



*Assuring
Our Future*



COVER RATIONALE

Assuring Our Future

Our aim is to assure the future of pensioners and their beneficiaries.



Scan this QR code for the soft copy version of our annual reports.

VISION

To be the trusted retirement fund that supports nation building by innovatively delivering sustainable benefits.

MISSION

To optimise investment returns and deliver excellent services by adopting best practices in meeting the key stakeholders' commitments.

OUR VALUES

LEADERSHIP

An ability to lead oneself and lead others in order to continuously improve

ACCOUNTABILITY

Taking responsibility for our actions

TEAMWORK

Working together to provide efficient and effective outcomes for each stakeholder

INTEGRITY

An expected internal trait of strong morals and principles

EXCELLENCE & ACHIEVEMENT

Achievement that is attained through excellence

CONTINUOUS LEARNING & INNOVATION

To be innovative and constantly learn from our challenges and our achievements

STAKEHOLDER ORIENTATION

A focus on all our stakeholders such as Government and retirees

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Dana Yang Berkat

Usia tua sesantainya angin nyaman yang sihat,
renyai hayat anugerah Tuhan yang teramat
nikmat.

Kini kita maruahi lagi sejarah kebajikan,
Menyemainya dengan benih jerih perih
pendapatan agar usia tua akan waras
terpelihara: damai di tangan, nikmat di hati
dan indah di mata.

Dan tarikh lahirnya badan dana yang amat
bertuah - Mac - kini bulan yang molek, cahaya
manis sejarah; dengan wang dirancang untuk
ranum ke usia sarat peluh jujur rezeki subur
mengisi dana berkat.

Sopan di tangan, jernih di mata dan santun
di kalbu, per anum labur jimat tercermat yang
mengembang gebu.

Diurus tangan canggih amanah yang tulus
berhemah sehingga pepohon rezeki sempat
merimbun buah.

Tulus petugas setia serasi bakti pekerja ringani
bahu pentadbir, subur harta pesara, alir
pencen sumber harta yang luhur sepanjang
hayat tersimbah tuahnya ke yatim diri, ke
badan sihat.

Dengan tekun berilmu, tindakan yang
bersanubari, yakin dipasti taman labur terindah
harum ini.

5 - 15, Februari, 2007

A. SAMAD SAID

Message FROM THE CHAIRMAN

HIGHLIGHTS 2019

1

INVESTMENT STRATEGY

Under the Board's oversight, the Management embarked on a high impact project in 2019 to enhance KWAP's Investment Approach, focusing on key areas such as Total Fund Investment Objectives, Strategy and Risk Appetite.

• Read more on page 3

2

INTEGRITY & GOVERNANCE

More anti-corruption measures are being established, improved and integrated into the existing internal control system of the organisation.

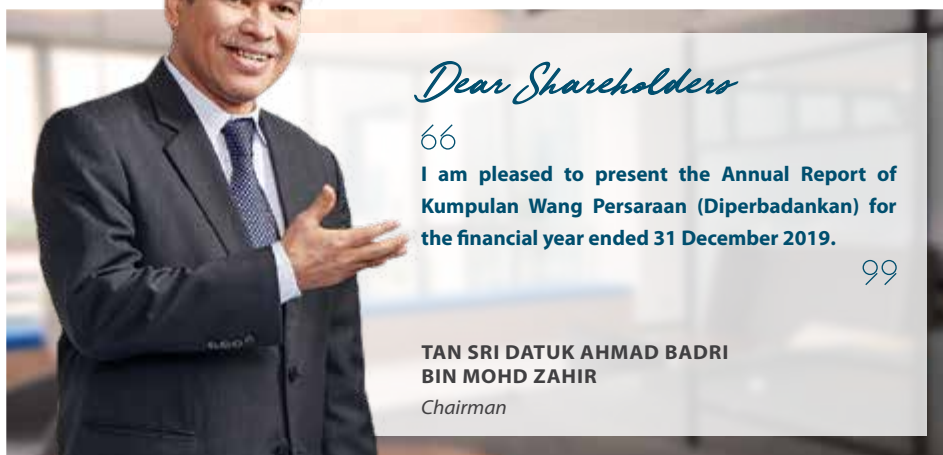
• Read more on page 3

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ENGAGING WITH OUR STAKEHOLDERS

KWAP is also committed to supporting our core stakeholders, the pensioners, in other ways.

• Read more on page 4



Dear Shareholders

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I am pleased to present the Annual Report of Kumpulan Wang Persaraan (Diperbadankan) for the financial year ended 31 December 2019.

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**TAN SRI DATUK AHMAD BADRI
BIN MOHD ZAHIR**

Chairman

A CHALLENGING EXTERNAL ENVIRONMENT

From a global perspective, 2019 was another year of moderate growth coupled with uncertainties on the trade front caused by the disagreements between US and China. Malaysia, being an open economy, was also affected by these external developments and volatility in portfolio capital flows. In such a scenario, conscientious efforts by the Government were needed to support growth and navigate the economy through a considerably challenging period.

To this end, Bank Negara Malaysia cut the overnight policy rate by 25 basis points in May 2019 to support the economy, as the central bank pointed out the downside risks stemming from the trade tensions. As oil prices fell significantly towards the end of the year, there was also greater concern that the economy might be further impacted. However, the country's strong macroeconomic fundamentals provided a certain degree of insulation from these challenges, as Malaysia's 2019 Real Gross Domestic Product expanded at a slightly slower rate of 4.3% compared to the 4.7% achieved in 2018.

COMMENDABLE PERFORMANCE

Despite the subdued growth prospects and uncertainties, KWAP registered yet another commendable performance in 2019, outperforming investment return benchmarks in every asset class we invested in. We have grown our total fund size by 8.04% to RM147.5 billion and exceeded our blended benchmark in terms of Time Weighted Rate of Return (TWRR) by an impressive 205 bps.

OUR INVESTMENT STRATEGY

The Board remains committed to guiding KWAP in achieving sustainable investment returns, which is executed by having a long-term investment perspective, enabling the Fund to diversify across a myriad of asset classes. This approach is necessary in order to generate optimal returns while maintaining a resilient, risk-efficient portfolio.

Under the Board's oversight, the Management embarked on a high impact project in 2019 to enhance KWAP's Investment Approach, focusing

Message from the Chairman

on key areas such as Total Fund Investment Objectives, Strategy and Risk Appetite. Strengthening these areas will enable KWAP to reinforce its role as a long-term pension fund, and gives us the opportunity to adopt a robust investment strategy expressed through our new Strategic Asset Allocation (SAA). Our SAA is in turn anchored to a strong emphasis on risk and a more liability aware investment mindset.

Concurrently, KWAP's strategy allowed us to navigate the various macro headwinds in 2019, ranging from slower global growth to heightened geopolitical tensions. Our tactical call to overweight fixed income and underweight equities against the backdrop of corporate earnings concerns has enabled KWAP to outperform our blended Domestic and International market benchmarks for both Equities and Fixed Income investment portfolios. The long-term performance for our investments in Real Estate and Private Equity were equally commendable as we managed to outperform our blended benchmark over a 5-Year Rolling period.

However, given the challenging outlook in 2020, compounded further by the adverse impact of the ongoing COVID-19 pandemic, KWAP will need to remain cautious and continue to manage its investments prudently while at the same time maintain its pursuit for sound and compelling investment opportunities.

INTEGRITY & GOVERNANCE

As part of KWAP's unwavering commitment to good corporate governance, we are giving greater emphasis on ethics and integrity in the management of our business activities. More anti-corruption measures are being established, improved and integrated into the existing internal control system of the organisation. The Board supports such endeavour through the expansion of the roles of Board Risk Committee, whose name has been changed to Board Integrity and Risk Committee (BIRC).

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KWAP's resolute performance, which directly benefits our civil service pensioners, will continue to be upheld through sound investment principles and responsible investment activities. Our prudent approach has clearly led to an exemplary investment track record that all our stakeholders can be proud of. In support of these outstanding results, we have also improved overall productivity in 2019, while providing better and more effective service to our pensioners.

BIRC is now responsible in overseeing matters pertaining to integrity in KWAP, including the functions of Integrity and Governance Office (IGO). IGO reports directly to KWAP Board and BIRC so as to ensure its independence as a dedicated entity that spearheads the implementation of KWAP's integrity and anti-corruption initiatives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In the context of Environmental, Social and Governance (ESG) initiatives, KWAP plays the role of an active shareholder by engaging with its investee companies regularly, and in 2019, conducted our first ever ESG engagement with selected investee companies. In addition, KWAP participates in engagements with regulators and strongly upholds the Malaysian Code

for Institutional Investors, of which we are a signatory. As part of the Institutional Investors Council (IIC), we are deeply involved in initiatives that drive responsible investments, promotes good governance and takes ESG issues into consideration.

This is in line with our commitment to the United Nations-supported Principles of Responsible Investment (UN PRI). As a signatory, KWAP has continued to work closely with representatives from UNPRI and in 2019, collaborated with the PRI to conduct a knowledge sharing session about ESG Integration with KWAP employees. Within KWAP itself, we rolled out ESG Guidelines for our private equity investments and we will continue to make enhancements to our Corporate Level ESG Guidelines to keep up with industry best practices.

TOTAL FUND SIZE



RM147.5

billion

GROSS INVESTMENT



RM6.07

billion

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Message from the Chairman



ENGAGING WITH OUR STAKEHOLDERS

While we are cognisant of our overall mandate, KWAP is also committed to supporting our core stakeholders, the pensioners, in other ways. Throughout 2019, KWAP's corporate social responsibility programme has carried out wide-ranging efforts to reach out to retirees and pensioners through various events. This was eventually capped off with the two-day Carnival Rasa Sayang in October 2019 -- KWAP's signature event that promotes retirement preparedness and active ageing. Held for the second time, the carnival consisted of the inaugural Larian Rasa Sayang running event and various workshops, talks and exhibition booths about retirement and healthy living. This carnival serves as a significant touchpoint for KWAP to engage with our stakeholders, and to share the latest updates about our capabilities and functions.

ACKNOWLEDGEMENTS

As we enter far more difficult and uncertain times in 2020, I am pleased to note that we move into these uncharted waters with a resilient organisation, bolstered by robust policies and strong leadership.

I would like to record my sincere appreciation to all KWAP employees for their dedication and contributions to the organisation. The Board's gratitude also goes out to our Chief Executive Officer, Syed Hamadah Syed Othman, who has performed admirably in his first year of steering the management of the pension fund.

The Board has also seen changes in 2019. Thus, I would like to acknowledge our departing Board members, Dato' Gan Wee Beng, Dato' Siow Kim Lun and Datuk Saat Bin Esa who have all served with distinction, helping to guide KWAP and its management with their wisdom and insight. In their place, we warmly welcome Mohd

Ismadi Bin Ishak, Raja Teh Maimunah Binti Raja Abdul Aziz and Datuk Dr. Yacob Bin Mustafa, who is the Federal Government representative replacing Datuk Saat Bin Esa.

I would also like to recognise the good work executed by our Investment Panel, which underwent a substantial change in 2019 in terms of composition, due to the ending of appointment terms. We thank the five members of the panel who have since left, and the five who have taken their place in 2019, for all their contributions.

In closing, I am confident that KWAP will continue to meet its objectives and achieve its vision of becoming the trusted retirement fund for all our stakeholders, especially pensioners. The Board and I will ensure that we carry out this responsibility with great care and integrity, to enhance KWAP's contribution to the nation's shared prosperity.

Message

FROM THE CHIEF EXECUTIVE OFFICER

HIGHLIGHTS 2019

1

INVESTMENT PERFORMANCE

Our fund registered a strong performance across all asset classes in 2019. For 2019, our target Strategic Asset Allocation comprised 44.0% Equities, 45.5% Fixed Income and 10.5% Alternative Investments.

• [Read more on page 5](#)

2

IMPROVING SERVICE PERFORMANCE

As KWAP builds on its investments and track records, we have also turned our attention to strive for operational excellence, better productivity and efficiency.

• [Read more on page 7](#)



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It gives me great pleasure to present this annual report on behalf of KWAP. This report will outline the pension fund's overall performance in carrying out its investment mandate while also playing a critical role in servicing our valued civil service pensioners. This report also marks my first full year in the position of CEO, and I am pleased to note that I have overseen the achievement of strong returns, greater productivity and continued enhancement of the organisation's resilience.

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SYED HAMADAH BIN SYED OTHMAN
Chief Executive Officer

As a result, KWAP's fund size grew by RM10.97 billion or 8.04% from RM136.5 billion in 2018 to RM147.5 billion in 2019. The increase was attributed to Total Comprehensive Income of RM7.8 billion and Total Contribution of RM3.1 billion. In terms of Time-Weighted Rate of Return (TWRR), the Fund recorded unhedged return of 5.91%, outperforming the benchmark return of 3.86% by 205bps. Additionally, on a 5-year rolling basis, the total fund outperformed the reference portfolio return by 390bps.

INVESTMENT PERFORMANCE

With the combination of strategies adopted by KWAP, I am happy to note that the fund registered a strong performance across all asset classes in 2019. When investing, we are guided by our Strategic Asset Allocation (SAA), which is reviewed regularly to reflect changes in the investment environment, enabling us to optimise returns reflecting our risk tolerance. For 2019, our target SAA comprised 44.0% Equities, 45.5% Fixed Income and 10.5% Alternative Investments.

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Despite the economic uncertainty and volatile market backdrop, KWAP delivered a stellar performance in 2019 due to our approach of focusing on a diversified portfolio of asset classes in line with our strategic asset allocation. In addition, our consistent strategy of taking a long-term investment view stood us in good stead in riding out turbulent market conditions.

Message from the Chief Executive Officer

2007 - 2019

Average Growth of Fund Size

10.29%

Average Gross Investment Income

RM5.60

billion

Average Gross Return on Investment

Average ROI from 2007 to 2017 was at

6.42%

KWAP shifted to measuring Total Returns (TWRR) from 2018 onwards.

EQUITY

Total Portfolio

RM68.31

billion

Total Income

RM2.30

billion

FIXED INCOME

Total Portfolio

RM68.42

billion

Total Income

RM3.05

billion



In terms of Equities, the team's strategy managed to deliver good results via its focus on growing the portfolio's net asset value and realising sustainable income from dividends. As at end 2019, KWAP has RM68.31 billion in Equities, accounting for 46.35% of total assets. Total income realised stood at RM2.30 billion of which 81% was from the domestic market. The total return of 5.92% in 2019 outperformed the blended benchmark of 1.15% as Equities continued to exceed the blended benchmark for the longer three- and five-year periods.

Meanwhile, the Fixed Income team also delivered commendable returns in 2019 as the decline in government bond yields lifted the value of our fixed income universe. Additionally, compression in credit spreads boosted our returns in credit markets. Our strategy of going long duration in the early part of 2019 also paid off in returns.

Our Fixed Income investment market value fell by RM0.15 billion to RM68.42 billion in 2019, as a result of portfolio rebalancing from an allocation of 49.69% in 2018 to 46.67% in 2019. In line with the reduction

in portfolio allocation, fixed income investments delivered slightly lower gross income of RM3.05 billion in 2019 compared to RM3.14 billion in 2018. In terms of total returns, this marked a 6.79% increase compared to the 4.58% recorded in 2018. Over a 5-year rolling period, total fixed income investments returned 5.40% annualised. We continue to protect the value of our international investments utilising various hedging instruments, such as foreign exchange forward contracts (FX Forward) and cross-currency swaps (CCS).

KWAP's Alternative Investments demonstrated strong returns for the year as the private equity and infrastructure portfolios, and the property portfolio generated significant income. Both private equity and infrastructure combined generated a 10-year rolling return of 33.8%, contributing RM318.6 million to KWAP. In the property portfolio, we continue to expand domestically with the acquisition of the Mydin Commercial Centre in Skudai, Johor. Internationally, we divested a 10-storey office building in Melbourne, Australia and acquired an office building in London, UK. Our Alternative Investments generated income totalling RM596.4 million in 2019.

Message from the Chief Executive Officer

ALTERNATIVE INVESTMENTS

Total Portfolio

RM9.71

billion

Total Income

RM596.40

million

Productivity levels
for pension services
operation increased by

11.5%

in 2019

Number of transactions of
employee increased to

61,880

as compared to 55,518 in
2018

66

To unlock further productivity gains, KWAP has put in time and effort to cultivate our talent through a variety of training and coaching programmes in 2019. I strongly believe that having strong talent is the bedrock of any organisation's success and we have an obligation to encourage learning and skill improvements to build a truly sustainable organisation. To motivate our employees, KWAP also organised the year-long "Home Run to Health" engagement programme that addressed employee wellbeing in a holistic way.

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IMPROVING SERVICE PERFORMANCE

As KWAP builds on its investments and track records, we have also turned our attention to strive for operational excellence, better productivity and efficiency. In this regard, we have made significant improvements across the organisation and with tangible outcomes to show for it.

For example, our pension services operations scored an average of 98.08% on the Service Level Agreement (SLA) index, its highest since KWAP took over this function from the Public Services Department (JPA) in 2015. It has not only exceeded the minimum 90% SLA as required under JPA-KWAP

Agency Agreement, but also outperformed 2018's SLA achievement of 95.2%.

Meanwhile, productivity levels for pension services operation increased by 11.5% in 2019 compared to 2018 as a result of several transformational initiatives undertaken by KWAP to modernise and digitalise pension services operation. The operational improvements involved the Contributions Department, the Pension Services Department and the Investment Support Services Department, as well as enhancements to KWAP's overall IT system. This led to an increase in the number of transactions of employee to 61,880 as compared to 55,518 in 2018.



Message from the Chief Executive Officer



INTEGRITY AND GOVERNANCE

We firmly believe that integrity is one of the values that drives KWAP into becoming a more efficient and competitive organisation. We have been continuously undertaking relevant initiatives to strengthen ethics and governance in order to maintain a working culture that is built on the foundations of transparency and trust.

In addressing corruption risk, we have chosen to create awareness among KWAP employees on the importance of integrity and the adverse effects of corruption through our 2019 Risk Awareness Week activities. Organised by the Risk Management and Compliance Department in Q1, the said theme was an appropriate prelude to the establishment of KWAP's Integrity and Governance Office (IGO) which came into fruition in July.

Through IGO, works on Corruption Risk Management were commenced in Q4. A gap analysis on KWAP's existing control system in comparison to the requirements of global standard anti-corruption measures was also conducted by the Office. In progressing these initiatives, all/various departments in KWAP would be involved at both development and implementation stages. This, undoubtedly, manifests our unison in efforts to uphold integrity and coherence on intolerance to corruption.

APPRECIATING OUR PENSIONERS

In giving back to society, KWAP has created the Anugerah Ikon Pesara (AIP) to recognise public sector pensioners who have contributed to education, community and entrepreneurship. Aimed at identifying excellence and promoting productive ageing and active retirement, the award also serves as a platform to extend our appreciation towards retirees who have demonstrated outstanding stewardship in these fields.

The winner of the inaugural AIP 2019 was Puan Sariah Binti Amirin, who has made significant contributions in the field of education and impacted thousands of dyslexic children through her dyslexia centres and books. As the founder and President of Persatuan Dyslexia Malaysia, Sariah runs 15 dyslexia centres in Malaysia with over 600 students and has written 10 books in Bahasa Malaysia for dyslexia schools.

KWAP also recognised nine other pensioners for their contributions in education, social & community development and entrepreneurship. The award, which attracted 66 individuals who were nominated by a third party, was opened to Malaysian pensioners age 55 years and above.

LOOKING FORWARD

While 2019 was a challenging year, 2020 is certainly set to be even more so following the onset of the COVID-19 pandemic. The world has entered a new era in which social distancing, limits on physical mobility and other restrictions were instituted for the sake of protecting health and saving lives.

The restrictions also had the unintended effect of severely dampening the demand and supply of goods and services, thus bringing economies to a standstill worldwide. The unprecedented lockdowns will cause contractions in economic growth across the world, and has been accompanied with a simultaneous surge in unemployment and market volatility, all taking place within a short period of time.

Against this backdrop, global growth prospects remain highly uncertain. This is combined with a resumption of trade tensions between the US and China, an exacerbation of deflationary pressures amid depressed demand and a decline in crude oil prices, and a downturn in the corporate earnings cycle. In the face of such challenges and uncertainties, KWAP will continue to adopt a cautious strategy but at the same time remain focused on looking for compelling investment opportunities.

Meanwhile, as a long-term investor, we continue to carefully tread through volatility, risk and uncertainty by adopting the appropriate strategy, anchored on our new strategic asset allocation which continues to focus on achieving sustainable investment returns while maintaining a resilient, risk-efficient and liability aware portfolio.

ACKNOWLEDGEMENTS

I wish to express my gratitude to the Board and Investment Panel for guiding the management team through what has been a busy and testing year. It has been my honour to steer the management of the fund and I am fully committed to building an even stronger organisation in the years to come.

In closing, I would like to sincerely thank all of our employees for their hard work and dedication. Your sacrifices have not gone unnoticed and you can in fact be proud of all of KWAP's achievements since the fund was established in 2007. I look forward to working closely with all of you as we continue on our journey of helping the nation and its people prosper.

Rising to **EVERY OCCASION**



It is said that change is the only constant. 2019 was certainly a year of change. Through all the ups and downs, however, our people managed to respond strategically to changing market conditions in order to maximise returns.

01

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ABOUT KWAP

ROLE AND OBJECTIVES

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KWAP is Malaysia's pension fund for civil servants. We manage contributions from the Federal Administration and relevant agencies and invest funds to obtain maximum returns through sound risk management and investment. In 2015, KWAP also officially took over the Public Services Department (PSD)'s Post Pension Services Division roles, for pension payment, gratuities and other benefits.

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Established 1 March 2007

Under the Retirement Fund Act 2007 (Act 662), replacing the Pensions Trust Fund Act 1991 (Act 454)



Objective

To achieve optimum returns on investments for the fund so as to assist the Federal Government Administration in financing its pension liability.



Functions

- 1 Management and payment of pension
- 2 Management of contributions from the Federal Administration, Statutory Bodies, Local Authorities and other agencies
- 3 Administration, management and investment of the Fund in equity, fixed income securities, money market instruments and other forms of investment as permitted under the Retirement Fund Act 2007 (Act 662)

About KWAP

KWAP WITHIN MALAYSIA'S PENSION SYSTEM

	Policy Setting	Member Contribution Collection	Investment Policy & Guidelines	Investment Management	Members Administration	Benefit Payments
	Set policy for pension/ provident fund	Manage collection of individual members' contributions	Set investment policy and monitor performance	Execute investment management	Manage members' accounts	Manage financial administration and payment
Pensionable Civil Service	Treasury <ul style="list-style-type: none">Financial impact calculationApprove EPU policiesDevelop and review policies	<div>Appointed Agent by the Federal Administration</div> <div></div>				
	PSD Develop and review policies					
Armed Forces	MINDEF Develop and review policies	LTAT <ul style="list-style-type: none">Collection of contribution from armed forces personnel and the Federal AdministrationCalculation of LTAT refund to KWAP		Veterans Affairs (MINDEF) <ul style="list-style-type: none">Communicate with retireesBenefits calculationDisbursement of withdrawalsTransfer of refunds to KWAP <div><ul style="list-style-type: none">Communication with active membersAdministration of members' account balance</div>		
Private Sector and Non-pensionable Civil Service	EPF Provide policy input	<div></div>				

Legend:

Treasury: Treasury, Ministry of Finance

PSD: Public Services Department

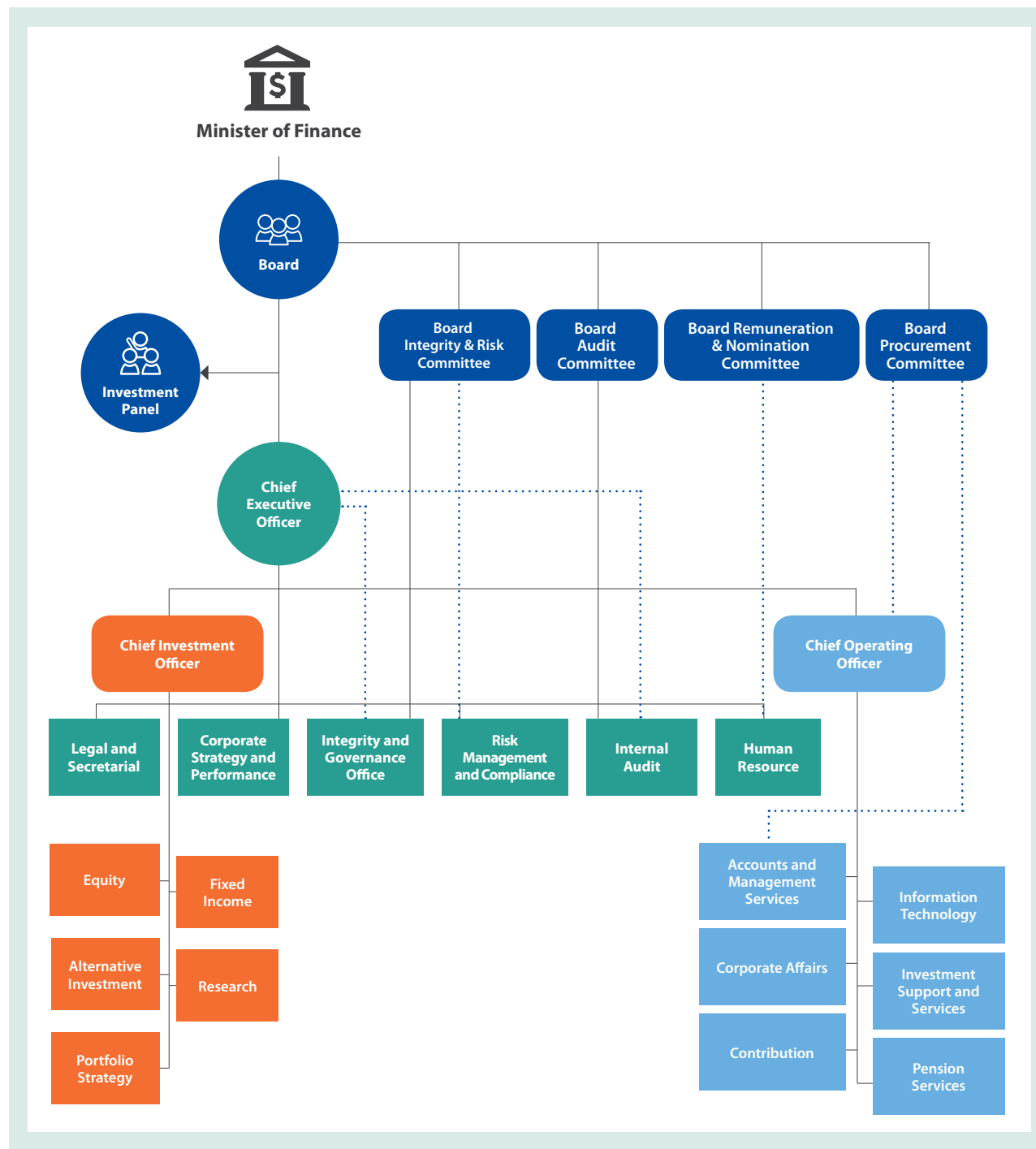
MINDEF: Ministry of Defence

LTAT: Armed Forces Fund Board

EPF: Employees Provident Fund

About KWAP

ORGANISATION STRUCTURE

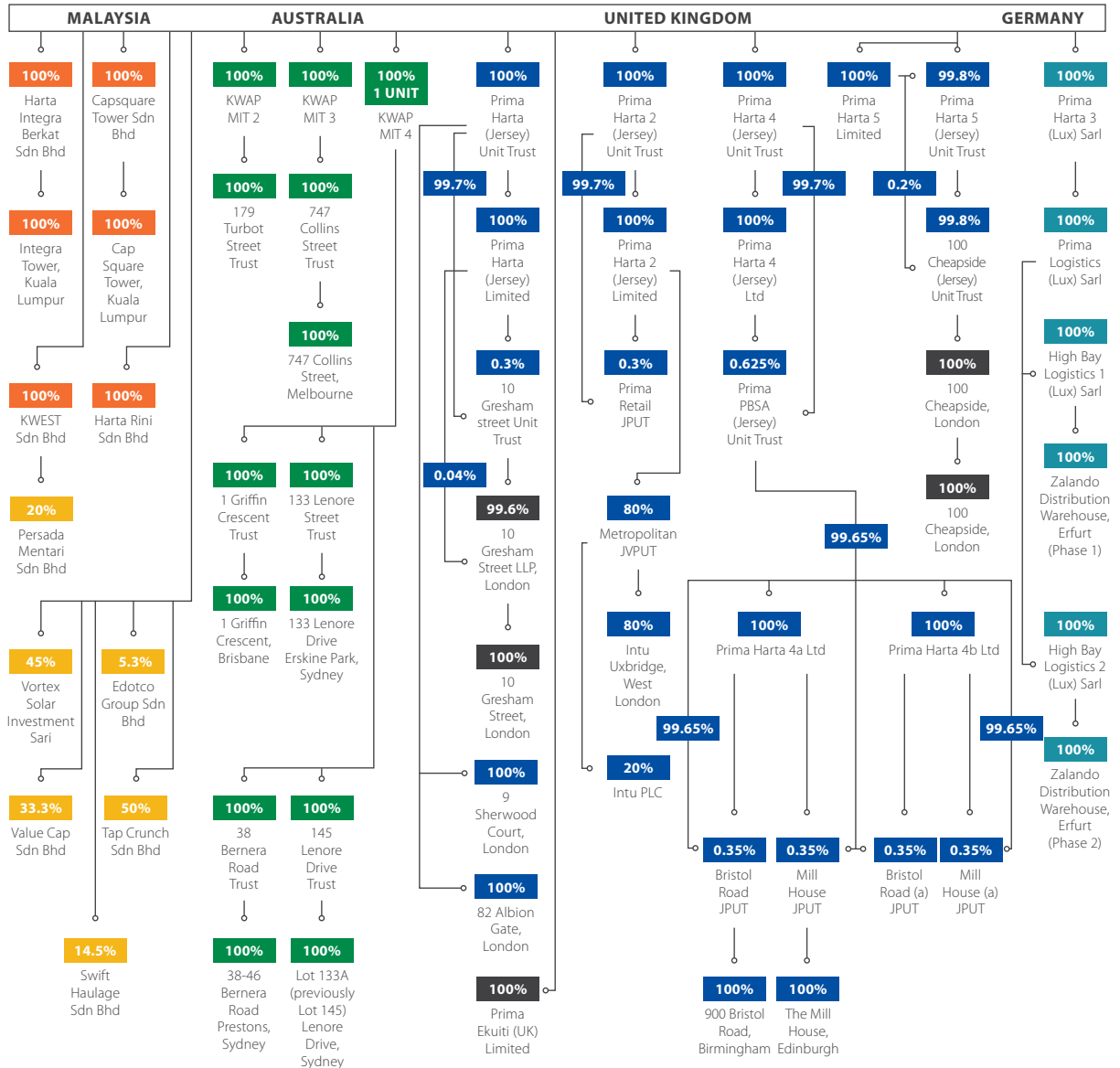


About KWAP

CORPORATE STRUCTURE



- Malaysian Entity
- Australian Entity
- Jersey Entity
- UK Entity
- Luxembourg Entity
- Assoc./JV Entity

**Note:**

Mydin Mutiara Rini is yet to be transferred from KWAP to Harta Rini Sdn Bhd.

About KWAP

GEOGRAPHICAL INVESTMENT EXPOSURE



Geographical Investment Exposure in

39

Countries

across all 7 continents

LEGENDS FOR ASSET CLASSES

- Equity
- Fixed Income
- Private Equity
- Property

About KWAP

STAKEHOLDER OUTREACH

TOOLS AND STAKEHOLDER MANAGEMENT AS AT DECEMBER 2019



DRIVE OPERATION EXCELLENCE

Business Intelligence (BI) Tool, Electronic Document Management System (EDMS), Extract, Transform & Load (ETL) tool, Continuous process and system enhancement, KWAP Productivity Excellence (KPEx) and PG2 Data Enhancement



ENHANCE CUSTOMER EXPERIENCE

Customer Relationship Management (CRM) tool, MyPesara Mobile Apps, Engagement with HR Ministries on pension services matters, and establishment of call center and counter services in Cyberjaya.

PENSION DEMOGRAPHICS AS AT 31 DECEMBER 2019

709,794

Pension Recipients

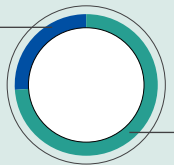


51%
Male



49%
Female

26%
Derivative
Recipients



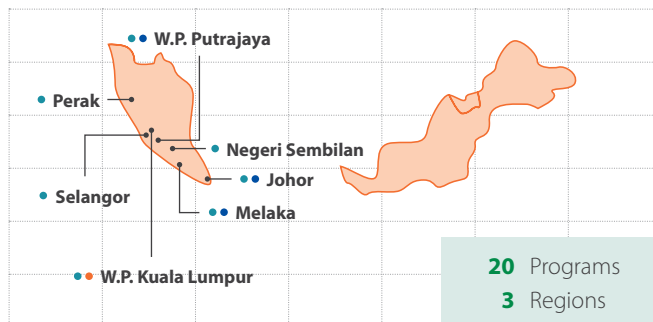
74%
Pensioners

Johor
67,070

Perak
75,479

Selangor
115,890

CUSTOMER ENGAGEMENT PROGRAMMES



TYPES OF PROGRAMMES IN 2019

● Document Management ● Outreach Programmes ● Pre & Post Retirement

MYPESARA MOBILE APPLICATION PHASE 2

1



Personalised accounts for both retirees and general users with ease of updating information

Separate login pages for retirees and non-retirees.

2



Upgraded and interactive additional features

Provides a more holistic user experience

Opportunities for online learning on financial, health and retirement planning.

3



New S.O.S Feature

Introduction of additional S.O.S toggle to be used during emergency situations for retirees and their caretakers.

4



Enjoy benefits programme by special partners

A variety of exclusive details and promotions offered by select merchant and content partners.

All MyPesara users can enjoy the benefits offered.

140,000

Downloads as at
31 December 2019

Or scan the QR code
to download:



PERFORMANCE HIGHLIGHTS

	2015	2016	2017	2018	2019
FUND SIZE AT COST (RM BILLION)	118.40	125.00	140.80	136.51	147.48
INCOME AND EXPENSES (RM)					
Gross Investment Income (Billion)	6.40	6.40	9.00	7.06	6.07
Operating Expenses (Million)	294.60	372.60	368.80	292.40	302.96
Net Investment Income (Billion)	4.40	4.80	8.80	1.24	6.67
INCOME AND EXPENSES (%)					
Gross Return on Investment (Gross ROI)	5.40	5.40	5.80	4.10	NA
Accounting Rate of Return (Net ROI)	3.30	4.00	7.00	0.80	4.67
Operating Expenditure to Gross Income	4.60	5.90	4.10	4.10	4.99
Operating Expenditure to Average Fund	0.20	0.20	0.30	0.20	0.21
RETURN AND RISK (%)					
Time-Weighted Rate of Return	5.40	4.60	9.10	-1.30	5.91
Volatility	3.10	2.20	2.40	1.40	0.60
CONTRIBUTION (RM BILLION)					
Pension Contribution	2.80	3.00	3.00	2.90	2.63
Federal Contribution	0.10	0.40	0.50	0.50	0.50
MANAGEMENT OF FUND (%)					
Internally Managed	87.50	88.30	87.60	87.00	87.50
Externally Managed	12.50	11.70	12.40	13.00	12.50
Number of Contributing Employers	498	513	502	485	478
Number of Members	177,757	186,511	193,684	200,299	187,684
Number of KWAP Employees	529	592	591	603	610
Income Per Employee (RM Million)	12.20	15.30	15.30	11.70	9.95

Note:

Figures are based on KWAP level performance.

Performance Highlights

YEAR 2019 HIGHLIGHTS



**TOTAL
FUND SIZE**

RM147.48

Billion



**GROSS INVESTMENT
INCOME**

RM6.07

Billion



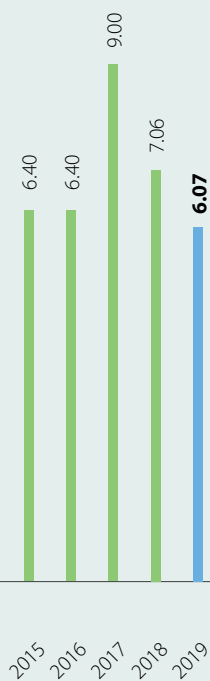
**NET INVESTMENT
INCOME**

RM6.67

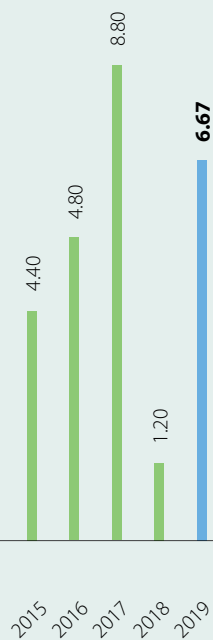
Billion

5-YEAR HIGHLIGHTS

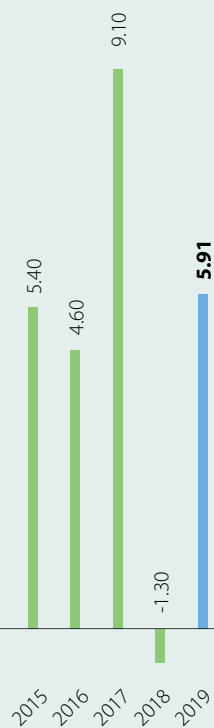
**GROSS
INVESTMENT INCOME
(RM BILLION)**



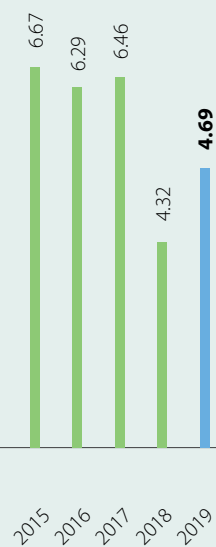
**NET
INVESTMENT INCOME
(RM BILLION)**



**TWRR YEAR
TO DATE
(%)**



**ROLLING 5-YEAR
TOTAL RETURNS
(%)**



2019 EVENTS AT A GLANCE

KWAP INTERNAL EVENTS 2019

25 JANUARY



- CEO Mandate to Employees & Gift Exchange at Kuala Lumpur Office

30 JANUARY



- Gift Exchange at Cyberjaya Office

15 FEBRUARY



- Chinese New Year Celebration

26 APRIL



- In The Footsteps of CEO:
Tuan Syed Hamadah Bin Syed Othman

30 MAY

- Salam-Salam Aidilfitri at Cyberjaya Office

31 MAY



- Salam-Salam Aidilfitri at Kuala Lumpur Office

26 JUNE



- KWAP Hari Raya Gathering

02 AUGUST



- In The Footsteps of CIO:
Encik Azmeen Bin Adnan

31 OCTOBER



- Deepavali Celebration

29 NOVEMBER



- Annual Dinner

2019 Events at a Glance

KWAP EXTERNAL EVENTS 2019

14 MARCH

- Courtesy Visit & MyAgeing Report Presentation to Director General of Public Service Department

07 MAY



- Corporate Visit by Vietnam Social Security

27 JUNE



- Bengkel Pesara Aktif Bekerjaya

07 AUGUST



- Corporate Visit by Employee Provident Fund Nepal

18 SEPTEMBER



- Corporate Visit by Government Employees Pension Service Korea (CEO and Senior Management)

05 OCTOBER



- Larian Rasa Sayang 2019

05-06 OCTOBER



- Karnival Rasa Sayang 2019

28 NOVEMBER



- Corporate Visit by Government Employees Pension Service Korea (Managerial Level)

10 DECEMBER



- Bengkel Kerjaya: Panduan Penulisan Resume Untuk Pesara

30 DECEMBER



- KWAP's participation in LIFT Festival by Ministry of Finance

Stimulating Value **FOR THE GOLDEN GENERATION**



At KWAP, we believe that wealth, wellness and value go hand-in-hand. Our organisation and employees' skills are aligned with best standards and practices so we stay abreast with the latest developments that can increase value for our stakeholders and, ultimately, our pensioners.

02

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Nurturing Our Employees

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STAKEHOLDERS' WELLBEING

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KWAP was set up in 2007 to manage contributions to the fund, as well as the investments of these contributions. Since 2015, we have taken over some of the functions of the Public Service Department (JPA)'s Post Service Division. This has given us the opportunity to be in direct contact with the stakeholders we serve. This is a task we fully embrace and have been taking steps over the years to engage with our pensioners and those approaching this part of their lives, and to improve the level of service delivery to ensure that they are attended to efficiently and effectively.

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A common theme throughout 2019 was the roll out of initiatives that has improved our processes and productivity. On the contributions front, KWAP has continued to make improvements and maintains a close relationship with employers, as evidenced by a strong showing in the annual customer service satisfaction survey.

PENSION SERVICES DEPARTMENT

Pension Services Department (PeSD), located in Cyberjaya, is an essential part of KWAP's operations. This is where we manage pension-related business, such as document processing for new and existing pensioners and beneficiaries, gratuity payments, monthly pension payments, medical claim reimbursement and other benefits as instructed by the Government. PeSD also helps the Government in budget forecasting for pension and other related benefits.

In addition to benefit payments, PeSD also provides service counter for walk-in customers. Here, customers could submit their applications, as well as clarify their queries. For non walk-in customers, they could reach us through call centre, email, and MyPesara mobile apps.

Our service delivery is monitored by the Federal Administration, based on the timeliness of payments. We continued to



perform favourably in 2019 in this regard, achieving a Service Level Agreement (SLA) score of 98.08%, exceeding the 90% benchmark. The year also saw 11.5% improvement in productivity among employees with a total of 9,343,854 transactions, translating to 61,880 transactions per employee compared to 55,518 transactions per employee in 2018.

In 2019, the department continued to make improvements to productivity via the Lean programme and reached out to our counterparts in East Malaysia to discuss ways to align our operations in the context of KWAP making improvements to certain areas of its own operations.

KWAP PRODUCTIVITY EXCELLENCE (KPEX) PROGRAMME 3.0

The KPEX programme was launched in 2017 focusing on enhancing productivity using Lean Six Sigma, which is essentially a set of principles and methodologies that promotes collaboration and continuous improvement. Concurrently, to create a more organised, conducive and cost-effective work environment, we adopted the 5S principles of identifying and eliminating waste in day-to-day processes. The Lean programme is carried out in collaboration with the Malaysia Productivity Corporation (MPC) as programme advisor, and our Human Resources Department as programme partner.



Total of
9,343,854
 transactions
 conducted,
 translating into
61,880
 transactions
 per employee
 compared
 to 55,518
 transactions per
 employee in
 2018

Stakeholders' Wellbeing



LEAN GRAND FINALE

Thus, in April 2019 the third iteration of KPEx, with its theme of 'Living the High Performance Culture' kicked-off with the roll out of its second 'Lean Grand Finale' and the first 5S internal audit of 2019.

The finale was the culmination of eight months of work by Lean Practitioners who had undergone intensive training in lead project execution methodologies in August 2018, which included Value Stream Mapping (VSM) and Waste Analysis, and Lean Tools and Technique.

At the end of the programme, all groups recapped about what their projects encompassed and shared with each other the Lean methodologies that were applied throughout the project. The presentations were evaluated by the Lean Sigma Council members and MPC's appointed consultant where practitioners' presentation skills, knowledge and ideas for innovative initiatives, as well as sustainability plans were also assessed.



RAPID IMPROVEMENT EVENT (RIE)

One of the agendas of our Pension Services 2019 Business Initiatives was to conduct a Rapid Improvement Event (RIE) with the main objective of:

- 1 **Aligning pension services operations with KWAP and its strategic initiatives**
- 2 **Incorporating it into the readiness plan for operational alignment and technology changes**
- 3 **Preparing for change management related to Pension Payment Processing System (PPPS)**
- 4 **Elevating customer experience**

RIE-ALIGNMENT OF FUNCTIONS WITH SABAH AND SARAWAK POST SERVICE DIVISION, PUBLIC SERVICE DEPARTMENT (PSD)

RIE was held to provide insights on KWAP's transformation initiatives and how Sabah and Sarawak Public Services Department (PSD) could align their respective operations to these initiatives, especially in the context of operational alignment and readiness of Sabah and Sarawak PSD towards the upcoming changes related to Pension Payment Processing System (PPPS).

During the first session of the RIE, KWAP's project owners shared each of their initiatives, along with the benefits and impact. It was an interactive session where PSD had the opportunity to further explore and to understand how to replicate the relevant initiatives. In the next session, Sabah and Sarawak PSD outlined their challenges and potential areas for improvement, together with a projected timeline.

The RIE was concluded with presentations from both Sabah and Sarawak PSD and the formation of a committee to drive and ensure the continuity of the initiatives. Through this platform, PSD Post Services Division in Putrajaya, Sabah and Sarawak had the opportunity to view KWAP's plans for the future and will be better prepared for the oncoming changes.

Stakeholders' Wellbeing



BENCHMARKING VISIT FROM AFRICAN COUNTRIES

As a result of the strong relationship built with the MPC in implementing the KPEx, MPC recommended KWAP to be a part of the 5S quality environment benchmarking visit under its productivity improvement programme for third world countries. A total of 14 delegates from 8 African countries representing various government sectors participated in this exercise.

During the visit, KWAP shared with delegates about its pension services transformation journey and collaboration experience with the MPC, pension services productivity programmes and accompanied the delegates on an official visit to selected units in the Pension Services Department.

This event marked another milestone for KWAP, specifically for its pension services, as we were able to share our knowledge with other countries. In addition, the visit was a platform to exchange ideas and experiences to further enhance pension services efficiencies and services, giving KWAP insight on other pension processes and systems, as well as how LEAN and productivity are applied and measured in other continents.

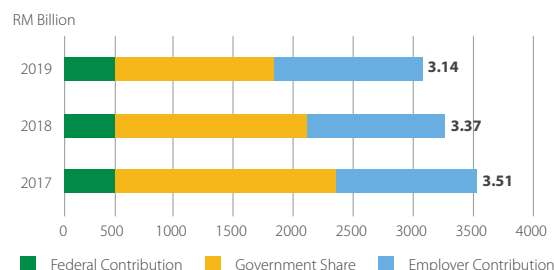
CONTRIBUTION MANAGEMENT

Contributions from the federal government, contributing agencies (EPF, LTAT, etc.) and employers (statutory bodies, local authorities and agencies) play a major role in the growth of KWAP's fund size.

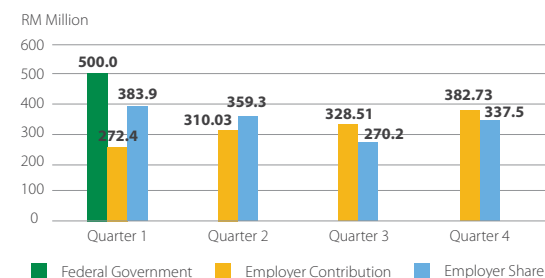
As at 31 December 2019, a total contribution of RM3.14 billion was received by KWAP. The amount comprised RM500 million from the federal government, RM1.35 billion government share from contributing agencies and the remaining RM1.29 billion from employers.

As compared to the previous corresponding period, the total contribution was lower by RM230 million due to a reduction in the government share contribution.

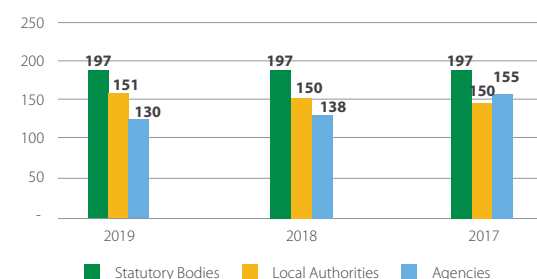
TOTAL CONTRIBUTION 2017 - 2019



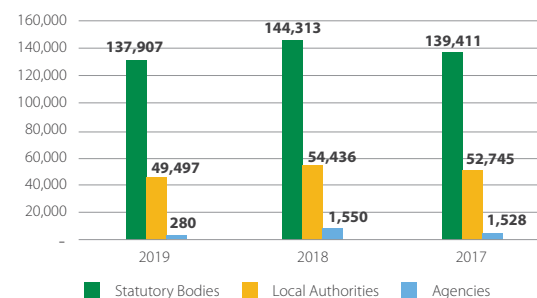
QUARTERLY CONTRIBUTION IN 2019 BY TYPE



NUMBER OF EMPLOYERS, BY CATEGORY



NUMBER OF EMPLOYEES, BY CATEGORY



Stakeholders' Wellbeing

CONTRIBUTION MANAGEMENT (CONTINUED)

TOP 20 CONTRIBUTORS

No	Employer	RM (Million)
1	Universiti Teknologi Mara	159.57
2	Majlis Amanah Rakyat	92.56
3	Universiti Kebangsaan Malaysia	68.12
4	Universiti Putra Malaysia	43.70
5	Universiti Teknologi Malaysia	42.92
6	Dewan Bandaraya Kuala Lumpur	40.16
7	Universiti Malaya	36.82
8	Hospital Universiti Sains Malaysia	33.19
9	Universiti Sains Malaysia	31.77
10	Pusat Perubatan Universiti Malaya	28.49
11	Universiti Utara Malaysia	25.63
12	Pihak Berkuasa Penerbangan Awam Malaysia (CAAM)	24.73
13	Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah (RISDA)	20.29
14	Universiti Tun Hussein Onn Malaysia	18.86
15	Universiti Teknikal Malaysia Melaka	18.52
16	Institut Penyelidikan Dan Kemajuan Pertanian	18.12
17	Universiti Malaysia Sarawak	16.63
18	Universiti Malaysia Sabah	16.33
19	Universiti Malaysia Perlis	14.94
20	Lembaga Pertubuhan Peladang Kuala Lumpur	14.70
Total		766.05



4 Employers Workshop



Total participation of
81 employers and
184 participants



A total of
105 engagement and enforcement

visits to various ministries, state secretaries, local authorities, statutory bodies and agencies

Various initiatives were undertaken by the Contribution Department in 2019, focusing on improvement of operation and management of pension contributions. A business process reengineering programme involving reviews of the existing key functions, process digitalisation and resources was undertaken in order to enhance operational capabilities.



Continuing from preceding years, employers were encouraged to remit their contributions via electronic fund transfer or EFT. As at 31 December 2019, 416 employers (87%) had utilised the EFT payment facility.

A Customer Satisfaction Survey was conducted in August 2019 to gauge employers' satisfaction level with services provided by KWAP. The department scored 78%, which was deemed as "Good".

Four Employers Workshop sessions were conducted in 2019 with a total participation of 81 employers and 184 participants. The objectives of the workshops were to provide training and guidance to employers on various contribution areas and to close the operational gaps among employers and KWAP. The Contribution Department scored 4.55 out of 5.00 (91%) in the workshop survey.

A total of 105 engagement and compliance enforcement visits to various ministries, state secretaries, local authorities, statutory bodies and agencies were conducted throughout the year to create awareness on the Statutory and Local Authorities Pension Act 1980 (Act 239) and Service Circular Number 12/2008 on the Policy and Procedure of Appointment of Secondment, Temporary and Permanent Transfer.

Stakeholders' Wellbeing



INFORMATION TECHNOLOGY

There were a number of initiatives executed in 2019 to enhance KWAP's overall IT systems. It includes the improvements to IT security systems, deployment of new business systems as well as enhancements to the overall existing IT infrastructure. For IT security, a Database Activity Monitoring (DAM) system was deployed to further strengthen the monitoring and tracking of database activities, where database of business systems are audited and protected in real-time. The DAM will collect, monitor, analyse and report those activities and this can provide better visibility into network traffic of business systems. Additionally, the Data Leakage Protection (DLP) feature available in the DAM will address other security concerns related to these database activities.

As part of the continuous effort to increase awareness of all employees towards better understanding of IT and cyber security, a month-long Security Awareness Programme was conducted by the IT Governance team with a range of activities including forums, quizzes, movies and interactive talk shows.

Persisted in its automation and process improvement efforts, two IT processes were automated in 2019. First was the automation of access and user management through the procurement and implementation of a Privilege Access Management (PAM) solution. The PAM solution enables IT Security employees to better control the system administrator's access and passwords while also enabling the monitoring of privileged users

and other administrators via online. While the installation of an Enterprise Patch Management (EPPM) solution automates patch installations and enables the central distribution of software across different platforms.

In terms of business systems, improvements were made to the Private Equity System, Integrated Contribution Management System (ICMS), Financial Accounting System and Intranet Portal to enhance operational efficiency. In addition, a new Contribution Reporting Solution was developed in-house to complement ICMS and eliminate other manual reporting.

To have a better view of its data and business so that it can make better decisions, KWAP implemented the Enterprise Datawarehouse (EDW) where information and data are made accessible across the organisation for analysis and performance measurement. This implementation immediately benefitted the Integrated Investment Dashboard (IID) and will align with the Management Information System (MIS) project.

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A new Backup and Restore Solution was also procured and deployed to ensure that the IT infrastructure supporting KWAP's business continuity remains robust.

Stakeholders' Wellbeing

INVESTMENT SUPPORT SERVICES DEPARTMENT

Investment Support Services Department (ISSD) is the department under Operations in KWAP. This department's function covers the middle and back office and its key responsibility is to support business activities performed by KWAP's front office departments and its subsidiaries; Fixed Income, Equity, Alternatives Investment, Prima Ekuiti (UK) Limited and KWEST Sdn. Bhd. The functions of ISSD including clearing & settlement management together with record maintenance including safe keeping and reference management.

These are core investment operation functions and their key target is to deliver high-quality service. This is to ensure efficient, effective and timely service is provided for investment clearing and settlement, custodial services management on investments held and data management on reference and third-party information.

In 2019, ISSD successfully completed several core initiatives which the department believes would enhance the quality of service to its stakeholders: -



CUSTOMISING PRIVATE EQUITY SYSTEM FOR PAYMENT VOUCHER, RECEIPT VOUCHER AND MULTIPLE BANK ACCOUNT DETAILS

This initiative was carried out to improve the operations process by enhancing the Private Equity System to allow it to generate Payment and Receipt Vouchers and maintain details of multiple counterparty bank accounts. This initiative successfully went live on 2 December 2019.



SETTING-UP THE COLLATERAL MONITORING FUNCTIONS IN ISSD

The rationale in setting up collateral management is to build a structured and efficient management and monitoring of the daily operations of investment collateral activities between investment department and investment support services. Successful processing of collateral within an organisation requires knowledgeable employees who understand the components and processes that leads to safe and secure processing, aside from being aware of the pitfalls that can result in unnecessary risk exposure.

In addition, it helps KWAP to identify opportunities and gaps, enabling us to continually improve the processes and uphold good governance in line with market best practices. This initiative was successfully implemented in August 2019.

Stakeholders' Wellbeing

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The programme aimed to empower and engage its employees by nurturing the spirit of volunteerism and encouraging charitable deeds.

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KASIH KWAP

KWAP embraced the holy month of *Ramadhan* in 2019 by embarking on a series of Corporate Social Responsibility (CSR) initiatives through *Kasih KWAP* – a wide-range initiative comprising four outreach programmes and donation drives. *Kasih KWAP* was conducted to assist those in need during the fasting month and in preparation for the upcoming Eid celebration. Internally, the programme aimed to empower and engage its employees by nurturing the spirit of volunteerism and encouraging charitable deeds.

This year's *Kasih KWAP* reached out to five different communities in its month-long series of charitable initiatives which covered orphans, old folks, the underprivileged community (*asnaf*) and a special focus on its main stakeholder – pensioners and future pensioners.



4 initiatives conducted throughout the month of *Ramadhan* under the *Kasih KWAP* series



A total of **165** KWAP volunteers participated in *Kasih KWAP*



Over **2,500** packs of *Bubur Lambuk* were distributed at **2** different locations

Stakeholders' Wellbeing



► IHYA RAMADHAN - BUBUR LAMBUK DISTRIBUTION

Kasih KWAP was followed by the main event of the series, *Ihya Ramadhan* held on 24 May 2019 at *Masjid Bandar Seri Putra, Bangi* which was participated by a total of 60 KWAP volunteers. The one-day programme was held to celebrate the joy of the holy month of *Ramadhan* with low-income pensioners and the *asnaf* community through various activities. 28 KWAP volunteers joined hands to prepare 1,500 packs of *Bubur Lambuk* for the community. The preparation of the *Bubur Lambuk* was led by three professional chefs from *Pertubuhan Kulinari Amal Selangor* (Merci Culinary).

Other programmes during the event included congregational prayers, *Iftar* as well as *Moreh*. The *Tazkirah* sessions were conducted by *Ustaz Abdullah Khairi* and *Ustaz Daud Che Ngah* which took place after *Asr* and *Maghrib* prayers respectively.



► BUBUR LAMBUK DISTRIBUTION AT MASJID AL-HASANAH

The next programme was the *Bubur Lambuk* distribution session which took place the very next day at *Masjid Al-Hasanah, Bangi*. KWAP volunteers assisted in the preparation and distribution of 1,200 packs of *Bubur Lambuk*. The distribution started as early as after *Zuhur* prayers via drive-through.



► CHARITY VISIT TO RUMAH EHSAN

Kasih KWAP culminated with a visit to *Rumah Ehsan*, a home for the elderly located at *Kuala Kubu Bharu, Selangor* on 29 May 2019. The event saw KWAP volunteers bringing joy to over 70 elderly residents of *Rumah Ehsan*. *Ramadhan* gift packs were distributed and the residents were delighted to mingle with the volunteers. Essential goods, hampers and financial aid were presented to the home in preparation for *Hari Raya Aidilfitri*.

Initiated in 2014, *Kasih KWAP* is the philanthropic arm of KWAP's CSR initiatives. Thus, KWAP looks forward to spreading even more joy to the community through *Kasih KWAP* in the upcoming years.

Moving forward in years to come, KWAP also aspires to continue its efforts in giving back to the community through various CSR initiatives as a form of engagement, with the hope of instilling the spirit of volunteerism in its employees to touch more hearts.

Stakeholders' Wellbeing

INISIATIF RASA SAYANG

In collaboration with the Ministry of Health, KWAP rolled out its first *Inisiatif Rasa Sayang* at selected government clinics in Klang Valley. This initiative was held from 26 August to 18 September 2019 with the aim of reaching out to pensioners and educate them about KWAP's role and function, to promote *Karnival Rasa Sayang* as well as create awareness on KWAP's pension services including the MyPesara Mobile Application.

**26-27
AUGUST**

**Klinik Kesihatan
Sungai Buloh**

**3-5
SEPTEMBER**

**Klinik Kesihatan
Kuala Lumpur**

**17-18
SEPTEMBER**

**Klinik Kesihatan
Kelana Jaya**

These clinics were selected as they receive a high number of visits from pensioners and senior citizens daily.

A total of 108 KWAP employees volunteered to mend the booths, ferry senior citizens from the outdoor carparks to the entrances and distribute healthy snacks. Surveys were also carried out among the pensioners to further understand their needs and preferences on retirement life and productive ageing.



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The objective of the run was to encourage retirees to stay active and adopt a healthy lifestyle.

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LARIAN RASA SAYANG

KWAP held its inaugural run, *Larian Rasa Sayang*, on 5 October 2019 to kick start the two-day *Karnival Rasa Sayang* at Stadium Shah Alam, Selangor. The objective of the run was to encourage pensioners to stay active and adopt a healthy lifestyle.

The event, which was opened to the public, had three categories namely 10km, 5km and 2km. A 30-minute warm-up session was led by renowned fitness instructor, Kevin Zahri, before the flag-off of each category by KWAP's senior management. It received an overwhelming response with over 3,000 runners from all ages, including over 200 pensioners participating in the event.

Stakeholders' Wellbeing

KARNIVAL RASA SAYANG

Insight. Excite. Engage.

a tagline synonymous to KWAP's Karnival Rasa Sayang

KWAP's second *Karnival Rasa Sayang* (KRS) was held on 5 and 6 October 2019 at Stadium Shah Alam and received almost 4,500 visitors throughout the two-day event. KRS is an all-inclusive carnival that welcomes visitors of all ages with its focus on promoting retirement preparedness and productive ageing.

The carnival offered ideas on how to carry out a holistic approach to retirement planning targeted at current pensioners and future pensioners and their circle of influence. It focused on three new aspects – hobbies, travel and lifestyle, and career – to complement the five main pillars. KRS was built on to create an active and meaningful retirement; financial, health, social, environment and psychology.



The carnival was launched by KWAP's Chairman, Tan Sri Ahmad Badri Mohd Zahir, who is also the Secretary General of Treasury, Ministry of Finance. Almost 200 KWAP employees volunteered at the event and made it a success story for KWAP. The event also saw participation from over 40 strategic partners including Hire.Seniors Malaysia, Counselling and Debt Management Agency (AKPK), the Congress of Unions of Employees in the Public and Civil Services (CUEPACS), Public Service Department (JPA) and several merchant partners from KWAP's MyPesara mobile application to represent each core pillar.

A host of activities such as workshops, talks, exhibition booths, kids' activities, live performances and on-ground programmes were held throughout the carnival to engage with pensioners and their family members. Among the highlights at the carnival were:

- ▶ Pensioner-related activities by Hire.Seniors and Federal Agricultural Marketing Authority (FAMA) to cater to pensioners that are keen to embark on a post-retirement career or an entrepreneurship opportunity.
- ▶ Leisure-based activities from *Biji-Biji Initiative* and The Hive which conducted workshops for those who wanted to enrich their retirement with new hobbies.
- ▶ Knowledge-sharing sessions by *Polis Diraja Malaysia* on cyber awareness and financial planning to educate pensioners on the importance of being vigilant and less vulnerable to ensure they do not fall victim to cybercrime.
- ▶ Health talks by the Ministry of Health, Hospital Rehabilitasi Cheras and KPJ Healthcare, which emphasised on healthy living.
- ▶ Healthy cooking demonstration by Dato' Fazley Yaacob and fitness by Kevin Zahri.

KWAP took the opportunity to set up an information booth for pensioners to update personal information, printing of pension cards and statements as well as answer queries on pension payments. Furthermore, KWAP volunteers were available throughout the carnival to answer questions about KWAP's services and increase awareness on cyber security.

There was also a dedicated zone for the MyPesara mobile application where visitors can download and learn about the features available in the mobile application. The mobile feature keeps users updated on pension-related matters and new services by merchant partners such as AEON and Mydin, besides allowing them to explore customised financial and health services. Aside from creating awareness and educating pensioners and visitors, the carnival also had activities for all age groups, such as live performances, food trucks, outdoor bazaar, kids' activities and games.

Stakeholders' Wellbeing

ANUGERAH IKON PESARA

The *Anugerah Ikon Pesara* (AIP) is an award initiated by KWAP to recognise and appreciate the contribution of public sector pensioners in the fields of education, social & community development, and entrepreneurship. The objective of the award is to identify pensioners who have made a significant impact in the three areas while promoting productive ageing and active retirement.

Meant for Malaysian public sector pensioners aged 55 years and above, the inaugural AIP received a total of 66 nominations. The winner of AIP 2019 was Sariah Amirin, in recognition of her significant contribution in the area of education. As the founder and President of *Persatuan Dyslexia Malaysia*, she has positively impacted the lives of thousands dyslexic students through her dyslexia schools and publications.

Starting off with only a three-month intensive programme for six dyslexic children, Sariah now has over 600 students in 15 dyslexia centres throughout the country. Apart from having written 10 books in Bahasa Malaysia for dyslexia schools, Sariah also helped parents to cope with their dyslexic children at home. As the winner of the award, Sariah won a travel package worth RM15,000, RM3,000 in cash, the inaugural "Ikon Pesara" trophy and a certificate of participation.

Sariah's efforts in the education sector fulfilled the award's criteria that called for a minimum of one year's contribution in education prior to the nomination. It also requires participants to have developed a curricular or resources and services that enhance the learning process and education accessibility of marginalised communities. The enhancement of the learning process can be achieved through the participant's innovative teaching methods or sponsoring of scholarships, which can motivate or inspire students.

Nine other pensioners emerged as consolation winners and were chosen due to their contributions to education, social & community development and entrepreneurship. They received RM500 cash each in addition to a trophy and a certificate. The prizes were presented at *Karnival Rasa Sayang* 2019 in Shah Alam, Selangor.

The winners were selected by the following panel of three judges:



- ▶ **Tan Sri Datuk Seri Panglima Dr. Lee Lam Thye** – The head judge was an independent representative to ensure transparency and fairness. Tan Sri Lee was appointed the head judge due to his vast experience gained from the various roles he holds, such as the Chairman of the National Institute of Occupational Safety and Health in the Ministry of Human Resources, Malaysia Deputy Chairman and Executive Officer of the Malaysia Crime Prevention Foundation (MCPF) and Chairman of the Board of Trustees of S P Setia Foundation.
- ▶ **Datuk Teo Khian How** (Director of Post Services Division) – Datuk Teo was a representative from the Public Services Department.
- ▶ **Prof. Dato' Dr. Tengku Aizan Hamid** (Director of MyAgeing, Universiti Putra Malaysia) – She was involved in producing the MyAgeing Report which seeks to understand the stages and processes of ageing in relation to retirement.

NURTURING OUR EMPLOYEES

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KWAP recognises our employees as our most valuable assets. With their involvement in every facet of the organisation, we are aware that we must invest in them continuously and consistently in order to unlock their potential. Doing this will not only improve our own capabilities, but also ensure our business objectives are implemented successfully.

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We invest in our employees through a variety of training and development programmes, while also paying close attention to the engagement aspect. We believe that engaging with our employees will encourage them to take a keener interest in the work that they do, while also giving them a greater sense of empowerment and belonging.

UPSKILLING OUR WORKFORCE



TALENT DEVELOPMENT: GROUP COACHING PROGRAMME

KWAP has long inculcated and practiced a coaching culture to engage and communicate effectively on business and personal development among its employees. Thus far, coaching sessions have been successfully implemented for succession planning, performance coaching, developing talent pool and individualised development plan.

In 2019, the coaching horizon was expanded further to enable more employees to benefit from internal coaching and peer-to-peer experience sharing. This year, a Group Coaching Programme was established where a group of 20 middle management level employees were given training on group coaching skills. These coaches then conducted coaching sessions for 58 non-executive and associate level employees.

The outcome was commendable and met its objective, with 89% of recipients believing that the programme should be continued and expanded further for other employees to also benefit. Overall, the group coaches were rated 87.5% competent and effective in their application of group coaching to employees. The ultimate objective is to strengthen leadership capabilities and encourage the culture of open and productive communication, at all levels in KWAP.



REVISED EDUCATION ASSISTANCE SCHEME (EAS)

In light of the Fourth Industrial Revolution, it is projected that the employment landscape will change rapidly, transforming current job profiles and skills that are required to meet the demands of the future.

Therefore, to cater to these changes, in 2019 we enhanced the KWAP Education Assistance Scheme to enable robust learning pathways and produce a multiskilled workforce. The Education Assistance Scheme is one of KWAP's employee benefits which enables employees to take up certification and tertiary education courses of any field that supports life-long learning, multiskilling and upskilling of our workforce. The revised scheme aims to be a catalyst to encourage employees in enhancing their skills and to be future-ready.

With the implementation of the revised scheme, we recorded an 89% increase in the registration for certification and tertiary education.

Nurturing Our Employees



PENSION INDUSTRY AND TECHNICAL TRAINING

In line with building future pension experts, we continually design and conduct pension related training for our employees in the Pension Services Department (PeSD) specifically and for the rest of KWAP generally. These training programmes also ensure that our employees in PeSD are adequately equipped with enough technical knowledge to carry out their daily tasks.

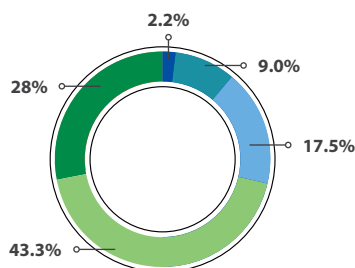
This year, two programmes designed, developed and delivered by our internal talents were successfully launched.

- Adjustment: The Deeper Truth - focuses on pension adjustment and calculation
- The Ins and Outs of Derivatives Pension - focuses on pension payment processing for recipients of deceased pensioners

This brings the total number of internally-designed programmes to four.

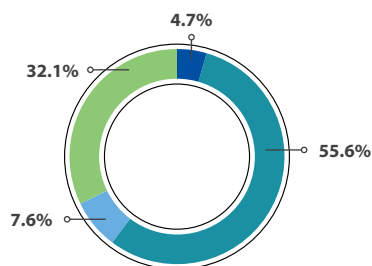
In addition to these, two other in-house programmes were organised in collaboration with the National Archives of Malaysia, titled Pengurusan Fail dan Rekod Kerajaan; and the National Accounting Institute under the Accountant General's Office, titled iGFMAS: An Awareness Programme.

LEARNING DAYS BY CATEGORY OF EMPLOYEES



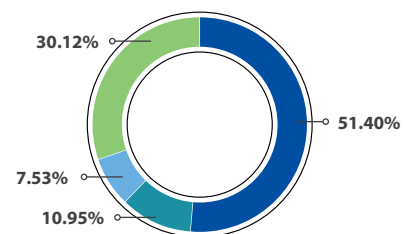
- Top Management (Director & above)
- Senior Management (VP)
- Middle Management (AVP)
- Junior Management (Senior Associate & Associate)
- Non-Executive

LEARNING DAYS ATTENDED BY CATEGORY OF PROGRAMME



- Leadership & Management
- Technical Functional Development Programme
- Soft Skills Development Programme
- Values, culture & motivation

TRAINING BUDGET EXPENDITURE BY CATEGORY OF PROGRAMME



- Leadership & Management
- Technical Functional Development Programme
- Soft Skills Development Programme
- Values, culture & motivation

Nurturing Our Employees

66

In the year 2019, KWAP's "Home Run to Health" (HRTH) was introduced as the main theme of its employee engagement activities. HRTH is a one-year wellness programme that support the overall employee wellbeing initiatives. The health series included number of activities, workshops and talks which are in line with the four key elements in achieving one's wellness holistically, namely; fitness, mental health, nutrition, and financial health. A specific theme and related activities were planned for each quarter of the year.

99



EMPLOYEE ENGAGEMENT - KWAP'S HOME RUN TO HEALTH

In the first quarter of the year, HRTH focused on the awareness of fitness and physical health of our employees. In the second quarter, the emphasis was on the current rising issues of mental health and the third quarter touched on a fundamental problem in society, which is nutrition. Closing the year with the fourth quarter, the HRTH's final theme focused on financial planning.

To complement the programme further, HRTH also introduced an 8-month fitness and health competition for KWAP's employees. Forty employees took part, and as a result, these participants had shown tremendous improvement in their fitness and health levels at the end of the competition.

Four key elements in achieving one's wellness holistically, namely:

FITNESS



MENTAL HEALTH



NUTRITION



FINANCIAL HEALTH

Nurturing Our Employees

Overall, a total of 13 activities were conducted under the pillars of HRTH. The list of activities are listed below:

01 HOME RUN TO HEALTH OPENING CEREMONY SUPPORTED BY PLEDGE BY THE C-SUITE



To introduce to the employees the HRTH, a whole year programme that focuses on health and wellbeing through engagement activities.

02 HEALTH SCREENING FIESTA



A health awareness campaign with over 20 health service providers in Malaysia available for employees to get their free health checkup. The campaign marks the beginning of the Home Run to Health program with the aim to increase the awareness on the importance of physical health between KWAP employees.

03 HEALTH REPORT CARD DAY & MARKET PLACE



A one day health event with certified health specialist whom are available to interpret the employees Medical Health Check up result. Variety of discounted fresh fruits and vegetable available for KWAP employees to purchase and enjoy.

04 FIT POSSIBLE (8 MONTH GETTING HEALTHY COMPETITION)



Fit Possible is a health intervention program that aims to facilitate and motivate participant to improve their overall health. The uniqueness of the program is such that it measure all aspect of the contestant health including body fat mass, glucose level, muscle mass & weight/BMI.

05 PHILANTHROPIC MARKET



Booths were opened for the day to expose employees to new products by social enterprises.

06 OMG: OH MUKA GIRANG!: STRESS MANAGEMENT TALK



A talk to introduce employees to ways to manage stress through building blocks as well as manage others who are stressed to avoid conflicts at work.

Nurturing Our Employees

Overall, a total of 13 activities were conducted under the pillars of HRTH. The list of activities are listed below:

07 HYPNOTHERAPY TALK



In collaboration with Eunoia, KWAP invited a certified clinical hypnotherapist that focuses on the new methodology in managing stress/anger via self-hypnotherapy.

08 NUTRI-LICIOUS CARNIVAL



In collaboration with Lushbowl and Malaysian Dietician Association (MDS), the carnival aimed to educate the employees on the importance of nutritional intake and balanced diet towards the well-being of the overall health.

11 LOVE FOOD? ME TOO!: NUTRITIONAL TALK



- Special guest: Chef Goo Chui Hoong (Award Winning Books for healthy eating)
- Learn the art of moderation and meal prep tips for working adult.

09 MINDORPHIN CARNIVAL



Mindorphin Carnival was introduced with the aim to break the stigma of mental health issues amongst KWAP employees. The carnival was created with the base of boosting the endorphin for a healthier mind. Several fun & exciting games are present during the carnival to promote the awareness of mental health issues.

10 POCKET SURVIVAL QUEST



In Collaboration with more than 20 financial services in Malaysia with an aim to promote financial literacy amongst KWAP employees.

12 BANK NEGARA - FINANCIAL SCAM TALK



Special talk in educating KWAP employees on the importance of ensuring our finance and being aware of the financial scam that are increasing in issues.

13 TOCLAN ASIA – HYDROPONIC PLANTATION FOR FINANCIAL WELLNESS



Learn practical tips and skills in planting your own hydroponic plants at home for the benefit of saving and securing your finance.

Nurturing Our Employees

TEAM BUILDING 2019

CONDUCTED 2 SESSIONS

of team building at Thistle Port Dickson in March and April 2019; where

473 participated and lived KWAP core values through the team building experience.

The team building included planned staff group performances participated by all levels of employees.

The performances highlighted **STRONG VALUES** such as teamwork, creativity and collaboration among KWAP employees.

The objective of the team building is to **STRENGTHEN TEAM BONDING** through enculturation of core values embedded in the team building activities; aim to increase the desired culture and employee engagement at the workplace.

Overall employees rated the programme **80%** for meeting the objective of cultivating teamwork and instilling values which translates to work culture.



Nurturing Our Employees

KWAP employs a total of 610 employees who have served an average of 4.5 years each. As a relatively young organisation with a mean age of 34 years, almost 80% of our employees are 40 years old and below. Most of our employees have a degree (or its equivalent) or higher qualifications, with 13% being post graduates and accredited Chartered Financial Analysts.

EMPLOYEE PROFILE 2019

In terms of diversity, there is slightly more female representation across the organisation, and in terms of generational mix, Generation Y and Z make up three-quarters of the numbers. In the context of new recruits, we hired from 10 different industries in 2019, with the highest number coming from other financial institutions.

KWAP's total manpower of 610 EMPLOYEES

as at 31 December 2019

 **Average years of service**
4.54 years

AVERAGE AGE (YEAR)



34.73
Male



34.12
Female

GENDER DISTRIBUTION (%)



48.69%
Male



51.31%
Female

Total 297 | 313

RECRUITMENT & TURNOVER



84
Manpower



30
Attrition

TYPES OF RECRUITMENT

Permanent 540 employees	Contract 51 employees
Secondment 19 employees	Internship 7 employees

BREAKDOWN OF EMPLOYEES BASED ON LOCATION

Kuala Lumpur Office
399 employees

Cyberjaya Office
208 employees

United Kingdom Office
3 employees

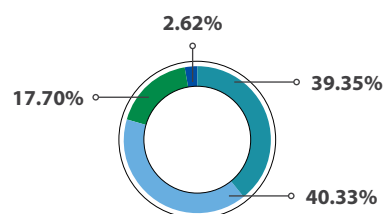
BREAKDOWN OF EMPLOYEES BASED ON COMPANIES

KWAP
596 employees

KWEST
11 employees

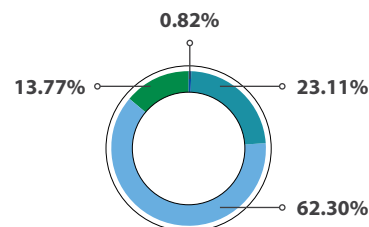
PEUK
3 employees

MANPOWER DISTRIBUTION BY AGE



	Total
Below 30	240
31 - 40	246
41 - 50	108
Above 50	16

GENERATION DISTRIBUTION



	Total
Baby Boomers	84
Generation X	380
Generation Y	141
Generation Z	5

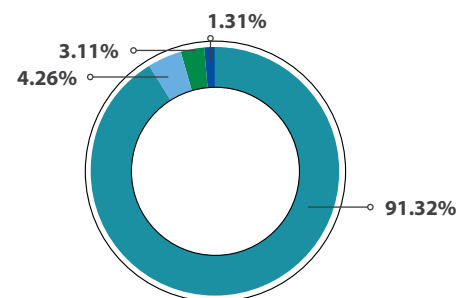
Nurturing Our Employees

SOURCES OF NEW RECRUITS BY INDUSTRY

	Financial Institution	25 employees
	Property	2 employees
	Consultancy	15 employees
	Oil & Gas	3 employees
	Government	12 employees
	Education	1 employee
	Manufacturing	3 employees
	Retail	1 employee
	Service	10 employees
	Fresh graduates	12 employees

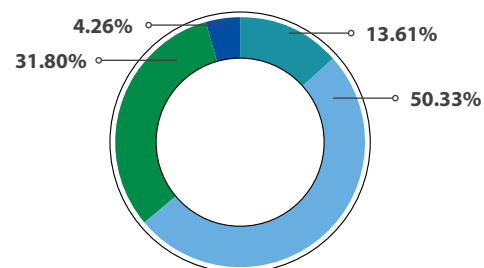
TOTAL NEW RECRUITS
84

ETHNIC BREAKDOWN


Total

Malay	557
Chinese	26
Indian	19
Others	8

PROFESSIONAL QUALIFICATION


Total

Post Graduate/CFA Charter Holder	83
Degree/Professional Qualification	307
Diploma	194
Certificate	26

Safeguarding THE FUTURE



Upholding good corporate governance and integrity remains a crucial component to KWAP's leadership in achieving the fund's objectives. Stakeholders can be assured of long-term and sustainable value creation given our strong commitment to promoting best practices in this area.

03

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OUR LEADERSHIP

PROFILE OF THE BOARD MEMBERS



TAN SRI AHMAD BADRI BIN MOHD ZAHIR

*Secretary General of Treasury, Ministry of Finance
Section 6(4)(a) Retirement Fund Act 2007*

Tan Sri Ahmad Badri bin Mohd Zahir was appointed as the Chairman of the Board on 12 September 2018.

He was previously the Secretary General of Treasury, Ministry of Finance until his retirement on 30 April 2020.

He has served for almost thirty (30) years in the Ministry of Finance holding several senior positions, including the Director of the National Budget Office, Under Secretary of Strategic Investment Division and Deputy Secretary-General (Management) of Treasury.

Tan Sri Ahmad Badri also serves on the Boards of the Central Bank of Malaysia (Bank Negara Malaysia), Permodalan Nasional Berhad, Tenaga Nasional Berhad, Employees Provident Fund, Lembaga Tabung Haji, Perbadanan Insurans Deposit Malaysia (PIDM), DanaInfra Nasional Berhad, Cyberview Sdn Bhd and Malaysia Development Holding Sdn Bhd (MDHSB). He is also the Chairman of the Boards of Inland Revenue Board of Malaysia (LHDNM) and Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA). He is also a member of the Corporate Debt Restructuring Committee.

He obtained his Bachelors' Degree with Honours and Diploma in Land and Property Management from Universiti Teknologi MARA, Diploma in Public Administration from the National Institute of Public Administration (INTAN) and Masters in Business Administration from University of Hull, United Kingdom.

ENCIK ADNAN ZAYLANI BIN MOHAMAD ZAHID

*Bank Negara Malaysia's Representative
Section 6(4)(b) Retirement Fund Act 2007*

Encik Adnan Zaylani was reappointed as KWAP Board Member on 1 March 2019.

He is currently the Assistant Governor of BNM responsible for Financial Development and Innovation, Islamic Banking and Takaful, Insurance Development, Development Finance and Inclusion and Legal. He is a member of BNM's Management Committee, Financial Stability Committee and Reserve Management Committee.

He also represents BNM as a member of the Labuan Financial Services Authority, as a Board Member of Credit Guarantee Corporation Berhad (CGC), a member of Board Executive Committee of International Islamic Liquidity Management Corporation, Executive Committee Member and Audit Committee Member of INCEIF.

Encik Adnan Zaylani holds a Masters' in Public Policy from Blavatnik School of Government, University of Oxford as well as Masters in Global Market Economics and Bachelor of Economics from the London School of Economics and Political Science.

Our Leadership

PROFILE OF THE BOARD MEMBERS



DATO' ASRI BIN HAMIDON @ HAMIDIN

Ministry of Finance's Representative

Section 6(4)(c) Retirement Fund Act 2007

Dato' Asri was appointed as KWAP Board member on 26 October 2018. He is currently the Secretary General of Ministry of Finance since 1 May 2020.

Dato' Asri began his career as an Assistant Director of the Economic Planning Unit in the Prime Minister's Department in 1994. Later, he moved to the Anti-Corruption Agency in April 1998, before serving as Administrative and Diplomatic Officer in the Public Service Department from March 2003. Dato' Asri continued his service as the Principal Assistant Secretary in the Ministry of Finance (MOF) and has held several other positions since, including Deputy Under-Secretary, Investment, MoF Inc. and Privatisation Division. He was appointed the Under-Secretary, GIC Division, MOF in July 2015 before promoted as the Deputy Secretary General of Treasury (Investment) in March 2018 and was later appointed as the Deputy Secretary-General (Policy), before being appointed to his current position.

Dato' Asri is also an Independent Non-Executive Director of Bina Darulaman Berhad, and director of Small Medium Enterprise Development Bank Malaysia Berhad, Telekom Malaysia Berhad, Pelaburan Hartanah Berhad, DanaInfra Nasional Berhad, Aset Tanah Nasional Berhad, GovCo Holdings Berhad, Protecthealth Malaysia, Malaysia Convention & Exhibition Bureau and Chairman and Director of 1Malaysia Development Berhad.

He obtained Bachelors' in Economics (Hons) from University Malaya in 1990, Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1996 and Masters' in Economics from Hiroshima University, Japan in 2006. Dato' Asri also attended Harvard Premier Business Management Program in 2010.

DATUK SITI ZAINAB BINTI OMAR

Federal Government's Representative

Section 6(4)(e) Retirement Fund Act 2007

Datuk Siti Zainab was reappointed as KWAP Board Member on 1 March 2019.

She currently serves as the Solicitor General II, Attorney General's Chambers. Datuk Siti Zainab began her career in the Judicial and Legal Service of Malaysia as a Deputy Public Prosecutor in the Prosecution Division of the AG's Chambers. She then served in various capacities in other government agencies and has wide legal experiences in areas of constitutional law, finance and Islamic law, corporate and contract law. She is also involved in many international negotiations in her capacity as Treasury Solicitor in the Ministry of Finance and in her current position. She has also served as the State Legal Advisor of Malacca. She currently sits on the Boards of Subang Golf Course Corporation and Indah Water Consortium.

Datuk Siti Zainab read law and obtained LLB (Hons.) from Essex University, United Kingdom. She was admitted to the Bar of England & Wales (Gray's Inn) in 1986. In 1998, she was admitted to the Malaysian Bar as an Advocate & Solicitor.

Our Leadership



DATUK DR. YACOB BIN MUSTAFA C.A(M), FCPA(AUST.), CPFA(UK)

*Federal Government's Representative
Section 6(4)(e) Retirement Fund Act 2007*

Datuk Dr. Yacob Mustafa has been appointed as as KWAP Board Member on 15 December 2019.

Datuk Dr. Yacob Bin Mustafa is the Accountant General of Accountant General's Department (AGD) in Malaysia. He is also a Chartered Accountant (Malaysia), Fellow of Certified Practicing Accountant (Australia) and Chartered Public Finance Accountant (UK). Prior to his current position, he served as Deputy Accountant General (Corporate) and Deputy Accountant General (Operation) in AGD. His career journey has spanned more than 30 years of experience in serving various government department.

Currently, Datuk Dr. Yacob serving as Member, Board of Directors of Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA), Perbadanan Insurans Deposit Malaysia (PIDM), Danalnfra Nasional Berhad (Danalnfra), Lembaga Hasil Dalam Negeri (LHDN) and Kumpulan Wang Persaraan Diperbadankan (KWAP).

Datuk Dr. Yacob holds a degree in accounting from Universiti Malaya, a Master's degree in Business Administration from Universiti Kebangsaan Malaysia and a PhD in Economics from Universiti Kebangsaan Malaysia too.

Note:

There is no disclosure on Datuk Dr. Yacob bin Mustafa's attendance at Board Meetings in 2019 as he was appointed on 15 December 2019 and the last Board meeting held was on 28 November 2019.

DATUK TEO KHIAN HOW

*Federal Government's Representative
Section 6(4)(e) Retirement Fund Act 2007*

Datuk Teo Khian How was reappointed as a Member of the Board on 1 March 2019.

He is currently Director, Post Service Division, Public Service Department. He obtained his Master in Science Policy from Saitama University, Japan and Bachelor of Arts (Hons) from Universiti Kebangsaan Malaysia.

Our Leadership

PROFILE OF THE BOARD MEMBERS



DATO' AZMI BIN ABDULLAH

Private Sector's Representative

Section 6(4)(f) Retirement Fund Act 2007

Dato' Azmi bin Abdullah was reappointed as a Member of the Board on 1 March 2019.

He is presently a Board member of Ireka Corporation Berhad and also sits on the Boards of several other private limited companies.

Dato' Azmi has extensive banking experience as he was formerly the First Managing Director/Chief Executive Officer of SME Bank and the Managing Director/Chief Executive Officer of Bumiputera-Commerce Bank Berhad, where he served for more than 26 years in various departments. He was also an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad from 2009 to 2018.

He obtained a Bachelor of Arts (Hons) degree in Economics from Universiti Kebangsaan Malaysia (UKM) and Honorary Doctorate in Business Administration from UKM on 16 August 2006.

YM RAJA TEH MAIMUNAH BINTI RAJA ABDUL AZIZ

Private Sector's Representative

Section 6(4)(f) Retirement Fund Act 2007

YM Raja Teh Maimunah was appointed as a Member of the Board on 15 May 2019. She was previously appointed as a Member of the Investment Panel on 1 March 2019.

YM Raja Teh Maimunah has over 25 years of financial services experience covering Investment, Wholesale, Islamic and Digital Banking. She is at present the Managing Director of Wholesale Banking, AmBank Group. Prior to her current appointment, she was the Chief Executive Officer of AmlInvestment Bank and before that, the Managing Director and Chief Executive Officer of Hong Leong Islamic Bank Berhad and COO of Digital Innovation and Transaction Banking at Hong Leong Banking Group. Prior to that, she held the positions of Global Head of Islamic Markets at Bursa Malaysia, Chief Corporate Officer and Head of International Business at Kuwait Finance House Malaysia, Senior Director of Bank Alkhair Bahrain (previously known as Unicorn Investment Bank) and Head of Investment Banking at RHB Sakura Merchant Bank (now RHB Investment Bank). Raja Teh Maimunah also served in Pengurusan Danaharta Nasional Berhad (Malaysia's national asset management and debt recovery agency) during the Asian financial crisis in 1998 and was with CIMB Investment Bank for almost 10 years covering debt and equity origination and equity sales. She spent her early days at KPMG Peat Marwick Consultants.

She was awarded an Honorary Doctorate of Law from the University of East London, United Kingdom and holds an LLB (Hons) from the same university.

Raja Teh Maimunah is the Adviser on Islamic Banking and Finance to the World Islamic Economic Forum Foundation. She also sits on the executive committee of Pertubuhan Tindakan Wanita Islam (PERTIWI), an NGO dedicated to the empowerment of women and alleviating hunger as well as on the Board of Advisors for PichaEats, a social enterprise.

Our Leadership



ENCIK MOHD ISMADI BIN ISHAK

Private Sector's Representative

Section 6(4)(f) Retirement Fund Act 2007

Encik Mohd Ismadi bin Ishak was appointed as a Member of the Board on 1 March 2019.

He is currently Chief Financial Officer TRX City Sdn Bhd. He was also appointed as Chairman of KWEST Sdn Bhd, a wholly-owned subsidiary of KWAP, on 16 April 2019. Prior to this, En Mohd Ismadi has served in various organisations including Arthur Andersen & Co, UEM Group and Prokhas Sdn Bhd. He has more than 20 years of accounting and finance experience, including strategic planning, corporate finance, budgeting and implementation.

He obtained his Masters in Business Administration from University of Strathclyde, Scotland, United Kingdom and a Bachelor's degree in Accounting and Finance from De Montfort University, Leicester, United Kingdom.

DATUK AZIH BIN MUDA

Contributories' Representative

Section 6(4)(g) Retirement Fund Act 2007

Datuk Azih bin Muda was reappointed as a Member of the Board on 1 March 2019.

He was formerly the President of CEUPACS. He is currently a Board member of the Social Security Organisation (SOCSO/PERKESO).

Our Leadership

PROFILE OF THE BOARD MEMBERS



TUAN SYED HAMADAH BIN SYED OTHMAN

Chief Executive Officer (Ex-Officio Member)

Section 6(4)(d) Retirement Fund Act 2007

Tuan Syed Hamadah bin Syed Othman was appointed as the Chief Executive Officer of KWAP on 1 November 2018.

Tuan Syed Hamadah is one of the leading practitioners in the pension and social security space in the country. Prior to joining KWAP, he was a Director at Actuarial Partners Consulting Sdn Bhd. During his tenure at the firm, he led the pension business and specialised in consulting on issues including pension funding and accounting; mergers and acquisitions; pension scheme design; pension reform and training. He was also part of the consulting team for the review of the pension, social security and healthcare system in Malaysia. In addition, he has worked on benefit reviews and designs of major pension schemes in Malaysia and abroad. He has vast experience as a speaker and panellist at major conferences in the country.

Tuan Syed Hamadah currently sits as a Board member of edotco Group and KWAP's wholly-owned subsidiaries, namely KWEST Sdn Bhd and Prima Ekuiti (UK) Limited, based in London, United Kingdom.

Tuan Syed Hamadah is a Fellow of the Faculty of Actuaries, United Kingdom and a Fellow of the Actuarial Society of Malaysia. He holds a Bachelor of Science (Hons) in Actuarial Mathematics and Statistics from Heriot-Watt University, Edinburgh, United Kingdom.

LIST OF RETIRED BOARD MEMBERS

01 Dato' Siow Kim Lun

(Term of Appointment Ended on 28 February 2019)

02 Dato' Dr. Gan Wee Beng

(Term of Appointment Ended on 28 February 2019)

03 Datuk Saat bin Esa

(Retired on 30 October 2019)

Our Leadership

PROFILE OF INVESTMENT PANEL MEMBERS



ENCIK MOHD RASHID BIN MOHAMAD

Chairman of the Investment Panel

Section 7(2)(a) Retirement Fund Act 2007

Encik Mohd Rashid bin Mohamad was appointed as Chairman of the Investment Panel effective 1 March 2019.

He is currently the Group Treasurer for RHB Banking Group, leading the Group-wide Treasury and Global Markets businesses in line with the strategic direction and aspirations of the Group.

Encik Mohd Rashid possesses over 26 years of experience in the financial markets and has worked in several financial institutions in Singapore and Malaysia, namely ABN Amro NV, the Royal Bank of Scotland and AmBank Group. He started his career with Bank Negara Malaysia in 1988 and spent 14 years in the Banking Supervision and Investment Operation and Financial Markets Departments.

Encik Mohd Rashid holds a Master's degree in Business Administration with Distinction from the University of Wales, Cardiff, United Kingdom and is a qualified Chartered Accountant with the Malaysian Institute of Accountants.

CIK AZAH HANIM BINTI AHMAD

Ministry of Finance's Representative

Section 7(2)(c) Retirement Fund Act 2007

Cik Azah Hanim binti Ahmad was appointed as an Investment Panel Member effective 1 March 2019 as a representative of the Ministry of Finance (MOF).

She is currently the Under Secretary, International Division, the MOF. Previously, Cik Azah Hanim served as Deputy Under Secretary, Regional and Multilateral and Deputy Under Secretary, Research and Negotiations at the International Division, the MOF. She also served as Deputy Under Secretary Policy and Consultancy; Section Head, Procurement Policy Development Section; and Principal Assistant Secretary, International Procurement Policy Unit. Prior to her responsibilities in the MOF, she served as Assistant Secretary, Budget Unit, Finance Division in the Ministry of Education.

Currently, Cik Azah Hanim sits on the Boards of Kemaman Port Authority, Boustead Naval Shipyard Sdn Bhd and the ASEAN Infrastructure Fund.

Cik Azah Hanim holds a Master of Business Administration from Nanyang Technological University, Singapore.

Our Leadership

PROFILE OF INVESTMENT PANEL MEMBERS



ENCIK MOHAMED NAZRI BIN OMAR

Private Sector's Representative

Section 7(2)(e) Retirement Fund Act 2007

Encik Mohamed Nazri bin Omar was appointed as a Member of the Investment Panel effective 1 May 2016 as a representative from the private sector.

He is also Chairman of Prima Ekuiti (UK) Limited, a wholly owned subsidiary of KWAP based in London, United Kingdom.

Encik Mohamed Nazri is currently the Managing Director/Chief Executive Officer of Danajamin Nasional Berhad, effective 1 May 2014. He began his career at Citibank Berhad and subsequently served in Macquarie Bank Limited as well as RHB Sakura Merchant Bankers Berhad (currently known as RHB Investment Bank Berhad). Before joining Danajamin, Encik Mohamed Nazri served in several capacities in Kuwait Finance House (M) Berhad, which included Director of Investment Banking and Head of Capital Markets and Advisory.

Encik Mohamed Nazri holds a Bachelor of Arts degree majoring in Economics (Hons) and Government from Cornell University, USA.

DATO' NOORAZMAN BIN ABD AZIZ

Private Sector's Representative

Section 7(2)(e) Retirement Fund Act 2007

Dato' Noorazman Abd Aziz was appointed as KWAP Investment Panel on 23 July 2019 as a representative from the private sector.

He is currently the Chairman of UEM Sunrise Bhd and sits on the Boards of UEM Edgenta Bhd, PLUS Malaysia Bhd, Kumpulan Perangsang Selangor Bhd and Hong Leong Financial Group Bhd.

He also serves as Chairman of the Board of Trustees of Yayasan UEM, the philanthropic arm of UEM Group, and Chairman of the Board of Trustees of International Centre for Education in Islamic Finance (INCEIF).

Dato' Noorazman obtained his Bachelor of Science (Finance) from Louisiana State University, USA. He has over 37 years of experience in banking & finance, investments and capital markets having served as Executive Director, Investments in Khazanah Nasional Berhad, Managing Director of Fajr Capital Ltd and held key positions in Citigroup, Bank Islam Malaysia Bhd, Kuala Lumpur Stock Exchange and Labuan Offshore Financial Services Authority (LOFSA), to name a few.

He is a practising member of the Chartered Institute of Islamic Finance Professionals (CIIF) as well as a member of the Australian Institute of Company Directors and Institute of Corporate Directors Malaysia. He also sits on the Advisory Boards of Ancora Fund Management Co. in Indonesia and Creador Sdn. Bhd.

In 2005, Dato' Noorazman was named as the winner of the first Asian Banker Achievement Award for Islamic Finance.

Our Leadership



ENCIK CHEN YIN HENG

Private Sector's Representative

Section 7(2)(e) Retirement Fund Act 2007

Encik Chen Yin Heng was appointed as a Member of the Investment Panel effective 15 May 2019 as a representative from the private sector.

He is currently the Chief Executive Officer of Prokhas Sdn Bhd. Encik Chen Yin Heng began his career in the banking industry at Co-operative Central Bank (CCB) in 1986. Since then, he has served in various departments of different financial institutions, namely MBF Finance Berhad (1988), Development & Commercial Bank Berhad (1989) and Oriental Bank Berhad (1991). He then joined Bank of Commerce (M) Berhad in 1993 as the Assistant Vice President in Corporate Banking. In 1995, he left the banking industry and joined Puncakdana Development Sdn Bhd, a property development company.

Encik Chen Yin Heng subsequently joined Pengurusan Danaharta Nasional Berhad (Danaharta) in October 1998 where his last-held position was as Assistant General Manager heading the Informal and Section 176 Schemes Group where he developed extensive experience in the evaluation of major debt-restructuring schemes.

He joined Prokhas on 1 January 2006 as the Assistant General Manager of Operations. He took on the position of Deputy General Manager of Danaharta Operations after three years and later headed the Credit Division as General Manager in January 2011. Prior to his appointment as the CEO of Prokhas, he was the Senior General Manager of the Management Services Division.

He is currently the principal officer of the following companies: Danalnfra Nasional Berhad, Syarikat Jaminan Pembiayaan Perniagaan (SJPP) and Syarikat Jaminan Kredit Perumahan Berhad (SJKP). He is also a director of Pengurusan Danaharta Nasional Berhad.

Encik Chen Yin Heng graduated from La Trobe University, Melbourne, Australia with a Bachelor's degree in Economics.

ENCIK AHMAD FARIS BIN RABIDIN

Private Sector's Representative

Section 7(2)(e) Retirement Fund Act 2007

Encik Ahmad Faris bin Rabidin was appointed as a Member of the Investment Panel effective 15 May 2019 as a representative from the private sector.

Encik Ahmad Faris is a member of the National Debt and Liability Management Committee. He is also a Board member of Petroleum Nasional Berhad.

Encik Ahmad Faris has served as an independent consultant with the Asian Development Bank (ADB), providing technical assistance to Badan Pengawas Pasar Modal dan Lembaga Keuangan (Bapepam-LK) and the Otoritas Jasa Keuangan (OJK) of Indonesia between 2006 and 2018.

He has been involved in various strategic leadership roles in market development initiatives for the Indonesian financial and capital markets. He was also the lead advisor for the OJK Financial Market Masterplan and designed the Indonesian Bond Market Development Plan. Prior to this, Encik Faris was the Regional Director of MainStream & Co Ltd, where he was responsible for enterprise risk management solutions and the financial market architecture framework and incubated bond pricing agencies in Malaysia and Indonesia. Encik Faris was also a member of the 1MDB Investigating Committee and Secretariat of the Council of Eminent Persons until September 2018.

Encik Ahmad Faris graduated from Heriot-Watt University, Edinburgh, United Kingdom with a degree in Actuarial Mathematics and Statistics.

Our Leadership

PROFILE OF INVESTMENT PANEL MEMBERS



TUAN SYED HAMADAH BIN SYED OTHMAN

*Chief Executive Officer | Secretary of the Investment Panel
Section 7(2)(d) Retirement Fund Act 2007*

Tuan Syed Hamadah bin Syed Othman was appointed as the Secretary of the Investment Panel effective 1 November 2018.

LIST OF RETIRED INVESTMENT PANEL MEMBERS

01 Dato' Mohammed Azlan bin Hashim
(Term of Appointment Ended on 28 February 2019)

02 Dato' Dr. Yusof bin Ismail
(Term of Appointment Ended on 28 February 2019)

03 Datuk Abdul Farid bin Alias
(Term of Appointment Ended on 14 May 2019)

04 Encik Johari bin Abdul Muid
(Term of Appointment Ended on 23 July 2019)

05 Tan Sri Dr. Ong Hong Peng
(Term of Appointment Ended on 28 February 2019)

Our Leadership

SENIOR MANAGEMENT TEAM PROFILES



TUAN SYED HAMADAH SYED OTHMAN

Chief Executive Officer

Tuan Syed Hamadah Syed Othman was appointed as Chief Executive Officer effective 1 November 2018.



ENCIK AZMEEN BIN ADNAN

Chief Investment Officer

Azmeen has over 20 years of experience in the banking and asset management industry having covered the areas of investment, treasury, sales and product development. Prior to his current position, he was the Director of KWAP's Fixed Income Department. Prior to joining KWAP, he was the Chief Executive Officer of Maybank Islamic Asset Management Sdn Bhd.

He is a Member of Persatuan Pasaran Kewangan Malaysia. He obtained his BSc in Business Administration, University of Denver in Colorado, USA.

ENCIK NIK AHMAD FAUZAN BIN NIK MOHAMED

Chief Operating Officer

Nik Ahmad Fauzan was appointed as Chief Operating Officer of KWAP in September 2015. He has over 25 years of experience in conglomerates and the financial industry. Prior to joining KWAP, he was the Group Head Corporate Services of Pos Malaysia Berhad.

He obtained his Bachelor of Accountancy and MBA in Finance and Investments from George Washington University, USA.

Our Leadership

SENIOR MANAGEMENT TEAM PROFILES



SYED ALI HAIDAR BIN SYED SHAHABUDDIN

*Director, Legal and
Secretarial Department*

Syed Ali Haidar has over 20 years of experience in legal practice. Prior to joining KWAP, he was the Head of Legal in KAF Investment Bank Berhad.

He graduated with an LL.B (Hons) from the University of Glamorgan, Wales, UK and obtained a Certificate of Legal Practice from the Legal Profession Qualifying Board, Malaysia.

SITI ILMIAH BINTI RAMLI

*Director, Human Resource
Department*

Siti Ilmiah has over 25 years of experience as a legal practitioner in a non-profit organisation and human resource practitioner in local and foreign organisations in Malaysia. Prior to this, she had served in Maybank Berhad.

She graduated with an LL.B (Hons) from the University of London, UK and obtained a Certificate of Legal Practice from the Legal Profession Qualifying Board, Malaysia.

ISMAIL BIN ZAKARIA

*Director, Corporate
Strategy and Performance
Department*

Ismail has 20 years of experience in financial and corporate strategy, specialising in business transformation. Prior to joining KWAP, he served in Group Strategy, Sime Darby Berhad. He is currently the Chairperson of Governance & Policy Working Group with the Institutional Investors Council Malaysia.

He obtained his Bachelor of Commerce (Accounting & Finance) from the University of New South Wales, Australia.

KHAIRUL AZWA BIN KAMALUL BAHRIN

*Director, Risk Management
and Compliance Department*

Khairul has over 25 years of experience in risk management and banking in a variety of regulated financial institutions. Prior to joining KWAP, he was the Head of Assets Liability and Market Risk at OCBC Bank Malaysia Berhad.

He graduated with LL.B (Hons) from the University of Liverpool and obtained an MBA in Management from the University of Wales, Cardiff, both in the UK. He is also one of the first Malaysians to be a Certified Financial Risk Manager (FRM) with the Global Association of the Professionals.

Our Leadership



REPORTING TO CEO



REPORTING TO CIO



REPORTING TO COO



HAMKHUSHAIRI BIN JAHARI

Director, Internal Audit Department

Hamkhushairi has 17 years of working experience in banking industry. Prior to joining KWAP, he was the Senior Country Audit Manager at Standard Chartered Bank Malaysia Berhad and Senior Risk Manager at Perbadanan Insurans Deposit Malaysia. He also spent considerable number of years with Bank Negara Malaysia as Senior Supervisor.

He graduated with Bachelor of Accountancy from University of Malaya, Kuala Lumpur and obtained Certificate in Internal Audit and Business Risk from Chartered Institute of Internal Auditors, United Kingdom. He is a Chartered Accountant under the Malaysian Institute of Accountants and a member of Chartered Institute of Internal Auditors, United Kingdom.

AZLAN BIN HUSSIN

Senior Director, Equity Department

Azlan has more than 20 years of experience in portfolio management. Prior to this, he was the CEO of MIDF Amanah Asset Management Berhad. He started his career with SBB Asset Management (SBBAM) as an Investment Analyst and was later promoted to Vice President of Investment. Subsequently, he joined Amanah Raya JMF Asset Management as a General Manager for Equity Investment.

He graduated with BA (Hons) in Accounting and Finance from the South Bank University, London and obtained his ACCA from Emile Woolf College, London.

ZALMAN BIN ISMAIL

Senior Director, Alternative Investments Department

Zalman has over 20 years of experience in credit rating, equity research, corporate finance and business development of the telecommunications, property, healthcare, and commodities industries. Prior to joining KWAP, he was the Head of Strategy and Business Development for Sime Darby Property Berhad.

He graduated with a BBA in Finance from Eastern Michigan University, USA.

NAZAIFUL AFFENDI BIN ZAINAL ABDIN

Director, Portfolio Strategy Department

Nazaiful Affendi has about 20 years of experience in capital markets including roles in research, market analysis and strategy with exposure in equity, fixed income and commodities. Prior to joining KWAP, he was an economist with the Securities Commission.

He graduated with a BBA (Hons) in Finance/Economics, from the International Islamic University Malaysia and obtained an MBA in Finance from the same institution.

Our Leadership

SENIOR MANAGEMENT TEAM PROFILES



TURSINA BINTI YAACOB

Director, Research Department

Tursina has over 20 years of experience as an investment analyst covering various sectors on the domestic and global landscape. Her areas of specialisation include oil & gas, utilities, telecommunications, consumer products, automotive, commodities and the Islamic finance industries.

She obtained a Bachelor's Degree (Hons) in Financial Economics from Coventry University, UK and an MBA (Strategic Management) from Universiti Teknologi Malaysia.

NAJIHAH BINTI MOHD NORWI

Director, Accounts and Management Services Department

Najihah has over 20 years of experience as a corporate accountant in sectors such as insurance, IT, utilities and infrastructure. Prior to KWAP, she was a corporate accountant at MMC Berhad.

She is a professional accountant, a member of CPA Australia and graduated with a Bachelor of Business (Accounting and Finance) from Monash University, Australia.

MD HAYRANI BIN MIRESO

Head of Investment Support Services Department

Md Hayrani has over 25 years of experience as an accountant as well as in treasury and fixed income management in the banking sector. Prior to joining KWAP, he served as a manager in the Treasury Division, Treasury and Investment Department at Bank Simpanan Nasional.

He obtained a Master of Business Administration (Finance) from the International Islamic University Malaysia (IIUM) and Bachelor of Accounting (Hons) from Universiti Kebangsaan Malaysia. He is also a Chartered Accountant with the Malaysian Institute of Accountants and a member of the Financial Markets Association of Malaysia.

NOR FARIDAH BINTI AMIN

Head of Corporate Affairs Department

Nor Faridah is a Marketing graduate with more than 20 years of experience in sales, marketing & promotions, communications and event management. She has been with KWAP since 2010.

She holds a Bachelor in Business Administration (Hons) in Marketing from MARA Institute of Technology, Shah Alam.

Our Leadership



REPORTING TO CEO



REPORTING TO CIO



REPORTING TO COO



ABDUL RAZAK BIN JABAR

Head of Information
Technology Department

Abdul Razak has 20 years of experience in the Information Technology industry. Prior to joining KWAP, he was a senior consultant at a local and a multinational corporation implementing software and systems in the financial services industry.

He obtained his Bachelor of Information Technology (Information System) from Charles Sturt University, Australia. He is also a Certified Lead Auditor of Information Security Management Systems (ISMS) ISO 27001, and has certificates in ITIL v3 Foundation and COBIT v5.

LIST OF RETIRED SENIOR MANAGEMENT MEMBERS

01 Ambalagam R. Marappan

(Retired on December 2019)

02 Md Saffi Bin Nadzir

(Retired on April 2019)

LIST OF COVERING SENIOR MANAGEMENT

01 Encik Ahmad Zahir bin Mohd Tabri

Head of Fixed Income Department

02 Puan Kamariah binti Ghazali

Head of Pension Services Department

Note:

Head of Fixed Income Department and Integrity Governance Office has not been filled in 2019.

CORPORATE GOVERNANCE

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KWAP upholds the highest standards of corporate governance and integrity, adhering to regulations and provisions that aid our administration of the fund, such as the Retirement Fund Act 2007. Taking heed of best practises and guided by an experienced Board, KWAP is committed to the ethical and fair management of the fund to derive the best value for our stakeholders.

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THE BOARD

COMPOSITION OF THE BOARD

KWAP's Board comprises qualified, experienced and skilful members with diverse backgrounds representing the Government, Private Sector, Bank Negara Malaysia and Contributories, who are essential for the overall strategic achievements of KWAP.

Section 6 of Act 662 stipulates that the Board shall consist of the following members, who are appointed by the Minister of Finance:

- (i) a Chairman, who shall be the Secretary General of Treasury, the Ministry of Finance (MOF)
- (ii) a representative from Bank Negara Malaysia
- (iii) a representative from the Ministry of Finance
- (iv) the Chief Executive Officer, who shall be an ex-officio member
- (v) three (3) representatives of the Government of Malaysia
- (vi) three (3) other persons from the private sector with experience and expertise in business or finance, and
- (vii) a representative of the contributories to the Retirement Fund other than the representative of the Government of Malaysia.

A brief profile of each Board Member is presented on pages 41 to 46 of this Annual Report.

In 2019, Dato' Siow Kim Lun and Dato' Gan Wee Beng resigned from the Board following the end of their terms of appointment on 28 February 2019.

Pursuant to the aforesaid end of appointment terms, Encik Chen Yin Heng and Encik Mohd Ismadi bin Ishak were appointed as the private sector's representatives on 1 March 2019. Nonetheless, due to the Minister of Finance's decision to restructure the composition of the Board and Investment Panel of KWAP, Encik Chen Yin Heng was appointed as KWAP's Investment Panel Member with effect from 15 May 2019. He was replaced by YM Puan Raja Teh Maimunah binti Raja Abdul Aziz, who was previously appointed as KWAP's Investment Panel Member.

Encik Ismadi is currently Director of Finance, TRX City Sdn Bhd. He has also served in various organisations including Arthur Andersen & Co, UEM Group and Sinergi Perdana Sdn Bhd, and his last position was as Assistant General Manager at Prokhas Sdn Bhd.

Puan Raja Teh Maimunah has 25 years of financial services experience covering capital markets, investment banking, Islamic wholesale, retail banking and digital banking. She is at present the Managing Director of Wholesale Banking, AmBank Group.

Another Board Member, Datuk Saat bin Esa, resigned from the Board following his retirement from government service on 30 October 2019. Datuk Dr. Yacob Mustafa was appointed to the Board on 15 December 2019 as the Government of Malaysia's representative to replace him.

Datuk Dr. Yacob was appointed as the Accountant General on 30 October 2019. He has more than 30 years' experience serving in various government entities such as the Accountant General's Department of Malaysia, Government Investment Companies Division, Ministry of Finance and Malacca State Development Authority.

Datuk Siti Zainab binti Omar, Datuk Teo Khian How, Dato' Azmi bin Abdullah and Encik Adnan bin Zaylani were reappointed on 1 March 2019 following the end of their terms of appointment on 28 February 2019.

Corporate Governance

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As required under the Act and as part of good governance and best practices as recommended by the Malaysian Code on Corporate Governance (MCCG) issued by the Securities Commission Malaysia, the roles of the Chairman and the Chief Executive Officer of KWAP are distinct and separate.

The Chairman is principally responsible for conducting and ensuring the effectiveness of Board meetings while the Chief Executive Officer, who is duly appointed by the Board with the approval of the Minister of Finance, is responsible for the daily operations, administration and management of KWAP, which include overseeing the overall operations of the business and the implementation of policies and decisions made by the Board, as well as the investment decisions made by the Investment Panel in accordance with the Act.

The Chief Executive Officer is assisted by the Management in handling the day-to-day administration of KWAP and its employees. The Chief Executive Officer is also an ex-officio member of the Board as well as the Secretary of the Investment Panel.

RESPONSIBILITIES AND ACCOUNTABILITIES OF THE BOARD

Under Section 6 of Act 662, the Board shall be responsible for the administration and management of KWAP. The Board is therefore entrusted to administer, set the strategic direction and oversee the management of KWAP with a focus on protecting and enhancing the interests of its contributors and stakeholders.

In line with its statutory responsibility and as part of its functions, the Board formulates and determines the administration and management of policies and procedures to ensure KWAP achieves its objectives with success and excellence.

The Board assumes a number of specific tasks such as overseeing the proper conduct of operations, identifying principal risk areas and ensuring the proper implementation of appropriate systems to manage these risks, as well as reviewing the adequacy and integrity of the internal control systems as specified in the Act and the Board Charter.

The Board is guided by its Charter, which establishes a formal schedule of matters and outlines the types of information required for the Board's attention and deliberation at Board meetings. The Board Charter is regularly reviewed every two years, or as and when required.

COMPONENTS OF AN EFFECTIVE BOARD



STRUCTURING A HIGH-PERFORMING BOARD

KWAP aspires to put in place a Board structure that matches its organisational requirements. In order for the Board to operate efficiently and give the right level of attention and consideration to relevant matters, the Board Committees assist the Board in fulfilling its oversight functions. The terms of reference (TOR) of each Board Committee define the committee's role with a composition to complement the Board's requirements. Board Members are selected and nominated using a disciplined process as prescribed by Act 662. The performance of the Board as a whole and of each individual member is assessed and evaluated regularly.



ENSURING EFFECTIVE BOARD OPERATIONS AND INTERACTIONS

Effective Board operations and interactions require productive meetings. KWAP ensures the quality and timeliness of all Board information in line with good governance and best practices for well-informed decision-making by the Board. Trust is built through positive interaction, dynamics and open communication within the Board, and with the Management.



FULFILLING THE BOARD'S FUNDAMENTAL ROLES AND RESPONSIBILITIES

The Board provides guidance to the Management in developing corporate strategy and policy directions and in setting targets for performance management. It upholds a strong corporate performance management approach while exercising its oversight function. It also oversees the development of the organisation's future leaders and human capital to ensure continuity and manages organisational risks. The Board ensures its obligations to the shareholders are met by adopting a shareholders' perspective when making decisions as well as balancing valid stakeholders' interests.

Corporate Governance

BOARD MEETINGS

The Board meets at least quarterly to approve, inter alia, the strategic plans and direction for KWAP, the annual business plans and budget and the operational and financial performance reports, and to review the performance of KWAP. Additional meetings are convened to deliberate on urgent and important matters. Sufficient notice is duly given for all scheduled and additional meetings of the Board.

During the financial year 2019, 11 Board meetings and one Special Board Meeting were held. The proceedings of all meetings of the Board, including all issues raised, enquiries made and responses thereto, were also presented and recorded in the minutes of the respective Board and committee meetings. Where necessary, decisions were taken by way of circular resolutions. Decisions via circularisation require a simple majority approval, which will be reported during the following Board meeting for notification.

The meeting attendance of the Board Members for 2019 is set out in the next table.

BOARD MEMBERS' ATTENDANCE

No.	Name	Attendance
1	Tan Sri Ahmad Badri bin Mohd Zahir (Chairman)	12/12
2	Dato' Asri bin Hamidon @ Hamidin	7/12
3	Datuk Saat bin Esa (Retired on 30 October 2019)	4/10
4	Datuk Siti Zainab binti Omar	8/12
5	Datuk Teo Khian How	11/12
6	Encik Adnan Zaylani bin Mohamad Zahid	9/12
7	Dato' Siow Kim Lun (End of appointment term on 28 February 2019)	2/2
8	Dato' Azmi bin Abdullah	12/12
9	Dato' Dr. Gan Wee Beng (End of appointment term on 28 February 2019)	2/2
10	Datuk Azih bin Muda	11/12
11	YM Puan Raja Teh Maimunah binti Raja Abdul Aziz	3/7
12	Encik Ismadi bin Ishak (Appointed on 1 March 2019)	7/8
13	Encik Chen Yin Heng (Appointed as Board Member on 1 March 2019 and later reappointed as Investment Panel Member on 15 May 2019)	1/1
14	Tuan Syed Hamadah bin Syed Othman	12/12

Note: There is no disclosure on Datuk Dr. Yacob bin Mustafa's attendance at Board Meetings in 2019 as he was appointed on 15 December 2019 and the last Board meeting held was on 28 November 2019.

The Board is responsible for the long-term success of KWAP and is accountable to the stakeholders in ensuring that KWAP is managed effectively and achieves the strategic objectives that have been set. The Board discharges these responsibilities through Board meetings and focuses on a number of specific areas such as strategy, governance and performance. The key proposals approved by the Board in 2019 were as follows:

- (i) KWAP's Audited Financial Statements for Financial Year 2018;
- (ii) KWAP's Expenditure Budget for Financial Year 2020;
- (iii) KWAP Tax Framework and Tax Policies;
- (iv) Renewal of contracts of several Heads of Departments of KWAP;
- (v) Proposal for bonus and increment for employees of KWAP;
- (vi) Proposal on Remuneration Policy and Procedures for Employees of KWAP;
- (vii) Proposal on secondment of staff to Pension Services Department;
- (viii) The inclusion of integrity functions in the Board Integrity and Risk Committee;
- (ix) Proposal to revamp KWAP's Investment Policy and Guidelines (IPG);
- (x) Revision to cut loss provision in the IPG for equity portfolio;
- (xi) Private Equity Risk Management Policy;
- (xii) Appointment of KWAP's real estate adviser and consultant;
- (xiii) Termination of external fund managers;
- (xiv) Proposed guidelines for the appointment of KWAP's Board Nominee Directors and other representatives in its investee companies;
- (xv) Proposal to amend Board Protocols and Articles of Association of Prima Ekuiti (UK) Limited;
- (xvi) Proposed revision to the Board Charter of KWAP;
- (xvii) Proposed governance framework for KWAP's subsidiaries, joint ventures and associates; and
- (xviii) Approval of the proposed enhancement to KWEST Sdn Bhd's governance structure.

Apart from approval papers, the Board of KWAP also deliberated on reports that were tabled for its notification on a monthly or quarterly basis. These were, among others:

- (i) Notification on investment activities and performance reports;
- (ii) Notification on management reports;
- (iii) Notification on status of KWAP's loan and unrated corporate bond portfolio;
- (iv) Notification on Pension Service Department's performance review
- (v) Quarterly pension contribution report; and
- (vi) Quarterly reporting of KWAP's wholly owned direct subsidiaries.

Corporate Governance

THE INVESTMENT PANEL

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The Act also requires the establishment of an Investment Panel, a body that is responsible for matters pertaining to the investments of the fund, established under Section 7(1) of the Act. It therefore functions to provide strategic direction on all investment matters as well as determines and approves investment policy and guidelines, policies on risk management, asset allocation and strategic directions on investment.

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COMPOSITION OF THE INVESTMENT PANEL

The Investment Panel shall consist of the following members, as stipulated in Section 7(2) of the Act, who shall be appointed by the Minister of Finance:

- (i) a Chairman, who shall be the Chairman of the Board or such other person as may be appointed by the Minister of Finance (Section 7(2)(a) of the Act);
- (ii) a representative from the Ministry of Finance (Section 7(2)(c) of the Act);
- (iii) the Chief Executive Officer of KWAP, who shall be the Secretary of the Investment Panel (Section 7(2)(d) of the Act); and
- (iv) Four (4) other persons from the public or private sector with experience and expertise in business, investment, banking and finance (Section 7(2)(e) of the Act).

There were notable changes to the composition of the Investment Panel in 2019 whereby the following members resigned following the end of their appointment terms:

- (i) Dato' Mohammed Azlan bin Hashim (*Resigned on 28 February 2019);
- (ii) Dato' Dr. Yusof bin Ismail (*Resigned on 28 February 2019);
- (iii) Tan Sri Dr. Ong Hong Peng (*Resigned on 28 February 2019);
- (iv) Datuk Abdul Farid bin Alias (*Resigned on 14 May 2019); and
- (v) Encik Johari bin Abdul Muid (*Resigned on 23 July 2019).

In line with Section 7(2) of the Act, Encik Mohamad Rashid bin Mohamad was appointed as Chairman of the Investment Panel and Cik Azah Hanim bin Ahmad was appointed as the representative of the MOF. Encik Chen Yin Heng, Encik Ahmad Faris bin Rabidin and YM Puan Raja Teh Maimunah bin Raja Abdul Aziz were appointed to the Investment Panel in accordance with Section 7(2)(e) as representatives from the public or private sector with experience and expertise in business, investment, banking or finance.

A brief profile of each Investment Panel Member is presented on pages 47 to 50 of this Annual Report.

PRIMARY DUTIES AND RESPONSIBILITIES OF THE INVESTMENT PANEL

The Investment Panel is governed by Section 7(1) of the Act and is primarily responsible for approving, among other things, KWAP's strategic direction in relation to all investment matters, which include investment policy, guidelines and asset allocation strategy, as well as the directions/decisions for all investment proposals. In executing its function, the Investment Panel shall report its activities to the Board and shall act in accordance with the general policy that may be issued by the Board and subsequently approved by the Minister of Finance.

INVESTMENT PANEL MEETINGS

During the financial year 2019, 11 Investment Panel meetings and two Special Investment Panel meetings were held. A summary of meeting attendance of the Investment Panel Members is set out in the next table.

Corporate Governance

INVESTMENT PANEL MEMBERS' ATTENDANCE

No.	Name	Attendance
1	Encik Mohd Rashid bin Mohamad (Chairman) (*Appointed on 1 March 2019)	*11/13
2	Cik Azah Hanim binti Ahmad (*Appointed on 1 March 2019)	*11/13
3	Encik Mohammed Nazri bin Omar	11/13
4	Encik Chen Yin Heng (*Appointed on 15 May 2019)	*8/8
5	Encik Ahmad Faris bin Rabidin (*Appointed on 15 May 2019)	*6/8
6	Tuan Syed Hamadah bin Syed Othman	13/13
7	YM Puan Raja Teh Maimunah binti Raja Abdul Aziz (*Appointed on 1 March 2019)	*3/3
8	Dato' Mohammed Azlan bin Hashim (*Appointed on 1 March 2019 but was later appointed to KWAP Board on 15 May 2019)	*2/2
9	Dato' Dr. Yusof bin Ismail (*End of appointment term on 28 February 2019)	*2/2
10	Dato' Noorazman bin Abd Aziz (*Appointed on 23 July 2019)	4/8
11	Datuk Abdul Farid bin Alias (*End of appointment term on 14 May 2019)	*2/5
12	Encik Johari bin Abdul Muid (*End of appointment term on 23 July 2019)	*6/6
13	Tan Sri Dr. Ong Hong Peng (*End of appointment term on 28 February 2019)	*2/2

BOARD COMMITTEES

In order to assist the Board in discharging its duties, the Board has established various committees to oversee specific matters relating to the operations of KWAP, namely the Board Audit Committee, Board Integrity and Risk Committee, Board Remuneration and Nomination Committee and Board Procurement Committee. The Board Committees are granted the authority to act on the Board's behalf in accordance with their respective terms of reference, which are provided in the Board Charter.

1 BOARD AUDIT COMMITTEE

BAC

BAC was established to ensure the establishment and enforcement of internal controls and systems at KWAP.

2 BOARD INTEGRITY AND RISK COMMITTEE

BIRC

BIRC previously known as the Board Risk Committee, was established to assist the Board in discharging its functions with regard to risk management. The inclusion of "Integrity" in the committee's name was to represent its additional role in overseeing and monitoring the functions of the Integrity and Governance Office of KWAP.

3 BOARD REMUNERATION AND NOMINATION COMMITTEE

BRNC

BRNC was established to assist the Board in discharging its functions, with its primary responsibility being to establish the relevant policy framework in determining the appointment and remuneration of the Management and employees of KWAP and recommending to the Board the performance-related remuneration of the respective employees.

4 BOARD PROCUREMENT COMMITTEE

BPC

BPC was established to assist the Board in discharging its functions with regards to the evaluation of procurement proposals.

At the Board Committee meetings, items are discussed and, as appropriate, endorsed, approved or recommended to the Board for approval. Following the Board Committee meetings, the Chairman of each Board Committee provides the Board with a summary of the main decisions and discussion points, and the minutes of the Board Committee meetings as well as of the Investment Panel meetings are presented to the Board for notation. Hence, non-committee members are kept up-to-date with the work undertaken by each Board Committee.

Corporate Governance

Details of the activities of the Board Committees during the financial year 2019 are outlined as follows:

BOARD AUDIT COMMITTEE (BAC)

The Board Audit Committee (BAC) was established to ensure the establishment and enforcement of internal controls and systems at KWAP.

Membership

Currently, the BAC comprises two Board Members, namely a Chairman and one member who have been appointed by the Board:

- (i) Dato' Azmi bin Abdullah – Chairman
- (ii) Encik Mohd Ismadi bin Ishak – Member

Dato' Azmi bin Abdullah is a member of the Malaysian Institute of Accountants (MIA).

There were four BAC meetings and three Special BAC meeting held throughout 2019.

Duties and Responsibilities of the BAC

The following are the duties and responsibilities of the BAC:

(i) Financial statements

- (a) To review and recommend the financial regulations, accounting regulations and policies and practices adopted by KWAP;
- (b) To review the annual Consolidated Financial Statements of the Group and KWAP with the Management and the external auditor prior to recommending them to the Board for approval; and
- (c) To review changes to the financial procedures.

(ii) Internal audit

- (a) To review and discuss the nature and scope of internal and external audit plans and ensure the coordination of approach among the internal auditor, the external auditor and/or other external assurance and consulting service providers;
- (b) To review the reports of audits performed on KWAP and its subsidiaries by the internal auditor, the external auditor and/or the external assurance and consulting service provider and ensure that Management is taking necessary corrective actions in a timely manner to address control weaknesses and non-compliance with laws, regulatory requirements, internal policies and internal procedures;

- (c) To approve and recommend the appointment, transfer, renewal and removal of the Head of the Internal Audit Department to the BRNC before the Board's final approval;
- (d) To review and approve the proposed Internal Audit Departmental Scorecard for annual performance evaluation;
- (e) To appraise and approve the performance of the Head of the Internal Audit Department;
- (f) To approve and recommend the remuneration of the Head of the Internal Audit Department to the BRNC for deliberation before the Board's final approval;
- (g) To approve the Internal Audit Charter and the risk-based Internal Audit Plan;
- (h) To ensure that the internal audit function has appropriate standing in KWAP and has the necessary authority, resources and competency to carry out its work;
- (i) To review the effectiveness of the internal audit function, by receiving periodic updates on internal audit activity performance relative to its plan, including compliance with the Institute of Internal Auditors' International Professional Practices Framework (IPPF) for Internal Auditing; and
- (j) To review and approve any key changes to audit methodology and processes.

(iii) Internal control

- (a) To provide independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal guidelines and regulatory requirements.

(iv) Other responsibilities

- (a) To discuss with the internal auditor, external auditor and/or other external assurance and consulting service providers on a regular basis any matter that they wish to discuss (in the absence of Management where necessary);
- (b) To consider major findings of internal investigations and Management's response;
- (c) To direct and provide oversight on any special investigations to be carried out by the internal auditor or any independent party, and review the outcomes of investigations;
- (d) To consider any related party transactions that may arise within KWAP; and
- (e) To consider other issues as defined by the Board.

KWAP's external auditor is the Auditor General of Malaysia as per the Statutory Bodies (Accounts and Annual Reports) Act 1980 (Act 240).

Corporate Governance

BOARD AUDIT COMMITTEE (BAC)

BAC Meeting Attendance		
No.	Name	Attendance
1	Dato' Azmi bin Abdullah (Chairman)	7/7
2	Encik Mohd Ismadi bin Ishak (Appointed on 1 March 2019)	5/5
3	Dato' Siow Kim Lun (End of appointment term on 28 February 2019)	2/2
4	Dato' Dr. Gan Wee Beng (End of appointment term on 28 February 2019)	2/2
5	Datuk Saat bin Esa (Retired on 30 October 2019)	1/6

Summary of BAC Activities

Among the key matters deliberated on by the BAC during the year 2019 were:

- (i) Consolidated Financial Statements of KWAP for the Financial Year Ended 31 December 2018;
- (ii) Internal Audit Plan 2019;
- (iii) Internal Audit Department Scorecard 2018 results;
- (iv) Revised Internal Audit Charter;
- (v) Amendments to the Board Audit Committee's terms of reference;
- (vi) 2020 Internal Audit Department's initiatives;
- (vii) Audit Activity Report; and
- (viii) Internal audit reviews and outstanding audit issues of several departments in KWAP.

BOARD INTEGRITY AND RISK COMMITTEE (BIRC)

The Board Integrity and Risk Committee (BIRC), previously known as the Board Risk Committee, was established to assist the Board in discharging its functions with regard to risk management. The inclusion of "Integrity" in the committee's name was to represent its additional role in overseeing and monitoring the functions of the Integrity and Governance Office of KWAP.

Membership

Currently, the BIRC comprises four Board Members who have been appointed by the Board:

- (i) Dato' Dr. Gan Wee Beng – Chairman (*Resigned on 28 February 2019);
- (ii) Dato' Mohammed Azlan bin Hashim – Member (*Resigned on 28 February 2019);
- (iii) Dato' Siow Kim Lun – Member (*Resigned on 28 February 2019);
- (iv) Encik Mohd Ismadi bin Ishak – Chairman (*Appointed on 1 March 2019);
- (v) Datuk Teo Khian How – Member (*Appointed on 1 March 2019);
- (vi) YM Puan Raja Teh Maimunah bin Raja Abdul Aziz - Member (*Appointed on 15 May 2019); and
- (vii) Tuan Syed Hamadah bin Syed Othman - Member.

There were four BIRC meetings and two Special BIRC meetings held throughout 2019.

Duties and Responsibilities of the BIRC

The following are the duties and responsibilities of the BIRC:

(i) Risk management

- (a) To determine the risk appetite and recommend to the Board for approval;
- (b) To review the risk management and compliance frameworks and policies and recommend to the Board for approval;
- (c) To review the risk management and compliance guidelines;
- (d) To approve risk limits, and escalate to the Board if necessary;
- (e) To ensure an effective compliance process (for external and internal controls) by recommending controls for risks inherent in products, activities, processes and systems;
- (f) To approve the Business Continuity Management (BCM) Policy;
- (g) To ensure adequate infrastructure, resources and systems are in place to identify, measure, monitor and control risks for effective risk management within KWAP;
- (h) To review KWAP's risk exposures and mitigating controls; and
- (i) To consider other issues as defined by the Board.

Corporate Governance

BOARD INTEGRITY AND RISK COMMITTEE (BIRC)

Duties and Responsibilities of the BIRC

The following are the duties and responsibilities of the BIRC:

(ii) Integrity and governance

- (a) To review and approve frameworks, strategies, plans, policies, procedures and other matters related to integrity and governance functions and, where applicable, recommend to the Board for approval;
- (b) To monitor the overall issues of bribery, fraud, corruption and unethical conduct within the organisation;
- (c) To ensure the establishment of adequate measures for corruption prevention, integrity and good governance in KWAP;
- (d) To oversee the implementation of integrity and governance functions in KWAP for the achievement of its intended objectives; and
- (e) To consider other issues as defined by the Board.

BIRC Meeting Attendance

No.	Name	Attendance
1	Dato' Dr. Gan Wee Beng (Chairman) (End of appointment term on 28 February 2019)	NA
2	Dato' Siow Kim Lun (End of appointment term on 28 February 2019)	NA
3	Dato' Mohammed Azlan bin Hashim (End of appointment term on 28 February 2019)	NA
4	Encik Mohd Ismadi bin Ishak (Chairman) (*Appointed on 1 March 2019)	*6/6
5	Datuk Teo Khian How (*Appointed on 1 March 2019)	*5/6
6	YM Puan Raja Teh Maimunah bin Raja Abdul Aziz (*Appointed on 15 May 2019)	*3/5
7	Tuan Syed Hamadah bin Syed Othman	6/6

Note: There are no disclosures on former BIRC members' attendance at meetings in 2019, as the first meeting for 2019 was held on 16 May 2019, after the expiry of their tenures of service.

Summary of BIRC Activities

Key issues deliberated on by the BIRC in 2019 were:

- (i) Reports on the corporate risk profile, risk outlook, operational risk events, investment risks, foreign exchange exposures and hedging activities and business continuity management;
- (ii) Notification Papers on surprise visits to KWAP external fund managers; the Fraud Risk Management Programme; Risk Management Week activities and update on the initiatives undertaken by the Integrity and Governance Office;
- (iii) Proposal for 2019 Market Risk Limit and Credit Risk Limit for KWAP's investment portfolio;
- (iv) Proposal on a new name and additional TOR for the Board Risk Committee;
- (v) 2019 business plan for the Integrity and Governance Office; and
- (vi) Compliance update.

BOARD REMUNERATION AND NOMINATION COMMITTEE (BRNC)

The Board Remuneration and Nomination Committee (BRNC) was established to assist the Board in discharging its functions, with its primary responsibility being to establish the relevant policy framework in determining the appointment and remuneration of the Management and employees of KWAP and recommending to the Board the performance-related remuneration of the respective employees.

Membership

Currently, the BRNC comprises five Board Members who have been appointed by the Board:

- (i) Dato' Siow Kim Lun - Chairman (*Resigned on 28 February 2019);
- (ii) Dato' Mohammed Azlan bin Hashim - Member (*Resigned on 28 February 2019);
- (iii) Dato' Asri bin Hamidin @ Hamidin - Chairman (*Appointed on 1 March 2019);
- (iv) Dato' Azmi bin Abdullah - Member;
- (v) Datuk Azih bin Muda - Member;
- (vi) Encik Adnan Zaylani bin Mohamad Zahid - Member (*Appointed on 1 March 2019);
- (vii) Tuan Syed Hamadah bin Syed Othman - Member.

There were four BRNC meetings held throughout 2019.

Corporate Governance

BOARD REMUNERATION AND NOMINATION COMMITTEE (BRNC)

Duties and Responsibilities of the BRNC

The following are the duties and responsibilities of the BRNC:

(i) On matters pertaining to human resource:

- (a) To recommend the minimum requirements on the skills, experience, qualifications and other core competencies of KWAP's employees;
- (b) To recommend and review the terms and conditions of employment and service of KWAP's employees;
- (c) To recommend and review the code of conduct and discipline of KWAP's employees;
- (d) To recommend the mechanisms for the formal assessment of the effectiveness of KWAP's employees;
- (e) To recommend the promotion of KWAP's employees;
- (f) To review and recommend to the Board the appointment, upgrading and promotion of the Senior Management of KWAP Group;
- (g) To vet and approve recommendations from the Executive Director/s on the appointment of senior executives;
- (h) To consider and recommend the period of service of Executive Directors;
- (i) To consider the CEO and Senior Management's succession planning;
- (j) To recommend the removal of the CEO and/or Senior Management if they are found to be ineffective, errant or negligent in discharging their duties;
- (k) To determine the remuneration and terms of employment of the CEO;
- (l) To determine the performance contracts and targets and the structure of rewards for the CEO, and to assess the CEO's performance against these targets;
- (m) To recommend to the Board the remuneration framework for the CEO and Senior Management. The BRNC may obtain independent professional advice and any other information necessary in determining the framework;
- (n) To recommend to the Board any proposals for the CEO and Senior Management's (if any) remuneration and benefits, including service contracts and compensation payment, for approval;
- (o) To establish a formal and transparent procedure for developing policy on the CEO and Senior Management's (if any) remuneration and for fixing their individual remuneration packages;
- (p) To review all benefits and entitlements of the CEO and Senior Management (if any) of KWAP Group;
- (q) To consider compensation commitments/severance payments for the CEO in the event of early termination of the employment/service contracts; and
- (r) To consider any other issues as defined by the Board.

(ii) Its other functions include the following:

- (a) To recommend to the Board the framework or the Board policy for the remuneration of the Company or Group's CEO and other Senior Management of the Company or Group as the BRNC's considerations are designated to consider;
- (b) To recommend to the Board any performance-related pay schemes for KWAP;
- (c) To recommend to the Board the policy and scope of service agreements of the executives, as well as termination payments and compensation;
- (d) To oversee any major changes concerning the employees of KWAP; and
- (e) To consider and examine relevant matters as the BRNC considers appropriate.

BRNC Meeting Attendance

No.	Name	Attendance
1	Dato' Siow Kim Lun (Chairman) (*End of appointment term on 28 February 2019)	*1/1
2	Dato' Mohammed Azlan bin Hashim (*End of appointment term on 28 February 2019)	*1/1
3	Dato' Asri bin Hamidon @ Hamidin (Chairman) (*Appointed on 1 March 2019)	*3/3
4	Dato' Azmi bin Abdullah	4/4
5	Datuk Azih bin Muda	4/4
6	Encik Adnan Zaylani bin Mohd Zahid (*Appointed on 1 March 2019)	*2/3
7	Tuan Syed Hamadah bin Syed Othman	4/4

Summary of BRNC Activities

Among the proposals deliberated on and endorsed by the BRNC during the year 2019 were:

- (i) Full-year performance of KWAP's Corporate Scorecard 2018;
- (ii) Payment of Bonus 2018 and Annual Increment 2019;
- (iii) Renewal of several contracts of employment of Heads of Department in KWAP;
- (iv) Proposal on Remuneration Policy and Procedures for Employees of KWAP; and
- (v) Proposal on Implementation of Flexible Benefits Plan for Employees of KWAP.

Corporate Governance

BOARD PROCUREMENT COMMITTEE (BPC)

The Board Procurement Committee (BPC) was established to assist the Board in discharging its functions with regards to the evaluation of procurement proposals.

Membership

Currently, the BPC comprises three Board members who have been appointed by the Board:

- (i) Datuk Siti Zainab binti Omar - Chairman (*Appointed on 1 March 2019);
- (ii) Datuk Saat bin Esa - Member (*Retired on 30 October 2019);
- (iii) Datuk Azih bin Muda - Member;
- (v) Tuan Syed Hamadah bin Syed Othman - Member.

In 2019, two BPC meetings were held to deliberate on and recommend to the Board procurement proposals within its authority limits.

Duties and Responsibilities of the BPC

The following are the duties and responsibilities of the BPC:

- (i) To review the tenderer's registration with the MOF and Contractor Services Centre, tender invitation advertisement, tender specifications, tender documents (if necessary), tender schedule prepared by the Tender Opening Committee, technical and financial evaluation reports, etc.;
- (ii) To ensure that the procurement process complies with all applicable procurement ethics, policies and procedures;
- (iii) To review the tenderer's technical and financial capabilities. During the tender evaluation, the technical proposal will be opened and evaluated first, followed by the financial proposal;

- (iv) To consider and recommend awards that are beneficial to KWAP, taking into consideration factors such as pricing, utilisation of products/goods and/or services, delivery or completion period and maintenance cost, as well as other relevant factors;
- (v) To decide on a re-tender process or to recommend any other procurement method, if the BPC finds that the procurement procedures are not in accordance with the regulations or suspects that there are irregularities in the tender process;
- (vi) To consider and accept the tender, provided that a decision has been made by the committee by at least a simple majority, and it is within the approved limit;
- (vii) To consider and accept any quotations acknowledged by the Quotations Committee that exceed the quotations limit; and
- (viii) To consider other procurement issues as defined by the Board.

BPC Meeting Attendance

No.	Name	Attendance
1	Datuk Siti Zainab binti Omar (Chairman) <i>(*Appointed on 1 March 2019)</i>	*1/1
2	Datuk Saat bin Esa <i>(*Retired on 30 October 2019)</i>	*1/1
3	Datuk Azih bin Muda	1/1
4	Tuan Syed Hamadah bin Syed Othman	1/1

APPOINTMENT AND REMUNERATION OF BOARD AND INVESTMENT PANEL MEMBERS

The Board and Investment Panel members are appointed for a period not exceeding three years, and on the expiry thereof are eligible for reappointment. The remuneration of the Board and Investment Panel members is determined from time to time, subject to the approval of the Minister of Finance.

In 2019, the Board and Investment Panel members received a total remuneration of RM676,500 and RM562,960, respectively.

Corporate Governance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

MANAGEMENT VISITS

In 2019, KWAP continued its engagements with its investee companies by organising eight management visits. The topics that were discussed during these visits included company overview, market condition, the company's future business plans and environmental, social and governance (ESG)-related issues.

The visits involved KWAP's Senior Management team including KWAP's Chief Executive Officer and Chief Investment Officer.

DOMESTIC MANAGEMENT VISITS CONDUCTED IN 2019

Table 1: Domestic Management Visits 2019

No.	Company	Date
1	Serba Dinamik Holdings Berhad	10 Jan 2019
2	Malayan Banking Berhad	19 Apr 2019
3	AmBank Group Berhad	10 Jul 2019
4	FGV Holdings Berhad	31 Jul 2019
5	edotco Group Sdn Bhd	29 Aug 2019
6	Swift Logistics Group Berhad	4 Sept 2019
7	Malaysian Resources Corporation Berhad	10 Oct 2019
8	UMW Holdings Berhad	3 Dec 2019

1 Shareholder Activism



As an active shareholder, KWAP continued its engagements with its investee companies and raised ESG issues where necessary. These engagements were led by the Senior Management team and KWAP officers through AGMs and one-on-one meetings to further improve the governance practices of its investee companies.

KWAP has a structured monitoring process for its investee companies. Monitoring initiatives by KWAP include the following:

- Monitoring the performance and value drivers of its investee companies via company announcements and news flows that are checked daily
- Monitoring ESG red flags and concerns
- Monitoring via AGM/EGMs:
 - (i) Monitoring the issues deliberated on at investee companies' AGM/EGM; and
 - (ii) Submitting AGM/EGM resolutions to all its investee companies.

We actively participate in corporate engagements with investee companies through:

- **Annual Shareholder Letter from CEO to Investee Companies**
 - KWAP issued its annual 2019 shareholder letter to all its 147 investee companies.
- **Management visits**
 - In 2019, KWAP continued its engagement with its investee companies by organising eight management visits (refer to Table 1 displayed earlier).

- **ESG engagements by responsible investment section**

- In 2019, KWAP kicked off its first ESG engagements with three of its investee companies.

- **Engagements by Research Department**

- KWAP's Research Department conducted a total of 1,829 engagements throughout the year, which included analyst briefings, internal meetings and visits to investee companies.

- **Institutional Investors Council (IIC) engagements with public listed companies (PLCs)**

- KWAP participated in all five engagements with PLCs conducted by the IIC in 2019, namely with:
 - (a) Telekom Malaysia Berhad
 - (b) Malaysia Airports Holdings Berhad
 - (c) IHH Healthcare Berhad
 - (d) Tenaga Nasional Berhad
 - (e) IOI Corporation Berhad

- **Voting rights**

- In 2019, KWAP exercised its voting rights at annual general meetings and extraordinary general meetings (AGMs/EGMs).
- KWAP submitted 116 companies' AGM/EGM resolutions to all our investee companies and exercised our voting rights based on KWAP's published Voting Guidelines as disclosed to all investee companies.

Corporate Governance

2 Engagement with Regulators/GLICs



As part of KWAP's initiatives in supporting ESG practices, KWAP has conducted multiple engagements with regulators such as Securities Commission Malaysia, Bursa Malaysia, Bank Negara Malaysia and the Malaysian Anti-Corruption Commission (MACC), as well as with government-linked investment companies (GLICs) that have established their Integrity and Governance Units.

3 Engagements with Corporate Governance Bodies



Asian Corporate Governance Association

KWAP is a member of the Asian Corporate Governance Association (ACGA). The ACGA is an independent, non-profit membership association dedicated to encouraging and facilitating improvements in corporate governance in Asia. It has 115 members to date, represented by 19 markets across the globe ranging from pension and sovereign wealth funds to corporate (listed and private) and accounting firms. KWAP participated in an engagement session with representatives from the ACGA in 2019 organised by the IIC to discuss the latest governance issues and their progress.

United Nations-supported Principles for Responsible Investment (UN PRI)

KWAP became a signatory to the PRI on 8 February 2018. The PRI is an independent non-profit organisation that is supported by the United Nations (UN) to encourage investors to adopt responsible investment to enhance returns and better manage risks. The PRI promotes awareness on the investment implications of ESG factors and supports its international network of investor signatories by incorporating the six principles (the Principles) of PRI into practice for investments and ownership decisions.

Becoming a signatory to the PRI was part of KWAP's efforts to expand our responsible investment initiatives on a globally recognised platform. As a signatory, we are committed to:

- (i) Adopting and implementing the Principles for responsible investment where consistent with our fiduciary responsibilities;
- (ii) Evaluating the effectiveness and improving the content of the Principles over time.

We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society, and we encourage other investors to adopt the Principles.

KWAP engaged closely with the representatives from the UN PRI to further improve corporate governance in the region. In 2019, KWAP collaborated with the PRI to conduct a knowledge-sharing session on ESG integration with KWAP employees.

4 Engagement with Other Institutions



Apart from engagements with regulators, GLICs and corporate governance bodies, KWAP engaged with other institutions on ESG-related matters and conducted knowledge-sharing sessions. This included engagements with the Minority Shareholders Watch Group (MSWG) and World Wide Fund for Nature (WWF) to keep abreast of the latest ESG issues and corporate governance matters.

5 Malaysian Code for Institutional Investors (the Code)/Institutional Investors Council (IIC)



KWAP endorsed its commitment to upholding good corporate governance standards by becoming a signatory to the Code. The Code comprises a set of principles that assist institutional investors in fulfilling their stewardship responsibilities through influencing and promoting good corporate governance culture in their investee companies.

In addition to the IIC formation, a special working committee was established to focus on issues and topics of strategic importance that are of common interest to institutional investors and in line with the objectives of the IIC, namely market and industry and governance and policies. To date, there are 22 signatories to the Code, which include institutional investors, asset managers and asset owners.

KWAP has also actively participated in IIC events by having at least 13 council and working group meetings in a year. In addition, KWAP was involved in the IIC engagements with the Board members of five domestic PLCs in 2019, namely Telekom Malaysia Berhad, Malaysia Airports Holdings Berhad, IHH Healthcare Berhad, Tenaga Nasional Berhad and IOI Corporation Berhad.

The IIC, in partnership with the Securities Industry Development Corporation (SIDC), organised the IIC-SIDC Governance Convention 2019 on 18 and 19 November 2019 at the Royale Chulan Kuala Lumpur. The theme of this convention was "Rising Beyond Principles and Policies" and the topics that were covered during the convention included:

- (i) Environmental, social and governance (ESG) issues;
- (ii) The sustainability agenda in the Malaysian capital market;
- (iii) The role of institutional investors in promoting good governance;
- (iv) Corporate governance in public listed companies;
- (v) Integrity in leadership; and
- (vi) Anti-corruption.

As a member of the IIC, KWAP was one of the committee members for this convention. Additionally, KWAP demonstrated its commitment as a responsible investor by becoming a gold sponsor for this event.

Corporate Governance

SUSTAINABILITY AND ESG INITIATIVES

KWAP continues to internalise good ESG practices across its business and operational activities, encompassing all the main areas, namely investment, operations and pension services administration and management.

KWAP'S CORPORATE-LEVEL ESG GUIDELINES

KWAP has incorporated ESG considerations across all its operations, including the investment decision-making process, via KWAP's Corporate-Level ESG Guidelines that were established in 2017. The highlights include the following:

- KWAP has incorporated corporate governance and sustainability considerations into its investment decision-making process via:
 - (i) Investment Policy and Guidelines;
 - (ii) KWAP's ESG Guidelines for Investment;
 - (iii) ESG-based research methodology; and
 - (iv) Corporate Governance Principles and Voting Guidelines for listed equities.

In 2019, KWAP rolled out its ESG Guidelines for its private equity investments. As part of the guidelines, KWAP commenced its first assessment of the ESG practices of KWAP's existing General Partners (GPs). Furthermore, ESG due diligence was carried out on all its GPs prior to any investments, which resulted in ESG being integrated into KWAP's investment decisions for private equity.

For the equity investment asset class, KWAP developed an ESG Tracking Methodology that incorporated KWAP Research ESG Ratings, Investment Carbon Footprint and company controversies to monitor and further analyse the ESG performance of selected public listed companies under KWAP's domestic equity investments.

In 2019, KWAP conducted its first ESG engagements with selected investee companies. As part of the monitoring process, KWAP issued ESG letters to the respective companies with the aim of improving their ESG performance within a timeframe with objective milestones as determined by KWAP.

The objectives of the Corporate-Level ESG Guidelines are:

- **Role in relation to stakeholders:**
To enable KWAP to fulfil its role in relation to its stakeholders, including future generations, in a responsible and sustainable manner by adopting good ESG practices

- **Sustainable performance:**
To improve the sustainability and long-term performance of KWAP and its investee companies. KWAP believes sustainability factors may significantly influence the risk-return profile of investments
- **Promotion of good ESG practices in the capital market and KWAP's business partners:**
To leverage on KWAP's position as an institutional investor to improve ESG practices in:
 - (i) The capital market vis-à-vis:
 - Engagements with our investee companies;
 - Collaborations with regulators (e.g. Bursa Malaysia and Securities Commission Malaysia);
 - Collaborations with corporate governance bodies (e.g. ACCA, UN PRI);
 - Playing an active role in corporate governance-related councils (e.g. IIC and Security Commission Malaysia's Key CG Stakeholders Group).
 - (ii) Companies across KWAP's value chain, including its suppliers, third-party service providers and other related business partners.

The Corporate-Level ESG Guidelines consist of seven pillars, namely:



The Corporate-Level ESG Guidelines will be updated periodically to keep abreast of the latest industry best practices and to reflect KWAP's latest ESG initiatives.

STATEMENT OF INTERNAL AUDIT

STATEMENT ON INTERNAL AUDIT

The Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve KWAP's operations. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The internal audit activity helps KWAP accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the governance, risk management and control processes.

INDEPENDENCE AND OBJECTIVITY

The Head of Internal Audit reports functionally to the Board Audit Committee and administratively (i.e. day-to-day operations) to the Chief Executive Officer. The current reporting arrangement for Internal Audit allows internal audit activity to fulfil its responsibilities and does not interfere with the Head of Internal Audit's responsibility to the Board Audit Committee.

The independent status of Internal Audit has not been challenged during the past year. There have been no restrictions on Internal Audit's scope of work, resources and access during the past year.

The Head of Internal Audit is aware that should major restrictions on the scope of internal audit activities occur, this will be reported to the Board Audit Committee.

SCOPE OF WORK

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board Audit Committee, Management and outside parties on the adequacy and effectiveness of the governance, risk management and control processes in KWAP.

The Internal Audit Department's secondary scope of work involves the following:

- Carrying out special investigations as requested by the Management/Board Audit Committee
- Participating as an observer in selected project committees set up to develop or implement new systems or processes. Such participation is limited to providing advice on control matters and does not preclude Internal Audit from auditing the systems or processes.

Internal Audit continues to adopt a risk-based audit plan approach, prioritising the internal audit activities according to the audit risk level.

In 2019, a total of 15 reports were presented to the Board Audit Committee. The status of outstanding audit issues is reported to the Management on a monthly basis and to the Board Audit Committee on a quarterly basis. The Internal Audit Department continues to monitor the implementation of action plans as agreed by the Management.

INTERNAL AUDIT RESOURCES AND CONTINUOUS COMPETENCY DEVELOPMENT

The Board Audit Committee reviews the department's human resource requirements to ensure the department is adequately equipped with competent internal auditors. There were 12 internal auditors in 2019. Internal auditors are provided with continuous learning and professional development where a total of 200 training days were completed in 2019, inclusive of training on the ACL data analytics tool.

2019 INITIATIVES

Internal Audit's notable achievements in 2019 included the successful implementation of the revised Audit Methodology, which provides overall audit grading and issue rating, the Quality Assurance Improvement Programme and the Internal Audit Analytics Guidelines. Internal Audit also proposed revised Board Audit Committee terms of reference and enhanced the processes to assess the performance of the Head of Internal Audit.

RISK MANAGEMENT AND COMPLIANCE

Over the last 12 years, in line with the expansion in investment and non-investment activities, KWAP's risk profile has evolved and, with it, our risk management functions and capabilities. Starting with only one person in the Risk Management & Compliance Department (RMCD), the headcount as at end-2019 stood at 18 personnel.

In managing risk, KWAP adheres to the three lines of defence model in which:

- (i) Primary responsibility, or the first line of defence, is with the individual business units
- (ii) The second line of defence comprises risk management and the compliance team
- (iii) The third line of defence is the internal audit function

We remain very prudent in the risk management of our investment and non-investment activities, guided by the tone from the top as articulated in KWAP's Risk Appetite Statement.

Risk Appetite Statement

1

The Board and Investment Panel have general oversight of and responsibility for the fund and approve the Risk Appetite Statement, which is presented as high-level, broad, principle-based statements, to support the complex, multifaceted, dynamic and overlapping nature of risks in KWAP. The Investment Panel is responsible for KWAP's investment decisions while the Board is responsible for the overall level of risk that is undertaken by KWAP. The Investment Panel and KWAP Board will take cognisance of this when carrying out activities.

2

The Board and Investment Panel recognise that there is a need to actively manage the fund's investments with the objectives of growing the fund size and achieving sustainable long-term risk-adjusted returns on investments while ensuring safety and sufficient liquidity in the fund portfolio. This is to be achieved through dynamic investment strategies balanced with sound risk management practices, coupled with the need to balance return expectations and risk appetite. These risks should be reported to the Board and Investment Panel on a periodic basis.

3

The Board and Investment Panel recognise that there is a willingness and capacity to take on risks. The level of risk KWAP is willing to take should take into consideration KWAP's strategic objectives, stakeholder expectations, financial goals and compensation strategies. This is assessed and considered in KWAP's strategic asset allocation, investment strategies and Risk Management Framework.

4

The Board and Investment Panel state that KWAP shall only take on risks that it can assess and manage at a reasonable level of comfort; hence such risks, in aggregate, in the normal course of business, shall not cause the fund material financial loss or material non-financial detriment that results in the fund failing to meet its strategic objectives.

5

For its investment portfolios, KWAP's choice of asset classes, investment strategies and products are to be guided by the following key principles:

- A reasonably high degree of confidence in the preservation of capital value
- A reasonably high degree of liquidity in the asset or portfolio of assets
- A reasonable return on investment, adjusting for risks

Risk Management And Compliance

Risk Appetite Statement

6

KWAP's ability to take risks and the level of risk should take into account internal capacity to manage these risks. Where necessary and required, KWAP will source expertise from external parties. KWAP should continuously work to boost internal capabilities and expand capacity via enhancement of skill sets, knowledge, technology and other resources.

The Risk Appetite Statement (RAS) defines KWAP's overarching attitude toward investment and non-investment activities, thereby guiding the decision-making process. The RAS also sets out KWAP's ability and capability to take risks in the context of investment objectives and risk tolerance by addressing the following:

- The long-term goal of the fund, which is to meet the government's pension liabilities
- The Board's oversight of and responsibility for the risks that the fund takes
- The need to balance between return expectation and risk appetite
- The key considerations in the willingness and capacity to take on risks such as strategic objectives, stakeholders' expectations, financial goals and compensation strategies
- The requirement of periodic risk reporting to the Board and Investment Panel
- The key criteria for investment activities such as safety, liquidity and reasonable risk-adjusted total returns
- The need for KWAP to continuously enhance internal capacity and capability to manage risks

The RAS is complemented by a robust governance structure with independent lines of reporting between risk-taking units and "control" units. It is further enhanced by a series of guiding principles, namely the:

- (a) Enterprise Risk Management Framework
- (b) Risk Appetite Statement Policy
- (c) Risk Management Policies
- (d) Risk Management Guidelines, and
- (e) Departmental standard operating procedures.

We invest in our people, have clear policies and ensure robust and risk-aware operational processes (with significant investment in systems to ensure adequate control and automation). Robust governance control refers to the segregation of reporting lines between departments in KWAP.

The reporting lines are as below:

- Investment-related departments such as Equity, Fixed Income, Alternative Investment, Research and Portfolio Strategy report directly to the Chief Investment Officer (CIO)
- Independent departments such as Legal & Secretarial, Corporate Strategy & Performance, Human Resources and Risk Management & Compliance report directly to the Chief Executive Officer (CEO)
- Control function departments such as Information Technology, Contribution, Corporate Affairs, Accounts & Management Services, Investment Support Services and Pension Services report directly to the Chief Operating Officer (COO).

The segregation of reporting lines is to ensure there is no authority/approval overlap between the departments as well as to embed transparency in KWAP.

Activities in 2019

Continuous Risk Management Awareness and Practices Talks in KWAP

- Enhancing risk awareness and updating the organisation and employees on developments and best practices across all aspects has been a constant in KWAP
- The Risk Management and Compliance Department (RMCD) initiated and completed various activities aimed at promoting risk management awareness and practices within KWAP
- The RMCD organised Risk Management Week 2019 from 15 April 2019 to 19 April 2019 at KWAP Kuala Lumpur and the Cyberjaya office. The theme of Risk Management Week 2019 was to emphasise "Integrity" as one of the essential criteria for good corporate governance and the promotion of "Integrity awareness" among all KWAP employees

Risk Management And Compliance

Activities in 2019

Continuous Risk Management Awareness and Practices Talks in KWAP (continued)

- Various activities were organised and there were three risk awareness talks conducted during Risk Management Week, as follows:
 - (i) Talk on the effects of corruption titled “Tumbuk Rusuk: Pengkisahan dari Tirai Besi” by Tuan Mohd Firdaus Ramlan, an ex-magistrate who was sentenced to a six-year jail term for bribery, 15 and 16 April 2019;
 - (ii) Talk on Corruption and Integrity by Encik Ho Ka Nyan from the Malaysian Anti-Corruption Commission, 19 April 2019; and
 - (iii) Talk on Professionalism, Ethics, Integrity and Business Reputation by Dr. Nizam Mohd Ali (in collaboration with the Internal Audit Department), 15 April 2019.
- Apart from Risk Management Week, the RMCD also organised eight talks and events throughout 2019 to promote risk and compliance awareness within KWAP, as follows:
 - (i) Briefing on The Impact of EU-GDPR on KWAP and Malaysia by Professor Abu Bakar Munir, 30 April 2019;
 - (ii) Compliance Culture and Internal Controls Awareness Programme by S. Suresh Kumar, 18, 30 & 31 October 2019;
 - (iii) Khazanah Works Visit to KWAP, 4 March 2019. This was part of ongoing engagements with GLICs to exchange experiences, ideas and best practices;
 - (iv) Risk Awareness session with the Portfolio Strategy Department, 5 March 2019;
 - (v) Risk Awareness session with the Accounts and Management Services Department, 4 April 2019;
 - (vi) Financial Modelling in Excel Training for Risk, Fund Managers and Internal Audit, 26 and 27 February 2019;
 - (vii) Investment Risk Session with FactSet, 1 August 2019; and
 - (viii) Board and Investment Panel training on the Role of the Board in Fraud Risk Management by IERP, 11 November 2019.

Compliance Team Surprise Visits to KWAP's External Fund Managers (EFMs)

- The objective of the visits was to ensure that the EFMs' activities and practices complied with the approved Investment Mandate and to confirm they had robust internal risk controls in place. The EFMs visited were:
 - (i) RHB Islamic International Asset Management Berhad (RHBIIAM);
 - (ii) Nomura Asset Management Malaysia (NAMM);
 - (iii) Nomura Islamic Asset Management Sdn Bhd (NIAM);
 - (iv) Affin Hwang Asset Management Malaysia (AHAM);
 - (v) AllMAN Asset Management Sdn Bhd (AllMAN);
 - (vi) Franklin Templeton GSC Asset Management Sdn Bhd (FTGSC); and
 - (vii) BNP Paribas Asset Management Malaysia Sdn Bhd (BNP Paribas).

Risk Team Visits to KWAP Properties / Associate Companies / Potential Investments

- The risk team, either independently or with the Senior Management team, organised visits to properties, associate companies or potential investments to ensure independent risk assessments and risk oversight of the properties, companies or prospective investments were conducted.
- The risk team visited the following three properties in which we had vested interest to discuss potential risk matters with the Asset Manager and our investment advisors as well as to ensure relevant risk identification, control and mitigation processes were in place:
 - (i) AREA Logistics @ Ampang Private Preview, 12 October 2019;
 - (ii) Aerodyne with KWAP Senior Management, 15 July 2019; and
 - (iii) Swift Logistics, 4 September 2019.

Risk Infrastructure and Controls Presentation to Khazanah Nasional Berhad Representatives

- The knowledge-sharing session, on 4 March 2019, was conducted with representatives from Khazanah Nasional Berhad as part of initiatives to strengthen its risk management infrastructure and governance. Through the session, the team sought to introduce Khazanah to industry best practices to mitigate its business risks as well as gain insights into other Malaysian GLICs' approaches to risk management.

Risk Management And Compliance

Technology and Innovation in the RMCD

The RMCD extensively leverages on technology to handle the multiple portfolio analytics and scenario analyses to cater to KWAP's portfolio risk management needs. Risk analytics from systems such as BarraOne, Credit Manager, Bloomberg and more are then distilled into key risk measures for management reporting.

Business continuity management remains one of our key focus areas for contingency and scenario planning. The RMCD has automated the business continuity management framework and implemented a practical and sustainable business continuity management process using the QRADAR system.

Enterprise Risk Management (ERM)

The key principles for the management of risk in KWAP are anchored on enterprise risk management (ERM) principles and the key components of ERM described in both the ERM Framework and ERM Policy, to support sound and holistic risk management within KWAP.

The CRP is used as a platform to provide a consistent approach in identifying, assessing, managing and reporting transversal risks in relation to:

▼
Identification and assessment of risk using risk management tools

▼
Effective implementation of controls and mitigation action plans to manage risks

▼
Consistent monitoring and timely reporting of risks to respective oversight committees

▼
Promoting risk ownership and accountabilities throughout the organisation, across all departments and staff of all levels

KWAP leverages on the Corporate Risk Profile (CRP) to support and complement the ERM framework and policies.

The document presents various types of risks with relevant details, which include the corresponding risk level and risk outlook for a three-month horizon for each risk category, tabulated in a risk heat map and dashboard for easy reference and deliberation.

In addition, to provide context and clear understanding of risk areas, the CRP delineates risk descriptions as well as mitigation actions to address potential risks and threats at both the corporate and operational levels for each of the risk categories highlighted in the reporting.

The CRP is reported and deliberated on through monthly Executive Committee (EXCO) meetings, quarterly Risk Committee (RC) meetings and escalated to the Board Integrity and Risk Committee (BIRC) meetings. Timely reporting and deliberation on the CRP are crucial in identifying and assessing KWAP's existing risk management capacities and capabilities. Once the key risks are identified and documented, the key focus is to integrate risk information into existing departmental governance structures, controls and planning, as well as their respective reporting cycles where the key risks can be communicated effectively.

This methodically addresses all the risks associated with all the activities of the organisation and consequently delivers benefits related to better informed strategic decisions and successful delivery of change, as well as increased operational efficiency.

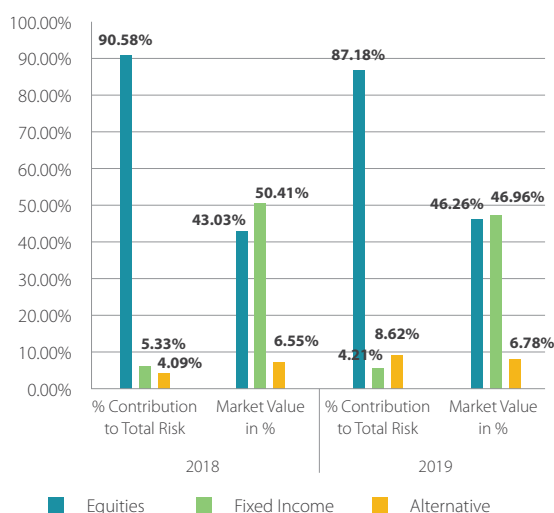
Risk Management And Compliance

MARKET RISK MANAGEMENT

Market risk is the risk of unexpected loss resulting from adverse changes in the value of assets arising from movements in market rates or prices. The predominant market risk drivers within KWAP's investment activities are interest rate risk, equity risk and foreign currency risk.

Three main asset classes form KWAP's investments, namely equity, fixed income and alternative investment (property and private equity). Equity had the highest contribution to KWAP's total risk at 87.18%, followed by fixed income at 4.21% and alternative investment at 8.62% as at 31 December 2019, and as displayed in the next diagram.

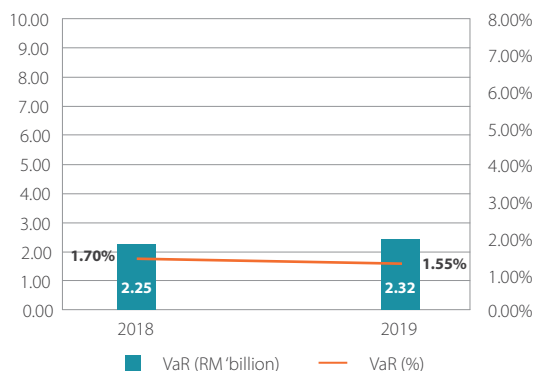
Total Risk Contribution by Asset Class as at 31 December 2019



VALUE AT RISK

A key market risk measure used in KWAP is Value at Risk (VaR). KWAP measures VaR as the worst possible loss that may occur at a 5% probability over a 10-day trading period. KWAP's VaR as at 31 December 2019 was at 1.55% of the total fund's market value. In other words, for a two-week period, there was a 95% probability that KWAP would not lose more than 1.55% of the fund's market value due to market risk factors. The following chart refers.

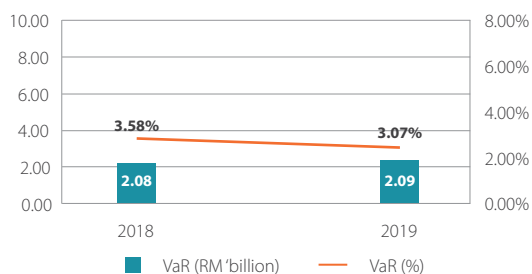
Value at Risk on Total Portfolio for 2019



EQUITY PORTFOLIO VALUE AT RISK FOR 2019

The equity portfolio represented 46.26% of KWAP's total fund for 2019. KWAP's equity VaR as at 31 December 2019 was at 3.07% of the equity portfolio, where there was a potential loss of 3.07% of the portfolio value over a two-week period assuming a 95% confidence interval, as shown next.

Equity Portfolio Value at Risk for 2019



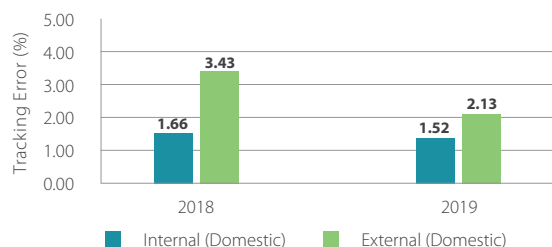
TRACKING ERROR

Tracking error (TE), also known as active risk, measures the deviation of the portfolio from its benchmark. For example, a passive index fund would have a TE close to zero while an actively managed fund would normally have a higher TE.

Internally managed domestic equity TE for 2019 was at 1.52% as compared to a higher TE of 2.13% for externally managed domestic equity, as illustrated in the following diagram.

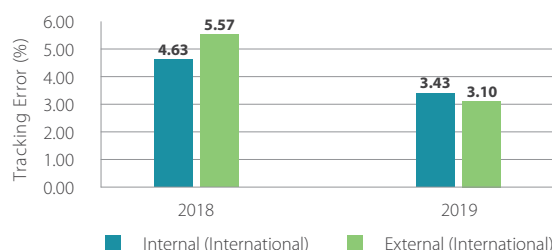
Risk Management And Compliance

Internal and External Domestic Equity Portfolio Tracking Error for 2019



KWAP's international equity portfolio TE was higher as compared to domestic equity. This could be attributed to its smaller mandate size and universe as compared to its respective benchmarks, as illustrated in the next chart.

Internal and External International Equity Portfolio Tracking Error for 2019



STRESS TEST ON TOTAL EQUITY PORTFOLIO

KWAP periodically conducts a stress test of its portfolios based on a range of scenarios. Results are reviewed, analysed and assessed to give insights into the portfolios' vulnerabilities and to inform portfolio construction and management decisions.

The stress test results are based on common historical scenarios that may impact KWAP's total equity portfolios' profit and loss, as follows.

Stress Test Results Based on Historical Scenarios

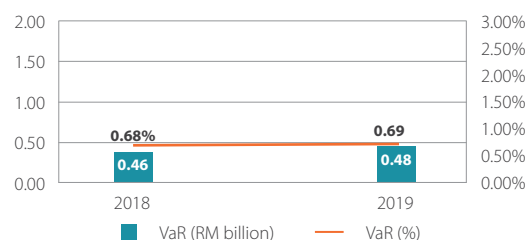
Scenario	P&L
2016 Brexit	-1.50%
2008 Lehman Bust	-22.05%
2008-2009 Global Financial Crisis	-23.00%
2007-2009 Subprime and Credit Crisis	-39.41%
2006 Emerging Market Crash	-9.40%
2001 Sept 11	-13.09%
2000 Emerging Market Decline	-8.78%
1997-1998 Asian Financial Crisis	-32.67%

FIXED INCOME RISK EXPOSURE

The fixed income portfolio, which consists of Malaysian Government Securities (MGS), Government Investment Instruments (GII), Corporate Bonds (CB) and the Money Market (MM), represented 46.96% of KWAP's total fund size as at 31 December 2019.

KWAP's fixed income VaR as at 31 December 2019 was at 0.69% of the fixed income portfolio with a potential loss of 0.69% of the portfolio value over a two-week period, assuming a 95% confidence interval.

Fixed Income Portfolio Value at Risk for 2019



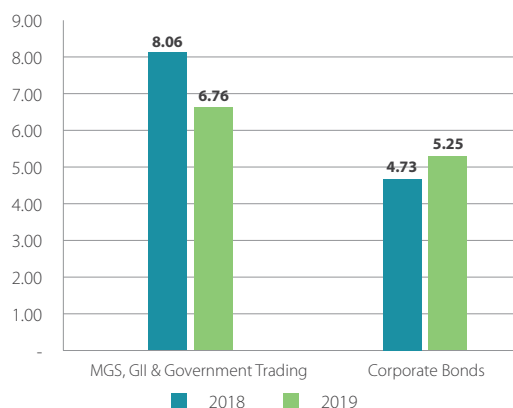
MODIFIED DURATION

Modified duration measures the sensitivity or change in value of a security or portfolio in response to a change in interest rates. It also assumes that interest rates and bond prices move in opposite directions. It is a sensitivity analysis used to determine the effects a 1% change in interest rates will have on the price of a bond.

Risk Management And Compliance

The MGS, GII and Government Trading (GVT) portfolio's modified duration as at December 2019 was at 6.76 as compared to 8.06 in 2018, while CB's modified duration was at 5.25 as compared to the previous year's duration at 4.73. This meant that if the yield moved by 1%, the portfolio market value would also change by approximately 6.76% for MGS/GII/GVT and 5.25% for CB.

Modified Duration for MGS, GII & GVT and CB Portfolios



STRESS TEST ON FIXED INCOME PORTFOLIO

KWAP also periodically conducts a stress test on its fixed income portfolios. The stress test results are based on common historical scenarios that may impact KWAP's total fixed income portfolios' profit and loss, as follows.

Stress Test Results Based on Historical Scenarios

Scenario	P&L
2016 Brexit	0.01%
2008 Lehman Bust	3.51%
2008-2009 Global Financial Crisis	4.77%
2007-2009 Subprime and Credit Crisis	0.80%
2006 Emerging Market Crash	-0.50%
2001 Sept 11	-0.04%
2000 Emerging Market Decline	-0.04%
1997-1998 Asian Financial Crisis	-0.81%

Estimated losses of the stress test for fixed income were minimal as compared to investments in equities. This may be attributed to KWAP's substantial size in its domestic fixed income investments, which experienced a limited impact from external market shocks and volatility. Moreover, bonds are considered as a defensive investment.

HEDGING AND DERIVATIVE PRODUCTS

A variety of derivative contracts are used to manage market risk exposures in KWAP's investments, especially in currency and interest rate movements. Derivative instruments used to manage these exposures are cross-currency swaps (CCS), interest rate swaps (IRS) and foreign exchange forward contracts (FX Forwards). KWAP mostly uses FX Forwards to hedge its currency exposures in international markets back to Ringgit Malaysia (RM). This mitigates and offsets currency volatility in KWAP's exposures overseas.

ALTERNATIVE INVESTMENTS

As at 31 December 2019, KWAP's total exposure in alternative investments was at 6.78% of KWAP's total fund. KWAP's alternative investments consist of property and private equity (PE) investments.

PROPERTY

KWAP's properties are diversified both domestically and internationally. Portfolio construction, which relies on diversification of geography and asset types, provides for risk diversification and naturally reduces the sum of individual property risk to lower portfolio risk levels. Properties are long-term in nature, hence the risk is structural as opposed to transactional. Besides being exposed to movements in property prices, management of the rental leases and overhead costs is important in maintaining a steady income stream. As at 31 December 2019, KWAP's total exposure in property was at 3.98% of KWAP's total fund.

PRIVATE EQUITY AND INFRASTRUCTURE

Risk management of PE funds and direct investment is typically concentrated in the pre-appointment evaluation of its managers and investment strategies. Post-appointment activities concentrate on operational risk management and monitoring of the funds with potential red flags as to possible write-offs or losses. The ability of PE funds to exist post-investment is severely limited due to the nature of the asset class.

KWAP is also constantly developing its knowledge and skills to improve risk management of these markets, which have grown and become attractive to investors as opposed to traditional assets such as equity and bonds. As at 31 December 2019, KWAP's total exposure in PE and infrastructure was at 2.80% of KWAP's total fund.

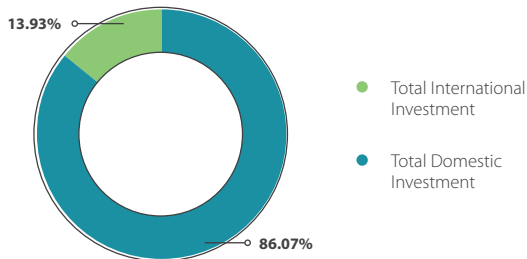
Risk Management And Compliance

INTERNATIONAL EXPOSURE

Currency Risk

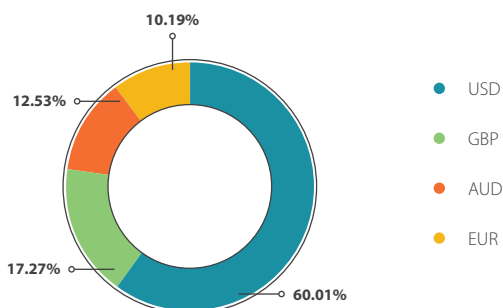
As at 31 December 2019, KWAP's exposure in international investments was at 13.93% of KWAP's total fund.

Percentage of KWAP's Total Exposure in Domestic and International Investment



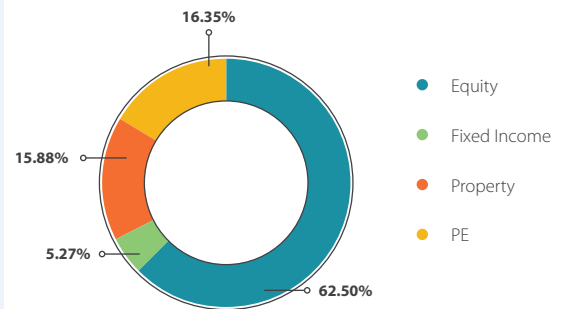
KWAP's foreign currency exposures through its investments can be broken down into four major currencies, namely USD, GBP, AUD and EUR. The currency exposures as at 31 December 2019 are illustrated below. KWAP actively manages its currency risk exposure to minimise volatility in its Profit and Loss due to currency fluctuations. We actively hedge our currency risk via various approved hedging products across the multiple asset classes.

Percentage of KWAP's Investment by Currency



The next chart shows the proportion of various asset classes within KWAP's international investments.

Percentage of KWAP's International Investments by Asset Type

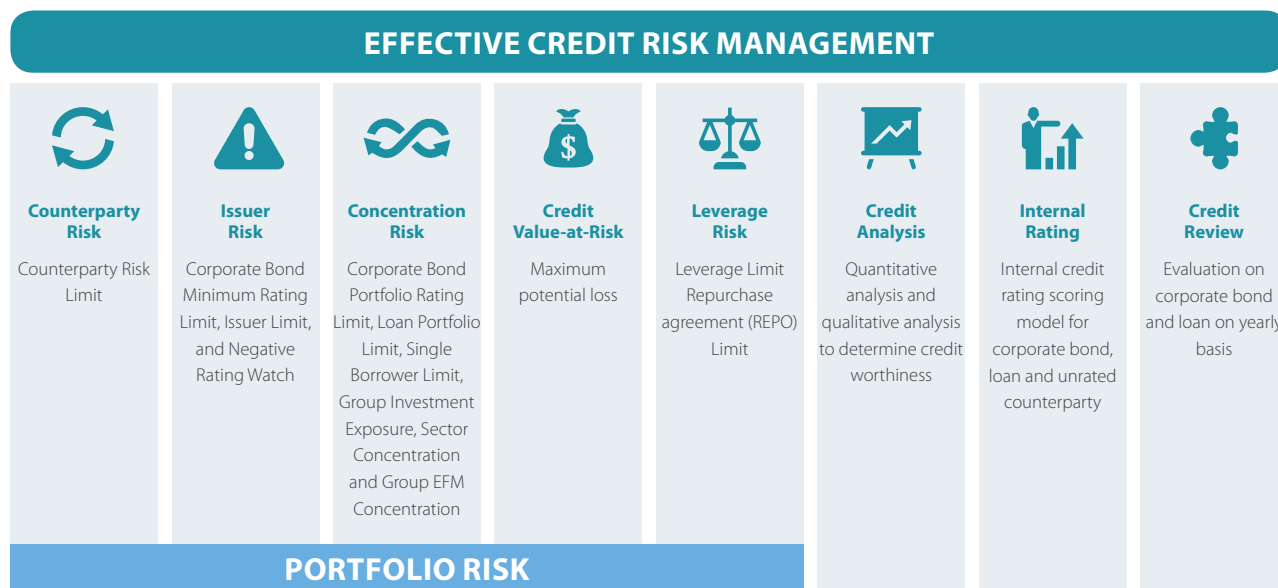


CREDIT RISK MANAGEMENT

Credit risk is defined as the probability that a borrower or counterparty will fail to meet its financial obligations in accordance with the agreed terms. KWAP, being an active player in the domestic fixed income and money markets with participation in both primary and secondary markets, requires strong credit risk policies. Industry best practices are instilled via continuous updates of credit risk policies and processes.

The purpose of credit risk management is to keep credit risk exposure within an acceptable level and to ensure the returns are commensurate with the risk taken. The Credit Risk Policy and Credit Risk-related Guidelines were introduced to formalise the credit risk function, covering credit risk measurement, credit risk assessment and monitoring.

Risk Management And Compliance



Credit research provides credit analyses, internal ratings and credit reviews for the fixed income portfolio.

The Internal Evaluation Committee (INTEC) is responsible for deliberating on all existing and new credit proposals, as well as credit-related issues, before tabling them to the Investment Committee and the Investment Panel. Additionally, the INTEC reviews and approves the internal credit rating scoring for all credit proposals.

To manage KWAP's credit risk exposure, a series of credit risk limits and management action triggers (MATs) has been placed, as illustrated next.

CREDIT RISK LIMITS/MANAGEMENT ACTION TRIGGER (MAT)

- 1 **Counterparty Risk Limit***
- 2 **Corporate Bond Minimum Rating Limit***
- 3 **Issuer Limit***
- 4 **REPO Limit***
- 5 **Leverage Limit***
- 6 **Corporate Bond Portfolio Rating Limit***
- 7 **Corporate Bond Negative Rating Watch**
- 8 **Loan Portfolio Limit**
- 9 **Single Borrower Limit**
- 10 **Group Investment Exposure MAT**
- 11 **Sector Concentration MAT**
- 12 **Group MAT For External Fund Managers**

Note: Credit risk limits are marked with an asterisk (*)

The credit risk limits are approved by the Board, designed to either cap risk exposure within a certain asset class and sub-asset class or cap risk exposures to a single entity or issuer. Any breaches of these limits will be escalated to Senior Management.

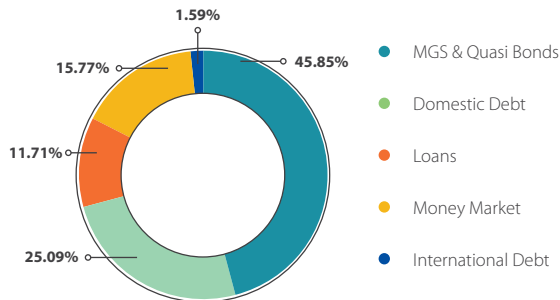
MATs, on the other hand, are triggers that warrant management review and reassessment of the accompanying risk exposures.

KWAP employs credit VaR, among others, as a methodology to quantify credit risk. It is a measure of the maximum potential change in value of a portfolio of financial instruments with a given probability over a preset horizon. A credit risk quantification system is used to monitor the overall composition and quality of the credit portfolio by providing adequate information and analytical techniques.

In order to enhance visibility and promote better risk management of the bond portfolio, the negative rating watch is closely monitored to serve as a part of pre-emptive measures in addressing potential downgrades and/or defaults of the bonds.

Risk Management And Compliance

KWAP FIXED INCOME PORTFOLIO (AS AT 31 DECEMBER 2019)



The diagram displays KWAP's fixed income exposure, of which 45.85% was invested in Malaysian Government Securities (MGS) and Quasi-Government Bonds, 25.09% in Domestic Debt, 11.71% in Loans and 15.77% in the Money Market. The remaining 1.59% was invested in International Debt.

COMPLIANCE

The compliance function in the organisation remains a very important core function of KWAP and the industry in general. Failure of the compliance function in high-profile cases in Malaysia and abroad has highlighted the impact, both financial and reputational, of non-compliance. Compliance serves as an independent function that identifies, assesses, advises on, monitors and reports on the compliance risk, that is, the risk of legal or regulatory sanction, financial loss or loss to reputation that the organisation may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards or good practices.

The main objectives of compliance are to preserve KWAP's reputation so that our competitive standing, reputation and share value are not only maintained, but also enhanced. To achieve this objective, KWAP's underlying mission is to effectively measure and manage the compliance risk of the organisation to meet the expectations of all stakeholders.

Compliance risk within KWAP is defined as the risk of impairment to the organisation's business model, reputation and financial condition from a failure to conform to laws and regulations, internal policies and the expectations of the stakeholders. Providing the foundation to this aspiration is the Compliance Framework, which was implemented in 2010, from which the building blocks of the compliance function are shaped. In managing the roll-out of the Compliance Framework, KWAP also adopts the three lines of defence model in managing compliance risk in KWAP.

SCOPE OF COMPLIANCE

(a) Regulatory Compliance

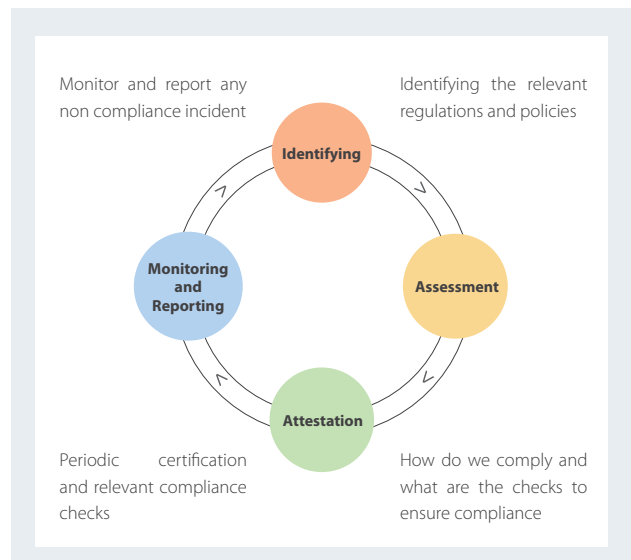
This covers the external regulations and guidelines that KWAP is bound to comply with, such as the relevant Acts of Parliament, Minister of Finance's Decrees and guidelines from regulatory bodies like Bank Negara Malaysia, Securities Commission Malaysia and Bursa Malaysia. The ownership of regulatory compliance is with the pertinent operating units at the transactional or operating level, where any potential breaches will be identified upfront before the event. A proactive approach has been adopted as regulatory non-compliance is not an option.

(b) Internal compliance

This covers compliance with internal policies and guidelines, for example, the Investment Policy and Guidelines, Discretionary Authority Limits and Standard Operating Procedures. The RMCD approach in ensuring internal compliance is sustained through risk limit control in the investment system while operational process controls are embedded in the Standard Operating Procedures.

COMPLIANCE PROCESS

Compliance activities are closely intertwined with compliance developments on the global front and in existing legal requirements, as well as in KWAP's policies and procedures. The following diagram illustrates the compliance process and the general approach taken in managing compliance risk.



Risk Management And Compliance

VALUE OF COMPLIANCE

As business models change, new technologies emerge and new investment asset classes increase amid the intense focus on operational efficiencies, KWAP has never been more exposed to such a myriad of risks. In this regard, KWAP's Board and Senior Management have extended their full support and cooperation in moving compliance to the front line. They have done this by establishing the tone from the top, which is quite simply, to comply with all rules and regulations and practise ethical behaviour. All employees are aware that the Board and Senior Management must take an uncompromising stance if such trust is breached. The compliance unit is increasingly becoming a point of reference and adviser for key strategic initiatives that KWAP embarks on.

The compliance culture has also been expanded to our EFM's. Our EFM's are required to declare on an annual basis that all of KWAP's investment guidelines are captured in their investment systems. This is to ensure that the EFM's always adhere to the guidelines imposed on them.

CHINESE WALL POLICY

KWAP has implemented a Chinese Wall Policy since 2014. KWAP's Chinese Wall Policy was introduced to establish procedures to control the flow of material non-public and price-sensitive information within KWAP to minimise the risk of insider trading and potential breaches of laws and regulations. It also helps to ensure that the possession of material non-public and price-sensitive information does not give rise to the risk or perceived risk of a conflict between the public interest, KWAP's interest and employees' personal interest.

AUTOMATED SELF-COMPLIANCE CHECKLIST

KWAP has also implemented automated self-compliance where all attestation processes are now automated via a system called QRADAR Compliance. The attestation exercise is paperless and increases efficiency. The self-compliance checklist will be filled in by the respective departments' compliance liaison officers and signed off by their Heads of Department via the system. The attestation exercise has been rolled out on a biannual basis to all investment-related departments and annually to other departments.

COMPLIANCE SPOT CHECK EXERCISE

KWAP has embarked on an initiative called Compliance Spot Check, where periodic spot check exercises are conducted on departments within KWAP. The purpose of this exercise is to ensure the veracity of the self-compliance checklists declared and submitted by the respective departments. This exercise is conducted through performing sample tests on the requirements stipulated in the self-compliance checklist.

Operational Risk Management (ORM)

Operational risk is the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes, but not limited to, fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches, employee health and safety hazards and reputational risk associated with KWAP's business operations or conduct.

In order to accommodate complex operations, KWAP utilises operational risk event (ORE) reporting to effectively respond and manage internal losses arising from the actual events. The positive outcomes of ORE are not only better responses to current risks but also provide better management of future risks.

In 2019, there were no reported OREs with damaging impact on KWAP's operations as the majority of OREs were successfully rectified. The reported OREs were mainly under the following categories of risk events:



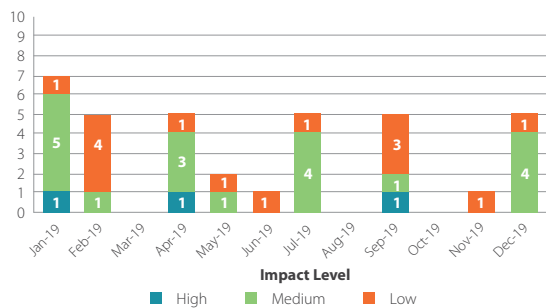
Risk Management And Compliance

In addressing the reported OREs, proactive measures were taken, such as:

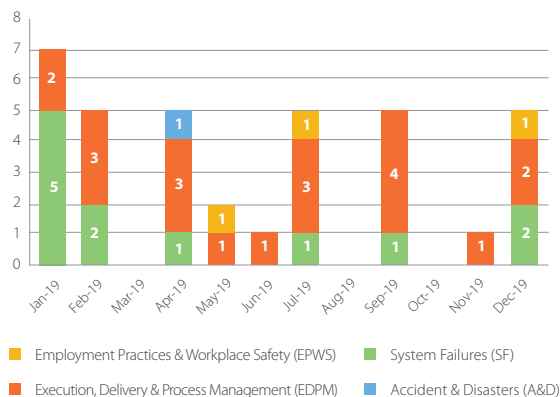
- RMCD will assess the severity of the incidents collaboratively with the reporting department and subsequently define the impact;
- Collaboratively with the stakeholders of the incidents, RMCD will conduct root cause analysis and recommend enhancements to key processes and controls to prevent future recurrences;
- Operational risk events were presented at EXCO, RC and BIRC meetings to ensure all issues were properly addressed;
- RMCD pursues outstanding OREs to ensure completion of mitigation actions and closure of reported incidents.

The following diagrams display the number of OREs throughout 2019:

NUMBER OF OPERATIONAL RISK EVENTS REPORTED BY IMPACT LEVEL FOR 2019



NUMBER OF OPERATIONAL RISK EVENTS BY RISK CATEGORY FOR 2019



Source: RMCD records, 2019

FRAUD RISK MANAGEMENT PROGRAMME

In 2019, RMCD developed Fraud Risk Management Program that demonstrated the commitment of KWAP's Board and Senior Management in ensuring high integrity and ethical values in managing Fraud risks.

KWAP Fraud Risk Management Program comprises of 3 main components:

1 Policies and Guidelines



- RMCD established Fraud Investigation Guidelines on 14 August 2019

2 Training and Awareness



- RMCD conducted various fraud training and awareness sessions in collaboration with the compliance team and stakeholders as follows:
 - Talk on "Tumbuk Rusuk: Pengkisahan dari Tirai Besi" by Tuan Mohd Firdaus Ramlan, 15 and 16 April 2019;
 - Talk on Corruption and Integrity by Encik Ho Ka Nyan from the Malaysian Anti-Corruption Commission, 19 April 2019;
 - Fraud Risk Management in Practice training for selected officers from high-risk departments conducted by a certified system investigator (CSI), 16 and 17 October 2019;
 - Compliance Culture and Internal Controls Awareness Programme by S. Suresh Kumar, 18, 30 & 31 October 2019;
 - Qualified Risk Director Programme for KWAP Board and Investment Panel members by the Institute of Enterprise Risk Practitioners (IERP), 11 November 2019;
 - Fraud Risk Management Guideline awareness for all employees, 30 December 2019.

Risk Management And Compliance

3 Risk Assessment



- RMCD conducted comprehensive departmental fraud risk assessments on the top five high-risk departments/sections in addressing KWAP's vulnerabilities to internal and external fraud. These were based on the likelihood and severity of the potential fraud risk management in the areas of, but not limited to, financial, reporting, operations and reputation, as well as legal and regulatory aspects.

Moving forward, RMCD will continue to develop Fraud Risk Management Program by:

- Periodically review fraud-related policy and guidelines;
- Conduct continuous training and awareness sessions;
- Conduct fraud risk assessments on all KWAP departments and subsidiaries;
- Maintain continuous monitoring through periodic fraud risk assessments.

AUTOMATED BUSINESS CONTINUITY MANAGEMENT

On 30 August 2019, KWAP embarked on a journey to automate BCM manual operations. The BCM system will serve as a one-stop solution and enhancement tool in managing KWAP's business continuity risk. The benefits of the BCM system are as follows:

- It will improve BCM operational efficiency by automating its current manual processes;
- Time-saving – it will help focus manual efforts on managing the exception or edge scenarios and business continuity outcomes rather than managing the process;
- Rapid change management – automation will facilitate effective change management across multiple BCM documents, which will save time and resources and give consistent results;
- Ownership – messages and updates will be sent to every department automatically. As a result, each department will be responsible for maintenance and activities on its own, rather than being dependent on the BCM manager;
- Reporting – information will be readily available to the BCM coordinators and all the stakeholders as and when required, and;

- Readiness and reliability – the system will reside at an alternate site or in the cloud (depending on the IT infrastructure solution) and will be available 24/7.

The project implementation was scheduled to take place from August 2019 until project go-live in January 2020.

BUSINESS CONTINUITY MANAGEMENT (BCM)

BCM has always been integral to KWAP. In 2019, in line with its business expansion, KWAP conducted several BCM exercises:

- A Non-live BCM Exercise that required critical functions to be performed in a non-live environment;
- A Surprise BCM Exercise with the participation of the crisis management team (CMT);
- A Table-top BCM Exercise for the Pension Services Department, and;
- KWAP personnel were mobilised and tasked with performing the recovery of critical functions within the required timeline at the alternate site for both Non-live and Surprise BCM exercises.

The objectives of the exercises were to:

- Simulate real scenarios of operational disruption and test the readiness of the CMT;
- Gauge the readiness of all systems at the alternate site (KWAP-Integra Tower to KWAP-Cyberjaya office and vice-versa);
- Ensure systems were able to function properly in the disaster recovery environment;
- Verify system capabilities based on accessibility and functionality;
- Ensure the relevance of critical functions as stated in the business impact analysis (BIA);
- Ensure employees' telephone numbers were correct and updated;
- Measure the ability to resume business operations within the stipulated timeframe in the event of severe operational disruptions, and;
- Introduce good team interaction and decision-making capabilities to the participants.

Moving forward, BCM exercises will involve all levels of employees to ensure exposure and practical experience in the event of business disruption. Various scenarios will be incorporated, such as a prolonged crisis and a pandemic outbreak.

INTEGRITY AND GOVERNANCE

INTEGRITY AND GOVERNANCE OFFICE

Integrity has been a part of KWAP's core values since its establishment. We manifest such value through our zero tolerance to corruption as well as our commitment to upholding transparency and good governance in the conduct of our business and operations.

We have been implementing initiatives to create awareness on ethics and integrity as well as the adverse impacts of corruption. We also have put in place relevant policies, procedures and mechanisms to address integrity and governance issues which include, among others:



Employees Handbook on Code of Ethics and Conduct

KWAP employees are always bound by the set of rules established to guide them in practising ethical behaviour in the discharge of their duties.



No Gift Policy

KWAP practices a no gift policy, with certain limited exceptions, to avoid conflict of interest or the appearance of conflict of interest in any dealings with external parties, as a gift can be perceived as a bribe.



Whistleblowing

As part of good corporate governance, KWAP has established a whistleblowing mechanism to address genuine disclosures of any form of misconduct or unlawful or unethical activities committed or about to be committed within KWAP.

ESTABLISHMENT OF INTEGRITY AND GOVERNANCE OFFICE

The country has seen various anti-corruption initiatives launched at the national level between 2018 and 2019. In accordance with this direction, the Integrity and Governance Office (IGO) was established in KWAP in mid-2019 to undertake related initiatives, programmes and activities towards strengthening and enhancing governance mechanisms and a culture of integrity in KWAP. To ensure independence in undertaking its functions, the IGO reports directly to the KWAP Board and the Board Integrity and Risk Committee, while reporting administratively to the Chief Executive Officer.

CORRUPTION RISK MANAGEMENT

Apart from the setting up and operationalisation of the IGO, the year 2019 saw KWAP commencing work on corruption risk management (CRM). CRM is aimed at identifying areas with potential corruption risk within the organisation and developing a mitigation plan to address such risk. The output from this exercise will also be used to develop KWAP's Organisational Anti-Corruption Plan (OACP), which is a requirement under the National Anti-Corruption Plan (NACP) 2019-2023.

ANTI-BRIBERY MANAGEMENT SYSTEM

To ensure that we have adequate measures for corruption prevention, a gap analysis to ascertain the standing of KWAP's current control system in comparison to the requirements of global standard anti-corruption measures, known as the ISO 37001:2016 Anti-Bribery Management System (ABMS), was undertaken in the fourth quarter of 2019.

The output from this gap analysis will be used to guide KWAP in our pursuit to put in place necessary measures as per ABMS requirements in 2020. ABMS will entail the development and improvement of our current policies, standard operating procedures and guidelines to prevent, detect and respond to corruption. Implementation of ABMS will also benefit KWAP, and its subsidiaries, in particular, in preparing for the effect of corporate liability under Section 17A of the Malaysian Anti-Corruption Commission Act 2009, expected to be enforced starting June 2020.

Activating GROWTH



Over the decade, we have become adept in striking the right balance between seeking attractive yields and maintaining prudence to ensure optimum returns on investment in the long term.

04

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ECONOMIC & STRATEGY REVIEW

66

The global economy faced a challenging year in 2019 as elevated geopolitical and trade policy uncertainty weighed on growth and financial markets. Weaknesses were concentrated in the export-oriented technology and manufacturing sectors, although resilient labour markets continued to sustain personal consumption and economic expansion. Apart from politics and trade, financial markets were also under pressure from the lagged impact of previous monetary policy tightening in major economies such as the United States (US), China and Europe. As a result, global central banks adopted an increasingly accommodative stance as the year progressed.

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The US economy grew for the 11th consecutive year but at a slower pace due to the diminishing impact of the tax reforms in 2018 and slowing business capital expenditures, while external trade was affected by the escalation of trade tensions between the US and China. This prompted the US Federal Reserve (the Fed) to enact a rate cut cycle of 75 basis points (bps) and to provide liquidity injections into overnight funding markets in the second half of 2019. Accordingly, treasury yields dropped, providing a lift to housing market and stock market valuations.

Meanwhile, the Eurozone's largest economy, Germany, continued to struggle amid the global manufacturing malaise, mainly due to its large automotive sector. In the United Kingdom (UK), Brexit-related political risks remained elevated until snap elections in December gave Boris Johnson's Conservative Party the mandate to complete the process of leaving the European Union. Further to the East, Japan pushed forward to increase its value added tax rate in October. Notably, the last tax hike in 2014 played a key role in pushing the Japanese economy into recession.

For China, most of 2019 was overshadowed by a trade war with the US that dragged its economic growth to its slowest pace in nearly three decades. This was despite the Chinese government's efforts to boost credit growth that had initially been showing signs of gaining traction. However, the Chinese authorities refrained from embarking on large-scale stimulus efforts due to concerns over elevated debt levels.

As a consequence of the US-China trade war, most regional peers suffered the fallout in terms of economic attrition. Given that China was the dominant trading partner for most of these economies, weak Chinese demand led to depressed aggregate trade data and a decline in investment expenditure across the region.

Malaysia's economy continued to be supported by resilient private consumption, albeit clouded by external sector weakness. To support growth momentum amid fiscal consolidation efforts, Bank Negara Malaysia moved towards easing monetary policy by reducing the overnight policy rate (OPR) by 25 bps to 3.00% on 7 May.

Subsequently, in view of increased downside risk to the domestic economy's outlook, the government decided to moderate its fiscal consolidation efforts by revising the 2020 fiscal deficit target to 3.2% of gross domestic product (GDP) in its 2020 Budget from the previously announced 3.0%. Meanwhile, the steady current account surplus and private consumption growth continued to stand the economy in good stead in the face of headwinds to economic growth.

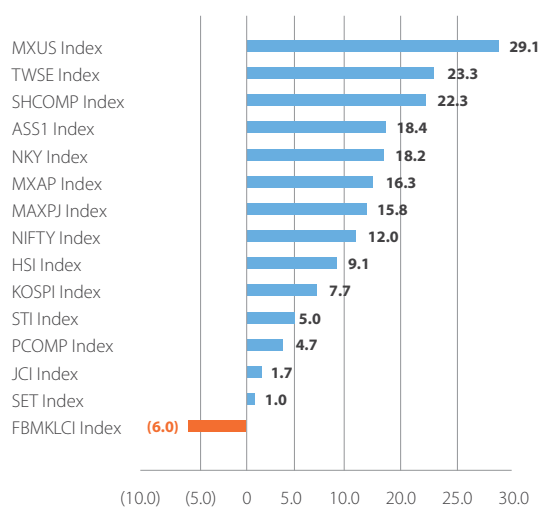
Economic & Strategy Review

MARKET REVIEW & OUTLOOK

2019 Equity Market Review

2019 marked a year of recovery across the globe, with the exception of the FBM KLCI as investors chose to shy away from the Malaysian market. Stock markets were plagued by several themes in 2019, ranging from the rise of protectionist policies that caused political and trade tensions across the world to slowdowns in global trade and manufacturing activities. Despite the negative headlines, global equity markets reported significant recovery, albeit from a low base set in 2018, mainly attributable to the easing of the US-China trade war and Japan-South Korea trade tension; a dramatic policy shift at the Fed with a three-time rate cut; stabilisation of the crude oil price, which remained range-bound between USD55.95 and USD68.44 per barrel and the recovery of the semiconductor sector.

Major Bourses' Performance (%) for 2019



Source: Bloomberg

Malaysia

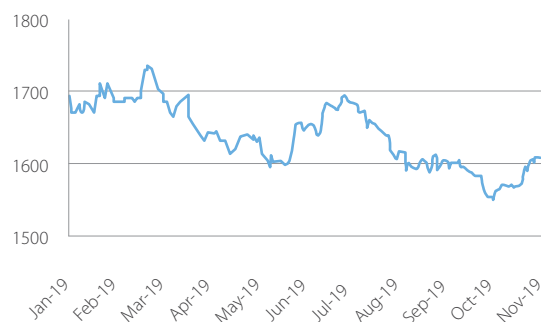
2019 was a disappointing year, continuing a sell-down that started in mid-2018. The FBM KLCI fell from 1,691 points on 31 December 2018 to 1,589 points by end-2019, reporting a decline of 6.0%, following a negative return of 5.9% in 2018. Amid a low interest rate and muted macro environment, the FBM KLCI was dragged down by banking stocks with Public Bank Berhad, Hong Leong Financial Group Berhad and Maybank Berhad leading the way with their respective stock prices plummeting by 6%, 10.9% and 2.5%, respectively.

Malaysia (continued)

Petronas-linked stocks also lagged, with Petronas Chemicals Group Berhad, Petronas Dagangan Berhad and Petronas Gas Berhad reporting negative returns of 17.3%, 10.2% and 2.0%, respectively. The sluggish performance of these companies was mainly due to inventory lag loss, higher operating expenses and soft overall global trade activities.

Nevertheless, other constituents of the local bourse, such as MISC, performed well with a gain of 27.7%, driven by robust tanker demand and improved charter rates on the back of a tanker shortage due to the US-China trade war causing the US government to blacklist dozens of China-operated tankers.

FBM KLCI 2019 Performance (Points)



Source: Bloomberg



FBMKLCI

↓ **6.0%**
at 1,589 points



Dividend Yield
3.6%

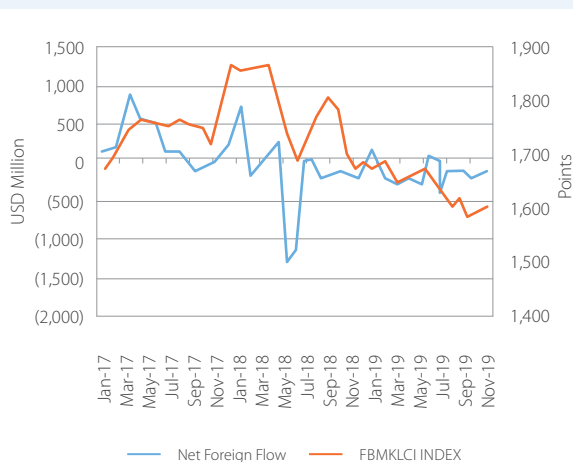
As at 31 December 2019

In 2019, the local bourse was also impacted by foreign equity fund outflows and softer GDP growth of 4.3%. The GDP growth of 3.6% in the fourth quarter of 2019 was the lowest in more than 10 years. The net outflow of foreign funds in 2018 continued its momentum into 2019 with a net outflow of USD2,683 million, driven by the negative sentiment among foreign investors due to the lack of catalysts for the local bourse and the uncertain political environment. The delays or postponements of large-scale infrastructure projects initiated by the previous government were also a contributing factor to the bearish sentiment.

Economic & Strategy Review

Malaysia (continued)

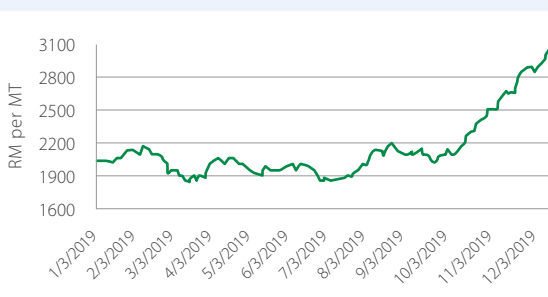
Malaysia : KLCI (Points) vs. Foreign Flow (USD Million)



Source: KWAP, Bloomberg

In the commodities space, crude palm oil (CPO) price started the year on a stable footing and remained range-bound between RM1,831 and RM2,200 per metric tonne for the first half of 2019. The CPO price skyrocketed in the final quarter of the year due to declining inventory levels arising from lower production levels and strong export numbers. The latter were driven by demand in China as the country restocked amid a low CPO price environment.

CPO Price Performance in 2019



Source: Malaysian Palm Oil Board

In terms of valuation, the FBM KLCI's price-to-earnings (P/E) multiple contracted to 17.2 times in December 2019 from 21.3 times in December 2018, offering a dividend yield of 3.6%.

The Asia Pacific

The MSCI Asia Pacific Index gained 16.3% to close at 170.7 points on 31 December 2019. The rally was driven by the recovery of the technology sector and led by Tencent Holdings Ltd. and Taiwan Semiconductor Manufacturing Co. Ltd., with share prices rising by 20.0% and 53.9%, respectively. The primary drivers for the semiconductor sector were a faster-than-expected inventory digestion period, the proliferation of automobile electrification, the 5G kick-off and robust demand from data centres and computing.

Overall, 2019 was a good year for most Asian equities with the Taiwan Stock Exchange (TWSE), Shanghai Stock Exchange (SHCOMP) and Nikkei 225 Index (NKY) leading the stellar performance with gains of 23.3%, 22.3% and 18.2%, respectively. It was also a remarkable year for the HSI, which reported a gain of 9.1% in 2019, despite little sign of a resolution of the unrest. Investors seemed to shrug off the effect of the protests and instead focused on the benefits of the "Phase One" trade talks between Washington and Beijing, which eased the trade tensions.

In terms of valuation, the MSCI Asia Pacific's P/E multiple stood at 16.8 times in December 2019 compared to 12.4 times in December 2018, offering a dividend yield of 2.7%.



MSCI Asia Pacific

↑ **16.3%**
at 170.7 points



Dividend Yield
2.7%

As at 31 December 2019

The United States

The MSCI US (MXUS) Index gained 29.1% to close at 3,076.5 points on 31 December 2019, the largest gain since 2013. Top MXUS constituents reported solid performance with Apple Inc. and Microsoft Corp. leading returns with 86.2% and 55.3%, respectively, while other FAANG stocks reported double-digit gains as well.

One of the key drivers of the strong market performance in 2019 was the steep sell-off that started in mid-September 2018 and carried on into late-December 2018, causing a contraction of nearly 20.0%. The Fed lowered the rates three times in 2019, with the first cut from 2.25% to 2.0% in July 2019. The momentum persisted with further rate cuts of 25 bps in September 2019 and another 25 bps cut in October 2019, bringing the rates down to 1.5%.

Economic & Strategy Review

MARKET REVIEW & OUTLOOK

The United States (continued)

As the year came to a close, the US House passed the United States-Mexico-Canada Agreement. In addition, there were encouraging signs that the Trump administration had come to a Phase One trade agreement with China. These trade deals emerged as another strong catalyst for the US stock market.

In terms of valuation, the MSCI US P/E multiple ended the year at 21.8 times in December 2019 compared to 16.9 times in December 2018, offering a dividend yield of 1.8%.



MSCI United States

↑ **29.1%**
at 3,076.5 points



Dividend Yield
1.8%

As at 31 December 2019

Equity Market in 2020

The global economy is envisaged to remain soft in 2020, vulnerable to any slowdown in global trade and manufacturing activities, volatile commodity prices and major policy decisions that could affect the global economy and fund flows, as well as the possible escalation of geopolitical strains between the US and China, in the Middle East and to some extent, between the UK and the European Union (EU), which could create market volatility. Additionally, uncertainties ahead of elections in the US could create downside risk to the global market. Before 2019 dropped its curtain, the world was shocked with the COVID-19 emerging in Wuhan, Hubei province in late December 2019. We remain mindful and will monitor the development of the pandemic closely.

Nevertheless, there are early signs of stabilisation with the likes of the implementation of Phase One of the US-China trade deal and supply chain recovery, which could persist and eventually reinforce the link between still-resilient consumer spending and improved business spending. Additional support could emerge from the tapering of idiosyncratic drags in key emerging markets coupled with the effects of monetary easing, as global central banks are envisaged to remain accommodative. The latter stance, which started earlier in 2019, could have its lagged effects supporting global activity recovery in early 2020.

Equity Market in 2020 (continued)

The local bourse is likely to continue facing growing uncertainties from the external economic environment while the impact of the policy direction is envisaged to remain subdued, as reforms will take time. Against this backdrop, the heightened volatility could provide opportunities to buy into fundamentally good stocks for long-term outperformance.

Our investment preferences are companies with resilient business models, healthy financial positions, good corporate governance practices and agile management teams. In times of uncertainty, companies with sustainable dividend yield are also preferred. All in all, pockets of opportunities remain available and stock picking is key.

2019 Bond Market Review

Domestic Corporate Bond Market Review

Trade frictions and deglobalisation represented the major themes of 2019 that triggered a global flight-to-safety from risky assets by investors, as evidenced by the dramatic fall of bond yields in both emerging and developed countries.

Despite the recent "win" for the global economy in late-December 2019 pursuant to the US and China successfully agreeing to a Phase One trade deal, most of the damage had already impacted businesses, particularly within the emerging countries, which represent the growth engine of the global economy. This resulted in a coordinated global policy easing by central banks that led to a prolonged low-yield environment across major countries.

In Malaysia, the returns of bonds and sukuk continued to outperform stocks, with the Thomson Reuters (TR) Bond Pricing Agency Malaysia (BPAM) All Bond Index clocking in a 8.72% return. The TR BPAM Quasi-Government All Bond Index was the top-performing bond index at 10.25% with the TR BPAM Corporate AAA All Bond Index coming in a close second with a 9.16% return.

Foreign investors were net buyers of government bonds (gowvies) and corporate bonds, with total inflows of RM19.9 billion for the year, in contrast to the outflows seen in 2018 of RM21.9 billion. Strict fiscal discipline, political stability and resilient economic fundamentals were the key factors supporting foreign inflows into the country. In addition, higher fixed income yields in emerging markets such as Malaysia provided the solution for yield-seeking investors given the ultra-low yield environment in the global bond market.

Economic & Strategy Review

2019 Bond Market Review (continued)

Domestic Corporate Bond Market Review (continued)

Malaysia's corporate bond issuances remained above the RM100 billion mark in 2019 for the third consecutive year, partly contributed by the attractiveness of issuing debt in the current low interest rate environment and backed by the resilience of the country's GDP growth rate. Net issuances, however, continued to decline for the second consecutive year, partly resulting in the high demand by investors for primary corporate bond issuances due to the lack of supply of new issuances in the bond market.

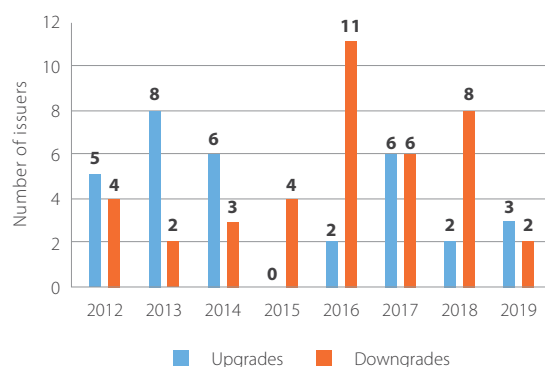
Quasi-governmental entities remained the main contributors (50%, if including the one-off issuance of RM27.6 billion by Urusharta Jamaah Sdn Bhd; 37% if excluded) to the overall corporate bond issuances, followed by issuers within the financial sector (19%) and property sector (14%). The top issuers within the quasi-governmental classification were DanaInfra Nasional Berhad, Pengurusan Air SPV Berhad and Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA). In the financial sector and property sector, the major issuers within this spectrum were Malayan Banking Berhad (RM6.6 billion), CIMB Group Holdings Berhad (RM2.8 billion), Ara Bintang Berhad (RM1.1 billion) and Damansara Uptown Retail Centre Sdn Bhd (RM0.7 billion).

Domestic Credit Quality

There were no defaults in 2019, which marked the second consecutive year of no defaults since 2017. This was aligned with our expectation earlier during the year of not expecting default rates to materially rise unless there was a sharp drop in Malaysia's GDP growth or a single/multisector slowdown as observed in 2013-2014 (slowdown of the steel industry) and 2016-2017 (slowdown in the oil & gas industry). We were of the opinion that most of the issuers with deteriorating credit quality had been downgraded over the past two years to reflect their respective credit profiles. In 2019, the trend continued, where a total of six downgrades and three upgrades were made by rating agencies, mirroring the challenging economic backdrop during the year.

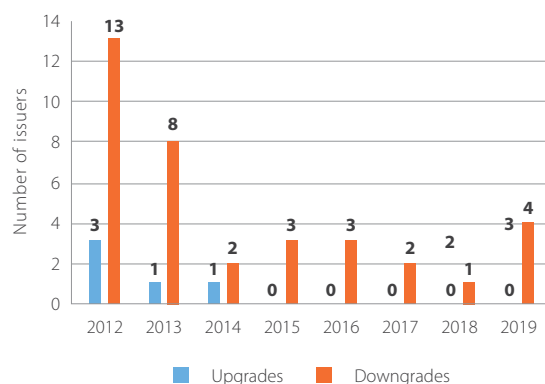
The upgrades in 2019 consisted of issuers strictly from the utilities sector whereas the six downgrades were from four sectors, namely utilities, toll roads, plantations and structured finance, with the underlying assets stemming from the property and consumer receivables segments. Although it was apparent that issuers within the property and plantation sectors faced pressure from both sector-specific factors and issuer-specific factors, most of the other issuers that were downgraded during the year were downgraded predominantly due to issuer-specific challenges. This highlighted the importance of a vigilant approach towards credit assessment, which is our guiding principle, to properly assess each bond issuer's credit strengths and weaknesses.

Rating Trends by RAM Ratings (2012-2019)



Source: RAM Holdings Berhad

Rating Trends by MARC (2012-2019)



Source: Malaysian Rating Corporation Berhad

Sovereign Ratings

Despite the growing number of sceptics who expected a downgrade in Malaysia's sovereign ratings, all three major rating agencies (Moody's, S&P and Fitch) affirmed Malaysia's sovereign rating and maintained a Stable outlook for the country. The key drivers for the rating affirmation were premised on Malaysia's strong external position, attributed to its well-diversified export base that aided in cushioning any impact from a fall in demand in specific sectors amid global trade tensions, and the country's strong medium-term growth prospects.

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MARKET REVIEW & OUTLOOK

2019 Bond Market Review (continued)

Sovereign Ratings (continued)

Moody's highlighted that the relatively high government debt burden was balanced by the country's large domestic savings and deep domestic bond market, which allowed the government to fund itself, with the majority of the government's debt burden currently being funded in local currency, thus reducing its dependency on external financing. While both S&P and Fitch applauded the government's ongoing growth and reform measures, any delay in relation to the ongoing fiscal consolidation undertaken by the government remains a pertinent factor that could lead to a potential rating downgrade by the external rating agencies.

In contrast, there was a slew of downgrades coupled with Negative outlooks for countries within the Asian region. Rising public debt and a credit crunch in shadow banking, coupled with a prolonged slowdown in economic growth, proved to be a major challenge for India as the country's rating outlook was revised to a Negative outlook by Moody's, which rated the country one notch higher relative to S&P and Fitch.

Vietnam's sovereign rating is currently under review for a potential downgrade by Moody's following the delay in payments on an obligation by the government, which reflects institutional deficiencies. Similarly, erosion in the strength of Hong Kong's institutions as a result of ongoing protests resulted in Moody's revising the country's outlook to a Negative outlook and Fitch downgrading the country's sovereign rating in September 2019.

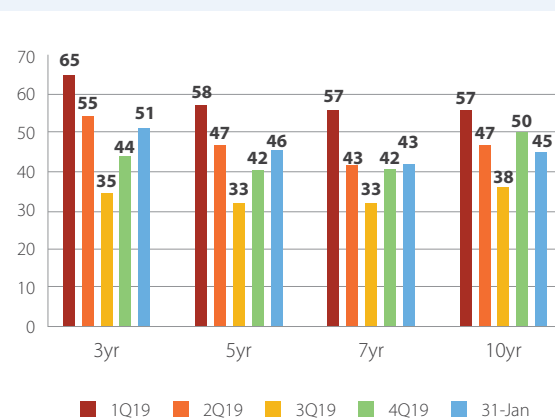
Nevertheless, on a more positive note, all three major rating agencies revised their outlook for Thailand from Stable to Positive, premised on the commendable progress of the government's national reforms and strategic plans, which will boost Thailand's competitiveness and promote political stability. Likewise, political stability continued to be a key rating factor for Indonesia following the re-election of the country's incumbent President, which, coupled with strong economic prospects and a prudent fiscal policy, resulted in the country's sovereign rating being upgraded by S&P.

Overall, the majority of the sovereigns covered under Moody's earned a Stable outlook while those with Negative outlooks were regionally concentrated in sub-Saharan Africa and Latin America, due to their fiscal plight amid mounting pressures on government finances, and in Europe, due to political instability.

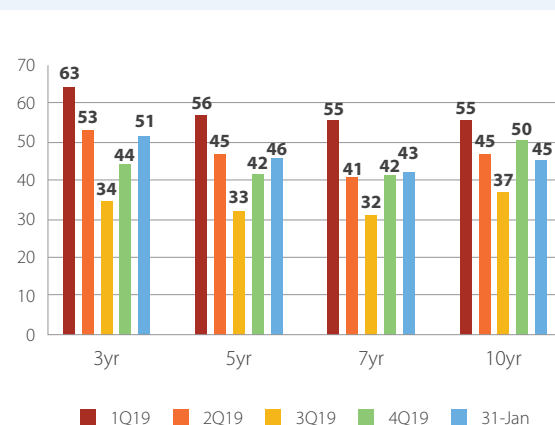
Domestic Credit Market in 2020

Developments involving trade tensions, the deadly virus outbreak, uncertainty within Malaysia's political landscape and other such factors that could pose a threat to global growth are the key risks affecting the market, and if not contained, could lead to further downward pressure on fixed income yields. Despite the uncertainties resulting from the risks mentioned above, the domestic credit condition is expected to remain healthy as evidenced from the narrower credit spreads across the rating spectrum throughout 2019 and early 2020 and further supported by the ample liquidity within the Malaysian financial markets.

Credit Spread Corporate, AAA (bp)



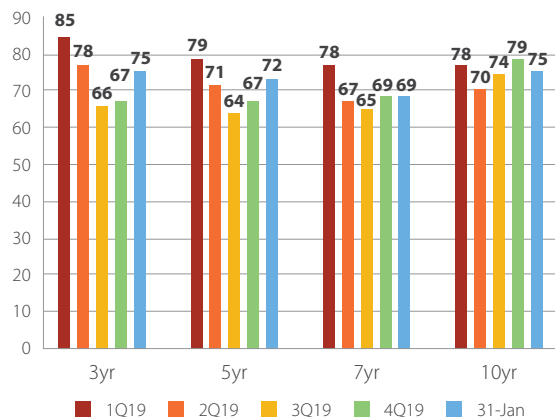
Credit Spread Financial, AAA (bp)



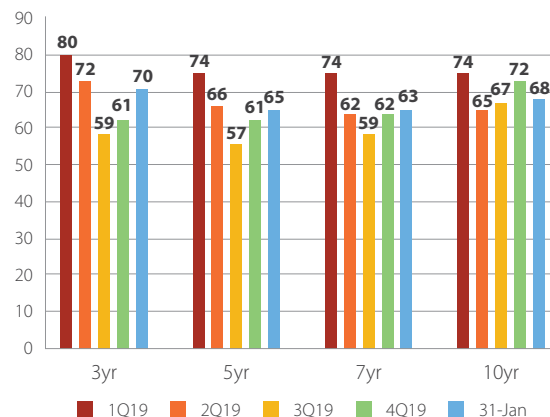
Source: Bond Pricing Agency Malaysia (BPAM)

Economic & Strategy Review

Credit Spread Corporate, AA (bp)



Credit Spread Financial, AA (bp)



Source: Bond Pricing Agency Malaysia (BPAM)

Nevertheless, we prioritise a cautious approach to credit investing with a strong focus on a bottom-up approach. We strongly prefer issuers that exhibit the characteristics below.

Key Characteristics of Preferred Issuers

Debt-servicing ability is anticipated to remain resilient

Supported by robust cashflow - generating ability with strong emphasis on operational cost savings

Healthy balance sheet

Low gearing ratio relative to other players within the same industry coupled with a net cash position

Strong financial flexibility and liquidity

Sizeable asset base with ability to raise capital at favorable rates within debt and equity capital markets with accommodative repayment profile

Strong market presence and business profile

Sole player within the industry with a geographically dispersed operations and integrated business model which provides a certain degree of natural hedge

Superior asset quality

Driven by a prudent and conservative approach to expand revenue

Diversification of business operations

Reduce overall business risk and impact from cyclical business segment

Favorable contract agreement with strong counterparty

Sole off-taker being closely linked with the government coupled with the absence of demand risk through a well-defined obligations by the counterparty

Stringent covenants

Distributions can only be made upon satisfying strict conditions such as DE ratio, FSCR and required balance in FSRA

Strategically important to parent

Further underlined by an explicit and/or implicit financial support

Solid profit track record

Sustained track record of strong earnings generation

Growth outlook for sector still upbeat

Directly or indirectly to benefit from the trajectory of the sector

Economic & Strategy Review

MARKET REVIEW & OUTLOOK

Domestic Credit Market in 2020

We are cognisant of the current challenging fixed income landscape with the low-yield environment resulting in many investors finding difficulties in generating a high and sustainable income stream. We would like to reiterate our cautious and highly selective approach to credit investing with a strong preference towards issuers with sound fundamentals. On a sectoral basis, we maintain our Negative outlook stance for the automotive, toll roads and telecommunications sector. We revised our outlook for the transportation and logistics sector to Developing given the lack of clarity pertaining to the operating environment. For the challenging times ahead, we strongly prefer defensive sectors such as the utilities sector and the banking sector.

Primary corporate bond issuances are expected to remain range-bound between RM90 billion and RM100 billion, with a strong bias towards the lower range of RM90 billion given the expectation of lower issuances from the typical issuers in the market, specifically quasi-governmental entities and issuers within the utilities sector, which has been one of the biggest contributors over the past decade. Quasi-governmental issuances are expected to continue to decelerate as the government prioritises its goal of achieving its fiscal deficit target and selectively “cherry-picking” viable infrastructure projects.

From a demand perspective, demand is expected to remain healthy despite lower foreign investors’ participation, with local investors, especially the government-linked investment companies (GLICs), supporting the market throughout 2020 on the back of bigger assets under management (AUM) and limited supply of primary issuances.

PRIVATE EQUITY AND INFRASTRUCTURE

Private Equity

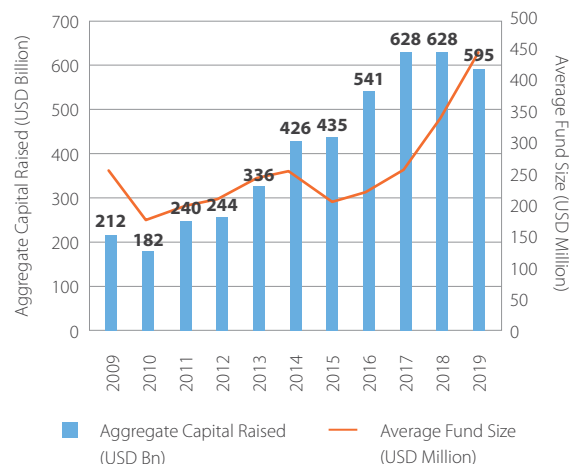
Throughout 2019, the Private Equity (PE) industry saw robust fundraising in aggregate terms, which is positive for markets supported by investments from the PE industry. With interest rates remaining low, demand remained strong as investors continued to fuel fundraising activity into the Alternatives market. As shown in Chart 1, the aggregate capital raised remained high compared to 10 years ago, although 2019 saw the capital raised moderating to USD595 billion, a slight drop of 5.3% from 2018.

Overall, the average fund size increased, with average PE fund size at USD452 million, an increase of 22.4% from the 2018 average size of USD350 million (as indicated by the orange line in Chart 1). The increase in average fund size signalled that investors are backing private equity funds that are established and with consistently good track records.

PRIVATE EQUITY AND INFRASTRUCTURE

Private Equity (continued)

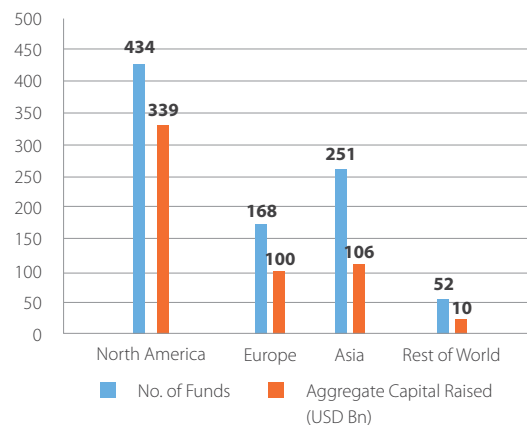
Chart 1: Global Private Equity Fundraising from 2009 to 2019



Source: Preqin

Looking at the geographical exposure by region in Chart 2, North American-focused funds continued to raise the most funds in 2019, followed by funds targeting Asia, Europe and the Rest of World. Asia also surpassed Europe for the year 2019 in terms of capital raised by an additional USD6 billion.

Chart 2: Global Private Equity Fundraising Exposure by Region in 2019



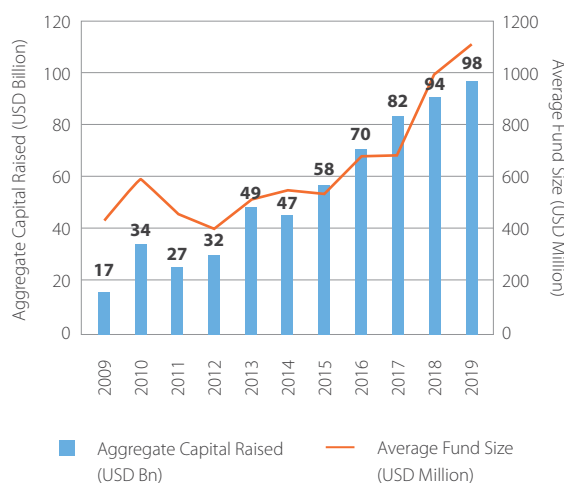
Source: Preqin

Economic & Strategy Review

Infrastructure

Investors invest in infrastructure as a strategy to achieve diversification, high risk-adjusted returns and a reliable income stream. A record USD98 billion in aggregate capital was raised in 2019, an increase of 4% from USD94 billion in 2018. The average fund size also increased by 10.9% to USD1.1 billion in 2019. This shows a trend of increasing concentration of the capital raised, with the year seeing two of the largest Infrastructure funds raised in the market to date, with the Brookfield Infrastructure Fund IV (BIF) raising USD20 billion and the Global Infrastructure Partners IV (GIP) subsequently amassing USD22 billion.

Chart 3: Global Unlisted Infrastructure Fundraising from 2009 to 2019

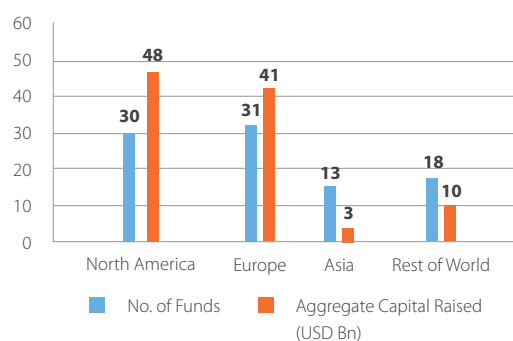


Source: Preqin

Similar to the Private Equity asset class, North America-focused infrastructure funds continued to dominate the unlisted infrastructure fundraising market with higher demand with USD48 billion raised, the highest since the 2000s. Europe-focused funds also achieved similar demand from investors, with a 21% fundraising growth to USD41 billion raised by 31 funds. In contrast to the growth seen in the developed markets, funds targeting Asia managed to raise USD3 billion, a significant 54.5% reduction compared to 2018's capital raised of USD6.6 billion.

Chart 4 shows that investors are still keen to invest in infrastructure markets in the developed markets and specifically, seek a greater amount of opportunities in North America and Europe.

Chart 4: Global Unlisted Infrastructure Fundraising in 2019 by Region



Source: Preqin

Summary

While investors' appetite for the asset classes is showing no signs of diminishing, there is a growing uncertainty surrounding valuations as well as rising expectations of a potential market downturn and the persistent global low interest rate market environment. This was evidenced by private equity and infrastructure's aggregate capital of USD693 billion raised in 2019, a slight drop of 4.0% from 2018's fundraising activity, yet continuing an emerging trend of funds with bigger average fund size for both strategies moving forward. The market is also witnessing continued investors' preference towards committing to recognised brands and established managers with good track records, to manage risk.

2020 Private Equity and Infrastructure Landscape

The Private Equity industry has seen strong growth in recent years, with cash flows back to investors still fuelling record fundraising activity. 2020, however, could present new market challenges, particularly with the outbreak of COVID-19 and the global oil price shocks that have impacted the public markets.

The timing of when a market recovery may occur is difficult to determine with certainty. In this respect, within the Private Equity space, in the event of a downcycle, there are many strategies that fund managers can employ to navigate the cyclical challenges.

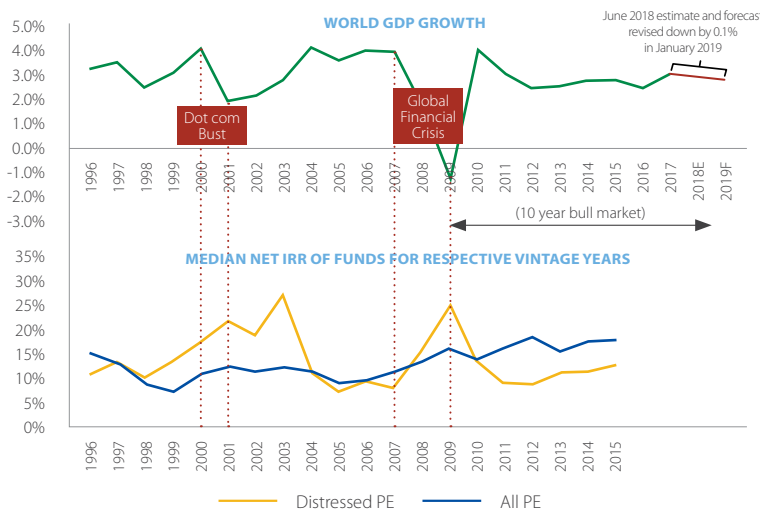
Economic & Strategy Review

PRIVATE EQUITY AND INFRASTRUCTURE

2020 Private Equity and Infrastructure Landscape (continued)

For example, “Distressed Buyout” – a specific, yet broad, investment strategy that seeks to gain exposure to companies in a distressed condition, whether operationally or financially, as a result of the difficult economic climate or tough extenuating circumstances – offers more diversification and higher potential returns in such an environment. In this way, investment in Distressed strategies can act as a buffer to existing investment portfolios during a downturn, as seen in the historical economic downturns shown in Chart 5.

Chart 5: Distressed Buyout Outperformance During Downturns



Source: KWAP Analysis

Moreover, the selection of managers with proven through-the-cycle returns and buyouts and secondary managers with distinct operating insights and sector expertise may prove to be a performing and sustainable strategy for the challenging economic conditions ahead.

Further, investors who back infrastructure funds will enjoy good portfolio diversification strategy. Historically, Infrastructure as an asset class, when compared to other strategies within the alternative investment assets, has a low correlation against other asset classes as shown in the Asset Class Correlation Table in Table 1, as well as acting as an inflation hedge against the public market. Thus, investors will be able to expect to benefit from a much more reliable income stream through stable and contractual cash flows.

Table 1: Asset Class Correlations^(1,2)

2008-2015	Global equities	Global bonds	US core private real estate	Private equity	Hedge funds	Global listed infrastructure	Global core private infrastructure
Global equities	1.0						
Global bonds	- 0.2	1.0					
US core private real estate	0.2	- 0.2	1.0				
Private equity	0.9	- 0.3	0.4	1.0			
Hedge funds	0.9	- 0.3	0.1	0.9	1.0		
Global listed infrastructure	0.9	0.0	0.2	0.9	0.8	1.0	
Global core private infrastructure	- 0.1	- 0.2	0.5	0.1	0.0	0.0	1.0

Source: JPMorgan Asset Management

Notes:

- Private Equity data was sourced from Burgiss, Global Core Private Infrastructure data was sourced from the MSCI Global Quarterly Infrastructure Asset Index and Global Listed Infrastructure data was sourced from the S&P Global Infrastructure Index. Data was compiled quarterly from Q22008 through Q42015 and is denominated in local currency.
- The MSCI Quarterly Infrastructure Asset Index is the first third-party return index in the private infrastructure space, and data is only available for 2008.

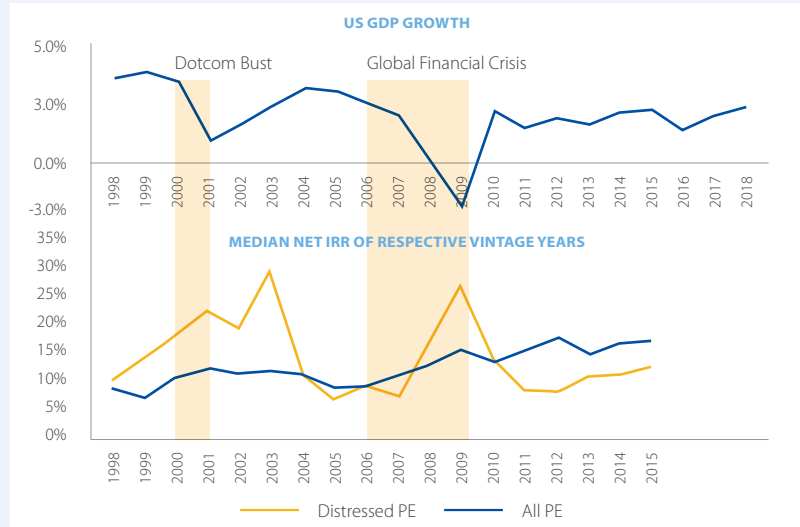
Economic & Strategy Review

EMBARKING ON A DISTRESSED BUYOUT STRATEGY

Economic Slowdown

Under the continued market uncertainty, KWAP seeks a resilient strategy that could provide countercyclical returns as a hedge to KWAP's PE portfolio in the event of a severe market downturn. Over a long time period covering several market cycles, the Distressed Buyout strategy stood out by outperforming all PE strategies during two down-cycles, as illustrated in Chart 6.

Chart 6: Distressed Buyout Outperformance during Downcycles



Source: Preqin

As the name implies, Distressed Buyout is a specialised subset of buyout strategy, which is made up of three categories with different approaches, investment methods and return profiles, as illustrated in Table 2.

Table 2: General and Distressed Buyout Categories

Sub-Strategy	General Buyout	Distressed Buyout		
Strategic Approach	General Buyout Deal focus more on transaction sizes: Small < USD 500 million Mid to Large USD 501 million - USD 4.5 billion Mega > USD 4.5 billion	<u>Distressed Debt-for-Control</u> Purchasing of debt in companies that are in distress mainly due to a down-cycle.	<u>Turnaround</u> Purchasing of equity in companies that are in distress mainly due to a down-cycle.	<u>Special Situations</u> Event-driven purchasing of equity and/or debt in companies, arising from diverse situations.
Investment Method	<ul style="list-style-type: none"> Emphasis is more on costs rationalization and financial engineering Often prompted by a focus on growth and a modest use of debt Operational risks usually decrease as governance structure is put in place 	<ul style="list-style-type: none"> Purchase debt securities trading at a distress level (up to 60% discount); Sell when the debt securities achieve higher market valuation at par/close-to-par value; or Dispose the assets of companies to profit. 	<ul style="list-style-type: none"> Purchase equity in companies that are in distress (i.e. making losses); and Focus on restructuring or turning around companies to restore the businesses to profitability. 	<ul style="list-style-type: none"> Exploit pricing inefficiencies due to an expected or actual significant event which can arise in various forms; and Apply a hands-on approach to value creation via both financial and operational improvement.
Return Profile	Average Net IRR: 13.3% - 14.7%	<ul style="list-style-type: none"> Median Net IRR: 12.0% Top Quartile Net IRR 17.9% 	<ul style="list-style-type: none"> Median Net IRR: 16.1% Top Quartile Net IRR 37.0% 	<ul style="list-style-type: none"> Median Net IRR: 13.4% Top Quartile Net IRR 23.0%

Source: Preqin

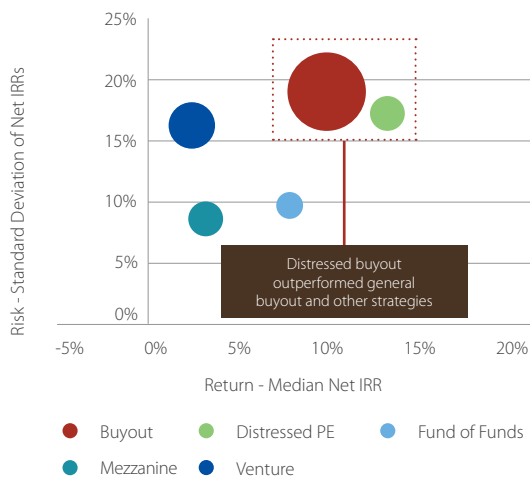
Economic & Strategy Review

EMBARKING ON A DISTRESSED BUYOUT STRATEGY

Distressed Buyout Performance

For fund vintages covering the two down-cycles, Distressed Buyout demonstrated a higher median return and lower risk (measured by the standard deviation of Net IRRs) relative to other general Buyouts and other strategies, as shown in Chart 7.

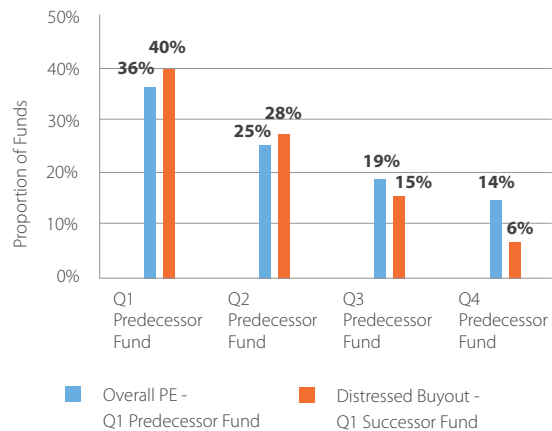
Chart 7: Risk and Returns by Strategies, for Fund Vintages from 1999 to 2008



Source: Preqin

As illustrated in Chart 8, there is a higher portion at 46% of Distressed Buyout fund maintaining top quartile returns against overall PE strategies at 36%. This highlights that, for distressed buyout fund in particular, the performance of the predecessor vehicle is greatly indicative of the performance of the successor fund in terms of quartile ranking, which results in continuous oversubscription of top quartile funds.

Chart 8: Relationship between Predecessor and Successor Fund Quartiles for Overall PE vs. Distressed Buyout for 2019



Source: Preqin

Distressed Buyout Investment in 2019

In October 2019, KWAP made its first investment in a Special Situations Fund (which is part of the overall distressed buyout strategy), namely KPS Special Situations Fund V L.P. (KPS V), focused on manufacturing and industrial companies primarily operating out of North America and Europe.

KPS has been ranked as the top-performing Special Situations GP globally, having six out of six funds achieving first quartile rankings and with total funds raised in the last 10 years of USD11.3 billion.

Beyond 2019, KWAP continues to seek and track other top-performing distressed buyout funds in the developed markets, primarily in the US, where more opportunities are available largely due to the complex nature of distressed buyout opportunities.

Communication with constantly oversubscribed top quartile GPs is also maintained by KWAP to secure investment allocation, while the global Distressed Buyout (consisting of Distressed Debt, Special Situations and Turnarounds) fundraising activity continues to grow significantly, with a total of USD46.1 billion raised in 2019 compared to USD6.3 billion raised in 2000, with a 111% CAGR since 2000.

OUR PERFORMANCE

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Despite a challenging year, KWAP's investment efforts to create a resilient fund and build value were on track in 2019, as we reported an absolute gross investment income of RM6.07 billion and a solid 5.9% return based on a time-weighted rate of return (TWRR). While these were strong annual results, our focus is on contributing to the long-term sustainability of the fund.

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INTRODUCTION

Our investment portfolio is constructed based on a diversified range of assets with the aim of maximising returns while adhering to our risk limits, as reflected in our strategic asset allocation (SAA). Over the years, our SAA has evolved to enhance portfolio diversification in terms of asset class, geography and dynamic investment strategy. The SAA is continuously evaluated while taking into consideration the current economic environment and expected movements in financial markets.

Additionally, the SAA is regularly refined via a robust review process allowing the fund to adapt and remain resilient in various market conditions. This continuous enhancement allows us to formulate strategies that are aligned with the fund's investment objectives while simultaneously adhering to our risk appetite.

While our international investments have grown steadily over the years, the bulk (86%) of our assets remain in Malaysia. At year-end 2019, our fund size amounted to RM147.5 billion, a considerable increase of RM10.97 billion from year-end 2018.



TOTAL FUND SIZE

RM147.5

billion



OUR INVESTMENTS

INVESTMENT STRATEGY

KWAP aims to maximise our total returns on a sustainable basis through dynamic investment strategies while adhering to the fund's risk appetite. To improve our risk-adjusted returns, we seek to diversify our investment portfolio via allocations to a spectrum of asset classes in different geographical locations. This has seen us expanding our investments into alternative investment classes and seizing investment opportunities both domestically and abroad.

In line with these objectives, KWAP embarked on a high-impact project in 2019 under the oversight of our Board & Investment Panel to enhance our Investment Framework, focusing on key aspects such as investment objectives, risk appetite and the fund's overarching investment strategy.

This will embed the element of liability awareness in our investment targets to guide our approach in making investment decisions. This new development will also strengthen our foundation and further establish the fund as a long-term investment manager of Malaysia's civil servant pension fund.

ASSET CLASS STRATEGY

At the asset class level, our equities investment team saw significant returns in 2019, particularly from our investments abroad, underpinned by our efforts to diversify across several markets and selected companies with strong underlying fundamentals while keeping abreast of geopolitical and global economic developments.

Meanwhile, our investments in fixed income continued to provide a steady income stream and boosted overall portfolio returns amid a low-yield environment. Our defensive stance and tactical positioning helped us to cushion against the impact of domestic market volatility. At the same time, we remained vigilant in looking out for investment opportunities against a backdrop of global economic uncertainties.

Apart from our investments in Equity and Fixed Income instruments, KWAP also invests in Private Markets. Our Private Equity Investments are primarily executed in partnership with specialised investment managers and by leveraging on our partners' expertise across various geographies. These avenues enabled us to tap into private capital opportunities that we may not have been able to access as easily. The infrastructure investment team employed the same approach and invests globally with asset holdings in the power generation and telecommunications sectors.

In 2019, we continued to geographically diversify our Investment Portfolio. KWAP invested in a Private Equity fund in South Korea, which marked the team's first investment exposure in the country while reinforcing our presence in the region. We also expanded our Real Estate investment portfolio by acquiring a domestic property in Johor and an international property in London.

ASSET CLASSES

EQUITIES MARKET REVIEW

Malaysian Equities

The year 2019 turned out to be as we had expected, which was another challenging year for Bursa Malaysia as we saw weaknesses across the broad Malaysian equity market. Investors' sentiment in the local equity market was dampened by the growing uncertainties in the external environment arising from the US-China trade tensions and the continuing fiscal consolidation efforts of the Malaysian government.

In addition, MSCI further reduced the Malaysian equities weighting in MSCI's emerging market indices from 2.43% to 1.81%, which contributed to a net foreign outflow of RM11.1 billion in 2019, coincidentally similar to 2018's net foreign outflow of RM11.7 billion. The FBM KLCI started at 1,690.58 and closed the year at 1,588.76, a drop of 6.0%. This translated into the index's worst performance in eleven years.

In terms of sector performance, the technology, oil and gas services sector and the construction sector were the best performers in 2019. In contrast, the finance and property sectors were the laggards. Among the FBM KLCI constituents, the top performers in 2019 were MISC, Sime Plantation and Dialog, while the key laggards were Public Bank, Petronas Chemical and Top Glove.

Equity Performance

KWAP's total equity market value as at 31 December 2019 stood at RM68.31 billion, accounting for 46.40% of KWAP's total assets. Domestic equity accounted for 81.15% of our total equity exposure, while the balance was in the international equity markets. Out of the total equity exposure, 81.68% was managed internally while the rest was outsourced to external fund managers (EFMs) appointed by KWAP.

In 2019, equity recorded a total return of 5.96% versus the blended benchmark of 1.15%, an outperformance of 481 bps. Equity continued to outperform the blended benchmark over a longer period of three years and five years, as shown in the following table.

Table 1: Performance of Total Equity vs. Blended Benchmark

	2019 (%)	2018 (%)	3 year (%)	5 year (%)
Total Equity	5.96	-10.10	3.10	3.38
Blended Benchmark	1.15	-9.06	1.12	0.48
Alpha	4.81	-1.04	1.98	2.90

Equity Performance (continued)

TOTAL INCOME REALISED FROM EQUITY INVESTMENT IN 2019 STOOD AT

RM2.30 billion



Internally Managed Domestic Equity

The strategy in 2019 focused on reinforcing KWAP's long term portfolio resiliency amid heighten market volatility. The strategy among others involved growing the portfolio's net asset value (NAV) and realising sustainable income from dividends. Our short-term capital gains were realised via tactical positions in our non-core portfolios.

KWAP's domestic internal equity reported a time-weighted rate of return (TWRR) of 2.17% against its blended benchmark TWRR of -2.88%, outperforming by 5.05%. For absolute realised income, this division achieved a total realised income of RM1.73 billion.

Internally Managed International Equity

KWAP's first foray into foreign equities began in 2012 with the establishment of an internally managed international equity mandate for the Asia Pacific market, and in 2017 we expanded our mandate to include US equities. In late 2018, KWAP made its historic foray into China's financial markets by investing directly into A-shares listed on the Shanghai and Shenzhen Stock Exchanges using the Hong Kong Stock Exchange's Stock Connect platform.

2019 was a bountiful year for international equity with the MSCI World Index recording a commendable return of 24.1%, fuelled by easing US-China trade tensions, better-than-expected corporate earnings growth and the expectation of continuous easing by the central banks amid underwhelming economic numbers.

This was further supported by the victory of Boris Johnson and his Conservative Party in the UK that very much ended the three-year political turmoil since the majority of Britons voted to leave the European Union in 2016. This development eliminated the prolonged Brexit uncertainty and during the transition period, both parties will maintain their current trade relationship while negotiating a new one.

In 2019, the internally managed international equity portfolio significantly outperformed the benchmark, recording a total return of 26.58% against the benchmark of 23.06%. The portfolio also recorded a total realised income of RM276.3 million during the year.

Asset Classes

EQUITIES MARKET REVIEW

Externally Managed Domestic Equity

As at 31 December 2019, the total market value managed by domestic EFMs stood at RM7.6 billion, an increase of 7.0% from RM7.1 billion in 2018. The total equity portfolios managed by domestic EFMs accounted for 5.2% of KWAP's total fund size of RM147.5 billion. In total, there were 20 domestic mandates, comprising eight EFMs managing Conventional mandates, five EFMs managing Shariah mandates, three EFMs managing Environmental, Social and Governance (ESG) mandates and four EFMs managing Absolute Return mandates.

List of Domestic External Fund Managers as at 31 December 2019

	Fund Inception
Conventional	
CIMB-Principal Asset Management Sdn Bhd	2005
Nomura Asset Management Malaysia Sdn Bhd	2007
Aberdeen Asset Management Sdn Bhd	2008
Affin Hwang Asset Management Berhad	2016
Kenanga Investors Berhad	2011
Maybank Asset Management Sdn Bhd	2019
Eastspring Investments Berhad	2019
UOB Asset Management Sdn Bhd	2019
Islamic	
i-VCAP Management Sdn Bhd	2011
CIMB-Principal Islamic Asset Management Sdn Bhd	2012
AmlIslamic Asset Management Berhad	2012
AIIMAN Asset Management Berhad	2015
MIDF Amanah Asset Management Berhad	2016
Environmental, Social and Governance	
VCAP Asset Managers Sdn Bhd	2014
BNP Paribas Investment Partners Malaysia Sdn Bhd	2015
Corston-Smith Asset Management Sdn Bhd	2015
Absolute Return	
Eastspring Investments Berhad	2018
Aberdeen Asset Management Berhad	2018
MIDF Amanah Asset Management Berhad	2018
Affin Hwang Asset Management Berhad	2018

KWAP continued to actively engage with all domestic EFMs on a quarterly basis to review their performance and operational compliances. For portfolios undergoing restructuring, the monitoring was done regularly on a monthly basis. In addition, we conducted annual visits to EFMs' premises, as well as compliance and due diligence visits throughout the year.

As at 31 December 2019, KWAP's domestic equity EFMs recorded an aggregate realised income of RM168.4 million. Overall, the EFMs registered a TWRR of 6.07% against the FBM100 Index benchmark of -2.88%, representing an outperformance of 895 bps. One of KWAP's ongoing initiatives for 2019 included reallocating funds. This was to strategically strengthen KWAP's exposure within the domestic equity market. This was carried out via reallocating some of the portfolios to the top-performing EFMs. EFM selection was made via requests for proposals (RFPs) to local and foreign asset management companies, whereby those with outstanding track records and strong investment processes were appointed as KWAP's EFMs.

2019 Domestic TWRR Performance

Mandate	TWRR (%)	Benchmark (%)	Out/(Under) performance (%)
Conventional	6.57	-2.88	9.44
Shariah	5.51	0.78	4.73
ESG	1.25	-2.88	4.13
Absolute Return	5.56	8.00	-2.44
Domestic Aggregate	5.96	-2.88	8.84

Externally Managed International Equity

In 2019, KWAP's externally managed international investments were allocated into five mandates, namely the United Kingdom (UK), Europe (Euro), European Absolute Return (Euro AR), Asia Pacific Ex-Japan (APEXJ) and Global Environmental, Social and Governance (ESG) mandates. KWAP's wholly owned subsidiary, Prima Ekuiti (UK) Limited (PEUK), is responsible for the UK, Euro and Euro AR mandates, APEXJ mandates are managed by State Street Global Advisors Asia Limited (SSGA) and Invesco Asset Management Singapore Limited (Invesco) and Global ESG mandates are managed by Nikko Asset Management Asia Limited (Nikko) and LGT Capital Partners (LGT).

Asset Classes

Externally Managed International Equity (continued)

List of International External Fund Managers as at 31 December 2019

	Fund Inception
UK	
Prima Ekuiti (UK) Ltd	2012
Europe	
Prima Ekuiti (UK) Ltd	2014
European Absolute Return	
Prima Ekuiti (UK) Ltd	2018
Asia Pacific Ex-Japan	
State Street Global Advisors Ltd	2011
Invesco Asset Management Singapore Ltd	2015
Global ESG	
Nikko Asset Management Asia Limited	2017
LGT Capital Partners	2017

As at 31 December 2019, KWAP's international equity EFMs recorded a realised income of RM128.3 million. All portfolios outperformed their respective benchmarks except for the Asia Pacific Ex-Japan and Euro mandates under SSGA and PEUK management, respectively. The Global ESG mandate did exceptionally well with Nikko outperforming the benchmark by 573 bps while LGT outperformed the MSCI ACWI ESG benchmark by 886 bps.

2019 International TWRR Performance

Fund Manager	Mandate	TWRR (%)	Benchmark (%)	Out/(Under) performance (%)
PEUK	UK	12.16	12.10	0.06
PEUK	Euro	21.34	21.98	-0.64
PEUK	Euro AR	16.24	8.00	8.24
SSGA	APEXJ	12.78	15.85	-3.07
Invesco	APEXJ	18.90	15.85	3.05
Nikko	Global ESG	30.46	24.73	5.73
LGT	Global ESG	33.59	24.73	8.86

* Performance figures are in the respective mandate's base currency

Performance review meetings were held on a quarterly basis, mainly via teleconferences and video-conferences, with the EFMs. Portfolio performances, portfolio strategies and compliance reports were among the topics discussed during the meetings. KWAP also engaged with potential fund managers regularly, via conference calls and meetings. These inputs were stored in our database to assist us in our manager search process.

FIXED INCOME INVESTMENT

2019 was an outstanding year for fixed income investment both globally as well as domestically. With central banks around the world taking a dovish tone as global growth deteriorated, fixed income investment such as bonds were preferred as investors fled risk assets, thus pushing yields lower across the curve.

KWAP's fixed income investment market value fell by RM146 million to RM68.42 billion in 2019. The decrease was mainly due to strategic asset allocation (SAA) rebalancing from 49.69% in 2018 to 45.67% in 2019. Despite the decrease in SAA, fixed income investments delivered a strong performance with a gross income of RM3.05 billion in 2019.

The global bond market posted a robust performance in 2019, driven by a generally dovish US Federal Reserve monetary policy stance stemming from the growing trade tensions between the US and China. Domestically, the inclusion of Malaysia in the FTSE Russell WGBI watch list in April 2019 prompted a sell-off among foreign investors, which led to a volatile domestic bond market. In the following month, Bank Negara Malaysia (BNM) announced several market development measures to deepen the local bond and foreign exchange market. The main objective was to increase domestic bond market and foreign exchange market accessibility to foreign investors and to minimise the risk of being excluded entirely from the FTSE Russell WGBI list.

The domestic bond market significantly improved from May 2019 as BNM decided to reduce its overnight policy rate (OPR) by 25 basis points (bps) to 3.00%. Effectively, the OPR reduction supported the local bond market with yields decreasing by 60 to 80 bps year-on-year (y-o-y) across the board. In September 2019, FTSE Russell decided to retain Malaysia on the watch list for another review in March 2020. This was viewed as a positive development by both local and foreign investors as evidenced by the 10-year Malaysian Government Securities (MGS) yield, which traded lower at 3.31% compared to 4.06% at the beginning of 2019.

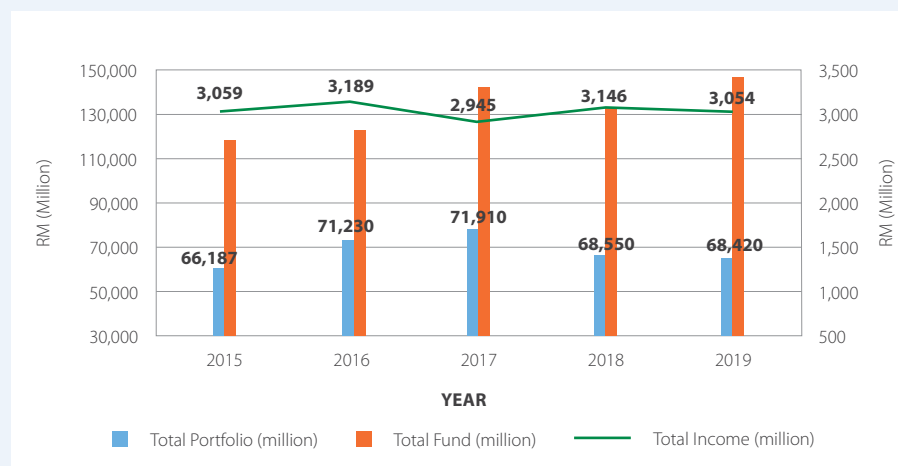
Asset Classes

FIXED INCOME INVESTMENT

Fixed Income Total Portfolio Performance

For the year 2019, total fixed income portfolio decreased by 0.98% from RM68.55 billion (market value) in 2018 to RM68.42 billion (market value) in 2019. The reduction in portfolio holdings was in line with a 3.48% reduction in the fixed income SAA, which stood at 46.42% at the end of 2019 (versus 50.18% in 2018).

Chart 1: Fixed Income and Total Income against Total Portfolio and Total Fund for 2015–2019



Market Value

RM68.42

billion in 2019 compared with RM68.55 billion in 2018



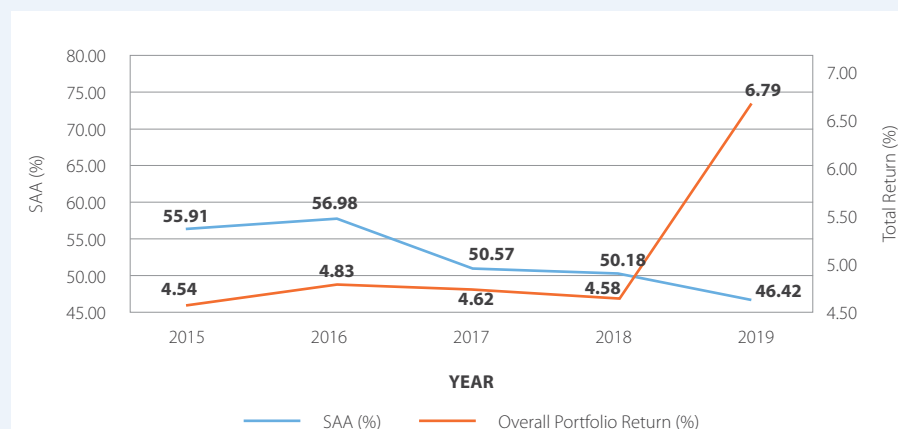
Gross Realised Income

RM3.05

billion in 2019 compared with RM3.14 billion in 2018

Despite the SAA reduction in 2019, fixed income managed to achieve a commendable gross realised return of RM3.05 billion. Net income was RM3.08 billion after taking into account impairments. On a total return basis, fixed income registered 6.79% compared to 4.58% in 2018, significantly outperforming the 2018 total return.

Chart 2: Fixed Income Overall Portfolio Returns against SAA for 2015–2019



Total Return Basis

6.79%

in 2019 compared with 4.58% in 2018

On fixed income international investments, KWAP continued to protect value in its international investments by minimising price risk and retaining the value of KWAP's investments through various hedging instruments such as foreign exchange forward contracts (FX Forward) and cross-currency swaps (CCS).

Asset Classes

Internally Managed

Domestic Sovereign Bonds

2019 was a volatile year for Malaysia's sovereign bond market. The market kicked off the year on a bullish note and heavy volume with net buying interest as both foreign and local investors opened their books and collected bonds arising from capital injections. In April, FTSE Russell announced to include Malaysia in the watch list of its World Government Bond Index (WGBI). The inclusion in the watchlist is on the premise that the local bond and foreign exchange (FX) market lacked depth and liquidity thus curtailing market accessibility to foreign bond players.

There was a spike in the domestic government bond yields immediately after the announcement as the FTSE Russell WGBI was tracked by approximately USD1.0 trillion in funds and Malaysia's government bonds carried a weightage of 0.39%. Foreign holdings of MGS and Government Investment Issues (GII) were at their lowest at 35.8% in May 2019 as foreigners fled the Malaysian market in a knee-jerk reaction to the possible exclusion from the index. Nonetheless, FTSE Russell, in its September 2019 review, kept Malaysia on the watch list. Malaysia will remain on the watch list until the next review in March 2020.

Subsequently, bond prices were boosted by BNM's decision to reduce the OPR by 25 bps to 3.00% and SRR by 50 basis points effective May 2019 and 16 November 2019, respectively. The MGS 10-year yield collapsed by 76 bps to 3.30% in December 2019 from its high of 4.06% at the beginning of the year.

Foreign funds added significant exposure in MGS and GII with net inflows totalling RM22.94 billion in 2019 especially between May 2019 and December 2019 in anticipation of another cut. At the end of 2019, foreign investors held 41.6% (RM163.88 billion) and 6.23% (RM21.09 billion) of all outstanding MGS (RM394.13 billion) and GII (RM338.80 billion) respectively.

In anticipation of slower domestic growth and benign inflation, the domestic sovereign bond market should be well supported moving into 2020. Despite a slightly higher net supply of government bonds, demand is expected to be robust, with local investment funds likely to increase allocations to domestic government bonds in anticipation of a global economic slowdown and risk off sentiment, in addition to possibility of another cut by BNM.

Chart 3: Domestic Sovereign Holdings vs. Income (RM Million)

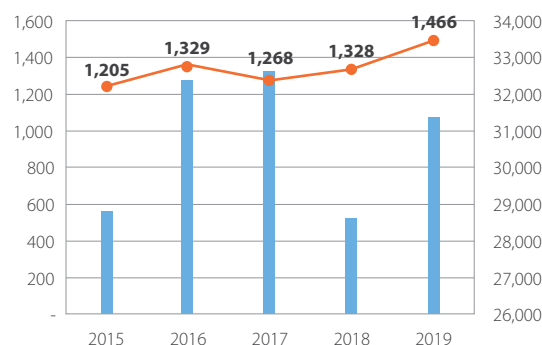


Chart 4: Domestic Sovereign Performance vs. Benchmark from 2015 to 2019

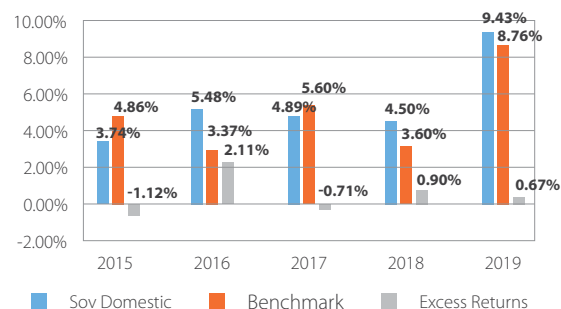
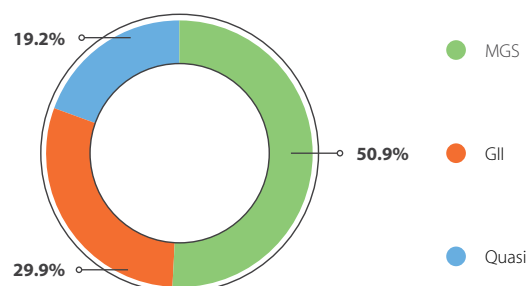


Chart 5: Portfolio Segregation by Instrument Type as at 31 December 2019



Source: FID

Asset Classes

FIXED INCOME INVESTMENT

Internally Managed (continued)

Domestic Sovereign Bonds (continued)

KWAP's total investment in sovereign bonds (MGS, GII and Quasi-Government Bonds) as at 31 December 2019 stood at 21.26% (market value: RM31.33 billion) of the total fund size compared to 21.04% (market value: RM29.52 billion) as at 31 December 2018.

The domestic sovereign bonds portfolio delivered outstanding performance and achieved a time-weighted rate of return (TWRR) of 9.43% and a higher realised income of RM1.47 billion in 2019 compared to 4.50% (TWRR) and RM1.33 billion (realised income) in the previous year. The average portfolio duration is 7.09 years.

For 2019, KWAP remained an active participant in the primary and secondary market for domestic government bonds and government guaranteed issuances. The annual cumulative trading volume in 2019 increased by 73% in 2019 to RM41.01 billion, compared to RM23.7 billion in 2018.

Domestic Corporate Bonds

The tightening credit spreads and the lower yield environment on the back of global monetary easing supported issuance activities in 2019. Total issuance of domestic corporate bonds and sukuk amounted to RM105.0 billion in 2019 compared to RM104.0 billion in 2018. Government guaranteed issuances declined to RM25.0 billion from RM29.0 billion in 2018 amid on-going reviews by the government on several mega projects, resulting in overall lower funding requirements. Total issuance of bonds and sukuk from the AAA segment was 30.0% lower in 2019, i.e. at RM18.0 billion. Elsewhere in the AA segment, there was a RM1.0 billion increase in issuance to RM31.0 billion, contributing 30.0% to the total issuances in 2019. Single A issuance rose by RM2.0 billion y-o-y while the unrated space captured a massive 57% increase of RM8.0 billion to RM22.0 billion (2018: RM14.0 billion).

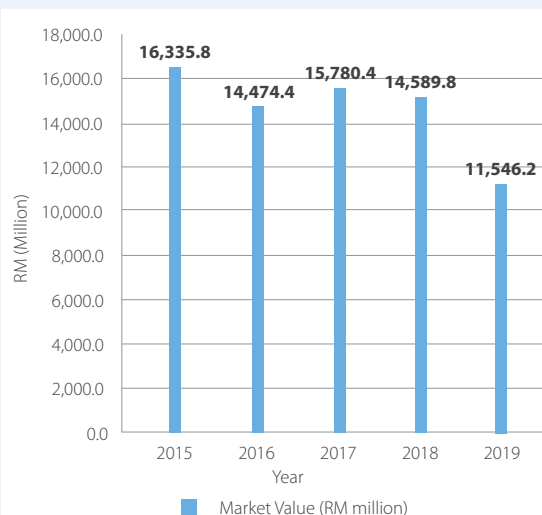
Unlike in previous years where the bulk of corporate bond and sukuk issuances came from the infrastructure and utilities space, the year 2019 saw a significant decline in this space amid downsizing of major projects. Total issuance size in 2019 was RM24.70 billion compared to RM36.40 billion in 2018. Conversely, there was a RM5.60 billion increase in total bond and sukuk issuance from the property and REIT sector – RM16.40 billion in 2019 versus RM10.80 billion in 2018. As was the case in 2018, the financial services sector remained strong and saw an increase in bond and sukuk issuance in 2019 of RM25.50 billion, up from RM22.10 billion in 2018, mostly driven by refinancing exercises as banks took advantage of the low interest rate environment.

The credit condition in the domestic corporate bond market remained relatively stable with no defaults taking place in 2019. Demand for domestic corporate bonds and sukuk continued to remain strong due to the large local investor base made up of institutional investors, pension funds, insurance companies and fund management firms. Foreign holdings in the domestic corporate bond market were insignificant at 6.44% of total foreign holdings in Ringgit Malaysia (RM)-denominated debts as at end-2019, making them less affected by foreign fund outflows.

As at end-2019, KWAP's portfolio holdings in domestic corporate bonds at market value decreased to RM11.55 billion on 31 December 2019 from RM14.59 billion at the beginning of the year, mainly due to the sizeable redemption of ValueCap's Redeemable Unsecured Bonds (RUBS) and DRB Hicom Sukuk amounting to RM2.0 billion and RM700 million, respectively. The total amount sold and maturities during the year was at RM2.09 billion against new purchases of RM1.19 billion.

During the same period, KWAP's internal domestic corporate bond portfolio provided TWRR of 8.84%, outperforming the benchmark of the TRBPAM Corporates All Bond Index, which showed returns of 8.59% for the same period.

Chart 6: Market Value from KWAP's Holdings in Corporate Bonds from 2015 to 2019



Source: Investment Income Report (IIR), KWAP

Asset Classes

Internally Managed (continued)

Chart 7: Domestic Corporate Bonds TWRR vs. Benchmark from 2015 to 2019

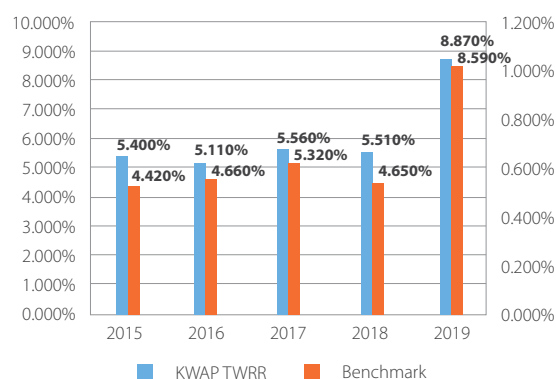
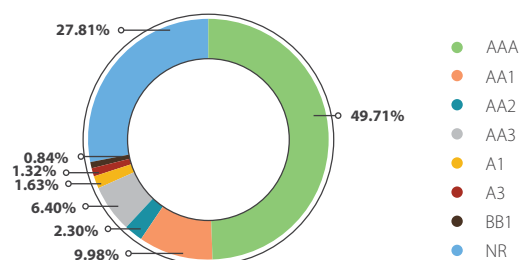
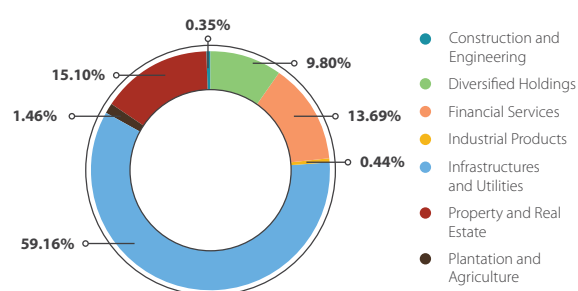


Chart 8: KWP's Corporate Bonds Exposure by Rating



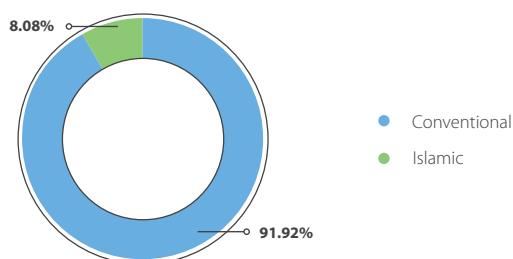
Source: KWP Analysis

Chart 9: KWP's Corporate Bonds Exposure by Sector



Source: KWP Analysis

Chart 10: KWP's Exposure in Corporate Bonds According to Principle



Source: KWP Analysis

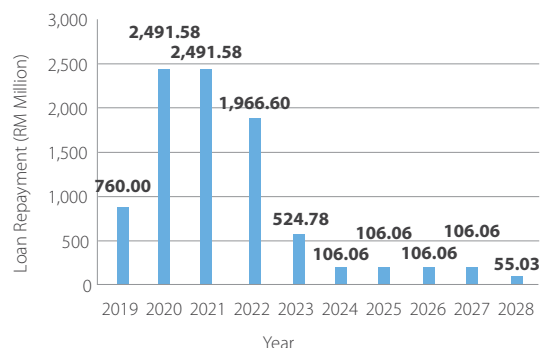
Loans

As at 31 December 2019, total loans portfolio stood at RM8.0 billion, which constitute 5.43% from the total KWP fund of RM147.5 billion. The portfolio achieved a lower income of RM390.19 million compared to RM477.52 million in 2018. This was due to maturities and repayments of existing loans. KWP has not made any new loan disbursements since 2015.

Table 1: 2019 Loan Portfolio Movement

	Amount (RM Million)
Loan Portfolio as at 1 January 2019	8,762.24
Capital Repayment/Maturity	(760.00)
Loan Portfolio as at 31 December 2019	8,002.24

Chart 11: Loan Maturity Profile



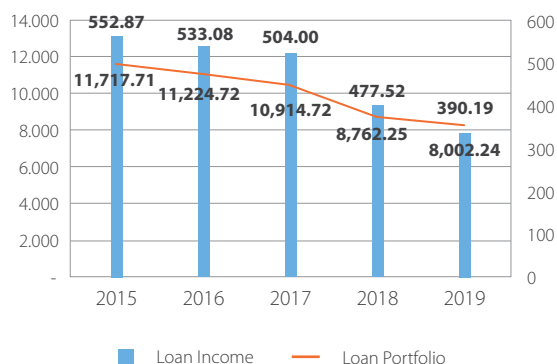
Source: KWP analysis

Asset Classes

FIXED INCOME INVESTMENT

Internally Managed (continued)

Chart 12: Loan Portfolio Performance from 2015 to 2019

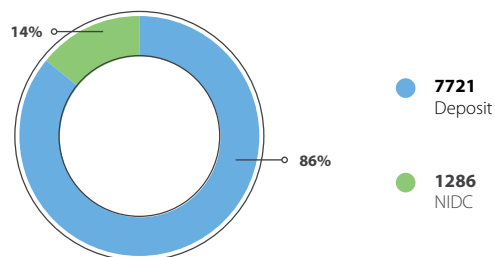


Source: KWAP Analysis

Money Market

As at 31 December 2019, money market investment in Ringgit Malaysia (RM) stood at RM9.07 billion, showing an increase of 34.17% from RM6.76 billion at the beginning of 2019. KWAP's investment in foreign currency stood at USD135.85 million, GBP17.15 million, AUD97.93 million and EUR0.98 million. KWAP's total cash balances represented 6.16% of KWAP's total fund size.

Chart 13: Money Market Investment as at 31 December 2019



Source: IIR, KWAP

Chart 14: Foreign Currency Investment

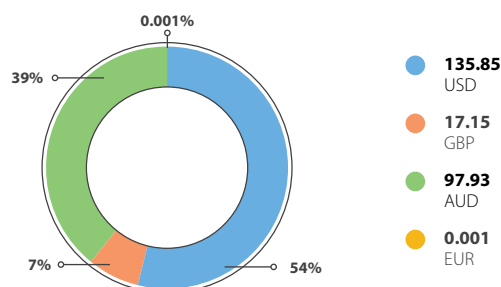
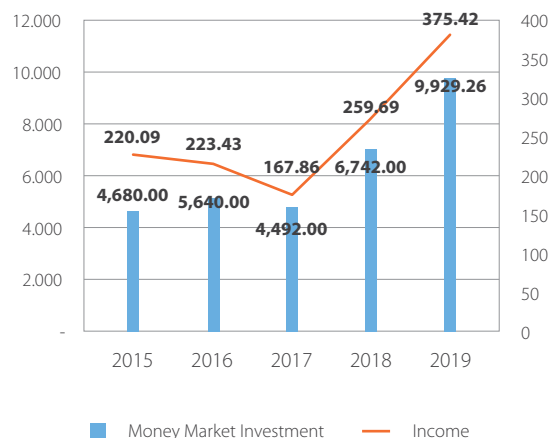


Chart 15: Money Market Investments and Income from 2015 to 2019



Source: IIR, KWAP

In 2019, money market investments generated a gross income of RM375.42 million, 44.56% higher than the RM259.69 million generated in 2018. This was mainly attributed to the higher cash base in 2019.

Asset Classes

Internally Managed (continued)

International Fixed Income

The global fixed income market saw yields trend lower in 2019, as a wave of monetary easing among global central banks and global growth concerns spurred investor demand. The US Federal Reserve (the Fed) cut the Fed Funds rate by a total of 75 bps in 2019, consisting of 25 bps at each of the July, September and October 2019 Federal Open Market Committee (FOMC) meetings. Central banks around the world also eased monetary policy in anticipation of a global economic slowdown with the Reserve Bank of Australia and Reserve Bank of New Zealand cutting their interest rates by 75 bps and 100 bps, respectively, while the Reserve Bank of India and Bank Indonesia reduced their rates by 135 and 100 bps, respectively, in 2019.

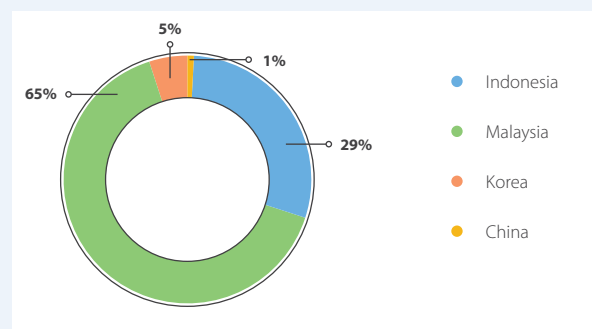
Although yields declined in the international fixed income space, the market saw heightened volatility and fluctuating credit spreads amid US-China trade war tensions and their impact on economic activity, especially on trade-reliant economies in the Asian region.

At the end of 2019, KWAP's international fixed income portfolio holdings stood at a market value of RM769.12 million compared to RM1,033.98 million as at 31 December 2018. The reduction of RM264.86 million from a year earlier was due to the ongoing rebalancing of the international fixed income SAA.

Amid uncertain market environment and smaller SAA allocated for international investments, KWAP's internally managed international fixed income portfolios continued to deliver robust performance by generating an aggregate realised income of RM 41.89 million compared to RM60.19 million in 2018.

The international fixed income portfolios' 2019 TWRR stood at 6.61%, showing a 44 bps outperformance compared to the benchmark, which was at 6.17%. The outperformance was driven by our strategy to overweight US Dollar-denominated bonds versus local currency bonds and duration against the benchmark.

Chart 16: Asian Fixed Income Holdings as at 31 December 2019



While trade war concerns continued to drive volatility in the international fixed income markets, we expect yields to remain anchored by dovish global monetary policy in 2020 as growth concerns persist and investors seek to hold fixed income instruments.

Externally Managed Fixed Income

KWAP continues to outsource a portion of the fund to external fund managers (EFMs), both domestically and internationally.

KWAP started with two fixed income EFMs for the domestic Conventional Bond mandate in 2006 and over the years, fixed income EFMs have grown to 13 EFMs managing three types of mandates for both domestic and international portfolios.

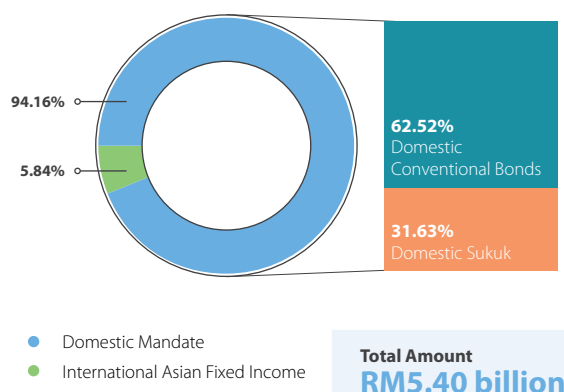
A total of RM5.91 billion at market value was outsourced to Fixed Income EFMs representing 4.01% of KWAP's fund size as at 31 December 2019. In terms of geographical exposure, 94.16% of the assets were invested in the domestic bond market and the remaining 5.84% were allocated to the global market.

Asset Classes

FIXED INCOME INVESTMENT

Externally Managed Fixed Income (continued)

Chart 17: EFM Exposure by Geographical and Mandate Type



Source: KWAP analysis

As at 31 December 2019, the market value of KWAP's domestic fixed income EFM's portfolios stood at RM5.60 billion, accounting for 8.18% of overall fixed income investments. In 2019, domestic fixed income EFM's portfolios generated an aggregate realised income of RM352.71 million or 7.08% of the average domestic EFM's fund size. The portfolio's total return improved, registering a year-to-date TWRR of 9.96% outperforming the stipulated benchmark TWRR of 8.73%.

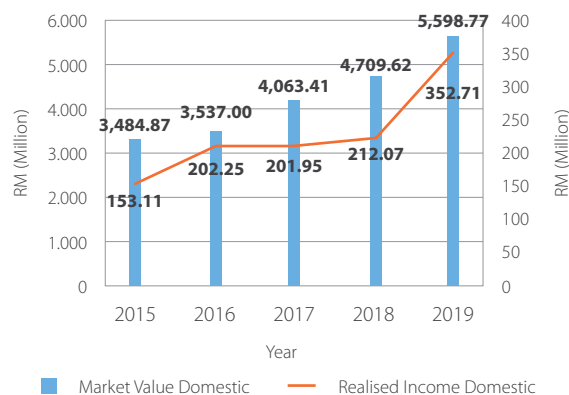
List of Domestic External Fund Managers as at 31 December 2019

Domestic	Fund Inception
Principal Asset Management Berhad	2006
AmFunds Management Berhad	2007
Affin Hwang Asset Management Berhad	2011
Amundi Malaysia Sdn Bhd	2012
Maybank Islamic Asset Management Sdn Bhd	2014
Nomura Islamic Asset Management Sdn Bhd	2014
RHB Islamic International Asset Management Berhad	2014
Maybank Asset Management Sdn Bhd	2015
VCAP Asset Managers Sdn Bhd	2015
Franklin Templeton GSC Asset Management Sdn Bhd	2015

List of Domestic External Fund Managers as at 31 December 2019 (continued)

Domestic	Fund Inception
AIIMAN Asset Management Sdn Bhd	2015
i-VCAP Management Sdn Bhd	2015

Chart 18: Domestic EFM's Market Value and Realised Income



Source: KWAP analysis

The market value of the international EFM's fixed income investments stood at RM314.63 million or USD75.74 million as at 31 December 2019. Combined with internally managed international bond portfolios, KWAP's international fixed income investments accounted for 0.21% of KWAP's fund size. During the year, international fixed income EFM's recorded an aggregate realised income of RM33.33 million or USD5.65 million, representing 5.37% of average international EFM's fund size in Ringgit Malaysia terms. The portfolio registered TWRR of 5.75%, underperforming the stipulated benchmark TWRR of 6.52% for the year-to-date period.

List of International External Fund Managers as at 31 December 2019

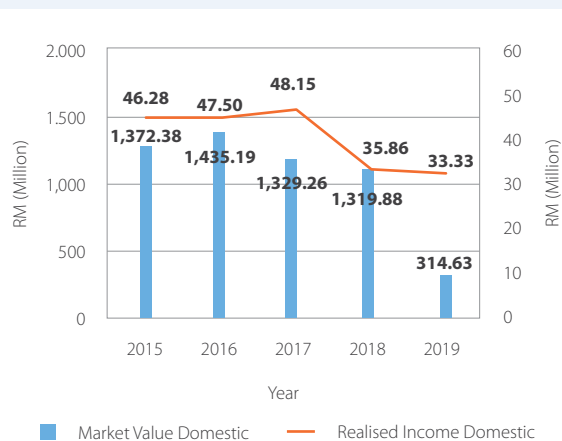
International	Fund Inception
JP Morgan Asset Management (Asia Pacific) Limited	2015

Asset Classes

ALTERNATIVE INVESTMENT

Externally Managed Fixed Income (continued)

Chart 19: International EFMs' Market Value and Realised Income



Source: KWAP analysis

As part of KWAP's monitoring process, performance reviews were held on a quarterly and monthly basis with all EFMs. On-site visits were conducted at EFMs' premises to ensure their adherence to the terms of the agreement as well as to understand their best business practices. Throughout 2019, 86 meetings, 3 annual visits and 2 compliance visits were organised to observe the EFMs' compliance with relevant internal control procedures and best business practices in day-to-day trading activities.

On a yearly basis, KWAP awards additional capital to the best-performing EFMs to enhance the overall investment returns of KWAP as well as to garner value-added services from EFMs such as knowledge transfer and diversification of strategy. Additionally, KWAP reviews the EFMs' investment management agreement (IMA) periodically to enhance the operational efficiency of the EFM portfolios.

KWAP'S PRIVATE EQUITY AND INFRASTRUCTURE INVESTMENT PERFORMANCE

Within the context of the Private Equity and Infrastructure landscape, as well as global and domestic market dynamics, KWAP's Private Equity and Infrastructure portfolios generated strong returns for the year 2019. As at end-2019, our Private Equity investment generated income distribution of RM254.4 million, whereas the Infrastructure portfolio generated an additional RM64.2 million, totalling RM318.6 million in income distribution to KWAP. Both Private Equity and Infrastructure combined generated a 10-year rolling return of 33.8%.

KWAP continues to participate in Private Equity and Infrastructure investments, primarily through partnerships with specialised top quartile investment managers across various investment strategies, by investing through Private Equity funds or leveraging our partners' networks; sectoral and geographical expertise to source long-term direct investment and co-investment opportunities. KWAP has strategic investments in and maintains close relationships with many of the leading private equity firms across various geographies, which opens up private capital opportunities in markets where KWAP has limited or no access.

KWAP also endeavours to achieve superior returns through active and rigorous portfolio monitoring, which requires frequent and direct engagement with our asset managers to monitor performance and ensure proper alignment of interests between the managers and KWAP as an investor.

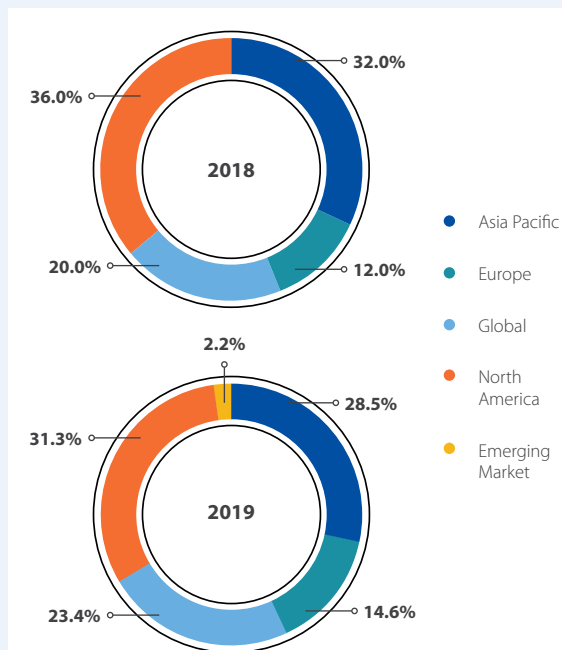
In 2019, KWAP committed to seven Private Equity (PE) funds, inclusive of one distressed buyout fund and one infrastructure fund, mainly through new investing relationships. This resulted in an increase in funds exposure within the Europe allotment and an increase in the number of funds within the Buyout and Secondary strategy, in line with KWAP's targeted exposures.

Asset Classes

ALTERNATIVE INVESTMENTS

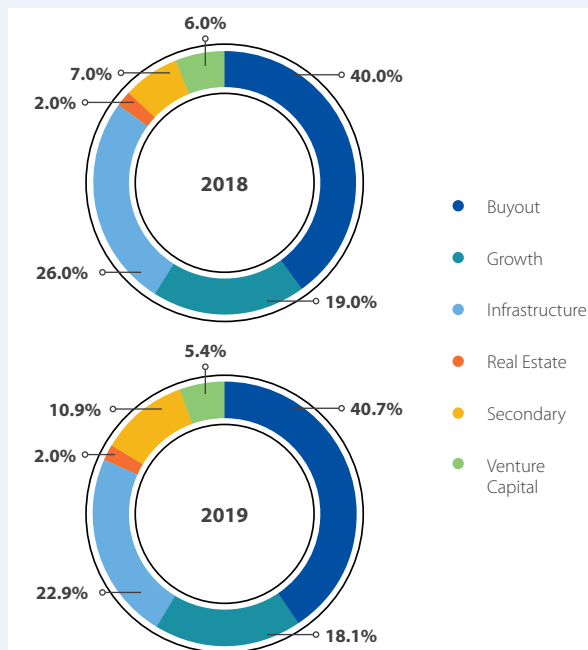
KWAP'S PRIVATE EQUITY AND INFRASTRUCTURE INVESTMENT PERFORMANCE (CONTINUED)

Chart 1: KWAP PE and Infrastructure Funds Commitment Exposure by Geography



Source: KWAP analysis

Chart 2: KWAP PE and Infrastructure Funds Commitment Exposure by Strategy



Source: KWAP analysis

In summary, as of 2019, KWAP invested in 50 Private Equity and Infrastructure funds and five direct investments. KWAP's total private equity investments amounted to RM4.2 billion or 2.9% (net drawn plus unfunded) of KWAP's total fund size, which is within KWAP's private equity's SAA of 4.0%. Meanwhile, for infrastructure, the investments amounted to RM2.1 billion or 1.5% (net drawn plus unfunded) of KWAP's total fund size.

KWAP'S IMPROVED PROCESS IN PORTFOLIO MANAGEMENT

In relation to KWAP's portfolio monitoring process, the team embarked on a much more data-driven approach to manage investments, including a revamped Fund Model Scoring to rank KWAP's Private Equity fund investments, which will allow KWAP's investment team to conduct a comprehensive review of KWAP's existing PE investments.

Currently, the PE Fund Review includes a quantitative and qualitative approach, where the quantitative aspect focuses on the performance of the fund, including internal rate of returns (IRR), multiple of invested capital (MOIC), expected distribution paid-in (DPI) and the performance benchmark of the fund. This is to allow KWAP's investment team to track and compare the estimated returns across investors during the underwriting process.

For its qualitative approach, KWAP's evaluation model emphasises the services provided to KWAP, such as the quality and transparency of communication between the General Partner (GP) and KWAP, potential deal pipelines and any breaches of key clauses. The weighted score is then ranked accordingly by the portfolio management team to allow a more focused review of KWAP's existing PE funds for continuous improvement.

Asset Classes

PROPERTY INVESTMENT

To date, KWAP has 17 properties in its portfolio. KWAP continues to embrace environmental, social and governance (ESG) principles in its investments with eight of its properties accredited with environmental certifications as below.

TABLE 1: KWAP PROPERTY ENVIRONMENTAL CERTIFICATION

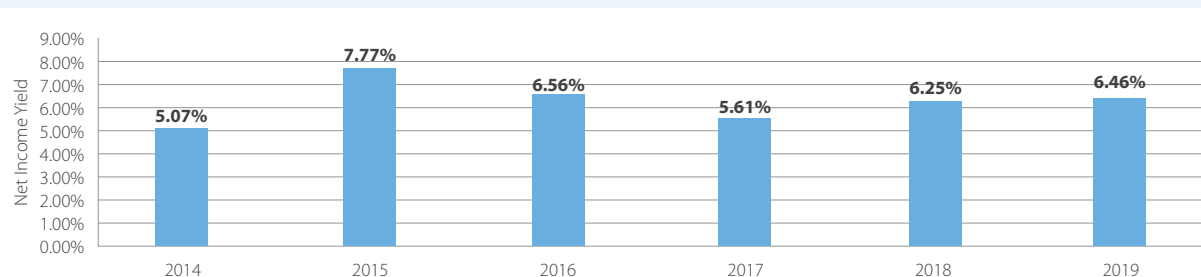
PROPERTY	ENVIRONMENTAL CERTIFICATION	RATING
MALAYSIA		
Integra Tower, Kuala Lumpur	Leadership in Energy & Environmental Design (LEED) US	Platinum Shell & Core
CapSquare Tower, Kuala Lumpur	Green Building Index (GBI) Malaysia	Certified
AUSTRALIA		
747 Collins Street, Melbourne	National Australian Built Environment Rating System (NABERS)	<ul style="list-style-type: none"> NABERS Energy: 6.0 NABERS Water: 5.0
179 Turbot Street, Brisbane	National Australian Built Environment Rating System (NABERS)	<ul style="list-style-type: none"> NABERS Energy: 5.5 NABERS Water: 4.0
UNITED KINGDOM		
10 Gresham Street, London	Energy Performance Certificate UK (EPC)	Office: E Retail: D
100 Cheapside, London	Building Research Establishment Environmental Assessment Method (BREEAM) UK	Platinum
Intu Uxbridge Shopping Centre, London	Energy Performance Certificate (EPC)	D
GERMANY		
Zalando Distribution Centre, Erfurt	German Sustainable Building Council (DGNB)	Gold

Moving forward, KWAP aims to continue its efforts in fulfilling the ESG principles in its property investments.

PERFORMANCE

At the end of 2019, property investment generated a net income of RM277.83 million or 6.46% net income yield on investment cost. Presented in Chart 1 is the net income yield on investment cost of KWAP's property portfolio from 2014 to 2019.

Chart 1: KWAP's Property Portfolio Net Income Yield on Investment Cost from 2014 to 2019



Note: The 2019 net income yield excludes the new acquisition of 100 Cheapside, London, which was completed on 20 December 2019 that contributed only 10 days of income in 2019.

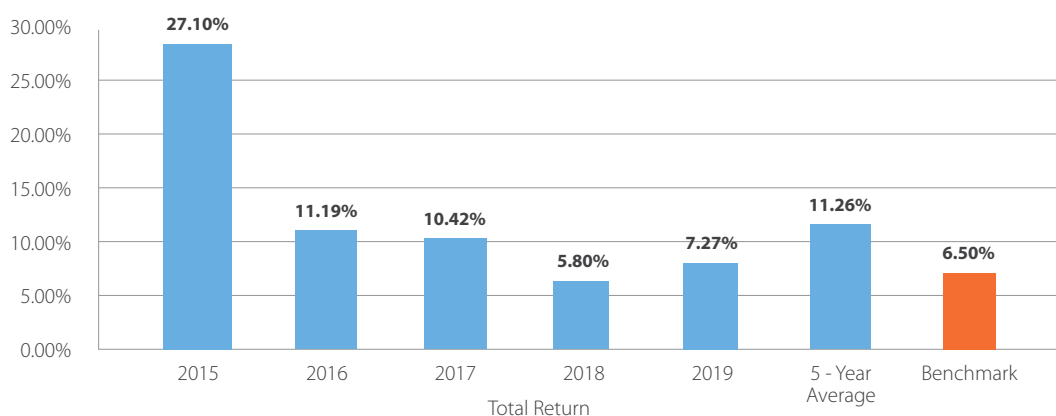
Asset Classes

ALTERNATIVE INVESTMENTS

PERFORMANCE (CONTINUED)

For the year 2019, KWAP's property investment recorded a total return of 7.30%. The five-year rolling average was 11.26%, which exceeded the internal five-year rolling average benchmark of 6.50%. Chart 2 shows the five years' (2015 to 2019) historical total returns of KWAP's property portfolio with the 2019 five-year average and the benchmark

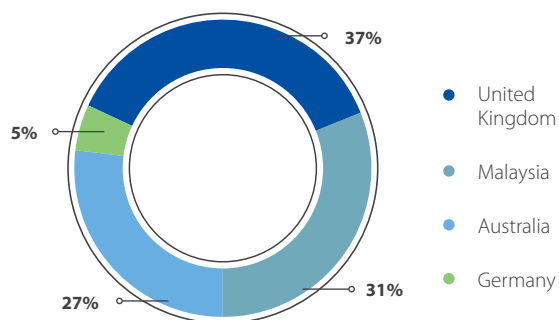
Chart 2: KWAP's Property Portfolio Five-year Rolling Total Return.



Source: KWAP analysis

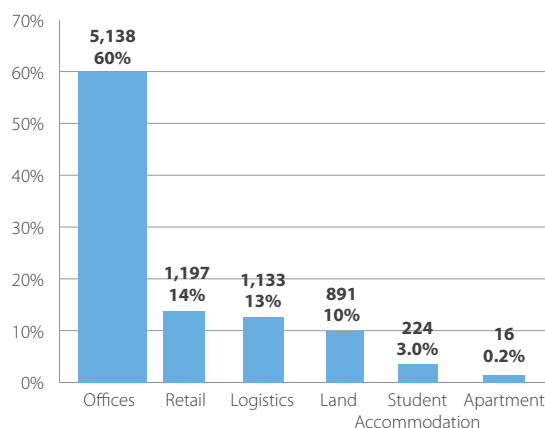
The geographical and asset type exposures of KWAP's property portfolio as at December 2019 based on investment cost are as shown in Chart 3 and Chart 4, respectively. The average occupancy of KWAP's properties as at 31 December 2019 was 88.95%.

Chart 3: Geographical Exposure as at 31 December 2019 in RM Million



Source: KWAP analysis

Chart 4: Asset Type Exposure as at 31 December 2019 in RM Million



Asset Classes

MAIN ACTIVITIES IN 2019

KWAP acquired Mydin Commercial Centre in Mutiara Rini, Skudai, Johor in January 2019 at a purchase price of RM220.00 million or at 6.0% yield. In its international portfolio, KWAP divested 737 Bourke Street, Melbourne, Australia in April 2019, at a sale price of AUD192.00 million versus its investment cost of AUD120.00 million. KWAP also expanded its UK property portfolio via acquisition of 100 Cheapside, London in December 2019 at a purchase price of GBP141.00 million or at 4.12% yield.



Mydin Commercial Centre, Skudai, Johor (Retail)



737 Bourke Street, Melbourne, Australia (Office)



100 Cheapside London (Office)



2

PROPERTY INVESTMENT

•
KWAP'S
DOMESTIC
PROPERTIES

•
KWAP'S
INTERNATIONAL
PROPERTIES

Asset Classes

ALTERNATIVE INVESTMENTS

KWAP'S DOMESTIC PROPERTIES



INTEGRA TOWER, KUALA LUMPUR

(40-Storey Office)



Purchase Price
RM1,065 million



Date of Acquisition
31 March 2015



Tenure
Freehold

Net Lettable Area
765,249 sq ft

78.6%
Occupancy Rate as at 31 December 2019



CAPSQUARE TOWER, KUALA LUMPUR

(41-Storey Office)



Purchase Price
RM474.3 million



Date of Acquisition
15 December 2016



Tenure
Freehold

Net Lettable Area
601,796 sq ft

68%
Occupancy Rate as at 31 December 2019



MYDIN COMMERCIAL CENTRE, SKUDAI, JOHOR

(Retail)



Purchase Price
RM220.0 million



Date of Acquisition
22 January 2019



Tenure
Leasehold
expiring on
4 September 2911

Net Lettable Area
409,080 sq ft

100%
Occupancy Rate as at 31 December 2019

Asset Classes

KWAP'S INTERNATIONAL PROPERTIES



747 COLLINS STREET, MELBOURNE, AUSTRALIA

(16-Storey Office)



Purchase Price

AUD167.5 million

– 60% interest (2013)

AUD151.3 million

– 40% interest (2018)

AUD318.8 million

– 100%



Date of Acquisition

– **30 September 2013**

– **8 February 2018**



Tenure

Freehold

Net Lettable Area

430,914 sq ft

100%

Occupancy Rate as at
31 December 2019



179 TURBOT STREET, BRISBANE, AUSTRALIA

(25-Storey Office)



Purchase Price

AUD172.3 million



Date of Acquisition

31 October 2013



Tenure

Freehold

Net Lettable Area

268,831 sq ft

52.3%

Occupancy Rate as at 31 December 2019



133 LENORE DRIVE, ERSKINE PARK, SYDNEY, AUSTRALIA

(Logistics)



Purchase Price

AUD75.13 million



Date of Acquisition

30 November 2014



Tenure

Freehold

Net Lettable Area

480,430 sq ft

100%

Occupancy Rate as at 31 December 2019

Asset Classes

ALTERNATIVE INVESTMENTS

KWAP'S INTERNATIONAL PROPERTIES



1 GRIFFIN CRESCENT, BRENDALE, QUEENSLAND, AUSTRALIA

(Logistics)



Purchase Price
AUD73.84 million



Date of Acquisition
30 November 2014



Tenure
Freehold

Net Lettable Area
542,570 sq ft

100%
Occupancy Rate as at 31 December 2019



38 – 46 BERNARA ROAD, PRESTONS, SYDNEY, AUSTRALIA

(Logistics)



Purchase Price
AUD70.05 million



Date of Acquisition
30 July 2015



Tenure
Freehold

Net Lettable Area
237,884 sq ft

100%
Occupancy Rate as at 31 December 2019



133A LENORE DRIVE, ERSKINE PARK, SYDNEY, AUSTRALIA

(Logistics)



Purchase Price
Land cost:
AUD5.14 million
Development cost:
AUD8.16 million



Date of Acquisition
23 December 2015



Tenure
Freehold

Net Lettable Area
81,558 sq ft

100%
Occupancy Rate as at
31 December 2019

Asset Classes

KWAP'S INTERNATIONAL PROPERTIES



10 GRESHAM STREET, LONDON, UK

(8-Storey Office)



Purchase Price
GBP200.0 million



Date of Acquisition
24 October 2012



Tenure
Leasehold
expiring on
24 June 2164

Net Lettable Area
259,759 sq ft

99.5%
Occupancy Rate as at 31 December 2019



100 CHEAPSIDE, LONDON, UK

(12-Storey Office)



Purchase Price
GBP141 million



Date of Acquisition
20 December 2019



Tenure
Leasehold
expiring on
10 November 2167

Net Lettable Area
101,823 sq ft

99.6%
Occupancy Rate as at 31 December 2019



INTU UXBRIDGE, LONDON, UK

(Retail)



Purchase Price
GBP174.8 million
(80% interest, with
20% interest being
owned by Intu
Uxbridge HoldCo Ltd)



Date of Acquisition
20 June 2014



Tenure
Freehold

Net Lettable Area
452,257 sq ft

98%
Occupancy Rate as at
31 December 2019

Asset Classes

ALTERNATIVE INVESTMENTS

KWAP'S INTERNATIONAL PROPERTIES



800, BRISTOL ROAD, BIRMINGHAM, UK

(Student Accommodation)



Purchase Price
GBP14.62 million



Date of Acquisition
8 August 2018



Tenure
Freehold

Net Lettable Area
31,724 sq ft

100%
Occupancy Rate as at 31 December 2019



THE MILL HOUSE, EDINBURGH, UK

(Student Accommodation)



Purchase Price
GBP25.13 million



Date of Acquisition
8 August 2018



Tenure
Scottish Freehold

Net Lettable Area
63,212 sq ft

100%
Occupancy Rate as at 31 December 2019



9 SHERWOOD COURT, SEYMOUR PLACE, LONDON, UK

(1 Unit Apartment)



Purchase Price
GBP1.350 million



Date of Acquisition
27 February 2015



Tenure
Leasehold

Net Lettable Area
836 sq ft

Remark
Purchase of the apartment was for Prima Ekuiti (UK) Limited employee accommodation

Asset Classes

KWAP'S INTERNATIONAL PROPERTIES

**82, ALBION GATE, ALBION STREET, LONDON, UK**

(1 Unit Apartment)



Purchase Price
GBP1.625 million



Date of Acquisition
27 February 2015



Tenure
Leasehold

Net Lettable Area
935 sq ft

Remark
Purchase of the apartment was for Prima Ekuiti (UK) Limited employee accommodation

**ZALANDO DISTRIBUTION WAREHOUSE, ERFURT, GERMANY**

(Logistics)



Purchase Price
EUR92.23 million



Date of Acquisition
5 May 2017



Tenure
Freehold

Net Lettable Area
1,381,794 sq ft

100%
Occupancy Rate as at 31 December 2019

SUBSIDIARIES

KWEST SDN BHD

66

KWEST is striving to become a leading institutional real estate development investor with the aim to realise good real estate investment returns.

99

KWEST SDN BHD

KWEST's objective is to become a leading institutional real estate development investor and realise significant investment returns on behalf of KWAP with a healthy pipeline of quality assets.

Following its incorporation as a wholly owned subsidiary of KWAP in August 2017, KWEST Sdn Bhd (KWEST) became operational on 1 March 2018. KWEST strives to become a leading institutional real estate development investor with the aim to realise good real estate investment returns.

2019 HIGHLIGHTS

The year 2019 saw the market going through a structural change due to the reforms initiated by the government. The residential property market showed some improvement from the stimulus introduced by the government under Budget 2019 which, among others, eased the transaction costs for first time home buyers especially in the lower income segment.

Improvements can be seen in products targeting B40 and M40 segments. This is the opposite for the T20 segments where sales have lagged leading to fewer launches made in 2019 especially in the Kuala Lumpur Central Business District (KL CBD).

The performance of commercial real estate such as offices and retail malls were still subdued due to the oversupply of lettable spaces in key growth areas. On the other hand, among the best performing real estate sectors in 2019 was industrial property and institutional assets like hospitals and medical centres.

The industrial property sector is supported by growth in both online and offline trade, various stimuli offered by the government to promote IR 4.0 and planned and completed infrastructure projects connecting Klang Valley to the rest of Malaysia. In view of this, KWEST has embarked on diversifying its portfolio to include industrial properties in the Greater Klang Valley.

In 2019, KWEST undertook its periodic valuation exercise to assess the value of land it acquired or is under its management in Seri Tanjung Pinang Phase 2A ("STP2A") and KL CBD. Collectively, the combined land value has recorded an upside of 18% from its book value since acquisition. This shows a healthy growth in capital gain in KWEST's portfolio.

Project Bloom

The Seri Tanjung Pinang Phase 2A (STP2A) project achieved a significant milestone in September 2019 with the reclamation of the island being fully completed. In addition, infrastructure work for the project is gaining momentum with the completion of the temporary bridge for construction access to the island and 50% completion of the Middle Bridge - the first vehicular bridge to the island. Over and above this, approval in principle has been obtained for the second bridge - Gurney Bridge, which will connect the newly reclaimed island to Gurney Drive. Other infrastructure, namely the green Sewage Treatment Plant (gSTP), sewer trunk main, roadworks, drainage, street lighting, landscaping and water reticulation system have all progressed with pre-planning and approvals already on the way.

In tandem, Persada Mentari Sdn Bhd (PMSB), the Special Purpose Development Company STP2A of which 20% is owned by KWEST, continue to make progress in the development of STP2A. In July 2019, STP2A obtained approval for an increase in the allowable densities for all residential plots in STP2A from an average of 51 to 83 units per acre, which will see an improvement to the overall project's finances.

Gurney Reach, a 74.35-acre land in the southern precinct of STP2A, will be the maiden project for the island and is expected to be a catalyst to draw the public into STP2A. The master plan of Gurney Reach was developed by the iconic and renowned architecture and urban planning firm, Jerde Partnership. The plan focuses on converging living, learning, tourism and leisure via a diverse mix of uses, tailored to multigenerational audience from millennials and families to established executives.

Subsidiaries

With its proximity, visibility and accessibility to and from Gurney Drive, Gurney Reach is the ideal launching pad for STP2A. Deliberately identified for practical and impactful influence, three catalytic place-making components, which comprise an international marina, a lagoon park and a Festival Village will drive future STP2A property marketing and sales efforts. This will enhance both residential and commercial property values. Barring any unforeseen circumstances, the first product launch in Gurney Reach - the Millennial Homes, is planned to be launched in the first half of 2021.

RE:Discovery 2019

In September 2019, KWEST hosted a week-long RE:Discovery 2019 programme, a series of knowledge sharing sessions focusing on issues and trends related to real estate. The series saw multiple engagements with experts in their respective fields such as Aberdeen Standard Investments, Savills Malaysia, Lendlease Malaysia, GDP Architects and Badan Warisan Malaysia, covering areas of investment, redevelopment, retail, heritage and culture. With the objective to foster learning and provoke conversations on issues that matter, the series was successfully attended by internal and invited external parties. The series was a success as a post-event survey conducted found that 86% of the audience agreed that RE:Discovery 2019 improved their knowledge and understanding of real estate.

RODDC19

KWEST continues engaging with stakeholders and organisations which share common interests and vision, particularly on real estate and nation building initiatives. In collaboration with MyAgeing and Universiti Putra Malaysia (UPM), KWEST organised an architectural design competition to raise awareness and sensitivity to the public on the significance of a retirement-oriented development (ROD) in an ageing society. The Retirement Oriented Development Design Competition 2019 (RODDC2019) which was officially launched in November 2019. It challenges the future generation of designers to conceptualise a holistic design solution that will attempt to address the fundamental challenges faced by this market segment. Their solutions would encompass creating awareness, accessibility, affordability, adaptability and creating the right components for a viable and sustainable retirement development. The design competition has successfully registered a total number of 49 participations from numerous Malaysian higher learning institutions.

Establishing and Strengthening KWEST Business Processes and Governance

In order to achieve the business objectives above as well as the long-term vision for KWEST, much emphasis has been placed in 2019 on building an effective framework for delivery and instituting the necessary governance and controls.

At the forefront of these efforts has been the implementation of KWEST Enterprise Risk Management, whereby strategic, operational, investment and compliance risk assessments and corresponding mitigations are being put in place. KWEST has also been involved in the review of key policies particularly in finance and investment areas with the aim of enhancing applicability of Group policies within the subsidiary.

Standard Operating Procedures have been developed and improved as part of an ongoing business process management effort to enhance efficiency, clarify accountabilities and embedding necessary controls. KWEST has also embarked on its integrity and governance journey starting mid-2019 to establish the key integrity and governance functions for KWEST in line with the Government issued directive.

As part of KWEST's strategy in building its organisational capacity, the company has also focused on efforts to enhance delivery of initiatives and capabilities of its resources. The Programme Management Office (PMO) unit for KWEST was established in the course of 2019 to oversee and monitor KWEST deliverables.

Apart from coordination and alignment of KWEST KPIs and Scorecard with KWAP Group objectives, the PMO unit also tracks progress and produces a KPI dashboard for key activities to ensure projects and initiatives are kept on track. Additionally, KWEST's commitment to continuous learning and development of staff extends beyond classroom training and includes practical off-site assignment exposures for selected staff.

Subsidiaries

PRIMA EKUITI (UK) LIMITED

66

Prima Ekuiti (UK) Limited (Prima Ekuiti) is our wholly owned subsidiary in the UK, established in 2012 to act as KWAP's investment partner in the European region.

99

PRIMA EKUITI (UK) LIMITED

Since its inception on 2 May 2012, the UK equity portfolio's returns have increased by 52.1%, comfortably exceeding the FTSE100 Index's return of 29.8% during the same period.

With an initial capital of GBP100 million to be invested in UK equities, Prima Ekuiti has grown its asset under management, expanded its investment coverage and diversified its investment styles via the establishment of the Euro Equity portfolio in 2015 and the European Absolute Return Fund in 2018. The market value of its UK equity portfolio has increased to GBP244.4 million while its Euro equity portfolio has grown to EUR243.9 million, marking an expansion of EUR18.9 million from its initial investment of EUR225.0 million in up until 2017.

Both portfolios have repatriated a total of more than GBP140.1 million since inception. Meanwhile, a new Absolute Return portfolio was established in June 2018 with an initial capital of EUR75.0 million. The new fund represents a move towards an investment that is more focused on longer-term thematic investments as reflected by its three-year investment horizon.

In 2019, Prima Ekuiti distributed an additional GBP200,000 in dividends to KWAP, bringing the total dividends paid out since the introduction of the dividend payment programme in 2015 to GBP1,100,000.



Market value of its UK equity portfolio has increased to

GBP244.4
million



Euro equity portfolio has grown to

EUR243.9
million

INVESTMENT REVIEW

The UK equity portfolio registered a return of 12.2% in 2019 with market value to GBP244.4 million, which represents a marginal outperformance of the benchmark FTSE100, which delivered a return of 12.1%. Since its inception on 2 May 2012, the portfolio has increased by 52.1%, comfortably exceeding the FTSE100 Index's return of 29.8% during the same period. As at 31 December 2019, its UK equity portfolio's Net Asset Value (NAV) stood at 1.00x.

Prima Ekuiti Student Engagements

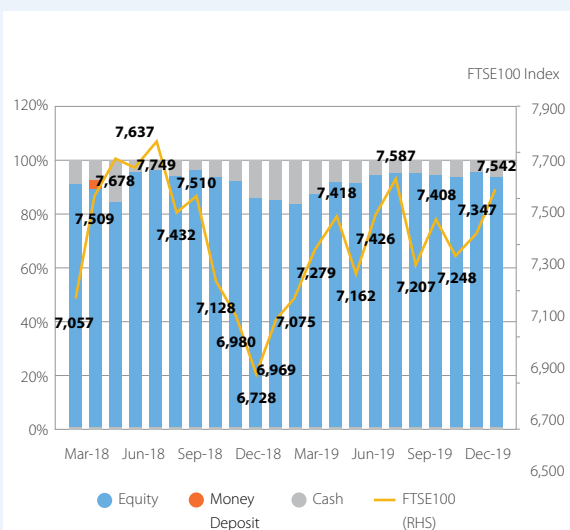
Prima Ekuiti (UK) Limited (Prima Ekuiti), our investment arm in the UK, runs an internship programme for Malaysian students in the UK. The programme is designed to give interns first-hand experience and practical lessons in the asset management industry. Last year, Prima Ekuiti saw the largest ever cohort of interns, with six (6) students from various reputable universities being selected for the course.

In addition, Prima Ekuiti continued its Investment Challenge programme for the fourth year running. The Investment Challenge was designed to give students a better appreciation for the investment industry and provides an opportunity for participants to enhance various competencies through exposure to investment analysis and asset management. The 2019 Investment Challenge drew the participation of 67 students across the UK.

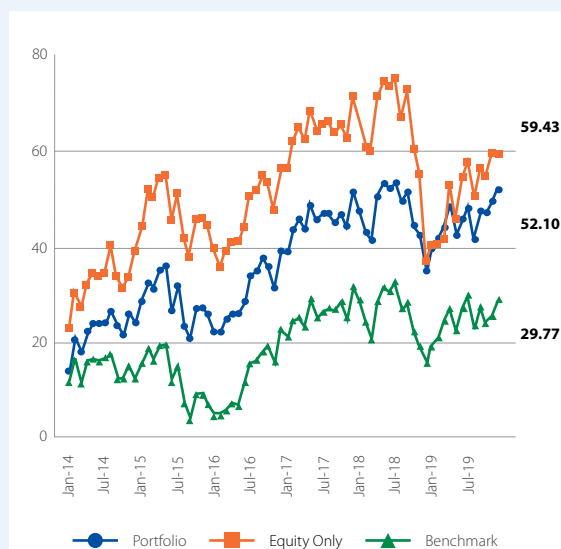
Subsidiaries

UK EQUITY PORTFOLIO IN GRAPHS

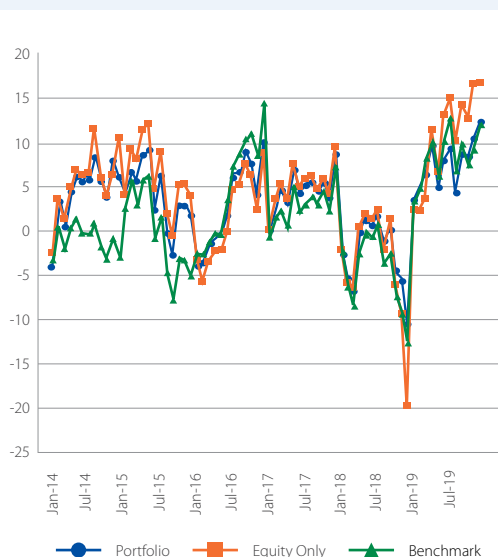
UK: Asset Allocation



UK: TWRR SINCE INCEPTION



UK: TWRR YTD



UK: Information Ratio

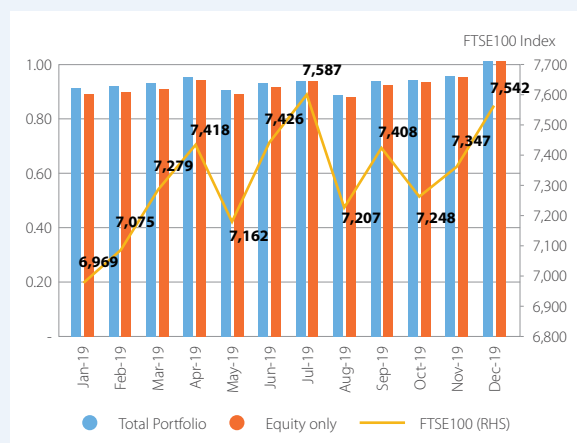


Subsidiaries

PRIMA EKUITI (UK) LIMITED

UK EQUITY PORTFOLIO IN GRAPHS (CONTINUED)

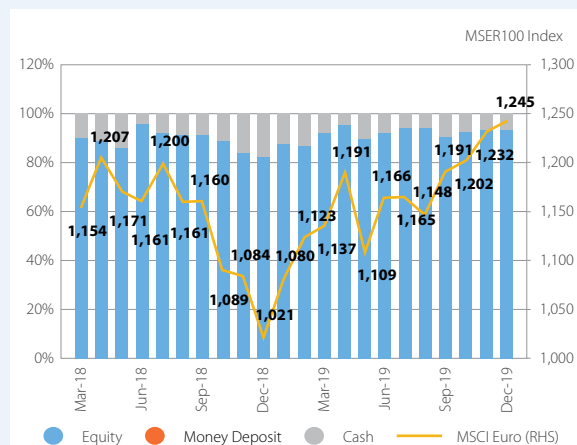
UK: Net Asset Value



EURO EQUITY PORTFOLIO IN GRAPHS

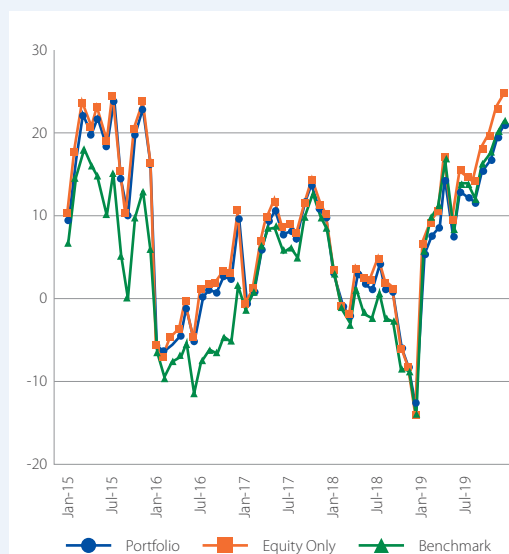
Meanwhile, the Euro equity portfolio registered a return of 21.3% in 2019, underperforming its benchmark MSCI Euro Index by 64 bps. Nevertheless, since its inception on 2 September 2014, the Euro equity portfolio has increased by 54.9%, outperforming its benchmark by 32.1%. As at 31 December 2019, its Euro equity portfolio's Net Asset Value (NAV) stood at 1.06x.

EURO: Asset Allocation

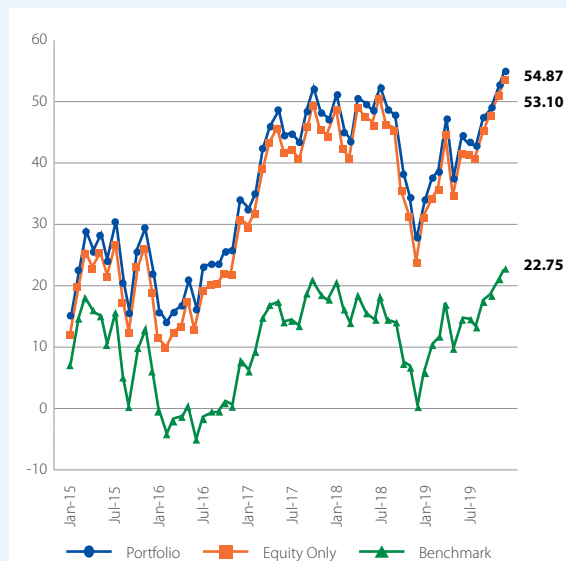


EURO EQUITY PORTFOLIO IN GRAPHS (CONTINUED)

EURO: TWRR YTD



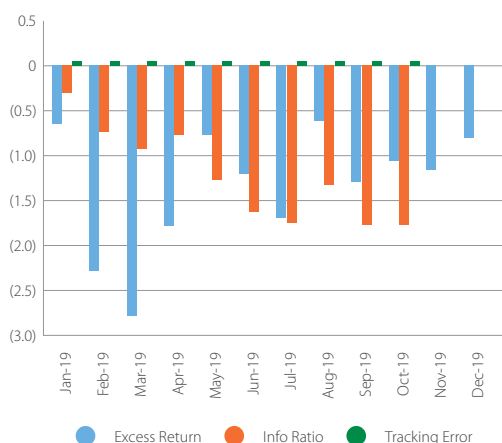
EURO: TWRR SINCE INCEPTION



Subsidiaries

EURO EQUITY PORTFOLIO IN GRAPHS (CONTINUED)

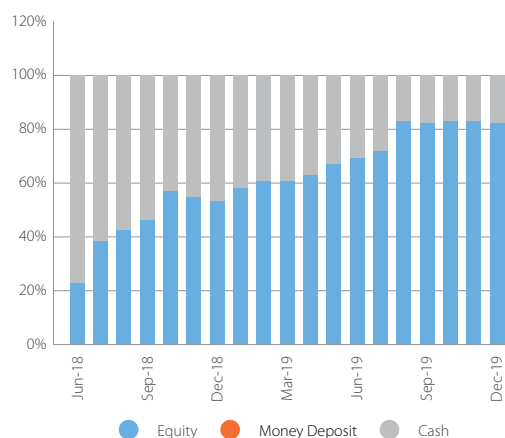
EURO: Information Ratio



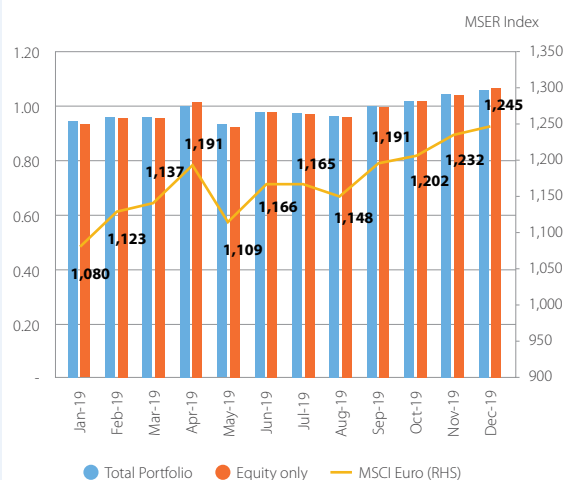
ABSOLUTE RETURN EQUITY PORTFOLIO IN GRAPHS

Since the inception of the Absolute Return portfolio in June 2018, the Absolute Return equity portfolio has increased by 6.5% with a Net Asset Value (NAV) of 1.07x.

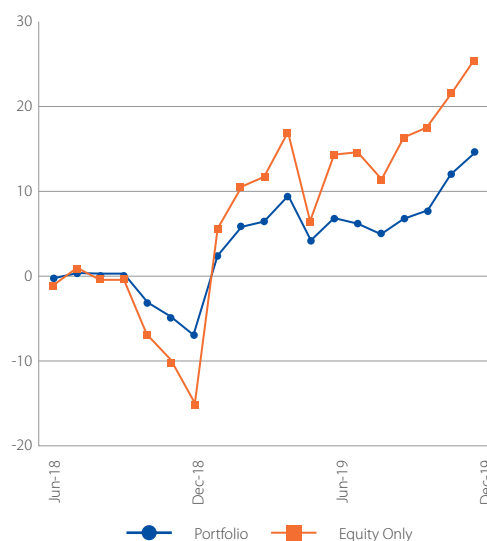
Absolute Return: Asset Allocation



EURO: Net Asset Value



Absolute Return: TWRR YTD

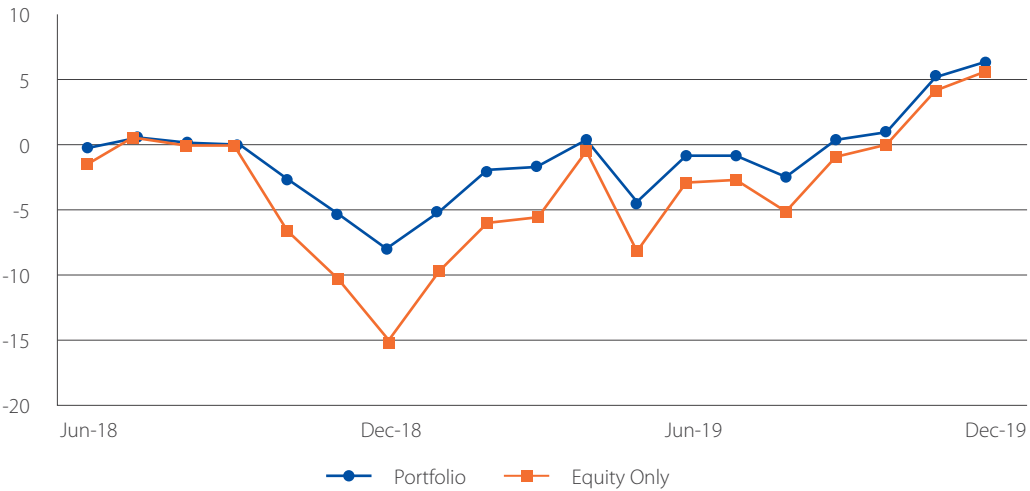


Subsidiaries

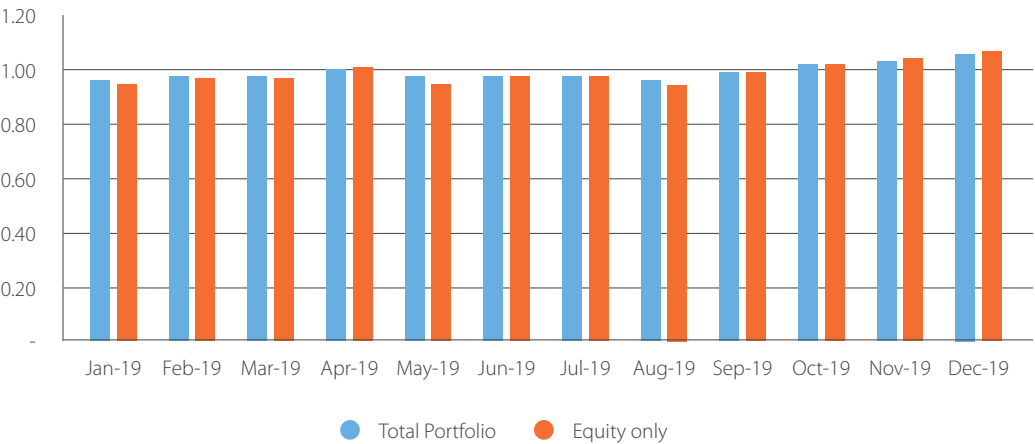
PRIMA EKUITI (UK) LIMITED

ABSOLUTE RETURN EQUITY PORTFOLIO IN GRAPHS

Absolute Return: TWRR Since Inception



Absolute Return: Net Asset Value



Empowering Progress

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AUDITOR GENERAL CERTIFICATION



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Certificate on the Audit of the Financial Statements

Opinion

The financial statements of the Kumpulan Wang Persaraan (Diperbadankan) which comprise the Statements of Financial Position as at 31 December 2019 and Statements of Comprehensive Income, Statement of Changes in Equity and Statement of Cash of the Group and of the Kumpulan Wang Persaraan (Diperbadankan) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 3 to 159, 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 Kumpulan Wang Persaraan (Diperbadankan) 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 the Retirement Fund Act 2007 (Act 662).

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 Kumpulan Wang Persaraan (Diperbadankan) and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

Auditor General Certification

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

The Board of the Kumpulan Wang Persaraan (Diperbadankan) is responsible for the other information in the Annual Certificate. My opinion on the financial statements of the Group and of the Kumpulan Wang Persaraan (Diperbadankan) 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 Kumpulan Wang Persaraan (Diperbadankan) that give a true and fair view in accordance with Malaysian Financial Reporting Standards (MFRS) and the Retirement Fund Act 2007 (Act 662). 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 Kumpulan Wang Persaraan (Diperbadankan) that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Kumpulan Wang Persaraan (Diperbadankan), the Board is responsible for assessing the Group's and the Kumpulan Wang Persaraan (Diperbadankan) 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 Kumpulan Wang Persaraan (Diperbadankan) 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 Kumpulan Wang Persaraan (Diperbadankan), whether due to fraud or

Auditor General Certification

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 Kumpulan Wang Persaraan (Diperbadankan) 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 Kumpulan Wang Persaraan (Diperbadankan) 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 Kumpulan Wang Persaraan (Diperbadankan) 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 Kumpulan Wang Persaraan (Diperbadankan), including the disclosures and whether the financial statements of the Group and of the Kumpulan Wang Persaraan (Diperbadankan) 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.

I also provide the Board with a statement that I 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.


Auditor General Certification

Certificate on Other Legal and Regulatory Requirements

In accordance with the requirements of the Retirement Fund Act 2007 (Act 662), I report that the subsidiaries, of which I have not acted as auditor, are disclosed in Note 10 to the financial statements.

Other Matters

- a. I would like to draw attention of the followings:
 - i. Kumpulan Wang Persaraan (Diperbadankan) should review the impairment valuation criteria for loans to Government-linked companies with Government Guarantee. The credit risk determination criterion should also include the element of collateral and loan restructuring or rescheduling.
 - ii. Kumpulan Wang Persaraan (Diperbadankan) should finalise the function of the accounting system and other systems that are integrated to generate the financial statements electronically. The accounting system should also be in congruence with the requirements of the Malaysian Financial Reporting Standards (MFRS) to minimise adjustments manually made out of the systems.
 - iii. Kumpulan Wang Persaraan (Diperbadankan) needs to strengthen the governance process to ensure effective communication between the departments. The weaknesses in communication resulted in records in the financial statements not updated, thus require amendments. I also noted one payment approval made to an unauthorized entity due to lack of security procedures and verification process.
- b. This certificate is made solely for Members of the Board in accordance with Retirement Fund Act 2007 (Act 662) and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.


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

PUTRAJAYA
3 / DECEMBER 2020

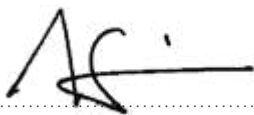


STATEMENT BY THE CHAIRMAN

and a member of the Board of Kumpulan Wang Persaraan (Diperbadankan)

We, **Dato' Asri Bin Hamidon @ Hamidin** and **Dato' Azmi bin Abdullah** being the Chairman and a member of the Board of Kumpulan Wang Persaraan (Diperbadankan) respectively, do hereby state that, in the opinion of the Board of Kumpulan Wang Persaraan (Diperbadankan), the Financial Statements, consisting of the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with the Notes to Financial Statements therein, are prepared in accordance with the Retirement Fund Act 2007 (Act 662) and the Malaysian Financial Reporting Standards (MFRS) as to give a true and fair view of the state of affairs of Kumpulan Wang Persaraan (Diperbadankan) as at 31 December 2019 and of its operating results and the cash flows of Kumpulan Wang Persaraan (Diperbadankan) for the year ended on that date.

Signed on behalf of the Board,



Name : **Dato' Asri Bin Hamidon @ Hamidin**
 Title : Chairman of the Board
 Date : 02 September 2020
 Venue : Putrajaya

Signed on behalf of the Board,



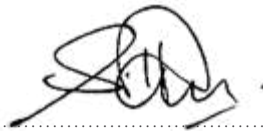
Name : **Dato' Azmi bin Abdullah**
 Title : Member of the Board
 Date : 02 September 2020
 Venue : Putrajaya

STATUTORY DECLARATION

by the officer primarily responsible for the financial management of
Kumpulan Wang Persaraan (Diperbadankan) 2019

I, **Syed Hamadah bin Syed Othman**, being the officer primarily responsible for the financial management of Kumpulan Wang Persaraan (Diperbadankan), do solemnly and sincerely declare that the accompanying Financial Statements which includes the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes In Equity and the Statement of Cash Flows, in the following financial position together with the Notes To The Financial Statements to the best of my knowledge and belief, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the above named)
At Kuala Lumpur Wilayah Persekutuan)
On 07 September 2020)



Before me,



G1-1-2, Ground Floor, Menara 1 Dutamas,
Solaris Dutamas, No. 1, Jalan Dutamas 1,
50480 KUALA LUMPUR, MALAYSIA.

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Group		KWAP	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Note					
Gross Investment Income	4	6,323,931	7,290,977	6,067,973	7,056,783
Dividend Income		2,061,917	2,035,261	2,061,917	2,157,808
Gains From Divestment		785,898	1,556,492	561,668	1,556,492
Interest Income		3,045,452	3,132,272	3,059,123	3,154,046
Rental Income		379,800	309,047	15,757	32,271
Other Investment Income		50,864	257,905	369,508	156,166
Other Non-Investment Income	4	529,750	448,406	529,013	451,697
Operating Expenses	5	(556,259)	(542,401)	(302,961)	(292,329)
Transaction Cost		(38,680)	(53,734)	(38,680)	(53,734)
Net Unrealised Gain/(Loss) On Financial Assets Designated As Fair Value Through Profit Or Loss		707,433	(5,912,695)	706,989	(5,922,909)
Allowance Made For Impairment Losses Of Financial Assets		(10,331)	2,458	(10,331)	2,458
Allowance Made For Impairment Losses Of Non-Financial Assets		-	-	(278,147)	-
Profit Before Taxation		6,955,844	1,233,011	6,673,856	1,241,966
Finance Cost		(65,981)	(74,441)	-	-
Share Of Results From Associates		17,279	(75,309)	-	-
Share Of Results From Joint Ventures		(226,029)	(29,324)	-	-
Taxation	6	(3,340)	(2,201)	-	-
Profit After Taxation		6,677,773	1,051,736	6,673,856	1,241,966
Attributable To:					
Contributors Of KWAP		6,677,773	1,051,736	6,673,856	1,241,966
		6,677,773	1,051,736	6,673,856	1,241,966

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

Statements of Comprehensive Income

For the year ended 31 December 2019

	Note	Group		KWAP	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Other Comprehensive Income/(Loss)					
Item That Will Not Be Reclassified To Profit Or Loss:					
Fair Value Changes On Equity Instruments At Fair Value Through Other Comprehensive Income Reserve					
- Revaluation Gain/(Loss)		32,486	(4,217,640)	32,486	(4,217,640)
- Loss From Sale Transferred To Retained Earnings		(776)	(75,105)	(776)	(75,105)
Item That May Be Reclassified Subsequently To Profit Or Loss:					
Foreign Exchange Reserves		(30,152)	(121,166)	-	-
Share Of Other Comprehensive (Loss)/Gain Of Associates And Joint Ventures		-	(3,699)	-	-
Fair Value Changes On Debt Instruments At Fair Value Through Other Comprehensive Income Reserve					
- Revaluation Gain/(Loss)		1,120,426	(96,769)	1,120,426	(96,769)
- Loss Allowance On Debt Instruments At Fair Value Through Other Comprehensive Income		10,335	2,440	10,335	2,440
Other Comprehensive Income/(Loss) For The Year		1,132,319	(4,511,939)	1,162,471	(4,387,074)
Total Comprehensive Income/(Loss)		7,810,092	(3,460,203)	7,836,327	(3,145,108)
Attributable To:					
Contributors Of KWAP		7,810,092	(3,460,203)	7,836,327	(3,145,108)
Total Comprehensive Income/(Loss)		7,810,092	(3,460,203)	7,836,327	(3,145,108)

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group		KWAP	
		31 December	31 December	31 December	31 December
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Non-Current Assets					
Property And Equipment	7	63,799	68,756	59,532	66,366
Computer Softwares	8	4,480	4,433	4,480	4,433
Investment Properties	9	6,203,835	5,335,163	453,391	696,878
Land Held for Development	9	653,424	641,045	-	-
Investment In Subsidiaries	10	-	-	4,646,586	3,699,623
Investment In Associates	11	905,272	424,185	851,365	387,292
Investment In Joint Ventures	12	127,028	376,020	-	10,000
Loans And Receivables	13	5,601,187	8,640,851	5,900,276	8,973,821
Long Term Receivables	13	918	-	-	-
Debt Instruments At Amortised Cost	14	15,152,167	17,153,861	15,152,167	17,153,861
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	15	308,610	369,425	308,610	369,425
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	15	43,922,628	35,948,086	43,922,628	35,948,086
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	16	31,418,751	30,744,344	31,418,751	30,744,344
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	17	27,979,328	25,258,816	27,979,328	25,258,816
		132,341,427	124,964,985	130,697,114	123,312,945
Current Assets					
Asset Held For Sale		-	307,256	-	-
Loans And Receivables	13	2,441,583	150,000	2,441,583	150,000
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	15	465,062	897,424	668,114	1,101,556
Derivative Financial Assets	18	205,708	43,350	204,299	43,350
Sundry Debtors And Deposits	19	52,119	121,648	103,877	142,358
Trade Receivables	20	1,655,148	1,517,539	1,630,568	1,519,946
Deposits And Placements With Financial Institutions	21	11,498,142	9,530,277	11,498,142	9,530,277
Cash And Bank Balances	21	1,485,868	1,812,174	1,025,678	1,533,563
		17,803,630	14,379,668	17,572,261	14,021,050

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

Statements of Financial Position

As at 31 December 2019

		Group		KWAP	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Note					
Current Liabilities					
Derivative Financial Liabilities	18	74,605	118,224	69,958	109,179
Trade Payables	22	600,809	634,996	600,660	595,149
Other Payables And Accruals	23	202,450	133,438	118,474	114,839
Deferred Income		434	6,512	433	433
Borrowings	24	10,485	893,484	-	-
		888,783	1,786,654	789,525	819,600
Net Current Assets					
		16,914,847	12,593,014	16,782,736	13,201,450
		149,256,274	137,557,999	147,479,850	136,514,395
Financed By:					
Allocation Of Statutory Funds	25	26,501,944	26,001,944	26,501,944	26,001,944
Pension Contributions	26	54,860,277	52,230,752	54,860,277	52,230,752
Withdrawal By Federal Government	27	(4,500,000)	(4,500,000)	(4,500,000)	(4,500,000)
Retained Earnings	28	73,527,144	66,849,371	73,626,851	66,952,995
Other Reserves	29	(46,642)	(46,642)	-	-
Foreign Exchange Reserves	29	(194,982)	(164,830)	-	-
Fair Value Through Other Comprehensive Income ("FVOCI") Reserves	29	(3,012,569)	(4,175,040)	(3,012,569)	(4,175,040)
		147,135,172	136,195,555	147,476,503	136,510,651
Non-Current Liabilities					
Derivative Financial Liabilities	18	19,063	6,680	-	-
Deferred Tax Liabilities	30	362	66	-	-
Employee Benefits	31	3,347	3,744	3,347	3,744
Finance Lease	32	52,625	54,296	-	-
Long Term Deposit		6,315	7,930	-	-
Borrowings	24	2,039,390	1,289,728	-	-
		149,256,274	137,557,999	147,479,850	136,514,395

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGE IN EQUITY

For the year ended 31 December 2019

Group	Non-Distributable					Distributable		Total
	Allocation of Statutory Funds (Note 25) RM'000	Pension Contributions (Note 26) RM'000	Withdrawal by Federal Government (Note 27) RM'000	Other Reserves (Note 29) RM'000	Foreign Exchange Reserve (Note 29) RM'000	Fair Value Through Other Comprehensive Income Reserves (Note 29) RM'000	Retained Earnings (Note 28) RM'000	
At 1 January 2018	25,501,944	49,376,700	-	(42,944)	(43,664)	212,034	65,797,635	140,801,705
Profit For The Year	-	-	-	-	-	-	1,051,736	1,051,736
Other Comprehensive Loss	-	-	-	(3,698)	(121,166)	(4,387,074)	-	(4,511,938)
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	(4,500,000)	-	-	-	-	(4,500,000)
Net Pension Contribution And Claims Received	-	2,854,052	-	-	-	-	-	2,854,052
At 31 December 2018	26,001,944	52,230,752	(4,500,000)	(46,642)	(164,830)	(4,175,040)	66,849,371	136,195,555
At 1 January 2019	26,001,944	52,230,752	(4,500,000)	(46,642)	(164,830)	(4,175,040)	66,849,371	136,195,555
Profit For The Year	-	-	-	-	-	-	6,677,773	6,677,773
Other Comprehensive (Loss)/Income	-	-	-	-	(30,152)	1,162,471	-	1,132,319
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	-	-	-	-	-	-
Net Pension Contribution And Claims Received	-	2,629,525	-	-	-	-	-	2,629,525
At 31 December 2019	26,501,944	54,860,277	(4,500,000)	(46,642)	(194,982)	(3,012,569)	73,527,144	147,135,172

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

Statements of Change in Equity

For the year ended 31 December 2019

	Non-Distributable					Distributable		Total
	Allocation of Statutory Funds (Note 25) RM'000	Pension Contributions (Note 26) RM'000	Withdrawal by Federal Government (Note 27) RM'000	Other Reserves (Note 29) RM'000	Foreign Exchange Reserve (Note 29) RM'000	Fair Value Through Other Comprehensive Income Reserves (Note 29) RM'000	Retained Earnings (Note 28) RM'000	
KWAP								
At 1 January 2018	25,501,944	49,376,700	-	-	-	212,034	65,711,029	140,801,707
Profit For The Year	-	-	-	-	-	-	1,241,966	1,241,966
Other Comprehensive Loss	-	-	-	-	-	(4,387,074)	-	(4,387,074)
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	(4,500,000)	-	-	-	-	(4,500,000)
Net Pension Contribution And Claims Received	-	2,854,052	-	-	-	-	-	2,854,052
At 31 December 2018	26,001,944	52,230,752	(4,500,000)	-	-	(4,175,040)	66,952,995	136,510,651
At 1 January 2019	26,001,944	52,230,752	(4,500,000)	-	-	(4,175,040)	66,952,995	136,510,651
Profit For The Year	-	-	-	-	-	-	6,673,856	6,673,856
Other Comprehensive Income	-	-	-	-	-	1,162,471	-	1,162,471
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	-	-	-	-	-	-
Net Pension Contribution And Claims Received	-	2,629,525	-	-	-	-	-	2,629,525
At 31 December 2019	26,501,944	54,860,277	(4,500,000)	-	-	(3,012,569)	73,626,851	147,476,503

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

	Group		KWAP	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flows From Operating Activities				
Profit Before Taxation	6,955,844	1,233,011	6,673,856	1,241,966
Adjustments For:				
Depreciation Of Property And Equipment and Investment Properties	132,701	160,948	15,613	21,932
Amortisation Of Computer Softwares	3,006	2,330	3,006	2,330
Net Unrealised (Gain)/Loss On Financial Assets Designated At Fair Value Through Profit And Loss	(707,433)	5,912,695	(706,989)	5,922,909
Net Unrealised (Gain)/Loss On Fair Value Of Derivatives	(158,251)	(3,441)	(170,765)	(9,980)
Gain On Divestment	(785,898)	(1,556,492)	(561,668)	(1,556,492)
Profit On Sale Of Property And Equipment	-	(4)	-	-
Adjustment Of Computer Softwares	-	(26)	-	(268)
Interest Income	(3,045,452)	(3,132,272)	(3,059,123)	(3,154,046)
Dividend Income	(2,061,917)	(2,035,261)	(2,061,917)	(2,157,808)
Share Of Results From Associates And Joint Ventures	208,750	392,358	-	-
Unrealised Gain On Foreign Exchange	(326,531)	(405,821)	-	(405,821)
Allowance Made For Impairment Losses Of Financial Assets	10,331	(2,458)	10,331	(2,458)
Allowance Made For Impairment Losses Of Non-Financial Assets	-	-	278,147	-
Operating Profit/(Loss) Before Changes In Working Capital	225,150	565,567	420,491	(97,736)
Changes In Working Capital:				
(Increase)/Decrease In Trade Receivables	(137,609)	927,468	(110,622)	947,631
Decrease/(Increase) In Sundry Debtors And Deposits	67,914	118,766	38,481	30,061
(Decrease)/Increase In Trade Payables	(34,187)	(645,494)	5,511	(662,183)
Increase In Borrowings	-	637,417	-	-
Increase/(Decrease) In Other Payables And Accruals	59,197	(59,414)	3,238	(9,294)
Income Taxes Paid	3,636	-	-	-
Net Cash (Used In)/Generated From Operating Activities	184,101	1,544,310	357,099	208,479

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

Statements of Cash Flows

For the year ended 31 December 2019

	Group		KWAP	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flows From Investing Activities				
Proceeds From Sale of Financial Instruments At Amortised Cost	1,990,516	17,131,676	1,990,516	17,131,676
Proceeds From Sale Of Financial Assets Designated At Fair Value Through Profit And Loss	16,473,251	21,253,786	16,473,886	21,939,405
Proceeds From Sale Of FVOCI Investments	15,478,872	14,603,692	15,478,872	14,895,861
Purchase Of Property And Equipment	(4,991)	(16,908)	(2,355)	(15,873)
Proceeds From Sale Of Asset Held For Sale	560,200	-	-	-
Proceeds From Sale Of Investments Properties	151	-	-	-
Proceeds From Disposal Of Property And Equipment	1,000	90	1,000	90
Purchase Of Investment Properties	(1,044,761)	(1,160,757)	(229,719)	(28)
Purchase Of Computer Softwares	(3,053)	(2,274)	(3,053)	(2,274)
Deposits And Placements With Financial Institutions	(2,582,695)	2,790,037	(2,582,695)	2,790,037
Purchase Of Financial Instruments At Amortised Cost	(317,040)	-	(317,040)	-
Purchase Of Financial Assets Designated At Fair Value Through Profit And Loss	(22,547,782)	(39,890,525)	(22,547,782)	(39,890,525)
Proceeds From Sale Of FVOCI Investments	(17,531,165)	(16,609,709)	(17,531,165)	(16,609,709)
(Increase)/Decrease in Derivatives	(35,344)	455,248	(29,405)	461,943
Interest Received	3,045,452	2,807,963	3,059,123	2,823,658
Dividend Received	2,061,917	1,653,834	2,061,917	1,776,381
(Increase)/Decrease in Investments in Subsidiaries, Associates and JV	(392,385)	647,298	(1,213,401)	(458,035)
Repayment Of Loans	747,163	2,152,475	781,962	2,152,475
Investment In Land Held For Development	(12,379)	-	-	-
Net Cash Generated From Investing Activities	(4,113,073)	5,815,926	(4,609,339)	6,995,082

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

Statements of Cash Flows

For the year ended 31 December 2019

	Group		KWAP	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flows From Financing Activities				
Allocation Of Statutory Funds	500,000	500,000	500,000	500,000
Receipts Of Pension Contribution	2,644,601	2,873,643	2,644,601	2,873,643
Repayment Of Pension Contribution	(15,076)	(19,591)	(15,076)	(19,591)
Withdrawals By Government	-	(4,500,000)	-	(4,500,000)
Proceeds From Borrowings	749,662	-	-	-
Repayments Of Borrowings	(882,999)	-	-	-
Payment Of Lease Liabilities	(1,671)	-	-	-
Net Cash Used In Financing Activities	2,994,517	(1,145,948)	3,129,525	(1,145,948)
Net (Decrease)/Increase In Cash And Cash Equivalents	(934,455)	6,214,288	(1,122,715)	6,057,613
Effect Of Changes In Foreign Currency	(6,681)	(86,993)	-	-
Cash And Cash Equivalents As At 1 January	10,897,001	4,769,706	10,618,390	4,560,777
Cash And Cash Equivalents As At 31 December	9,955,865	10,897,001	9,495,675	10,618,390

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. CORPORATE INFORMATION

Retirement Fund (Incorporated) [KWAP] was established on 1 March 2007 under the Retirement Fund Act 2007 (Act 662) with a launching grant of RM27.0 million from the Federal Government of Malaysia.

The principal responsibility of KWAP is to manage the Retirement Fund ("the Fund") established under section 13 of Retirement Fund Act 2007 (Act 662) towards achieving optimum returns on its investments. Sources of the Fund are primarily annual contributions from Statutory Bodies, Local Government and Agencies, receipts of the Government's portion of contributions to the Employee Provident Fund, Armed Forces Fund Board and others as well as investment income. The Fund is invested in Asset Classes in accordance with the Strategic Asset Allocation and Investment Policies and Guidelines upon the recommendation of KWAP's Investment Panel and approval of the Board. The Fund shall be applied towards assisting the Federal Government in financing the government's pension liability.

Effective from 1 November 2015, KWAP was officially appointed as an agent to the Government for the overall pension management and payment operation.

The principal activities of KWAP's subsidiaries, associates and joint ventures are set out in Note 10, Note 11, and Note 12 respectively. There were no significant changes in the nature of the principal activities of the Group and of KWAP during the financial year.

KWAP is a statutory body, incorporated and domiciled in Malaysia. The registered office and principal place of business of KWAP is located at Level 36, Integra Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur.

The Financial Statements for the financial year ended 31 December 2019 were accepted and approved by the Board of KWAP on 2 September 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Group and of KWAP were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Retirement Fund Act 2007.

The Financial Statements of the Group and of KWAP were prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of the Financial Statements was presented in Ringgit Malaysia ("RM") being the functional currency of the Group and of KWAP whereby all values are rounded to the nearest thousand unless stated otherwise.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Statement of Compliance

The financial statements of KWAP and the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs").

The accounting policies adopted by KWAP and the Group are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2018, except for the adoption of the following newly effective MFRS and Amendments of MFRSs during the financial year end:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standard 2015-2017 Cycle)
Amendments to MFRS 9	Financial Instruments – Prepayments Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standard 2015 -2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 128	Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures

The initial application of the abovementioned accounting standards, amendments and interpretations do not have any material financial impact to the current period and prior period financial statements of the Group and KWAP.

- (a) Standards and amendments that were issued but not yet effective

The standards and interpretations that were issued but not yet effective up to the date of issuance of the Group's and of KWAP's Financial Statements were disclosed below. The Group and KWAP intend to adopt these standards, if applicable, when they become effective.

	Effective for annual periods beginning on or after
Amendments to MFRS 3, <i>Business Combinations – Definition of a Business</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements</i> and MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material</i>	1 January 2020
Amendments to MFRS 9, <i>Financial Instruments</i> , MFRS 139, <i>Financial Instruments: Recognition and Measurement</i> and MFRS 7, <i>Financial Instruments: Disclosures – Interest Rate Benchmark Reform</i>	1 January 2020
Amendment to MFRS 16, <i>Leases – Covid-19-Related Rent Concessions</i>	1 June 2020

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Statement of Compliance (continued)

- (a) Standards and amendments that were issued but not yet effective (continued)

	Effective for annual periods beginning on or after
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to MFRS 3, <i>Business Combinations – Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, <i>Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16, <i>Leases (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to MFRS 116, <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 141, <i>Agriculture (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to MFRS 101, <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17, <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 10, <i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be confirmed

The initial application of the above mentioned accounting standards, interpretations and amendments are not expected to have any material financial impacts to the financial statements of the Group and KWAP.

2.3 Subsidiaries and Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has all of the following criteria:

- Power to exercise control over the financial and operating policies to direct the relevant activities of the entity;
- Exposure, or rights, to the variable returns from its investment with the entity; and
- The ability to use its power over the entity to affect its returns.

Subsidiaries are consolidated from the date of which control is transferred to the Group and are de-consolidated from the date that control ceases. Investments of unquoted shares in subsidiaries are recognised at cost whereby the amount is reconciled to the recoverable value including impairment losses for the year, if any. The policy in relation to the impairment of non-financial assets is as set out in Note 2.18.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries and Basis of Consolidation (continued)

(a) Subsidiaries (continued)

Acquisition cost is measured at fair value of the assets received, equity instruments issued and existing outstanding liabilities or liabilities assumed at the date of exchange, plus direct costs attributable to the acquisition, if any.

Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the Non-Controlling Interests, if any.

Changes in ownership interests in subsidiaries without change of control

Transactions with Non-Controlling Interests that do not result in the loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest will result in an adjustment between the carrying amounts of the Controlling and Non-Controlling Interests to reflect their relative interests in the subsidiary. The difference between the amount of the adjustment to the Non-Controlling Interests and the consideration paid or received is recognised in equity attributable to the owners of the Group, if any.

Disposal of subsidiaries

When the Group ceases to consolidate a subsidiary because of a loss of control, the retained interest in the entity is remeasured to its fair value with the change in the carrying amount recognised in profit or loss, if any. The fair value becomes the initial carrying amount for the purposes of subsequent accounting of retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in Other Comprehensive Income in respect of that entity are accounted for as a direct disposal of the related assets or liabilities by the Group.

This may result in the reclassification of amounts previously recognised in Other Comprehensive Income to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries.

(b) Basis of consolidation

The consolidated Financial Statements comprise of the Financial Statements of KWAP and its subsidiaries. The individual Financial Statements of KWAP and its subsidiaries used in the preparation of the consolidated Financial Statements are prepared for the same reporting date. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the event where KWAP has less than the majority of the voting rights in an entity, consideration of the following is required in the assessment on the sufficiency of the voting rights in relation to KWAP's power over the entity:

- The size of KWAP's holding of voting rights relative to the size and dispersion of the holdings of other vote holders;
- Potential voting rights held by KWAP, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts or circumstances which indicate KWAP's current ability to direct the relevant activities at the time of the decision making including the voting patterns at previous shareholders' meetings.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries and Basis of Consolidation (continued)

(b) Basis of consolidation (continued)

Intra group transactions, balances and unrealised gains on transactions between KWAP and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. The consolidated Financial Statements reflect only the external transactions of the Group.

Losses within subsidiaries are attributed to the Non-Controlling Interests even if the attribution results in a deficit balance.

(c) Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred, measured at fair value on the acquisition date and the amount of Non-Controlling Interest in an entity, if any. The Group elects on a transaction-by-transaction basis, whether to measure the Non-Controlling Interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are recognised as administrative expenses.

Any contingent consideration to be transferred by the acquirer shall be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration deemed to be an asset or liability, shall be recognised in the Statement of Comprehensive Income, in accordance with the MFRS 9, in profit or loss. Remeasurement is not required in the event the contingent consideration is classified as equity. Subsequent settlement is accounted for within equity.

In instances where the contingent consideration is outside the scope of the MFRS 9, it is measured in accordance with the appropriate MFRS.

Upon the acquisition of a business by the Group, assessment on the financial assets and liabilities is required for the appropriate designation and classification in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Inclusive is the separation of embedded derivatives in host contracts by the acquiree.

In the event the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to the fair value at the subsequent acquisition date through profit or loss.

The excess of the aggregate of consideration transferred, the amount recognised for the Non-Controlling Interests and the acquisition date fair value of any previously held equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed, is initially recognised as goodwill. In the event the said consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in profit or loss.

(d) Investments in subsidiaries in separate Financial Statements

In KWAP's separate Financial Statements, investments in subsidiaries are carried at cost less accumulated impairment losses. Upon the disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries and Basis of Consolidation (continued)

(d) Investments in subsidiaries in separate Financial Statements (continued)

The amount due from subsidiaries of which KWAP does not expect repayment in the foreseeable future is considered as part of KWAP's investments in the subsidiaries.

2.4 Investments in Associates and Joint Ventures

Associates are entities in which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting right. Significant influence is the power to participate in the financial and operating policy decisions of the entity but not the control or joint control over those policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in the assessment of the Group's significant influence over another entity.

On the acquisition of an investment in associates or joint ventures, the excess of the cost of investment over the Group's share of the net fair value of identifiable assets and liabilities of the entity is recognised as goodwill and subsequently included in the carrying amount of the investment. The excess of the Group's share of the net fair value of identifiable assets and liabilities of the entity over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

Associates or joint ventures are accounted for using the equity method from the date the entity is recognised as an associate or a joint venture.

Step acquisition in associates

When the Group increases its stake in an existing investment or when the investment becomes an associate for the first time, the Group determines the cost of its investment in the equity-accounted investee as the sum of the fair value of the initial interest at the date of obtaining significant influence plus the consideration paid for any additional interest. The existing Fair Value Through Other Comprehensive Income (FVOCI) reserves may be transferred to Retained Earnings or remain in FVOCI reserves.

Increasing stake in an existing associate and retaining significant influence

The cost of acquisition of additional stake in an associate is added to the carrying amount of the associate and equity accounted. Goodwill arising on the purchase of the additional stake is determined using the fair value information at the date the additional interest is required. There was no remeasurement of previously held investment in the associate in the reporting period.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investments in Associates and Joint Ventures (continued)

Increasing stake in an existing associate and retaining significant influence (continued)

Under the equity method, the initial recognition of the investment in associates or joint ventures is recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associates or joint ventures in profit or loss, as well as the Group's share of movements in Other Comprehensive Income of the associates or joint ventures in Other Comprehensive Income. Dividend received or receivable from the associates or joint ventures are recognised as a reduction in the carrying amount of the investments. In the event the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture (including any long term interest that in substance, form part of the Group's net investment in the associate or joint venture) further recognition of losses is not required by the Group with the exception of legal or constructive obligations or payments made on behalf of the associate or joint venture, if any.

Gains or losses arising from the upstream and downstream transactions between the Group and its associates or joint ventures are recognised in the consolidated Financial Statements, if any, only to the extent of unrelated investors' interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the assets transferred.

The preparation of the Financial Statements of the associates and joint ventures is of the same reporting date as the Group. Adjustments are made for the standardisation of accounting policies in line with the policies of the Group, where necessary.

Subsequent to the application of the equity method, the Group applies the MFRS 136: 'Impairment of Assets' ("MFRS 136") to determine the necessity of the recognition of additional impairment losses with respect to its net investment in associates or joint ventures, if any. The entire carrying amount of the investment is tested as a single asset for impairment in accordance with the MFRS 136, using the comparison between the recoverable amount (the higher of value in use and fair value less costs to sell) and the carrying amount, where necessary. Impairment losses are recognised in profit or loss, if any. Reversal of impairment losses is recognised to the extent of the subsequent increase in the recoverable amount of the investment.

Loss of significant influence or joint control

When the Group ceases to equity account its associates or joint ventures because of the loss of significant influence or joint control, the retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss, if any. This fair value becomes the initial carrying amount for the purpose of subsequent accounting of the retained interest as a financial asset. In addition, any amount previously recognised in Other Comprehensive Income in respect of the entity is accounted for as a direct disposal of the related assets or liabilities by the Group. This may result in the reclassification of amounts previously recognised in Other Comprehensive Income to profit or loss.

If there is a reduction of the ownership interest in the associates or joint ventures but the significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in Other Comprehensive Income is reclassified to profit or loss, where appropriate.

Dilution of gains or losses arising from investments in associates or joint ventures is recognised in profit or loss.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investments in Associates and Joint Ventures (continued)

Investments in associates and joint ventures in separate Financial Statements

In KWAP's separate Financial Statements, investments in associates and joint ventures are carried at cost less accumulated impairment losses, if any. Upon the disposal of investments in associates and joint ventures, the difference between the disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

2.5 Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment upon indication that the intangible asset may be impaired, when necessary. The amortisation period and amortisation method for intangible assets with finite useful lives are reviewed at each reporting date.

Changes in the expected useful lives or the expected pattern of consumption of the future economic benefits embodied in the asset are recognised by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense of intangible assets with finite useful lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently, upon indication that the carrying value may be impaired either individually or at the Cash-Generating Unit ("CGU") level. Amortisation of the said intangible assets is not required. The useful lives of intangible assets with indefinite useful lives are reviewed annually to determine the feasibility of the useful life assessment. In the event it is no longer feasible to support the useful life, the change in the useful life from indefinite to finite is executed on a prospective basis.

Gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss upon derecognition.

Depreciation of intangible assets with finite useful lives is provided for on a straight-line basis where the cost of the asset is written off to its residual value based on the following rate:

Computer software and licenses	33.33%
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2.6 Property and Equipment

Property and equipment are initially measured at cost, net of tax, except where the amount of tax incurred is not recoverable from the government. In the event the amount of tax incurred is not recoverable from the government, the tax is recognised as part of the cost of acquisition of the property and equipment. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the Group and KWAP and the cost of the item can be reliably measured.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and Equipment (continued)

Subsequent to the initial recognition, property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to the bringing of the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group or KWAP. The cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

In the event of a requirement for the replacement of significant parts of the property and equipment in intervals, such parts are recognised as individual assets with specific useful lives and depreciation, respectively. Likewise, in the event of a major inspection, the replacement cost is recognised in the carrying amount of the property and equipment subject to the fulfilment of the recognition criteria. All other costs of repair and maintenance are recognised in profit or loss as incurred.

Depreciation of property and equipment is provided for on a straight-line basis where the cost of each asset is written off to its residual value based on the following rates:

Office Renovation	16.67%
Computers	20.00%
Paintings	20.00%
Office Furniture and Equipment	20.00%
Gymnasium Equipment	20.00%
Vehicles	20.00%
Electrical Equipment	33.33%

Capital work-in-progress consist of, amongst others, renovation work-in-progress and information system enhancement or upgrade-in-progress. Such capital work-in-progress as well as non-water colour based paintings are recognised at cost and are not depreciated until the respective assets are ready for their intended use.

At the end of the reporting period, the Group and KWAP shall assess for impairment, if any. If such indication exist, an analysis is performed to determine whether the carrying amount of the asset is fully recoverable. In the event the carrying amount of the asset exceeds its recoverable amount, the asset value is written down to its recoverable amount. The policy in relation to the impairment of non-financial assets is as set out in Note 2.18.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, where appropriate.

An item of property and equipment is derecognised upon disposal or when the future economic benefits are no longer expected from its use or disposal. Gains or losses on the derecognition of assets are recognised in profit or loss in the year the asset is derecognised, if any.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Assets

(a) Initial recognition

Financial assets are recognised when the Group and KWAP become a party to the contractual provisions of the instrument. Upon the initial recognition, the Group and KWAP measure a financial asset at its fair value including, in the case of a financial asset not measured at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset or financial liability, if any. The classification of a financial asset and a financial liability is determined at the initial recognition.

Regular way purchases and sales of financial assets are recognised using settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

(b) Classification and subsequent measurement

The Group and KWAP applied MFRS 9 and classify their financial assets in the following measurement categories – Amortised Cost, FVOCI or FVTPL.

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

1. Debt instruments

Debt instruments are instruments that satisfy the definition of a financial liability from the issuer's perspective. The classification and subsequent measurement of debt instruments are dependent on the Group's and KWAP's business model for managing the asset and the cash flow characteristics of the asset. Based on these factors, the Group and KWAP classify their debt instruments into one of the following three (3) measurement categories:

Amortised Cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest (SPPI), and are not designated at FVTPL, are measured at Amortised Cost using the effective interest method. The carrying amount of these assets is adjusted by impairment losses recognised and measured using the Expected Credit Loss (ECL) model. Interest income on financial assets measured at Amortised Cost is recognised in the Statement of Comprehensive Income and presented as Interest Income. The losses arising from impairment of financial instruments are recognised in the Statement of Comprehensive Income as Allowance Made For Impairment Losses. The losses arising from impairment of financial assets other than financial instruments are recognised in the Statement of Comprehensive Income as Impairment On Other Assets.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Assets (continued)

(b) Classification and subsequent measurement (continued)

1. Debt instruments (continued)

FVOCI

Financial assets that are held for the collection of contractual cash flows and subsequent sale of the assets, where the assets' cash flows represent SPPI, and are not designated at FVTPL, are measured at FVOCI. The changes in fair value are recognised through Other Comprehensive Income, except for the recognition of impairment losses which are measured using the ECL model, interest income and foreign exchange gains or losses on the financial assets' amortised cost are recognised in profit or loss. Interest earned whilst holding the financial assets are recorded as Interest Income using the effective interest method. Upon derecognition, the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified to profit or loss and presented in Gains or Loss From Divestment.

FVTPL

Financial assets that do not satisfy the criteria for Amortised Cost or FVOCI, including financial assets Held-For-Trading ("HFT") and derivatives, are measured at FVTPL. Upon derecognition, the gain or loss on a financial asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented as Gains or Loss From Divestment. Interest earned whilst holding the financial assets are reported as Interest Income in profit or loss.

Business model assessment

The Group and KWAP assess the objective of a business model in which a financial asset is held at a portfolio level which best reflects the way the business is managed and information is provided to management. The factors under consideration include policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning the contractual interest revenue, maintenance of a particular interest rate profile, matching the duration of the financial assets to the duration of the financial liabilities that are funding the said assets or realisation of cash flows through the sale of the financial assets.

Other factors under consideration also include the frequency, volume and timing of sales in prior periods, evaluation of the financial asset's performance, the reporting to key management personnel as well as the assessment and management of the risks.

Reclassification of debt investments

The Group and KWAP reclassify debt instruments when and only when there is a change in the business model for managing those said assets.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Assets (continued)

(b) Classification and subsequent measurement (continued)

2. Equity instruments

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

Upon initial recognition, the Group and KWAP may occasionally elect to classify irrevocably an equity instrument that is not held for trading at FVOCI. Such classification is determined on an instrument-by-instrument basis. When this election is used, the fair value gains and losses are recognised in Other Comprehensive Income and are not subsequently reclassified to profit or loss, including upon disposal. Dividends earned whilst holding the equity instrument are recognised in the Statement of Comprehensive Income and presented as Dividend Income upon the establishment of the right to receive the payment.

Upon derecognition, the gains and losses on equity instruments at FVTPL, is recognised in the Statement of Comprehensive Income and presented as Gain or Loss From Divestment.

(c) Reclassification of financial assets

The Group and KWAP may choose to reclassify non-derivative financial assets out from the FVTPL category (other than equity instruments), in rare circumstances, in the event the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and KWAP may also choose to reclassify financial assets that would satisfy the definition of Loans and Receivables out of the FVTPL or FVOCI category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity by the Group and KWAP.

The Group and KWAP reclassify debt instruments when and only when there is a change in the business model for managing those assets.

2.8 Financial Liabilities

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

Financial liabilities, within the scope of the MFRS 9, are recognised in the Statement of Financial Position when, and only when, the Group and KWAP become a party to the contractual provisions of the financial instruments. The Group and KWAP classify its financial liabilities in the following measurement categories - Amortised Cost or FVTPL. Financial liabilities are classified and subsequently measured at amortised cost, except for:

- (i) financial liabilities at FVTPL; and
- (ii) financial guarantee contracts and loan commitments.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial Liabilities (continued)

Amortised Cost

Financial liabilities issued by the Group and KWAP are classified as financial liabilities at Amortised Cost, where the substance of the contractual arrangement results in an obligation by the Group and KWAP either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Non-derivative financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs, if any. Subsequent to the initial recognition, non-derivative financial liabilities are measured at Amortised Cost using the effective interest method. Amortised Cost is calculated by taking into consideration any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Financial liabilities measured at Amortised Cost include deposits from customers, deposits from banks, repurchase agreements and debt securities issued and other borrowed funds.

FVTPL

Financial liabilities at FVTPL include financial derivatives that do not satisfy the hedge accounting criteria. Financial derivatives are measured at fair value, whereby the gains or losses are recognised in profit or loss. Exchange differences are included in the net gains or losses on derivatives.

Other Financial Liabilities

Borrowings are derecognised from the Statement of Financial Position upon the discharge, cancellation or expiry of the obligation specified in the contract. The difference between the carrying amount of a financial liability that was derecognised or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, if any, is recognised in profit or loss.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the occurrence of the draw-down. In the event that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.9 Derecognition of Financial Assets and Liabilities

The Group and KWAP derecognise a financial asset when the contractual cash flows from the financial asset expire or when the rights to receive the contractual cash flows of the financial assets are transferred in a transaction in which substantially all the risks and rewards of ownership are also transferred. Any interest in the transferred financial assets that is created or retained by the Group and KWAP is recognised as a separate asset or liability.

A financial liability is derecognised from the Statement of Financial Position upon the discharge, cancellation or expiry of the obligation specified in the contract by the Group and KWAP.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and deposits with financial institutions that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value, net of bank overdrafts. Cash equivalents include short term deposits placement with maturity not more than 90 days.

2.11 Leases

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

As lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement

As lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Gross Investment Income".

Previous financial year

As lessee

Operating leases are leases where the substantial risk and reward of ownership of the assets are retained by the lessor. KWAP leases an office space in Cyberjaya for its Pension Services Department. Payments made under the operating lease are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

As lessor

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

2.12 Investment Properties

Investment properties comprise land, completed properties and properties under construction ("IPUC"), which are held for capital appreciation or rental purposes or both, and generally are not occupied for the use or in the operations of the Group. Investment properties are classified as long-term investments with the initial recognition at cost including transaction costs.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investment Properties (continued)

Following the initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any, with the exception of freehold land with unlimited useful life and IPUC, which are not depreciated. IPUC are not depreciated as they are not ready for their intended use. Other investment properties are depreciated over the estimated economic useful lives. The depreciation charged for the leasehold land is 99 years on a straight-line method. The policy for the recognition and measurement of impairment losses of non-financial assets are set out in Note 2.18.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and KWAP and the cost of the item can be reliably measured. All other repairs and maintenance costs are expensed when incurred. In the event of a replacement, if any, the carrying amount of the replaced part is derecognised.

The residual value, useful life and depreciation method of investment properties are reviewed at the end of each financial year, and adjusted prospectively, when appropriate.

Investment properties are derecognised upon disposal or permanent withdrawal from use whereby no future economic benefit is expected from the disposal or retirement. Gains or losses on the disposal or retirement of investment properties are recognised in profit or loss in the year of disposal or retirement, if any.

Transfers are made to or from investment properties when, and only when, there is a change in use. In terms of a transfer from an investment property to owner-occupied property, the deemed cost for subsequent accounting purposes is the fair value at the date of change in use. For a transfer from an owner-occupied property to investment property, the property is subsequently accounted for in accordance with the accounting policy for property and equipment set out in Note 2.6 up to the date of change in use.

Freehold land with unlimited useful life and land held for property development are not depreciated and recognised at cost less impairment losses, if any.

Land Held For Property Development consists of land whereby no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as Non-Current Assets and is recognised at costs.

Depreciation of investment property is provided for on a straight-line basis where the cost of each asset is written off to its residual value based on the following rates:

Buildings	2.50%
Leasehold Land	1.01%
Investment Property	18.75%
Land Held For Property Development	0.00%

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Provisions

Provisions are recognised upon the presence of an obligation (legal or constructive) resulting from past events where the outflow of economic resources to settle the obligation is probable and the amount of the obligation is reliably measured.

In the event of an expected reimbursement of provision to the Group and KWAP, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

For a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expected expenditures required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money as well as the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance cost expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. Reversal of provisions is executed in the event where the outflow of economic resources required to settle the obligation is no longer probable.

2.14 Borrowing Costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of the asset. Capitalisation of borrowing costs commences upon the execution of activities to prepare the asset for its intended use or the occurrence of expenditures and borrowing cost when the sale is in progress. Borrowing costs are capitalised until the substantial completion or interruption of the activities necessary to prepare the asset for the intended use or sale of the asset.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets, is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs incurred in connection to the borrowing of funds.

2.15 Revenue and Income Recognition

Revenue and income are recognised to the extent that the inflow of economic benefits is probable and can be reliably measured. Revenue and income are measured at the fair value of the consideration received or receivable.

(a) Dividend income

Dividend income is recognised upon the establishment of the right to receive payment.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Revenue and Income Recognition (continued)

(b) Interest income

Interest income for financial instruments designated at amortised cost and FVOCI is calculated by applying the effective interest rate to the gross carrying amount of a financial asset with the exception of financial assets that were subsequently credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income for financial instruments designated at FVTPL is recognised based on contractual agreements.

(c) Gains or losses from divestment

Gains or losses on disposal of investments are recognised upon the satisfaction of all terms of the agreement leading to the sale of the investments.

(d) Rental income from investment property

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as "revenue".

(e) Service charge income

Service charge income are recognised in the accounting period in which the services are rendered and the customer receives and consumes the benefit provided by the Group and KWAP, and the Group and KWAP has a present right to payment for the services.

(f) Utilities income

Revenue from air-conditioner and chilled water charges are recognised upon supply of the air-conditioner and chilled water to the customers and the customers receives and consumes the supplies, and the Group and KWAP has a present right to payment for the supplies.

2.16 Income Tax

(a) Current tax

Current tax assets and liabilities are measured at the expected recoverable amount from the taxation authorities. The tax rates and tax laws employed for the computation of the recoverable amount are the tax rates and laws enacted or substantively enacted by the reporting date.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income Tax (continued)

(a) Current tax (continued)

Current taxes are recognised in profit or loss with the exception of tax related items which are recognised outside profit or loss, either in Other Comprehensive Income or directly in equity.

KWAP is exempted from income tax in accordance with Section 127[3A] of the Income Tax Act 1967 for all income from domestic sources as well as the withholding tax in accordance with Section 107A(1) and Section 109 on the interests and specials classes of income. All income from international sources are subject to the income tax laws and rates of the respective country of origin.

(b) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liabilities arise from the initial recognition of goodwill or of assets or liabilities in transactions that are not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that there will be no reversal of the temporary differences in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in transactions that are not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part utilisation of the deferred tax assets. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profit will allow the utilisation of the deferred tax assets.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income Tax (continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied for the year upon the realisation of the assets or settlement of the liabilities based on the tax rates and laws that were enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Such deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity. Deferred tax arising from a business combination is adjusted against the respective goodwill on acquisition.

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

2.17 Foreign Currencies

(a) Functional and presentation currency

The individual Financial Statements of each entity in the Group is measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated Financial Statements are presented in Ringgit Malaysia ("RM") being the functional and presentation currency of the Group and of KWAP.

(b) Foreign currency transaction and balances

Transactions in foreign currencies are measured in the respective functional currencies of KWAP and its subsidiaries and are recorded on the initial recognition in the functional currencies at the exchange rates prevailing on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot exchange rate at the reporting date.

Exchange differences arising on the settlement of monetary items or on the translation of monetary items at the reporting date are recognised in the Statement of Comprehensive Income with the exception of the exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Such items are recognised initially in Other Comprehensive Income and accumulated under the Foreign Exchange Reserves in Other Comprehensive Income.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI Income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in Other Comprehensive Income.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Foreign Currencies (continued)

(b) Foreign currency transaction and balances (continued)

Non-monetary items denominated in foreign currencies measured at historical cost are translated using the spot exchange rates at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising from the translation of non-monetary items carried at fair value are recognised in the Statement of Comprehensive Income for the financial year that it is incurred, with the exception of the exchange differences arising from the translation of non-monetary items whereby the respective gains and losses are recognised in Other Comprehensive Income.

(c) Foreign operations

The financial results and financial position of foreign operations with a different functional currency from the presentation currency of Ringgit Malaysia of the consolidated Financial Statements are translated into Ringgit Malaysia as follows:

- Assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each Statement of Comprehensive Income are translated at the average exchange rates for the financial year; and
- All resulting exchange differences are recognised directly to Other Comprehensive Income through the foreign exchange reserves.

In the event of a disposal of a foreign operation, the cumulative amount of exchange differences in relation to the foreign operation previously recognised in Other Comprehensive Income and accumulated in a separate component of equity, is reclassified from equity to the Statement of Comprehensive Income (as a reclassification adjustment) upon the recognition of gains or losses on disposal.

In relation to the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of exchange differences previously recognised in Other Comprehensive Income is reattributed to the Non-Controlling Interests in that foreign operation. For other partial disposal of a foreign operation, the proportionate share of the cumulative amount of exchange differences previously recognised in Other Comprehensive Income is reclassified to the Statement of Comprehensive Income.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are recognised as assets and liabilities of the foreign operations and translated at the closing rate prevailing at the reporting date. Exchange differences arising from the recognition of goodwill and fair value are recognised in Other Comprehensive Income.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Impairment of Non-Financial Assets

Impairment assessment is executed at each reporting date to identify the indication for impairment of assets. In the event of an indication for impairment or the requirement for an impairment assessment, the estimated recoverable amount of the asset is established.

Recoverable amount is the higher of fair value of the asset less costs to sell and value in use of the asset. For impairment assessment purposes, assets are grouped at the lowest levels where the cash flows are separately identifiable, i.e. CGU.

In the assessment of value in use, the estimated future cash flows expected to be generated by the asset are discounted to the present value using the pre-tax discount rate that reflects the current market assessment of the time value of money as well as the risks specific to the asset. In the event the carrying amount of the asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are initially allocated to reduce the carrying amount of goodwill allocated to the unit or groups of units, if any, followed by the reduction of the carrying amount of other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

Impairment assessments are executed at each reporting date to determine whether indicators of previously recognised impairment losses may no longer exist or may have decreased. Previously recognised impairment losses are only reversed in the event of changes in the estimates used to determine the asset's recoverable amount from the previous recognition of impairment losses. In this case, the carrying amount of the asset is increased to its recoverable amount. However, such increase shall not exceed the previously determined carrying amount, net of depreciation, whereby there were no impairment losses previously recognised. Reversals of impairment losses are recognised in profit or loss. Impairment losses on goodwill are not reversed in the subsequent period.

2.19 Impairment of Financial Assets

The Group and KWAP assess on a forward looking basis the ECL associated with its financial assets carried at Amortised Cost and FVOCI. The impairment methodology applied is dependent on whether there was a significant increase in credit risk.

The ECL represents a probability-weighted estimate of the difference between the present value of cash flows according to a contract and the present value of cash flows that the Group and KWAP expect to receive, over the remaining life of the financial asset.

The measurement of the ECL reflects:

- an unbiased and probability-weighted amount that is determined by the evaluation of a range of possible outcomes;
- the time value of money; and
- the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment of Financial Assets (continued)

(a) Financial assets accounted for at Amortised Cost and FVOCI

There are three (3) categories of financial assets accounted for at Amortised Cost and FVOCI which reflect their respective credit risk and determination of the loan loss provision of each category.

At each reporting date, the Group and KWAP measure the ECL through a loss allowance at an amount equal to the 12-months ECL provided that there is no significant increase in credit risk of a financial instrument or a group of financial instruments since the initial recognition. For all other financial instruments, a loss allowance at an amount equal to the lifetime ECL is required.

A summary of the assumptions in relation to the ECL model of each category is as follows:

(i) Stage 1: 12-months ECL

For credit exposures where there was no significant increase in credit risk since the initial recognition and no credit impairment upon origination, a portion of the lifetime ECL associated with the possibility of the occurrence of default events within the next 12 months is recognised.

(ii) Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there was a significant increase in credit risk since the initial recognition but no credit impairment upon origination, a lifetime ECL is recognised. A significant increase in credit risk is presumed if the interest and/or principal repayments are more than 30 days but less than 89 days past due.

(iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired upon the occurrence of one or more events with detrimental impact to the estimated future cash flows of the asset. For financial assets with credit impairment, a lifetime ECL is recognised.

On the term of the financial assets, the Group and KWAP account for the credit risk by the appropriate provision of the ECL on a timely basis, whereby the historical loss rates for each category of financial asset is taken into consideration in the calculation of the ECL rates and adjusted for forward-looking macroeconomic data.

There were no significant changes to the estimation techniques or assumptions during the reporting period.

Significant increase in credit risk

The Group and KWAP consider the probability of default upon the initial recognition of financial assets and whether there was a significant increase in credit risk on an ongoing basis throughout each reporting period. In the assessment of a significant increase in credit risk, the Group and KWAP compare the risk of the occurrence of default on the financial asset as at the reporting date against the risk of default as at the date of the initial recognition, taking into consideration available, reasonable and supportable forward-looking information.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment of Financial Assets (continued)

(a) Financial assets accounted for at Amortised Cost and FVOCI (continued)

Significant increase in credit risk (continued)

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available); and
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Low credit risk exemption

Financial instruments with the following characteristics are considered to have low credit risk at the reporting date:

- a low risk of default;
- strong capacity to meet the contractual cash flow obligations in the near term by the borrower; and
- adverse changes will not necessarily reduce the ability of the borrower to make payments when they fall due.

Definition of default and credit-impaired financial assets

The Group and KWAP define the default of a financial instrument, which is fully aligned with the definition of credit-impairment, when it fulfils one or more of the following criteria:

a) Quantitative criteria:

Failure of the counterparty to make contractual payment within 90 days when they fall due.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment of Financial Assets (continued)

(a) Financial assets accounted for at Amortised Cost and FVOCI (continued)

Definition of default and credit-impaired financial assets (continued)

b) Qualitative criteria:

Satisfies the criteria of unlikelihood to pay by the counterparty, which indicates its significant financial difficulty such as the following instances:

- breach of financial covenants;
- concessions made by the lender relating to the counterparty's financial difficulty;
- high probability of bankruptcy or other financial reorganization;
- insolvency; and
- disappearance of an active market for the financial asset due to financial difficulties.

Credit-impairment of financial instruments are assessed on an individual basis by the Group and KWAP.

Write off of financial assets

The Group and KWAP write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and subsequently concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on the inability of the debtor's sources of income or assets to generate sufficient future cash flows to repay the outstanding amount. The Group and KWAP may write-off financial assets that are still subject to enforcement activity.

2.20 Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and included in the net gain or loss on fair value movement of derivatives.

2.21 Employee Benefits

(a) Short term benefits

Wages, salaries, bonuses, social security contributions (SOCISO), Employees Provident Fund (EPF) contribution or pension contribution and gratuity to contract employees are recognised as expenses in the year in which the associated services are rendered by the employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when the services are rendered by the employees which subsequently increase the employees' entitlement to future compensated absences. Meanwhile, short term non-accumulated compensated absences such as sick leave are recognised when the absences occur.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee Benefits (continued)

(b) Long term benefits

Payments of long term benefits post-retirement and/or after the expiry of the contracts are recognised as employee benefits expenses on an accrual basis in the current year of the Statement of Comprehensive Income. At the same time, such amounts are recognised as liabilities categorised as employee benefits in the Statement of Financial Position. Types of long term benefits recognised on an accrual basis are as follows:

- Cash award in lieu of annual leave; and
- Post-retirement medical benefit.

The provision for post – retirement medical benefits to retirees is based on the annual actuarial valuation by external valuer.

2.22 Fair Value Measurement

Financial instruments, such as derivatives and financial investments, are measured at fair value at each reporting date. The fair values of financial instruments measured at Amortised Cost are set out in Note 34 to the Financial Statements.

Fair value is the price that would be received upon the sale of assets or paid upon the transfer of liabilities in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions for the sale of assets or transfer of liabilities occur either:

- In the principal market for the assets or liabilities, or
- In the absence of the principal market, in the most advantageous market for the assets or liabilities.

The principal or the most advantageous market must be accessible by the Group and KWAP. The fair value of assets or liabilities are measured using the assumptions that the market participants would use when pricing the assets or liabilities, assuming that the market participants will behave in their economic best interest.

The fair value measurement of non-financial assets takes into consideration the market participant's ability to generate the economic benefits by the utilisation of the assets in its highest and best use or by sale to another market participant that would utilise the assets in its highest and best use.

The Group and KWAP employ valuation techniques that are deemed appropriate in circumstances whereby sufficient data are available for the fair value measurement, with the maximisation of the use of relevant observable inputs and minimisation of the use of unobservable inputs.

Notes To the Financial Statements

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Fair Value Measurement (continued)

Assets and liabilities for which the fair value is measured or disclosed in the Financial Statements are categorised in accordance with the following fair value hierarchy, based on the lowest level of input significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level of input significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level of input significant to the fair value measurement is unobservable.

In relation to assets and liabilities recognised in the Financial Statements on a recurring basis, reassessment of the categorisation is conducted to determine the occurrence of transfers of assets between the levels in the hierarchy (based on the lowest level of input significant to the fair value measurement as a whole) at the reporting date.

2.23 Contingent Assets And Contingent Liabilities

Contingent assets are possible assets that arise from past events whereby the existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and KWAP. There was no recognition of contingent assets, only disclosure of its existence whereby the inflow of economic benefits is probable but virtually uncertain. Contingent liabilities are possible obligations that arise from past events whereby the existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and KWAP, or present obligations that are not recognised because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liabilities may also arise in the extremely rare case where a liability is not recognised due to its inability to be measured reliably.

There was no recognition of contingent liabilities, only its disclosure in the Financial Statements.

2.24 Offset Of Financial Instruments

Financial assets and liabilities are offset whereby the net amount is presented in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right shall not be contingent on future events and shall be enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy.

2.25 Allocation of Statutory Funds

KWAP receives an allocation from the Federal Government in accordance with section 13 of the Retirement Fund Act 2007 (ACT 662).

2.26 Pension Contribution

Pension contributions are recognised upon receipt of contributions from Statutory Bodies, Local Authorities and other Agencies as well as Government's share, gratuities and other deductions in accordance with the Statutory and Local Authorities Pensions Act, 1980 (Act 239) and Service Circular No. 12/2008. Penalty for late contribution payments are recognised upon receipt.

Notes To the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated Financial Statements requires the establishment of judgements, estimates and assumptions by the Group and KWAP that affect the reported amounts of revenues, expenses, assets and liabilities as well as the accompanying disclosures and the disclosure of contingent assets and liabilities in accordance with the relevant MFRS. Uncertainties in relation to the assumptions and estimates may result in outcomes which require material adjustments to the carrying amount of affected assets or liabilities in future periods.

Judgements applied by the Group and KWAP in the application of accounting policies, key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date with significant risk of material adjustments to the carrying amount of affected assets and liabilities within the next financial year are discussed as follows:

(a) Impairment of interest in subsidiaries and associates

Assessment on the objective evidence for impairment of investments are conducted at each reporting date. Factors such as, amongst others, the prolonged shortfall between the indicative fair value and the carrying amount, significant changes with adverse effects on the investments as well as the deterioration of the financial performance of investments are taken into consideration to determine the objective evidence for impairment, if any.

Judgements are applied by the Group and KWAP in the selection of a suitable method of valuation such as, amongst others, the discounted cash flow, realisable net asset value and sector average price-earning ratio depending on the nature as well as the industries in relation to the investment.

Upon the selection of a suitable method of valuation, certain assumptions are established to estimate the future recoverable amount of the investment. Such assumptions may include, amongst others, assumptions on the expected future cash flows, revenue growth, discount rate used for the purpose of discounting the future cash flows, which incorporates the relevant risks, as well as the expected future outcome of certain past events relating to the specific investment.

(b) Impairment of non-financial assets

Impairment of non-financial assets is executed when the carrying value of the asset or CGU exceeds the recoverable amount of the asset or CGU, which is the higher of fair value less costs to sell and value in use. The calculation of the fair value less costs to sell is based on the available data from binding sales transactions, conducted at arm's length for similar assets or the observable market prices less the incremental costs for the disposal of assets. The calculation of the value in use is based on the discounted cash flow model whereby the cash flows are derived from the next five (5) year budget excluding the restructuring activities yet to be committed by the Group or KWAP, or significant future investments that will enhance the asset performance of the tested CGU. The recoverable amount is most sensitive to the discount rate employed for the discounted cash flow model and the expected future cash inflows as well as the growth rate used for extrapolation purposes.

(c) Impairment of financial assets

The Group and KWAP review the fixed income instruments designated as investment at FVOCI or amortised cost which are subject to impairment under MFRS 9 at each reporting date to reflect changes in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward looking and historical, current and forecasted information into ECL estimation.

Notes To the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of financial assets (continued)

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

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of ECL that reflect:
 - (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
 - (b) The time value of money; and
 - (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about, current conditions and forecasts of future economic condition.

(d) Fair value of financial instruments

Fair value is the price that would be received upon the sale of assets or paid upon the transfer of liabilities in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions for the sale of assets or transfer of liabilities occur either in the principal market for the assets or liabilities, or in the absence of the principal market, in the most advantageous market for the assets or liabilities.

The fair value of assets or liabilities is measured using the assumptions that the market participants would use when pricing the assets or liabilities, assuming that the market participants behave in their economic best interest.

In the absence of an active market, the fair value of financial instruments is determined using the valuation techniques that are deemed appropriate in circumstances whereby sufficient data are available for the fair value measurement with the maximisation of the use of relevant observable inputs and the minimisation of the use of unobservable inputs.

(e) Post-retirement medical benefit obligation

The present value of the post-retirement medical benefit obligation is dependent on a number of factors that are determined on an actuarial basis based on a number of assumptions. The assumptions employed in the determination of the net cost for post-retirement medical benefit include the discount rate and the actual medical costs incurred during the financial year with the limit of a medical retiree's claim up to RM3,000 a year. Changes in the assumptions shall impact the carrying amount of the Post-Retirement Medical Benefit obligation.

The appropriate discount rate is determined annually upon the performance of the actuarial valuation. The most recent actuarial valuation was completed in FY2019 whereby the 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.

The medical cost rate is based on the actual cost incurred by the Group and KWAP.

Notes To the Financial Statements

For the year ended 31 December 2019

4. INCOME

Income of the Group and of KWAP consist of the following:

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Gross Investment Income	6,323,931	7,290,977	6,067,973	7,056,783
Other Non-Investment Income				
Other Operating Income	44,968	39,144	31,717	35,896
Net Gains Arising From Derivative Financial Instruments	158,251	3,441	170,765	9,980
Net Gains From Foreign Currency Exchange	326,531	405,821	326,531	405,821
	529,750	448,406	529,013	451,697

Included in the gross investment income are net gain or loss on the following:

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Dividend Income				
Financial Assets At Fair Value Through Profit And Loss ("FVTPL")	1,238,867	1,125,323	1,238,867	1,247,870
Financial Assets At Fair Value Through Other Comprehensive Income ("FVOCI")	823,050	909,938	823,050	909,938
	2,061,917	2,035,261	2,061,917	2,157,808
Gain From Divestment				
Financial Assets At Amortised Cost	(328,221)	6,043	(328,221)	6,043
Financial Assets At Fair Value Through Profit And Loss ("FVTPL")	699,400	2,045,457	699,400	2,045,457
Financial Assets At Fair Value Through Other Comprehensive Income ("FVOCI")	190,490	(495,008)	190,489	(495,008)
Investment Property	224,229	-	-	-
	785,898	1,556,492	561,668	1,556,492

Notes To the Financial Statements

For the year ended 31 December 2019

4. INCOME (CONTINUED)

Included in the gross investment income are net gain or loss on the following: (continued)

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Interest Income				
Financial Assets At Amortised Cost	792,949	170,660	792,949	170,660
Financial Assets At Fair Value Through Profit And Loss ("FVTPL")	43,917	38,960	43,917	38,960
Financial Assets At Fair Value Through Other Comprehensive Income ("FVOCI")	1,403,926	2,127,536	1,403,926	2,127,536
Loans And Receivables	400,892	495,261	416,499	518,728
Money Markets and Deposits	403,768	299,854	401,832	298,161
	3,045,452	3,132,272	3,059,123	3,154,046
Rental Income	379,800	309,047	15,757	32,271
Investment in Subsidiary, Associate & Joint Venture	15,538	17,779	364,930	151,781
Miscellaneous Income	35,326	240,126	4,578	4,384
	6,323,931	7,290,977	6,067,973	7,056,783

Notes To the Financial Statements

For the year ended 31 December 2019

5. OPERATING EXPENSES

	Note	Group		KWAP	
		31 December	31 December	31 December	31 December
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Employee Costs	A	107,722	112,090	99,845	104,556
Property Related Expenditure		59,189	78,243	2,121	21,603
Professional Services And Fees		135,530	128,927	90,815	79,686
Audit Fees		1,773	1,366	466	279
Directors' Fees And Remuneration		648	666	586	574
Depreciation Charges		161,784	160,948	15,632	21,932
Amortisation Charges		3,034	2,330	3,034	2,330
Withholding Tax		57,260	32,884	57,260	32,897
Management Aid		4,141	3,710	4,135	3,710
Rental Charges		5,805	2,790	15,311	15,259
Other Operating Expenditure		19,373	18,447	13,756	9,503
		556,259	542,401	302,961	292,329

Note A – Employee Costs:

	Group		KWAP	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries And Allowance	76,320	72,783	69,107	65,997
Contribution To KWAP, EPF And SOCSO	15,445	16,436	15,020	16,246
Others	15,957	22,871	15,718	22,313
	107,722	112,090	99,845	104,556

As at 31 December 2019, the number of employees of the Group is 610 (2018: 603), with 596 (2018: 590) being employees of KWAP.

Notes To the Financial Statements

For the year ended 31 December 2019

6. TAXATION

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Current Taxation				
Foreign Income Tax	3,340	2,289	-	-
Deferred Taxation				
Foreign Income Tax	-	(88)	-	-
Tax Expenses For The Financial Year	3,340	2,201	-	-

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

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Profit Before Taxation	6,955,844	1,233,011	6,673,856	1,241,966
Taxation At Malaysian Statutory Tax Rate Of 24% (2018:24%)	1,669,403	295,923	1,601,725	298,072
Different Tax Rates In Other Countries*	3,340	2,289	-	-
Income Not Subject To Tax	(1,669,403)	(296,035)	(1,601,725)	(298,072)
Capital Allowances In Excess Of Depreciation	-	24	-	-
Tax Expenses For The Financial Year	3,340	2,201	-	-

* Different tax rates in other countries refers to the corporate tax rate of United Kingdom of 19% (FY2018 – United Kingdom: 19%).

Notes To the Financial Statements

For the year ended 31 December 2019

7. PROPERTY AND EQUIPMENT

	Office Renovation RM'000	Computers RM'000	Paintings, Office Furniture And Equipment RM'000	Gymnasium Equipment RM'000	Vehicles RM'000	Work In Progress RM'000	Electrical Equipment RM'000	Total RM'000
GROUP								
Cost								
At 1 January 2019	25,044	9,887	17,239	386	678	34,016	80	87,330
Additions	88	1,425	2,826	-	-	650	2	4,991
Adjustments/Disposal	-	(16)	(1,027)	-	1	-	-	(1,042)
Foreign Exchange Difference	27	-	13	-	-	-	-	40
At 31 December 2019	25,159	11,296	19,051	386	679	34,666	82	91,319
Accumulated Depreciation								
At 1 January 2019	7,751	4,797	5,358	256	392	-	20	18,574
Depreciation Charge For The Year	3,886	1,807	3,118	43	107	-	16	8,977
Adjustments/Disposal	-	22	(64)	-	-	-	-	(42)
Foreign Exchange Difference	5	-	6	-	-	-	-	11
At 31 December 2019	11,642	6,626	8,418	299	499	-	36	27,520
Net Book Value At 31 December 2019	13,517	4,670	10,633	87	180	34,666	46	63,799
KWAP								
Cost								
At 1 January 2019	22,406	9,773	15,836	386	678	34,016	80	83,175
Additions	88	1,416	199	-	-	650	2	2,355
Adjustments/Disposal	-	(16)	(1,027)	-	1	-	-	(1,042)
At 31 December 2019	22,494	11,173	15,008	386	679	34,666	82	84,488
Accumulated Depreciation								
At 1 January 2019	6,542	4,785	4,813	256	392	-	21	16,809
Depreciation Charge For The Year	3,741	1,780	2,502	43	107	-	16	8,189
Adjustments/Disposal	-	22	(64)	-	-	-	-	(42)
At 31 December 2019	10,283	6,587	7,251	299	499	-	37	24,956
Net Book Value At 31 December 2019	12,211	4,586	7,757	87	180	34,666	45	59,532

Notes To the Financial Statements

For the year ended 31 December 2019

7. PROPERTY AND EQUIPMENT (CONTINUED)

	Office Renovation RM'000	Computers RM'000	Paintings, Office Furniture And Equipment RM'000	Gymnasium Equipment RM'000	Vehicles RM'000	Work In Progress RM'000	Electrical Equipment RM'000	Total RM'000
GROUP								
Cost								
At 1 January 2018	24,647	9,363	14,147	386	792	21,114	63	70,512
Additions	399	434	3,038	-	135	12,902	-	16,908
Adjustments/Disposal	(2)	90	54	-	(249)	-	17	(90)
At 31 December 2018	25,044	9,887	17,239	386	678	34,016	80	87,330
Accumulated Depreciation								
At 1 January 2018	3,748	3,049	2,645	183	498	-	9	10,132
Depreciation Charge For The Year	3,853	1,757	2,622	73	128	-	14	8,447
Adjustments/Disposal	100	(9)	68	-	(234)	-	(3)	(78)
Foreign Exchange Difference	50	-	23	-	-	-	-	73
At 31 December 2018	7,751	4,797	5,358	256	392	-	20	18,574
Net Book Value At 31 December 2018	17,293	5,090	11,881	130	286	34,016	60	68,756
KWAP								
Cost								
At 1 January 2018	22,009	9,363	13,665	386	792	21,114	63	67,392
Additions	399	320	2,117	-	135	12,902	-	15,873
Adjustments/Disposal	(2)	90	54	-	(249)	-	17	(90)
At 31 December 2018	22,406	9,773	15,836	386	678	34,016	80	83,175
Accumulated Depreciation								
At 1 January 2018	2,820	3,049	2,284	183	498	-	10	8,844
Depreciation Charge For The Year	3,722	1,745	2,526	73	128	-	14	8,208
Adjustments/Disposal	-	(9)	3	-	(234)	-	(3)	(243)
At 31 December 2018	6,542	4,785	4,813	256	392	-	21	16,809
Net Book Value At 31 December 2018	15,864	4,988	11,023	130	286	34,016	59	66,366

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8. COMPUTER SOFTWARE

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Cost				
At 1 January	14,500	12,226	14,500	12,226
Additions	3,053	2,274	3,053	2,274
At 31 December	17,553	14,500	17,553	14,500
Accumulated Amortisation				
At 1 January	10,067	7,763	10,067	7,763
Charge For The Year	3,006	2,330	3,006	2,330
Adjustments/Disposals	-	(26)	-	(26)
At 31 December	13,073	10,067	13,073	10,067
Net Carrying Amount At 31 December	4,480	4,433	4,480	4,433

Computer software relates to the licence fees, other directly attributable costs in the preparation of the assets for its intended use as well as the professional fees arising directly to bring the assets to their working condition.

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9. INVESTMENT PROPERTIES AND LAND HELD FOR PROPERTY DEVELOPMENT

(a) Investment Properties

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Land and Building				
Cost				
At 1 January	5,891,517	5,747,299	725,788	725,760
Addition	1,044,761	1,160,757	229,719	28
Disposal	(151)	-	(490,527)	-
Reclassification To Assets Held For Sale	-	(375,494)	-	-
Reclassification To Land Held For Property Development	-	(641,045)	-	-
Foreign Exchange Reserve	(106,814)	-	-	-
At 31 December	6,829,313	5,891,517	464,980	725,788
Accumulated Depreciation				
At 1 January	556,354	437,917	28,910	15,185
Depreciation Charge	123,766	152,502	7,424	13,725
Disposal	-	-	(24,745)	-
Reclassification To Assets Held For Sale	-	(68,238)	-	-
Foreign Exchange Reserve	(54,642)	34,173	-	-
At 31 December	625,478	556,354	11,589	28,910
Carrying Amount As At 31 December	6,203,835	5,335,163	453,391	696,878
Fair Value	7,856,387	7,933,009	521,000	770,876

There is no restriction on the realisation of the investment properties as well as no contractual obligation to either purchase, construct or develop investment properties or for the repairs, maintenance and enhancements of the properties by the Group and KWAP.

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For the year ended 31 December 2019

9. INVESTMENT PROPERTIES AND LAND HELD FOR PROPERTY DEVELOPMENT (CONTINUED)

(a) Investment Properties (continued)

The fair value of the investment properties of the Group as at 31 December 2019 amounted to RM7,856.4 million (2018: RM7,933.0 million), which was determined based on the property valuations performed at the reporting date. The fair value of investment properties of KWAP as at 31 December 2019 amounted to RM521.0 million (2018: RM770.9 million) which was determined based on the property valuations performed at the reporting date.

Valuations are performed by accredited independent valuers with recent experience in the land and properties valuation field. The valuations are based on the comparison method that involve sales of similar properties, analysis and factors which can influence the value or price of the said properties.

(b) Land Held For Property Development

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Land Held For Property Development				
Cost				
At 1 January	641,045	-	-	-
Addition	12,379	641,045	-	-
At 31 December	653,424	641,045	-	-

10. INVESTMENT IN SUBSIDIARIES

	KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000
Unquoted Shares Inside Malaysia	2,156,481	1,679,628
Unquoted Shares Outside Malaysia	2,768,252	2,019,995
	4,924,733	3,699,623
Less: Allowance For Impairment Losses	(278,147)	-
	4,646,586	3,699,623

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10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, with the country of incorporation are as follows:

Name	Country Of Incorporation/ Principal Place Of Business	Effective Ownership Interest		Non-Controlling Interest		Principal Activities
		2019 %	2018 %	2019 %	2018 %	
KWAP Managed Investment Trust	Australia	-	100.0	-	-	Management of investment trust
KWAP Managed Investment Trust 2	Australia	100.0	100.0	-	-	Management of investment trust
KWAP Managed Investment Trust 3	Australia	100.0	100.0	-	-	Management of investment trust
KWAP Managed Investment Trust 4	Australia	100.0	100.0	-	-	Management of investment trust
Prima Ekuiti (UK) Limited	United Kingdom	100.0	100.0	-	-	Fund management services
Prima Harta (Jersey) Unit Trust	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 2 (Jersey) Unit Trust	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 3 (Lux) S.á.r.l	Luxembourg	100.0	100.0	-	-	Management of investment trust
Prima Harta 4 (Jersey) Unit Trust	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 5 (Jersey) Unit Trust	Jersey	100.0	-	-	-	Management of investment trust
Prima Harta 5 Limited	Jersey	100.0	-	-	-	Management of investment trust
Capsquare Tower Sdn Bhd	Malaysia	100.0	100.0	-	-	Management of property
KWEST Sdn Bhd	Malaysia	100.0	100.0	-	-	Property development
Harta Integra Berkat Sdn Bhd	Malaysia	100.0	100.0	-	-	Management of property
Harta Rini Sdn Bhd	Malaysia	100.0	-	-	-	Management of property

* All subsidiaries are not audited by Jabatan Audit Negara Malaysia.

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11. INVESTMENT IN ASSOCIATES

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Shares At Cost,				
Quoted Shares	-	-	-	-
Unquoted Shares	851,365	387,292	851,365	387,292
	851,365	387,292	851,365	387,292
Share Of Post Acquisition Reserves	53,907	36,893	-	-
	905,272	424,185	851,365	387,292
Less: Allowance For Impairment Losses	-	-	-	-
	905,272	424,185	851,365	387,292

Details of the associates, with the country of incorporation are as follows:

Name	Country Of Incorporation/ Principal Place Of Business	Effective Ownership Interest		Accounting Model Applied	Principal Activities
		2019 %	2018 %		
ValueCap Sdn Bhd	Malaysia	33.33	33.33	Equity method	Investment in quoted securities
Vortex Solar Investment S.a.r.l	Luxembourg	45.00	45.00	Equity method	Independent power producer company
edotco Group Sdn Bhd	Malaysia	5.38	5.38	Equity method	Communications infrastructure
Swift Haulage Sdn Bhd	Malaysia	14.46	14.46	Equity method	Air freight and logistics

Both edotco Group Sdn Bhd and Swift Haulage Sdn Bhd were deemed as associates of the Group based on the existence of significant influence in the entities. MFRS 128 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

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11. INVESTMENT IN ASSOCIATES (CONTINUED)

Summary of the financial information in relation to each of the associates of the Group is set out below.

	edotco Group Sdn Bhd RM'000	Swift Haulage Sdn Bhd RM'000	ValueCap Sdn Bhd RM'000	Vortex Solar Investment S.a.r.l. RM'000	Total RM'000
2019					
Summarised Financial Information					
Non-Current Assets	4,267,924	940,813	62,543	952,076	6,223,356
Current Assets	1,905,081	246,356	1,401,741	32,495	3,585,673
Non-Current Liabilities	(1,336,496)	(391,446)	(1,719,026)	(554,981)	(4,001,949)
Current Liabilities	(1,123,024)	(398,069)	(19,347)	(64,401)	(1,604,841)
Net Assets	3,713,485	397,654	(274,089)	365,189	4,202,239
Year Ended 31 December					
Profit From Continuing Operations	251,871	40,148	-	1,459	293,478
Profit From Discontinuing Operations	-	-	12,589	-	12,589
Other Comprehensive (Loss)/Income	(77,565)	721	-	-	(76,844)
Total Comprehensive Income	174,306	40,869	12,589	1,459	229,223
Included In The Total Comprehensive Income Is:					
Revenue	1,809,225	579,847	-	100,144	2,489,216
Reconciliation of Net Assets To Carrying Amount As At 31 December					
Group's Share Of Net Assets/(Liabilities)	199,785	57,501	(91,354)	164,725	330,657
Goodwill	458,754	24,077	-	430	483,261
Elimination of Unrealised Profits	-	-	91,354	-	91,354
Carrying Amount In The Statement Of Financial Position	658,540	81,578	-	165,154	905,272
Group's Share of Results For The Year Ended 31 December					
Group's Share Of Profit From Continuing Operations	9,034	5,805	-	657	15,496
Group's Share of Profit From Discontinuing Operations	-	-	4,196	-	4,196
Group's Share of Other Comprehensive Income	(2,782)	104	-	-	(2,678)
Group's Share of Total Comprehensive Income	6,252	5,909	4,196	657	17,014

Notes To the Financial Statements

For the year ended 31 December 2019

11. INVESTMENT IN ASSOCIATES (CONTINUED)

Summary of the financial information in relation to each of the associates of the Group is set out below. (continued)

	ValueCap Sdn Bhd RM'000	Vortex Solar Investment S.a.r.l. RM'000	Total RM'000
2018			
Summarised Financial Information			
Non-Current Assets	321,642	856,574	1,178,216
Current Assets	5,224,424	29,379	5,253,803
Non-Current Liabilities	(6,014,948)	(552,880)	(6,572,828)
Current Liabilities	(87,051)	(47,976)	(135,027)
Net Assets	(555,933)	285,097	(275,836)
Year Ended 31 December			
(Loss)/Profit From Continuing Operations	(1,129,924)	39,198	(1,090,726)
Profit From Discontinuing Operations	-	-	-
Other Comprehensive Income	-	-	-
Total Comprehensive (Loss)/Income	(1,129,924)	39,198	(1,090,726)
Included In The Total Comprehensive Income Is:			
(Loss)/Revenue	(809,660)	48,904	(760,756)

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12. INVESTMENT IN JOINT VENTURES

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Shares At Cost,				
Unquoted Shares Outside Malaysia	295,305	295,305	-	-
Unquoted Shares In Malaysia	951	10,000	-	10,000
	296,256	305,305	-	10,000
Share Of Post Acquisition Reserves	428	70,715	-	-
	296,684	376,020	-	10,000
Less: Allowance For Impairment Losses	(169,656)	-	-	-
	127,028	376,020	-	10,000

Details of the joint ventures of KWAP, all incorporated in Malaysia, are as follows:

Name	Country Of Incorporation/ Principal Place Of Business	Effective Ownership Interest		Accounting Model Applied	Principal Activities
		2019 %	2018 %		
Tap Crunch International Sdn Bhd	Malaysia	50.0	50.0	Equity method	Investment holding entity
Tap Crunch Sdn Bhd	Malaysia	50.0	50.0	Equity method	Investment holding entity

Details of the joint ventures of subsidiaries, are as follows:

Name	Country Of Incorporation/ Principal Place Of Business	Effective Ownership Interest		Accounting Model Applied	Principal Activities
		2019 %	2018 %		
Metropolitan Retail JV (Jersey) Unit Trust	Jersey	80.0	80.0	Equity method	Investment holding entity
Persada Mentari Sdn Bhd	Malaysia	20.0	20.0	Equity method	Investment holding entity

Notes To the Financial Statements

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12. INVESTMENT IN JOINT VENTURES (CONTINUED)

Summary of the financial information in relation to aggregated joint ventures of the Group and KWAP are set out below.

	Group	
	2019 RM'000	2018 RM'000
Year Ended 31 December		
(Loss)/Profit From Continuing Operations	(3,510)	7,217
Profit From Discontinuing Operations	-	-
Other Comprehensive Income	-	-
Total Comprehensive (Loss)/Income	(3,510)	7,217
Group's Share of Results For The Year Ended 31 December		
Group's Share of (Loss)/Profit From Continuing Operations	(2,782)	4,082
Group's Share of Profit From Discontinuing Operations	-	-
Group's Share of Other Comprehensive Income	-	-
Group's Share of Total Comprehensive (Loss)/Income	(2,782)	4,082
	KWAP	
	2019 RM'000	2018 RM'000
Year Ended 31 December		
(Loss)/Profit From Continuing Operations	(105)	6,327
Profit From Discontinuing Operations	-	-
Other Comprehensive Income	-	-
Total Comprehensive (Loss)/Income	(105)	6,327
Entity's Share of Results For The Year Ended 31 December		
Entity's Share of Profit/(Loss) From Continuing Operations	(53)	3,164
Entity's Share of Profit From Discontinuing Operations	-	-
Entity's Share of Other Comprehensive Income	-	-
Entity's Share of Total Comprehensive (Loss)/Income	(53)	3,164

Notes To the Financial Statements

For the year ended 31 December 2019

13. LOANS AND RECEIVABLES

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Non-Current				
Commercial Loan	5,601,187	8,637,889	5,601,187	8,637,889
Loan To Related Parties	-	2,962	299,089	335,932
Long Term Receivables	918	-	-	-
	5,602,105	8,640,851	5,900,276	8,973,821
Current				
Commercial Loan	2,441,583	150,000	2,441,583	150,000
	2,441,583	150,000	2,441,583	150,000

Loans and Receivables to corporate institutions are subject to interest rates ranging from 3.99% to 5.88% (2018: 3.99% to 5.88%) per annum as well as the annual review.

Loan To Related Parties relates to the loan to KWAP MIT 2, with a principal amount of AUD103.0 million (2018: AUD103.0 million), at an interest rate of 5% per annum (2018: 5% per annum). The maturity date of the loan is 3 April 2021.

(a) Movements in the allowance for Loans and Receivables

There were no allowances made for impairment losses for Loans and Receivables during the year (2018: Nil) based on the absence of the loss given default assigned to loans with government guarantees.

(b) Impact of movements in the gross carrying amount on allowance for impairment losses

Allowance for impairment losses reflected the measurement of ECL using the three (3) stage approach under the MFRS 9, as described in the significant accounting policies section.

There was no allowance for impairment losses for this reporting period (2018: Nil).

(c) Information about the nature and effect of modification on the measurement of allowance for impairment losses

There were no modifications of loans that impacted the measurement of the allowance for impairment losses during this reporting period (2018: Nil).

(d) Write-offs still under enforcement activity

There was no contractual amount outstanding on financial assets that was written off during this reporting period (2018: Nil).

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14. DEBT INSTRUMENT AT AMORTISED COST

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Non-Current				
Fixed Income Instruments	15,152,167	17,153,861	15,152,167	17,153,861
	15,152,167	17,153,861	15,152,167	17,153,861

(a) Reclassification of debt instruments at amortised cost

There is no reclassification of debt instruments at amortised cost during the year.

(b) Movements in the allowance for debt instruments at amortised cost

	12-months expected credit losses RM'000	Total RM'000
Debt Instruments at Amortised Cost		
At 1 January 2018	25	25
Net remeasurement of loss allowance	(15)	(15)
At 31 December 2018/1 January 2019	10	10
Net remeasurement of loss allowance	(3)	(3)
At 31 December 2019	7	7

There was no purchase of credit-impaired financial assets at the initial recognition and during the year, hence no recognition of ECL.

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14. DEBT INSTRUMENT AT AMORTISED COST (CONTINUED)

(c) Impact of movements in gross carrying amount on allowance for impairment losses

Allowance for impairment losses reflected the ECL measured using the three-stage approach under MFRS 9, as described in the significant accounting policies section.

The gross carrying amount of debt instruments at Amortised Cost decreased by RM2,000.2 million primarily due to the derecognition of certain financial instruments during the year.

	12-months expected credit losses RM'000	Total RM'000
Debt Instruments at Amortised Cost		
At 1 January 2018	3,341,812	3,341,812
Transfers:		
- Transferred to 12-months ECL	15	15
New financial assets originated or purchased	37,196	37,196
Reclassification	13,774,837	13,774,837
At 31 December 2018 / 1 January 2019	17,153,861	17,153,861
Net remeasurement of loss allowance	3	3
New financial assets originated or purchased	317,040	317,040
Financial assets that have been derecognised	(2,318,737)	(2,318,737)
At 31 December 2019	15,152,167	15,152,167

(d) Write-offs still under enforcement activity

There was no contractual amount outstanding on financial assets that was written off during the reporting period.

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15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Non-Current				
Equity Instruments At Fair Value Through Profit Or Loss				
- Quoted	39,036,392	30,826,595	39,036,392	30,826,595
- Unquoted	3,228,685	3,442,313	3,228,685	3,442,313
- Fixed Income Investment (Perpetual Bond)	1,657,551	1,679,178	1,657,551	1,679,178
	43,922,628	35,948,086	43,922,628	35,948,086
Debt Instruments At Fair Value Through Profit Or Loss				
- Fixed Income Investment	308,610	369,425	308,610	369,425
Current				
Debt Instruments At Fair Value Through Profit Or Loss				
- Tap Crunch Sdn Bhd	20,925	35,000	20,925	35,000
- Shareholder's Loan	-	-	203,052	204,132
- Fixed Income Investment	444,137	862,424	444,137	862,424
	465,062	897,424	668,114	1,101,556

16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Debt Instruments At Fair Value Through Other Comprehensive Income				
- Fixed Income Investment	31,418,751	30,744,344	31,418,751	30,744,344
	31,418,751	30,744,344	31,418,751	30,744,344

(a) Reclassification of debt instruments at FVOCI

There was no reclassification of debt instruments at FVOCI during the year.

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16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Movements in allowance for debt instruments at FVOCI

	12-months expected credit losses RM'000	Lifetime expected credit losses (collectively assessed - not credit impaired) RM'000	Total RM'000
Debt instruments at FVOCI			
At 1 January 2018	2,923	-	2,923
Net remeasurement of loss allowance	(1,359)	-	(1,359)
New financial assets originated or purchased	106	-	106
Financial assets that have been derecognised	(1,195)	-	(1,195)
Exchange fluctuations	5	-	5
At 31 December 2018/1 January 2019	480	-	480
Changes due to financial assets recognised in the opening balance that have:			
- Transferred to Lifetime ECL not credit impaired – collective provision	-	10,620	10,620
Net remeasurement of loss allowance	5	-	5
New financial assets originated or purchased	79	-	79
Financial assets that have been derecognised	(368)	-	(368)
Exchange fluctuations	(1)	-	(1)
At 31 December 2019	195	10,620	10,815

There was no undiscounted ECL at the initial recognition of credit-impaired financial assets purchased during the reporting year.

(c) Impact of movements in gross carrying amount on allowance for impairment losses

Allowance for impairment losses reflected the ECL measured using the three (3) stage approach under the MFRS 9, as described in the significant accounting policies section. The following explanation relates to the contribution of the significant changes in the gross carrying amount of debt instruments at FVOCI during the year to the changes in the allowance for impairment losses for the Group and KWAP under the ECL model.

Overall, the total allowance for impairment losses increased by RM10.3 million compared to the opening balance at the beginning of the year. The net reduction was driven by the reduced collective provisioning/specific provisioning and partially offset by an increase in the collective provisioning/specific provisioning.

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16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(c) Impact of movements in gross carrying amount on allowance for impairment losses (continued)

The gross carrying amount of debt instruments at FVOCI increased by RM674.4 million primarily due to the following:

- purchased during the year;
- changes due to modification during the year; and
- derecognition during the year.

	12-months expected credit losses RM'000	Lifetime expected credit losses (collectively assessed - not credit impaired) RM'000	Total RM'000
Gross carrying amount of debt instruments at FVOCI			
At 1 January 2018	48,325,044	-	48,325,044
New financial assets originated or purchased	7,906,441	-	7,906,441
Financial assets that have been derecognised	(11,947,501)	-	(11,947,501)
Reclassification	(13,516,902)	-	(13,516,902)
Changes due to modifications that did not result in derecognition	(55,185)	-	(55,185)
Exchange fluctuation and other changes	32,447	-	32,447
At 31 December 2018/1 January 2019	30,744,344	-	30,744,344
Transfers:			
- Transferred to Lifetime ECL not credit impaired – collective provision	-	82,855	82,855
New financial assets originated or purchased	12,868,671	-	12,868,671
Financial assets that have been derecognised	(13,323,892)	-	(13,323,892)
Changes due to modifications that did not result in derecognition	1,057,865	-	1,057,865
Exchange fluctuation and other changes	(11,092)	-	(11,092)
At 31 December 2019	31,335,896	82,855	31,418,751

(d) Write-offs still under enforcement activity

There was no contractual amount outstanding on financial assets that was written off during this reporting period.

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17. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Non-Current				
Equity Instruments At Fair Value Through Other Comprehensive Income				
- Quoted Equity	27,979,328	25,258,816	27,979,328	25,258,816
	27,979,328	25,258,816	27,979,328	25,258,816

The portfolio structure with a combination of FVTPL and FVOCI classified financial assets is consistent with the Group's and KWAP's risk profile and risk appetite.

Dividend recognised from investments in equity instruments designated at FVOCI and FVTPL held during the reporting period was RM823.1 million (2018: RM909.9 million) and RM1,241.1 million (2018: RM1,237.6 million) respectively.

Disposal of investments in equity instruments measured at FVOCI

During the year, there were disposals of equity instruments designated at FVOCI with a total realised loss of RM0.8 million (2018: RM75.1 million) subsequently recorded in the Other Comprehensive Income.

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18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Group			KWAP		
	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000
2019						
Current Assets						
Derivatives Designated As Hedges:						
Financial Assets:						
Interest Rate Swaps	25,887	1,409		-	-	
Warrants & Rights	-	28,890		-	28,890	
Forward Exchange Rate Contracts	9,115,180	175,409	205,708	9,115,180	175,409	204,299
Current Liabilities						
Financial Liabilities:						
Interest Rate Swaps	16,941	(4,647)		-	-	
Cross Currency Swaps	120,200	(48,412)		120,200	(48,412)	
Forward Exchange Rate Contracts	1,459,599	(21,546)	(74,605)	1,459,599	(21,546)	(69,958)
Non-Current Liabilities						
Interest Rate Swaps	19,063	(19,063)	(19,063)	-	-	-

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18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	Group			KWAP		
	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000
2018						
Current Assets						
Derivatives Designated As Hedges:						
Financial Assets:						
Warrants & Rights	-	964		-	964	
Forward Exchange Rate Contracts	2,188,120	42,386	43,350	2,188,120	42,386	43,350
Current Liabilities						
Financial Liabilities:						
Interest Rate Swaps	15,584	(9,045)		-	-	
Cross Currency Swaps	276,020	(108,913)		276,020	(108,913)	
Forward Exchange Rate Contracts	8,352,190	(266)	(118,224)	8,352,190	(266)	(109,179)
Non-Current Liabilities						
Derivative Financial Instruments	6,680	(6,680)	(6,680)	-	-	-

The outstanding cross currency swaps and forward exchange rate contracts as at 31 December 2019 were designated as hedges of firm commitments with highly probable future payments and net revenue denominated in foreign currencies.

The terms of the cross currency swaps and forward exchange rate contracts were negotiated to match the terms of the commitments. There were neither previous application nor expectation of the occurrence of hedge accounting in relation to the said highly probable future transactions.

Notes To the Financial Statements

For the year ended 31 December 2019

19. SUNDRY DEBTORS AND DEPOSITS

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Withholding Tax Receivable	-	329	-	329
Other Receivables	14,527	8,539	88,614	50,165
Tax Recoverable	32,979	83,818	10,650	83,818
GST Control Account	-	20,803	-	-
Deposit Received	1,676	1,678	1,676	1,678
Prepayment And Advances	2,937	6,481	2,937	6,368
	52,119	121,648	103,877	142,358

(a) Movements in allowance for sundry debtors and deposits

There was no allowance for impairment losses for sundry debtors and deposits for this reporting year (2018: Nil).

(b) Impact of movements in gross carrying amount on allowance for impairment losses

Allowance for impairment losses reflected the ECL measured using the three-stage approach under the MFRS 9, as described in the significant accounting policies section.

There was no allowance for impairment losses during this reporting year (2018: Nil).

(c) Write-offs still under enforcement activity

There was no contractual amount outstanding on financial assets that were written off during this reporting period (2018: Nil).

Notes To the Financial Statements

For the year ended 31 December 2019

20. TRADE RECEIVABLES

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Sale Of Shares And Bonds	2,545	116,068	2,545	116,067
Dividend Receivable	51,258	64,009	51,258	90,011
Interest Income Receivable	636,350	600,264	636,349	600,263
Rental Income Receivable	1,847	6,807	-	-
Receivable From Brokers	932,199	678,844	932,199	678,844
Other Trade Receivables	30,949	51,547	8,217	34,761
	1,655,148	1,517,539	1,630,568	1,519,946

(a) Movements in allowance for trade receivables

There was no allowance for impairment losses for trade receivables during the reporting period (2018: Nil).

(b) Impact of movements in gross carrying amount on allowance for impairment losses

Allowance for impairment losses reflected the ECL measured using the three-stage approach under the MFRS 9, as described in the significant accounting policies section.

There was no allowance for impairment losses during the reporting year (2018: Nil)

(c) Write-offs still under enforcement activity

There was no contractual amount outstanding on financial assets that were written off during the reporting period (2018: Nil).

Notes To the Financial Statements

For the year ended 31 December 2019

21. DEPOSITS AND PLACEMENTS AND CASH AND BANK BALANCES

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Deposit and Placements With Financial Institutions				
Deposits And Placements With Financial Institutions With Maturity Less Than 3 Months	8,469,997	9,084,827	8,469,997	9,084,827
Deposits And Placements With Financial Institutions With Maturity More Than 3 Months	3,028,145	445,450	3,028,145	445,450
	11,498,142	9,530,277	11,498,142	9,530,277
Cash and Bank Balances	1,485,868	1,812,174	1,025,678	1,533,563

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Cash and Cash Equivalents				
Deposits And Placements With Financial Institutions With Maturity Less Than 3 Months	8,469,997	9,084,827	8,469,997	9,084,827
Cash and Bank Balances	1,485,868	1,812,174	1,025,678	1,533,563
	9,955,865	10,897,001	9,495,675	10,618,390

Cash at bank earns interest at the floating rates based on the daily bank deposit rates. Short term deposits are made for varying short periods between one (1) day and three (3) months, based on the immediate cash requirements of the Group and of KWAP, whereby interest is earned at the respective short term deposit rates.

(a) Movements in the allowance for cash and cash equivalents

There was no allowance for impairment losses for cash and cash equivalents during the reporting year (2018: Nil).

(b) Impact of movements in gross carrying amount on allowance for impairment losses

Allowance for impairment losses reflects the ECL measured using the three-stage approach under the MFRS 9, as described in the significant accounting policies.

There was no allowance for impairment loss for the reporting year (2018: Nil).

Notes To the Financial Statements

For the year ended 31 December 2019

22. TRADE PAYABLES

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Deposits On Property	470	23,792	-	8,132
Amount Due To Private Equity Funds	27,556	-	27,556	-
Trade Creditors	570,106	610,626	573,104	586,439
Rental Income Received In Advance	2,677	578	-	578
	600,809	634,996	600,660	595,149

All trade payables, excluding repurchase agreements, are interest free with the normal trade credit terms ranging from 30 to 90 days granted to the Group and KWAP.

Included as trade creditors are repurchase agreements, subject to interest rates ranging from 3.35% to 3.22% (2018: 3.45%) and set to mature within 30 days.

23. OTHER PAYABLES AND ACCRUALS

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Goods And Service Tax ("GST") Payable	3,439	3,712	-	-
Sales and Service Tax ("SST") Payable	466	460	466	460
Withholding Tax Payable	(210)	1,472	(210)	952
Amount Due to Subsidiaries	-	-	45,946	38,168
Provision For Bonus	28,579	28,517	28,000	28,518
Provision For Services	16,988	25,911	16,988	25,911
Provision For External Managers Fees	21,225	17,327	21,224	16,056
Provision For Custodian Fees	3,180	1,430	3,180	1,430
Provision For Tax	73	392	-	-
Other Payables And Accruals	128,710	54,217	2,880	3,344
	202,450	133,438	118,474	114,839

Notes To the Financial Statements

For the year ended 31 December 2019

24. BORROWINGS

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Non-Current	2,039,390	1,289,728	-	-
Current	10,485	893,484	-	-

Existing Group Borrowings

- (a) Loan amounting to AUD113.4 million to KWAP Managed Investment Trust 3 ("KWAP MIT 3") is at a fixed rate of interest at 3.44% per annum. It matures on 4 February 2021 and is secured over the investment property of KWAP MIT 3.
- (b) Loan amounting to AUD93.6 million to KWAP MIT 3 is at a fixed rate of interest at 3.76% per annum. It matures on 2 October 2023 and is secured over the investment property of KWAP MIT 3.
- (c) Loan amounting to AUD160.0 million to KWAP Managed Investment Trust 4 ("KWAP MIT 4") is at a floating rate of BBSY + margin per annum (2019: ranging from 2.475% to 3.764%, 2018: 3.605%). It matures on October 2022 and is secured over the investment property of KWAP MIT 4.
- (d) Loan amounting to GBP139.2 million to Prima Harta (Jersey) Unit Trust ("Prima Harta") is at a floating rate of LIBOR. It matures on 27 November 2024.

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

	Group	
	31 December 2019 RM'000	31 December 2018 RM'000
At 1 January	2,183,212	1,769,003
Cash Flow Changes From Financing Activities:		
Proceeds From Borrowings	749,662	414,209
Repayments Of Borrowings	(882,999)	-
At 31 December	2,049,875	2,183,212

Notes To the Financial Statements

For the year ended 31 December 2019

25. ALLOCATION OF STATUTORY FUNDS

	Group and KWAP	
	31 December	31 December
	2019	2018
	RM'000	RM'000
At 1 January	26,001,944	25,501,944
Add: Allocation For Current Year	500,000	500,000
At 31 December	26,501,944	26,001,944

26. PENSION CONTRIBUTIONS

	Note	Group and KWAP	
		31 December	31 December
		2019	2018
		RM'000	RM'000
Contribution From Statutory Bodies, Local Authorities And Other Agencies	A	15,918,023	14,624,744
Contribution From Government's Share, Gratutities And Other Deductions	B	38,942,254	37,606,008
		54,860,277	52,230,752

Notes To the Financial Statements

For the year ended 31 December 2019

26. PENSION CONTRIBUTIONS (CONTINUED)

Note A – Contribution From Statutory Bodies, Local Authorities And Other Agencies

The Group and KWAP receive monthly contributions for permanent employees with pensionable status from the respective employers such as Statutory Bodies, Local Authorities and Other Agencies. Contributions are based on 17.5% of the basic monthly salary of the employees.

	Group and KWAP		
	Accumulated Contributions RM'000	Receipts RM'000	Balance RM'000
2019			
Statutory Bodies	11,654,691	1,055,659	12,710,350
Local Authorities	2,855,220	233,325	3,088,545
Other Agencies	122,334	4,677	127,011
	14,632,245	1,293,661	15,925,906
Less:			
Repayment Of Claims	(7,501)	(382)	(7,883)
	14,624,744	1,293,279	15,918,023
2018			
Statutory Bodies	10,638,313	1,016,378	11,654,691
Local Authorities	2,626,079	229,141	2,855,220
Other Agencies	116,652	5,682	122,334
	13,381,044	1,251,201	14,632,245
Less:			
Repayment Of Claims	(5,967)	(1,534)	(7,501)
	13,375,077	1,249,667	14,624,744

Notes To the Financial Statements

For the year ended 31 December 2019

26. PENSION CONTRIBUTIONS (CONTINUED)

Note B – Contribution From Government's Share, Gratuities And Other Deductions

Contributions from the Government's portion, gratuities and other deductions remitted to the Group and KWAP upon any withdrawals made by public officers under the Pensionable Employees Withdrawal Scheme were as follows:

2019	Contributions RM'000	Receipts RM'000	Balance RM'000
KWSP	28,532,095	1,084,044	29,616,139
KWSG	146,709	-	146,709
KWSG - Sabah	12,479	-	12,479
LTAT	7,790,365	188,294	7,978,659
SESCO	45,309	-	45,309
JPA	1,220,857	77,677	1,298,534
VETERAN ATM	-	905	905
Others	41,113	20	41,133
	37,788,927	1,350,940	39,139,867
Less:			
Repayment Of Claims	(182,919)	(14,694)	(197,613)
	37,606,008	1,336,246	38,942,254
2018			
KWSP	27,441,442	1,090,653	28,532,095
KWSG	146,709	-	146,709
KWSG - Sabah	12,479	-	12,479
LTAT	7,332,056	458,309	7,790,365
SESCO	45,309	-	45,309
JPA	1,147,968	72,889	1,220,857
Others	40,522	591	41,113
	36,166,485	1,622,442	37,788,927
Less:			
Repayment Of Claims	(164,862)	(18,057)	(182,919)
	36,001,623	1,604,385	37,606,008

27. WITHDRAWAL BY FEDERAL GOVERNMENT

During the year, there was no withdrawal by the Federal Government (2018: RM4.5 billion).

Notes To the Financial Statements

For the year ended 31 December 2019

28. RETAINED EARNINGS

The Group's Retained Earnings amounting to RM73.5 billion was the balance of revenue reserves as at 31 December 2019 (2018: RM66.8 billion). KWAP's Retained Earnings amounting to RM73.6 billion was the balance of revenue reserves as at 31 December 2019 (2018: RM67.0 billion).

29. RESERVES

		Group		KWAP	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Other Reserves		(46,642)	(46,642)	-	-
Foreign Exchange Reserves		(194,982)	(164,830)	-	-
Fair Value Through Other Comprehensive Income (FVOCI) Reserves					
Debt instrument at FVOCI Reserves	A	1,036,330	(94,431)	1,036,330	(94,431)
Equity instrument at FVOCI Reserves	B	(4,048,899)	(4,080,609)	(4,048,899)	(4,080,609)
		(3,254,193)	(4,386,512)	(3,012,569)	(4,175,040)

Note A: There are investments classified as debt instruments at FVOCI whereby the changes in fair value are accumulated within the Financial Assets at FVOCI Reserves within equity. The accumulated changes in fair value are transferred to profit or loss upon disposal of the investments.

Note B: The Group and KWAP elected to recognise changes in the fair value of equity instruments in Other Comprehensive Income whereby the changes in fair value are accumulated within the Financial Assets at FVOCI Reserves within equity. The accumulated changes in fair value are transferred to Retained Earnings upon derecognition of the investments.

Notes To the Financial Statements

For the year ended 31 December 2019

30. DEFERRED TAX LIABILITIES

	Group	
	31 December 2019 RM'000	31 December 2018 RM'000
At 1 January	66	154
Amount Recognised In Profit Or Loss	296	(88)
As At 31 December	362	66
After Appropriate Offsetting As Follows:		
- Deferred Tax Liabilities	(362)	(66)
	(362)	(66)
Deferred Tax Liabilities:		
- Settled More Than 12 Months	(362)	(66)
	(362)	(66)

31. EMPLOYEE BENEFITS

	Group and KWAP Post - Retirement Medical Benefits RM'000
At 1 January 2019	3,744
Provisions For The Year	(386)
Benefits Paid	(11)
As At 31 December 2019	3,347

The maturity structure of Employee Benefits are as follows:

	Group and KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000
Active Members	2,876	3,708
Retirees	471	36
	3,347	3,744

Notes To the Financial Statements

For the year ended 31 December 2019

31. EMPLOYEE BENEFITS (CONTINUED)

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

	Group and KWAP	
	31 December	31 December
	2019	2018
	RM'000	RM'000
At 1 January	3,744	5,410
Current Service Cost	301	(1,658)
Interest Cost	128	-
Adjustments During The Year	(815)	-
Benefits Paid	(11)	(8)
Net Actuarial Gain	-	-
As At 31 December	3,347	3,744

- (b) The amounts recognised in the Statement of Financial Position were analysed as follows:

	Group and KWAP	
	31 December	31 December
	2019	2018
	RM'000	RM'000
Net Liabilities As at 1 January	3,744	5,410
Present Value Of Unfunded Obligations	-	-
Total Post-Retirement Costs Recognised In The Statements Of Comprehensive Income And Other Comprehensive Income	(386)	(1,658)
Benefits Paid	(11)	(8)
Net Liabilities As At 31 December	3,347	3,744

- (c) The amounts recognised in the Statement of Comprehensive Income were analysed as follows:

	Group and KWAP	
	31 December	31 December
	2019	2018
	RM'000	RM'000
Current Service Cost	301	(1,658)
Interest Cost	128	-
Adjustments During The Year	(815)	-
Total Post-Retirement Costs Recognised In The Statement Of Comprehensive Income And Other Comprehensive Income	(386)	(1,658)

Notes To the Financial Statements

For the year ended 31 December 2019

31. EMPLOYEE BENEFITS (CONTINUED)

(d) The principal actuarial assumptions employed were as follows:

	Group and KWAP	
	31 December 2019 %	31 December 2018 %
Discount Rate (%)	4.6%	4.7%
Medical Cost Inflation (%)		
GP	3.0%	-
HP	3.0%	-
SP	3.0%	-
DL	0.0%	-
Below 30	-	1.9%
30 - 39	-	2.1%
40 And Above	-	2.4%
Average Life Expectancy (Years):	-	83
Male	-	82
Female	-	84

The provision of post-employment medical benefits is based on the Net Present Value ("NPV"), representing the present value of the estimated future cash outflows required to settle the Post-Retirement Medical Benefit obligations. The NPV amount is discounted at the expected money market rate of 4.60%, on the basis that underlying instrument is naturally considered to be conservative and liquid for the Group and KWAP.

(e) The sensitivity analysis below are determined based on a method that extrapolates the occurrence of reasonable changes in key assumptions in the same Statement of Financial Position whereby all other assumptions remain constant:

	Group and KWAP			
	31 December 2019 RM'000		31 December 2018 RM'000	
	Increase	Decrease	Increase	Decrease
Discount Rate (1 % Movement)	(653)	872	(970)	1,373
Medical Inflation Rate (1% Movement)	90	(203)	-	-
Average Life Expectancy (1 Year Movement)	-	-	186	(187)
	(563)	669	(784)	1,186

Notes To the Financial Statements

For the year ended 31 December 2019

32. FINANCE LEASE

	Group	
	31 December 2019 RM'000	31 December 2018 RM'000
Obligation Under Finance Lease	52,631	54,296
Repayment Of Finance Lease	(6)	-
	52,625	54,296

	Group	
	31 December 2019 RM'000	31 December 2018 RM'000
Future Minimum Payment Due:		
Not Later Than One Year	2,939	2,879
After One Year But Not More Than Five Years	11,767	11,516
After Five Years	406,448	403,785
	421,154	418,180
Less: Finance Charges Allocated To Future Periods		
Not Later Than One Year	(149)	(145)
After One Year But Not More Than Five Years	(1,407)	(1,378)
After Five Years	(366,973)	(362,361)
Present Value of Minimum Lease Payments	52,625	54,296
Present Value of Minimum Lease Payments Is Analysed As Follows:		
Not Later Than One Year	2,791	2,734
After One Year But Not More Than Five Years	10,349	10,138
After Five Years	39,485	41,424
Present Value of Minimum Lease Payments	52,625	54,296

Notes To the Financial Statements

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33. FINANCIAL RISK

The Group and KWAP are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, equity price risk, credit risk and liquidity risk.

The Group and KWAP have an approved set of guidelines and policies as well as internal controls which set out the overall business strategies for the management of the risks. The overall financial risk management objective is to enhance the contributors' value through the effective management of the risks.

The policies and procedures of risk management are reviewed and approved by the Board. The following sections provide details regarding the Group's and KWAP's exposure to the above-mentioned financial risks as well as the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk of the fluctuation of fair value or future cash flows of financial instruments due to changes in the market interest rates. The Group's and KWAP's exposure to the risk of changes in the market interest rates relate primarily to loans and receivables and external borrowings with floating interest rates.

The Group and KWAP actively manage the interest rate risk with the maintenance of an interest rate cover ratio of a minimum of one and a half times.

Interest rate sensitivity

The following table demonstrates the sensitivity to the reasonable possible change in interest rates on the portion of borrowings. With all other variables held constant, the table summarises the Group's and KWAP's exposure to interest rate risk on the loans and receivables and external borrowings with floating interest rates and fixed income securities.

	Group Effect On Equity RM'000	KWAP Effect On Equity RM'000	Group Effect On Profit Before Tax RM'000	KWAP Effect On Profit Before Tax RM'000
2019				
Increase In 100 Basis Points	(1,780,393)	(1,780,393)	(274,111)	(274,111)
Decrease In 100 Basis Points	1,780,393	1,780,393	274,111	274,111
2018				
Increase In 100 Basis Points	(2,958,869)	(2,958,869)	(9,694)	(9,694)
Decrease In 100 Basis Points	2,958,869	2,958,869	9,694	9,694

The Group and KWAP are exposed to various risks associated with the fluctuations in the prevailing levels of interest rate on its Statements of Financial Position and Statements of Cash Flows. The following table indicates KWAP's financial assets and financial liabilities at their effective interest rate and the carrying amount analysed by the maturity date or the next repricing date, whichever is earlier.

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

Group	0-12 Months RM '000	>1-5 Year RM '000	Over 5 Years RM '000	Non-Interest Sensitive RM '000	Total RM '000
2019					
Financial Assets					
Investment In Associates	-	-	-	905,272	905,272
Investment In Joint Ventures	-	-	-	127,028	127,028
Loans And Receivables	2,441,583	5,033,637	567,550	-	8,042,770
Long Term Receivables	-	918	-	-	918
Debt Instruments At Amortised Cost	-	1,960,915	13,191,252	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	120,925	367,061	285,686	-	773,672
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	157,551	1,500,000	42,265,077	43,922,628
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	10,382,498	21,036,253	-	31,418,751
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	27,979,328	27,979,328
Derivative Financial Assets	205,708	-	-	-	205,708
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	11,498,142
Other Non-Interest Sensitive Assets	-	-	-	10,118,673	10,118,673
	14,266,358	17,902,580	36,580,741	81,395,378	150,145,057
Financial Liabilities					
Trade Payables	510,198	-	-	90,611	600,809
Borrowings	10,485	2,039,390	-	-	2,049,875
	520,682	2,039,390	-	90,611	2,650,683

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

KWAP	0-12 Months	>1-5 Year	Over 5 Years	Non-Interest Sensitive	Total
2019	RM '000	RM '000	RM '000	RM '000	RM '000
Financial Assets					
Investment In Subsidiaries	-	-	-	4,646,586	4,646,586
Investment In Associates	-	-	-	851,365	851,365
Investment In Joint Ventures	-	-	-	-	-
Loans And Receivables	2,441,583	5,332,726	567,550	-	8,341,859
Debt Instruments At Amortised Cost	-	1,960,915	13,191,252	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	323,977	367,061	285,686	-	976,724
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	157,551	1,500,000	42,265,077	43,922,628
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	10,382,498	21,036,253	-	31,418,751
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	27,979,328	27,979,328
Derivative Financial Assets	204,299	-	-	-	204,299
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	11,498,142
Other Non-Interest Sensitive Assets	-	-	-	3,277,526	3,277,526
	14,468,001	18,200,751	36,580,741	79,019,882	148,269,375
Financial Liabilities					
Trade Payables	510,198	-	-	90,462	600,660
	510,198	-	-	90,462	600,660

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

Group	0-12 Months RM '000	>1-5 Year RM '000	Over 5 Years RM '000	Non-Interest Sensitive RM '000	Total RM '000
2018					
Financial Assets					
Investment In Associates	-	-	-	424,185	424,185
Investment In Joint Ventures	-	-	-	376,020	376,020
Loans And Receivables	150,000	8,084,033	556,818	-	8,790,851
Debt Instruments At Amortised Cost	-	4,064,072	13,089,789	-	17,153,861
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	897,424	260,412	109,013	-	1,266,849
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	179,178	1,500,000	34,268,908	35,948,086
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	12,854,721	17,889,623	-	30,744,344
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	25,258,816	25,258,816
Derivative Financial Assets	43,350	-	-	-	43,350
Deposits And Placements With Financial Institutions	9,530,277	-	-	-	9,530,277
Other Non-Interest Sensitive Assets	-	-	-	9,808,014	9,808,014
	10,621,050	25,442,416	33,145,243	70,135,942	139,344,652
Financial Liabilities					
Trade Payables	276,322	-	-	358,674	634,996
Borrowings	893,484	1,289,728	-	-	2,183,212
	1,169,806	1,289,728	-	358,674	2,818,208

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

KWAP	0-12 Months	>1-5 Year	Over 5 Years	Non-Interest Sensitive	Total
2018	RM '000	RM '000	RM '000	RM '000	RM '000
Financial Assets					
Investment In Subsidiaries	-	-	-	3,699,623	3,699,623
Investment In Associates	-	-	-	387,292	387,292
Investment In Joint Ventures	-	-	-	10,000	10,000
Loans And Receivables	150,000	8,417,003	556,818	-	9,123,821
Debt Instruments At Amortised Cost	-	4,064,072	13,089,789	-	17,153,861
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,101,556	260,412	109,013	-	1,470,981
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	179,178	1,500,000	34,268,908	35,948,086
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	12,854,721	17,889,623	-	30,744,344
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	25,258,816	25,258,816
Derivative Financial Assets	43,350	-	-	-	43,350
Deposits And Placements With Financial Institutions	9,530,277	-	-	-	9,530,277
Other Non-Interest Sensitive Assets	-	-	-	3,963,544	3,963,544
	10,825,182	25,775,386	33,145,243	67,588,183	137,333,995
Financial Liabilities					
Trade Payables	276,322	-	-	318,827	595,149
	276,322	-	-	318,827	595,149

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(b) Equity price risk

The Group's and KWAP's quoted equity instruments are susceptible to market price risk arising from uncertainties in relation to the future values of investment securities. The Group and KWAP manage the equity price risk through diversification as well as placements of limits on the individual and total equity instruments. Reports on the equity portfolio are regularly submitted to the Group's and KWAP's senior management. Equity investment decisions are reviewed and approved by the Board of the Group and of KWAP.

Equity price sensitivity

The following table demonstrates the sensitivity to the reasonable possible change in equity price of the Group's and KWAP's equity investments, due to the changes in fair value of quoted equity shares, with all other variables held constant.

	Group Effect On Equity RM'000	KWAP Effect On Equity RM'000	Group Effect On Profit Before Tax RM'000	KWAP Effect On Profit Before Tax RM'000
2019				
Domestic Equity				
Increase Of 5% In Equity Price	2,731,121	2,731,121	1,332,154	1,332,154
Decrease Of 5% In Equity Price	(2,731,121)	(2,731,121)	(1,332,154)	(1,332,154)
International Equity				
Increase Of 10% In Equity Price	1,242,220	1,242,220	1,242,220	1,242,220
Decrease Of 10% In Equity Price	(1,242,220)	(1,242,220)	(1,242,220)	(1,242,220)
2018				
Domestic Equity				
Increase Of 5% In Equity Price	2,397,181	2,397,181	1,134,240	1,134,240
Decrease Of 5% In Equity Price	(2,397,181)	(2,397,181)	(1,134,240)	(1,134,240)
International Equity				
Increase Of 10% In Equity Price	814,180	814,180	814,180	814,180
Decrease Of 10% In Equity Price	(814,180)	(814,180)	(814,180)	(814,180)

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in the foreign exchange rates.

The Group's and KWAP's exposure to foreign exchange risk includes international equity, fixed income and alternative investments such as private equity funds and properties.

The following table summarises the fair value of international investments of the Group and of KWAP for the top currencies in which the assets are held:

Group								
2019	MYR	USD	AUD	GBP	EUR	HKD	Others	Total
Financial Assets (RM'000)								
Investment Properties	1,872,552	-	1,929,941	1,986,246	415,096	-	-	6,203,835
Loan and Receivables	8,042,770	-	-	-	-	-	-	8,042,770
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	763,888	9,784	-	-	-	-	-	773,672
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	28,289,493	6,843,305	574,141	1,771,505	1,557,305	1,381,556	3,505,323	43,922,628
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	30,433,110	700,538	111,653	-	-	-	173,450	31,418,751
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	27,979,328	-	-	-	-	-	-	27,979,328
Derivative Financial Assets	204,299	-	-	1,409	-	-	-	205,708
Deposits and Placements with Financial Institutions	10,640,527	484,670	280,716	92,229	-	-	-	11,498,142
Cash and Bank Balances	757,039	157,218	139,148	253,387	179,076	-	-	1,485,868
	108,983,006	8,195,515	3,035,599	4,104,776	2,151,477	1,381,556	3,678,773	131,530,702

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

The following table summarises the fair value of international investments of the Group and of KWAP for the top currencies in which the assets are held: (continued)

KWAP 2019	MYR	USD	AUD	GBP	EUR	HKD	Others	Total
Financial Assets (RM'000)								
Investment Properties	453,391	-	-	-	-	-	-	453,391
Loan and Receivables	8,042,770	-	299,089	-	-	-	-	8,341,859
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	966,940	9,784	-	-	-	-	-	976,724
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	28,289,493	6,843,305	574,141	1,771,505	1,557,305	1,381,556	3,505,323	43,922,628
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	30,433,110	700,538	111,653	-	-	-	173,450	31,418,751
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	27,979,328	-	-	-	-	-	-	27,979,328
Derivative Financial Assets	204,299	-	-	-	-	-	-	204,299
Deposits and Placements with Financial Institutions	10,640,527	484,670	280,716	92,229	-	-	-	11,498,142
Cash and Bank Balances	628,183	157,218	28,675	85,753	125,849	-	-	1,025,678
	107,638,041	8,195,515	1,294,274	1,949,487	1,683,154	1,381,556	3,678,773	125,820,800

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

The following table summarises the fair value of international investments of the Group and of KWAP for the top currencies in which the assets are held: (continued)

Group 2018	MYR	USD	AUD	GBP	EUR	HKD	Others	Total
Financial Assets (RM'000)								
Investment Properties	1,689,241	-	2,019,573	1,185,884	440,465	-	-	5,335,163
Loan and Receivables	8,790,851	-	-	-	-	-	-	8,790,851
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,244,655	22,194	-	-	-	-	-	1,266,849
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	25,088,038	4,651,591	416,837	1,192,601	1,180,936	1,176,245	2,241,838	35,948,086
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	28,642,585	1,866,786	109,939	-	6,119	-	118,915	30,744,344
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	25,258,816	-	-	-	-	-	-	25,258,816
Derivative Financial Assets	43,350	-	-	-	-	-	-	43,350
Deposits and Placements with Financial Institutions	8,424,033	470,178	580,289	55,777	-	-	-	9,530,277
Cash and Bank Balances	405,341	384,537	123,167	209,697	689,409	-	23	1,812,174
	99,586,910	7,395,286	3,249,805	2,643,959	2,316,929	1,176,245	2,360,776	118,729,910

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

The following table summarises the fair value of international investments of the Group and of KWP for the top currencies in which the assets are held: (continued)

KWP 2018	MYR	USD	AUD	GBP	EUR	HKD	Others	Total
Financial Assets (RM'000)								
Investment Properties	696,878	-	-	-	-	-	-	696,878
Loan and Receivables	8,790,851	332,970	-	-	-	-	-	9,123,821
Debt Instruments At Fair Value								
Through Profit And Loss ("FVTPL")	1,448,788	22,194	-	-	-	-	-	1,470,981
Equity Instruments At Fair Value								
Through Profit And Loss ("FVTPL")	25,088,038	4,651,591	416,837	1,192,601	1,180,936	1,176,245	2,241,838	35,948,086
Debt Instruments At Fair Value								
Through Other Comprehensive Income ("FVOCI")	28,642,585	1,866,786	109,939	-	6,119	-	118,915	30,744,344
Equity Instruments At Fair Value								
Through Other Comprehensive Income ("FVOCI")	25,258,816	-	-	-	-	-	-	25,258,816
Derivative Financial Assets	43,350	-	-	-	-	-	-	43,350
Deposits and Placements with Financial Institutions	8,424,033	470,178	580,289	55,777	-	-	-	9,530,277
Cash and Bank Balances	326,320	384,537	1	168,730	653,975	-	-	1,533,563
	98,719,658	7,728,256	1,107,066	1,417,108	1,841,030	1,176,245	2,360,753	114,350,116

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

The following table demonstrate the sensitivity to a reasonable change in the currencies of the Group's and of KWAP's international investments:

	Group Effect On Profit Before Tax	
	RM'000 +3%	RM'000 -3%
2019		
Currency		
USD	245,865	(245,865)
AUD	91,068	(91,068)
GBP	123,143	(123,143)
EUR	64,544	(64,544)
HKD	41,447	(41,447)
JPY	50,757	(50,757)
2018		
Currency		
USD	221,859	(221,859)
AUD	97,494	(97,494)
GBP	79,319	(79,319)
EUR	69,508	(69,508)
HKD	35,287	(35,287)

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

The following table demonstrate the sensitivity to a reasonable change in the currencies of the Group's and of KWAP's international investments: (continued)

	KWAP Effect On Profit Before Tax	
	RM'000 +3%	RM'000 -3%
2019		
Currency		
USD	245,865	(245,865)
AUD	38,828	(38,828)
GBP	58,485	(58,485)
EUR	50,495	(50,495)
HKD	41,447	(41,447)
JPY	50,757	(50,757)
2018		
Currency		
USD	231,848	(231,848)
AUD	33,212	(33,212)
GBP	42,513	(42,513)
EUR	55,231	(55,231)
HKD	35,287	(35,287)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments in the event of defaults on the obligations of the counterparty. The Group's and KWAP's exposure to credit risk arise primarily from loan receivables. For other financial assets (including investments in bonds, money market instruments and deposits with banks), the Group and KWAP minimise the credit risk via exclusive transactions with high credit rating counterparties.

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

As at the reporting date, the Group's and KWAP's maximum exposure to credit risk are represented by the carrying amount of each class of financial assets recognised in the Statement of Financial Position, including derivatives with positive fair value.

(i) Credit risk management

The Group and KWAP consider the probability of default upon the initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and KWAP compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. Available, reasonable and supportive forward-looking information are taken into consideration and the following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is the failure of the counterparty to make contractual payments within 90 days of when they fall due.

All of the financial assets are considered to be low risk, and thus the recognition of the provision of impairment during the reporting year was limited to 12-months ECL. Management consider 'low risk' to be the investment grade credit rating by a minimum of one (1) major credit rating agency.

In the determination of an improvement of the credit risk of a modified financial asset with the loss allowance measured at lifetime ECL to the extent of reverting to the loss allowance measured at 12-months ECL, the grading system (i.e. investment and non-investment grade) was employed to assess improvement in credit quality of a modified financial asset.

The said financial assets are monitored until the loss allowance is subsequently remeasured at the lifetime ECL.

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(ii) Measurement of Expected Credit Loss

The Group and KWAP use the three (3) stage approach for Loans and Receivables and debt instruments to reflect the respective credit risk and the determination of the loss allowance for each category. A summary of the assumptions underpinning the Group's and KWAP's ECL model is as follows:

Category	Group's and KWAP's definition of category	Basis for recognising ECL
Stage 1	Debtors with a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Stage 2	Debtors for which there is a significant increase in credit risk or presumption of a significant increase in credit risk if the interest and/or principal repayments are 30 days past due.	Lifetime ECL
Stage 3	Interest and/or principal repayments are 90 days past due or there is evidence to indicate credit-impairment of financial asset	Lifetime ECL

Based on the above, the loss allowance is measured on either 12-months ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ("Probability of Default") – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ("Loss Given Default") – the percentage of the contractual cash flows that will not be collected in the event of default; and
- EAD ("Exposure At Default") – the outstanding amount that is exposed to default risk.

The Group and KWAP identified the Malaysian Gross Domestic Product ("GDP") and the USD/MYR exchange rate as the most relevant factors for domestic instruments, and the federal funds rate and the broad commodity index as the most relevant factors for international instruments. The Group and KWAP accordingly adjust the external benchmark information based on the expected changes in these factors. There were no significant changes to estimation techniques or assumptions were made during the reporting period.

(iii) Credit quality

Various tools are utilised for the measurement of credit risk including third party solutions employed to compute the Credit Value-at-Risk (VaR) as well as the internal credit rating scoring model for the provision of internal rating for corporate and financial institutions.

The Group and KWAP may invest in domestic bonds with the minimum rating of A3 (RAM), A- (MARC) as well as in international bonds with the minimum rating of BBB- (S&P or Fitch), Baa3 (Moody's) or the equivalent rating from other recognized international rating agencies. In relation to the private debt securities portfolio, the weighted average credit quality of the private debt securities portfolio is AA.

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

The internal credit rating scoring model is utilised as a tool to complement the existing credit evaluation process as well as to assist in the monitoring of the credit development. The methodology for the scoring model is based on the approach of rating agencies whereby the implementation is based on a set of scoring methodology for domestic and international credits. The model provides an internal rating for unrated bonds or loans, as well as identification of the discrepancy between the internal rating and the external ratings by the rating agencies for the rated bonds, if any.

Debt securities are classified into an internal rating scale which is consistent with the rating agencies. The credit quality classification is as follows:

(i) Long Term Rating For Payment Of Long Term Financial Obligations

Domestic	Credit Rating	Definition of Quality Classifications
Sovereign	Sovereign	Issued/guaranteed by the government
Strong	AAA and AA	Superior/strong ability to meet financial obligations
Moderate	A	Adequate ability to meet financial obligations
Weak	BBB and below	Moderate/weak ability to meet financial obligations
International	Credit Rating	Definition of Quality Classifications
Sovereign	Sovereign	Issued/guaranteed by the government
Strong	AAA and AA	Superior/strong ability to meet financial obligations
Moderate	A	Adequate ability to meet financial obligations
Weak	BBB and below	Moderate/weak ability to meet financial obligations

(ii) Short Term Rating For Payment Of Short Term Financial Obligations

Domestic	Credit Rating	Definition of Quality Classifications
Strong	P1/MARC ₁	Strong ability to meet financial obligations
Moderate	P2/MARC ₂	Adequate ability to meet financial obligations
International	Credit Rating	Definition of Quality Classifications
Strong	A1/P1/F1	Strong ability to meet financial obligations
Moderate	A2/P2/F2	Adequate ability to meet financial obligations

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

Debt securities are classified into an internal rating scale which is consistent with the rating agencies. The credit quality classification is as follows: (continued)

(iii) Non-Rated Financial Assets

Financial assets without external credit rating.

(iv) Impaired

Impaired exposure which is assessed individually based on KWAP's investment policies.

The credit quality of financial assets can be assessed by reference to the internal rating system adopted by the Group and KWAP.

(a) Debt instruments at FVOCI

	12-months expected credit loss	Lifetime expected credit losses Not credit impaired	Lifetime expected credit losses Credit impaired	Purchased or originated Credit impaired
	RM'000	RM'000	RM'000	RM'000
2019				
AA	67	-	-	-
A	70	-	-	-
BBB	58	-	-	-
BB	-	10,620	-	-
2018				
AA	29	-	-	-
A	145	-	-	-
BBB	307	-	-	-

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Debt instruments at amortised cost

	12-months expected credit loss	Lifetime expected credit losses Not credit impaired	Lifetime expected credit losses Credit impaired	Purchased or originated Credit impaired
	RM'000	RM'000	RM'000	RM'000
2019				
AA	7	-	-	-
2018				
AA	8	-	-	-
A	2	-	-	-

(iv) Estimated value of collateral for financial assets

	Value of collateral RM'000	Gross exposure to credit risk RM'000	Unsecured portion of credit exposure RM'000
2019			
Loans and Receivables	91,571	8,341,859	8,250,288
2018			
Loans and Receivables	377,900	9,097,303	8,719,403

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Credit quality

Group 31 December 2019	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	4,556,273	3,486,497	-	-	-	8,042,770
Debt Instruments At Amortised Cost	10,623,489	4,528,678	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	444,137	177,684	146,151	5,700	-	773,672
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	1,500,000	157,551	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	18,233,851	12,280,882	794,939	109,079	-	31,418,751
Trade Receivables	-	-	-	-	1,655,148	1,655,148
Sundry Debtors And Deposits	-	-	-	-	52,119	52,119
Deposits And Placements With Financial Institutions	-	9,512,674	1,985,468	-	-	11,498,142
Cash And Bank Balances	294	557,015	468,363	-	460,196	1,485,868
	33,858,044	32,043,430	3,552,472	114,779	2,167,463	71,736,188

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Credit quality (continued)

KWAP						
31 December 2019	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	4,556,273	3,785,586	-	-	-	8,341,859
Debt Instruments At Amortised Cost	10,623,489	4,528,678	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	444,137	380,736	146,151	5,700	-	976,724
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	1,500,000	157,551	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	18,233,851	12,280,882	794,939	109,079	-	31,418,751
Trade Receivables	-	-	-	-	1,630,568	1,630,568
Sundry Debtors And Deposits	-	-	-	-	103,877	103,877
Deposits And Placements With Financial Institutions	-	9,512,674	1,985,468	-	-	11,498,142
Cash And Bank Balances	294	557,015	468,363	-	6	1,025,678
	33,858,044	32,545,571	3,552,472	114,779	1,734,451	71,805,317

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Credit quality (continued)

Group 31 December 2018	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	5,041,392	3,599,459	150,000	-	-	8,790,851
Debt Instruments At Amortised Cost	10,312,509	6,691,352	150,000	-	-	17,153,861
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	862,424	116,951	233,564	18,910	35,000	1,266,849
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	1,500,000	179,178	-	-	1,679,178
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	15,591,640	12,202,457	2,130,058	820,189	-	30,744,344
Trade Receivables	-	-	-	-	1,517,539	1,517,539
Sundry Debtors And Deposits	-	-	-	-	121,648	121,648
Deposits And Placements With Financial Institutions	-	7,371,922	2,158,355	-	-	9,530,277
Cash And Bank Balances	101	401,098	1,132,356	-	278,619	1,812,174
	31,808,066	31,883,239	6,133,511	839,099	1,952,806	72,616,721

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Credit quality (continued)

KWAP						
31 December 2018	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	5,041,392	3,932,429	150,000	-	-	9,123,821
Debt Instruments At Amortised Cost	10,312,509	6,691,352	150,000	-	-	17,153,861
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	862,424	321,083	233,564	18,910	35,000	1,470,981
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	1,500,000	179,178	-	-	1,679,178
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	15,591,640	12,202,457	2,130,058	820,189	-	30,744,344
Trade Receivables	-	-	-	-	1,519,946	1,519,946
Sundry Debtors And Deposits	-	-	-	-	142,358	142,358
Deposits And Placements With Financial Institutions	-	7,371,922	2,158,355	-	-	9,530,277
Cash And Bank Balances	101	401,098	1,132,356	-	8	1,533,563
	31,808,066	32,420,341	6,133,511	839,099	1,697,312	72,898,329

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk

The assessment of the credit risk of counterparties determines the required amount and type of collaterals. The treatment of collateral is established encompassing the acceptability and valuation of each type of collateral.

The main types of collaterals are as follows:

- Guarantees from the Government of Malaysia in relation to government-related loans;
- Charges over collaterals as well as guarantees from parent companies for loans to their respective subsidiaries in relation to corporate loans; and
- Cash and securities for securities in relation to repurchase transitions.

The Group and KWAP monitor the market value of collaterals including the possible request for additional collaterals in accordance with the underlying agreement.

Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements

The following table illustrates the maximum exposure to credit risk by classes of financial assets as well as the total fair value of collaterals, the surplus collateral (to the extent whereby the fair value of the collateral held is greater than the exposure to which it relates), if any, as well as the net exposure to credit risk.

For financial assets reflected in the Statement of Financial Position, the exposure to credit risk equals the carrying amount. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, the exposure to credit risk is generally the full amount of the committed facilities.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for financial assets that are exposed to credit risk for the Group and KWAP is 0.13% (2018 : 0.52%). The financial effect of collateral held for the remaining financial assets are deemed to be insignificant.

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk (continued)

Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements (continued)

Types of collateral or credit enhancements

Group 31 December 2019	Maximum Exposure To Credit Risk	Fair Value Of Collateral And Credit Enhancements Held			
		Properties, Aircraft, Other		Net	Net
Financial Assets (RM'000)		Shares	Fixed Assets	Collateral	Exposure
Loans And Receivables	8,042,770	-	91,571	91,571	7,951,199
Debt Instruments At Amortised Cost	15,152,167	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	773,672	-	-	-	773,672
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,657,551	-	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	-	-	31,418,751
Trade Receivables	1,655,148	-	-	-	1,655,148
Sundry Debtors And Deposits	52,119	-	-	-	52,119
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	11,498,142
Cash And Bank Balances	1,485,868	-	-	-	1,485,868
	71,736,188	-	91,571	91,571	71,644,617

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk (continued)

Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements (continued)

Types of collateral or credit enhancements (continued)

KWAP	Maximum	Fair Value Of Collateral And				
31 December 2019	Exposure To	Credit Enhancements Held				
			Properties, Aircraft, Other		Net	Net
Financial Assets (RM'000)		Shares	Fixed Assets		Collateral	Exposure
Loans And Receivables	8,341,859	-	91,571		91,571	8,250,288
Debt Instruments At Amortised Cost	15,152,167	-	-		-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	976,724	-	-		-	976,724
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,657,551	-	-		-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	-		-	31,418,751
Trade Receivables	1,630,568	-	-		-	1,630,568
Sundry Debtors And Deposits	103,877	-	-		-	103,877
Deposits And Placements With Financial Institutions	11,498,142	-	-		-	11,498,142
Cash And Bank Balances	1,025,678	-	-		-	1,025,678
	71,805,317	-	91,571		91,571	71,713,746

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk (continued)

Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements (continued)

Types of collateral or credit enhancements (continued)

Group 31 December 2018	Maximum Exposure To Credit Risk	Fair Value Of Collateral And Credit Enhancements Held			
		Properties, Aircraft, Other		Net	Net
Financial Assets (RM'000)		Shares	Fixed Assets	Collateral	Exposure
Loans And Receivables	8,790,851	286,329	91,571	377,900	8,412,952
Debt Instruments At Amortised Cost	17,153,861	-	-	-	17,153,861
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,266,849	-	-	-	1,266,849
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,679,178	-	-	-	1,679,178
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	30,744,344	-	-	-	30,744,344
Trade Receivables	1,517,539	-	-	-	1,517,539
Sundry Debtors And Deposits	121,648	-	-	-	121,648
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	9,530,277	-	-	-	9,530,277
Cash And Bank Balances	1,812,174	-	-	-	1,812,174
	72,616,721	286,329	91,571	377,900	72,238,821

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk (continued)

Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements (continued)

Types of collateral or credit enhancements (continued)

KWAP 31 December 2018	Maximum Exposure To Credit Risk	Fair Value Of Collateral And Credit Enhancements Held			
		Properties, Aircraft, Other		Net	Net
Financial Assets (RM'000)		Shares	Fixed Assets	Collateral	Exposure
Loans And Receivables	9,123,821	286,329	91,571	377,900	8,745,921
Debt Instruments At Amortised Cost	17,153,861	-	-	-	17,153,861
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,470,981	-	-	-	1,470,981
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,679,178	-	-	-	1,679,178
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	30,744,344	-	-	-	30,744,344
Trade Receivables	1,519,946	-	-	-	1,519,946
Sundry Debtors And Deposits	142,358	-	-	-	142,358
Profit And Loss ("FVTPL") Debt Instruments At Fair Value Through	9,530,277	-	-	-	9,530,277
Cash And Bank Balances	1,533,563	-	-	-	1,533,563
	72,898,329	286,329	91,571	377,900	72,520,429

Financial assets that are neither past due nor impaired

The following aging analysis illustrates the information regarding financial assets that are neither past due nor impaired. Investments in money market instruments and deposits with licensed banks that are neither past due nor impaired are placed with or entered with reputable financial institutions with high credit ratings as well as no history of default.

Financial assets that are either past due or impaired

The following aging analysis illustrates the information regarding financial assets that are either past due or impaired.

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk (continued)

Aging analysis for financial assets that are past due but not impaired

The amounts in the following table reflect the exposure on the gross financial assets designated as past due but not impaired.

Group 31 December 2019 Financial Assets (RM'000)	Neither Past Due Nor Impaired	Past Due Up To 1 Month	Past Due 1 to 3 Months	Past Due > 3 Months	Impaired	Total
Loans And Receivables	8,042,770	-	-	-	-	8,042,770
Debt Instruments At Amortised Cost	15,152,167	-	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	773,672	-	-	-	-	773,672
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,657,551	-	-	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	-	-	-	31,418,751
Trade Receivables	1,609,273	-	45,875	-	-	1,655,148
Sundry Debtors And Deposits	52,119	-	-	-	-	52,119
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	-	11,498,142
Cash And Bank Balances	1,485,868	-	-	-	-	1,485,868
	71,690,313	-	45,875	-	-	71,736,188

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk (continued)

Aging analysis for financial assets that are past due but not impaired (continued)

The amounts in the following table reflect the exposure on the gross financial assets designated as past due but not impaired.
(continued)

KWAP 31 December 2019 Financial Assets (RM'000)	Neither Past Due Nor Impaired	Past Due Up To 1 Month	Past Due 1 to 3 Months	Past Due > 3 Months	Impaired	Total
Loans And Receivables	8,341,859	-	-	-	-	8,341,859
Debt Instruments At Amortised Cost	15,152,167	-	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	976,724	-	-	-	-	976,724
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,657,551	-	-	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	-	-	-	31,418,751
Trade Receivables	1,584,693	-	45,875	-	-	1,630,568
Sundry Debtors And Deposits	103,877	-	-	-	-	103,877
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	-	11,498,142
Cash And Bank Balances	1,025,678	-	-	-	-	1,025,678
	71,759,442	-	45,875	-	-	71,805,317

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk (continued)

Aging analysis for financial assets that are past due but not impaired (continued)

The amounts in the following table reflect the exposure on the gross financial assets designated as past due but not impaired. (continued)

Group 31 December 2018 Financial Assets (RM'000)	Neither Past Due Nor Impaired	Past Due Up To 1 Month	Past Due 1 to 3 Months	Past Due > 3 Months	Impaired	Total
Loans And Receivables	8,790,851	-	-	-	-	8,790,851
Debt Instruments At Amortised Cost	17,153,861	-	-	-	-	17,153,861
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,266,849	-	-	-	-	1,266,849
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,679,178	-	-	-	-	1,679,178
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	30,744,344	-	-	-	-	30,744,344
Trade Receivables	1,517,539	-	-	-	-	1,517,539
Sundry Debtors And Deposits	121,648	-	-	-	-	121,648
Deposits And Placements With Financial Institutions	9,530,277	-	-	-	-	9,530,277
Cash And Bank Balances	1,812,174	-	-	-	-	1,812,174
	72,616,721	-	-	-	-	72,616,721

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk (continued)

Aging analysis for financial assets that are past due but not impaired (continued)

The amounts in the following table reflect the exposure on the gross financial assets designated as past due but not impaired.
(continued)

KWAP 31 December 2018 Financial Assets (RM'000)	Neither Past Due Nor Impaired	Past Due Up To 1 Month	Past Due 1 to 3 Months	Past Due > 3 Months	Impaired	Total
Loans And Receivables	9,123,821	-	-	-	-	9,123,821
Debt Instruments At Amortised Cost	17,153,861	-	-	-	-	17,153,861
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,470,981	-	-	-	-	1,470,981
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,679,178	-	-	-	-	1,679,178
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	30,744,344	-	-	-	-	30,744,344
Trade Receivables	1,519,946	-	-	-	-	1,519,946
Sundry Debtors And Deposits	142,358	-	-	-	-	142,358
Deposits And Placements With Financial Institutions	9,530,277	-	-	-	-	9,530,277
Cash And Bank Balances	1,533,563	-	-	-	-	1,533,563
	72,898,329	-	-	-	-	72,898,329

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) Maximum exposure to credit risk (continued)

Financial assets exposed to credit risk individually assessed as impaired

There were no financial assets individually assessed as impaired during the year (2018: Nil).

Group	2019		
	Allowances As At 1 January RM '000	Allowances Made During The Year RM '000	Allowances As At 31 December RM '000
Financial Assets At Amortised Cost	10	(3)	7
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	480	10,335	10,815
	490	10,332	10,822
KWAP			
Financial Assets At Amortised Cost	10	(3)	7
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	480	10,335	10,815
	490	10,332	10,822

Group	2018		
	Allowances As At 1 January RM '000	Allowances Made During The Year RM '000	Allowances As At 31 December RM '000
Financial Assets At Amortised Cost	25	(15)	10
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	2,923	(2,443)	480
	2,948	(2,458)	490
KWAP			
Financial Assets At Amortised Cost	25	(15)	10
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	2,923	(2,443)	480
	2,948	(2,458)	490

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(e) Liquidity risk

Liquidity risk is the risk of difficulty to fulfil the financial obligations of the Group and KWAP due to the shortage of funds. Exposure to liquidity risk arises from the mismatch of maturities of financial assets and financial liabilities.

The Group and KWAP actively manage their debt maturity profile, operating cash flows and the availability of funding to ensure the fulfilment of all refinancing, repayment and funding requirements. As part of its overall prudent liquidity management, the Group and KWAP maintain a portfolio of highly liquid assets to meet its working capital and investment requirements.

In addition, the Group and KWAP maintain a balanced and flexible funding structure through the use of credit facilities, short as well as long term borrowings. Short term flexibility is achieved through credit facilities and short term borrowings.

The table below summarises the maturity profile of the Group's and of KWAP's financial liabilities based on contractual undiscounted repayment obligations.

Group	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 years	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial Liabilities						
Derivative Financial Liabilities	-	16,140	10,053	67,475	-	93,668
Trade Payables	90,611	510,198	-	-	-	600,809
Borrowings	-	-	10,485	2,039,390	-	2,049,875
Other Payables And Accruals	202,450	-	-	-	-	202,450
Total Undiscounted Financial Liabilities	293,061	526,338	20,538	2,106,865	-	2,946,802

KWAP	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 years	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial Liabilities						
Derivative Financial Liabilities	-	11,493	10,053	48,412	-	69,958
Trade Payables	90,462	510,198	-	-	-	600,660
Other Payables And Accruals	118,474	-	-	-	-	118,474
Total Undiscounted Financial Liabilities	209,116	521,691	10,053	48,412	-	789,092

Notes To the Financial Statements

For the year ended 31 December 2019

33. FINANCIAL RISK (CONTINUED)

(e) Liquidity risk (continued)

Group	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 years	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial Liabilities						
Derivative Financial Liabilities	-	-	9,311	115,593	-	124,904
Trade Payables	634,996	-	-	-	-	634,996
Borrowings	-	-	893,484	1,289,728	-	2,183,212
Other Payables And Accruals	133,438	-	-	-	-	133,438
Total Undiscounted Financial Liabilities	768,434	-	902,795	1,405,321	-	3,076,550

KWAP	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 years	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial Liabilities						
Derivative Financial Liabilities	-	-	266	108,913	-	109,179
Trade Payables	595,149	-	-	-	-	595,149
Other Payables And Accruals	114,839	-	-	-	-	114,839
Borrowings	-	-	-	-	-	-
Total Undiscounted Financial Liabilities	709,988	-	266	108,913	-	819,167

Notes To the Financial Statements

For the year ended 31 December 2019

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments by classes that are not carried at fair value with its carrying amount

Group	2019		2018	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Loans And Receivables	8,042,770	8,042,770	8,790,851	8,790,851
Debt Instruments At Amortised Costs	15,152,167	16,160,774	17,153,861	16,895,936
Financial Liabilities				
Borrowings	2,049,875	2,049,875	2,183,212	2,183,212

KWAP	2019		2018	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Loans And Receivables	8,341,859	8,341,859	9,123,821	9,123,821
Debt Instruments At Amortised Costs	15,152,167	16,160,774	17,153,861	16,895,936

(b) Determination of fair value

(i) Cash and cash equivalents, receivables and payables

The carrying amounts of the above financial assets and liabilities are determined based on the reasonable approximation of fair value due either to the short term nature or being repayable on demand.

(ii) Loans receivable

The fair value of loans receivables is estimated by the discounting of the estimated future cash flows using the current interest rates for financial assets with similar risk profile.

(iii) Other loans and borrowings

The carrying amount of the current portion of other loans and borrowings is based on the reasonable approximation of fair value due to the significant impact of discounting.

Notes To the Financial Statements

For the year ended 31 December 2019

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Determination of fair value (continued)

(iii) Other loans and borrowings (continued)

The carrying amount of certain other loans and borrowings is based on the reasonable approximation of fair value due to their nature being floating rate instruments repriced to the market interest rates near the reporting date.

The fair value of non-current other loans and borrowings, other than the floating rate instruments, is estimated by the discounting of the expected future cash flows at the market incremental lending rate for similar types of borrowings at the reporting date.

(iv) Financial Assets at Fair Value Through Profit Or Loss

(a) Quoted bonds

The fair value of quoted bonds is directly determined by reference to the published market bid prices at the reporting date.

(b) Unquoted bonds

The fair value of unquoted bonds is estimated using the discounted cash flow model based on various assumptions, including the current and expected credit losses, market rates of interest and assumptions in relation to market liquidity.

(v) Derivative Financial Assets and Liabilities

(a) Forward contracts

The fair value of forward contracts is determined using the observable exchange rates from publicly available sources and through the extrapolation and interpolation techniques.

(b) Cross currency swaps

The fair value of cross currency swaps is determined by discounting the anticipated future cash flows using the standard market interest rate yield curves developed from observable and publicly available quoted rates.

(c) Fair value hierarchy

The Group and KWAP employ the following hierarchy for the determination and disclosure of the fair value of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Techniques whereby all inputs with significant effect on the recorded fair value is either directly or indirectly observable; and

Level 3: Techniques whereby inputs with significant effect on the recorded fair value is not based on observable market data.

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For the year ended 31 December 2019

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

As at 31 December 2019, the Group and KWAP held the following financial instruments carried at fair value in the Statement of Financial Position:

	31 December 2019						
	Fair Value of Financial Assets Carried At Fair Value				Fair Value of Financial Assets Not Carried At Fair Value		
	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group							
Financial Assets							
Investment Properties	8,544,699	-	-	-	-	-	8,544,699
Land Held for Development	746,992	-	-	-	-	-	746,992
Loans And Receivables	8,042,770	-	-	-	-	-	8,042,770
Debt Instruments At Amortised Cost	16,160,774	-	-	-	-	16,160,774	-
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	773,672	-	752,747	20,925	-	-	-
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	43,922,628	39,036,392	1,657,551	3,228,685	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	31,418,751	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	27,979,328	27,979,328	-	-	-	-	-
Derivative Financial Assets	205,708	1,409	204,299	-	-	-	-
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	-	-	11,498,142
Trade Receivables	1,655,148	-	-	-	-	-	1,655,148
Sundry Debtors And Deposits	52,119	-	-	-	-	-	52,119
Cash and Bank Balances	1,485,868	-	-	-	-	-	1,485,868
	152,486,599	67,017,129	34,033,348	3,249,610	-	16,160,774	32,025,738
Financial Liabilities							
Borrowings	2,049,875	-	-	2,049,875	-	-	-
Payables And Accruals	803,259	-	-	-	-	-	803,259
Derivative Financial Liabilities	93,668	-	93,654	14	-	-	-
	2,946,802	-	93,654	2,049,889	-	-	803,259

Notes To the Financial Statements

For the year ended 31 December 2019

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

As at 31 December 2019, the Group and KWAP held the following financial instruments carried at fair value in the Statement of Financial Position: (continued)

	31 December 2019						
	Fair Value of Financial Assets Carried At Fair Value				Fair Value of Financial Assets Not Carried At Fair Value		
	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
KWAP							
Financial Assets							
Investment Properties	521,000	-	-	-	-	-	521,000
Loans And Receivables	8,341,859	-	-	-	-	-	8,341,859
Debt Instruments At Amortised Cost	16,160,774	-	-	-	-	16,160,774	-
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	976,724	-	752,747	223,977	-	-	-
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	43,922,628	39,036,392	1,657,551	3,228,685	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	31,418,751	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	27,979,328	27,979,328	-	-	-	-	-
Derivative Financial Assets	204,299	-	204,299	-	-	-	-
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	-	-	11,498,142
Trade Receivables	1,630,568	-	-	-	-	-	1,630,568
Sundry Debtors And Deposits	103,877	-	-	-	-	-	103,877
Cash and Bank Balances	1,025,678	-	-	-	-	-	1,025,678
	143,783,628	67,015,720	34,033,348	3,452,662	-	16,160,774	23,121,124
Financial Liabilities							
Payables And Accruals	719,134	-	-	-	-	-	719,134
Derivative Financial Liabilities	69,958	-	69,958	-	-	-	-
	789,092	-	69,958	-	-	-	719,134

Notes To the Financial Statements

For the year ended 31 December 2019

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

As at 31 December 2019, the Group and KWAP held the following financial instruments carried at fair value in the Statement of Financial Position: (continued)

	31 December 2018						
	Fair Value of Financial Assets Carried At Fair Value				Fair Value of Financial Assets Not Carried At Fair Value		
	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group							
Financial Assets							
Investment Properties	7,933,009	-	-	-	-	-	7,933,009
Land Held for Development	641,045	-	-	-	-	-	641,045
Loans And Receivables	8,790,851	-	-	-	-	-	8,790,851
Debt Instruments At Amortised Cost	17,153,861	-	-	-	-	17,153,861	-
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,266,849	-	1,231,849	35,000	-	-	-
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	35,948,086	30,826,595	1,679,178	3,442,313	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	30,744,344	-	30,744,344	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	25,258,816	25,258,816	-	-	-	-	-
Derivative Financial Assets	43,350	964	42,386	-	-	-	-
Deposits And Placements With Financial Institutions	9,530,277	-	-	-	-	-	9,530,277
Trade Receivables	1,517,539	-	-	-	-	-	1,517,539
Sundry Debtors And Deposits	121,648	-	-	-	-	-	121,648
Cash And Bank	1,812,174	-	-	-	-	-	1,812,174
	140,761,849	56,086,375	33,697,757	3,477,313	-	17,153,861	30,346,543
Financial Liabilities							
Borrowings	2,183,212	-	-	-	-	-	2,183,212
Payables And Accruals	768,434	-	-	-	-	-	768,434
Derivative Financial Liabilities	124,904	-	124,904	-	-	-	-
	3,076,550	-	124,904	-	-	-	2,951,646

Notes To the Financial Statements

For the year ended 31 December 2019

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

As at 31 December 2019, the Group and KWAP held the following financial instruments carried at fair value in the Statement of Financial Position: (continued)

	31 December 2018						
	Fair Value of Financial Assets Carried At Fair Value				Fair Value of Financial Assets Not Carried At Fair Value		
	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
KWAP							
Financial Assets							
Investment Properties	770,876	-	-	-	-	-	770,876
Loans And Receivables	9,123,821	-	-	-	-	-	9,123,821
Debt Instruments At Amortised Cost	17,153,861	-	-	-	-	17,153,861	-
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,470,981	-	1,231,849	239,132	-	-	-
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	35,948,086	30,826,595	1,679,178	3,442,313	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	30,744,344	-	30,744,344	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	25,258,816	25,258,816	-	-	-	-	-
Derivative Financial Assets	43,350	964	42,386	-	-	-	-
Deposits And Placements With Financial Institutions	9,530,277	-	-	-	-	-	9,530,277
Trade Receivables	1,519,946	-	-	-	-	-	1,519,946
Sundry Debtors And Deposits	142,358	-	-	-	-	-	142,358
Cash And Bank	1,533,563	-	-	-	-	-	1,533,563
	133,240,279	56,086,375	33,697,757	3,681,445	-	17,153,861	22,620,841
Financial Liabilities							
Payables And Accruals	709,988	-	-	-	-	-	709,988
Derivative Financial Liabilities	109,179	-	109,179	-	-	-	-
	819,167	-	109,179	-	-	-	709,988

Notes To the Financial Statements

For the year ended 31 December 2019

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Policy of transfer between levels

The fair value of an asset to be transferred between levels is determined by the Group and KWAP as of the date of the event or change in circumstances which resulted in the transfer. There were no transfers between the Level 1 and Level 2 fair value measurements during the financial year.

(e) Reconciliation of Level 3 fair valuation

The reconciliation of the opening and closing balances of the Level 3 financial instruments carried at fair value, including movements is summarised below:

Equity Instruments	
At Fair Value	
Through	
Profit or Loss	
Unquoted Shares	
RM'000	
Group and KWAP	
At 1 January 2019	3,442,313
Net addition and disposal	737,661
Transferred to Investment in Associate	(717,758)
Net fair value gain recognised In Profit and Loss	(233,532)
At 31 December 2019	3,228,685
Debt Instruments	
At Fair Value	
Through	
Profit or Loss	
Redeemable	
Convertible	
Preference Shares	
RM'000	
Group	
At 1 January 2019	35,000
Payment Received	(14,075)
At 31 December 2019	20,925

Notes To the Financial Statements

For the year ended 31 December 2019

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Reconciliation of Level 3 fair valuation (continued)

The reconciliation of the opening and closing balances of the Level 3 financial instruments carried at fair value, including movements is summarised below: (continued)

	Debt Instruments At Fair Value Through Profit or Loss Redeemable Convertible Preference Shares RM'000
KWAP	
At 1 January 2019	239,132
Payment Received	(14,075)
Net fair value loss recognised In Profit Or Loss	(1,080)
At 31 December 2019	223,977

(f) Sensitivity analysis

Sensitivity analysis of the level 3 fair valuation is as follows:

	Group Effect On Equity RM'000	KWAP Effect On Equity RM'000	Group Effect On Profit Before Tax RM'000	KWAP Effect On Profit Before Tax RM'000
2019				
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")				
Increase Of 5% In Equity Price	11,199	11,199	11,199	11,199
Decrease Of 5% In Equity Price	(11,199)	(11,199)	(11,199)	(11,199)
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")				
Increase Of 5% In Equity Price	163,738	163,738	163,738	163,738
Decrease Of 5% In Equity Price	(163,738)	(163,738)	(163,738)	(163,738)

Notes To the Financial Statements

For the year ended 31 December 2019

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Sensitivity analysis (continued)

Sensitivity analysis of the level 3 fair valuation is as follows: (continued)

	Group Effect On Equity RM'000	KWAP Effect On Equity RM'000	Group Effect On Profit Before Tax RM'000	KWAP Effect On Profit Before Tax RM'000
2018				
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")				
Increase Of 5% In Equity Price	11,957	11,957	11,957	11,957
Decrease Of 5% In Equity Price	(11,957)	(11,957)	(11,957)	(11,957)
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")				
Increase Of 5% In Equity Price	172,116	172,116	172,116	172,116
Decrease Of 5% In Equity Price	(172,116)	(172,116)	(172,116)	(172,116)

35. RELATED PARTY TRANSACTIONS

The related parties and their relationship with the Group and KWAP are as follows:

Related Parties	Relationships
Capsquare Tower Sdn Bhd	Subsidiary
Harta Integra Berkat Sdn Bhd	Subsidiary
Harta Rini Sdn Bhd	Subsidiary
KWAP Managed Investment Trust	Subsidiary
KWAP Managed Investment Trust 2	Subsidiary
KWAP Managed Investment Trust 3	Subsidiary
KWAP Managed Investment Trust 4	Subsidiary
KWEST Sdn Bhd	Subsidiary
Prima Ekuiti (UK) Limited	Subsidiary
Prima Harta (Jersey) Unit Trust	Subsidiary
Prima Harta 2 (Jersey) Unit Trust	Subsidiary
Prima Harta 3 (Lux) S.à r.l.	Subsidiary
Prima Harta 4 (Jersey) Unit Trust	Subsidiary

Notes To the Financial Statements

For the year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS (CONTINUED)

The related parties and their relationship with the Group and KWAP are as follows: (continued)

Related Parties	Relationships
Prima Harta 5 (Jersey) Unit Trust	Subsidiary
Prima Harta 5 Limited	Subsidiary
edotco Group Sdn Bhd	Associate
Swift Haulage Sdn Bhd	Associate
ValueCap Sdn Bhd	Associate
Vortex Solar Investments S.à r.l.	Associate
Metropolitan Retail JV (Jersey) Unit Trust	Joint ventures
Persada Mentari Sdn Bhd	Joint ventures
Tap Crunch International Sdn Bhd	Joint ventures
Tap Crunch Sdn Bhd	Joint ventures

Subsidiaries, associates and joint ventures

The information above is consistent with the list of subsidiaries, associates and joint ventures of the Group and KWAP as set out in Note 10, Note 11 and Note 12, respectively.

Notes To the Financial Statements

For the year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Significant related party balances and transactions

	KWAP			
	Subsidiaries		Associates	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Net Income				
Interest Income	15,607	23,467	-	-
Management Fee	562	-	-	-
Administrative Fee	338	-	-	-
Dividend On Income	349,392	122,547	-	29,563
Rental (Expense)/Income	(10,961)	14,487	-	-
	354,938	160,501	-	29,563
Amount Due From				
Loan And Receivables	299,089	335,932	-	-
Debt Instrument At Fair Value Through Profit Or Loss ("FVTPL")	203,052	204,132	-	-
Equity Instrument At Fair Value Through Profit Or Loss ("FVTPL")	-	-	291,129	-
Trade Receivables	4,586	47,784	-	-
	506,727	587,848	291,129	-
Amount Due To				
Other Payables and Accruals	105,876	99,208	-	-
	105,876	99,208	-	-

Between KWAP and the Government of Malaysia and entities related to the Government of Malaysia

KWAP is an agency under the Ministry of Finance that reports directly to the Federal Government of Malaysia.

Notes To the Financial Statements

For the year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Between KWAP and the Government of Malaysia and entities related to the Government of Malaysia (continued)

The significant transactions between KWAP and the Government of Malaysia and other entities controlled by the Government are as follows:

	KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000
Interest Income And Profit On Investments	1,714,108	1,723,874
Purchase Of Malaysian Government Securities And Bonds	21,401,672	11,264,481
Sale Of Malaysian Government Securities And Bonds	19,392,939	12,420,184
Repayment Of Loans	600,000	1,059,775

Key management personnel

Key management personnel are defined as the Board and senior management of KWAP whereby their remuneration are included as part of staff costs.

	Group		KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Wages, Salaries, Honorarium And Remuneration	13,540	17,375	12,812	16,160
Statutory Contribution To Employees Provident Fund	2,222	2,900	2,095	2,688
	15,762	20,275	14,907	18,848

36. CAPITAL COMMITMENT

	Group and KWAP	
	31 December 2019 RM'000	31 December 2018 RM'000
Authorised and contracted for:		
Computer Software	1,508	1,559
	1,508	1,559

Notes To the Financial Statements

For the year ended 31 December 2019

37. SUBSEQUENT EVENT DISCLOSURE

Since 31 December 2019, the development and spread of Covid-19 has resulted in the occurrence of a multitude of associated events such as travel restrictions and quarantine measures taken by governments and private entities.

The Group and KWAP consider this outbreak as a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the Group and KWAP do not consider it practicable to provide a quantitative estimate of the potential impact of these economic conditions on the Group and KWAP.

The impact of this outbreak on the macroeconomic forecast will be incorporated into the Group's and the KWAP's MFRS 9 estimates of expected credit loss provisions in 2020.

Other Information

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GLOSSARY OF TERMS

BPS

Basis points refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarised as follows: 1% change = 100 basis points and 0.01% = 1 basis point.

FAANG Stocks

An acronym that refers to the stocks of five prominent American technology companies: Facebook (FB), Amazon (AMZN), Apple (AAPL), Netflix (NFLX); and Alphabet (GOOG) (formerly known as Google).

FOMC

Federal Open Market Committee is a 12-member body of the seven governors and five of the 12 Reserve Bank presidents. The Fed Board chair serves as the chair of the FOMC, and the New York Fed president is a permanent member and serves as the vice chairman of the Committee. Reserve Bank presidents fill the remaining four voting positions on a rotating basis. All presidents attend FOMC meetings and discuss the economy and policy options.

FTSI – Financial Times Stock Exchange

IPG (Investment Policy and Guidelines)

Investment Policy and Guidelines serve to clearly communicate to all relevant parties the procedures, investment philosophy, guidelines and constraints to be adhered to by the parties.

IPG (Investment Policy and Guidelines)

Investment Policy and Guidelines serve to clearly communicate to all relevant parties the procedures, investment philosophy, guidelines and constraints to be adhered to by the parties.

IRS (Interest Rate Swap)

An exchange of one set of cash flows (based on interest rate specifications) for another. It is often an exchange of a fixed payment for a floating payment that is linked to interest rate.

IT (Information Technology)

Information technology is the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronicsbased combination of computing and telecommunications.

KWAP (Kumpulan Wang Persaraan (Diperbadankan))

Kumpulan Wang Persaraan (Diperbadankan) was formed on 1 March 2007 to replace the Pension Trust Fund.

KWSG (Kumpulan Wang Simpanan Guru)

LTAT (Armed Forces Fund Board)

Armed Forces Fund Board or Lembaga Tabung Angkatan Tentera, better known as LTAT, was established in August 1972 by an Act of Parliament.

LEED CERTIFICATION (Leadership in Energy and Environmental Design Certification)

Leadership in Energy and Environmental Design (LEED) is one of the most popular green building certification programmes used worldwide.

MOF (Ministry of Finance)

MPC (Monetary Policy Committee)

OPEC (The Organisation of Petroleum Exporting)

The Organisation of Petroleum Exporting Countries consisting of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela.

OPR (Overnight Policy Rate)

Overnight Policy Rate is an overnight interest rate set by BNM used for monetary policy direction. It is the target rate for the day-to-day liquidity operations of the BNM.

ORE (Operational Risk Event)

Operational Risk Events arise from failure of the people, systems or processes in an organisation.

PDS (Private Debt Securities)

PSD (Public Service Department)

RENTAS (Real Time Electronic Transfer of Funds and Securities)

GLOSSARY OF TERMS

RMC (Risk Management Committee)

Risk Management Committee is a Board level committee consisting of Board members who carry out the risk oversight role in an organisation.

RMCD (Risk Management and Compliance Department)

Risk Management and Compliance Department is a department entrusted to manage an organisation's risk and ensure compliance within the organisation.

ROI (Return on Investment)

Return on Investment is the ratio of realised income gained or lost against the average fund size (at cost) for the year.

SAA (Strategic Asset Allocation)

The primary goal of a strategic asset allocation is to create an asset mix that will provide an optimal balance between expected risk and returns for a longterm investment horizon.

SDL (Single Depositor Limit)

Limit as to the maximum an organisation is allowed to place a deposit with a single deposit taking institution e.g: banks.

SOCISO (Social Security Organisation)

SOCISO's function includes registration of employers and employees, collecting contributions, processing benefit claims, and making payments to injured workers and their dependents. SOCISO also provides vocational and physical rehabilitation benefits and enhances occupational safety and health awareness of workers.

Sukuk

Islamic bonds, structured in a way to generate returns without infringing Islamic law which prohibits interest or riba. Sukuk represents undivided shares in the ownership of tangible assets relating to particular projects or investment activity.

The Study (Pension Liability Study)

A joint study conducted by KWAP, MOF and PSD to identify options available for KWAP to assist the Federal Government of Malaysia in funding its future pension liability.

TAA (Tactical Asset Allocation)

It is a method in which an investor takes a more active approach to position a portfolio into those assets, sectors or individual stocks that show the most potential for gains.

TE (Tracking Error)

Tracking Error measures the deviation of excess return of a portfolio over the benchmark.

TWRR (Time Weighted Rate of Return)

Time Weighted Rate of Return is a measure of return based on changes in values of investments over a specific time period.

Total Return

Total return, when measuring performance, is the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realised over a given period of time.

VaR (Value at Risk)

A risk metric used to estimate the quantum of loss to a portfolio over a given probability value within a pre-defined period.

WGBI – World Government Bond Index

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2013 Annual Report



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