-	-	-	(20,979)	(20,979)
Reclassification to Assets Held for Sale	12	-	(344)	-	-	-	-	-	-	-	(344)
At 31 December 2018/ At 1 January 2019		18,525	361,429	13,295	208,815	91,150	7,787	37,536	205,342	290,140	1,234,019
Additions		-	-	59	5,357	1,587	797	734	10,781	117,234	136,549
Sales		-	(66,374)	-	(2,798)	(14,259)	(251)	(201)	(414)	-	(84,297)
Foreign Currency Translation Differences		-	-	-	-	-	-	23	-	-	23
Adjustments/ Reclassifications		-	-	1,826	7,100	(35)	-	2,344	47,119	(72,577)	(14,223)
Write-Off		-	-	(520)	(5,259)	(3,608)	(179)	(1,367)	(16,794)	-	(27,727)
Reclassification to Intangible Assets	15	-	-	-	-	-	-	-	-	(16,633)	(16,633)
Reclassification to Assets Held for Sale	12	-	(12,857)	-	-	-	-	-	-	-	(12,857)
<b>At 31 December 2019</b>		<b>18,525</b>	<b>282,198</b>	<b>14,660</b>	<b>213,215</b>	<b>74,835</b>	<b>8,154</b>	<b>39,069</b>	<b>246,034</b>	<b>318,164</b>	<b>1,214,854</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## 18.1 GROUP (Cont'd.)

	Note	Freehold Land (RM'000)	Building (RM'000)	Building Plant and Machinery (RM'000)	Office/ Building Renovation (RM'000)	Furniture, Fixtures and Fittings (RM'000)	Motor Vehicles (RM'000)	Office Equipment (RM'000)	Computer Software and Hardware (RM'000)	Work in Progress (RM'000)	Total (RM'000)
<b>Accumulated Depreciation</b>											
At 1 January 2018		371	194,645	11,803	168,017	80,368	4,801	21,676	161,519	-	643,200
Current Year Depreciation	30	-	8,379	2,925	18,872	5,127	805	4,155	20,673	-	60,936
Sales		-	(190)	(3)	-	(363)	(23)	(110)	(679)	-	(1,368)
Adjustments/ Reclassifications		-	-	(1,478)	-	-	-	1,478	-	-	-
Write-Off		-	-	(3,354)	(7,573)	(882)	(3)	(591)	(11,581)	-	(23,984)
Foreign Currency Translation Differences		-	-	-	-	-	-	(25)	-	-	(25)
Reclassification to Assets Held for Sale	12	-	(144)	-	-	-	-	-	-	-	(144)
<b>At 31 December 2018/ At 1 January 2019</b>		<b>371</b>	<b>202,690</b>	<b>9,893</b>	<b>179,316</b>	<b>84,250</b>	<b>5,580</b>	<b>26,583</b>	<b>169,932</b>	<b>-</b>	<b>678,615</b>
Current Year Depreciation	30	-	7,346	2,443	10,537	2,252	794	3,861	22,993	-	50,226
Sales		-	(30,527)	-	(2,734)	(14,211)	(249)	(195)	(410)	-	(48,326)
Adjustments/ Reclassifications		-	-	-	-	(1,511)	-	1,525	(14)	-	-
Write-Off		-	-	(348)	(4,638)	(3,577)	(179)	(1,348)	(16,785)	-	(26,875)
Foreign Currency Translation Differences		-	-	-	-	-	-	23	-	-	23
Reclassification to Assets Held for Sale	12	-	(5,201)	-	-	-	-	-	-	-	(5,201)
<b>At 31 December 2019</b>		<b>371</b>	<b>174,308</b>	<b>11,988</b>	<b>182,481</b>	<b>67,203</b>	<b>5,946</b>	<b>30,449</b>	<b>175,716</b>	<b>-</b>	<b>648,462</b>
<b>Net Book Value</b>											
At 1 January 2018		18,154	167,495	9,387	28,787	7,569	2,302	7,559	27,917	132,924	402,094
At 31 December 2018/ At 1 January 2019		18,154	158,739	3,402	29,499	6,900	2,207	10,953	35,410	290,140	555,404
<b>At 31 December 2019</b>		<b>18,154</b>	<b>107,890</b>	<b>2,672</b>	<b>30,734</b>	<b>7,632</b>	<b>2,208</b>	<b>8,620</b>	<b>70,318</b>	<b>318,164</b>	<b>566,392</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

#### 18.2 EPF

		Freehold Land	Building	Building Plant and Machinery	Office/ Building Renovation	Furniture, Fixtures and Fittings	Motor Vehicles	Office Equipment	Computer Software and Hardware	Work in Progress	Total
	Note	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Cost</b>											
At 1 January 2018		12,308	253,635	21,190	164,729	18,171	5,701	27,340	152,609	25,729	681,412
Additions		-	-	22	3,885	1,052	970	1,452	2,626	62,458	72,465
Sales		-	-	(3)	-	(343)	(363)	(110)	(681)	-	(1,500)
Adjustments/ Reclassifications		-	-	(4,560)	9,021	546	-	6,641	10,580	(37,656)	(15,428)
Write-Off		-	-	(3,354)	(7,574)	(948)	(5)	(597)	(11,587)	-	(24,065)
Reclassification to Intangible Assets	15	-	-	-	-	-	-	-	-	(20,979)	(20,979)
Reclassification to Assets Held for Sale	12	-	(344)	-	-	-	-	-	-	-	(344)
<b>At 31 December 2018/ At 1 January 2019</b>		<b>12,308</b>	<b>253,291</b>	<b>13,295</b>	<b>170,061</b>	<b>18,478</b>	<b>6,303</b>	<b>34,726</b>	<b>153,547</b>	<b>29,552</b>	<b>691,561</b>
Additions		-	-	-	-	266	479	708	5,679	68,229	75,361
Sales		-	-	-	-	(59)	-	(201)	(58)	-	(318)
Adjustments/ Reclassifications		-	-	1,826	7,100	1,478	-	816	43,204	(68,647)	(14,223)
Write-Off		-	-	(520)	(5,253)	(1,093)	(179)	(1,365)	(15,928)	-	(24,338)
Reclassification to Intangible Assets	15	-	-	-	-	-	-	-	-	(15,643)	(15,643)
Reclassification to Assets Held for Sale	12	-	(12,857)	-	-	-	-	-	-	-	(12,857)
<b>At 31 December 2019</b>		<b>12,308</b>	<b>240,434</b>	<b>14,601</b>	<b>171,908</b>	<b>19,070</b>	<b>6,603</b>	<b>34,684</b>	<b>186,444</b>	<b>13,491</b>	<b>699,543</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## 18.2 EPF (Cont'd.)

	Note	Freehold Land (RM'000)	Building (RM'000)	Building Plant and Machinery (RM'000)	Office/ Building Renovation (RM'000)	Furniture, Fixtures and Fittings (RM'000)	Motor Vehicles (RM'000)	Office Equipment (RM'000)	Computer Software and Hardware (RM'000)	Work in Progress (RM'000)	Total (RM'000)
<b>Accumulated Depreciation</b>											
At 1 January 2018		-	137,874	11,802	137,536	15,115	3,693	20,358	128,757	-	455,135
Current Year Depreciation	30	-	4,787	1,758	11,338	2,017	638	3,757	13,790	-	38,085
Sales		-	-	(3)	-	(340)	(18)	(109)	(673)	-	(1,143)
Adjustments/ Reclassifications		-	-	(1,478)	-	-	-	1,478	-	-	-
Write-Off		-	-	(3,354)	(7,573)	(882)	(3)	(591)	(11,581)	-	(23,984)
Reclassification to Assets Held for Sale	12	-	(144)	-	-	-	-	-	-	-	(144)
At 31 December 2018/ At 1 January 2019		-	142,517	8,725	141,301	15,910	4,310	24,893	130,293	-	467,949
Current Year Depreciation	30	-	4,591	1,280	9,285	1,449	645	3,580	18,673	-	39,503
Sales		-	-	-	-	(59)	-	(195)	(58)	-	(312)
Write-Off		-	-	(348)	(4,632)	(1,062)	(179)	(1,348)	(15,919)	-	(23,488)
Reclassification to Assets Held for Sale	12	-	(5,201)	-	-	-	-	-	-	-	(5,201)
<b>At 31 December 2019</b>		-	141,907	9,657	145,954	16,238	4,776	26,930	132,989	-	478,451
<b>Net Book Value</b>											
At 1 January 2018		12,308	115,761	9,388	27,193	3,056	2,008	6,982	23,852	25,729	226,277
At 31 December 2018/ At 1 January 2019		12,308	110,774	4,570	28,760	2,568	1,993	9,833	23,254	29,552	223,612
<b>At 31 December 2019</b>		12,308	98,527	4,944	25,954	2,832	1,827	7,754	53,455	13,491	221,092

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 19. DEFERRED TAX

	Note	GROUP	
		2019 (RM'000)	2018 (RM'000)
At 1 January		38,928	(9,629)
Adjustments		-	(655)
Reclassification to Tax Recoverable		-	5,153
Reallocated from Intangible Assets from Completion of Purchase Price Allocation		12,872	-
Amount Recognised in the Statement of Profit or Loss	32	64,250	41,261
Amount Recognised in Other Comprehensive Income		45,589	3,368
Foreign Currency Translation Differences		(1,532)	(570)
<b>At 31 December</b>		<b>160,107</b>	<b>38,928</b>
After Appropriate Set-Off as follows:			
Deferred Tax Assets		(65,235)	(41,240)
Deferred Tax Liabilities		225,342	80,168
		<b>160,107</b>	<b>38,928</b>
Deferred Tax Assets:			
- Settled within 12 Months		-	(90)
- Settled more than 12 Months		(65,235)	(41,150)
		<b>(65,235)</b>	<b>(41,240)</b>
Deferred Tax Liabilities:			
- Settled within 12 Months		2,096	859
- Settled more than 12 Months		223,246	79,309
		<b>225,342</b>	<b>80,168</b>

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 relate to the same authority.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 19. DEFERRED TAX (CONT'D.)

The components and movements in Deferred Tax Assets and Liabilities during the financial year comprise the followings:

## 19.1 DEFERRED TAX (ASSETS)/LIABILITIES

	Unutilised Tax Losses	Financial Assets at Fair Value through Other Comprehensive Income Reserve	Property, Plant and Equipment	Investment Properties	Loans, Advances and Financing	Others	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At 1 January 2018	(4,146)	14,111	3,974	13,487	-	(37,055)	(9,629)
Adjustments	4,052	13	265	-	-	(4,985)	(655)
Reclassification to Tax Recoverable	-	-	-	-	-	5,153	5,153
Amount Recognised in the Statement of Profit or Loss	(1,143)	-	7,475	5,192	41,234	(11,497)	41,261
Amount Recognised in Other Comprehensive Income	-	3,368	-	-	-	-	3,368
Foreign Currency Translation Differences	22	-	-	(613)	-	21	(570)
At 31 December 2018/ At 1 January 2019	<b>(1,215)</b>	<b>17,492</b>	<b>11,714</b>	<b>18,066</b>	<b>41,234</b>	<b>(48,363)</b>	<b>38,928</b>
Adjustments	-	<b>(13,873)</b>	-	-	-	<b>13,873</b>	-
Reallocated from Intangible Assets from Completion of Purchase Price Allocation	-	-	-	-	-	<b>12,872</b>	<b>12,872</b>
Amount Recognised in the Statement of Profit or Loss	<b>(33,231)</b>	-	<b>7,515</b>	<b>74,584</b>	<b>5,729</b>	<b>9,653</b>	<b>64,250</b>
Amount Recognised in Other Comprehensive Income	-	<b>45,589</b>	-	-	-	-	<b>45,589</b>
Foreign Currency Translation Differences	<b>(443)</b>	<b>(238)</b>	-	<b>(151)</b>	<b>1</b>	<b>(701)</b>	<b>(1,532)</b>
<b>At 31 December 2019</b>	<b>(34,889)</b>	<b>48,970</b>	<b>19,229</b>	<b>92,499</b>	<b>46,964</b>	<b>(12,666)</b>	<b>160,107</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 20. PAYABLE AND ACCRUED LIABILITIES

#### 20.1 GROUP

	Note	2019 (RM'000)	2018 (RM'000)
Liability on Invocation Cost under Section 50(3)		33	121
Rent Received in Advance		272,463	223,496
Accruals on Administrative and Miscellaneous Non-Investments Payments	20.1a	608,673	595,301
Accruals on Investment Payments	20.1b	3,947,630	5,065,665
		<b>4,828,799</b>	<b>5,884,583</b>

- a. Included in Accruals on Administrative and Miscellaneous Non-Investments Payments is the contract liabilities for advance payment received from customer on contracts for the Group amounting to RM223.11 million (2018: RM228.02 million). The outstanding balance represents advance payment received for services yet to be billed as at 31 December 2019.
- b. Included in Accruals on Investment Payments is the Allowance for Impairment on commitments and contingencies of the Group that are recognised in accordance with MFRS 9 as per the table below:

2019	Note	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		53,130	36,829	10,453	100,412
Movements with Profit or Loss Impact	27	(8,933)	(18,851)	(1,947)	(29,731)
Transfers:					
Transfer from Stage 1 to Stage 2		(4,914)	4,914	-	-
Transfer from Stage 1 to Stage 3		(798)	-	798	-
Transfer from Stage 2 to Stage 1		2,357	(2,357)	-	-
Transfer from Stage 2 to Stage 3		-	(4,814)	4,814	-
Transfer from Stage 3 to Stage 1		2,583	-	(2,583)	-
Transfer from Stage 3 to Stage 2		-	349	(349)	-
New Financial Assets Originated or Purchased		25,153	1,791	426	27,370
Derecognised Financial Assets		(12,511)	(6,126)	(815)	(19,452)
Changes in PDs/LGDs/EADs		(20,803)	(12,608)	(4,238)	(37,649)
<b>At 31 December</b>		<b>44,197</b>	<b>17,978</b>	<b>8,506</b>	<b>70,681</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 20. PAYABLE AND ACCRUED LIABILITIES (CONT'D.)

## 20.1 GROUP (Cont'd.)

- b. Included in Accruals on Investment Payments is the Allowance for Impairment on commitments and contingencies of the Group that are recognised in accordance with MFRS 9 as per the table below: (Cont'd.)

2018	Note	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		-	-	-	-
Impact of Initial Adoption of MFRS 9		98,697	85,730	12,459	196,886
As Restated at 1 January		98,697	85,730	12,459	196,886
Acquisition of Subsidiary		4,846	885	-	5,731
Movements with Profit or Loss Impact	27	(50,413)	(49,786)	(2,006)	(102,205)
Transfers:					
Transfer from Stage 1 to Stage 2		(5,770)	5,770	-	-
Transfer from Stage 1 to Stage 3		(555)	-	555	-
Transfer from Stage 2 to Stage 1		1,182	(1,182)	-	-
Transfer from Stage 2 to Stage 3		-	(741)	741	-
Transfer from Stage 3 to Stage 1		1	-	(1)	-
Transfer from Stage 3 to Stage 2		-	12	(12)	-
New Financial Assets Originated or Purchased		23,549	18,012	2,896	44,457
Derecognised Financial Assets		(37,803)	(42,392)	(5,228)	(85,423)
Changes in PDs/LGDs/EADs		(31,017)	(29,265)	(957)	(61,239)
<b>At 31 December</b>		<b>53,130</b>	<b>36,829</b>	<b>10,453</b>	<b>100,412</b>

The maturity structure of Payables and Accrued Liabilities are as follows:

	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months	4,424,757	5,348,029
Maturing after 12 Months	404,042	536,554
	<b>4,828,799</b>	<b>5,884,583</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 20. PAYABLE AND ACCRUED LIABILITIES (CONT'D.)

#### 20.2 EPF

	<b>2019</b> <b>(RM'000)</b>	<b>2018</b> <b>(RM'000)</b>
Liability on Invocation Cost under Section 50(3)	<b>33</b>	121
Rent Received in Advance	<b>3,608</b>	2,087
Accruals on Administrative and Miscellaneous Non-Investments Payments	<b>357,481</b>	361,825
Accruals on Investment Payments	<b>1,563,359</b>	2,368,467
Amount Owing to Subsidiaries	<b>118,548</b>	21,154
	<b>2,043,029</b>	2,753,654

The maturity structure of Payables and Accrued Liabilities are as follows:

	<b>2019</b> <b>(RM'000)</b>	<b>2018</b> <b>(RM'000)</b>
Maturing within 12 Months	<b>2,041,884</b>	2,744,205
Maturing after 12 Months	<b>1,145</b>	9,449
	<b>2,043,029</b>	2,753,654

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 21. DEPOSITS AND ADVANCES

## 21.1 GROUP

	2019 (RM'000)	2018 (RM'000)
Employers Instalment	59,706	65,038
Remittance Suspense	43,683	9,962
Deposits of Office Rentals	25,814	25,379
Customers Deposits	34,083,368	31,925,098
Transit for Late Processing of Contribution	154,197	143,048
Deposits on Sales of Property	29,243	11,680
Miscellaneous	2,195	2,820
	<b>34,398,206</b>	32,183,025

The maturity structure of the Deposits and Advances are as follows:

	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months	30,599,018	29,277,248
Maturing after 12 Months	3,799,188	2,905,777
	<b>34,398,206</b>	32,183,025

## 21.2 EPF

	2019 (RM'000)	2018 (RM'000)
Employers Instalment	59,706	65,038
Remittance Suspense	43,683	9,962
Deposits of Office Rentals	8,836	9,304
Transit for Late Processing for Contribution	154,197	143,048
Deposits on Sales of Property	29,243	11,680
Miscellaneous	1,390	2,630
Rental Deposit Owing to Subsidiaries	96	96
	<b>297,151</b>	241,758

The maturity structure of the Deposits and Advances are as follows:

	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months	288,085	229,866
Maturing after 12 Months	9,066	11,892
	<b>297,151</b>	241,758

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 22. LOANS AND OVERDRAFTS

	GROUP	
	2019 (RM'000)	2018 (RM'000)
Bank Borrowings and Overdrafts	13,804,658	12,840,653
Recourse Obligations on Loan Sold to Cagamas	2,481,251	2,135,518
Other Borrowings	1,840,771	851,809
	<b>18,126,680</b>	15,827,980

The maturity structure of Loans and Overdrafts are as follows:

	GROUP	
	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months	395,200	2,510,310
Maturing after 12 Months	17,731,480	13,317,670
	<b>18,126,680</b>	15,827,980

The followings are details in respect of significant loans by the Group as reported in the Statement of Financial Position:

#### 22.1 Existing Bank Borrowings

- a. On April 2015, a global subsidiary obtained external bank financing of EUR128.86 million (RM514.64 million) from Deka Bank, at an interest rate of three (3) month Euribor plus a margin of 1.0% and is due on 4 February 2022. The loan is secured by the global subsidiary's investment property.
- b. On 3 July 2015, a global subsidiary obtained external bank financing of EUR188.32 million (RM790.44 million) from Deutsch Hypo Bank at an interest rate of three (3) months LIBOR plus liquidity costs and a margin of 0.73%. As of 1 June 2018, loan amount of EUR74.68 million (RM346.93 million) was repaid following the sale of the subsidiary's property, with the balance due on 22 June 2022. The loan is secured on the global subsidiary's investment property.
- c. On 10 November 2016, a global subsidiary entered into a Senior Term Loan Facility Agreement for EUR94.00 million (RM437.69 million) with United Overseas Bank Limited (Singapore) at an interest rate consisting of a margin of 0.90% plus the five (5) year mid Euro swap rate plus a spread of 0.12%.
- d. On 30 November 2016, a global subsidiary entered into a finance agreement with Standard Chartered Bank for GBP259.00 million (RM1,444.88 million). The loan is repayable five (5) years from the date it was granted and is secured on the subsidiary's investment properties. The loan carries interest at the rate of one (1) month GBP LIBOR rate plus 1.02% and other mandatory costs, if any.
- e. On 18 April 2017, a global subsidiary entered into a finance agreement with Citigroup Global Markets Asia Limited for GBP130.00 million (RM721.84 million). The loan is repayable after five (5) years and is secured by a charge over the Group's investment properties. The loan carries interest at the rate of one (1) month GBP LIBOR rate plus 0.99% and other mandatory costs, if any.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

**22. LOANS AND OVERDRAFTS (CONT'D.)****22.1 Existing Bank Borrowings (Cont'd.)**

- f. On 3 July 2017, three (3) global subsidiaries entered into a loan facility agreement with The Hongkong and Shanghai Banking Corporation Limited for EUR268.20 million (RM1,311.71 million). The facility was fully drawn as at 31 December 2018. The interest rate in effect is six (6) month Euribor plus a margin of 0.82%. This facility expires five (5) years after utilisation.
- g. On 28 February 2018, a global subsidiary entered into a three (3) year revolving loan facility of GBP125.90 million (RM 686.08 million) with Westpac Bank Corporation. The loan carries interest rate of the Bank Bill swap rate (BBSY) plus 1.7% margin. The loan is secured on the global subsidiary's investment properties.
- h. On 2 October 2018, a global subsidiary entered into a Senior Term Loan Facility Agreement with Standard Chartered Bank amounting to GBP282.40 million (RM1,532.08 million) which was drawn on 8 October 2018. The loan is repayable after five (5) years and is secured by a charge over three (3) of the subsidiary's investment properties. The loan carries interest at the rate of three (3) month GBP LIBOR rate plus 0.84%.

**22.2 Approved Bank Borrowings during The Financial Year**

- a. On 31 July 2019, three (3) global subsidiaries entered into a loan facility agreement with Standard Chartered Bank for EUR328.00 million (RM1,509.55 million). As at 31 December 2019, the facility was fully drawn. The interest rate in effect is three (3) month Euribor plus a margin of 0.75%. This facility expires five (5) years after utilisation.

Bank borrowings that are secured by Group's Investment Properties are not to be pledged as securities for other borrowings or to be disposed to another entity.

The table below shows reconciliation of Group's Loans and Overdrafts arising from financing activities and are classified in the Group's consolidated cash flows as cash flows from financing activities:

	GROUP	
	2019 (RM'000)	2018 (RM'000)
At 1 January	15,827,980	15,687,508
Cash Flows' Changes from Financing Activities:		
Proceeds from Borrowings	3,899,417	1,615,070
Repayments of Borrowings	(1,927,826)	(1,480,934)
Non-Cash Changes	327,109	6,336
<b>At 31 December</b>	<b>18,126,680</b>	15,827,980

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 23. EMPLOYEE BENEFITS

	Note	GROUP AND EPF		Total (RM'000)
		Post-Retirement Medical Benefit (RM'000)	Post-Retirement Gratuity (RM'000)	
At 1 January 2018		39,900	301,814	341,714
Provisions Made during the Financial Year Recognised in the Statements of Profit or Loss	30	(15,116)	1,896	(13,220)
Loss/(Gain) from Actuarial Valuation on Employee Benefits Plan Recognised as Other Comprehensive Income		7,370	(3,491)	3,879
Benefits Paid during the Year		(6,129)	(4,434)	(10,563)
At 31 December 2018/At 1 January 2019		<b>26,025</b>	<b>295,785</b>	<b>321,810</b>
Provisions Made during the Financial Year Recognised in the Statements of Profit or Loss	30	<b>6,471</b>	<b>31,707</b>	<b>38,178</b>
Benefits Paid during the Year		<b>(8,082)</b>	<b>(5,792)</b>	<b>(13,874)</b>
<b>At 31 December 2019</b>		<b>24,414</b>	<b>321,700</b>	<b>346,114</b>

The maturity structure of Employee Benefits are as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
Maturing within 12 Months	12,259	10,698
Maturing after 12 Months	333,855	311,112
	<b>346,114</b>	<b>321,810</b>

#### 23.1 Post-Retirement Medical Benefit

- a. The movements of present value in the unfunded obligations are as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
At 1 January	26,025	39,900
Current Service Cost/(Writeback)	6,011	(15,854)
Interest Cost	460	738
Benefits Paid during the Year	(8,082)	(6,129)
Net Actuarial Loss	-	7,370
<b>At 31 December</b>	<b>24,414</b>	<b>26,025</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 23. EMPLOYEE BENEFITS (CONT'D)

## 23.1 Post-Retirement Medical Benefit (Cont'd.)

- b. The amounts in the Statements of Financial Position are as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
Present Value of Unfunded Obligations	24,414	26,025
<b>Net Liabilities as at 31 December</b>	<b>24,414</b>	26,025

- c. The amounts recognised in the Statements of Profit or Loss and Other Comprehensive Income are as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
Current Service Cost/(Writeback)	6,011	(15,854)
Interest Cost	460	738
Total Post-Retirement Costs Recognised in the Statements of Profit or Loss	6,471	(15,116)
Net Actuarial Loss	-	7,370
Total Post-Retirement Costs Recognised in Other Comprehensive Income	-	7,370
Total Post-Retirement Costs Recognised in the Statements of Profit or Loss and Other Comprehensive Income	6,471	(7,746)

- d. The amounts in the Statements of Financial Position are reconciled as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
Present Value of Unfunded Obligations	26,025	39,900
Total Post-Retirement Costs Recognised in the Statements of Profit or Loss and Other Comprehensive Income	6,471	(7,746)
Benefits Paid during the Year	(8,082)	(6,129)
<b>Net Liabilities as at 31 December</b>	<b>24,414</b>	26,025

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 23. EMPLOYEE BENEFITS (CONT'D)

#### 23.1 Post-Retirement Medical Benefit (Cont'd.)

- e. The principal actuarial assumptions used were as follows:

	GROUP AND EPF	
	2019	2018
Discount Rate (%)	4	4
Medical Cost Inflation Rate (%)	2	2
Average Live Expectancy Rate (Years):		
Male	87	87
Female	91	91

- f. The sensitivity analysis below have been determined based on a method that extrapolates reasonable changes in key assumptions occurring at the Statements of Financial Position, holding other assumptions are constant:

	GROUP AND EPF		
	2019		
	(RM'000)	Increase (+) (RM'000)	Decrease (-) (RM'000)
Benefit Obligations as at 31 December	24,414		
Discount Rate (1 % Movement)		(2,436)	2,884
Average Life Expectancy (1 Year Movement)		506	(551)

	GROUP AND EPF		
	2018		
	(RM'000)	Increase (+) (RM'000)	Decrease (-) (RM'000)
Benefit Obligations as at 31 December	26,025		
Discount Rate (1 % Movement)		(2,921)	2,445
Average Life Expectancy (1 Year Movement)		504	(546)

Although the analysis does not account for full cash distribution expected under the plan, it does provide approximation of sensitivity assumptions used.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 23. EMPLOYEE BENEFITS (CONT'D)

## 23.2 Post-Retirement Gratuity

- a. The movements of present value in the unfunded obligations are as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
At 1 January	295,785	301,814
Current Service Cost/(Writeback)	17,653	(11,569)
Interest Cost	14,054	13,465
Benefits Paid during the Year	(5,792)	(4,434)
Net Actuarial Gain	-	(3,491)
<b>At 31 December</b>	<b>321,700</b>	<b>295,785</b>

- b. The amounts recognised in the Statements of Financial Position are as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
Present Value of Unfunded Obligations	321,700	295,785
<b>Net Liabilities as at 31 December</b>	<b>321,700</b>	<b>295,785</b>

- c. The amounts recognised in the Statements of Profit or Loss and Other Comprehensive Income are as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
Current Service Cost/(Writeback)	17,653	(11,569)
Interest Cost	14,054	13,465
Total Post-Retirement Costs Recognised in the Statements of Profit or Loss	31,707	1,896
Net Actuarial Gain	-	(3,491)
Total Post-Retirement Costs Recognised in Other Comprehensive Income	-	(3,491)
Total Post-Retirement Costs Recognised in the Statements of Profit or Loss and Other Comprehensive Income	31,707	(1,595)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 23. EMPLOYEE BENEFITS (CONT'D)

#### 23.2 Post-Retirement Gratuity (Cont'd.)

- d. The amounts in the Statements of Financial Position are reconciled as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
Present Value of Unfunded Obligations	295,785	301,814
Total Post-Retirement Costs Recognised in the Statements of Profit or Loss and Other Comprehensive Income	31,707	(1,595)
Benefits Paid during the Year	(5,792)	(4,434)
<b>Net Liabilities as at 31 December</b>	<b>321,700</b>	<b>295,785</b>

- e. The principal actuarial assumptions used were as follows:

	GROUP AND EPF	
	2019 (RM'000)	2018 (RM'000)
Discount Rate (%)	4.00	4.00
Annual Salary Increment Rate (%)	5.80	5.80
Salary Adjustment Rate (%)*	8.50	8.50

\* Salary adjustment is performed once every three (3) years, with year 2017 was the latest revision.

- f. The sensitivity analysis below have been determined based on a method that extrapolates reasonable changes during the actuarial valuation at the Statements of Financial Position, holding other assumptions are constant:

	GROUP AND EPF		
	2019		
	(RM'000)	Increase (+) (RM'000)	Decrease (-) (RM'000)
Benefit Obligations as at 31 December	321,700		
Discount Rate (1% Movement)		(845)	916
Annual Salary Increment Rate (1% Movement)		256	(415)

	GROUP AND EPF		
	2018		
	(RM'000)	Increase (+) (RM'000)	Decrease (-) (RM'000)
Benefit Obligations as at 31 December	295,785		
Discount Rate (1% Movement)		(936)	1,023
Annual Salary Increment Rate (1% Movement)		476	(618)

Although the analysis does not account for full cash distribution expected under the plan, it does provide approximation of sensitivity assumptions used.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 24. NET ASSETS ATTRIBUTABLE TO MEMBERS

	Note	GROUP			EPF		
		31 DECEMBER 2019 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)	RESTATED 1 JANUARY 2018 (RM'000)	31 DECEMBER 2019 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)	RESTATED 1 JANUARY 2018 (RM'000)
<b>Allocated to Members</b>							
Contribution	24.1	<b>916,586,744</b>	839,642,921	768,508,567	<b>916,586,744</b>	839,642,921	768,508,567
<b>Unallocated to Members</b>							
Cumulative Surplus and Reserves:	24a						
Cumulative Surplus	24.2	<b>3,307,359</b>	3,264,454	3,461,636	<b>1,588,754</b>	487,718	1,262,003
Financial Assets at Fair Value through Other Comprehensive Income Reserve	24.3	<b>8,112,928</b>	(7,250,428)	40,802,877	<b>6,706,588</b>	(7,820,233)	40,595,764
Other Reserves	24.4	<b>284,457</b>	(176,326)	665,398	-	-	-
		<b>11,704,744</b>	(4,162,300)	44,929,911	<b>8,295,342</b>	(7,332,515)	41,857,767
<b>Net Assets Attributable to Members</b>		<b>928,291,488</b>	835,480,621	813,438,478	<b>924,882,086</b>	832,310,406	810,366,334

- a. The entire profit after taxation and zakat and other comprehensive income/(loss) are attributed to Members of EPF and these increase/(decrease) the Net Assets Attributable to the Members by increase of RM61.75 billion (2018: decrease of RM1.53 billion).

Meanwhile, Cumulative Surplus amounting to RM3.31 billion (2018: RM3.26 billion) and RM1.59 billion (2018: RM0.49 billion) for Group and EPF respectively are the amounts yet to be allocated to EPF Members' Contribution accounts as of date of Statement of Financial Position.

The amount unallocated to EPF members as at the date of Statement of Financial Position also comprise of Financial Assets at Fair Value through Other Comprehensive Income Reserve and Other Reserves. The allocation of these Cumulative Surplus and Reserves to EPF members will be by way of distributions which are subject to approval by the Board of EPF and the Minister as per Section 27 of the EPF Act 1991. These Cumulative Surplus and Reserves are only distributable upon realisation of gains from the disposals of Financial Assets at Fair Value through Other Comprehensive Income based on EPF's investment strategy.

The maturity structure of the Net Assets Attributable to Members are as follows:

	GROUP			EPF		
	31 DECEMBER 2019 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)	RESTATED 1 JANUARY 2018 (RM'000)	31 DECEMBER 2019 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)	RESTATED 1 JANUARY 2018 (RM'000)
Maturing within 12 Months	<b>160,654,827</b>	165,477,090	88,875,463	<b>160,654,827</b>	165,477,090	88,875,463
Maturing after 12 Months	<b>767,636,661</b>	670,003,531	724,563,015	<b>764,227,259</b>	666,833,316	721,490,871
	<b>928,291,488</b>	835,480,621	813,438,478	<b>924,882,086</b>	832,310,406	810,366,334

Amount maturing within 12 months comprise of balances which are eligible to be withdrawn by members aged 50, 55 and 60 as well as members who have portion of their contribution balances exceeding RM1 million in accordance with EPF Act 1991.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 24. NET ASSETS ATTRIBUTABLE TO MEMBERS (CONT'D.)

#### 24.1 CONTRIBUTION

	Note	GROUP AND EPF	
		2019 (RM'000)	2018 (RM'000)
At 1 January		839,642,921	768,508,567
<b>Contribution Received and Adjustments</b>			
Contribution Received from Employers		72,807,907	68,727,555
Redemption of Investment in Unit Trusts by Members		3,051,912	2,665,200
Redemption/Cancellation of Annuity Scheme by Members		54,348	59,449
Reinstatement/Adjustment Members' Contribution Account		13,911	14,767
		<b>75,928,078</b>	71,466,971
<b>Dividend Distributions to Members</b>			
Dividend Credited: SK - 5.45% (2018: 6.15%) & SS - 5.00% (2018: 5.90%)	24.2	45,817,417	47,312,806
Prior Year Adjustments		5,463	5,708
		<b>45,822,880</b>	47,318,514
<b>Less:</b>			
<b>Withdrawals and Refunds</b>			
<b>Withdrawals</b>			
55 Years Withdrawal Scheme		15,920,504	15,810,003
50 Years Withdrawal Scheme		4,617,493	4,712,681
60 Years Withdrawal Scheme		4,557,681	4,330,245
Incapacitation Withdrawal Scheme		467,211	391,038
Leaving Country Withdrawal Scheme		437,103	392,456
Housing Withdrawal Scheme		2,541,107	2,364,289
Redemption/Reduction of Housing Loan/Monthly Housing Loan Withdrawal Scheme		3,509,591	3,449,255
Medical Withdrawal Scheme		82,350	67,404
Death Withdrawal Scheme		1,961,715	1,715,602
Periodical Payment Withdrawal Scheme		901	1,123
Member Investment Withdrawal Scheme		5,640,325	9,251,295
Pensionable Employee Withdrawal Scheme		2,134,544	2,065,789
Education Withdrawal Scheme		1,157,232	1,319,456
Monthly Payment Withdrawal Scheme		79	77
Saving Exceeding RM1 Million Withdrawal Scheme		1,553,232	1,518,977
Hajj Withdrawal Scheme		2,173	1,210
		<b>44,583,241</b>	47,390,900
<b>Refunds</b>			
Refund to Employers/Members - Rule 33(1), EPF Regulations & Rules 1991		27,389	35,397
Refund of Employers Share to Pension Trust Fund - Section 56, EPF Act 1991		192,764	193,954
		<b>220,153</b>	229,351
		<b>44,803,394</b>	47,620,251
<b>Other Adjustment</b>			
Adjustments of Contributions with Incomplete Information (CTML) and Reject – No Further Action (NFA)		3,741	30,880
<b>As at 31 December</b>	24	<b>916,586,744</b>	839,642,921

#### Members' Assets/Contributions with Fund Manager Institutions

The cumulative amount invested by the EPF members with the approved Fund Management Institutions are not disclosed in the Statements Of Financial Position as the risk and reward of the investment is borne by the members.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 24. NET ASSETS ATTRIBUTABLE TO MEMBERS (CONT'D.)

## 24.2 CUMULATIVE SURPLUS

	Note	GROUP	
		2019 (RM'000)	RESTATED 2018 (RM'000)
At 1 January		3,264,454	3,461,636
Adjustment on Employee Benefits for the Financial Year		-	(3,879)
Net Profit Attributable to Members		35,673,812	31,536,579
Net Realised Gain on Fair Value Revaluation on Investment in Equity Instruments at Fair Value through Other Comprehensive Income	7.1a	11,705,457	18,214,809
Income Tax Paid Relating to the Global Investments		(118,305)	(247,340)
Shariah Non-Compliant Income on Excess Gain of Securities which are reclassified from Shariah to Conventional	33.4	1,592	10,410
Dividend on Contribution Withdrawals and Adjustments on Dividend for Previous Years		(300,157)	(350,053)
Cost Write Down on Listed Equities	24.3	(1,146,419)	(1,988,743)
Dividend Credited: SK - 5.45% (2018: 6.15%) & SS - 5.00% (2018: 5.90%)	24.1	(45,817,417)	(47,312,806)
Movement between Reserves		8,643	(7,676)
Share of Other Comprehensive Income from Associates and Joint Ventures		1,830	3,072
Net Asset Movement from Changes in Equity Holdings in Subsidiaries		33,869	(51,555)
<b>At 31 December</b>	24	<b>3,307,359</b>	3,264,454

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 24. NET ASSETS ATTRIBUTABLE TO MEMBERS (CONT'D.)

#### 24.2 CUMULATIVE SURPLUS (Cont'd.)

	Note	EPF	
		2019 (RM'000)	RESTATED 2018 (RM'000)
At 1 January		<b>487,718</b>	1,262,003
Adjustment on Employee Benefits for the Financial Year		-	(3,879)
Net Profit Attributable to Members		<b>36,776,285</b>	30,903,317
Net Realised Gain/(Loss) on Fair Value Revaluation on Investment in Equity Instruments at Fair Value through Other Comprehensive Income	7.2a	<b>11,705,457</b>	18,214,809
Income Tax Paid Relating to the Global Investments		<b>(118,305)</b>	(247,340)
Shariah Non-Compliant Income on Excess Gain of Securities which are reclassified from Shariah to Conventional	33.4	<b>1,592</b>	10,410
Dividend on Contribution Withdrawals and Adjustments on Dividend for Previous Years		<b>(300,157)</b>	(350,053)
Cost Write Down on Listed Equities	24.3	<b>(1,146,419)</b>	(1,988,743)
Dividend Credited: SK - 5.45% (2018: 6.15%) & SS - 5.00% (2018: 5.90%)	24.1	<b>(45,817,417)</b>	(47,312,806)
<b>At 31 December</b>	24	<b>1,588,754</b>	487,718

Included in the closing balance of the Group and EPF's Cumulative Surplus is net unrealised gain generated from the revaluation of Financial Assets at Fair Value through Profit or Loss and the movement of foreign exchange revaluation of financial assets amounting to RM1,122.75 million (Restated in 2018: RM32.62 million). These unrealised gains will only be reclassified as net realised gain upon sale or maturity of the assets for the purpose of dividend distributions in the following years.

In accordance with the adoption of new policy for Cost Write Down on Listed Equity approved by the Board in 2019, the Cumulative Surplus as at 31 December 2018 has been restated to account for the retrospective application of the new accounting policy, had the accounting policy been applied from 1 January 2018.

During the year, unrealised fair value losses amounting to RM1,146.42 million (2018: RM1,988.74 million) was transferred from Financial Assets at Fair Value through Other Comprehensive Income Reserve to Cumulative Surplus due to policy for Cost Write Down on Listed Equity as explained in Note 2.1d (iv) under Estimates and Assumptions.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 24. NET ASSETS ATTRIBUTABLE TO MEMBERS (CONT'D.)

## 24.2 CUMULATIVE SURPLUS (Cont'd.)

The closing balance of EPF's Cumulative Surplus as stated above has taken into account the provision for annual dividend as follows:

	Note	EPF	
		31 DECEMBER 2019 (RM'000)	31 DECEMBER 2018 (RM'000)
<b>Provision for Annual Dividend:</b>			
Simpanan Konvensional - 5.45% (2018: 6.15%)	33.2	<b>41,676,701</b>	42,997,323
Simpanan Shariah - 5.00% (2018: 5.90%)	33.2	<b>4,140,716</b>	4,315,483
<b>Total Provision for Annual Dividend</b>	24.1	<b>45,817,417</b>	47,312,806

Dividend rate declared for Simpanan Konvensional and Simpanan Shariah is based on the actual financial performance of these two saving funds during the financial year under review after taking into account the EPF's accounting policy as approved by the Board consistently.

## 24.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE

	Note	GROUP	
		2019 (RM'000)	RESTATED 2018 (RM'000)
At 1 January		<b>(7,250,428)</b>	40,802,877
Changes in the Fair Value of Debt Instruments at Fair Value through Other Comprehensive Income Reclassified to Profit or Loss on Disposal		<b>(108,524)</b>	1,925,528
Loss Allowance on Investment in Debt Instruments at Fair Value through Other Comprehensive Income		<b>(14,264)</b>	132,867
Net Unrealised Gain/(Loss) on Fair Value Revaluation on Investment in Debt Instruments at Fair Value through Other Comprehensive Income		<b>3,632,781</b>	(2,286,948)
Net Unrealised Gain/(Loss) on Fair Value Revaluation on Investment in Equity Instruments at Fair Value through Other Comprehensive Income		<b>10,310,879</b>	(49,801,894)
Cost Write Down on Listed Equities	24.2	<b>1,146,419</b>	1,988,743
Share of Other Comprehensive Income from Associates and Joint Ventures		<b>395,861</b>	(11,601)
Net Asset Movement from Changes in Equity Holdings in Subsidiaries		<b>204</b>	-
<b>At 31 December</b>	24	<b>8,112,928</b>	(7,250,428)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 24. NET ASSETS ATTRIBUTABLE TO MEMBERS (CONT'D.)

#### 24.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE (Cont'd.)

	Note	EPF	
		2019 (RM'000)	RESTATED 2018 (RM'000)
At 1 January		(7,820,233)	40,595,764
Changes in the Fair Value of Debt Instruments at Fair Value through Other Comprehensive Income Reclassified to Profit or Loss on Disposal		(201,610)	1,925,528
Loss Allowance on Investment in Debt Instruments at Fair Value through Other Comprehensive Income		(14,088)	132,867
Net Unrealised Gain/(Loss) on Fair Value Revaluation on Investment in Debt Instruments at Fair Value through Other Comprehensive Income		3,633,635	(2,297,962)
Net Unrealised Gain/(Loss) on Fair Value Revaluation on Investment in Equity Instruments at Fair Value through Other Comprehensive Income		9,962,465	(50,165,173)
Cost Write Down on Listed Equities	24.2	1,146,419	1,988,743
<b>At 31 December</b>	24	<b>6,706,588</b>	(7,820,233)

Changes in Financial Assets at Fair Value through Other Comprehensive Income Reserve arises from the movement in accumulated net unrealised fair value gain/(loss) of Financial Assets at Fair Value through Other Comprehensive Income.

During the year, a sum of RM1,146.42 million (2018: RM1,988.74 million) was transferred from Financial Assets at Fair Value through Other Comprehensive Income Reserve to Cumulative Surplus based on the policy for Cost Write Down on Listed Equity as explained in Note 2.1d (iv) under Estimates and Assumptions.

Included in Group's and EPF's closing balance of Financial Assets at Fair Value through Other Comprehensive Income Reserve in the year 2019 is loss allowance on investment in debt instrument classified as Financial Assets at Fair Value through Other Comprehensive Income amounting to RM118.60 million (2018: RM132.87 million) and RM118.78 million (2018: RM132.87 million) respectively, which are recognised in accordance with MFRS 9.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 24. NET ASSETS ATTRIBUTABLE TO MEMBERS (CONT'D.)

## 24.4 OTHER RESERVES

	Note	GROUP		
		31 DECEMBER	RESTATED	RESTATED
		2019	31 DECEMBER	1 JANUARY
		(RM'000)	2018	2018
		(RM'000)	(RM'000)	(RM'000)
Cash Flow Hedging Reserve	24.4a	(74,287)	(34,929)	(94,834)
Foreign Currency Translation Reserve	24.4b	740,401	221,761	1,056,693
Other Reserves	24.4c	(381,657)	(363,158)	(296,461)
	24	284,457	(176,326)	665,398

- Cash Flow Hedging Reserve represents the movement of net accumulated gain/(loss) arising from the effective portion of gain/(loss) on hedging instruments in a cash flow hedge.
- Foreign Currency Translation Reserve relates to exchange differences arising from the translation of foreign operations that have a functional currency different from the presentation currency (Ringgit Malaysia (RM) of EPF).
- Included in the Other Reserves is Regulatory Reserve which arises from the share of other comprehensive income in an associate. The balance is negative due to the adoption of MFRS 9 by an associate.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 25. GROSS INVESTMENT INCOME

	Note	GROUP		EPF	
		2019 (RM'000)	RESTATED 2018 (RM'000)	2019 (RM'000)	RESTATED 2018 (RM'000)
<b>Interest and Profit on Investments:</b>	25a				
Loans, Advances and Financing		5,042,347	5,005,496	2,556,727	2,507,283
Financial Assets at Fair Value through Profit or Loss		137,907	149,043	703,643	646,703
Financial Assets at Fair Value through Other Comprehensive Income		3,827,662	3,059,688	3,337,947	2,939,544
Investment Assets at Amortised Cost		15,113,607	14,016,456	15,004,373	13,928,783
		<b>24,121,523</b>	22,230,683	<b>21,602,690</b>	20,022,313
<b>Dividend on Investments:</b>					
Financial Assets at Fair Value through Profit or Loss		151,804	125,649	5,053	2,526
Financial Assets at Fair Value through Other Comprehensive Income		11,008,985	10,326,344	10,941,495	10,287,950
Investment in Subsidiaries, Associates & Joint Ventures		237,670	220,500	1,459,795	1,696,034
		<b>11,398,459</b>	10,672,493	<b>12,406,343</b>	11,986,510
<b>Capital Gain/(Loss) from Trading of Investments:</b>					
Financial Assets at Fair Value through Profit or Loss		329,347	1,048,923	(76,293)	539,300
Financial Assets at Fair Value through Other Comprehensive Income		1,353,933	43,875	1,295,341	43,908
Investment Assets at Amortised Cost		604,519	81,853	604,519	79,469
Investment in Subsidiaries, Associates & Joint Ventures		12,886	761,880	1,305,592	720,011
		<b>2,300,685</b>	1,936,531	<b>3,129,159</b>	1,382,688
		<b>37,820,667</b>	34,839,707	<b>37,138,192</b>	33,391,511
Rental Income		1,762,387	1,697,950	110,584	114,417
Net (Loss)/Gain on Foreign Exchange					
- Realised		(225,987)	87,265	(241,802)	91,961
- Unrealised		(776,904)	(165,254)	(178,327)	(128,540)
Net Gain/(Loss) from Financial Assets at Fair Value through Profit or Loss					
- Realised		1,044,019	(477,923)	1,044,019	(477,923)
- Unrealised		1,599,256	1,094,044	1,301,073	183,309
Interest/Profit on Bank Balances		10,731	12,534	5,374	6,966
Miscellaneous		28,608	75,296	18,443	29,165
		<b>41,262,777</b>	37,163,619	<b>39,197,556</b>	33,210,866

	GROUP		EPF	
	2019 (RM'000)	RESTATED 2018 (RM'000)	2019 (RM'000)	RESTATED 2018 (RM'000)
Internally Managed	33,227,774	30,808,793	32,157,793	29,484,214
Externally Managed	4,592,893	4,030,914	4,980,399	3,907,297
<b>Total Interest and Profit, Dividend and Capital Gain</b>	<b>37,820,667</b>	34,839,707	<b>37,138,192</b>	33,391,511

- a. Interest and Profit from Investments derived from the Group and EPF's investments on fixed income instruments include net accretion of discount and amortisation of premium using the effective yield method.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 26. INVESTMENT EXPENDITURE

	GROUP		EPF	
	RESTATED		RESTATED	
	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
External Fund Managers Fees	383,435	359,107	309,603	304,332
Custodian Fees	56,512	52,279	56,512	52,279
Investment Technical Services	31,285	41,844	36,158	44,049
Interest on Deposits, Loans and Overdrafts	154,776	239,420	-	-
Indirect Tax Expense on Global Investments	644,030	558,075	610,164	549,184
Goods and Services Tax (GST) on Investment Expenditures	-	10,027	-	10,027
Performance Fees	218,470	79,212	28,608	24,560
Miscellaneous	40,544	21,706	23,359	3,087
	<b>1,529,052</b>	<b>1,361,670</b>	<b>1,064,404</b>	<b>987,518</b>

## 27. NET IMPAIRMENT ON FINANCIAL INVESTMENT ASSETS

	Note	GROUP		EPF	
		2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
Impairment on Deposit with Financial Institutions		(448)	(792)	(1,574)	(448)
Write-back of Impairment on Deposit with Financial Institutions		613	587	955	587
		165	(205)	(619)	139
Impairment on Rent Receivables		(3,242)	(3,136)	(3,242)	(3,136)
Write-back of Impairment on Rent Receivables		3,222	5,509	3,222	5,509
		(20)	2,373	(20)	2,373
Impairment on Loans, Advances and Financing		(95,838)	(208,678)	(24)	(24,566)
Write-back of Impairment on Loans, Advances and Financing		15,192	31,229	24,665	1,140
		(80,646)	(177,449)	24,641	(23,426)
Impairment on Financial Assets at Fair Value through Other Comprehensive Income		(48,143)	(36,517)	(48,312)	(36,517)
Write-back of Impairment on Financial Assets at Fair Value through Other Comprehensive Income		34,690	13,501	34,691	9,142
		(13,453)	(23,016)	(13,621)	(27,375)
Impairment on Investment Assets at Amortised Costs		(73,581)	(2,760)	(73,538)	(2,892)
Write-back of Impairment on Investment Assets at Amortised Cost		5,730	57,010	12,258	57,778
		(67,851)	54,250	(61,280)	54,886
Write-back of Impairment on Commitments and Contingencies	20	29,731	102,205	-	-
		<b>(132,074)</b>	<b>(41,842)</b>	<b>(50,899)</b>	<b>6,597</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 28. NET WRITE-BACK OF IMPAIRMENT/(IMPAIRMENT) ON INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	GROUP		EPF	
	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
Impairment on Investment in Joint Ventures	-	(7,229)	-	-
Write-back of Impairment on Investment in Joint Ventures	622	-	-	-
	622	(7,229)	-	-
Impairment on Investment in Associates	(89)	(6,779)	(18,014)	(2,231)
Write-back of Impairment on Investment in Associates	4,549	-	-	4,400
	4,460	(6,779)	(18,014)	2,169
Impairment on Investment in Subsidiaries	-	-	(34,784)	(67,835)
Write-back of Impairment on Investment in Subsidiaries	-	-	14,916	32,685
	-	-	(19,868)	(35,150)
	5,082	(14,008)	(37,882)	(32,981)

### 29. OTHER INCOME

	Note	GROUP		EPF	
		2019 (RM'000)	RESTATED 2018 (RM'000)	2019 (RM'000)	RESTATED 2018 (RM'000)
Interest/Profit from Staff Loans		8,602	8,259	8,602	8,259
Dividend on Arrears of Contribution		32,532	35,800	32,532	35,800
Gain/(Loss) on Disposal:					
- Foreclosed Properties		7,109	-	-	-
- Assets Held for Sale		(4)	13,464	-	21,557
- Investment Properties		-	642,288	-	-
- Right-of-Use Assets		(3,938)	-	-	-
- Property, Plant and Equipment		(842)	(148)	(842)	(148)
Service Charges		87,904	99,019	65,251	63,665
Shariah Non-Compliant Income	33.4	40,321	41,285	40,337	41,285
Penalty Fees		20,073	24,376	62	136
Miscellaneous		47,579	102,366	24,976	19,097
		239,336	966,709	170,918	189,651

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 30. OPERATING EXPENDITURES

	Note	GROUP		EPF	
		2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
Salaries, Allowances and Staff Costs	30a	<b>1,281,694</b>	1,375,729	<b>1,031,466</b>	1,138,230
Employee Benefits	23	<b>38,178</b>	(13,220)	<b>38,178</b>	(13,220)
Allowances/Fees for Board of Directors and Investment Panel		<b>2,941</b>	2,786	<b>2,941</b>	2,786
Allowances/Fees for Directors of Subsidiaries		<b>4,007</b>	4,161	-	-
Technical Services		<b>23,653</b>	24,568	<b>21,030</b>	21,789
Interest on Deposits, Loans and Overdrafts		<b>1,617,561</b>	1,499,726	-	-
Fees and Professional Charges		<b>638,025</b>	611,064	<b>29,012</b>	28,695
Audit Fees		<b>13,628</b>	11,977	<b>762</b>	618
Repair and Maintenance		<b>156,150</b>	145,909	<b>88,642</b>	86,920
Postal and Telephone Charges		<b>27,511</b>	23,364	<b>17,908</b>	17,459
Rent and Assessments		<b>20,207</b>	44,509	<b>5,784</b>	14,097
Travelling and Transportation		<b>18,109</b>	15,546	<b>12,887</b>	11,894
Printing and Stationery		<b>10,451</b>	6,207	<b>5,263</b>	3,948
Advertisements and Publishing		<b>19,553</b>	11,125	<b>6,212</b>	3,446
Non-Capitalised Renovation Expenses		<b>685</b>	1,249	<b>685</b>	1,249
Insurance		<b>3,371</b>	3,406	<b>1,568</b>	1,160
Amortisation of Prepaid Land Lease	14	-	659	-	498
Amortisation of Intangible Assets	15	<b>36,992</b>	47,837	<b>12,782</b>	14,753
Depreciation of Investment Properties	16	<b>321,770</b>	793,145	<b>35,581</b>	35,536
Depreciation of Right-of-Use Assets	17a	<b>17,882</b>	-	<b>8,534</b>	-
Depreciation of Property, Plant and Equipment	18	<b>50,226</b>	60,936	<b>39,503</b>	38,085
Net Impairment on Other Receivables		<b>72,225</b>	52,845	<b>(161)</b>	563
Net Impairment on Investment Properties	16	<b>(8,334)</b>	2,057	-	(6,497)
Profit Expense on Lease Liabilities	17b	<b>12,228</b>	-	<b>2,468</b>	-
Write-Offs/Net Losses		<b>115</b>	84	<b>59</b>	84
Goods and Services Tax (GST) on Operating Expenditures		-	3,411	-	3,411
Miscellaneous		<b>16,024</b>	44,782	<b>6,850</b>	5,398
		<b>4,394,852</b>	4,773,862	<b>1,367,954</b>	1,410,902

- a. Included in Salaries, Allowances and Staff Costs are EPF contribution expenditures amounting to RM153.95 million (2018: RM157.18 million).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 31. STATUTORY CHARGES

	Note	GROUP AND EPF	
		2019 (RM'000)	2018 (RM'000)
Invocation Cost - Section 50(3)	31a	10,420	14,495
Death Benefit - Section 58(1)	31b	55,465	53,486
Incapacitation Benefit - Section 58(2)	31b	5,165	4,415
		<b>71,050</b>	72,396

Statutory charges are costs borne by EPF in accordance with EPF Act 1991 as follows:

#### a. Invocation Cost (Under Section 50(3))

Invocation Cost under Section 50(3), EPF Act 1991, is for the purpose of financing employee contribution which has been deducted from the employee's salary as well as dividend attributable on the said contribution should the employer fails to pay such contribution to EPF.

#### b. Death Benefit (Under Section 58(1)) and Incapacitation Benefit (Under Section 58(2))

Death Benefit and Incapacitation Benefit are provided for under Section 58(1) and 58(2) of EPF Act 1991 respectively where additional payment is made to the member/next of kin upon making such withdrawal application and such additional payment is not paid out of member's credits.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 32. TAX AND ZAKAT

	Note	GROUP	
		2019 (RM'000)	2018 (RM'000)
Malaysian Income Tax		204,358	168,530
Foreign Tax		83,537	93,151
		287,895	261,681
(Over)/Under Provision of Previous Years:			
- Malaysian Income Tax		(38,779)	(3,620)
- Foreign Tax		(47)	32
		(38,826)	(3,588)
Deferred Tax Recognised in the Financial Year	19	64,250	41,261
Tax Expenses for the Financial Year		313,319	299,354
Zakat		(899)	13,000
<b>Total Tax Expenses and Zakat for the Financial Year</b>		<b>312,420</b>	<b>312,354</b>

A reconciliation of income tax expenses applicable to profit before tax at the applicable income tax rate of the Group is as follows:

	GROUP	
	2019 (RM'000)	2018 (RM'000)
Profit before Tax	36,238,563	31,775,921
Tax at Applicable Tax Rate of 25.09% (2018: 24.31%)	9,092,135	7,724,442
Income Not Subject to Tax	(8,910,562)	(7,531,396)
Expenses Not Deductible for Tax Purposes	116,681	103,356
Utilisation of Unabsorbed Tax Losses and Unutilised Capital Allowance Previously Not Recognised	(3,055)	478
Recognition of Deferred Tax Assets Previously Not Recognised	57,477	4,029
Over Provision of Taxation in Prior Years	(39,357)	(1,555)
<b>Tax Expenses for the Financial Year</b>	<b>313,319</b>	<b>299,354</b>
Zakat	(899)	13,000
<b>Total Tax Expenses and Zakat for the Financial Year</b>	<b>312,420</b>	<b>312,354</b>

The Group's applicable tax rate is derived from the consolidation of tax rates of all entities within the Group based on their respective local tax jurisdiction.

EPF is exempted from Income Tax on its income under paragraph 20 - Schedule 6, Part 1, Income Tax Act, 1967 as stated in Note 2.19a.



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 33. SIMPANAN SHARIAH DISCLOSURES (CONT'D.)

## 33.1 Investment Assets (Cont'd.)

EPF	Note	2019			RESTATED 2018		
		Shariah (RM'000)	Conventional (RM'000)	Total (RM'000)	Shariah (RM'000)	Conventional (RM'000)	Total (RM'000)
<b>Investment Assets at Amortised Cost</b>							
		<b>113,933,947</b>	<b>191,507,211</b>	<b>305,441,158</b>	110,678,114	181,997,481	292,675,595
		<b>(242,397)</b>	<b>(8,401)</b>	<b>(250,798)</b>	(171,932)	(17,037)	(188,969)
	8.2	<b>113,691,550</b>	<b>191,498,810</b>	<b>305,190,360</b>	110,506,182	181,980,444	292,486,626
<b>Investment in Joint Ventures</b>							
		<b>1,666,000</b>	-	<b>1,666,000</b>	1,666,000	-	1,666,000
		-	-	-	-	-	-
	9.2	<b>1,666,000</b>	-	<b>1,666,000</b>	1,666,000	-	1,666,000
<b>Investment in Associates</b>							
		<b>2,487,277</b>	<b>8,803,224</b>	<b>11,290,501</b>	2,477,167	8,588,170	11,065,337
		-	<b>(30,655)</b>	<b>(30,655)</b>	-	(12,641)	(12,641)
	10.2	<b>2,487,277</b>	<b>8,772,569</b>	<b>11,259,846</b>	2,477,167	8,575,529	11,052,696
<b>Investment in Subsidiaries</b>							
		<b>826,976</b>	<b>6,765,312</b>	<b>7,592,288</b>	826,752	6,561,053	7,387,805
		<b>(9,074)</b>	<b>(45,252)</b>	<b>(54,326)</b>	(9,074)	(57,322)	(66,396)
		<b>817,902</b>	<b>6,720,060</b>	<b>7,537,962</b>	817,678	6,503,731	7,321,409
		<b>1,104,981</b>	<b>17,612,163</b>	<b>18,717,144</b>	788,731	15,699,409	16,488,140
		<b>(10,667)</b>	<b>(49,234)</b>	<b>(59,901)</b>	(10,136)	(17,827)	(27,963)
		<b>1,094,314</b>	<b>17,562,929</b>	<b>18,657,243</b>	778,595	15,681,582	16,460,177
	11	<b>1,912,216</b>	<b>24,282,989</b>	<b>26,195,205</b>	1,596,273	22,185,313	23,781,586
<b>Assets Held for Sale</b>	12	<b>75,666</b>	-	<b>75,666</b>	66,389	-	66,389
<b>Investment Properties</b>	16	<b>941,512</b>	<b>215,511</b>	<b>1,157,023</b>	947,295	246,859	1,194,154
<b>Total Investment Assets</b>		<b>341,193,373</b>	<b>569,101,437</b>	<b>910,294,810</b>	323,941,363	498,266,562	822,207,925

As at financial year ended 31 December 2019, investment assets in Shariah Portfolio for Simpanan Shariah and Simpanan Konvensional assets are RM133.29 billion (2018: RM78.25 billion) and RM207.90 billion (2018: RM245.69 billion), equivalent to 39% (2018: 24%) and 61% (2018: 76%) respectively of the total investment assets. Investment assets in Conventional Portfolio amounting to RM569.10 billion (2018: RM498.27 billion) is solely for Simpanan Konvensional.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 33. SIMPANAN SHARIAH DISCLOSURES (CONT'D.)

#### 33.1 Investment Assets (Cont'd.)

a. For the purpose of Note 33.1, staff loan is not included in Loans, Advances and Financing as above.

#### b. Investment Liabilities

EPF	Note	2019			RESTATED 2018		
		Shariah (RM'000)	Conventional (RM'000)	Total (RM'000)	Shariah (RM'000)	Conventional (RM'000)	Total (RM'000)
<b>Financial Liabilities at Fair Value through Profit or Loss</b>	6	<b>63,189</b>	<b>186,712</b>	<b>249,901</b>	434,989	464,061	899,050

#### 33.2 Contribution Account

EPF	Note	2019			RESTATED 2018		
		Simpanan Shariah (RM'000)	Simpanan Konvensional (RM'000)	Total (RM'000)	Simpanan Shariah (RM'000)	Simpanan Konvensional (RM'000)	Total (RM'000)
As at 1 January		<b>79,165,639</b>	<b>760,477,282</b>	<b>839,642,921</b>	67,760,872	700,747,695	768,508,567
<b>Add:</b>							
Contributions Transferred from Simpanan Konvensional		<b>3,159,201</b>	-	<b>3,159,201</b>	5,074,246	-	5,074,246
Contributions Received and Adjustments		<b>9,968,257</b>	<b>65,959,822</b>	<b>75,928,079</b>	9,598,081	61,868,890	71,466,971
Dividend Credited to Members							
- Simpanan Shariah: 5.00% (2018: 5.90%)	24.2	<b>4,140,716</b>	-	<b>4,140,716</b>	4,315,483	-	4,315,483
- Simpanan Konvensional: 5.45% (2018: 6.15%)	24.2	-	<b>41,676,701</b>	<b>41,676,701</b>	-	42,997,323	42,997,323
Prior Year Adjustments		<b>822</b>	<b>4,641</b>	<b>5,463</b>	808	4,900	5,708
		<b>96,434,635</b>	<b>868,118,446</b>	<b>964,553,081</b>	86,749,490	805,618,808	892,368,298
<b>Less:</b>							
Contributions Transferred to Simpanan Shariah		-	<b>(3,159,201)</b>	<b>(3,159,201)</b>	-	(5,074,246)	(5,074,246)
Withdrawals and Refunds		<b>(7,235,548)</b>	<b>(37,567,847)</b>	<b>(44,803,395)</b>	(7,580,920)	(40,039,331)	(47,620,251)
Adjustments of Contributions with Incomplete Information (CTML) and Reject Cases		<b>(366)</b>	<b>(3,375)</b>	<b>(3,741)</b>	(2,931)	(27,949)	(30,880)
<b>At 31 December</b>	24	<b>89,198,721</b>	<b>827,388,023</b>	<b>916,586,744</b>	79,165,639	760,477,282	839,642,921

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 33. SIMPANAN SHARIAH DISCLOSURES (CONT'D.)

## 33.3 Statements of Profit or Loss

EPF	Note	2019			RESTATED 2018		
		Simpanan Shariah (RM'000)	Simpanan Konvensional (RM'000)	Total (RM'000)	Simpanan Shariah (RM'000)	Simpanan Konvensional (RM'000)	Total (RM'000)
<b>INCOME</b>							
Gross Investment Income	25	3,605,332	35,592,224	39,197,556	3,215,139	29,995,727	33,210,866
Investment Expenditures	26	(229,095)	(835,309)	(1,064,404)	(206,845)	(780,673)	(987,518)
Net Impairment on Financial Investment Assets	27	(12,526)	(38,373)	(50,899)	(7,572)	14,169	6,597
Net Impairment on Investment in Subsidiaries, Associates and Joint Ventures	28	(133)	(37,749)	(37,882)	28	(33,009)	(32,981)
<b>Net Investment Income</b>		<b>3,363,578</b>	<b>34,680,793</b>	<b>38,044,371</b>	3,000,750	29,196,214	32,196,964
Other Income	29	18,010	152,908	170,918	16,853	172,798	189,651
<b>Total Income</b>		<b>3,381,588</b>	<b>34,833,701</b>	<b>38,215,289</b>	3,017,603	29,369,012	32,386,615
Operating Expenditures	30	(137,742)	(1,230,212)	(1,367,954)	(136,331)	(1,274,571)	(1,410,902)
Statutory Charges	31	(6,955)	(64,095)	(71,050)	(6,869)	(65,527)	(72,396)
<b>Total Expenditures</b>		<b>(144,697)</b>	<b>(1,294,307)</b>	<b>(1,439,004)</b>	(143,200)	(1,340,098)	(1,483,298)
<b>Net Profit Attributable to Members</b>		<b>3,236,891</b>	<b>33,539,394</b>	<b>36,776,285</b>	2,874,403	28,028,914	30,903,317

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 33. SIMPANAN SHARIAH DISCLOSURES (CONT'D.)

#### 33.4 Shariah Disclosure in relation to Shariah Non-Compliant Income

Any income derived from the operation and investment transactions of the EPF Simpanan Shariah that are Shariah non-compliant due to certain reason as determined by the Shariah Advisory Committee of EPF ("SAC") will be expended for such purposes as advised by the SAC pursuant to Rule 10 of the EPF (Simpanan Shariah Account) Rules 2016.

The SAC has resolved that the Shariah Non-Compliant Income can only be utilised for allowable expenses i.e. charitable activities such as payment of death benefit, incapacitation benefit and invocation cost and any excess Shariah Non-Compliant Income may be utilised for operating expenditure and indirect investment expenditure.

Total Shariah Non-Compliant Income and its utilisation for the financial year ended 31 December are as follows:

EPF		2019 (RM'000)	2018 (RM'000)
	<b>Note</b>		<b>RESTATED</b>
<b>Shariah Non-Compliant Income</b>			
<b>Unutilised Shariah Non-Compliant Income as at 1 January (if any)</b>		-	-
<b>1. Shariah Non-Compliant Income</b>			
<b>i. Shariah Non-Compliant Income Recognised in Statement of Profit or Loss</b>			
<b>a. Shariah Non-Compliant Income from Shariah Investment and Operation of Simpanan Shariah</b>			
Interest on Foreign Current Accounts		6,662	4,498
Other Income Deemed Shariah Non-Compliant		15	66
		<b>6,677</b>	4,564
<b>b. Shariah Non-Compliant Income from Late Payment Charges</b>			
Late Payment Charges from Employers due to Late Payment of Contributions		33,201	36,307
Late Rental Charges due to Late Rental Payment on Shariah-Compliant Properties		339	393
Late Payment Charges on Kiosk and Fund Management Institutions		120	21
		<b>33,660</b>	36,721
<b>Total Shariah Non-Compliant Income Recognised in Statement of Profit or Loss</b>	29	<b>40,337</b>	41,285
<b>ii. Shariah Non-Compliant Income Recognised in Cumulative Surplus</b>			
Excess Gains on Disposals of Equities which are Reclassified from Shariah to Conventional	24.2	1,592	10,410
<b>Total Shariah Non-Compliant Income Recognised in Cumulative Surplus</b>		<b>1,592</b>	10,410
<b>Total Shariah Non-Compliant Income during The Year</b>		<b>41,929</b>	51,695
<b>2. Utilisation of Shariah Non-Complaint Income</b>			
Statutory Charges	33.4a	<b>(41,929)</b>	(51,695)
<b>Total Utilisation of Shariah Non-Compliant Income during The Year</b>		<b>(41,929)</b>	(51,695)
<b>Unutilised Shariah Non-Compliant Income as at 31 December</b>		-	-

a. The actual total Statutory Charges for 2019 amounted to RM71.05 million (2018: RM72.40 million) as stated in Note 31.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 34. CASH AND CASH EQUIVALENTS

	Note	GROUP	
		2019 (RM'000)	2018 (RM'000)
Bank and Cash Balances		11,547,446	9,833,474
Deposits and Placements with Financial Institutions		26,964,739	35,988,093
Money Market Account with Bank Negara Malaysia	3	250,472	106,371
Bank Balances Maintained with Custodians		5,367,357	5,058,832
		<b>44,130,014</b>	50,986,770

	Note	EPF	
		2019 (RM'000)	2018 (RM'000)
Bank and Cash Balances		9,301,355	7,108,382
Deposits and Placements with Financial Institutions		24,703,835	32,722,090
Money Market Account with Bank Negara Malaysia	3	250,472	106,371
Bank Balances Maintained with Custodians		5,367,357	5,058,832
		<b>39,623,019</b>	44,995,675

## 35. CAPITAL COMMITMENTS

	Note	GROUP		EPF	
		2019 (RM'000)	RESTATED 2018 (RM'000)	2019 (RM'000)	RESTATED 2018 (RM'000)
<b>a. Capital Commitments for Projects</b>					
Approved and Contracted for		63,891	40,881	13,549	28,965
Approved But Not Contracted for		248,152	209,417	248,152	209,417
		<b>312,043</b>	250,298	<b>261,701</b>	238,382
<b>b. Capital Commitments for Fund Investments</b>					
Approved and Contracted for	35 i	15,171,032	16,379,120	15,171,032	12,729,851
<b>c. Capital Commitments for Investment in Subsidiaries, Associates and Joint Ventures</b>					
Approved and Contracted for	35 i	18,747,009	19,882,028	18,747,009	19,882,028
<b>d. Operational Commitments</b>	35 ii				
Direct Credit Substitutes		179,476	195,617	-	-
Trade-Related Contingencies		96,744	257,427	-	-
Short Term Self Liquidating Trade-Related Contingencies		83,691	-	-	-
Irrevocable Commitments to Extend Credit:					
- Within One Year		1,338,351	1,248,707	-	-
- One to Five Years		3,100,296	4,188,313	-	-
- Over Five Years		72,000	220,816	-	-
Foreign Exchange Related Contracts:					
- Within One Year		228,295	5,842	-	-
		<b>39,328,937</b>	42,628,168	<b>34,179,742</b>	32,850,261

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 35. CAPITAL COMMITMENTS (CONT'D.)

- i. Capital commitments for fund investments and investment in Subsidiaries, Associates and Joint Ventures represent the remaining uncalled capital as at the Statements of Financial Position date. These payments are released progressively upon receipt of capital call notices from fund managers or general partners based on agreed investment terms.
- ii. The Group undertakes various commitments and assumes certain contingent liabilities with legal recourse to its customers in the normal course of business. No material losses are anticipated as a result of these transactions.

### 36. CONTINGENT LIABILITIES

#### 36.1 Contingent Claims on Statutory Charges

##### a. Death Benefit and Incapacitation Benefit under Section 58(1) and 58(2), EPF Act, 1991

Statutory charges comprising of Death Benefits under Section 58(1) and Incapacitation Benefits under Section 58(2), of the EPF Act, 1991 are paid to member under the death and incapacitation withdrawal, by utilising the EPF revenue and not deducted from the members' credits. In the event a member/next of kin did not encash the payment made in a particular financial year and make such claims in the subsequent year, the repayment made to the member/next of kin would be charged against the revenue in the year the said claim is made. As at 31 December 2019, contingent liabilities in respect of Death Benefits amounted to RM11.62 million (2018: RM11.40 million) whereas Incapacitation Benefits amounted to RM6.44 million (2018: RM6.44 million).

### 37. FINANCIAL RISK

#### 37.1 Credit Risk

Credit Risk is the risk of loss caused by a counterparty's or an obligor's failure to meet its payment obligations. Exposure to credit risk arises from its lending, hedging, trading and investing activities. The maximum exposure to credit risk represented by the carrying amount in the Statements of Financial Position.

The EPF maintains an average portfolio rating of AA for its debt securities and loans. As a matter of policy, the EPF invests only in debt securities with lowest rating of A band for domestic and BBB band for global investments. However, the EPF may also invest in unrated assets in which a rating is assigned using internal rating model that is consistent with the approach used by external rating agency.

The counterparty credit risk which arises from deposit placement with a financial institution is managed by setting limits in which all deposits are to be held by parties with a financial institution rating of A3/A- band or higher.

The purpose of credit risk management is to keep credit risk exposure within the EPF's risk appetite statements and to ensure the returns commensurate with the risk taken.

##### a. Credit Quality

The EPF has developed tools to measure credit risk such as the Credit Portfolio Management System which computes portfolio Credit Value at Risk (CVaR) for credit related assets and various credit systems to evaluate the creditworthiness of corporate borrowers.

The EPF's debt portfolios are managed by internal as well as external fund managers appointed by the Investment Panel. Both portfolios are subject to maximum exposure to ensure the portfolios are diversified.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

**37. FINANCIAL RISK (CONT'D.)****37.1 Credit Risk (Cont'd.)****a. Credit Quality (Cont'd.)**

The EPF also invests in short-term instruments and global bond/sukuk instruments which are part of the approved universe. The universe facilitates the trading process and provides assurance to the EPF that the exposure to short-term papers and global bond/sukuk papers are only limited to rated issuers.

The EPF conducts regular review on the credit counterparties and monitor the rating transition to ensure credit quality is within the EPF's investment parameters.

The EPF classifies debt securities and loans into internal rating scales which are consistent with domestic and foreign rating agencies. The credit quality classification is as follows:

**Quality Classifications****i. Rating for Long Term Financial Obligations**

<u>Long Term Rating</u>	<u>Domestic Credit Rating</u>	<u>Global Credit Rating</u>	<u>Definition of Quality Classifications</u>
Sovereign	Sovereign	Sovereign	Issued by Government of Malaysia or its Special Purpose Vehicles (SPV); or guaranteed by Government of Malaysia.
Strong	AAA and AA	AAA to A	Superior/high capacity to meet its financial obligations.
Moderate	A	BBB	Adequate capacity to meet its financial obligations.
Sub-Standard	BBB and below	BB and below	Low capacity to meet its financial obligations.

**ii. Rating for Short Term Financial Obligations**

<u>Short Term Rating</u>	<u>Domestic Credit Rating</u>	<u>Definition of Quality Classifications</u>
Strong	P1/MARC-1	Strong capacity to meet its short term financial obligations.
Moderate	P2/MARC-2	Adequate capacity to meet its short term financial obligations.

<u>Short Term Rating</u>	<u>Global Credit Rating</u>	<u>Definition of Quality Classifications</u>
Strong	A-1/P-1/F1	Strong capacity to meet its short term financial obligations.
Moderate	A-2/P-2/F2	Satisfactory capacity to meet its short term financial obligations.
Sub-Standard	A-3/P-3/F3	Adequate capacity to meet its short term financial obligations.

**iii. Non-Rated Financial Assets**

This refers to financial assets such as receivables, deposits, accrued interest and dividend, which do not have credit rating.

**iv. Impaired Financial Assets**

Exposure assessed individually which is considered impaired based on the EPF's accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### a. Credit Quality (Cont'd.)

##### Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which Expected Credit Loss Allowance is recognised. The gross carrying amount of financial assets below also represents the Group's and EPF's maximum exposure to credit risk on these assets.

##### i. Deposits with Financial Institutions at Amortised Cost

GROUP		2019				2018				
		Note	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
	Sovereign		4,859,275	-	-	4,859,275	1,910,407	-	-	1,910,407
	Strong		50,588,541	-	-	50,588,541	42,523,715	-	-	42,523,715
	Moderate		1,655,845	-	-	1,655,845	1,949,416	-	-	1,949,416
	Non - Rated		14,874	-	-	14,874	2,614	-	-	2,614
	<b>Gross Carrying Amount</b>		<b>57,118,535</b>	-	-	<b>57,118,535</b>	46,386,152	-	-	46,386,152
	Allowances for Impairment Loss	37.1b (i)	(649)	-	-	(649)	(814)	-	-	(814)
	<b>Net Carrying Amount</b>	3.1	<b>57,117,886</b>	-	-	<b>57,117,886</b>	46,385,338	-	-	46,385,338
<b>EPF</b>			<b>2019</b>				<b>2018</b>			
		Note	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
	Sovereign		3,769,275	-	-	3,769,275	857,407	-	-	857,407
	Strong		47,616,099	-	-	47,616,099	39,249,750	-	-	39,249,750
	Moderate		3,316,720	-	-	3,316,720	1,905,229	-	-	1,905,229
	<b>Gross Carrying Amount</b>		<b>54,702,094</b>	-	-	<b>54,702,094</b>	42,012,386	-	-	42,012,386
	Allowances for Impairment Loss	37.1b (i)	(1,088)	-	-	(1,088)	(469)	-	-	(469)
	<b>Net Carrying Amount</b>	3.2	<b>54,701,006</b>	-	-	<b>54,701,006</b>	42,011,917	-	-	42,011,917

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## a. Credit Quality (Cont'd.)

## Maximum exposure to credit risk - Financial instruments subject to impairment (Cont'd.)

## ii. Receivables and Deposits

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
Strong		127,839	-	-	127,839	140,514	-	-	140,514
Moderate		213,434	-	11,163	224,597	127,715	-	7,331	135,046
Non - Rated		2,667,958	-	1,225,479	3,893,437	2,387,174	-	1,239,595	3,626,769
Impaired		-	-	5,703	5,703	-	-	5,820	5,820
<b>Gross Carrying Amount</b>		<b>3,009,231</b>	<b>-</b>	<b>1,242,345</b>	<b>4,251,576</b>	<b>2,655,403</b>	<b>-</b>	<b>1,252,746</b>	<b>3,908,149</b>
Allowances for Impairment Loss	4.1, 37.1b (ii)	(278)	-	(591,437)	(591,715)	(214)	-	(563,467)	(563,681)
<b>Net Carrying Amount</b>		<b>3,008,953</b>	<b>-</b>	<b>650,908</b>	<b>3,659,861</b>	<b>2,655,189</b>	<b>-</b>	<b>689,279</b>	<b>3,344,468</b>

EPF	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
Non - Rated		2,290,778	-	-	2,290,778	1,594,403	-	-	1,594,403
Impaired		-	-	5,430	5,430	-	-	5,706	5,706
<b>Gross Carrying Amount</b>		<b>2,290,778</b>	<b>-</b>	<b>5,430</b>	<b>2,296,208</b>	<b>1,594,403</b>	<b>-</b>	<b>5,706</b>	<b>1,600,109</b>
Allowances for Impairment Loss	4.2, 37.1b (ii)	-	-	(5,430)	(5,430)	-	-	(5,697)	(5,697)
<b>Net Carrying Amount</b>		<b>2,290,778</b>	<b>-</b>	<b>-</b>	<b>2,290,778</b>	<b>1,594,403</b>	<b>-</b>	<b>9</b>	<b>1,594,412</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### a. Credit Quality (Cont'd.)

##### Maximum exposure to credit risk - Financial instruments subject to impairment (Cont'd.)

##### iii. Loans, Advances and Financing at Amortised Cost

GROUP		2019				2018				
		Note	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
	Sovereign		12,894,603	-	-	12,894,603	12,560,291	-	-	12,560,291
	Strong		47,207,691	20,535	-	47,228,226	47,246,443	82,580	-	47,329,023
	Moderate		3,904,145	226,084	-	4,130,229	3,771,349	358,412	-	4,129,761
	Sub - Standard		8,078,579	1,863,715	-	9,942,294	5,386,006	1,362,200	-	6,748,206
	Non - Rated		18,184,955	2,492,817	870	20,678,642	20,292,073	2,740,378	44,158	23,076,609
	Impaired		-	-	1,861,542	1,861,542	-	-	1,880,184	1,880,184
	<b>Gross Carrying Amount</b>		<b>90,269,973</b>	<b>4,603,151</b>	<b>1,862,412</b>	<b>96,735,536</b>	89,256,162	4,543,570	1,924,342	95,724,074
	Allowances for Impairment Loss	37.1b (iii)	(413,828)	(438,498)	(1,066,522)	(1,918,848)	(361,339)	(553,190)	(1,131,039)	(2,045,568)
	<b>Net Carrying Amount</b>	5.1	<b>89,856,145</b>	<b>4,164,653</b>	<b>795,890</b>	<b>94,816,688</b>	88,894,823	3,990,380	793,303	93,678,506
<hr/>										
EPF		2019				2018				
		Note	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
	Sovereign		12,894,603	-	-	12,894,603	13,809,388	-	-	13,809,388
	Strong		46,568,309	-	-	46,568,309	45,162,816	-	-	45,162,816
	Moderate		54,773	-	-	54,773	22,632	-	-	22,632
	Non - Rated		250,669	-	-	250,669	242,549	-	-	242,549
	Impaired		-	-	1,491	1,491	-	-	166,022	166,022
	<b>Gross Carrying Amount</b>		<b>59,768,354</b>	<b>-</b>	<b>1,491</b>	<b>59,769,845</b>	59,237,385	-	166,022	59,403,407
	Allowances for Impairment Loss	37.1b (iii)	(518)	-	-	(518)	(661)	-	(24,568)	(25,229)
	<b>Net Carrying Amount</b>	5.2	<b>59,767,836</b>	<b>-</b>	<b>1,491</b>	<b>59,769,327</b>	59,236,724	-	141,454	59,378,178

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## a. Credit Quality (Cont'd.)

## Maximum exposure to credit risk - Financial instruments subject to impairment (Cont'd.)

## iv. Fixed Income Instruments at Fair Value through Other Comprehensive Income

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
Sovereign		45,401,243	-	-	45,401,243	26,155,880	-	-	26,155,880
Strong		45,883,858	307,339	-	46,191,197	41,239,872	568,157	-	41,808,029
Moderate		11,785,650	1,877,196	-	13,662,846	7,858,240	1,425,491	-	9,283,731
Sub - Standard		-	190,429	-	190,429	-	-	-	-
Non - Rated		-	-	-	-	1,261,494	-	-	1,261,494
Impaired		-	-	142,523	142,523	-	-	127,971	127,971
<b>Gross Carrying Amount</b>		<b>103,070,751</b>	<b>2,374,964</b>	<b>142,523</b>	<b>105,588,238</b>	<b>76,515,486</b>	<b>1,993,648</b>	<b>127,971</b>	<b>78,637,105</b>
Allowances for Impairment Loss		-	-	-	-	-	-	-	-
<b>Net Carrying Amount</b>	7.1	<b>103,070,751</b>	<b>2,374,964</b>	<b>142,523</b>	<b>105,588,238</b>	<b>76,515,486</b>	<b>1,993,648</b>	<b>127,971</b>	<b>78,637,105</b>

EPF	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
Sovereign		35,816,386	-	-	35,816,386	24,042,537	-	-	24,042,537
Strong		44,806,137	307,339	-	45,113,476	39,558,967	568,157	-	40,127,124
Moderate		11,853,439	1,877,196	-	13,730,635	7,858,238	1,425,491	-	9,283,729
Sub - Standard		-	190,429	-	190,429	-	-	-	-
Impaired		-	-	142,523	142,523	-	-	127,971	127,971
<b>Gross Carrying Amount</b>		<b>92,475,962</b>	<b>2,374,964</b>	<b>142,523</b>	<b>94,993,449</b>	<b>71,459,742</b>	<b>1,993,648</b>	<b>127,971</b>	<b>73,581,361</b>
Allowances for Impairment Loss		-	-	-	-	-	-	-	-
<b>Net Carrying Amount</b>	7.2	<b>92,475,962</b>	<b>2,374,964</b>	<b>142,523</b>	<b>94,993,449</b>	<b>71,459,742</b>	<b>1,993,648</b>	<b>127,971</b>	<b>73,581,361</b>

In line with MFRS 9, the impairment allowance for fixed income instruments is no longer disclosed in Financial Assets at Fair Value through Other Comprehensive Income but is accounted for at Financial Assets at Fair Value through Other Comprehensive Income Reserve. Details on the impairment allowance is shown at Note 37.1 b (iv).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### a. Credit Quality (Cont'd.)

##### Maximum exposure to credit risk - Financial instruments subject to impairment (Cont'd.)

##### v. Investment Assets at Amortised Cost

GROUP		2019				2018			
	Note	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
Sovereign		244,016,835	-	-	244,016,835	226,724,786	-	-	226,724,786
Strong		58,742,380	-	-	58,742,380	62,366,771	-	-	62,366,771
Moderate		207,614	-	-	207,614	1,059,192	25,814	-	1,085,006
Sub - Standard		-	-	-	-	271,424	-	-	271,424
Non - Rated		494,857	-	-	494,857	20,356	-	-	20,356
Impaired		-	-	1,115,199	1,115,199	-	-	868,550	868,550
<b>Gross Carrying Amount</b>		<b>303,461,686</b>	<b>-</b>	<b>1,115,199</b>	<b>304,576,885</b>	<b>290,442,529</b>	<b>25,814</b>	<b>868,550</b>	<b>291,336,893</b>
Allowances for Impairment Loss	37.1b (v)	(16,381)	-	(234,437)	(250,818)	(18,940)	(47)	(163,429)	(182,416)
<b>Net Carrying Amount</b>	8.1	<b>303,445,305</b>	<b>-</b>	<b>880,762</b>	<b>304,326,067</b>	<b>290,423,589</b>	<b>25,767</b>	<b>705,121</b>	<b>291,154,477</b>

EPF		2019				2018			
	Note	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
Sovereign		244,016,835	-	-	244,016,835	228,083,190	-	-	228,083,190
Strong		59,830,157	-	-	59,830,157	62,366,772	-	-	62,366,772
Moderate		207,615	-	-	207,615	1,059,192	26,467	-	1,085,659
Sub - Standard		-	-	-	-	271,424	-	-	271,424
Impaired		-	-	1,386,551	1,386,551	-	-	868,550	868,550
<b>Gross Carrying Amount</b>		<b>304,054,607</b>	<b>-</b>	<b>1,386,551</b>	<b>305,441,158</b>	<b>291,780,578</b>	<b>26,467</b>	<b>868,550</b>	<b>292,675,595</b>
Allowances for Impairment Loss	37.1b (v)	(16,361)	-	(234,437)	(250,798)	(25,518)	(22)	(163,429)	(188,969)
<b>Net Carrying Amount</b>	8.2	<b>304,038,246</b>	<b>-</b>	<b>1,152,114</b>	<b>305,190,360</b>	<b>291,755,060</b>	<b>26,445</b>	<b>705,121</b>	<b>292,486,626</b>



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### b. Financial Assets subject to Expected Credit Losses (Cont'd.)

##### Movement in the Allowance for Expected Credit Losses (Cont'd.)

The following tables explain the movement in the allowance for Expected Credit Losses between the beginning and the end of the financial period:

##### i. Deposits with Financial Institutions at Amortised Cost

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		814	-	-	814	608	-	-	608
<u>Movements with Profit or Loss Impact</u>									
New Financial Assets Originated or Purchased		444	-	-	444	403	-	-	403
Derecognised Financial Assets		(777)	-	-	(777)	(575)	-	-	(575)
Changes in PDs/LGDs/EADs		(146)	-	-	(146)	(1)	-	-	(1)
Foreign Exchange and Other Movements		314	-	-	314	379	-	-	379
<b>At 31 December</b>	3.1	<b>649</b>	<b>-</b>	<b>-</b>	<b>649</b>	<b>814</b>	<b>-</b>	<b>-</b>	<b>814</b>
<hr/>									
<b>EPF</b>									
		2019				2018			
	Note	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		469	-	-	469	608	-	-	608
<u>Movements with Profit or Loss Impact</u>									
New Financial Assets Originated or Purchased		884	-	-	884	403	-	-	403
Derecognised Financial Assets		(433)	-	-	(433)	(575)	-	-	(575)
Changes in PDs/LGDs/EADs		(146)	-	-	(146)	(1)	-	-	(1)
Foreign Exchange and Other Movements		314	-	-	314	34	-	-	34
<b>At 31 December</b>	3.2	<b>1,088</b>	<b>-</b>	<b>-</b>	<b>1,088</b>	<b>469</b>	<b>-</b>	<b>-</b>	<b>469</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## b. Financial Assets subject to Expected Credit Losses (Cont'd.)

## Movement in the Allowance for Expected Credit Losses (Cont'd.)

## ii. Receivables and Deposits

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		214	-	563,467	563,681	15	-	519,530	519,545
<u>Movements with Profit or Loss Impact</u>									
New Financial Assets Originated or Purchased		-	-	61,909	61,909	214	-	50,157	50,371
Derecognised Financial Assets		55	-	(45,007)	(44,952)	(15)	-	(5,771)	(5,786)
Foreign Exchange and Other Movements		9	-	11,068	11,077	-	-	(449)	(449)
<b>At 31 December</b>	4.1	<b>278</b>	<b>-</b>	<b>591,437</b>	<b>591,715</b>	<b>214</b>	<b>-</b>	<b>563,467</b>	<b>563,681</b>

EPF	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		-	-	5,697	5,697	-	-	7,613	7,613
<u>Movements with Profit or Loss Impact</u>									
New Financial Assets Originated or Purchased		-	-	3,646	3,646	-	-	3,855	3,855
Derecognised Financial Assets		-	-	(3,913)	(3,913)	-	-	(5,771)	(5,771)
<b>At 31 December</b>	4.2	<b>-</b>	<b>-</b>	<b>5,430</b>	<b>5,430</b>	<b>-</b>	<b>-</b>	<b>5,697</b>	<b>5,697</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### b. Financial Assets subject to Expected Credit Losses (Cont'd.)

##### Movement in the Allowance for Expected Credit Losses (Cont'd.)

##### iii. Loans, Advances and Financing at Amortised Cost

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		361,339	553,190	1,131,039	2,045,568	(372,909)	335,169	2,306,669	2,268,929
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 2		(20,096)	20,096	-	-	(165,173)	165,173	-	-
Transfer from Stage 1 to Stage 3		(1,885)	-	1,885	-	(206,691)	-	206,691	-
Transfer from Stage 2 to Stage 1		96,974	(96,974)	-	-	14,984	(14,984)	-	-
Transfer from Stage 2 to Stage 3		-	(67,373)	67,373	-	-	(204,962)	204,962	-
Transfer from Stage 3 to Stage 1		45,594	-	(45,594)	-	887,110	-	(887,110)	-
Transfer from Stage 3 to Stage 2		-	142,058	(142,058)	-	-	387,208	(387,208)	-
New Financial Assets Originated or Purchased		110,553	39,036	38,274	187,863	121,197	107,627	47,720	276,544
Derecognised Financial Assets		(179,477)	(249,340)	(307,594)	(736,411)	(74,885)	(64,074)	(532,683)	(671,642)
Changes in PDs/LGDs/EADs		746	95,069	323,409	419,224	142,212	(167,157)	124,013	99,068
Foreign Exchange and Other Movements		80	2,736	(212)	2,604	15,494	9,190	47,985	72,669
<b>At 31 December</b>	5.1	<b>413,828</b>	<b>438,498</b>	<b>1,066,522</b>	<b>1,918,848</b>	361,339	553,190	1,131,039	2,045,568

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## b. Financial Assets subject to Expected Credit Losses (Cont'd.)

## Movement in the Allowance for Expected Credit Losses (Cont'd.)

## iii. Loans, Advances and Financing at Amortised Cost (Cont'd.)

EPF	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		661	-	24,568	25,229	1,655	-	153	1,808
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 3		-	-	-	-	(150)	-	150	-
New Financial Assets Originated or Purchased		126	-	-	126	195	-	24,206	24,401
Derecognised Financial Assets		(144)	-	(24,321)	(24,465)	(922)	-	-	(922)
Changes in PDs/LGDs/EADs		(198)	-	(35)	(233)	(113)	-	101	(12)
Foreign Exchange and Other Movements		73	-	(212)	(139)	(4)	-	(42)	(46)
<b>At 31 December</b>	5.2	<b>518</b>	<b>-</b>	<b>-</b>	<b>518</b>	<b>661</b>	<b>-</b>	<b>24,568</b>	<b>25,229</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### b. Financial Assets subject to Expected Credit Losses (Cont'd.)

##### Movement in the Allowance for Expected Credit Losses (Cont'd.)

##### iv. Fixed Income Instruments at Fair Value through Other Comprehensive Income

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		48,121	14,536	70,210	132,867	31,661	6,804	76,058	114,523
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 2		(272)	272	-	-	(946)	946	-	-
Transfer from Stage 2 to Stage 1		2,665	(2,665)	-	-	701	(701)	-	-
New Financial Assets Originated or Purchased		16,387	5,903	-	22,290	15,568	1,600	-	17,168
Derecognised Financial Assets		(12,819)	(607)	-	(13,426)	(9,294)	(1,230)	(5,848)	(16,372)
Changes in PDs/LGDs/EADs		(5,686)	6,258	4,519	5,091	4,832	8,467	-	13,299
Foreign Exchange and Other Movements		(20,009)	(8,210)	-	(28,219)	5,599	(1,350)	-	4,249
<b>At 31 December</b>	24.3	<b>28,387</b>	<b>15,487</b>	<b>74,729</b>	<b>118,603</b>	<b>48,121</b>	<b>14,536</b>	<b>70,210</b>	<b>132,867</b>
<b>EPF</b>									
At 1 January		48,121	14,536	70,210	132,867	31,661	6,804	76,058	114,523
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 2		(272)	272	-	-	(946)	946	-	-
Transfer from Stage 2 to Stage 1		2,665	(2,665)	-	-	701	(701)	-	-
New Financial Assets Originated or Purchased		16,576	5,903	-	22,479	15,568	1,600	-	17,168
Derecognised Financial Assets		(12,819)	(607)	-	(13,426)	(9,294)	(1,230)	(5,848)	(16,372)
Changes in PDs/LGDs/EADs		(5,700)	6,258	4,519	5,077	4,832	8,467	-	13,299
Foreign Exchange and Other Movements		(20,009)	(8,210)	-	(28,219)	5,599	(1,350)	-	4,249
<b>At 31 December</b>	24.3	<b>28,562</b>	<b>15,487</b>	<b>74,729</b>	<b>118,778</b>	<b>48,121</b>	<b>14,536</b>	<b>70,210</b>	<b>132,867</b>

The impairment allowance for Fixed Income Instruments at Fair Value through Other Comprehensive Income is accounted for at Financial Assets at Fair Value through Other Comprehensive Income Reserve.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## b. Financial Assets subject to Expected Credit Losses (Cont'd.)

## Movement in the Allowance for Expected Credit Losses (Cont'd.)

## v. Investment Assets at Amortised Cost

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		18,940	47	163,429	182,416	23,010	618	213,847	237,475
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 2 to Stage 1		-	-	-	-	375	(375)	-	-
New Financial Assets Originated or Purchased		879	-	-	879	2,694	-	-	2,694
Derecognised Financial Assets		(4,955)	(47)	-	(5,002)	(1,330)	(110)	(50,418)	(51,858)
Changes in PDs/LGDs/EADs		1,517	-	71,008	72,525	(5,809)	(86)	-	(5,895)
<b>At 31 December</b>	8.1	<b>16,381</b>	<b>-</b>	<b>234,437</b>	<b>250,818</b>	<b>18,940</b>	<b>47</b>	<b>163,429</b>	<b>182,416</b>

EPF	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		25,518	22	163,429	188,969	29,431	618	213,847	243,896
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 2 to Stage 1		-	-	-	-	375	(375)	-	-
New Financial Assets Originated or Purchased		733	-	-	733	2,688	-	-	2,688
Derecognised Financial Assets		(4,981)	(22)	-	(5,003)	(1,330)	(110)	(50,418)	(51,858)
Changes in PDs/LGDs/EADs		(4,909)	-	71,008	66,099	(5,646)	(111)	-	(5,757)
<b>At 31 December</b>	8.2	<b>16,361</b>	<b>-</b>	<b>234,437</b>	<b>250,798</b>	<b>25,518</b>	<b>22</b>	<b>163,429</b>	<b>188,969</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### c. Movement in Gross Amount

The following table shows an analysis of the movement in carrying amount by asset class, gross of allowance for expected credit losses, for the same portfolio of assets subject to allowance for expected credit losses disclosed in Note 37.1(b):

##### i. Deposits with Financial Institutions at Amortised Cost

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		46,386,152	-	-	46,386,152	36,078,398	-	-	36,078,398
<u>Movements with Profit or Loss Impact</u>									
New Financial Assets Originated or Purchased		642,591,974	-	-	642,591,974	578,253,182	-	-	578,253,182
Derecognised Financial Assets		(628,889,690)	-	-	(628,889,690)	(566,960,593)	-	-	(566,960,593)
Movement of Accrued Interest		206,111	-	-	206,111	42,677	-	-	42,677
Foreign Exchange and Other Movements		(3,176,012)	-	-	(3,176,012)	(1,027,512)	-	-	(1,027,512)
<b>At 31 December</b>	3.1, 37.1a (i)	<b>57,118,535</b>	-	-	<b>57,118,535</b>	46,386,152	-	-	46,386,152

EPF	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		42,012,386	-	-	42,012,386	27,620,438	-	-	27,620,438
<u>Movements with Profit or Loss Impact</u>									
New Financial Assets Originated or Purchased		645,754,154	-	-	645,754,154	573,197,405	-	-	573,197,405
Derecognised Financial Assets		(630,150,889)	-	-	(630,150,889)	(558,847,382)	-	-	(558,847,382)
Movement of Accrued Interest		251,630	-	-	251,630	42,677	-	-	42,677
Foreign Exchange and Other Movements		(3,165,187)	-	-	(3,165,187)	(752)	-	-	(752)
<b>At 31 December</b>	3.2, 37.1a (i)	<b>54,702,094</b>	-	-	<b>54,702,094</b>	42,012,386	-	-	42,012,386

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## c. Movement in Gross Amount (Cont'd.)

The following table shows an analysis of the movement in carrying amount by asset class, gross of allowance for expected credit losses, for the same portfolio of assets subject to allowance for expected credit losses disclosed in Note 37.1(b): (Cont'd.)

## ii. Receivables and Deposits

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		2,655,403	-	1,252,746	3,908,149	2,903,930	-	1,103,406	4,007,336
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 3		(398)	-	398	-	(1,980)	-	1,980	-
Transfer from Stage 3 to Stage 1		1,441	-	(1,441)	-	5,742	-	(5,742)	-
New Financial Assets Originated or Purchased		4,971,642	-	62,403	5,034,045	5,756,548	-	56,809	5,813,357
Derecognised Financial Assets		(4,615,898)	-	(38,697)	(4,654,595)	(6,095,900)	-	(216,463)	(6,312,363)
Movement of Accrued Interest		2	-	(6,823)	(6,821)	-	-	-	-
Foreign Exchange and Other Movements		(2,961)	-	(26,241)	(29,202)	87,063	-	312,756	399,819
<b>At 31 December</b>	4.1, 37.1a (ii)	<b>3,009,231</b>	<b>-</b>	<b>1,242,345</b>	<b>4,251,576</b>	<b>2,655,403</b>	<b>-</b>	<b>1,252,746</b>	<b>3,908,149</b>
<b>EPF</b>									
At 1 January		1,594,403	-	5,706	1,600,109	2,445,054	-	7,613	2,452,667
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 3		(33)	-	33	-	(1,980)	-	1,980	-
Transfer from Stage 3 to Stage 1		1,424	-	(1,424)	-	5,742	-	(5,742)	-
New Financial Assets Originated or Purchased		5,297,183	-	3,614	5,300,797	5,243,635	-	1,876	5,245,511
Derecognised Financial Assets		(4,602,210)	-	(2,488)	(4,604,698)	(6,095,667)	-	(21)	(6,095,688)
Foreign Exchange and Other Movements		11	-	(11)	-	(2,381)	-	-	(2,381)
<b>At 31 December</b>	4.2, 37.1a (ii)	<b>2,290,778</b>	<b>-</b>	<b>5,430</b>	<b>2,296,208</b>	<b>1,594,403</b>	<b>-</b>	<b>5,706</b>	<b>1,600,109</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### c. Movement in Gross Amount (Cont'd.)

The following table shows an analysis of the movement in carrying amount by asset class, gross of allowance for expected credit losses, for the same portfolio of assets subject to allowance for expected credit losses disclosed in Note 37.1(b): (Cont'd.)

##### iii. Loans, Advances and Financing at Amortised Cost

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		89,256,162	4,543,570	1,924,342	95,724,074	81,606,892	4,425,979	1,574,046	87,606,917
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 2		(1,163,094)	1,163,094	-	-	(2,095,163)	2,095,163	-	-
Transfer from Stage 1 to Stage 3		(137,451)	-	137,451	-	(486,377)	-	480,088	(6,289)
Transfer from Stage 2 to Stage 1		869,735	(869,735)	-	-	1,523,661	(1,523,661)	-	-
Transfer from Stage 2 to Stage 3		-	(285,312)	285,312	-	-	(510,293)	510,293	-
Transfer from Stage 3 to Stage 1		94,090	-	(94,090)	-	31,022	-	(31,022)	-
Transfer from Stage 3 to Stage 2		-	242,764	(242,764)	-	-	219,109	(219,109)	-
New Financial Assets Originated or Purchased		26,900,809	461,038	66,694	27,428,541	14,677,374	908,121	50,538	15,636,033
Derecognised Financial Assets		(25,653,761)	(658,155)	(377,003)	(26,688,919)	(16,390,941)	(1,375,586)	(1,074,775)	(18,841,302)
Movement of Accrued Interest		718,263	636	-	718,899	30,315	-	-	30,315
Foreign Exchange and Other Movements		(614,780)	5,251	162,470	(447,059)	10,359,379	304,738	634,283	11,298,400
<b>At 31 December</b>	5.1, 37.1a (iii)	<b>90,269,973</b>	<b>4,603,151</b>	<b>1,862,412</b>	<b>96,735,536</b>	<b>89,256,162</b>	<b>4,543,570</b>	<b>1,924,342</b>	<b>95,724,074</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## c. Movement in Gross Amount (Cont'd.)

The following table shows an analysis of the movement in carrying amount by asset class, gross of allowance for expected credit losses, for the same portfolio of assets subject to allowance for expected credit losses disclosed in Note 37.1(b): (Cont'd.)

## iii. Loans, Advances and Financing at Amortised Cost (Cont'd.)

EPF	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		59,237,385	-	166,022	59,403,407	61,853,561	-	-	61,853,561
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 3		-	-	-	-	(35,268)	-	35,268	-
New Financial Assets Originated or Purchased		21,940,528	-	-	21,940,528	8,271,046	-	159,766	8,430,812
Derecognised Financial Assets		(21,493,693)	-	(164,848)	(21,658,541)	(10,887,223)	-	(29,290)	(10,916,513)
Movement of Accrued Interest		715,749	-	-	715,749	30,315	-	-	30,315
Foreign Exchange and Other Movements		(631,615)	-	317	(631,298)	4,954	-	278	5,232
<b>At 31 December</b>	5.2, 37.1a (iii)	<b>59,768,354</b>	<b>-</b>	<b>1,491</b>	<b>59,769,845</b>	59,237,385	-	166,022	59,403,407

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### c. Movement in Gross Amount (Cont'd.)

The following table shows an analysis of the movement in carrying amount by asset class, gross of allowance for expected credit losses, for the same portfolio of assets subject to allowance for expected credit losses disclosed in Note 37.1(b): (Cont'd.)

##### iv. Fixed Income Instruments at Fair Value through Other Comprehensive Income

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		76,515,486	1,993,648	127,971	78,637,105	67,309,449	25,045	182,324	67,516,818
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 2		(339,976)	339,976	-	-	(562,038)	562,038	-	-
Transfer from Stage 2 to Stage 1		150,945	(150,945)	-	-	23,422	(23,422)	-	-
New Financial Assets Originated or Purchased		82,232,036	1,317,052	-	83,549,088	36,172,031	833,671	-	37,005,702
Derecognised Financial Assets		(58,591,079)	(942,869)	(301)	(59,534,249)	(30,829,941)	-	(97,238)	(30,927,179)
Movement of Accrued Interest		910,332	30,643	-	940,975	730,498	24,949	3	755,450
Foreign Exchange and Other Movements		2,193,007	(212,541)	14,853	1,995,319	3,672,065	571,367	42,882	4,286,314
<b>At 31 December</b>	7.1, 37.1a (iv)	<b>103,070,751</b>	<b>2,374,964</b>	<b>142,523</b>	<b>105,588,238</b>	76,515,486	1,993,648	127,971	78,637,105

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## c. Movement in Gross Amount (Cont'd.)

The following table shows an analysis of the movement in carrying amount by asset class, gross of allowance for expected credit losses, for the same portfolio of assets subject to allowance for expected credit losses disclosed in Note 37.1(b): (Cont'd.)

## iv. Fixed Income Instruments at Fair Value through Other Comprehensive Income (Cont'd.)

EPF	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		71,459,742	1,993,648	127,971	73,581,361	64,762,969	25,045	182,324	64,970,338
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 2		(339,976)	339,976	-	-	(562,038)	562,038	-	-
Transfer from Stage 2 to Stage 1		150,945	(150,945)	-	-	23,422	(23,422)	-	-
New Financial Assets Originated or Purchased		76,712,318	1,317,052	-	78,029,370	33,599,276	833,671	-	34,432,947
Derecognised Financial Assets		(58,611,080)	(942,869)	(301)	(59,554,250)	(30,182,381)	-	(97,238)	(30,279,619)
Movement of Accrued Interest		910,418	30,643	-	941,061	730,498	24,949	3	755,450
Foreign Exchange and Other Movements		2,193,595	(212,541)	14,853	1,995,907	3,087,996	571,367	42,882	3,702,245
<b>At 31 December</b>	7.2, 37.1a (iv)	<b>92,475,962</b>	<b>2,374,964</b>	<b>142,523</b>	<b>94,993,449</b>	71,459,742	1,993,648	127,971	73,581,361

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### c. Movement in Gross Amount (Cont'd.)

The following table shows an analysis of the movement in carrying amount by asset class, gross of allowance for expected credit losses, for the same portfolio of assets subject to allowance for expected credit losses disclosed in Note 37.1(b): (Cont'd.)

##### v. Investment Assets at Amortised Cost

GROUP	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		290,442,529	25,814	868,550	291,336,893	269,253,509	121,651	1,132,634	270,507,794
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 3		(196,709)	-	196,709	-	-	-	-	-
Transfer from Stage 2 to Stage 1		-	-	-	-	73,850	(73,850)	-	-
New Financial Assets Originated or Purchased		107,097,467	-	-	107,097,467	73,218,698	-	-	73,218,698
Derecognised Financial Assets		(94,086,795)	(25,497)	-	(94,112,292)	(52,322,337)	(22,304)	(307,098)	(52,651,739)
Movement of Accrued Interest		3,188,306	-	4,427	3,192,733	209,767	317	32	210,116
Foreign Exchange and Other Movements		(2,983,112)	(317)	45,513	(2,937,916)	9,042	-	42,982	52,024
<b>At 31 December</b>	8.1, 37.1a (v)	<b>303,461,686</b>	<b>-</b>	<b>1,115,199</b>	<b>304,576,885</b>	290,442,529	25,814	868,550	291,336,893

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## c. Movement in Gross Amount (Cont'd.)

The following table shows an analysis of the movement in carrying amount by asset class, gross of allowance for expected credit losses, for the same portfolio of assets subject to allowance for expected credit losses disclosed in Note 37.1(b): (Cont'd.)

## v. Investment Assets at Amortised Cost (Cont'd.)

EPF	Note	2019				2018			
		Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)	Stage 1 (RM'000)	Stage 2 (RM'000)	Stage 3 (RM'000)	Total (RM'000)
At 1 January		291,780,578	26,467	868,550	292,675,595	269,768,661	121,650	1,132,634	271,022,945
<u>Movements with Profit or Loss Impact</u>									
Transfer:									
Transfer from Stage 1 to Stage 3		(468,061)	-	468,061	-	-	-	-	-
Transfer from Stage 2 to Stage 1		-	-	-	-	73,850	(73,850)	-	-
New Financial Assets Originated or Purchased		106,623,618	-	-	106,623,618	73,198,342	-	-	73,198,342
Derecognised Financial Assets		(94,086,795)	(26,150)	-	(94,112,945)	(51,479,086)	(21,650)	(307,098)	(51,807,834)
Movement of Accrued Interest		3,188,379	-	4,427	3,192,806	209,767	317	32	210,116
Foreign Exchange and Other Movements		(2,983,112)	(317)	45,513	(2,937,916)	9,044	-	42,982	52,026
<b>At 31 December</b>	8.2, 37.1a (v)	<b>304,054,607</b>	<b>-</b>	<b>1,386,551</b>	<b>305,441,158</b>	291,780,578	26,467	868,550	292,675,595

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### d. Financial Effects of Collaterals Held for Financial Assets Exposed to Credit Risk

The Group employs a range of policies and practices to mitigate credit risk. The most common approach is accepting collateral for investments undertaken.

The main type of collaterals are:

- (a) Land and Buildings;
- (b) Cash and Fixed Deposits;
- (c) Government Guarantees; and
- (d) Quoted Shares.

The Group's policies on collaterals have not significantly changed during the reporting period. In addition, there is no significant change in the overall quality of the collaterals held by the Group since the previous financial period.

The estimated financial effects of the collateral held for credit-impaired financial assets are as follows:

GROUP	2019			2018		
	Carrying Amount of Sovereign Financial Assets (RM'000)	Carrying Amount of Non- Sovereign Financial Assets (RM'000)	Financial Effects of Collateral (%)	Carrying Amount of Sovereign Financial Assets (RM'000)	Carrying Amount of Non- Sovereign Financial Assets (RM'000)	Financial Effects of Collateral (%)
Deposits with Financial Institutions at Amortised Cost	4,859,275	52,259,260	-	1,910,407	44,475,745	-
Receivables and Deposits	-	4,251,576	2	-	3,908,149	3
Loans, Advances and Financing at Amortised Cost	12,894,603	83,840,933	27	12,560,291	83,163,783	15
Fixed Income Instruments at Fair Value through Other Comprehensive Income	45,401,243	60,186,995	5	26,155,880	52,481,225	2
Investment Assets at Amortised Costs	244,016,835	60,560,050	8	226,724,786	64,612,107	5
	<b>307,171,956</b>	<b>261,098,814</b>	<b>10</b>	<b>267,351,364</b>	<b>248,641,009</b>	<b>6</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.1 Credit Risk (Cont'd.)

## d. Financial Effects of Collaterals Held for Financial Assets Exposed to Credit Risk (Cont'd.)

The estimated financial effects of the collateral held for credit-impaired financial assets are as follows: (Cont'd.)

EPF	2019			2018		
	Carrying Amount of Sovereign Financial Assets (RM'000)	Carrying Amount of Non- Sovereign Financial Assets (RM'000)	Financial Effects of Collateral (%)	Carrying Amount of Sovereign Financial Assets (RM'000)	Carrying Amount of Non- Sovereign Financial Assets (RM'000)	Financial Effects of Collateral (%)
Deposits with Financial Institutions at Amortised Cost	3,769,275	50,932,819	-	857,407	41,154,979	-
Receivables and Deposits	-	2,296,208	-	-	1,600,109	-
Loans, Advances and Financing at Amortised Cost	12,894,603	46,875,242	28	13,809,388	45,594,019	11
Fixed Income Instruments at Fair Value through Other Comprehensive Income	35,816,386	59,177,063	5	24,042,537	49,538,824	2
Investment Assets at Amortised Costs	244,016,835	61,424,323	8	228,083,190	64,592,405	5
	<b>296,497,099</b>	<b>220,705,655</b>	<b>14</b>	<b>266,792,522</b>	<b>202,480,336</b>	<b>6</b>

The Group monitors closely collaterals held for financial assets considered to be credit-impaired if it becomes more likely that the Group will take possession of the collaterals to mitigate potential credit losses.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.1 Credit Risk (Cont'd.)

##### d. Financial Effects of Collaterals Held for Financial Assets Exposed to Credit Risk (Cont'd.)

Exposure to financial impact of collaterals is only for Stage 3 financial assets that suffers from credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

GROUP	2019				2018			
	Gross Exposure	Allowances for Impairment Loss	Carrying Amount	Fair Value of Collateral Held	Gross Exposure	Allowances for Impairment Loss	Carrying Amount	Fair Value of Collateral Held
Financial Assets	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Receivables and Deposits	1,242,345	(591,437)	650,908	89,782	1,252,746	(563,467)	689,279	103,854
Loans, Advances and Financing at Amortised Cost	1,862,412	(1,066,522)	795,890	374,262	1,924,342	(1,131,039)	793,303	394,304
Fixed Income Instruments at Fair Value through Other Comprehensive Income	142,523	(74,729)	67,794	-	127,971	(70,210)	57,761	-
Investment Assets at Amortised Costs	1,115,199	(234,437)	880,762	-	868,550	(163,429)	705,121	-
	<b>4,362,479</b>	<b>(1,967,125)</b>	<b>2,395,354</b>	<b>464,044</b>	<b>4,173,609</b>	<b>(1,928,145)</b>	<b>2,245,464</b>	<b>498,158</b>

EPF	2019				2018			
	Gross Exposure	Allowances for Impairment Loss	Carrying Amount	Fair Value of Collateral Held	Gross Exposure	Allowances for Impairment Loss	Carrying Amount	Fair Value of Collateral Held
Financial Assets	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Receivables and Deposits	5,430	(5,430)	-	-	5,706	(5,697)	9	-
Loans, Advances and Financing at Amortised Cost	1,491	-	1,491	-	166,022	(24,568)	141,454	-
Fixed Income Instruments at Fair Value through Other Comprehensive Income	142,523	(74,729)	67,794	-	127,971	(70,210)	57,761	-
Investment Assets at Amortised Costs	1,386,551	(234,437)	1,152,114	-	868,550	(163,429)	705,121	-
	<b>1,535,995</b>	<b>(314,596)</b>	<b>1,221,399</b>	<b>-</b>	<b>1,168,249</b>	<b>(263,904)</b>	<b>904,345</b>	<b>-</b>

- e. During the financial year 2019, no modification was made for loans granted to customers by the Group and EPF (2018: None).
- f. During the financial year 2019, a subsidiary of EPF has written off RM221.89 million (2018: RM578.99 million) of Loans, Advances and Financing as it is not reasonable to expect full recovery of the amount. The subsidiary is seeking to recover the outstanding contractual amounts of such assets written off. Meanwhile, there was no Financial Assets written off by EPF in 2019 (2018: None).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.2 Liquidity Risk

Liquidity risk relates to the inability of the EPF to meet its financial commitments and obligations when they fall due. EPF exposure to liquidity risk is limited as all contributions are mandated by the EPF Act 1991 through deduction of salaries and members are only allowed to make withdrawals under pre-retirement and retirement schemes. The EPF manages its liquidity requirements through:

- Monitoring of its daily cash flow and projecting monthly cash flow for a rolling 12 month basis;
- Allocating 3% of its asset's value for short term instruments in the form of cash and placements in financial institutions in order to meet members' withdrawals and other financial commitments and obligations; and
- Diversifying its investment portfolio by setting the concentration limits on name, sector and asset type.

Over the medium and longer term, the EPF is able to meet its liquidity requirements through its holdings of liquid investments such as publicly traded equities and fixed income securities. The maturity profile of the EPF assets and liabilities is also monitored within a stipulated level. The Group and the EPF financial liabilities are categorised into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date.

- a. The table below shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities as at the Statements of Financial Position date:

GROUP	2019				
	Contractual Cash Flows				Carrying Amount
	On Demand or within One Year (RM'000)	One to Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)	
<b>Non-Derivative Liabilities</b>					
Contribution Withdrawal Payables	16,126	-	-	16,126	16,126
Payables and Accrued Liabilities <sup>#</sup>	3,976,367	70,646	325,276	4,372,289	4,120,255
Deposits and Advances	30,597,455	4,027,555	140,938	34,765,948	34,398,206
Lease Liabilities	13,868	72,181	748,849	834,898	503,153
Loans and Overdrafts	4,206,206	11,690,647	3,161,293	19,058,146	18,126,680
	<b>38,810,022</b>	<b>15,861,029</b>	<b>4,376,356</b>	<b>59,047,407</b>	<b>57,164,420</b>
<b>Net Settled Derivatives</b>					
Forward Currency Translation Contract	93,577	-	-	93,577	93,577
Interest Rate Swap	34,992	133,865	-	168,857	121,978
Other Derivative Financial Liabilities	332	-	-	332	332
Net Outflow	<b>128,901</b>	<b>133,865</b>	<b>-</b>	<b>262,766</b>	<b>215,887</b>
<b>Gross Settled Derivatives</b>					
Cross Currency Swap					
- Outflow	257,800	-	237,510	495,310	155,993
- Inflow	(164,996)	-	(172,201)	(337,197)	-
	<b>92,804</b>	<b>-</b>	<b>65,309</b>	<b>158,113</b>	<b>155,993</b>
<b>Total Financial Liabilities</b>	<b>39,031,727</b>	<b>15,994,894</b>	<b>4,441,665</b>	<b>59,468,286</b>	<b>57,536,300</b>
<b>Commitment and Contingencies*</b>	<b>35,512,374</b>	<b>3,516,268</b>	<b>72,000</b>	<b>39,100,642</b>	<b>39,100,642</b>

<sup>#</sup> Payables and Accrued Liabilities exclude other provisions and accruals, rent received in advance, contract liabilities as well as deferred income as these items are classified as non-financial liabilities.

\* Commitments and Contingencies exclude foreign exchange related contracts.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.2 Liquidity Risk (Cont'd.)

- a. The table below shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities as at the Statements of Financial Position date: (Cont'd.)

GROUP	2018				
	Contractual Cash Flows				Carrying Amount (RM'000)
	On Demand or within One Year (RM'000)	One to Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)	
<b>Non-Derivative Liabilities</b>					
Contribution Withdrawal Payables	15,511	-	-	15,511	15,511
Payables and Accrued Liabilities <sup>#</sup>	4,852,840	59,167	234,042	5,146,049	4,991,165
Deposits and Advances	29,678,950	3,202,915	71,742	32,953,607	32,183,025
Loans and Overdrafts	2,438,257	13,584,841	57,750	16,080,848	15,827,980
	36,985,558	16,846,923	363,534	54,196,015	53,017,681
<b>Net Settled Derivatives</b>					
Forward Currency Translation					
Contract	646,195	-	-	646,195	646,195
Interest Rate Swap	28,572	72,867	-	101,439	93,737
Other Derivative Financial Liabilities	198	-	-	198	198
Net Outflow	674,965	72,867	-	747,832	740,130
<b>Gross Settled Derivatives</b>					
Cross Currency Swap					
- Outflow	328,981	257,800	237,510	824,291	252,659
- Inflow	(233,581)	(162,785)	(171,751)	(568,117)	-
	95,400	95,015	65,759	256,174	252,659
<b>Total Financial Liabilities</b>	<b>37,755,923</b>	<b>17,014,805</b>	<b>429,293</b>	<b>55,200,021</b>	<b>54,010,470</b>
<b>Commitment and Contingencies*</b>	<b>37,753,299</b>	<b>4,648,211</b>	<b>220,816</b>	<b>42,622,326</b>	<b>42,622,326</b>

<sup>#</sup> Payables and Accrued Liabilities exclude other provisions and accruals, rent received in advance, contract liabilities as well as deferred income as these items are classified as non-financial liabilities.

<sup>\*</sup> Commitments and Contingencies exclude foreign exchange related contracts.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.2 Liquidity Risk (Cont'd.)

- a. The table below shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities as at the Statements of Financial Position date: (Cont'd.)

EPF	2019				
	Contractual Cash Flows				Carrying Amount
	On Demand or within One Year (RM'000)	One to Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)	
<b>Non-Derivative Liabilities</b>					
Contribution Withdrawal Payables	16,126	-	-	16,126	16,126
Payables and Accrued Liabilities <sup>#</sup>	2,038,276	1,145	-	2,039,421	2,039,421
Deposits and Advances	288,085	9,066	-	297,151	297,151
Lease Liabilities	9,487	38,301	22,506	70,294	60,523
	<b>2,351,974</b>	<b>48,512</b>	<b>22,506</b>	<b>2,422,992</b>	<b>2,413,221</b>
<b>Net Settled Derivatives</b>					
Forward Currency Translation Contract	93,576	-	-	93,576	93,576
Other Derivative Financial Liabilities	332	-	-	332	332
Net Outflow	<b>93,908</b>	-	-	<b>93,908</b>	<b>93,908</b>
<b>Gross Settled Derivatives</b>					
Cross Currency Swap					
- Outflow	257,800	-	237,510	495,310	155,993
- Inflow	(164,996)	-	(172,201)	(337,197)	-
	<b>92,804</b>	-	<b>65,309</b>	<b>158,113</b>	<b>155,993</b>
<b>Total Financial Liabilities</b>	<b>2,538,686</b>	<b>48,512</b>	<b>87,815</b>	<b>2,675,013</b>	<b>2,663,122</b>
<b>Commitment and Contingencies</b>	<b>33,918,041</b>	<b>261,701</b>	-	<b>34,179,742</b>	<b>34,179,742</b>

- <sup>#</sup> Payables and Accrued Liabilities exclude other provisions and accruals, rent received in advance, contract liabilities as well as deferred income as these items are classified as non-financial liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.2 Liquidity Risk (Cont'd.)

- a. The table below shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities as at the Statements of Financial Position date: (Cont'd.)

EPF	2018				
	Contractual Cash Flows				Carrying Amount (RM'000)
	On Demand or within One Year (RM'000)	One to Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)	
<b>Non-Derivative Liabilities</b>					
Contribution Withdrawal Payables	15,511	-	-	15,511	15,511
Payables and Accrued Liabilities <sup>#</sup>	2,742,118	9,449	-	2,751,567	2,751,567
Deposits and Advances	229,866	11,892	-	241,758	241,758
	2,987,495	21,341	-	3,008,836	3,008,836
<b>Net Settled Derivatives</b>					
Forward Currency Translation					
Contract	646,193	-	-	646,193	646,193
Other Derivative Financial Liabilities	198	-	-	198	198
Net Outflow	646,391	-	-	646,391	646,391
<b>Gross Settled Derivatives</b>					
Cross Currency Swap					
- Outflow	328,981	257,800	237,510	824,291	252,659
- Inflow	(233,581)	(162,785)	(171,751)	(568,117)	-
	95,400	95,015	65,759	256,174	252,659
<b>Total Financial Liabilities</b>	<b>3,729,286</b>	<b>116,356</b>	<b>65,759</b>	<b>3,911,401</b>	<b>3,907,886</b>
<b>Commitment and Contingencies</b>	<b>32,611,879</b>	<b>238,382</b>	<b>-</b>	<b>32,850,261</b>	<b>32,850,261</b>

- <sup>#</sup> Payables and Accrued Liabilities exclude other provisions and accruals, rent received in advance, contract liabilities as well as deferred income as these items are classified as non-financial liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**37. FINANCIAL RISK (CONT'D.)****37.3 Market Risk**

Market risk is the risk of loss arising from changes in the value of portfolios and financial instruments due to the movements in equity prices, interest rates and foreign exchange rate.

The objective of market risk management is to ensure that EPF exposures to these risks is within the risk appetite. This is done through an annual review of various policies and limits, periodic reports to monitor market risk at portfolio level for each asset class and independent validation performed on the underlying risk methodology.

The EPF adopts the following risk measurements to manage its market risk:

- i. Single customer exposure limit, ownership, country and sector concentration limits to ensure appropriate diversification of risk exposures.
- ii. Value at Risk ("VaR") is a statistical measure of the potential losses that could occur as a result of movements in interest rates and prices over a specified time horizon within a given confidence level.
- iii. Duration is to manage the sensitivity of the price of a fixed income investment arising from interest rate movement.
- iv. Tracking Error is a standard deviation of the portfolio's excess returns relative to a benchmark in measuring and benchmarking the performance of the portfolio.
- v. Stress testing is an exercise conducted to capture the potential market risk exposure of 'what-if' scenarios. It incorporates factors such as correlation, volatility and returns at different levels. The stress tests are performed periodically and reported to the management.

**a. Price Risk**

Price risk arises from the movements in the price of equities, both domestic and global. EPF identifies acceptable benchmarks for each respective portfolio and measures the deviation from these benchmarks to ensure that each portfolio is within the EPF's investment parameter.

EPF manages its price risk through diversification and prudent selection of equities as approved by the Investment Panel.

The overall investment exposure is being monitored on a daily basis.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.3 Market Risk (Cont'd.)

##### a. Price Risk (Cont'd.)

The table below summarises the impact on the carrying amount of equity positions as at Statements of Financial Position date arising from the changes in equity prices. The analysis is based on the assumption that the market index components increase or decrease by a reasonable shift, with all other variables remain constant and that the fair value of the equities move according to the historical correlation with the market index.

GROUP AND EPF		2019		
Index	Quoted Equity at Fair Value through Other Comprehensive Income	Fair Value	Changes in Market Index	Sensitivity Impact to the Financial Assets at Fair Value through Other Comprehensive Income Reserve Increase/(Decrease)
		(RM'000)		(RM'000)
FBM KLCI	Domestic	136,717,680	+5%	6,621,197
			-5%	(6,405,550)
MSCI World	Global	176,733,936	+10%	14,852,681
			-10%	(5,464,090)
		313,451,616		

GROUP AND EPF		2018		
Index	Quoted Equity at Fair Value through Other Comprehensive Income	Fair Value	Changes in Market Index	Sensitivity Impact to the Financial Assets at Fair Value through Other Comprehensive Income Reserve Increase/(Decrease)
		(RM'000)		(RM'000)
FBM KLCI	Domestic	139,872,678	+5%	6,677,555
			-5%	(6,599,639)
MSCI World	Global	141,349,446	+10%	9,999,630
			-10%	(9,241,498)
		281,222,124		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.3 Market Risk (Cont'd.)

## b. Interest Rate Risk

Interest rate risk arises from investments in loan with floating interest rate instruments and fixed income instruments under Fair Value through Other Comprehensive Income and through Profit or Loss.

The EPF has put in place an interest rate hedging policy for its fixed income portfolios classified as Fair Value through Other Comprehensive Income and through Profit or Loss.

The objective of the policy is to hedge its exposure against changes in the fair value of assets arising from interest rate movements.

The table below summarises the sensitivity of fixed income instruments on the Profit before Tax and Financial Assets at Fair Value through Other Comprehensive Income Reserve arising from changes in the interest rates by 100 basis points based on the assumption that the positions are unhedged:

GROUP	2019			
	Impact on Profit before Tax when Interest Rates Change		Impact on Financial Assets at Fair Value through Other Comprehensive Income Reserve when Interest Rates Change	
	± 100 Basis Points Increase/(Decrease) (RM'000)		± 100 Basis Points Increase/(Decrease) (RM'000)	
	+100bps	-100bps	+100bps	-100bps
Fixed Income Instruments	(877,476)	877,476	(6,947,119)	6,947,119

GROUP	2018			
	Impact on Profit before Tax when Interest Rates Change		Impact on Financial Assets at Fair Value through Other Comprehensive Income Reserve when Interest Rates Change	
	± 100 Basis Points Increase/(Decrease) (RM'000)		± 100 Basis Points Increase/(Decrease) (RM'000)	
	+100bps	-100bps	+100bps	-100bps
Fixed Income Instruments	(161,401)	161,401	(2,564,653)	2,564,653

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.3 Market Risk (Cont'd.)

##### b. Interest Rate Risk (Cont'd.)

The table below summarises the sensitivity of fixed income instruments on the Profit before Tax and Financial Assets at Fair Value through Other Comprehensive Income Reserve arising from changes in the interest rates by 100 basis points based on the assumption that the positions are unhedged: (Cont'd.)

EPF	2019			
	Impact on Profit before Tax when Interest Rates Change		Impact on Financial Assets at Fair Value through Other Comprehensive Income Reserve when Interest Rates Change	
	± 100 Basis Points Increase/(Decrease) (RM'000)		± 100 Basis Points Increase/(Decrease) (RM'000)	
	+100bps	-100bps	+100bps	-100bps
Fixed Income Instruments	(771,252)	771,252	(6,947,119)	6,947,119

EPF	2018			
	Impact on Profit before Tax when Interest Rates Change		Impact on Financial Assets at Fair Value through Other Comprehensive Income Reserve when Interest Rates Change	
	± 100 Basis Points Increase/(Decrease) (RM'000)		± 100 Basis Points Increase/(Decrease) (RM'000)	
	+100bps	-100bps	+100bps	-100bps
Fixed Income Instruments	(161,401)	161,401	(2,564,653)	2,564,653

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.3 Market Risk (Cont'd.)

## c. Foreign Exchange Risk

EPF invests globally and is exposed to foreign exchange risk arising from exposures to various foreign currencies other than Ringgit Malaysia.

EPF has put in place a foreign currency hedging policy to protect its global investment assets against the adverse movement in foreign exchange rate. At minimum, 50% of the global fixed income investments are hedged whereas global equities and other global exposures are hedged where appropriate. Derivatives include Forward Currency Exchange Contracts and Cross Currency Swaps are used strictly to hedge against foreign exchange risk for the global investments.

The following table summarises the carrying amount of global investments of the Group and EPF by currencies as at the Statements of Financial Position date:

GROUP AND EPF	2019		2018	
	Global Investments (RM'000)	%	Global Investments (RM'000)	%
<b>Currency</b>				
United States Dollars	84,728,508	34	58,494,118	31
Singapore Dollars	16,164,903	6	24,261,067	13
Euro	33,035,394	13	14,860,341	8
Hong Kong Dollars	19,933,875	8	17,672,937	9
Taiwan Dollars	8,904,685	4	9,993,866	5
Pound Sterling	16,355,631	6	10,690,420	6
Japanese Yen	12,840,240	5	9,977,704	5
Indonesian Rupiah	9,613,709	4	8,266,199	4
Thai Baht	9,836,383	4	8,810,646	5
Australian Dollars	7,106,937	3	6,795,042	3
South Korean Won	10,374,744	4	5,381,689	3
Others	23,971,801	9	16,042,917	8
	<b>252,866,810</b>	<b>100</b>	191,246,946	100

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.3 Market Risk (Cont'd.)

##### c. Foreign Exchange Risk (Cont'd.)

The following table shows the sensitivity of the Group and EPF's global investments on the Profit before Tax and Financial Assets at Fair Value through Other Comprehensive Income Reserve, based on a reasonable shift in movement in foreign exchange rates, assuming the portfolio is unhedged, with all other risk factors remain constant.

GROUP AND EPF	2019			
	Impact on Profit before Tax when the Movement in Exchange Rates		Impact on Financial Assets at Fair Value through Other Comprehensive Income Reserve when Movement in Exchange Rates	
	Strengthening/(Weakening) (RM'000)		Strengthening/(Weakening) (RM'000)	
	+ 3%	- 3%	+ 3%	- 3%
United States Dollars	1,008,402	(1,008,402)	1,533,451	(1,533,451)
Singapore Dollars	37,200	(37,200)	447,747	(447,747)
Euro	273,603	(273,603)	717,459	(717,459)
Hong Kong Dollars	-	-	598,016	(598,016)
Taiwan Dollars	-	-	267,141	(267,141)
Pound Sterling	114,308	(114,308)	376,361	(376,361)
Japanese Yen	15,206	(15,206)	370,002	(370,002)
Indonesian Rupiah	577	(577)	287,834	(287,834)
Thai Baht	7	(7)	295,085	(295,085)
Australian Dollars	108,209	(108,209)	104,999	(104,999)
South Korean Won	-	-	311,243	(311,243)
Others	16,929	(16,929)	702,225	(702,225)
	1,574,441	(1,574,441)	6,011,563	(6,011,563)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.3 Market Risk (Cont'd.)

## c. Foreign Exchange Risk (Cont'd.)

The following table shows the sensitivity of the Group and EPF's global investments on the Profit before Tax and Financial Assets at Fair Value through Other Comprehensive Income Reserve, based on a reasonable shift in movement in foreign exchange rates, assuming the portfolio is unhedged, with all other risk factors remain constant. (Cont'd.)

GROUP AND EPF	2018			
	Impact on Profit before Tax when the Movement in Exchange Rates		Impact on Financial Assets at Fair Value through Other Comprehensive Income Reserve when Movement in Exchange Rates	
	Strengthening/(Weakening) (RM'000)		Strengthening/(Weakening) (RM'000)	
	+ 3%	- 3%	+ 3%	- 3%
United States Dollars	804,137	(625,991)	1,221,596	(418,855)
Singapore Dollars	19,419	(21,905)	436,761	(392,179)
Euro	61,525	(10,547)	610,365	(147,791)
Hong Kong Dollars	-	-	647,003	(412,853)
Taiwan Dollars	-	-	307,050	(267,509)
Pound Sterling	9,173	(9,570)	289,191	(289,191)
Japanese Yen	22,678	(15,576)	266,564	(266,564)
Indonesian Rupiah	1,018	(18)	199,850	(292,342)
Thai Baht	-	(69)	512,570	(98,397)
Australian Dollars	52,183	(101,765)	49,383	(95,802)
South Korean Won	44,394	(44,394)	409,466	(126,815)
Others	28,030	(29,104)	510,801	(413,538)
	1,042,557	(858,939)	5,460,600	(3,221,836)

**Interpretation of Impact**

The Group and EPF measure the sensitivity of foreign exchange on the net open positions denominated in foreign balances during an adverse movement of all foreign currencies against Ringgit Malaysia.

The result implies that the Group and EPF may be subject to additional translation gains/(losses) in the event Ringgit Malaysia strengthens/(weakens) against other currencies and vice versa.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets

The Group and EPF adopted MFRS 13 Fair Value Measurement which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The measurement assumes that the transaction to sell the asset or to transfer the liability takes place either in the principal market or, in the absence of a principal market, in the most advantageous market.

##### Fair Value Hierarchy

**i. Level 1**

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**ii. Level 2**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

**iii. Level 3**

Level 3 fair value is estimated using unobservable inputs for the assets and liabilities.

EPF's operational process in respect of the measurement of Level 3 fair values are determined and validated by a function independent of the business unit underlying the risks. Finance Department establishes the accounting policies and procedures governing valuation and is responsible for ensuring compliance with all relevant accounting standards. The investment team and a team within the Finance Department which oversees the fair value measurements, including Level 3 fair values, report directly to the Chief Investment Officer and Chief Financial Officer.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- a. The following table summarises the financial instruments and non-financial assets carried at fair value and those not carried at fair value for which fair value is disclosed, together with their carrying amounts as shown in the Statements of Financial Position.

GROUP	2019									
	Fair Value of Financial Instruments Carried at Fair Value				Fair Value of Financial Instruments and Non-Financial Assets Not Carried at Fair Value				Total Fair Value	Carrying Amount
	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)		
<b>Assets</b>										
<b>Financial Assets</b>										
<b>Recurring Fair Value Measurement</b>										
Financial Assets at Fair Value through Profit or Loss	259,908	2,909,315	14,199,299	17,368,522	-	-	-	-	17,368,522	17,368,522
Financial Assets at Fair Value through Other Comprehensive Income	313,451,616	106,197,097	27,733,259	447,381,972	-	-	-	-	447,381,972	447,381,972
<b>Non-Recurring Fair Value Measurement</b>										
Deposit with Financial Institutions	-	-	-	-	-	57,117,886	-	57,117,886	57,117,886	57,117,886
Receivables and Deposits	-	-	-	-	-	3,659,861	-	3,659,861	3,659,861	3,659,861
Loans, Advances and Financing	-	-	-	-	-	60,862,866	34,390,379	95,253,245	95,253,245	94,816,688
Investment Assets at Amortised Cost	-	-	-	-	-	321,879,281	-	321,879,281	321,879,281	304,326,067
<b>Non-Financial Assets</b>										
<b>Non-Recurring Fair Value Measurement</b>										
Assets Held for Sale	-	-	-	-	-	838,128	-	838,128	838,128	662,200
Investment Properties	-	-	-	-	-	32,798,531	861,428	33,659,959	33,659,959	23,930,684
<b>Liabilities</b>										
<b>Recurring Fair Value Measurement</b>										
Financial Liabilities at Fair Value through Profit or Loss	-	(371,880)	-	(371,880)	-	-	-	-	(371,880)	(371,880)
<b>Non-Recurring Fair Value Measurement</b>										
Payables and Accrued Liabilities	-	-	-	-	-	(4,828,799)	-	(4,828,799)	(4,828,799)	(4,828,799)
Deposits and Advances	-	-	-	-	-	(34,637,464)	-	(34,637,464)	(34,637,464)	(34,398,206)
Loans and Overdrafts	-	-	-	-	-	(18,211,688)	-	(18,211,688)	(18,211,688)	(18,126,680)
	<b>313,711,524</b>	<b>108,734,532</b>	<b>41,932,558</b>	<b>464,378,614</b>	<b>-</b>	<b>419,478,602</b>	<b>35,251,807</b>	<b>454,730,409</b>	<b>919,109,023</b>	<b>891,538,315</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- a. The following table summarises the financial instruments and non-financial assets carried at fair value and those not carried at fair value for which fair value is disclosed, together with their carrying amounts as shown in the Statements of Financial Position. (Cont'd.)

GROUP	2018									
	Fair Value of Financial Instruments Carried at Fair Value				Fair Value of Financial Instruments and Non-Financial Assets Not Carried at Fair Value				Total Fair Value	Carrying Amount
	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	(RM'000)	(RM'000)
<b>Assets</b>										
<b>Financial Assets</b>										
<b>Recurring Fair Value Measurement</b>										
Financial Assets at Fair Value through Profit or Loss	190,156	4,619,587	12,157,404	16,967,147	-	-	-	-	16,967,147	16,967,147
Financial Assets at Fair Value through Other Comprehensive Income	281,222,124	79,380,012	20,977,183	381,579,319	-	-	-	-	381,579,319	381,579,319
<b>Non-Recurring Fair Value Measurement</b>										
Deposit with Financial Institutions	-	-	-	-	-	46,385,338	-	46,385,338	46,385,338	46,385,338
Receivables and Deposits	-	-	-	-	-	3,344,468	-	3,344,468	3,344,468	3,344,468
Loans, Advances and Financing	-	-	-	-	-	60,545,383	32,253,871	92,799,254	92,799,254	93,678,506
Investment Assets at Amortised Cost	-	-	-	-	-	294,647,345	-	294,647,345	294,647,345	291,154,477
<b>Non-Financial Assets</b>										
<b>Non-Recurring Fair Value Measurement</b>										
Assets Held for Sale	-	-	-	-	-	118,939	-	118,939	118,939	66,583
Investment Properties	-	-	-	-	-	31,966,780	313,000	32,279,780	32,279,780	23,514,203
<b>Liabilities</b>										
<b>Recurring Fair Value Measurement</b>										
Financial Liabilities at Fair Value through Profit or Loss	-	(992,789)	-	(992,789)	-	-	-	-	(992,789)	(992,789)
<b>Non-Recurring Fair Value Measurement</b>										
Payables and Accrued Liabilities	-	-	-	-	-	(5,884,583)	-	(5,884,583)	(5,884,583)	(5,884,583)
Deposits and Advances	-	-	-	-	-	(32,183,025)	-	(32,183,025)	(32,183,025)	(32,183,025)
Loans and Overdrafts	-	-	-	-	-	(15,875,529)	-	(15,875,529)	(15,875,529)	(15,827,980)
	281,412,280	83,006,810	33,134,587	397,553,677	-	383,065,116	32,566,871	415,631,987	813,185,664	801,801,664

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- a. The following table summarises the financial instruments and non-financial assets carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts as shown in the Statements of Financial Position. (Cont'd.)

EPF	2019									
	Fair Value of Financial Instruments Carried at Fair Value				Fair Value of Financial Instruments and Non-Financial Assets Not Carried at Fair Value				Total Fair Value	Carrying Amount
	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	(RM'000)	(RM'000)
<b>Assets</b>										
<b>Financial Assets</b>										
<b>Recurring Fair Value Measurement</b>										
Financial Assets at Fair Value through Profit or Loss	186,703	2,613,741	13,597,574	16,398,018	-	-	-	-	16,398,018	16,398,018
Financial Assets at Fair Value through Other Comprehensive Income	313,451,616	95,602,308	25,079,030	434,132,954	-	-	-	-	434,132,954	434,132,954
<b>Non-Recurring Fair Value Measurement</b>										
Deposit with Financial Institutions	-	-	-	-	-	54,701,006	-	54,701,006	54,701,006	54,701,006
Receivables and Deposits	-	-	-	-	-	2,290,778	-	2,290,778	2,290,778	2,290,778
Loans, Advances and Financing	-	-	-	-	-	59,769,327	-	59,769,327	59,769,327	59,769,327
Investment Assets at Amortised Cost	-	-	-	-	-	322,744,113	-	322,744,113	322,744,113	305,190,360
<b>Non-Financial Assets</b>										
<b>Non-Recurring Fair Value Measurement</b>										
Assets Held for Sale	-	-	-	-	-	132,435	-	132,435	132,435	75,666
Investment Properties	-	-	-	-	-	1,890,568	-	1,890,568	1,890,568	1,157,023
<b>Liabilities</b>										
<b>Recurring Fair Value Measurement</b>										
Financial Liabilities at Fair Value through Profit or Loss	-	(249,901)	-	(249,901)	-	-	-	-	(249,901)	(249,901)
<b>Non-Recurring Fair Value Measurement</b>										
Payables and Accrued Liabilities	-	-	-	-	-	(2,043,029)	-	(2,043,029)	(2,043,029)	(2,043,029)
Deposits and Advances	-	-	-	-	-	(297,151)	-	(297,151)	(297,151)	(297,151)
	<b>313,638,319</b>	<b>97,966,148</b>	<b>38,676,604</b>	<b>450,281,071</b>	<b>-</b>	<b>439,188,047</b>	<b>-</b>	<b>439,188,047</b>	<b>889,469,118</b>	<b>871,125,051</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- a. The following table summarises the financial instruments and non-financial assets carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts as shown in the Statements of Financial Position. (Cont'd.)

EPF	2018									
	Fair Value of Financial Instruments Carried at Fair Value				Fair Value of Financial Instruments and Non-Financial Assets Not Carried at Fair Value				Total Fair Value	Carrying Amount
	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)	(RM'000)	(RM'000)
<b>Assets</b>										
<b>Financial Assets</b>										
<b>Recurring Fair Value Measurement</b>										
Financial Assets at Fair Value through Profit or Loss	163,713	4,608,845	11,634,478	16,407,036	-	-	-	-	16,407,036	16,407,036
Financial Assets at Fair Value through Other Comprehensive Income	281,222,124	74,324,268	18,859,287	374,405,679	-	-	-	-	374,405,679	374,405,679
<b>Non-Recurring Fair Value Measurement</b>										
Deposit with Financial Institutions	-	-	-	-	-	42,011,917	-	42,011,917	42,011,917	42,011,917
Receivables and Deposits	-	-	-	-	-	1,594,412	-	1,594,412	1,594,412	1,594,412
Loans, Advances and Financing	-	-	-	-	-	59,378,178	-	59,378,178	59,378,178	59,378,178
Investment Assets at Amortised Cost	-	-	-	-	-	295,979,493	-	295,979,493	295,979,493	292,486,626
<b>Non-Financial Assets</b>										
<b>Non-Recurring Fair Value Measurement</b>										
Assets Held for Sale	-	-	-	-	-	118,725	-	118,725	118,725	66,389
Investment Properties	-	-	-	-	-	2,162,594	-	2,162,594	2,162,594	1,194,154
<b>Liabilities</b>										
<b>Recurring Fair Value Measurement</b>										
Financial Liabilities at Fair Value through Profit or Loss	-	(899,050)	-	(899,050)	-	-	-	-	(899,050)	(899,050)
<b>Non-Recurring Fair Value Measurement</b>										
Payables and Accrued Liabilities	-	-	-	-	-	(2,753,654)	-	(2,753,654)	(2,753,654)	(2,753,654)
Deposits and Advances	-	-	-	-	-	(241,758)	-	(241,758)	(241,758)	(241,758)
	281,385,837	78,034,063	30,493,765	389,913,665	-	398,249,907	-	398,249,907	788,163,572	783,649,929

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

## b. Policy of Transfer between Levels

The fair value of an asset to be transferred between levels is determined by the Group and EPF as of the date of the event or change in circumstances that caused the transfer. There has been no transfer between Level 1 and 2 during the financial year.

## c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets:

**Fair Value of Financial Instruments Carried Out at Fair Value**

GROUP	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Financial Assets:</b>				
<b>Financial Assets at Fair Value through Profit or Loss</b>				
Warrants	65,775	40,910	Level 1	Quoted bid prices in an active market.
Rights	420	368	Level 1	Quoted bid prices in an active market.
Irredeemable Convertible Preference Shares	120,368	116,428	Level 1	Quoted bid prices in an active market.
Redeemable Convertible Preference Shares	140	6,007	Level 1	Quoted bid prices in an active market.
Forward Currency Translation Contracts	1,095,082	172,335	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Private Debt Securities	103,747	192,184	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Bonds and Sukuk	1,304,227	4,142,935	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Cross Currency Swaps	79,061	77,291	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicly available quoted rates.
Interest Rate Swaps	4,341	13,802	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Derivatives	34,371	17,843	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Rental Guarantees	2,170	3,197	Level 2	Fair value is determined by the valuation technique based latest valuation reports of the investment properties.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

#### Fair Value of Financial Instruments Carried Out at Fair Value (Cont'd.)

GROUP	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Financial Assets at Fair Value through Profit or Loss (Cont'd.)</b>				
Equity Instruments	<b>665,540</b>	517,694	Level 3	The Net Asset Value (NAV) of the investments which is based on prorating of the equity portion of the underlying investments, discounted cash flow, market or income approach is used to derive the fair value due to unavailability of observable comparison as benchmark.
<b>Investment Assets Held for Trading</b>				
Quoted Equities	<b>73,205</b>	26,443	Level 1	Quoted bid prices in an active market.
Private Equity Fund	<b>286,316</b>	-	Level 2	Fair value by referring to observable quoted prices other than quoted prices which included in Level 1 for assets and liabilities directly or indirectly.
Unquoted Equities	<b>13,533,759</b>	11,639,710	Level 3	The Net Asset Value (NAV) of the investments which is based on prorating of the equity portion of the underlying investments, discounted cash flow, market or income approach is used to derive the fair value due to unavailability of observable comparison as benchmark.
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>				
Quoted Equities	<b>313,451,616</b>	281,222,124	Level 1	Quoted bid prices in an active market.
Unquoted Equities	<b>27,733,259</b>	20,977,183	Level 3	The Net Asset Value (NAV) of the investments which is based on prorating of the equity portion of the underlying investments or discounted cash flow is used to derive the fair value due to unavailability of observable comparison as benchmark.
Perpetual Fixed Income Instruments	<b>608,859</b>	742,907	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Malaysian Government Securities	<b>12,759,341</b>	8,095,642	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

**Fair Value of Financial Instruments Carried Out at Fair Value (Cont'd.)**

GROUP	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Financial Assets at Fair Value through Other Comprehensive Income (Cont'd.)</b>				
Government Investment Issues	25,911,341	11,351,683	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Bonds and Sukuk	46,189,163	38,993,741	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Private Debt Securities	20,728,393	20,196,039	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
<b>Total Financial Assets</b>	<b>464,750,494</b>	<b>398,546,466</b>		
<b>Financial Liabilities:</b>				
<b>Financial Liabilities at Fair Value through Profit or Loss</b>				
Forward Currency Translation Contracts	(93,577)	(646,195)	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Cross Currency Swaps	(155,993)	(252,659)	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicly available quoted rates.
Interest Rate Swaps	(121,978)	(93,737)	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicly available quoted rates.
Other Derivative Financial Liabilities	(332)	(198)	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
<b>Total Financial Liabilities</b>	<b>(371,880)</b>	<b>(992,789)</b>		
<b>Total</b>	<b>464,378,614</b>	<b>397,553,677</b>		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

#### **Fair Value of Financial Instruments and Non-Financial Assets Not Carried at Fair Value**

GROUP	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Financial Assets:</b>				
<b>Deposit with Financial Institutions</b>	<b>57,117,886</b>	46,385,338	Level 2	Carrying value equivalent to fair value.
<b>Receivables and Deposits</b>	<b>3,659,861</b>	3,344,468	Level 2	Carrying value equivalent to fair value.
<b>Loans, Advances and Financing</b>				
Loans	<b>57,727,479</b>	57,197,426	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Loans to Associates & Joint Ventures and Staffs	<b>3,135,387</b>	3,347,957	Level 2	Carrying value equivalent to fair value.
Corporate & Individual Loans and Financing	<b>34,390,379</b>	32,253,871	Level 3	Fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at prevailing rates offered for similar loans to new borrowers with similar credit profiles as at the reporting date.
<b>Investment Assets at Amortised Cost</b>				
Malaysian Government Securities	<b>152,855,103</b>	135,146,610	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Government Investment Issues	<b>73,788,169</b>	73,326,513	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Commercial Papers	<b>965,390</b>	661,401	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Bonds and Sukuk	<b>84,373,491</b>	75,515,147	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Negotiable Certificates	<b>9,897,128</b>	9,997,674	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
<b>Total Financial Assets</b>	<b>477,910,273</b>	437,176,405		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

**Fair Value of Financial Instruments and Non-Financial Assets Not Carried at Fair Value (Cont'd.)**

GROUP	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Non-Financial Assets:</b>				
Assets Held for Sale	<b>838,128</b>	118,939	Level 2	Fair value is performed by Accredited Independent Valuers with recent experience in valuation of land and building based on sales comparison method which involves the analysis of sales of similar properties and adjusting for factors which can influence the value or price of the said properties.
Investment Properties	<b>32,798,531</b>	31,966,780	Level 2	Fair value is performed by Accredited Independent Valuers with recent experience in valuation of land and building based on sales comparison method which involves the analysis of sales of similar properties and adjusting for factors which can influence the value or price of the said properties.
Investment Properties	<b>861,428</b>	313,000	Level 3	Fair value is performed by Accredited Independent Valuers with recent experience in land and properties valuation field based on the rental the properties are expected to achieve.
<b>Total Assets</b>	<b>512,408,360</b>	469,575,124		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

#### **Fair Value of Financial Instruments and Non-Financial Assets Not Carried at Fair Value (Cont'd.)**

GROUP	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Financial Liabilities:</b>				
<b>Payables and Accrued Liabilities</b>	<b>(4,828,799)</b>	(5,884,583)	Level 2	Carrying value equivalent to fair value.
<b>Deposits and Advances</b>				
Deposits and Placements of Banks and Other Financial Institutions	<b>(34,291,283)</b>	(31,886,968)	Level 2	Fair value is estimated using discounted cashflows, applying either market rates, where applicable, or current rates offered for deposits of similar remaining maturities.
Other Deposits and Advances	<b>(346,181)</b>	(296,057)	Level 2	Carrying value equivalent to fair value.
<b>Loans and Overdrafts</b>				
Sukuk	<b>(1,842,597)</b>	(872,621)	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Other Loans and Overdrafts	<b>(16,369,091)</b>	(15,002,908)	Level 2	Carrying value equivalent to fair value.
<b>Total Financial Liabilities</b>	<b>(57,677,951)</b>	(53,943,137)		
<b>Total</b>	<b>454,730,409</b>	415,631,987		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

**Fair Value of Financial Instruments Carried at Fair Value**

EPF	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Financial Assets:</b>				
<b>Financial Assets at Fair Value through Profit or Loss</b>				
Warrants	<b>65,775</b>	40,910	Level 1	Quoted bid prices in an active market.
Rights	<b>420</b>	368	Level 1	Quoted bid prices in an active market.
Irredeemable Convertible Preference Shares	<b>120,368</b>	116,428	Level 1	Quoted bid prices in an active market.
Redeemable Convertible Preference Shares	<b>140</b>	6,007	Level 1	Quoted bid prices in an active market.
Forward Currency Translation Contracts	<b>1,090,843</b>	172,269	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Private Debt Securities	<b>103,747</b>	192,184	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Private Debt Fund	<b>1,746,412</b>	735,030	Level 3	The Net Asset Value (NAV) of the investments which is based on prorating of the equity portion of the underlying investments as the fair value due to unavailability of observable comparison as benchmark.
Bonds and Sukuk	<b>1,304,227</b>	4,142,935	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Cross Currency Swaps	<b>79,061</b>	77,291	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicly available quoted rates.
Interest Rate Swaps	<b>1,492</b>	6,323	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Derivatives	<b>34,371</b>	17,843	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

#### Fair Value of Financial Instruments Carried at Fair Value (Cont'd.)

EPF	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Financial Assets at Fair Value through Profit or Loss (Cont'd.)</b>				
Capital Advances to Subsidiaries	<b>11,851,162</b>	10,899,448	Level 3	Fair values are estimated based on expected future cash flows of principal and interest repayment based on business plan or based on property valuation reports.
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>				
Quoted Equities	<b>313,451,616</b>	281,222,124	Level 1	Quoted bid prices in an active market.
Unquoted Equities	<b>25,079,030</b>	18,859,287	Level 3	The Net Asset Value (NAV) of the investments which is based on prorating of the equity portion of the underlying investments as the fair value due to unavailability of observable comparison as benchmark.
Perpetual Fixed Income Instruments	<b>608,859</b>	742,907	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Malaysian Government Securities	<b>10,705,111</b>	8,095,642	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Government Investment Issues	<b>18,380,714</b>	11,351,683	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Bonds and Sukuk	<b>46,289,018</b>	39,035,102	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Private Debt Securities	<b>19,618,606</b>	15,098,934	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
<b>Total Financial Assets</b>	<b>450,530,972</b>	390,812,715		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

**Fair Value of Financial Instruments Carried at Fair Value (Cont'd.)**

EPF	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Financial Liabilities:</b>				
<b>Financial Liabilities at Fair Value through Profit or Loss</b>				
Forward Currency Translation Contracts	(93,576)	(646,193)	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
Cross Currency Swaps	(155,993)	(252,659)	Level 2	Valued by discounting anticipated future cash flows using standard market interest rate yield curves developed from observable and publicly available quoted rates.
Other Derivative Financial Liabilities	(332)	(198)	Level 2	Price reference using observable exchange rates from publicly available sources and through extrapolation and interpolation techniques.
<b>Total Financial Liabilities</b>	<b>(249,901)</b>	<b>(899,050)</b>		
<b>Total</b>	<b>450,281,071</b>	<b>389,913,665</b>		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

#### Fair Value of Financial Instruments and Non-Financial Assets Not Carried at Fair Value

EPF	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Financial Assets:</b>				
<b>Deposit with Financial Institutions</b>	<b>54,701,006</b>	42,011,917	Level 2	Carrying value equivalent to fair value.
<b>Receivables and Deposits</b>	<b>2,290,778</b>	1,594,412	Level 2	Carrying value equivalent to fair value.
<b>Loans, Advances and Financing</b>				
Loans	<b>57,727,479</b>	57,197,426	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Loans to Subsidiaries & Associates and Staffs	<b>2,041,848</b>	2,180,752	Level 2	Carrying value equivalent to fair value.
<b>Investment Assets at Amortised Cost</b>				
Malaysian Government Securities	<b>152,855,103</b>	135,146,610	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Government Investment Issues	<b>73,788,169</b>	73,326,513	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Commercial Papers	<b>965,390</b>	661,401	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Bonds and Sukuk	<b>85,238,323</b>	76,847,295	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
Negotiable Certificates	<b>9,897,128</b>	9,997,674	Level 2	Valued by referring to observable quoted prices with prices represented on arms-length basis for identical assets and liabilities.
<b>Total Financial Assets</b>	<b>439,505,224</b>	398,964,000		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 37. FINANCIAL RISK (CONT'D.)

## 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

- c. This note provides information on how the Group and EPF determine the fair values of various financial instruments and non-financial assets: (Cont'd.)

**Fair Value of Financial Instruments and Non-Financial Assets Not Carried at Fair Value (Cont'd.)**

EPF	Fair Value as at		Fair Value Hierarchy	Valuation Technique Used and Key Inputs
	2019 (RM'000)	2018 (RM'000)		
<b>Non-Financial Assets:</b>				
Assets Held for Sale	<b>132,435</b>	118,725	Level 2	Fair value is performed by Accredited Independent Valuers with recent experience in valuation of land and building based on sales comparison method which involves the analysis of sales of similar properties and adjusting for factors which can influence the value or price of the said properties.
Investment Properties	<b>1,890,568</b>	2,162,594	Level 2	Fair value is performed by Accredited Independent Valuers with recent experience in valuation of land and building based on sales comparison method which involves the analysis of sales of similar properties and adjusting for factors which can influence the value or price of the said properties.
<b>Total Assets</b>	<b>441,528,227</b>	401,245,319		
<b>Financial Liabilities:</b>				
Payables and Accrued Liabilities	<b>(2,043,029)</b>	(2,753,654)	Level 2	Carrying value equivalent to fair value.
Deposits and Advances	<b>(297,151)</b>	(241,758)	Level 2	Carrying value equivalent to fair value.
<b>Total Financial Liabilities</b>	<b>(2,340,180)</b>	(2,995,412)		
<b>Total</b>	<b>439,188,047</b>	398,249,907		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

d. The following table provides a reconciliation of Level 3 fair valuation:

GROUP	2019		2018	
	Financial Assets at Fair Value through Other Comprehensive Income (RM'000)	Financial Assets at Fair Value through Profit or Loss (RM'000)	Financial Assets at Fair Value through Other Comprehensive Income (RM'000)	Financial Assets at Fair Value through Profit or Loss (RM'000)
At 1 January	20,977,183	12,157,404	15,252,515	10,010,041
Adjustments	-	(32,437)	273,736	292,584
Gain/(Loss) Recognised in Statements of Profit or Loss	29,975	1,929,184	(164,482)	1,554,835
Gain/(Loss) Recognised in Other Comprehensive Income	764,687	(33)	1,098,113	-
Purchase	7,714,555	2,865,029	6,093,879	2,280,763
Sales	(1,727,246)	(2,331,701)	(1,536,895)	(2,235,986)
Transfer from Level 3	-	(242,576)	-	-
Foreign Currency Translation Differences	(25,895)	(145,571)	(39,683)	255,167
<b>At 31 December</b>	<b>27,733,259</b>	<b>14,199,299</b>	<b>20,977,183</b>	<b>12,157,404</b>

EPF	2019		2018	
	Financial Assets at Fair Value through Other Comprehensive Income (RM'000)	Financial Assets at Fair Value through Profit or Loss (RM'000)	Financial Assets at Fair Value through Other Comprehensive Income (RM'000)	Financial Assets at Fair Value through Profit or Loss (RM'000)
At 1 January	18,859,287	11,634,478	14,406,739	2,380
Gain/(Loss) Recognised in Statements of Profit or Loss	29,975	342,332	(164,380)	10,154,231
Gain Recognised in Other Comprehensive Income	415,261	-	727,249	-
Purchase	7,440,249	1,996,133	5,323,302	2,229,488
Sales	(1,665,742)	(375,369)	(1,433,623)	(751,621)
<b>At 31 December</b>	<b>25,079,030</b>	<b>13,597,574</b>	<b>18,859,287</b>	<b>11,634,478</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

**37. FINANCIAL RISK (CONT'D.)**

**37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)**

e. Sensitivity analysis to the changes of unobservable input within Level 3 fair valuation are as follows:

GROUP	2019						2018					
	Fair Value (RM'000)	Valuation Technique	Unobservable Input	Potential Reasonable Shift	Change in Valuation (RM'000)	Fair Value (RM'000)	Valuation Technique	Unobservable Input	Potential Reasonable Shift	Change in Valuation (RM'000)		
Unquoted Equities at Fair Value through Other Comprehensive Income	27,223,846	NAV-Adjusted	NAV	+5%	1,361,192	20,497,596	NAV-Adjusted	NAV	+5%	1,024,880		
	509,413	Others	Various	N/A	N/A	479,587	Others	Various	N/A	N/A		
	27,733,259					20,977,183						
Financial Assets at Fair Value through Profit or Loss	12,805,713	NAV-Adjusted	NAV	+5%	640,286	10,933,080	NAV-Adjusted	NAV	+5%	546,654		
	317,076	Public Market Comparable	EBITDA Multiple	+5%	24,494	554,023	Public Market Comparable	EBITDA Multiple	+5%	28,517		
			Subjective Discount	-5%	(24,494)			Subjective Discount	-5%	(28,517)		
			Comparability Discount	+5%	2,853			Comparability Discount	+5%	1,901		
			Collectability Discount	-5%	(2,853)			Comparability Discount	-5%	(1,901)		
		Escrow Valuation			1,976					3,111		
					(1,976)					(3,111)		
	293,021	Market Approach	EBITDA Multiple	0.50x	21,539	183,310	Market Approach	EBITDA Multiple	1.00x	50,399		
	16,563			0.25x	2,157			Revenue Multiple	0.50x	16,241		
						8,418	Recovery approach	Recovery Value	1.00x	1,286		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 37. FINANCIAL RISK (CONT'D.)

#### 37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)

e. Sensitivity analysis to the changes of unobservable input within Level 3 fair valuation are as follows: (Cont'd.)

GROUP	2019						2018					
	Fair Value (RM'000)	Valuation Technique	Unobservable Input	Potential Reasonable Shift	Change in Valuation (RM'000)	Fair Value (RM'000)	Valuation Technique	Unobservable Input	Potential Reasonable Shift	Change in Valuation (RM'000)		
Financial Assets at Fair Value through Profit or Loss (Cont'd.)	130,297	Public Market Comparable	EBITDA Multiple	+5%	15,744	40,935	Public Market Comparable	EBITDA Multiple	+5%	1,286		
				-5%	(15,744)				-5%	(1,286)		
			Comparability Discount	+5%	1,153			Comparability Discount	+5%	189		
			Subjective Discount	-5%	(1,153)			Subjective Discount	-5%	(189)		
			Transaction Price	+5%	510			Transaction Price	+5%	69		
				-5%	(510)				-5%	(69)		
			Cost	+5%	414				+5%	1,432		
				-5%	(414)				-5%	(1,432)		
		142,420	Market Approach	EBITDA Multiple	0.50x	14,945	55,556	Market Approach	EBITDA Multiple	1.00x	30,650	
		31,709		P/NTAV Multiple	1.00x	2,537	20,722		Revenue Multiple	0.50x	28,458	
	7,098	Income Approach	Market Yield	50bps	20							
	455,402	Others	Various	N/A	N/A	361,360	Others	Various	N/A	N/A		
	14,199,299					12,157,404						

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

**37. FINANCIAL RISK (CONT'D.)**

**37.4 Fair Value of Financial Instruments and Non-Financial Assets (Cont'd.)**

e. Sensitivity analysis to the changes of unobservable input within Level 3 fair valuation are as follows: (Cont'd.)

EPF	2019						2018					
	Fair Value (RM'000)	Valuation Technique	Unobservable Input	Potential Reasonable Shift	Change in Valuation (RM'000)	Fair Value (RM'000)	Valuation Technique	Unobservable Input	Potential Reasonable Shift	Change in Valuation (RM'000)		
Unquoted Equities at Fair Value through Other Comprehensive Income	25,079,030	NAV-Adjusted	NAV	+5%	1,253,952	18,859,287	NAV-Adjusted	NAV	+5%	942,964		
Financial Assets at Fair Value through Profit or Loss	1,746,412	NAV-Adjusted	NAV	+5%	87,321	735,030	NAV-Adjusted	NAV	+5%	36,752		
	11,851,162	Discounted Cash Flow	Expected Future Cash Flow	+5%	592,558	10,899,448	Discounted Cash Flow	Expected Future Cash Flow	+5%	544,972		
	13,597,574			-5%	(592,558)				-5%	(544,972)		
						11,634,478						

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 38. RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the EPF if EPF has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities. Related parties also includes the entities that provide Key Management Personnel services to the Group. Key Management Personnel are defined as below:

Key Management Personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the EPF's either directly or indirectly. The Key Management Personnels include all of EPF's Board of Directors and its Top Management.

Related parties also include close family members and dependents of the Key Management Personnels as well as entities of which significant voting powers in these entity reside with the Key Management Personnel or their close family members.

Shown below are the significant transactions with Key Management Personnel:

#### a. Key Management Personnel

	EPF	
	2019 (RM'000)	RESTATED 2018 (RM'000)
<b>Amount Due to:</b>		
EPF Contributions*	46,743	52,723
	<b>46,743</b>	52,723
<b>Short Term Employee Benefits:</b>		
Allowances/Salaries for Board of Directors, Investment Panel and Top Management	11,351	11,660
Benefit in Kind	2,112	2,138
	<b>13,463</b>	13,798

\* The EPF contribution are the credit account balances of the Board Members, Investment Panel members and Top Management.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 38. RELATED PARTY DISCLOSURES (CONT'D.)

## b. Significant Transactions and Balances with Related Parties

EPF is an agency under the Ministry of Finance which reports directly to the Government of Malaysia. The EPF considers that, for the purpose of MFRS 124 Related Party Disclosures, the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and the Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties to the EPF.

In addition to the transactions detailed elsewhere in the financial statements, EPF has the following transactions which are categorised as significant with related parties during the financial year:

EPF	2019 (RM'000)	RESTATED 2018 (RM'000)
<b>Government of Malaysia and Entities Related to the Government of Malaysia:</b>		
Interest Income and Profit on Investment	19,506,113	20,073,698
Purchase and Subscription on Securities and Bonds	171,469,053	132,323,490
Drawdown of Loans	21,813,051	4,500,000
Sales, Maturities and Early Redemption on Securities and Bonds	139,807,428	93,726,280
Repayment and Maturity of Loans	21,251,106	9,487,395
<b>Joint Venture:</b>		
<b>Net Income</b>		
Interest and Profit from:		
Financial Assets at Fair Value through Other Comprehensive Income	76,505	79,427
Investment Assets at Amortised Cost	412,124	412,124
<b>Amount Owing from Joint Venture</b>		
Financial Assets at Fair Value through Other Comprehensive Income	1,745,964	1,767,783
Investment Assets at Amortised Cost	7,885,335	7,885,335
<b>Associates:</b>		
<b>Net Income</b>		
Interest and Profit from:		
Financial Assets at Fair Value through Other Comprehensive Income	18,951	36,285
Dividend on Investments:		
Financial Assets at Fair Value through Other Comprehensive Income	78,496	55,104
<b>Amount Owing from Associates</b>		
Deposit with Financial Institutions	6,909,638	3,843,212
Receivables, Deposits and Prepayments	-	164
Financial Assets at Fair Value through Profit or Loss	130,522	17,458
Financial Liabilities at Fair Value through Profit or Loss	-	(23,236)
Financial Assets at Fair Value through Other Comprehensive Income	1,331,229	1,658,366

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 38. RELATED PARTY DISCLOSURES (CONT'D.)

#### b. Significant Transactions and Balances with Related Parties (Cont'd.)

EPF	2019 (RM'000)	RESTATED 2018 (RM'000)
<b>Subsidiaries:</b>		
<b>Net Income</b>		
Interest and Profit from:		
Loans, Advances and Financing	35,880	34,458
Financial Assets at Fair Value through Profit or Loss	628,493	517,110
Investment Assets at Amortised Cost	146,438	81,516
Investment Expenditures	(4,874)	(4,358)
<b>Amount Owning from Subsidiaries</b>		
Deposit with Financial Institutions	1,847,071	901,025
Receivables, Deposits and Prepayments	339,738	409,473
Financial Assets at Fair Value through Profit or Loss	1,746,412	735,029
Investment Assets at Amortised Cost	1,359,130	1,359,057

Information regarding net income and outstanding balances arising from related party transactions as at 31 December 2019 are disclosed in Note 4, Note 5, Note 20, Note 21 and Note 25.

Information regarding impairment losses on loans and receivables during the financial year are disclosed in Note 4 and Note 5.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

**39. OPERATING LEASES****39.1 Group and EPF as Lessee**

The Group and EPF lease a number of premises under operating lease. The lease terms are for a period of between three (3) years to 185 years, with options to renew the leases. None of the leases include contingent rentals.

Upon adoption of MFRS 16 Leases on 1 January 2019 (Note 42), the Group and EPF recognised Right-of-Use Assets for several of these leases.

	GROUP		EPF	
	2019 (RM'000)	RESTATED 2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
Within 1 Year	-	22,852	-	7,681
Between 1 to 5 Years	-	49,745	-	6,212
More than 5 Years	-	1,133,942	-	-
	-	1,206,539	-	13,893

**39.2 Group and EPF as Lessor**

The Group and EPF lease out the properties under operating leases with lease terms between three (3) to 20 years. None of these leases include contingent rentals.

Commitments for minimum lease payments in relation to non-cancellable operating lease are shown as follows:

	GROUP		EPF	
	2019 (RM'000)	RESTATED 2018 (RM'000)	2019 (RM'000)	2018 (RM'000)
Within 1 Year	<b>1,423,262</b>	1,374,886	<b>90,247</b>	107,096
Between 1 to 2 Years	<b>1,318,465</b>	1,262,842	<b>80,056</b>	78,389
Between 2 to 3 Years	<b>1,224,264</b>	1,230,393	<b>71,840</b>	66,893
Between 3 to 4 Years	<b>1,145,222</b>	1,075,739	<b>61,526</b>	60,408
Between 4 to 5 Years	<b>1,072,187</b>	995,096	<b>60,454</b>	59,723
More than 5 Years	<b>9,029,399</b>	8,374,883	<b>374,314</b>	537,878
	<b>15,212,799</b>	14,313,839	<b>738,437</b>	910,387

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019

Information on Subsidiaries are as follows:

#### Direct Subsidiaries - EPF:

Name of Company	Country of Incorporation	Principal Activities	Effective Interest		Effective Interest Held by Non-Controlling Interest	
			2019 %	2018 %	2019 %	2018 %
Malaysia Building Society Berhad	Malaysia	Investment holding, money market activities, provision of financing and related financial services	<b>64.48</b>	63.77	<b>35.52</b>	36.23
Affordable Homes Sdn Bhd	Malaysia	Dormant	<b>100</b>	100	-	-
Kwasa Properties Sdn Bhd	Malaysia	Property investment	<b>100</b>	100	-	-
Kwasa Land Sdn Bhd	Malaysia	Property development and investment holding	<b>100</b>	100	-	-
Pinggiran Ventures Sdn Bhd	Malaysia	Investment holding	<b>100</b>	100	-	-
Symphony Insight Sdn Bhd	Malaysia	Investment holding	<b>100</b>	100	-	-
Ekuiti Merdu Sdn Bhd	Malaysia	Dormant	<b>100</b>	100	-	-
Kwasa Utama Sdn Bhd	Malaysia	Property development and investment holding	<b>100</b>	100	-	-
PPNK – Harta Sdn Bhd	Malaysia	Property development and management	<b>85</b>	85	<b>15</b>	15
YTR Harta Sdn Bhd	Malaysia	Property investment	<b>80</b>	80	<b>20</b>	20
Common Icon Sdn Bhd	Malaysia	Property investment	<b>100</b>	100	-	-
Tanjung Wibawa Sdn Bhd	Malaysia	Investment holding	<b>100</b>	100	-	-
Naungan Sentosa Sdn Bhd	Malaysia	Investment holding	<b>100</b>	100	-	-
KWASA Global (Jersey) Limited	Jersey	Investment holding	<b>100</b>	100	-	-
KWASA Invest Limited	United Kingdom	Research and study provider	<b>100</b>	100	-	-
Kwasa Singapore Solo Pte. Ltd.	Singapore	Investment holding	<b>100</b>	100	-	-
Kwasa Singapore Duo Pte. Ltd.	Singapore	Investment holding	<b>100</b>	100	-	-
Kwasa Singapore Trio Pte. Ltd.	Singapore	Investment holding	<b>100</b>	100	-	-
Kwasa Capital Limited	Cayman Island	Investment holding	<b>100</b>	100	-	-
KWASA Europe S.à r.l	Luxembourg	Investment holding	<b>100</b>	100	-	-
Kwasa Infrastructure I	Cayman Island	Investment holding	<b>100</b>	100	-	-
KWASA Capital Partners Limited	Cayman Island	Investment holding	<b>100</b>	100	-	-
Kwasa Asia	Cayman Island	Investment holding	<b>100</b>	100	-	-
Kwasa Logistics Sdn Bhd	Malaysia	Investment holding	<b>100</b>	100	-	-
Merbau Investors Offshore, L.P.	Cayman Island	Investment holding fund	<b>99.50</b>	99.50	<b>0.50</b>	0.50

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

Information on Subsidiaries are as follows: (Cont'd.)

## Direct Subsidiaries - EPF: (Cont'd.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest		Effective Interest Held by Non-Controlling Interest	
			2019 %	2018 %	2019 %	2018 %
Merbau Investors Offshore, II L.P.	Cayman Island	Investment holding fund	99.18	99.18	0.82	0.82
Merbau Investors Offshore, III L.P.	Cayman Island	Investment holding fund	99.01	99.01	0.99	0.99
Cengal Private Equity Investments plc	Ireland	Investment holding fund	99.50	99.50	0.50	0.50
Cengal Private Equity Investments II plc	Ireland	Investment holding fund	99.47	99.47	0.53	0.53
Cengal Private Equity Investments III plc	Ireland	Investment holding fund	99.35	99.35	0.65	0.65
Meranti Fund L.P.	Cayman Island	Investment holding fund	99.25	99.25	0.75	0.75
Meranti Fund II L.P.	Cayman Island	Investment holding fund	99.25	99.25	0.75	0.75
Jati Private Equity Fund L.P.	Cayman Island	Investment holding fund	99	99	1	1
Jati Private Equity Fund II L.P.	Cayman Island	Investment holding fund	99	99	1	1
Jati Private Equity Fund III L.P.	Cayman Island	Investment holding fund	99	99	1	1
KWASA US	Cayman Island	Investment holding	100	100	-	-
Yarra Development Holdings (Australia) Sdn Bhd	Malaysia	Investment holding	100	100	-	-
Alpha Real Estate Investment Trust	Malaysia	Investment holding fund	100	100	-	-
KWASA Europe-I	Luxembourg	Investment holding	100	100	-	-
KWASA Global-I (Jersey) Limited	Jersey	Investment holding	100	100	-	-
Kwasa Infrastructure Alpha	Cayman Island	Investment holding	100	100	-	-
Kwasa Infrastructure Beta	Cayman Island	Investment holding	100	100	-	-
Kwasa Emerald	Ireland	Investment holding	100	100	-	-
KWASA Korea Limited	Jersey	Investment holding	100	100	-	-
ADF Kwasa Korea Professional Investment Private Real Estate Investment LLC	Korea	Investment holding	100	100	-	-
Rashid Hussain Berhad #	Malaysia	Investment holding	98.33	98.33	1.67	1.67
Kwasa Infrastructure Sapphire ^	Cayman Island	Investment holding	100	-	-	-
Kwasa Suria Sdn Bhd ^	Malaysia	Dormant	100	-	-	-
Melati Infrastruktur Sdn Bhd ^	Malaysia	Dormant	100	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

#### Subsidiaries Held through Malaysia Building Society Berhad (MBSB):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by MBSB		Through MBSB's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
MBSB Bank Berhad	Malaysia	Islamic banking and related financial services	100	100	-	-
Jana Kapital Sdn Bhd	Malaysia	Investment holding	-	-	100	100
MBSB Properties Sdn Bhd	Malaysia	Rental property	100	100	-	-
MBSB Development Sdn Bhd	Malaysia	Property development	100	100	-	-
Prudent Legacy Sdn Bhd	Malaysia	Dormant	-	-	92	92
Sigmaprise Sdn Bhd	Malaysia	Hotel operation	100	100	-	-
MBSB Project Management Sdn Bhd	Malaysia	Ceased operation	100	100	-	-
Definite Pure Sdn Bhd	Malaysia	Dormant	100	100	-	-
Malaya Borneo Building Society Limited (MBBS)	Singapore	Dormant	100	100	-	-
Farwide Sdn Bhd*	Malaysia	Hotel operation	-	100	-	-
Idaman Usahamas Sdn Bhd#	Malaysia	Property development	100	100	-	-
Ombak Pesaka Sdn Bhd	Malaysia	Hotel operation	100	100	-	-
MBSB Tower Sdn Bhd	Malaysia	Property development	100	100	-	-
88 Legacy Sdn Bhd	Malaysia	Property development	100	100	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

## Subsidiaries Held through Kwasa Land Sdn Bhd (KLSB):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by KLSB		Through KLSB's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
Kwasa Development (3) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (4) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (5) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (6) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (7) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (8) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (9) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (10) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (11) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (12) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (13) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (14) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (15) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Development (16) Sdn Bhd	Malaysia	Property development	100	100	-	-
Kwasa Holdings (1) Sdn Bhd	Malaysia	Investment holding	100	100	-	-
Kwasa Holdings (3) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
Kwasa Holdings (4) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
Kwasa Holdings (5) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
Kwasa Holdings (2) Sdn Bhd	Malaysia	Investment holding	100	100	-	-
Kwasa Holdings (6) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
Kwasa Holdings (7) Sdn Bhd	Malaysia	Investment holding	-	-	100	100
Kwasa Holdings (8) Sdn Bhd	Malaysia	Investment holding	-	-	100	100

## Subsidiaries Held through KWASA Global (Jersey) Limited (KGJL):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by KGJL		Through KGJL's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
KWASA UK Limited	Jersey	Investment holding	100	100	-	-
KWASA Global Development Limited	Jersey	Investment holding	100	100	-	-
KWASA Australia II Trust	Australia	Investment holding	99.8	99.8	-	-
KWASA Global Links Limited	Jersey	Investment holding	100	100	-	-
KWASA Global Finco Limited	Jersey	Financing company	100	100	-	-
KWASA Jewel Limited	Jersey	Investment holding	100	100	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

#### Subsidiaries Held through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, Kwasa UK Limited (K.UK):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K.UK		Through K.UK subsidiary company	
			2019 %	2018 %	2019 %	2018 %
KWASA UK Solo Limited	Jersey	Investment holding	100	100	-	-
Portman Square (No. 1) Limited	Jersey	Investment holding	-	-	100	100
Portman Investments Unit Trust	Jersey	Property investment	-	-	100	100
- Portman Investments Nominee 1 Limited	Jersey	Property investment	-	-	100	100
- Portman Investments Nominee 2 Limited	Jersey	Property investment	-	-	100	100
Portman Square (No. 2) Limited	Jersey	Investment holding	-	-	100	100
KWASA Arena Limited	Jersey	Investment holding	100	100	-	-
Knightlights Property SA	Luxembourg	Dormant	100	100	-	-
KWASA UK Duo Limited	Jersey	Investment holding	100	100	-	-
Bridge Unit 2 Limited	Jersey	Property holding	-	-	100	100
K2 Tower Bridge Limited	Jersey	Property holding	-	-	100	100
Reading Management (Jersey) Limited	Jersey	Investment holding	-	-	100	100
Reading No.1 Limited	Jersey	Investment holding	-	-	100	100
Reading (Jersey) Unit Trust	Jersey	Property holding	-	-	100	100
Reading No.2 Limited	Jersey	Investment holding	-	-	100	100
Reading Nominee No.1 Limited	Jersey	Property holding	-	-	100	100
Reading Nominee No.2 Limited	Jersey	Property holding	-	-	100	100
KWASA UK Trio Limited	Jersey	Investment holding	100	100	-	-
KWASA Fulham No. 1 Limited	Jersey	Investment holding	-	-	100	100
Fulham Broadway Unit Trust	Jersey	Property holding	-	-	100	100
KWASA Fulham No. 2 Limited	Jersey	Investment holding	-	-	100	100
KWASA Hammersmith Limited	Jersey	Property holding	-	-	100	100
KWASA UK Quattro Limited	Jersey	Investment holding	100	100	-	-
KWASA Qube Limited	Jersey	Investment holding	-	-	100	100
Speke Point Limited	Jersey	Property holding	-	-	100	100
KWASA Super Norwich Limited	Jersey	Property holding	-	-	100	100
KWASA Super Limited	Jersey	Investment holding	-	-	100	100
KWASA UK Quinto Limited	Jersey	Investment holding	100	100	-	-
KWASA Rugby Limited	Jersey	Property holding	-	-	100	100
BLSSP (PHC 27) Limited	United Kingdom	Dormant	-	-	100	100
KWASA Nottingham Limited	Jersey	Property holding	-	-	100	100
BLSSP (PHC 30) Limited	United Kingdom	Dormant	-	-	100	100
KWASA UK Sixmo Limited	Jersey	Investment holding	100	100	-	-
KWASA Super Ashton Limited	Jersey	Property holding	-	-	100	100
KWASA Super Cannock Limited	Jersey	Property holding	-	-	100	100
KWASA Super Buresdon Limited	Jersey	Property holding	-	-	100	100

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

## Subsidiaries Held through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, Kwasa UK Limited (K.UK): (Cont'd.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K.UK		Through K.UK subsidiary company	
			2019 %	2018 %	2019 %	2018 %
KWASA Super Grantham Limited	Jersey	Property holding	-	-	100	100
KWASA Super Leeds Limited	Jersey	Property holding	-	-	100	100
KWASA Super Newcastle Limited	Jersey	Property holding	-	-	100	100
KWASA Logix No.1 Limited	Jersey	Property holding	-	-	100	100
KWASA Logix No.2 Limited	Jersey	Property holding	-	-	100	100
KWASA Logix No.3 Limited	Jersey	Property holding	-	-	100	100
KWASA Logix No.4 Limited	Jersey	Property holding	-	-	100	100
Kwasa Premier Place Holdco Limited <sup>^</sup>	Jersey	Investment holding	100	-	-	-
Kwasa Premier Place Midco Limited <sup>^</sup>	Jersey	Investment holding	-	-	100	-
KWASA Premier Place Bidco (UK) Limited <sup>^</sup>	United Kingdom	Investment holding	-	-	100	-
Kwasa Premier Place Pledgeco (Jersey) Limited <sup>^</sup>	Jersey	Investment holding	-	-	100	-
- Kwasa Premier Place Propco (Jersey) Limited <sup>^</sup>	Jersey	Investment holding	-	-	100	-
Fulham Broadway Sarl <sup>#</sup>	Luxembourg	Property holding	100	100	-	-
Hammersmith Broadway Sarl <sup>#</sup>	Luxembourg	Property holding	100	100	-	-

## Subsidiaries Held through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, KWASA Australia II Trust (KAT II):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by KAT II		Through KAT II's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
KWASA Goodman Industrial Trust	Australia	Investment holding	60	60	-	-
KGIT1A Subtrust	Australia	Property holding	-	-	60	60
KGIT1B Subtrust	Australia	Property holding	-	-	60	60
KGIT1C Subtrust	Australia	Property holding	-	-	60	60
KGIT1D Subtrust	Australia	Property holding	-	-	60	60
KGIT1E Subtrust	Australia	Property holding	-	-	60	60

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

#### Subsidiaries Held through KWASA Global (Jersey) Limited (KGJL) Direct Subsidiary, KWASA Global Links Limited (KGLL):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by KGLL		Through KGLL's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
KWASA Links Malaysia One Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Two Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Three Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Four Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Five Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Six Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Seven Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Eight Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Nine Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Ten Sdn Bhd	Malaysia	Investment holding	100	100	-	-
KWASA Links Malaysia Eleven Sdn Bhd	Malaysia	Investment holding	100	100	-	-
Links Holding (GP) Limited	Jersey	Investment holding	-	-	99.4	99.4
Links Holding LP	Jersey	Investment holding	-	-	99.4	99.4
Links Healthcare REIT Limited	Jersey	Property holding	-	-	99.4	99.4
Links Bidco S.a.r.l	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 1 (Bristol)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 2 (Bushey)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 3 (Edinburgh)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 4 (Gatwick)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 5 (Leeds)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 6 (Leicester)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 7 (Little Aston)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 9 (Portsmouth)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 10 (Podington)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 11 (Southampton)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 12 (Tunbridge Wells)	Luxembourg	Investment holding	-	-	99.4	99.4
- Links Bidco S.a.r.l Propco 13 (Wirral)	Luxembourg	Investment holding	-	-	99.4	99.4

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

## Subsidiaries Held through KWASA Europe S.à r.l. (K. Europe):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K. Europe		Through K. Europe's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
KWASA Delta S.à r.l.	Luxembourg	Investment holding	100	100	-	-
KWASA DH Moncheng S.à r.l.	Luxembourg	Property investment	100	100	-	-
KWASA Strauss Erfurt S.à r.l.	Luxembourg	Property investment	100	100	-	-
KWASA Strauss Wiesbaden S.à r.l.	Luxembourg	Property investment	100	100	-	-
KWASA Quattro Holdco S.à r.l.	Luxembourg	Property investment	100	100	-	-
KWASA Quattro Berlin S.à r.l.	Luxembourg	Property investment	-	-	100	100
KWASA Quattro Hamburg S.à r.l.	Luxembourg	Property investment	-	-	100	100
KWASA Prisma 1 S.à r.l.	Luxembourg	Investment holding	100	100	-	-
Pershore Sp. z o.o.	Poland	Property investment	100	100	-	-
KWASA Deurne S.à r.l.	Luxembourg	Property investment	100	100	-	-
KWASA Breda S.à r.l.	Luxembourg	Property investment	100	100	-	-
KWASA Venlo S.à r.l.	Luxembourg	Property investment	100	100	-	-
KWASA Korbach S.à r.l.	Luxembourg	Property investment	100	100	-	-
KWASA GBC B Sp. z o.o.	Poland	Property investment	100	100	-	-
KWASA GBC A Sp. z o.o.	Poland	Property investment	100	100	-	-
KWASA Strauss - DHL Finco S.à r.l.	Luxembourg	Property financing	100	100	-	-
KWASA Europe Finco S.à r.l.	Luxembourg	Property financing	100	100	-	-
KWASA Jeden Finco S.à r.l.	Luxembourg	Property financing	100	100	-	-
KWASA Moerdijk S.à r.l.	Luxembourg	Property investment	100	100	-	-
Haxley Investments Sp. z o.o.	Poland	Property investment	100	100	-	-
PDC Industrial Center 70 Sp. z o.o.	Poland	Property investment	100	100	-	-
Estlin Investments Sp. z o.o.	Poland	Property investment	100	100	-	-
Jamestown Sp. z o.o.	Poland	Property investment	100	100	-	-
Gdanski C SCSp*	Luxembourg	Property investment	-	-	-	100
GBC C Casville Investments Sp. z o.o. Sp. k.*	Poland	Property investment	-	-	-	100
Jarrow Sp. z o.o.	Poland	Property investment	100	100	-	-
Gdanski D SCSp*	Luxembourg	Property investment	-	-	-	100
GBC D Casville Investments Sp. z o.o. Sp. k.*	Poland	Property investment	-	-	-	100
KWASA GP Lux S.à r.l.	Luxembourg	Property investment	100	100	-	-
Casville Investments Sp. z o.o.	Poland	Property investment	100	100	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

#### Subsidiaries Held through KWASA Europe S.à r.l. (K.Europe) Direct Subsidiary, KWASA Prisma 1 S.à r.l (K.Prisma 1):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K.Prisma 1		Through K.Prisma 1's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
KWASA Prisma 2 S.à r.l.	Luxembourg	Investment holding	100	100	-	-
KWASA IRE France OPCI	France	Property holding	-	-	100	100
SCI Espace Lumiere	France	Property investment	-	-	100	100
SCI Ris Orangis	France	Property investment	-	-	100	100
Midi de la Plaine EURL	France	Property investment	-	-	100	100
Midi de la Plaine 3 EURL	France	Property investment	-	-	100	100

#### Subsidiaries Held through Kwasa Infrastructure I (K.Infra I):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K.Infra I		Through K.Infra I's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
Macquarie Hyperion Limited	Cayman Island	Investment holding	60	60	-	-
Macquarie Helios Holdings Limited	Cayman Island	Investment holding	-	-	60	60

#### Subsidiaries Held through Symphony Insight Sdn Bhd (SISB):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by SISB		Through SISB's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
Absolute Insight Sdn Bhd	Malaysia	Investment holding	100	100	-	-
Ivory Insight Sdn Bhd	Malaysia	Investment holding	100	100	-	-

#### Subsidiary Held through Kwasa Asia (K.Asia):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K.Asia		Through K.Asia's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
Kwasa China	Cayman Island	Investment holding	100	100	-	-
Gateway V Co-Investment Account (EMAS I), L.P.	Cayman Island	Investment holding	-	-	100	100
Gateway VI Co-Investment Account (EMAS II), L.P. <sup>^</sup>	Cayman Island	Investment holding	-	-	100	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

## Subsidiary Held through KWASA US (K.US):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K.US		Through K.US's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
KWASA Liberty	Cayman Island	Investment holding	100	100	-	-
KWASA Madison <sup>^</sup>	Cayman Island	Investment holding	100	-	-	-
KWASA AG <sup>^</sup>	Cayman Island	Investment holding	100	-	-	-
KWASA PCCP <sup>^</sup>	Cayman Island	Investment holding	100	-	-	-

## Subsidiaries Held through Yarra Development Holdings (Australia) Sdn Bhd (Yarra):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by Yarra		Through Yarra's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
Yarra Australia Development Pty Ltd	Australia	Investment holding	100	100	-	-

## Subsidiaries Held through KWASA Europe-I (K.Europe-I):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K. Europe-I		Through K. Europe-I's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
KWASA Europe Finco-I S.a r.l	Luxembourg	Property financing	100	100	-	-
KWASA Maasvlakte-I B.V.	Netherlands	Property investment	100	100	-	-

## Subsidiary Held through KWASA Global-I (Jersey) Limited (KGJL-I):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by KGJL-I		Through KGJL-I's Subsidiary Company	
			2019 %	2018 %	2019 %	2018 %
KWASA Global Finco-I Limited	Jersey	Financing Company	100	100	-	-
Kwasa UK-I Limited <sup>^</sup>	Jersey	Investment holding	100	-	-	-
Kwasa Logix Sportivo Limited <sup>^</sup>	Jersey	Property investment	-	-	100	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 40. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONT'D.)

#### Subsidiaries Held through Kwasa Emerald (K.Emerald):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K.Emerald		Through K.Emerald's Subsidiary Company	
			2019	2018	2019	2018
			%	%	%	%
Kwasa Breccia	Ireland	Investment holding	100	100	-	-
Kwasa Mica	Ireland	Investment holding	100	100	-	-

#### Subsidiaries Held through Kwasa Infrastructure Alpha (K.Infra Alpha):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by K.Infra Alpha		Through K.Infra Alpha's Subsidiary Company	
			2019	2018	2019	2018
			%	%	%	%
Kwasa Infrastructure Oceania Trust	Australia	Investment holding	99.9	99.9	-	-

#### Subsidiaries Held through ADF Kwasa Korea Professional Investment Private Real Estate Investment LLC (ADF K. Korea):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by ADF K. Korea		Through ADF K. Korea's Subsidiary Company	
			2019	2018	2019	2018
			%	%	%	%
ADF Kwasa Dae Professional Investment Private Real Estate Investment Trust	Korea	Property investment	99	99	-	-

#### Subsidiaries Held through Tanjung Wibawa Sdn Bhd (TWSB):

Name of Company	Country of Incorporation	Principal Activities	Effective Interest			
			Directly by TWSB		Through TWSB's Subsidiary Company	
			2019	2018	2019	2018
			%	%	%	%
Bukit Jalil Sentral Property Sdn Bhd	Malaysia	Property development	80	80	-	-

All the above subsidiaries of EPF are not audited by the Auditor General.

^ The company was held/established in 2019.

\* The company was sold/liquidated in 2019

# The above company is in the process of voluntary winding up as at 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 41. LIST OF ASSOCIATES AND JOINT VENTURES AS AT 31 DECEMBER 2019

## a. Details of Associates held directly by EPF are as follows:

Name of Entity	Country of Incorporation	Principal Activity	Ownership Interest on Voting Rights	
			2019 %	2018 %
Malaysian Resources Corporation Berhad	Malaysia	Investment holding and conduct activities relating to construction, property development and management services to its subsidiaries	35.85	35.48
RHB Capital Berhad <sup>#</sup>	Malaysia	Dormant	41.69	41.69
RHB Bank Berhad	Malaysia	Banking	41.55	40.62
Nusa Gapurna Development Sdn Bhd	Malaysia	Investment holding, management and property development	40	40
Bandar Eco – Setia Sdn Bhd	Malaysia	Property development and investment	34	34
Jelas Puri Sdn Bhd	Malaysia	Property investment, management and development	30	30
Panca Pesona Sdn Bhd	Malaysia	Developer of industrial land and housing projects	30	30
FWD Takaful Berhad (Formerly Known as HSBC Amanah Takaful (Malaysia) Berhad)	Malaysia	Insurance	20	20
Iskandar Investment Berhad	Malaysia	Investment holding, property investment and development and provision of shared services to its subsidiaries	20	20
Iskandar Capital Sdn Bhd	Malaysia	Investment holding	29.27	29.27
Konsortium Lebuhraya Utara - Timur (KL) Sdn Bhd	Malaysia	Highway concession operator	40	40

## b. Details of Associates held through EPF's Subsidiaries are as follows:

Name of Entity	Country of Incorporation	Principal Activity	Ownership Interest on Voting Rights	
			2019 %	2018 %
<b>Pinggiran Ventures Sdn Bhd</b>				
TEI Sdn Bhd	Malaysia	Investment holding with major investment in highway concession operator	49	49
SWM Environment Holdings Sdn Bhd	Malaysia	Investment holding with major investment in waste collection management company	35	35
<b>Kwasa Land Sdn Bhd</b>				
Kwasa Sentral Sdn Bhd	Malaysia	Property development	30	30
<b>Naungan Sentosa Sdn Bhd</b>				
BBCC Development Sdn Bhd	Malaysia	Property development and investment holding	20	20
MFBCC Retail Mall Sdn Bhd	Malaysia	Property development and investment holding	6	6
<b>Ekuiti Merdu Sdn Bhd</b>				
Aspire Insight Sdn Bhd	Malaysia	Dormant	40	40
<b>Kwasa Singapore Solo Pte. Ltd.</b>				
Wallich Residence Pte. Ltd.	Singapore	Property development	20	20
<b>Kwasa Singapore Duo Pte. Ltd.</b>				
TPC Hotel Pte. Ltd.	Singapore	Hotel operation	20	20
<b>Kwasa Singapore Trio Pte. Ltd.</b>				
TPC Commercial Pte. Ltd.	Singapore	Property investment	20	20
<b>Kwasa Infrastructure I</b>				
<b>Macquarie Hyperion Limited</b>				
<b>Macquarie Helios Holding Limited</b>				
Chemoil Storage Limited	Marshall Island	Investment holding company	27	27

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 41. LIST OF ASSOCIATES AND JOINT VENTURES AS AT 31 DECEMBER 2019 (CONT'D.)

**c. Details of Joint Venture held directly by EPF are as follows:**

Name of Entity	Country of Incorporation	Principal Activity	Ownership Interest on Voting Rights	
			2019 %	2018 %
PLUS Malaysia Berhad	Malaysia	Investment holding	49	49

**d. Details of Joint Ventures held through EPF's Subsidiaries are as follows:**

Name of Entity	Country of Incorporation	Principal Activity	Ownership Interests on Voting Rights	
			2019 %	2018 %
<b>KWASA Global (Jersey) Limited</b>				
<b>KWASA Global Development Limited</b>				
Battersea Project Holding Company Limited	Jersey	Investment holding	20	20
Battersea Power Station Estate Limited	United Kingdom	Investment holding	20	20
Battersea Power Station Development Company	United Kingdom	Investment holding	20	20
<b>KWASA Global (Jersey) Limited</b>				
<b>KWASA UK Limited</b>				
<b>KWASA Arena Limited</b>				
The Arena Unit Trust	Jersey	Investment holding	50	50
<b>KWASA Jewel Limited</b>				
PNB Kwasa International Holding Limited^	Jersey	Investment holding	35	-
<b>KWASA Europe S.à r.l.</b>				
KG Finance (Lux) S.à r.l.	Luxembourg	Property financial services	70	70
Goodman Basil Logistics (Lux) S.à r.l.	Luxembourg	Property investment	70	70
Goodman Tumbleweed Logistics (Lux) S.à r.l.	Luxembourg	Property investment	70	70
Goodman Pearl Logistics (Lux) S.à r.l.	Luxembourg	Property investment	70	70
Goodman Cardamom Logistics (Lux) S.à r.l.	Luxembourg	Property investment	70	70
Goodman Cyan Logistics (Lux) S.à r.l.	Luxembourg	Property investment	70	70
Goodman Korbach (Lux) S.à r.l.	Luxembourg	Property investment	70	70
Goodman Melanite Logistics (Lux) S.à.r.l.	Luxembourg	Property investment	70	70
Goodman Aqua Logistics (Lux) S.à.r.l.	Luxembourg	Property investment	70	70
KG Finance Two (Lux) S.à r.l.	Luxembourg	Property financial services	90	90
Goodman Canopic Logistics (Lux) S.à r.l.	Luxembourg	Property investment	90	90
Goodman Ventura Logistics (Lux) S.à r.l.	Luxembourg	Property investment	90	90
Goodman Cardinal Logistics (Lux) S.à r.l.	Luxembourg	Property investment	90	90

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 41. LIST OF ASSOCIATES AND JOINT VENTURES AS AT 31 DECEMBER 2019 (CONT'D.)

## d. Details of Joint Ventures held through EPF's subsidiaries are as follows: (Cont'd.)

Name of Entity	Country of Incorporation	Principal Activity	Ownership Interests on Voting Rights	
			2019 %	2018 %
Goodman Cadet Logistics S.à r.l.	Luxembourg	Property investment	90	90
Goodman Melon Logistics S.à r.l.	Luxembourg	Property investment	90	90
Goodman Opera Logistics (Lux) S.à r.l.	Luxembourg	Property investment	90	90
Grundstück 41 Verwaltungs GmbH	Germany	Property investment	90	90
<b>KWASA Europe S.à r.l.</b>				
<b>KWASA Delta S.à r.l.</b>				
KWASA Dietz Germany GmbH	Germany	Investment holding	84.30	84.30
<b>Kwasa Capital Limited</b>				
Melati Asia Holdings Limited	Cayman Island	Investment holding	51	51
<b>Symphony Insight Sdn Bhd</b>				
<b>Absolute Insight Sdn Bhd and Ivory Insight Sdn Bhd</b>				
Epsilon1 Tokutei Mokuteki Kaisha^^	Japan	Investment holding	-	80
Epsilon2 Tokutei Mokuteki Kaisha^^	Japan	Investment holding	-	80
<b>Pinggiran Ventures Sdn Bhd</b>				
Pinggiran Muhibbah Sdn Bhd	Malaysia	Investment holding with major investment in highway concession operator	50	50
<b>Kwasa Logistics Sdn Bhd</b>				
VM Andaman Sdn Bhd	Malaysia	Development, holding and leasing of logistics and warehouse properties	50	50
<b>Tanjung Wibawa Sdn Bhd</b>				
Paragon Pinnacle Sdn Bhd	Malaysia	Property development and investment holding	40	40
Eco Horizon Sdn Bhd	Malaysia	Property development	40	40
<b>Yarra Development Holdings (Australia) Sdn Bhd</b>				
<b>Yarra Australia Development Pty Ltd</b>				
Yarra Park City Pty Ltd	Australia	Property development	49	49
<b>Malaysia Building Society Berhad</b>				
Safeena (L) Ltd.	Labuan	Provision of funding for marine vessels	50	50

^ New investment in 2019.

^^ Shareholdings in the company was disposed in 2019.

\* The company was liquidated in 2019.

# The above company is in the process of voluntary winding up as at 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 42. CHANGES TO ACCOUNTING POLICIES

As indicated in Note 2, Group and EPF have adopted MFRS 16 Leases retrospectively from 1 January 2019, but have not restated comparative figures for the 2018 reporting period as permitted under the specific transition provisions in the standard.

Upon adoption of MFRS 16 Leases, the Group and EPF recognised Lease Liabilities in relation to leases which had been classified as operating leases under the principles of MFRS 117 Leases previously. When measuring Lease Liabilities, the Group and EPF discounted lease payments using its incremental borrowing rate as at 1 January 2019 by applying discount rates ranging from 2.43% to 4.33% and 3.31% to 4.24% respectively.

#### (i) Measurement of Lease Liabilities on 1 January 2019

	Note	GROUP	EPF
		2019 (RM'000)	2019 (RM'000)
Operating Lease Commitments Disclosed as at 31 December 2018	39.1	1,206,539	13,893
<b>Add:</b>			
Adjustments as a Result of a Different Treatment of Extension and Termination Option		33,858	38,425
Finance Lease Liabilities		1,466	-
<b>Less:</b>			
Discounted Using Incremental Borrowing Rate at 1 January 2019		(736,465)	(654)
Short-Term Leases Recognised on a Straight-Line Basis as Expense		(449)	(436)
Foreign Currency Translation Differences		(9,862)	-
<b>Lease Liabilities Recognised at 1 January 2019</b>	17b	<b>495,087</b>	<b>51,228</b>

#### (ii) Adjustments as at 1 January 2019

The associated Right-of-Use ("ROU") Assets for property leases were measured on a retrospective basis as if the new requirement has always been applied and ROU Assets were measured at the amount equal to the Lease Liabilities.

As at 1 January 2019, the change in accounting policies had affected the following items:

##### Group

- ROU Assets – increase by RM218.68 million
- Investment Properties – increase by RM276.41 million
- Lease Liabilities – increase by RM495.09 million

##### EPF

- ROU Assets – increase by RM51.23 million
- Lease Liabilities – increase by RM51.23 million

There is no impact on the Cumulative Surplus as at 1 January 2019.

In applying MFRS 16 Leases for the first time, the Group and EPF used the following practical expedients permitted by the standard:

1. Use of a single discount rate to a portfolio of leases with reasonably similar characteristics
2. Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
3. Exclusion of initial direct costs for the measurement of the ROU Assets at the date of initial application, and
4. Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group and EPF have also elected not to apply MFRS 16 Leases to contracts that were not identified as containing a lease under MFRS 117 and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 43. COMPARATIVE FIGURES

The following comparative figures have been restated for Group and EPF's Financial Statements for the financial year ended 31 December 2019:

## 43.1 Statements of Financial Position as at 31 December 2018

The Group and EPF have restated comparative figures of following items in the table below for Statements of Financial Position due to incorrect classification in the previous financial year. In addition, the presentation of the Statements of Financial Position at Group and EPF level have been revised to reflect the classification of Member Funds as Net Assets Attributable to Members.

These changes in comparatives do not have a significant impact on income recognised in the Statements of Profit or Loss and Statements of Other Comprehensive Income.

IMPACT TO STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (EXTRACT)	Note	GROUP		RESTATED 31 DECEMBER 2018 (RM'000)
		AS PREVIOUSLY STATED 31 DECEMBER 2018 (RM'000)	EFFECTS OF CHANGES 31 DECEMBER 2018 (RM'000)	
<b>Asset</b>				
Financial Assets at Fair Value through Profit or Loss	6	17,099,237	(132,090)	<b>16,967,147</b>
Financial Assets at Fair Value through Other Comprehensive Income	7	381,447,229	132,090	<b>381,579,319</b>
Property Development Cost		3,037,704	(3,037,704)	-
Inventories	13	102,432	3,037,704	<b>3,140,136</b>
Intangible Assets	15	320,470	(28,131)	<b>292,339</b>
Property, Plant and Equipment	18	527,273	28,131	<b>555,404</b>
		402,534,345	-	<b>402,534,345</b>
<b>Members' Fund</b>				
Contribution	24.1	839,642,921	(839,642,921)	-
Retained Profit	24.2	5,253,197	(5,253,197)	-
Reserves	24.3, 24.4	(9,415,497)	9,415,497	-
		835,480,621	(835,480,621)	-
Non-Controlling Interests		3,444,215	(3,444,215)	-
		838,924,836	(838,924,836)	-
<b>Net Assets Attributable to Members</b>				
Contribution	24.1	-	839,642,921	<b>839,642,921</b>
Cumulative Surplus and Reserves	24.2, 24.3, 24.4	-	(4,162,300)	<b>(4,162,300)</b>
		-	835,480,621	<b>835,480,621</b>
<b>Equity</b>				
Non-Controlling Interests		-	3,444,215	<b>3,444,215</b>
		838,924,836	-	<b>838,924,836</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 43. COMPARATIVE FIGURES (CONT'D.)

#### 43.1 Statements of Financial Position as at 31 December 2018 (Cont'd.)

IMPACT TO STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (EXTRACT)	Note	EPF		
		AS PREVIOUSLY STATED 31 DECEMBER 2018 (RM'000)	EFFECTS OF CHANGES 31 DECEMBER 2018 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)
<b>Asset</b>				
Financial Assets at Fair Value through Profit or Loss	6	16,539,126	(132,090)	<b>16,407,036</b>
Financial Assets at Fair Value through Other Comprehensive Income	7	374,273,589	132,090	<b>374,405,679</b>
		390,812,715	-	<b>390,812,715</b>
<b>Members' Fund</b>				
Contribution	24.1	839,642,921	(839,642,921)	-
Retained Profit	24.2	(9,808,976)	9,808,976	-
Reserves	24.3	2,476,461	(2,476,461)	-
		832,310,406	(832,310,406)	-
<b>Net Assets Attributable to Members</b>				
Contribution	24.1	-	839,642,921	<b>839,642,921</b>
Cumulative Surplus and Reserves	24.2, 24.3	-	(7,332,515)	<b>(7,332,515)</b>
		832,310,406	-	<b>832,310,406</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 43. COMPARATIVE FIGURES (CONT'D.)

## 43.2 Statements of Financial Position as of 1 January 2018

The Group and EPF have restated comparative figures of following items in the table below for Statements of Financial Position due to incorrect classification in the previous financial year. In addition, the presentation of the Statements of Financial Position at Group and EPF level have been revised to reflect the classification of Member Funds as Net Assets Attributable to Members.

These changes in comparatives do not have a significant impact on income recognised in the Statements of Profit or Loss and Statements of Other Comprehensive Income.

IMPACT TO STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2018 (EXTRACT)	Note	GROUP		RESTATE 1 JANUARY 2018 (RM'000)
		AS PREVIOUSLY STATED 1 JANUARY 2018 (RM'000)	EFFECTS OF CHANGES 1 JANUARY 2018 (RM'000)	
<b>Asset</b>				
Financial Assets at Fair Value through Profit or Loss	6	23,244,354	(158,183)	<b>23,086,171</b>
Financial Assets at Fair Value through Other Comprehensive Income	7	385,594,345	158,183	<b>385,752,528</b>
Property Development Cost		1,645,190	(1,645,190)	-
Inventories	13	114,170	1,645,190	<b>1,759,360</b>
		410,598,059	-	<b>410,598,059</b>
<b>Members' Fund</b>				
Contribution	24.1	768,508,567	(768,508,567)	-
Retained Profit	24.2	3,461,636	(3,461,636)	-
Reserves	24.3, 24.4	41,468,275	(41,468,275)	-
		813,438,478	(813,438,478)	-
Non-Controlling Interests		3,093,629	(3,093,629)	-
		816,532,107	(816,532,107)	-
<b>Net Assets Attributable to Members</b>				
Contribution	24.1	-	768,508,567	<b>768,508,567</b>
Cumulative Surplus And Reserves	24.2, 24.3, 24.4	-	44,929,911	<b>44,929,911</b>
		-	813,438,478	<b>813,438,478</b>
<b>Equity</b>				
Non-Controlling Interests		-	3,093,629	<b>3,093,629</b>
		816,532,107	-	<b>816,532,107</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 43. COMPARATIVE FIGURES (CONT'D.)

#### 43.2 Statements of Financial Position as of 1 January 2018 (Cont'd.)

IMPACT TO STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2018 (EXTRACT)	Note	EPF		
		AS PREVIOUSLY STATED 1 JANUARY 2018 (RM'000)	EFFECTS OF CHANGES 1 JANUARY 2018 (RM'000)	RESTATED 1 JANUARY 2018 (RM'000)
<b>Asset</b>				
Financial Assets at Fair Value through Profit or Loss	6	13,196,171	(158,183)	<b>13,037,988</b>
Financial Assets at Fair Value through Other Comprehensive Income	7	381,899,700	158,183	<b>382,057,883</b>
		395,095,871	-	<b>395,095,871</b>
<b>Members' Fund</b>				
Contribution	24.1	768,508,567	(768,508,567)	-
Retained Profit	24.2	1,262,003	(1,262,003)	-
Reserves	24.3	40,595,764	(40,595,764)	-
		810,366,334	(810,366,334)	-
<b>Net Assets Attributable to Members</b>				
Contribution	24.1	-	768,508,567	<b>768,508,567</b>
Cumulative Surplus and Reserves	24.2, 24.3	-	41,857,767	<b>41,857,767</b>
		810,366,334	-	<b>810,366,334</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 43. COMPARATIVE FIGURES (CONT'D.)

## 43.3 Statements of Comprehensive Income as at 31 December 2018

The Group and EPF have restated comparative figures in the Statements of Profit or Loss and Statements of Other Comprehensive Income to conform with the current year's presentation which more accurately reflects the nature of the relevant transactions.

These changes in comparatives do not have a significant impact on income recognised in the Statements of Profit or Loss and Statements of Other Comprehensive Income.

		GROUP		
IMPACT TO THE STATEMENTS OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2018 (EXTRACT)		AS PREVIOUSLY STATED 31 DECEMBER 2018 (RM'000)	EFFECTS OF CHANGES 31 DECEMBER 2018 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)
	Note			
<b>Statement of Profit or Loss</b>				
Gross Investment Income	25	36,614,435	549,184	<b>37,163,619</b>
Investment Expenditures	26	(2,559,552)	1,197,882	<b>(1,361,670)</b>
Other Income	29	977,119	(10,410)	<b>966,709</b>
Operating Expenditures	30	(3,274,136)	(1,499,726)	<b>(4,773,862)</b>
		31,757,866	236,930	<b>31,994,796</b>
<b>Statement of Other Comprehensive Income</b>				
Shariah Non-Compliant Income on Excess Gain of Securities which are Reclassified from Shariah to Conventional	24.2	-	10,410	<b>10,410</b>
Income Tax Paid Relating to the Global Investments	24.2	-	(247,340)	<b>(247,340)</b>
		31,757,866	-	<b>31,757,866</b>
		EPF		
IMPACT TO THE STATEMENTS OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2018 (EXTRACT)		AS PREVIOUSLY STATED 31 DECEMBER 2018 (RM'000)	EFFECTS OF CHANGES 31 DECEMBER 2018 (RM'000)	RESTATED 31 DECEMBER 2018 (RM'000)
	Note			
<b>Statement of Profit or Loss</b>				
Gross Investment Income	25	32,661,682	549,184	<b>33,210,866</b>
Investment Expenditures	26	(685,674)	(301,844)	<b>(987,518)</b>
Other Income	29	200,061	(10,410)	<b>189,651</b>
		32,176,069	236,930	<b>32,412,999</b>
<b>Statement of Other Comprehensive Income</b>				
Shariah Non-Compliant Income on Excess Gain of Securities which are Reclassified from Shariah to Conventional	24.2	-	10,410	<b>10,410</b>
Income Tax Paid Relating to the Global Investments	24.2	-	(247,340)	<b>(247,340)</b>
		32,176,069	-	<b>32,176,069</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 44. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The rapid spread of COVID-19 in 2020 has resulted to a high infection rate across the globe. In addressing this health crisis, various efforts have been taken to prevent the spread of the pandemic by both the Government of Malaysia and the Government of countries in which Group and EPF subsidiaries operate.

The Government of Malaysia has implemented a Movement Control Order (MCO) on 18 March 2020. Since then, the MCO has gone through several phases of implementation which include the Conditional Movement Control Order (CMCO) enacted on 4 May 2020, followed by the Recovery Movement Control Order (RMCO) which remains in place from 10 June 2020 to 31 December 2020. The multiple variations of MCOs have affected Malaysia's stock market performance, economy, businesses and employment.

The impact of the Covid-19 pandemic to the Group and EPF are as follow:

- a) EPF's investment performance, particularly on the equity portfolios were heavily impacted since both the domestic and global stock market indices have declined significantly in March 2020 before showing a marginal rebound around the second quarter of 2020.
- b) Bank Negara Malaysia (BNM) has taken the decision to reduce Overnight Policy Rate (OPR) to 1.75% in the last Monetary Policy Committee (MPC) meeting in 7 July 2020 which resulted the local rates have gone down in tandem with the movement of OPR. The expectation that there will be more rate cuts in the near term, resulting in positive Mark-To-Market for the fixed income portfolio. In addition, Expected Credit Losses are expected to increase following the slowdown in economy resulted from COVID-19 pandemic.
- c) Programmes announced under the Economic Stimulus Package
  - 1) i-Lestari Withdrawal initiative was launched in April 2020 to provide temporary respite on the financial burden of our members that have been affected by the Covid-19 pandemic. It is essential to note that this withdrawal facility is a short-term measure slated to end by March 2021.
  - 2) Reduction in the statutory contribution rate for employee's shares from 11% to 7% starting from April 2020 to December 2020 with the aim of increasing take-home pay of the employees.

These event does not require the Group and EPF to make any adjustments for the financial year ending 31 December 2019. Nevertheless, the COVID-19 pandemic will likely have a bearing on the Group and EPF's investment and financial performance in 2020. The impact could be prolonged for middle and long term period. However, the Group and EPF will take necessary actions to mitigate the impact until the recovery is in place.

# EPF PROPERTIES IN MALAYSIA

No	Location	Freehold Land		Leasehold Land		Net Book Value of Land (RM)	Net Book Value of Building (RM)
		Acreage	Square Feet	Acreage	Square Feet		
1.	Federal Territory	4.40	191,701.10	3.55	154,638.00	9,609,110.89	450,855,412.43
	a. Kuala Lumpur	4.40	191,701.10	2.96	128,937.60	7,423,377.90	447,100,788.79
	b. Labuan	-	-	0.59	25,700.40	2,185,732.99	3,754,623.64
2.	Selangor	23.29	1,014,772.10	25.31	1,102,778.80	56,866,163.28	492,495,929.73
3.	Perlis	-	-	1.01	43,995.60	4,365,577.95	8,032,527.73
4.	Perak	-	-	1.45	63,457.60	4,047,618.43	20,023,622.45
5.	Pulau Pinang	0.74	32,397.00	3.33	145,054.80	16,244,489.99	94,478,033.70
6.	Kedah	-	-	-	-	-	-
7.	Johor	1.15	50,039.78	0.39	16,686.00	9,260,732.00	47,040,271.11
8.	Melaka	-	-	2.10	91,913.03	1,960,400.76	6,264,336.78
9.	Negeri Sembilan	0.12	5,295.00	5.51	239,979.97	6,434,569.25	54,490,479.69
10.	Terengganu	0.18	8,000.00	2.90	126,324.00	2,365,897.07	13,004,056.87
11.	Kelantan	0.19	8,400.00	0.26	11,151.00	-	9,693,453.75
12.	Pahang	-	-	9.22	405,652.39	7,922,236.75	13,741,869.46
13.	Sabah	-	-	6.96	303,151.60	10,449,537.87	35,756,107.31
14.	Sarawak	-	-	0.65	28,267.40	23,023.69	14,710,568.27
	<b>Grand Total</b>	<b>30.08</b>	<b>1,310,604.98</b>	<b>62.64</b>	<b>2,733,050.19</b>	<b>129,549,357.93</b>	<b>1,260,586,669.28</b>

# GLOSSARY

## ACCOUNT 1

70 per cent of a member's savings, which is dedicated specifically for retirement.

## ACCOUNT 2

30 per cent of a member's savings which can be utilised for pre-retirement withdrawals to enhance retirement well-being.

## BASIC SAVINGS

Basic savings refers to the minimum amount of savings in Account 1 that a member should have upon reaching age 55, as determined by the EPF. As of 1 January 2019, the basic savings quantum has been set at RM240,000, which is equivalent to a monthly retirement income of RM1,000 for 20 (240 months) years from age 55 to 75.

## CONTRIBUTION

Contribution is the amount of money paid into a member's EPF account every month based on the monthly salary of the employee. EPF contributions are made by both employees and employers (on behalf of their employees).

## DIVIDEND

Dividend is the return to members' savings from investment activities. The dividend for every member's account is calculated based on an aggregate daily balance.

## EMPLOYEE

An employee is a person employed by an employer under a contract of service or apprenticeship.

## EMPLOYER

An employer is a person or party who employs an employee to work under a contract of service or apprenticeship. Employers include:

- Managers, agents, or any persons responsible for the payment of wages to an employee;
- Any group of persons, whether statutory or non-statutory or incorporated; and
- The government or any government department, statutory body, local authority, or other body as specified in the Second Schedule of the EPF Act 1991.

## FINANCIAL PLANNING

Financial planning is an ongoing process to help individuals make sensible decisions about money with the ultimate objective of achieving long-term goals.

## i-AKAUN

i-Akaun refers to a member's or employer's EPF online account.

## MEMBER

An EPF member, according to the EPF Act, is an individual who has an account and savings with the EPF. Members comprise private and non-pensionable public sector employees, and those who have opted to contribute.

**NOMINATION**

A nomination is a written declaration in Form KWSP 4 to elect/nominate one or more individuals to be beneficiaries (for non-Muslim members) or executors/administrators (for Muslim members) of members' EPF savings upon their death.

**PRE-RETIREMENT WITHDRAWALS**

Pre-Retirement Withdrawals have been approved by the EPF to allow members to take out a certain amount from their savings prior to the retirement age. The savings can be withdrawn from Account 2 for Housing Withdrawal, Education Withdrawal, Medical Withdrawal, Age 50 Years Withdrawal, Withdrawal of Savings of more than RM1 Million, and Hajj Withdrawal. This is to help them prepare for retirement.

**RETIREMENT ADVISORY SERVICE (RAS)**

The EPF provides free retirement advisory services (RAS) for members at selected EPF offices. This includes providing information on the EPF's services in general, options on retirement savings, and tips on how to create a retirement plan and boost retirement savings to achieve a reasonable level of comfort during golden years.

**RETIREMENT PLANNING**

Retirement planning is the process of determining retirement income goals and the actions necessary to achieve those goals. It includes identifying sources of income, estimating expenses, implementing a savings programme, and managing assets. Future cash flows are estimated to determine if the retirement income goal can be achieved.

**RETIREMENT WITHDRAWAL**

Retirement Withdrawals allow members to withdraw all of their savings upon reaching age, or upon death, incapacitation or leaving the country. Pensionable employees or those opting for retirement can also make retirement withdrawals. For Retirement Withdrawals at age 55 or 60, members can opt to be paid either in lump-sum, monthly instalments, a partial sum, through annual dividends, or a combination of monthly, partial, and annual dividends.

**RETURN ON INVESTMENT (ROI)**

Return on Investment (ROI) is the ratio of realised income gained or lost against the average fund size (at cost) for the year.

**SOCIAL SECURITY**

Social Security refers to the government's programmes to promote the welfare of the population, ensuring adequate resources such as food and shelter, while promoting the health and well-being of everyone, including children, the elderly, sick, and unemployed.

**STRATEGIC ASSET ALLOCATION (SAA)**

The primary goal of the EPF's Strategic Asset Allocation is to create an asset mix that will provide optimal balance between expected risk and return for long-term investments.

**WAGES**

Wages are all monetary remuneration due to an employee under his/her contract of service or apprenticeship, whether it was agreed to be paid monthly, weekly, daily, or otherwise.

This page has been intentionally left blank