MARC

MALAYSIAN RATING CORPORATION BERHAD

199501035601 (364803-V)

DRIVING A SUSTAINABLE CAPITAL MARKET IN CHALLENGING TIMES

ANNUAL REPORT 2019

01

INTRODUCTION

02

CORPORATE INFORMATION

03

REVIEW OF BUSINESS AND OPERATIONS

TABLE OF C

04

SERVICES AND PEOPLE

05

FINANCIAL STATEMENT

CONTENTS

INTRODUCTION

About Us
Corporate Vision
Corporate Milestones
Group Corporate Information

ABOUT US

Established in 1996, Malaysian Rating Corporation Berhad (MARC) is one of Malaysia's two domestic credit rating institutions. We offer public and private ratings on companies and their debt instruments including bank loans, senior and subordinated debts, commercial papers and hybrid debt instruments.

MARC provides ratings in various corporate sectors, including energy, oil and gas; construction, building materials and real estate; commodities and industrials; as well as retail and consumers. Our key capabilities are in infrastructure and project finance, given our longstanding track record in rating domestic toll roads, power plants, water assets and ports.

MARC's rating universe also encompasses sovereigns, financial institutions, state governments, investment managers and structured finance transactions; MARC publishes independent research on the domestic bond and sukuk markets, industry trends and economic issues of general interest to the investing public.

MARC is a Bank Negara Malaysia-accredited External Credit Assessment Institution and is registered with Securities Commission Malaysia as a credit rating agency. A public limited company with a paid-up capital of RM20 million, our shareholders comprise major investment banks, insurance companies and stockbrokers in Malaysia.

The cover image depicts the diamond, which is universally associated with stability and hardness. It represents MARC's resilience and robustness as an intermediary in the capital market. The diamond also acts as a symbol of sustainability, tying in with the theme for MARC's Annual Report 2019.

CORPORATE VISION

PROVIDER OF TRUSTED INSIGHTS ON RISK

The vision statement embodies MARC's desire to serve as a critical and trusted knowledge partner in the capital markets through robust and judicious assessments of risks. We continue to build and deepen our track record and expertise in evaluating credit risk as this is fundamental to creating and sustaining a legacy of trust.

CORPORATE MILESTONES

2010

- Rated the first cross-border financing of RM600.0 millon Sukuk Murabahah issued by TTM Sukuk Berhad for the Trans Thai-Malaysia Pipeline. This sukuk garnered multiple awards, including the 2010 Cross-Border Deal of the Year awarded by Islamic Finance News, the 2010 Asia Pacific Oil and Gas Deal of the year by Project Finance International and the 2010 Best Islamic Finance Deal of the year by Alpha Southeast Asia magazine
- Rated the RM5.0 billon Sukuk Al-Amanah Li Al-Istithmar issued by Cagamas Berhad which was named the 2010 Islamic Deal of the Year by Islamic Finance News

2011

- MARC became the first domestic credit rating agency to be registered pursuant to Securities Commission Malaysia Guidelines on the registration of Credit Rating Agencies

2012

- Rated the RM23.35 billion Sukuk Musharakah issued by PLUS Berhad which was the world's single largest rated sukuk issued by a corporate. The PLUS Berhad sukuk was named the 2012 Malaysia Deal of the Year by Islamic Finance News, the 2012 Best Corporate Sukuk by The Asset magazine and the 2012 Best Islamic Finance Deal of the Year in Southeast Asia by Alpha Southeast Asia magazine

2014

- Voted as the 2014 Best Islamic Rating Agency by Global Islamic Finance Awards (GIFA)
- Rated the RM2.0 billion Perpetual Sukuk Musharakah issued by DRB-HICOM Berhad, the first Islamic sukuk issued by a corporate in the Malaysian debt market
- Rated the RM5.35 billion sukuk issued by CIMB Islamic Bank, the first Islamic bank to issue a Basel III-compliant Tier 2 junior sukuk in the Malaysian debt capital market

2015

- Named as Malaysia's Project Finance Rating Agency of the Year by The Asset magazine
- Rated the second-largest single project sukuk issued in the global market, the RM8.98 billion Sukuk Murabahah issued by Jimah East Power to fund the development of a 2x1,000-megawatt ultra-supercritical coal-fired plant
- Rated the issuance programme of RM10.0 billion for CIMB Group Holdings Berhad
- Rated the issuance programme of RM10.0 billion for Malayan Banking Berhad
- Launched Investment Manager Ratings, a new rating offering for assessing the quality of fund management companies

2010 2011 2012 2014 2015

2016

- Named as Malaysia's Project Finance Rating Agency of the Year by The Asset magazine
- Voted as the 2016 Best Islamic Rating Agency by GIFA
- Rated the RM400.0 million Sukuk Wakalah issued by Islamic Development Bank, its first ringgit-denominated sukuk
- Rated Malaysia's largest offering of project sukuk for the year of RM3.64 billion multi-tranche Sukuk Wakalah issued by Lebuhraya DUKE Fasa 3 Sdn Bhd which IFR Asia Awards 2016 recognised as the 2016 Islamic Issue of the Year

2017

- Voted as the 2017 Best Islamic Rating Agency by GIFA
- Rated the world's largest Green Sustainable and Responsible Investment (SRI) Sukuk, the RM1.0 billion Sukuk Murabahah issued by Quantum Solar Park (Semenanjung) Sdn Bhd to finance construction of the largest solar power project in Southeast Asia
- Rated the RM400.0 million Sukuk Wakalah issued by Beijing Enterprise Water Group (M) Limited, the first ever ringgit-denominated sukuk issued by a Chinese conglomerate for a water infrastructure project
- Rated the RM3.0 billion Multi-Currency Islamic Medium-Term Notes Programme (Sukuk Murabahah) issued by Fortune Premiere Sdn Bhd, a wholly-owned subsidiary of IOI Properties Group Berhad

2018

- Named as Malaysia's Rating Agency of the Year by The Asset magazine
- Voted as the 2018 Best Islamic Rating Agency by GIFA
- Rated the RM245.0 million Green SRI Sukuk Wakalah issued by Sinar Kamiri Sdn Bhd
- Rated the RM240.0 million Green SRI Sukuk Murabahah issued by UiTM Solar Power Sdn Bhd
- Launched Impact Bond Assessments (IBAs) which can be assigned to green bonds, social bonds or sustainability bonds including sukuk which are issued under Malaysia's SRI Sukuk Framework

2019

- Named as Malaysia's Rating Agency of the Year by The Asset magazine
- Voted as the 2019 Best Islamic Rating Agency by GIFA
- Rated the RM10.0 billion Sukuk Programme issued by Sunway Treasury Sukuk Sdn Bhd
- Rated the Islamic Medium-Term Notes Programme of up to RM3.5 billion by DRB-HICOM Berhad
- Rated the Islamic Medium-Term Notes Programme of up to RM1.0 billion by Penang Port Sdn Bhd
- Rated the RM1.0 billion Perpetual Sukuk Musharakah Programme by WCT Holdings Berhad
- Assigned Financial Institution ratings to China Construction Bank (Malaysia) Berhad

GROUP CORPORATE INFORMATION

MALAYSIAN RATING CORPORATION BERHAD
199501035601 (364803-V)

BOARD OF DIRECTORS

Datuk Azizan Haji Abdul Rahman - Chairman

Dato' Muthanna Abdullah
Lillian Leong Bee Lian
Chua Seck Guan
Dr. Veerinderjeet Singh
Toi See Jong

RATING COMMITTEE MEMBERS

External Members:
Dr. Loh Leong Hua - Chairman

Kirby Lee
(Joined on October 1, 2019)

Internal Members:
Datuk Jamaludin Nasir
Rajaseharan Paramesran

SENIOR MANAGEMENT

Datuk Jamaludin Nasir
- Group Chief Executive Officer

Rajaseharan Paramesran
- Chief Rating Officer

Nor Zahidi Alias
- Chief Economist

Ahmad Feizal Sulaiman Khan
- Chief Business Officer
- CEO of MARC Training

Milly Leong Soek Yee
- Technical Director
- CEO of MARC RMS

KEY SUPPORT PERSONNEL

Ratings

Mohd Izazee Ismail
- Senior Vice President
  Financial Institution, Insurance

Sharidan Salleh
- Vice President
  Power, Oil & Gas

Taufiq Kamal
- Vice President
  Conglomerates, Property, Automotive, Water Assets

Hafiza Abdul Rashid
- Vice President
  Infrastructure, Telecommunications
  (Joined on September 23, 2019)

Economic Research
Quah Boon Huat
- Vice President

Compliance, Governance & Risk Management
Sofina Mohamad Munir
- Vice President

Finance/Organisational Excellence
Shuaibah Awaldeen
- Vice President

Client Origination & Business Development
Yap Ngee Heong, Jack
- Vice President

Publications/Strategic Communications & Publicity
Beatrice Thio Hui Jin
- Vice President
  (Joined on April 22, 2019)

Human Capital
Hajjah Khaireny Mohamed Khalid
- Vice President
  (Joined on May 13, 2020)

COMPANY SECRETARIES

Cynthia Gloria Louis
(SSM PC No: 201908003061)
(MAICSA No.: 7008306)

Chew Mei Ling
(SSM PC No: 201908003178)
(MAICSA No.: 7019175)

LEGAL FIRM

Messrs. Cheang & Ariff
39 Court@Loke Mansion
273A Jalan Medan Tuanku
50300 Kuala Lumpur

AUDITOR

Messrs. Ernst & Young
Chartered Accountants
Level 23A, Menara Millenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

REGISTERED OFFICE

19-07, Level 19, Q Sentral
2A Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Tel	: +603 2717 2900
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Email	: marc@marc.com.my
Website	: www.marc.com.my

CORPORATE INFORMATION

BOARD OF DIRECTORS

1 DATUK AZIZAN HAJI ABDUL RAHMAN
Independent Non-Executive Chairman

2 DATO' MUTHANNA ABDULLAH
Independent Non-Executive Director

3 CHUA SECK GUAN
Non-Independent Non-Executive Director

4 TOI SEE JONG
Non-Independent Non-Executive Director

5 LILLIAN LEONG BEE LIAN
Independent Non-Executive Director

6 DR. VEERINDERJEET SINGH
Independent Non-Executive Director

BOARD OF DIRECTORS PROFILES

DATUK AZIZAN HAJI ABDUL RAHMAN

Independent Non-Executive Chairman

Age	**: 64**
Joined the Board	**: 2012**
Committees	**: Governance and Risk Management; Nomination and Remuneration (w.e.f. February 24, 2020)**
Subsidiaries (as Director)	**: MARC Risk Management Solutions Sdn Bhd; MARC Training Sdn Bhd (resigned w.e.f. May 15, 2020)**

Datuk Azizan became MARC's Chairman on April 29, 2013. Datuk Azizan had previously served as the Director-General of Labuan Financial Services Authority (Labuan FSA) from July 2005 until his retirement in September 2011. At Labuan FSA, Datuk Azizan spearheaded many initiatives to strategise the financial centre's deliverables and develop Islamic finance in Labuan in line with the Malaysia International Islamic Financial Centre's (MIFC) objectives. At the same time, he served on the Boards of Labuan Corporation, Financial Park Labuan Sdn Bhd and Bahrain-based International Islamic Finance Market (IIFM), as well as on the executive committee of the MIFC.

Prior to this, Datuk Azizan was the Director of Banking Supervision at Bank Negara Malaysia (BNM), where he supervised major domestic and foreign banking institutions operating in Malaysia. Datuk Azizan started his career in 1979 with BNM where he worked for 31 years, accumulating a wide range of experience in finance, supervision and examination. During his early tenure with the central bank, he was attached to PricewaterhouseCoopers (1979-1983) and Standard Chartered Bank (1986-1987). He was also a member of the Boards and investment committees of several government bodies, including Kumpulan Wang Persaraan (KWAP) and ERF Sdn Bhd, and an advisor to the Malaysian Accounting Standards Board (MASB).

Currently, Datuk Azizan is the Chairman of MIDF Amanah Investment Bank Berhad, Kensington Trust Labuan Ltd. and Kensington Trust Malaysia Berhad; and he is also is a Board member of Malaysian Industrial Development Finance Berhad, CTOS Holdings Sdn Bhd, CTOS Data Systems Sdn Bhd, City Credit Investment Bank Limited, Cagamas Berhad, Cagamas SRP Berhad, OCBC Bank (Malaysia) Berhad, OCBC Al-Amin Bank Berhad and Danum Capital Berhad.

Datuk Azizan graduated with a Bachelor of Accounting (Hons) degree from University of Malaya and holds a Master's degree in Business Administration (MBA) from University of Queensland, Australia. He is a Fellow Member of CPA (Australia) and a Chartered Accountant of the Malaysian Institute of Accountants.

BOARD OF DIRECTORS PROFILES (CONT'D.)

DATO' MUTHANNA ABDULLAH

Independent Non-Executive Director
Age : 60
Joined the Board : 2012
Committees : Nomination and Remuneration; Audit and Compliance

Dato' Muthanna is a Barrister of Middle Temple and an Advocate and Solicitor of the High Court of Malaya. He read law at the University of Buckingham, England and was called to the Bar of England and Wales in 1982 and to the Malaysian Bar in 1983. He is a Consultant at Abdullah Chan & Co.

Currently, Dato' Muthanna is the Honorary Consul of the Republic of San Marino to Kuala Lumpur.

Dato' Muthanna is also a Director of Sapura Resources Berhad, Malaysian Life Reinsurance Group Berhad, MSIG Insurance (Malaysia) Bhd, MSM Holdings Malaysia Berhad, and a Trustee of Yayasan Siti Sapura Husin and The Habitat Foundation.

LILLIAN LEONG BEE LIAN

Independent Non-Executive Director
Age : 66
Joined the Board : 2012
Committees : Nomination and Remuneration; Audit and Compliance

Madam Lillian Leong was with Bank Negara Malaysia for 33 years from 1976 to 2009. She served mainly in the Treasury and Investment Operations Department and was the Chief Representative of the London office. On her return to Malaysia in 2006, she was appointed as the Assistant Governor overseeing Treasury & Investment Operations, Exchange Administration and Currency Operations.

Madam Lillian Leong is also currently a member of the Monetary Penalty Review Committee in Bank Negara Malaysia.

Madam Lillian Leong holds a Bachelor of Economics and Politics degree from Monash University, Australia.

CHUA SECK GUAN

Non-Independent Non-Executive Director
Age : 60
Joined the Board : 2013
Committee : Nomination and Remuneration (until February 24, 2020)

Mr. Chua Seck Guan was appointed as the Chief Executive Officer (CEO) and Executive Director of MSIG Insurance (Malaysia) Berhad on April 1, 2010. A Senior Associate and Certified Insurance Professional from the Australian and New Zealand Institute of Insurance and Finance, he has vast experience in general insurance operations, having served 36 years with MSIG. He provides the leadership and has played key strategic and operational roles in charting the company's growth to its current revenue and profit levels, positioning MSIG as one of the leaders in the industry. He was also instrumental in leading MSIG to be awarded the General Insurance Company of the Year 2015 by the Asia Insurance Review magazine, and in becoming the winner of the Insurance News Asia magazine's P&C Insurer of the Year 2018 for Malaysia.

Mr. Chua was also the past Chairman of the General Insurance Association of Malaysia (PIAM) and the ASEAN Insurance Council.

TOI SEE JONG

Non-Independent Non-Executive Director
Age : 62
Joined the Board : 2017
Committee : Governance and Risk Management
Subsidiaries (as Director) : MARC Risk Management Solutions Sdn Bhd; MARC Training Sdn Bhd (w.e.f. May 15, 2020)

Mr. Toi See Jong is the CEO of Tokio Marine Life Insurance Malaysia Bhd. He was the former President of the Life Insurance Association of Malaysia (LIAM) from 2015 until March 30, 2018 and presently sits on the Management Committee of LIAM. He is also a Director of Malaysian Life Reinsurance Group Berhad (MLRe).

He qualified as an actuary in the United Kingdom and has 29 years of experience in the insurance industry in Malaysia as well as in China, Singapore and Hong Kong. His previous experience encompassed various roles in major international firms as well as senior positions in early-stage insurance companies.

Mr. Toi holds an honours degree in Actuarial Science Statistics from Heriot-Watt University, Scotland and is a Fellow of the Faculty of Actuaries.

BOARD OF DIRECTORS PROFILES (CONT'D.)

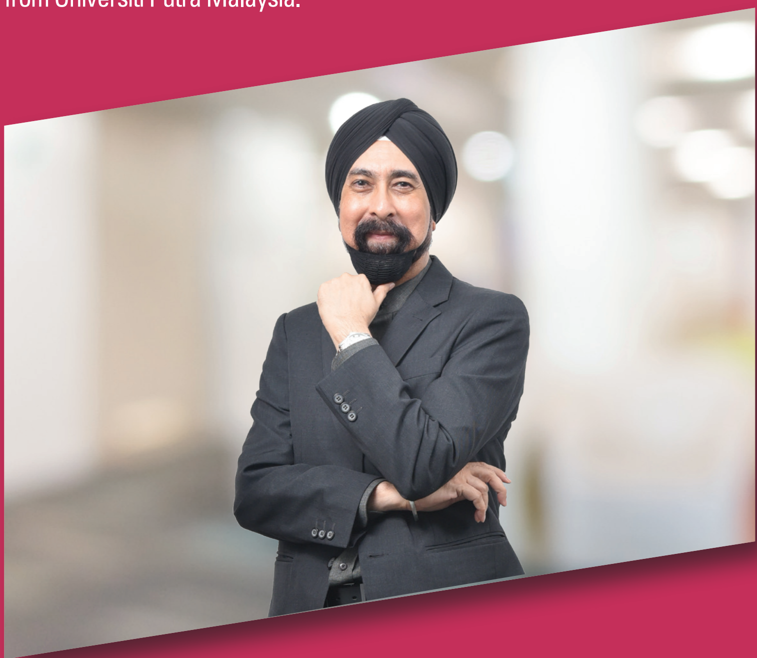
DR. VEERINDERJEET SINGH

Independent Non-Executive Director
Age : 63
Joined the Board : 2017
Committees : Audit and Compliance; Governance and Risk Management
Subsidiaries (as Director) : MARC Risk Management Solutions Sdn Bhd; MARC Training Sdn Bhd

Dr. Veerinderjeet's career as a tax specialist spans over 35 years and includes roles as an Inland Revenue Officer, Tax Partner/Executive Director at Arthur Andersen and Ernst & Young in Malaysia; and Associate Professor in Taxation at University of Malaya. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is the current President of the Malaysian Institute of Certified Public Accountants and was also the past President of the Chartered Tax Institute of Malaysia. A noted authority on Malaysian taxation, he is a frequent speaker on the subject and has authored numerous books and articles in local and international tax, law and accounting journals. He was also a member of the Tax Reform Committee which was established by the Minister of Finance in September 2018.

He is the Non-Executive Chairman of Tricor Services (Malaysia) Sdn Bhd (which provides various business expansion, outsourcing, tax advisory, governance and risk management services) as well as Axington Inc. (formerly known as Axcelasia Inc.), which is a professional services provider listed on the Catalist Market of the Singapore Stock Exchange. He is also an Independent Non-Executive Director of AmBank (M) Berhad and UMW Holdings Berhad, and Director of IBFD Asia Sdn Bhd. Previously, he was an Independent Director on the Board of The Bank of Nova Scotia Berhad.

Dr. Veerinderjeet is also a member of the Board of Trustees of the Amsterdam-based International Bureau of Fiscal Documentation, a member of the Paris-based Tax Commission of the International Chamber of Commerce and a former trustee of the Malaysian Tax Research Foundation. He received a first-class honours degree in Accounting from University of Malaya and a doctorate from Universiti Putra Malaysia.



RATING COMMITTEE

RATING COMMITTEE PROFILES

CHAIRMAN OF THE COMMITTEE

(w.e.f. June 1, 2020)

DR. LOH LEONG HUA

Dr. Loh Leong Hua currently sits on the Boards of MBSB Bank Berhad and Pacific & Orient Insurance Co. Berhad as an Independent Non-Executive Director. He has, over the years since 1994, served in a variety of senior positions in a few banking groups in Malaysia where he gained much exposure in commercial, corporate, merchant and investment banking. Thereafter, from 2012 onwards, he served as a Board Member of several private companies and companies listed on Bursa Malaysia, which are engaged in various corporate sectors of the economy, including having served as a Director of an Insurance and Takaful broker. He was also previously a Member of the Board Risk Committee of Sarawak Economic Development Corporation (SEDC, Sarawak), and had also served as a Board Member of Asian Finance Bank Berhad, a foreign-owned Islamic bank established in Malaysia.

He holds a doctorate from Universiti Kebangsaan Malaysia and is also an Advanced Management Programme graduate from The Wharton School at University of Pennsylvania, USA.

Dr. Loh was appointed as an external member of the Rating Committee (RC) on July 15, 2018, and was subsequently appointed Acting Chairman of the RC on January 1, 2020. He was named as Chairman of the RC on June 1, 2020.

KIRBY LEE

Mr. Kirby Lee has more than 17 years of debt capital market experience, encompassing structured finance, project finance and large, complex corporate finance restructuring transactions covering the Southeast Asian region. He is also experienced in credit rating on a wide range of industries and corporate borrowers in Malaysia. Kirby was formerly the head of debt capital markets in Citigroup Malaysia, where he was involved in providing corporate advisory and funding solutions to Malaysian corporates. Prior to Citigroup, he served as the head of infrastructure, utilities and real estate ratings at a domestic credit rating agency, where he was an analyst for ten years.

He holds a Bachelor of Science in Production Engineering and Management degree from Loughborough University of Technology, UK and an MBA specialising in Finance from CASS Business School, UK.

Mr. Lee was appointed as an external member of the RC on October 1, 2019.

RAJASEHARAN PARAMESRAN

Chief Rating Officer

Rajaseharan is MARC's Chief Rating Officer. He has served on the RC since July 1, 2014.

DATUK JAMALUDIN NASIR

Group Chief Executive Officer

Datuk Jamaludin is MARC's Group Chief Executive Officer. He has served on the RC since September 1, 2014. Datuk Jamaludin previously served as Chairman of the RC from September 1, 2019 to November 30, 2019.

SENIOR MANAGEMENT

SENIOR MANAGEMENT PROFILES

DATUK JAMALUDIN NASIR

Group Chief Executive Officer (w.e.f. December 1, 2019)
Subsidiaries (as Director): MARC Risk Management Solutions Sdn Bhd; MARC Training Sdn Bhd (w.e.f. May 15, 2020)

Datuk Jamaludin has had wide financial services experience and exposure, gained over three decades in origination, credit and management in commercial, corporate and investment banking. Over the course of his career, Datuk Jamaludin has held leadership roles at several banks, including that of Deputy Chief Executive Officer of Asian Finance Bank, Group Chief Credit Officer of Maybank, General Manager of Dresdner Bank AG, Director/Chief Operating Officer of Dresdner Kleinwort Benson and Head of Corporate Banking and Capital Markets of Kwong Yik Bank Berhad (now RHB Bank Berhad). He was also a Board member of Bank Pembangunan Malaysia Berhad and Maybank Investment Bank Berhad. During his tenure at Maybank Investment Bank, he served as a member of its Credit & Underwriting Review Committee.

Datuk Jamaludin is currently the Independent Non-Executive Chairman of Bursa-listed Kotra Industries Berhad and sits on its Audit Committee. He also sits on the Board of FRD Motorsports Group Indonesia. Datuk Jamaludin was a member of the Technical Committee of the Finance Accreditation Agency (FAA), which is an independent quality assurance and accreditation committee body for the financial services industry.

Datuk Jamaludin holds an MBA from Texas A&M International University, USA (formerly known as Laredo State University) and a Bachelor of Science degree in Finance & Business Economics as well as a Bachelor of Economics degree from Southern Illinois University, USA.

NOR ZAHIDI ALIAS

Chief Economist

Nor Zahidi oversees MARC's macroeconomic and fixed-income research and analysis, focusing on domestic and major economies' fiscal and monetary policy issues and economic outlook. As MARC's Chief Economist, his insights provide sound macroeconomic perspectives for MARC's credit ratings.

Nor Zahidi commenced his career with a market research firm, Cambridge Reports Incorporated in Cambridge, Massachusetts, USA. In 1990, he returned to Malaysia to join The New Straits Times Press (M) Berhad as a Senior Analyst. He entered the financial world by joining Kuala Lumpur City Securities Sdn Bhd in 1996. While serving as Chief Economist at Alliance Merchant Bank Berhad between 2001 and 2006, Nor Zahidi was seconded to the Globalisation Team of the then National Economic Action Council (NEAC), assisting the team in monitoring regional developments. Prior to joining MARC, he was the Head of Research/Economist at MCIS Zurich Insurance Berhad.

Nor Zahidi earned his Bachelor of Arts in Economics and a Master of Arts in Economics Policy from Boston University, USA.

SENIOR MANAGEMENT PROFILES (CONT'D.)

RAJASEHARAN PARAMESRAN

Chief Rating Officer

Rajaseharan was appointed Chief Rating Officer of MARC on July 1, 2014. He joined MARC in 2008, serving as the head of several rating sector portfolios. In his current position, Rajaseharan is responsible for the overall stewardship and development of the ratings operations.

Rajaseharan has over 25 years of experience in the finance industry, beginning his career with United Asian Bank Berhad in 1985. He subsequently joined Rating Agency Malaysia Berhad as an analyst responsible for rating assignments on corporates and financial institutions. His work experience also includes stints with investment banks Peregrine Fixed Income Ltd and BNP Paribas, both in Singapore, where he provided credit research and analytical coverage primarily on Southeast Asian corporates. Prior to joining MARC, Rajaseharan worked with the New Straits Times Group as a Senior Writer on its weekly property publication section.

Rajaseharan holds a Bachelor of Science in Mathematics degree from University of Malaya and a Master of Business Studies from University College Dublin, Ireland.

AHMAD FEIZAL SULAIMAN KHAN

Chief Business Officer and CEO of MARC Training (w.e.f. February 25, 2020)

As Chief Business Officer, **Ahmad Feizal** leads the business division which includes business origination and development, corporate communications, editorial and training. The business division is responsible for driving the growth of MARC's rating and non-rating businesses. Ahmad Feizal is also CEO of MARC Training Sdn Bhd, the training subsidiary of the MARC Group of Companies.

Ahmad Feizal started his career in Dublin, Ireland, as an auditor with BDO Simpson Xavier. Upon his return to Malaysia, he joined CIMB Investment Bank Berhad's Corporate Finance team and later joined Bank Islam's Capital Markets team. He was instrumental in the recapitalisation of Bank Islam, which saw Dubai Investment Group emerge as a substantial new shareholder of the bank in 2006.

Prior to joining MARC in 2014, Ahmad Feizal was the Head of Wholesale Banking of Century Banking Corporation, the first Islamic bank in Mauritius, where he was credited with the execution of the first Commodity Murabahah Financing and the first Islamic Commercial Certificate (Wakalah) issuance in Mauritius. He also had a stint heading a property development company in Dubai before returning to Malaysia. With a career spanning more than 20 years and across four continents, Ahmad Feizal has accumulated a wealth of experience in various roles in corporate finance, capital markets, real estate and business management.

Ahmad Feizal is a Fellow Chartered Accountant of Ireland and holds a Bachelor of Science in Accounting and Financial Analysis from University of Warwick, UK.

MILLY LEONG SOEK YEE

Technical Director and CEO of MARC RMS
(w.e.f. February 25, 2020)

Milly is MARC's Technical Director and Chief Executive Officer of MARC Risk Management Solutions Sdn Bhd (MARC RMS). Milly has over two decades of experience in the credit rating industry in various analytical, conceptual thinking and problem-solving roles; she was MARC's Chief Rating Officer from 2007 through 2012.

As Technical Director, Milly holds responsibility for the oversight and development of MARC's credit and non-credit rating methodology, as well as supporting business development in identifying new market spaces and in new service initiatives, and analytical capacity building. Milly has been heading MARC RMS since May 2019 with accountability to develop new business lines in credit risk modelling and business sustainability engagements.

Since 2015, Milly has also been active as a trainer in MARC's credit training programmes. She holds accounting and MBA degrees from Monash University and Deakin University. Milly recently completed a certificate programme in Corporate Sustainability from New York University's Stern School of Business.

REVIEW OF BUSINESS AND OPERATIONS

FINANCIAL HIGHLIGHTS

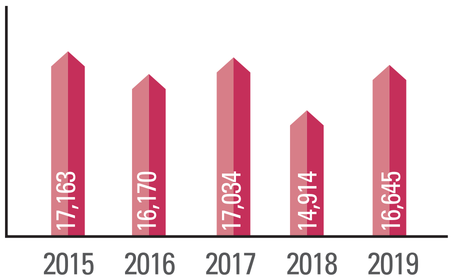
REVENUE: BY GROUP

Amount denoted in RM'000

2015	2016	2017	2018
17,163	16,170	17,034	14,914

2019

RM 16,645



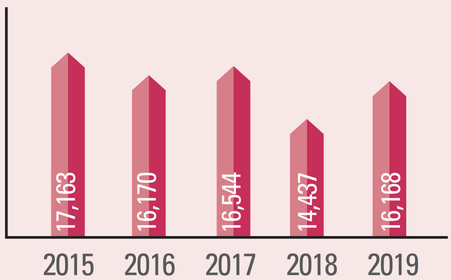
REVENUE: BY COMPANY*

Amount denoted in RM'000

2015	2016	2017	2018
17,163	16,170	16,544	14,437

2019

RM 16,168



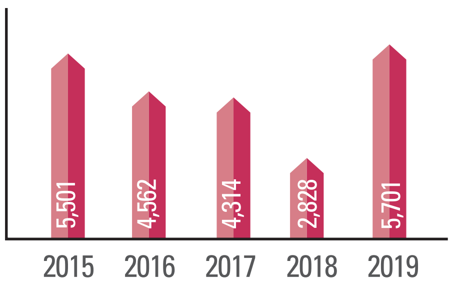
PROFIT BEFORE TAX: BY GROUP

Amount denoted in RM'000

2015	2016	2017	2018
5,501	4,562	4,314	2,828

2019

RM 5,701



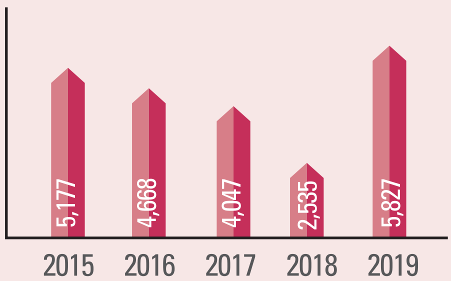
PROFIT BEFORE TAX: BY COMPANY

Amount denoted in RM'000

2015	2016	2017	2018
5,177	4,668	4,047	2,535

2019

RM 5,827



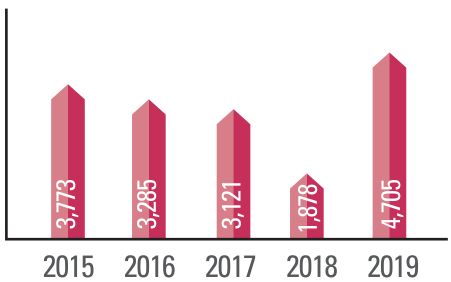
PROFIT AFTER TAX: BY GROUP

Amount denoted in RM'000

2015	2016	2017	2018
3,773	3,285	3,121	1,878

2019

RM 4,705



* MARC Berhad

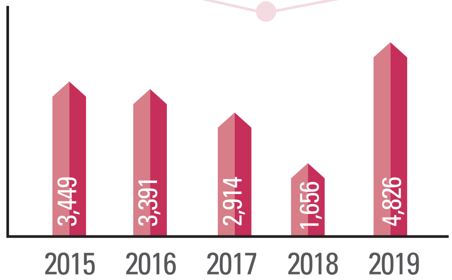
PROFIT AFTER TAX: BY COMPANY

Amount denoted in RM'000

2015	2016	2017	2018
3,449	3,391	2,914	1,656

2019

RM 4,826



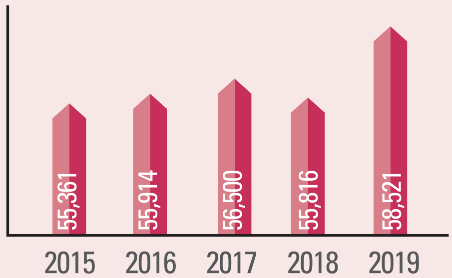
SHAREHOLDERS' FUNDS: BY GROUP

Amount denoted in RM'000

2015	2016	2017	2018
55,361	55,914	56,500	55,816

2019

RM 58,521



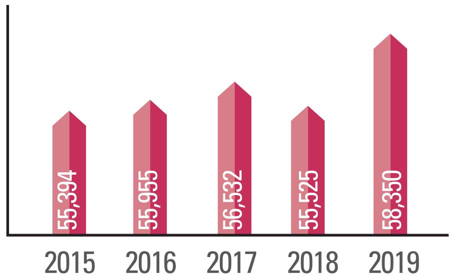
SHAREHOLDERS' FUNDS: BY COMPANY

Amount denoted in RM'000

2015	2016	2017	2018
55,394	55,955	56,532	55,525

2019

RM 58,350



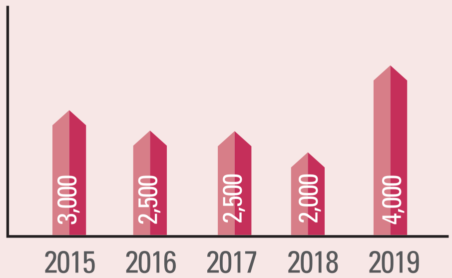
DIVIDEND PAYOUT: BY GROUP

Amount denoted in RM'000

2015	2016	2017	2018
3,000	2,500	2,500	2,000

2019

RM 4,000



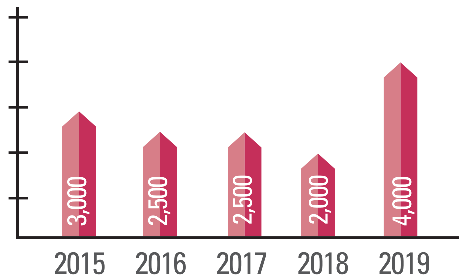
DIVIDEND PAYOUT: BY COMPANY

Amount denoted in RM'000

2015	2016	2017	2018
3,000	2,500	2,500	2,000

2019

RM 4,000



CHAIRMAN'S STATEMENT

Dear Shareholders,

It has been almost five years since Malaysia adopted the United Nations Sustainable Development Goals (UN SDGs). These overarching goals aim to galvanise and unify governments, communities and market participants to consider the social, economic and environmental sustainability aspects in development projects. The call for sustainable development has become even stronger this past year against the backdrop of continuing trade wars, natural disasters, slowing regional and domestic economic growth as well as tightening credit spreads coupled with a lower yield environment. As 2020 continues to unfold amid the global COVID-19 pandemic, which has spared no economy, government or community around the world, the need to ensure sustainable development in challenging times will become an even greater imperative for all stakeholders.

As the COVID-19 pandemic has sharply contracted every economic sector and impacted all social divides, the Malaysian government has responded with various stimulus packages. The main stimulus package is worth some RM250 billion (17% of GDP) with an additional RM10 billion for SMEs, which collectively aims to mitigate the economic impact from an expected two million job losses, supply chain disruptions and income losses suffered by businesses and households. The COVID-19 stimulus packages also serve to complement the Economic Stimulus Package 2020.

With these stimulus packages in place, MARC expects that for the year 2020, the economy will continue to face a very challenging time with a slow recovery to pre-COVID levels. A contraction in real GDP and private investments is estimated and this will impact corporates' appetite to raise more funds. The Malaysian government is also reviewing the 12th Malaysia Plan to restructure it in the wake of the COVID-19 pandemic where Malaysia's 2020 GDP is expected to grow between -2.0% and 0.5%. Against this backdrop, MARC estimates the total gross issuance of corporate bonds for the year to be around RM80.0 billion to RM90.0 billion.

Nevertheless, as the economy slowly recovers, we believe that the social, economic and environmental sustainability aspects in development and infrastructure projects will become critical drivers of growth for corporates and businesses. MARC will play its critical role in supporting the country's efforts to rebuild the economy as a provider of trusted insights on risks when funds are raised and channelled towards development and infrastructure projects.

As a capital market intermediary and credit rating agency, MARC plays a role as a catalyst and enabler of the sustainability value chain. Investors and consumers are increasingly identifying with issuers and companies which are on a sustainable roadmap. Our analytical role in assessing and evaluating corporate and sovereign credit ratings contributes to fostering sustainable development through our Impact Bond Assessments (IBA) criteria, an analytical framework introduced in 2018 to provide a transparent and harmonised assessment of the environmental and social benefits of impact bonds. Our IBAs provide structured yet accommodative know-how to entities already on the sustainability journey as much as to those wishing to start their roadmap, be it in the conventional or Islamic capital market, with inbuilt parameters for external shock events such as a pandemic.

Our fundamental role as a rating agency in providing bond ratings also adds the necessary stability, transparency and efficiency to the capital market, thereby contributing to the sustainability of the broader economic and financial markets. The recent growth in the unrated corporate bond segment as a percentage of total gross corporate bond issuances has continued, and may not be conducive to the expected quality of the domestic corporate bond market in the medium-to-long run. As rising uncertainty is the new normal, MARC believes bond ratings will become more pivotal mainly because it improves transparency, particularly for domestic and foreign investors. In addition to transparency, a bond issuer also benefits from the publicity associated with the published ratings. This public profiling, in turn, will instill greater market confidence, especially for ratings at the higher end of the spectrum.

In 2019, MARC assigned 22 new ratings with a total programme size of RM25.74 billion, more than five times the number of the previous year. For 2020, corporate bond issuances are estimated to moderate to circa RM80.0 billion to RM90.0 billion, the level seen during the 2014-2016 period. Nonetheless, we expect our IBAs to continue to be a key business focus.

Under the leadership of Datuk Jamaludin, our new Group Chief Executive Officer, who has deep rating experience and banking knowledge, I am confident that MARC, having laid the necessary steps to capture the initial wave in ensuring a sustainable domestic capital market, will come out of the COVID-19 pandemic stronger and more focused in delivering relevant products and services for the capital market in our role as a catalyst and trusted provider of credit risk insights. Nevertheless, we foresee 2020 to be a very challenging year given the medium-term effects of the COVID-19 pandemic on the global and domestic economies, which is expected to last until 2021.

DATUK AZIZAN HAJI ABDUL RAHMAN
Chairman of MARC Group of Companies

CEO'S STATEMENT

PRIORITISING SUSTAINABLE OUTCOMES

2019 was a significant year for MARC as we delivered a stronger financial performance and made significant progress in providing sustainability assessments and bespoke credit rating models. These are meaningful steps forward, as sustainable campaigns are becoming the key focus of governments and large corporates given the ongoing COVID-19 pandemic. Our goal is to be consistent and deliver significant progress which shall guide all our actions going forward.

In our pursuit and ongoing quest to be the provider of trusted insights on risk, we have expanded our offerings both locally and regionally. We have ventured into new business segments, providing the market with up-to-date data analytics offerings, as well as risk framework solutions and advisory. On the sustainable front, we are actively supporting the market in this segment with a comprehensive assessment of environmental, social and governance (ESG) risks through our Impact Bonds Assessment which is recognised by Securities Commission Malaysia.

Mainstream investors today expect businesses to be more transparent and accountable. Increasingly, they look for evidence that material ESG issues impacting financial performance are being managed, rather than to rely on broadly articulated commitments to sustainability. We want to promote ESG performance with our sustainability assessments.

We know that strong capital markets are vital to position our domestic economy on a firm footing for future growth. Our focus, as in previous years, is on delivering information, insights, solutions and benchmarks to help our capital markets deliver greater value to society. Malaysia needs sustainable capital markets and we are working to ensure that this remains the case for the broader benefit of our nation.

MARC EVENTS 2019

On June 19, 2019, we held our 23rd Annual General Meeting, themed Creating Sustainable Impact where the company's financial results and final dividend for financial year ending December 31, 2018 were reviewed and approved. We also published our 2018 Lead Managers League Tables, which saw RHB Investment Bank Berhad topping both the issue value and issue count league tables of MARC-rated debt and sukuk programmes/issuances. Awards were also given to CIMB Investment Bank Berhad, AmInvestment Bank and Affin Hwang Investment Bank for being the top three-ranked financial institutions in both tables.

As a catalyst and enabler of the Malaysian debt capital market, inspiration from the ground and the availability of platforms to launch innovative strategies are important contributing factors to the success of MARC. In view of this, we once again hosted the Malaysian Bond & Sukuk Conference 2019 with Amanie Group on November 28-29, 2019 at Securities Commission Malaysia. The event, which was officiated by Dato' Wira Haji Amiruddin Haji Hamzah, Deputy Finance Minister, received an overwhelming response from market and industry participants. The event saw regulators, issuers and investors discussing and generating new ideas to contribute towards a more competitive Malaysian sukuk and bond market.

FINANCIAL REVIEW

In 2019, our total revenue improved by 11.6% to RM16.6 million (2018: RM14.9 million) as rated corporate issuances showed an increase in terms of value and volume during the year over 2018. Profit before taxes recovered strongly to RM4.9 million, almost double the RM2.5 million reported for 2018. The improved financial results are reflective of a change in the domestic investment climate, and in the continued confidence from the public given our improved rating stability and long-term accuracy. In particular, there was an uptick in project and corporate capex funding after a period of uncertainty in 2018.

In 2019, we made further progress in diversifying our revenue. We are confident of future growth opportunities as we add new services to our offerings. While maintaining our public offerings, we also embarked on providing bespoke financial modelling as well as risk solutions and advisory for our clients. Our sustainability assessments and credit rating model represent strategic initiatives to capitalise on the growing interest in ESG compliance and increased demand for credit risk solutions to manage the portfolio in a more uniform and transparent manner. Successful implementation of our revenue diversification initiatives will benefit our strategic position and long-term value, for both our customers and shareholders.

RATING PERFORMANCE

In 2019, MARC assigned 22 new ratings with a total programme size of RM25.7 billion with 107 rating reaffirmations, compared to eight new ratings totalling RM4.8 billion together with 93 rating reaffirmations in 2018. MARC continues to be at the forefront of the development and growth of the domestic sukuk market, which remains an important source of financing for domestic infrastructure development, project financing, corporates and bank capital. Noteworthy sukuk programmes rated by MARC last year include:

Large corporates
- Sunway Treasury Sukuk Sdn Bhd's RM10.0 billion Sukuk Programme
- WCT Holdings Berhad's Perpetual Sukuk Musharakah Programme of up to RM1.0 billion

Project finance
- AZRB Capital Sdn Bhd's RM535.0 million Sukuk Murabahah Facility
- DRB-HICOM Berhad's Sukuk Programme with a nominal value of up to RM3.5 billion
- Konsortium KAJV Sdn Bhd's RM1.0 billion Sukuk Wakalah Programme

Port
- Penang Port Sdn Bhd's Islamic Medium-Term Notes Issuance Programme of up to RM1.0 billion

In addition to the notable issuances in project finance and large corporates, MARC is committed to supporting the development of innovative capital market instruments. This is reflected in our rating of WCT Holdings Berhad's Perpetual Sukuk Musharakah Programme of up to RM1.0 billion.

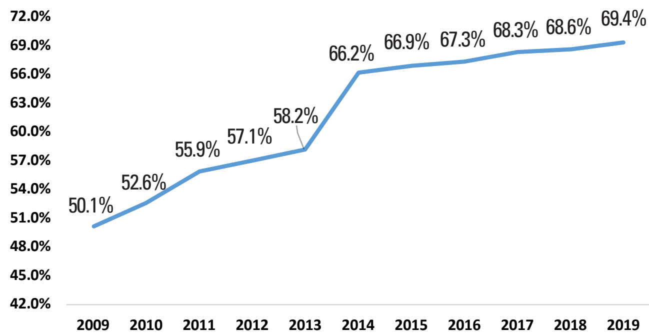
In 2019, total gross corporate bond issuances excluding quasi-government and Cagamas issuances came in stronger at RM103.0 billion in 2019 (2018: RM66.3 billion). Of this amount, the unrated space increased to 48% from 21% mainly due to a one-off issuance by Urusharta Jamaah Sdn Bhd totalling RM27.6 billion. Excluding this, the unrated portion was lower at 21%.

The increase in volume and in the number of issuers rated by MARC in 2019 compared to 2018 was reflected in increased issuances in both the domestic bond and sukuk markets. With the increase in issuances, we also saw eight rating downgrades and no rating upgrades from MARC (2018: one rating downgrade and no rating upgrades).

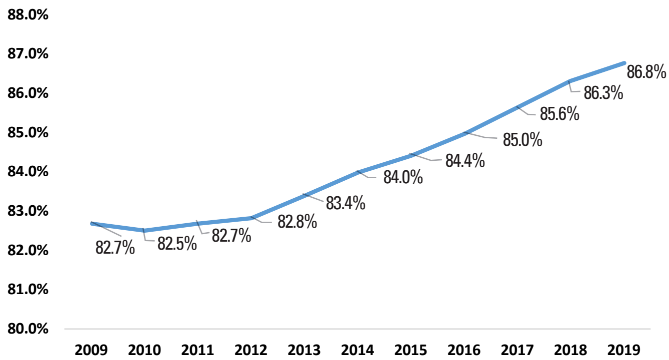
This was largely due to the general weak metrices experienced in certain sectors during this period, including the property and palm oil sectors. However, it is noteworthy that the eight rating downgrades were individually not downgraded more than two notches which is reflective of our commitment to continuously improve on our rating stability and methodologies, analytical frameworks and surveillance processes.

MARC's portfolio of corporate bond issuers remained healthy in 2019. MARC's 2019 Annual Default and Rating Transition studies showed overall improved rating accuracy with the majority of ratings remaining stable. Over the 1998-2019 period, the one-year rating accuracy ratio improved to 69.4%, while the long-term rating stability rate improved to 86.8%.

MARC's Long-term Accuracy Ratio



MARC's Long-term Rating Stability



We expect the road forward to be bumpy, especially given the broad-based and significant impact of the COVID-19 pandemic on both the global and domestic economies. Statistics from the 2000-2019 period suggest that there is a strong 75% correlation between the global GDP growth and Malaysia's. With global economic activity projected to slow down substantially in 2020 because of the pandemic, we expect Malaysia's GDP growth pace to be significantly affected. On top of that, trade uncertainties, not only between the US and China but also between the US and European countries, continue to linger.

RATING PERFORMANCE (CONT'D)

It would be an understatement to say we are expecting 2020 to be a challenging year. Almost no economy or business has been spared from the economic consequences of the disruption caused by the COVID-19 pandemic. Three familiar business basics: risk, margins and growth potential have been brought into sharper focus by the pandemic and the unchartered territory - the new normal in which we now find ourselves. Companies are having to reconsider how they can become more resilient in a high-uncertainty environment. While some businesses are pivoting their business models to digital commerce and automation to serve the new normal of remote work and social distancing, the inevitable outcome for some will be a permanent shuttering of their operations.

Across the globe, governments have stepped up to support the private sector with wide-ranging measures including interest rate cuts and other forms of monetary stimulus. Still, there is considerable uncertainty on how the economic landscape will look like when the lockdowns are lifted. Against this scenario, we forecast the total gross issuance of corporate bonds in 2020 to come in between RM80.0 billion to RM90.0 billion, lower than 2019's RM132.0 billion.

At the same time, the pandemic outbreak has given MARC an invaluable opportunity to look within itself by evaluating our own set of strengths and weaknesses in order to position ourselves in the years ahead. Change is coming throughout every sector of financial services; the way in which credit rating agencies facilitate allocative efficiency in the capital markets must evolve and change as the nation, its people, and its economy move ahead. Our ability to respond to change greatly depends on the experience and innovative capacity of MARC's leadership, management and the board. I am confident that with everyone's cooperation in dealing with this new norm, we shall persevere and come through this unprecedented event stronger.

ACCOLADES

Investors, issuers, financial institutions and other intermediaries continued to look to MARC as a leading authority serving risk-sensitive financial markets. I am pleased to report that MARC was again named Malaysia's Rating Agency of the Year by Hong-Kong based The Asset magazine for the second consecutive year, having previously won the same accolade in 2018.

In 2015 and 2016, MARC clinched the prestigious Project Finance Rating Agency of the Year award from The Asset magazine. MARC has now won four accolades at The Asset Triple A Awards which are the pre-eminent recognition for those who have excelled in their respective industry.

In 2019, MARC was also accorded the Best Islamic Rating Agency Award by Global Islamic Finance Awards for the fifth time, having previously won the same accolade in 2014, 2016, 2017 and 2018. The recognition highlights MARC's continuous commitment to innovation within the Islamic finance sphere. The award also recognises MARC's efforts to support the development of Islamic finance in Malaysia.

DIVIDENDS

In line with our commitment to sharing MARC's results with our shareholders, the Board has recommended a special, and first and final dividend of 5 sen and 15 sen per share respectively.

CREATING A 'LINE OF SIGHT'

One of the toughest challenges in business is steering a company to achieve long-term performance and sustaining its vitality. We must set our sights not only on improving near-term corporate performance but also on laying the foundation for consistent and sustained growth in years to come. The achievement of our long-term strategic objectives and initiatives hinges heavily upon the development of a strong performance culture.

Creating a clear line-of-sight by linking MARC's corporate strategies to every employee's annual performance objectives is key to providing clarity on how value creation takes place in MARC and their roles in supporting the mission and vision of the company. Additionally, we are also reviewing the efficiency and effectiveness of MARC's core management processes. We are confident that these efforts will lead to sustainable improvements and long-term value for our stakeholders.

To the staff of MARC, whom the company depends tremendously on to convert its growth prospects and strategic initiatives to sustained long-term performance, I would like to take this opportunity to convey my heartfelt gratitude for your accomplishments in 2019. Our business model is one that serves multiple stakeholders including investors, shareholders and the capital market community in which we operate.

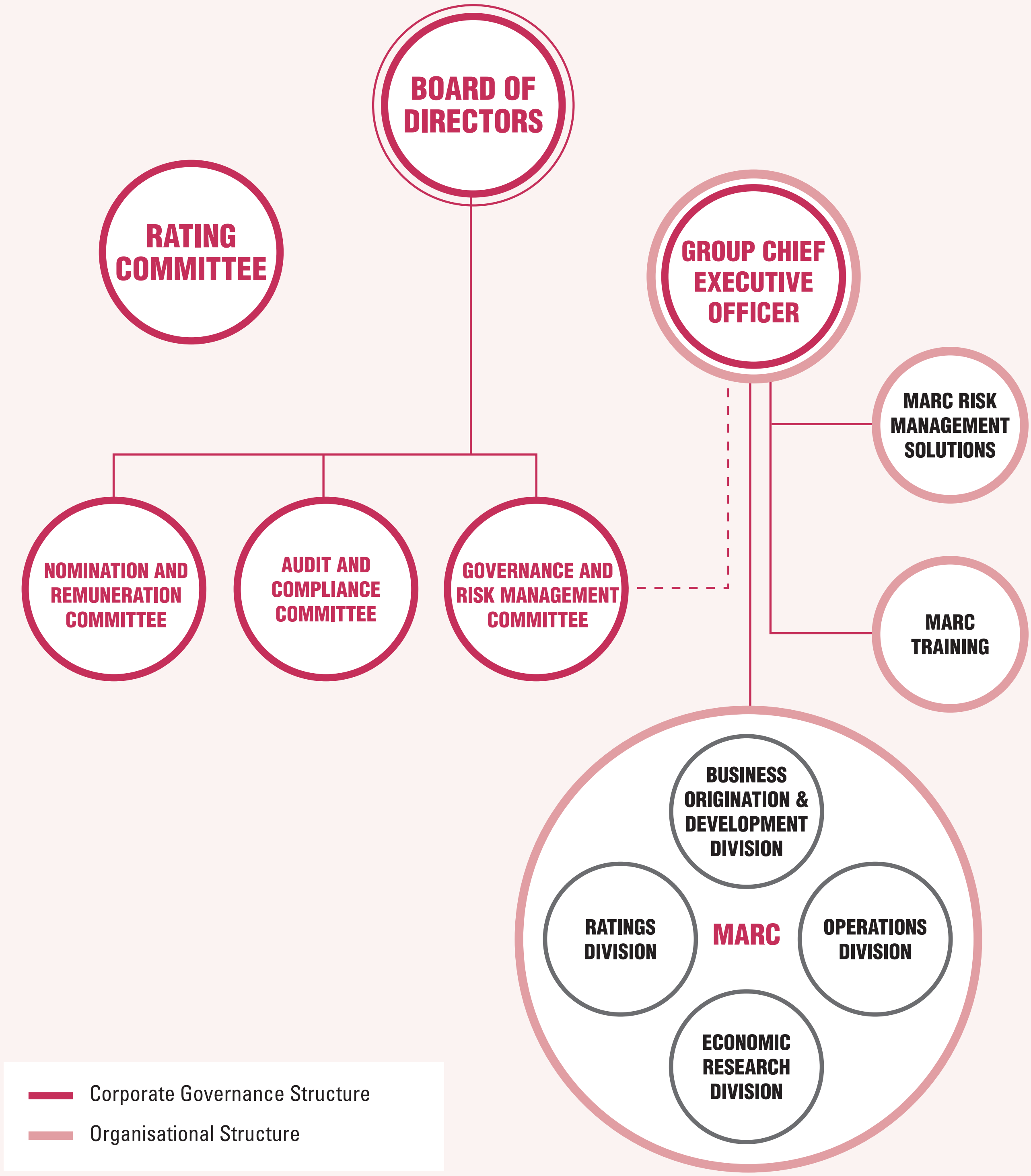
Let us continue to take our role as a responsible credit rating agency seriously and encourage our clients, capital market intermediaries and business partners to all play their part in realising the vision of sustainable capital markets. This way, we will all collectively be able to make a real contribution to our capital markets, businesses and the Malaysian economy in 2020 and into the decade.

DATUK JAMALUDIN NASIR
CEO of MARC Group of Companies

CORPORATE GOVERNANCE STRUCTURE

(w.e.f. February 25, 2020)

MARC
MALAYSIAN RATING CORPORATION BERHAD
199501035601 (364803-V)



ROLES AND FUNCTIONS

BOARD OF DIRECTORS

- The Board of Directors (the Board) oversees the interests of the shareholders in the long-term sustainability and overall success of the Company.
- The role of the Board is to ensure the effective governance of the Company, set corporate strategy and policies, monitor the performance of the Company and support the senior management in conducting the operations of the Company and implementing the decisions of the Board.
- The Board is committed to high standards of corporate governance, which promotes Board and management accountability and stewardship, ensures regulatory compliance and fosters stakeholder confidence in the Company.

RATING COMMITTEE

- The role of the Rating Committee (RC) is to deliberate and evaluate MARC's new ratings and review rating actions based on information made available to them, ensure that the rating decisions represent the committee's objectives and independent collective view rather than the view of an individual, and approve/review the rating methodologies applied.
- The RC ensures that rating decisions are based on sufficient information, incorporate all considerations that are pertinent to the rating at hand and apply MARC's approved rating methodologies.
- The RC functions independently from the Board, meets as and when required to ensure timely rating actions, and comprises internal as well as external members who meet the eligibility criteria as set by Securities Commission Malaysia.

AUDIT AND COMPLIANCE COMMITTEE

- The Audit and Compliance Committee (ACC) is responsible for oversight of MARC's financial reporting, including the integrity of the Company's financial statements and compliance framework.
- The ACC also reviews the performance of the Company's internal and external auditors. As part of its role, the committee monitors compliance with the Company's Code of Conduct and other internal policies as well as legal and regulatory requirements.
- Reflecting MARC's sharpened focus on a risk-based internal audit planning approach, the charters of the ACC and the Governance and Risk Management Committee (GRMC) are structured to provide engagement between both committees on matters affecting risks and internal controls of common interest.

GOVERNANCE AND RISK MANAGEMENT COMMITTEE

- The GRMC is responsible for advising the Board on risk governance and oversight of risk management. The GRMC assists the Board in setting the Company's risk appetite and ensuring that effective controls are in place.
- In addition to risk management, the GRMC oversees company-wide risk management strategy, policies and mitigation efforts.

NOMINATION AND REMUNERATION COMMITTEE

- The Nomination and Remuneration Committee (NRC) is responsible for assessing, reviewing and recommending to the Board key positions in MARC and promoting the highest standards in seeking qualified candidates.
- The NRC is responsible for assessing, reviewing and recommending to the Board remuneration matters of the senior management personnel, CEO, directors, as well as members of MARC's RC. The NRC provides oversight of an appropriate structure to the Board, Board Committees and RC.
- The NRC is also responsible for ensuring that the Company's remuneration policies and practices are reasonable and fair, and that rewards for performance are sufficient to attract and retain high-calibre staff.
- The policies and procedures should also be in line with the current governance and regulatory requirements and effectively mitigate operational, financial, regulatory and reputational risks.

POLICIES

ANALYTIC FIREWALLS POLICY

- The Analytic Firewalls Policy (the Policy) serves to ensure that Rating Analysts have the necessary independence to express their respective opinions, free from the improper influence of other employees and third parties and from financial and commercial considerations.
- The Policy also aims to protect the confidentiality of information given to the Rating Analysts in connection with the rating process.

MARC'S CODE OF CONDUCT

- MARC's Code of Conduct sets forth prescribed standards for MARC's employees regarding the ethical conduct of its business. The Code reflects substantial adherence to the International Organisation of Securities Commissions Code of Conduct (IOSCO) Fundamentals for Credit Rating Agencies.
- In addition, this Code incorporates provisions from the Best Practices Framework adopted by the Association of Credit Rating Agencies in Asia (ACRAA).

PERSONAL INVESTMENT AND TRADING OF SECURITIES POLICY

- The Personal Investment and Trading of Securities Policy (the Policy) establishes a standard of conduct for MARC's employees and non-employees regarding their dealings in personal investment and trading of securities. Accordingly, this Policy aims to prevent any real or apparent conflicts of interest which may be used by MARC's employees or non-employees for their own direct or indirect personal gain.

BUSINESS CONTINUITY PLAN

- MARC's Business Continuity Plan (BCP) outlines the procedures, processes and systems necessary to resume or restore the business operations of MARC following a disruptive event.
- The BCP is aligned to MARC's risk and downtime tolerances and desired level of readiness in the event of major and extended service outages caused by factors beyond the Company's control, such as natural disasters and man-made events.
- The BCP identifies MARC's most critical activities and appropriate risk mitigation, response and recovery strategies to protect corporate assets and minimise financial and reputational losses as well as the loss of customers following a disruptive event.

POLICY ON CONFLICT OF INTEREST FOR RATING ANALYSTS AND RATING COMMITTEE MEMBERS

- MARC's Policy on Conflict of Interest for Rating Analysts and Rating Committee Members (the Policy) serves to define and manage potential conflicts of interest on the part of Rating Analysts and Rating Committee members.
- Purposeful compliance with this Policy will avoid both actual bias and appearance of bias and ensure that conflict of interest disclosures are made and disclosed in a manner that will allow users of MARC's credit ratings to make an informed decision about the existence and the impact of conflicts of interest.

WHISTLEBLOWING POLICY

- MARC's Whistleblowing Policy (the Policy) serves to promote and maintain high standards of transparency, accountability and ethics in the workplace. Ensuring that a process is in place to allow employees to report alleged improper or unlawful conduct without fear of retribution is an integral component of MARC's zero tolerance for inappropriate or unlawful workplace conduct.
- The Policy is designed to provide employees and third parties with proper internal reporting channels and guidance to disclose any wrongdoing or improper conduct relating to bribery, corruption, unlawful conduct, inappropriate behaviour, malpractices, any violation of established written policies and guidelines within MARC or any action that is or could be harmful to the reputation of the Company and/or compromise the interests of the shareholders, clients and the public without fear of victimisation and/or subsequent discrimination.

ANTI-BRIBERY AND CORRUPTION POLICY

- MARC, including its subsidiaries, holds a zero-tolerance position against all forms of bribery and corruption. MARC has a policy to operate with integrity, transparency and ethics. MARC's Anti-Bribery and Corruption Policy sets out the responsibilities of MARC, and of those working for MARC on observing and upholding MARC's position on bribery and corruption.

SERVICES AND PEOPLE

MARC SERVICES

RATINGS

MARC provides issue ratings for corporate and structured finance projects as well as financial institutions. MARC also provides ratings on credit enhancement providers, insurance and reinsurance companies, and investment managers. To ensure full transparency, MARC's website provides access to our key rating methodologies.

ECONOMIC RESEARCH

MARC provides investors with its in-house economics team's outlook on the domestic economy as well as in-depth commentaries on Malaysia's budget and BNM's annual report. MARC also publishes country risk assessments on a regular basis.

SUBSCRIPTION

MARC's web subscription service includes premium or basic access to its Credit Analysis Reports and Credit Mapper. Investors, bankers and credit professionals can also purchase individual reports through MARC Online.

FIXED-INCOME RESEARCH

MARC publishes its annual rating default and transition studies to help investors form an opinion of the default potential of MARC's ratings, its outlook on the domestic bond market, as well as rating and bond market commentaries at regular intervals.

RATING OFFERINGS

MARC's rating products are progressive opinions which reflect domestic capital market requirements and our long-term working relationship with market participants and regulators. They are based on a strong commitment to research and development, as well as industry-wide standards and address the needs of investors.

IMPACT BOND ASSESSMENTS

Impact Bond Assessments (IBAs) can be assigned to green bonds, social bonds or sustainability bonds including sukuk which are issued under Malaysia's Sustainable and Responsible Investment (SRI) Sukuk Framework. An IBA is not a credit rating and is independent of the credit quality of the bond concerned. MARC's IBA methodology incorporates internationally recognised principles and market standards for the evaluation of such bonds, such as the Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG) and the ASEAN Green Bond Standards (AGBS).

CORPORATE CREDIT RATINGS

Corporate Credit Ratings are a measure of a corporate's intrinsic ability and overall capacity for timely repayment of its financial obligations. These are voluntary ratings that may be sought by companies to enhance corporate governance and transparency.

These ratings are useful for:
- benchmarking a company against its peers
- enhancing investors' confidence
- market profiling
- reducing time for future debt ratings
- enhancing a company's standing for counterparty risk purposes
- facilitating credit evaluation for bank borrowings and bank credit lines

CORPORATE DEBT RATINGS

Corporate Debt Ratings assess the likelihood of timely repayment of principal and interest payments over the term to maturity of such debts.

SUKUK RATINGS

Sukuk Ratings assess the likelihood of timely repayment of the instruments issued under the various Islamic financing contracts. MARC's assigned ratings on fixed-income sukuk essentially reflect MARC's opinion on the likelihood of full and timely payment of obligations under the sukuk. The assigned rating(s) are differentiated from ratings on conventional debt offerings and other fixed-income Islamic capital market instruments. MARC adds "IS" as a subscript to eight long-term rating categories from "AAA" to "D". "MARC-1" to "MARC-D" is the short-term rating scale used to differentiate its sukuk ratings.

PROJECT FINANCE RATINGS

Project Finance Ratings are opinions on the credit quality of a project's debt where such obligations are repaid through project cash flows. MARC's project finance analytical framework focuses on identifying specific project risks, assessing the risk mitigation and risk allocation measures in place. MARC's analytical focus is on the feasibility of the project and its sensitivity to the impact of potentially adverse factors over the stages in its life cycle.

SOLAR POWER PROJECT FINANCE RATINGS

Solar Power Project Finance Ratings outline the approach to assessing utility-scale grid-connected solar power plants which are financed on a non-recourse, project finance basis. The rating considerations mainly focus on solar project risks such as regulatory, offtaker, site resources and technological risks.

MARC TRAINING SERVICES

MARC Training is the learning and development solutions arm of the MARC Group of Companies. Given MARC's expertise in credit rating, MARC Training aims to nurture a progressive and savvy domestic debt capital market. Our focus is to deliver training programmes that raise the standard of participants and support market growth.

TRAINING

MARC Training offers training courses that are primarily related to debt capital markets, risk management, project finance and economics. We also provide fintech and blockchain programmes.

We provide both pre-recorded and online webinars, with each webinar averaging about four hours. All MARC webinars have pre-and post-assessments. Our trainers are available for the entire duration of the webinar to respond to questions posed via live chat and by emails.

Delivered by highly knowledgeable, dedicated and experienced trainers who are also professionals in a variety of fields in the corporate world, our courses are Securities Industry Development Corporation (SIDC)-, Continuing Professional Education (CPE)-, Asian Institute of Chartered Bankers (AICB)-, and Continuing Professional Development (CPD)-approved.

MARC Training also provides customised training courses to suit the varying needs of individual institutions.

CREDIT MAPPER

MARC's Credit Mapper is a quick and simple credit risk assessment tool that generates credit scores for unrated entities with or without the user's qualitative input. Credit Mapper allows credit assessments to be produced in a shorter time and with considerably less effort.

INTRODUCING MARC RISK MANAGEMENT SOLUTIONS

MARC Risk Management Solutions' (RMS) principal activities revolve around the new business lines that were created within MARC in 2018, primarily credit risk or environmental, social and governance (ESG) risk analytics solutions; and sustainability-linked offerings. The changing market landscape, technology, regulation and changing customer objectives offer growth opportunities in areas such as analytics and consulting and non-credit sustainability type assessments.

MARC RMS provides analytics consulting services to entities which are implementing Probability of Default (PD) models for their credit risk management needs. The analytics consulting services it currently offers are internal rating model validation and enhancement services, and bespoke credit and non-credit model development services. MARC RMS builds its analytics solutions by listening to and working closely with the user. The company's mission is to build solutions that act as the foundation for day-to-day risk management. To assist clients in strengthening their own in-house analytics resources, MARC RMS also provides structured knowledge transfer as part of its services.

MARC RMS completed its first validation and internal credit risk rating modelling project for an investment bank in 2019. The project paved the way for MARC to venture into new territory and to demonstrate its analytical capability. The project deliverables took the form of a corporate credit risk rating model and two specialised lending risk rating models. As the banking system is an important financing vehicle in the domestic economy, our goal is to deliver analytics that will provide financial institutions with intuitive risk insights that will help them manage their credit risk measurement and management processes more efficiently.

Today's realities are such that stronger and deeper collaboration between businesses, governments and consumers is required to make significant strides in sustainability over the next decade. The private sector is increasingly embracing the UN Sustainable Development Goals (SDGs), heeding the call to be a force for good and demonstrate a broader purpose. There is an increased awareness that sustainability can be a business driver and differentiator. Bursa Malaysia's phased introduction of mandatory sustainability reporting for public-listed companies on an annual basis beginning December 2016 has also been instrumental in keeping sustainability on the business agendas of public-listed companies. MARC and MARC RMS are cognisant of expectations on domestic rating agencies to help advance ESG transparency on the financing line of action and in capital markets.

With sustainable finance on the rise, the prospects are bright for mainstreaming sustainable bond and sukuk issuance. MARC RMS is proud to play a role in facilitating sustainable finance; during 2019, MARC RMS completed its first green and sustainability bond assessments. Moving forward, MARC RMS will continue to develop sustainability-related analytical offerings with a view to influencing more vigorous discourse on sustainability and corporate regeneration in corporate boardrooms.

MARC RMS SERVICES

ANALYTICS CONSULTING SERVICES (PD MODELS)

MARC Risk Management Solutions (RMS) provides analytics consulting services to entities which are implementing Probability of Default (PD) models for their credit risk management needs. These services target financial institutions which must satisfy regulatory expectations regarding the integrity and comprehensiveness of their internal models. The scope of these services comprises internal rating model validation and enhancement services, and bespoke credit scoring model development services. In such engagements, RMS conducts an evaluation of the design and methodology underlying the client's PD model for corporate portfolios to identify the gaps vis-à-vis regulatory requirements and assess the precision and reliability of existing rating systems as well as the actions needed to close those gaps.

ANALYTICS CONSULTING SERVICES (BESPOKE)

RMS also works with clients on designing, building and implementing a range of bespoke analytics solutions for their business needs and in compliance with relevant regulations. The target segment for these services are institutions that play important roles in supporting the transition to a sustainable economy on the financing line of action. To assist clients in strengthening their own in-house analytics resources, we provide knowledge transfer programmes as part of our services.

IMPACT BOND ASSESSMENTS

Through RMS, MARC provides independent external review services for bonds or sukuk issued under the following standards/principles: Securities Commission Malaysia's Sustainable and Responsible Investment (SRI) Sukuk Framework; ASEAN Green Bond Standards; ASEAN Sustainability Bond Standards; ASEAN Social Bond Standards; the International Capital Market Association's (ICMA) Green Bond Principles or Social Bond Principles or Sustainability Bond Guidelines; as well as UN Sustainable Development Goals (SDGs) thematic corporate/project finance bonds/sukuk; conventional and Shariah-compliant SRI thematic bond/sukuk funds. Undertaken in accordance with criteria on MARC's website, these assessments help inform sustainably-minded investors or lenders of the environmental and/or social benefits of their investments or financings.

SUSTAINABILITY-RELATED ASSESSMENT SERVICES

RMS is in the midst of developing a suite of sustainability-related assessment services for corporates which intend to guide their core business towards achieving economic, social and environmental sustainability. This includes private assessments that are designed to influence more vigorous discourse on sustainability and corporate regeneration in corporate boardrooms.

CORPORATE EVENTS AND AWARDS

ANNUAL GENERAL MEETING: CREATING SUSTAINABLE IMPACT
June 19, 2019

MARC held its 23rd Annual General Meeting at TPC Kuala Lumpur.

LEAD MANAGERS' LEAGUE TABLE AWARDS
August 2, 2019 - October 14, 2019

RHB Investment Bank Berhad topped both the issue value and issue count league tables of MARC-rated debt and sukuk programmes/issuances. MARC presented the awards to the winners individually.

GLOBAL ISLAMIC FINANCE AWARDS (GIFA)
September 16, 2019

MARC was named the Best Islamic Rating Agency for the fifth time at the ninth Global Islamic Finance Awards (GIFA) held in Cape Town, South Africa. This annual global awards recognises governments, institutions and individuals that have contributed to the sustainability of Islamic banking and finance.

ECONOMIC TALK
September 26, 2019

MARC held its Economic Talk by Chief Economist Nor Zahidi Alias at The Majestic Hotel, Kuala Lumpur. The talk was titled "This Slowdown: How Does It Stack Up Against Past Cycles?" and presented views and key insights on the current economic slowdown. MARC's VP of Economic Research, Quah Boon Huat, presented views on how Malaysia stacks up against its rating peers. Attendance was by invitation only to the financial sector.

MALAYSIAN BOND & SUKUK CONFERENCE 2019
November 28-29, 2019

MARC and Amanie Group jointly organised the Malaysian Bond & Sukuk Conference 2019 held at Securities Commission Malaysia. Deputy Finance Minister of Malaysia, YB Dato Wira Ir. Haji Amiruddin Hamzah, delivered the keynote address. The conference highlighted, among others, the vast untapped potential for bonds and sukuk through sustainability-theme issuances and instruments. The conference concluded that the capital market has a leading role to play through strategic collaborations to ensure sustainability in both the bond and sukuk markets.

THE ASSET'S TRIPLE A RATING AGENCY OF THE YEAR AWARD
January 23, 2020

MARC was named Malaysia's Rating Agency of the Year by The Asset magazine at the Hong Kong-based publication's Triple A Sustainable Capital Markets Regional Awards 2019. This is the second consecutive year that MARC has won this prestigious recognition. The Rating Agency of the Year award honours the contribution of a credit rating agency to the Asian bond market in providing investors and issuers with fundamental parameters regarding the creditworthiness of corporates, financial institutions and sovereigns.

CORPORATE SOCIAL RESPONSIBILITY AND CLUB MARC

CHINESE NEW YEAR CELEBRATION

January 22, 2019

Staff gathered at Westin Kuala Lumpur to share a delightful *dim sum* lunch that started with the traditional *yee sang* prosperity toss to celebrate the Chinese New Year.

MARC COMPANY TRIP TO BANGKOK

March 28-31, 2019

MARC staff and family members travelled to Bangkok, Thailand for the 2019 annual company trip. Highlights of the trip were visits to Maeklong Railway Market and Damnoen Saduak Floating Market. Staff and family members also caught a live *muay thai* show.

HARI RAYA AIDILFITRI CELEBRATION

June 14, 2019

Staff and family members celebrated Hari Raya Aidilfitri at Sime Darby Convention Centre, where they had their fill of traditional Raya dishes such as *ketupat* and *rendang*. There was a lucky draw with goodies for staff, as well as the gifting of *duit raya* to the staff's children.

MARC CSR GARDEN

July 27, 2019

MARC staff helped establish a vegetable garden at our adopted school SK Bukit Lanjan (Asli). Pots, soil and vegetable seeds were donated in the hope that the mature garden's yields could be used by the school's canteen to provide healthy meals for the schoolchildren.

YEAR-END CELEBRATION

December 10, 2019

To cap off another successful work year, staff were treated to an international spread at Vasco's, Hilton Kuala Lumpur. The event ended on a high note with the exchange of gifts among the staff.

4 Billings

Bullish outlook retained for bonds

Economists say possible OPR cut, ample liquidity are positive for debt market

4 News

Keep close watch on household debt

Economists warn of risks that could emerge

Regional household debt % GDP

StarBiz

Household debt to GDP may inch up

Economists say high house prices among factors affecting debt level next year

Malaysia household debt as percentage of GDP

2014	2015	2016	2017	2018
86.1	86.9	86.5	82.7	82.0

2 News

All countries losing in US-China trade war

4 News

Can strong US job data support growth?

Bond market momentum picking up

Buying interest for MGS, among foreign investors, seen

Foreign holdings of local bonds fall by RM2.2b in 1H19

Chief economist: Financial literacy lacking among Malaysians

MARC IN

Appetite for non-rated bonds

Higher returns among catalysts spurring demand

Finding it hard to cope with an uncertain US-China trade deal

KNEE-JERK REACTION

Foreign funds turn net sellers of local bonds

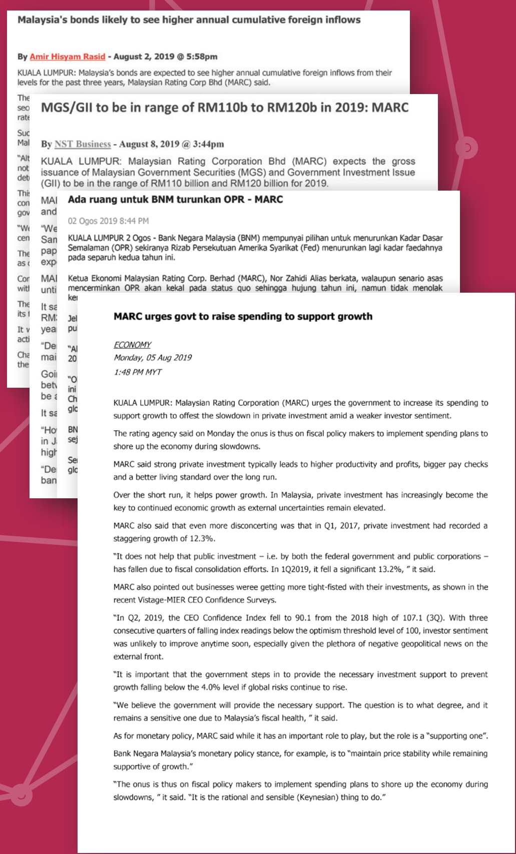
Star ONLINE

Recession fears hit Asian region including Singapore

ECONOMY

Monday, 1 Jul 2019

By Yap Leng Kuen



Malaysia's bonds likely to see higher annual cumulative foreign inflows

By Amir Hisyam Rasid - August 2, 2019 @ 5:58pm

KUALA LUMPUR: Malaysia's bonds are expected to see higher annual cumulative foreign inflows from their levels for the past three years, Malaysian Rating Corp Bhd (MARC) said.

MGS/GII to be in range of RM110b to RM120b in 2019: MARC

By NST Business - August 8, 2019 @ 3:44pm

KUALA LUMPUR: Malaysian Rating Corporation Bhd (MARC) expects the gross issuance of Malaysian Government Securities (MGS) and Government Investment Issue (GII) to be in the range of RM110 billion and RM120 billion for 2019.

Ada ruang untuk BNM turunkan OPR - MARC

02 Ogos 2019 8:44 PM

KUALA LUMPUR 2 Ogos - Bank Negara Malaysia (BNM) mempunyai pilihan untuk menurunkan Kadar Dasar Semalaman (OPR) sekiranya Rizab Persekutuan Amerika Syarikat (Fed) menurunkan lagi kadar faedahnya pada separuh kedua tahun ini.

Ketua Ekonomi Malaysian Rating Corp. Berhad (MARC), Nor Zahidi Alias berkata, walaupun senario asas mencerminkan OPR akan kekal pada status quo sehingga hujung tahun ini, namun tidak menolak

MARC urges govt to raise spending to support growth

ECONOMY

Monday, 05 Aug 2019

1:48 PM MYT

KUALA LUMPUR: Malaysian Rating Corporation (MARC) urges the government to increase its spending to support growth to offest the slowdown in private investment amid a weaker investor sentiment.

The rating agency said on Monday the onus is thus on fiscal policy makers to implement spending plans to shore up the economy during slowdowns.

MARC said strong private investment typically leads to higher productivity and profits, bigger pay checks and a better living standard over the long run.

Over the short run, it helps power growth. In Malaysia, private investment has increasingly become the key to continued economic growth as external uncertainties remain elevated.

MARC also said that even more disconcerting was that in Q1, 2017, private investment had recorded a staggering growth of 12.3%.

"It does not help that public investment – i.e. by both the federal government and public corporations – has fallen due to fiscal consolidation efforts. In 1Q2019, it fell a significant 13.2%, " it said.

MARC also pointed out businesses weree getting more tight-fisted with their investments, as shown in the recent Vistage-MIER CEO Confidence Surveys.

"In Q2, 2019, the CEO Confidence Index fell to 90.1 from the 2018 high of 107.1 (3Q). With three consecutive quarters of falling index readings below the optimism threshold level of 100, investor sentiment was unlikely to improve anytime soon, especially given the plethora of negative geopolitical news on the external front.

"It is important that the government steps in to provide the necessary investment support to prevent growth falling below the 4.0% level if global risks continue to rise.

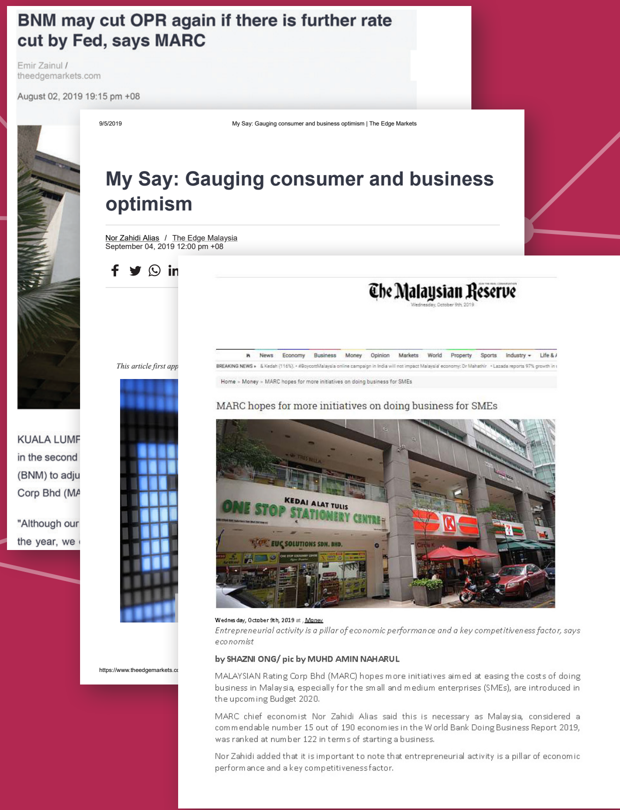
"We believe the government will provide the necessary support. The question is to what degree, and it remains a sensitive one due to Malaysia's fiscal health, " it said.

As for monetary policy, MARC said while it has an important role to play, but the role is a "supporting one".

Bank Negara Malaysia's monetary policy stance, for example, is to "maintain price stability while remaining supportive of growth."

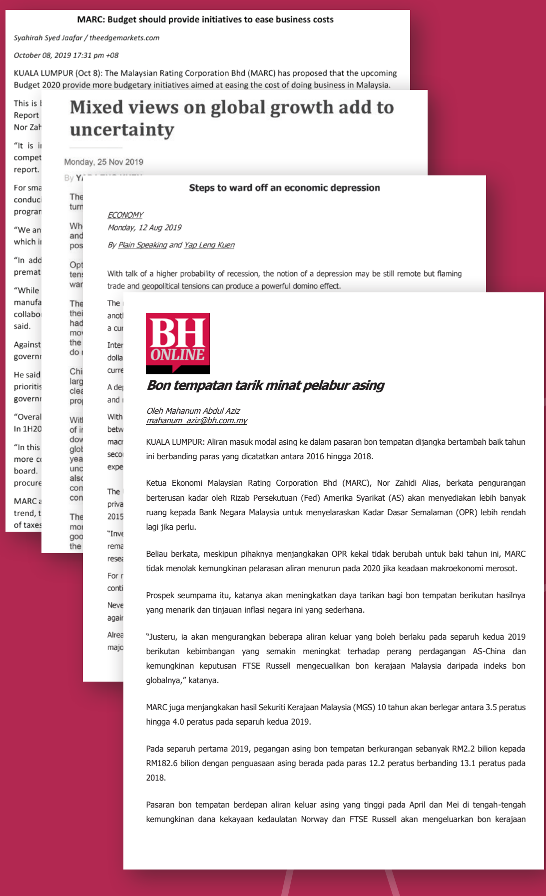
"The onus is thus on fiscal policy makers to implement spending plans to shore up the economy during slowdowns, " it said. "It is the rational and sensible (Keynesian) thing to do."

8 HOME BUSINESS
Budget should provide initiatives to ease business costs — MARC
We anticipate more measures to address problems faced by microenterprises
WHAT SHOULD ECONOMISTS BE DOING?
FORUM
NewStraitsTimes . WEDNESDAY, OCTOBER 9, 2019
22 BUSINESS / News
AVERTING SLOWDOWN
MARC TO PUTRAJAYA: SET REALISTIC TARGETS
Higher development expenditures will help bolster economic activities, says ratings agency
RUN-UP TO 2020 BUDGET



BNM may cut OPR again if there is further rate cut by Fed, says MARC
Emir Zainul / theedgemarkets.com
August 02, 2019 19:15 pm +08
My Say: Gauging consumer and business optimism
Nor Zahidi Alias / The Edge Malaysia
September 04, 2019 12:00 pm +08
The Malaysian Reserve
MARC hopes for more initiatives on doing business for SMEs
by SHAZNI ONG/ pic by MUHD AMIN NAHARUL

THE NEWS



MARC: Budget should provide initiatives to ease business costs
Syahirah Syed Jaafar / theedgemarkets.com
October 08, 2019 17:31 pm +08
Mixed views on global growth add to uncertainty
Monday, 25 Nov 2019
Steps to ward off an economic depression
ECONOMY
Monday, 12 Aug 2019
By Plain Speaking and Yap Leng Kuen
BH ONLINE
Bon tempatan tarik minat pelabur asing
Oleh Mahanum Abdul Aziz
mahanum_aziz@bh.com.my

Weighing policy mix options during a down cycle
StarBiz
Consumer spending growth likely to be about 6.4%
Global economy at an inflection point?

FINANCIAL STATEMENT

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry out the business of research, analysis, rating, evaluation and appraisal of the obligations, dues, debts, commitments and the like including debentures, bonds, shares, stocks and other securities issued by or on behalf of any person, including any government, government of any state in a federation of states, agency or local authority or any other office of any government or of any state in a federation of states, statutory body, corporation, body corporate or unincorporate whether within or outside Malaysia.

The principal activities of the subsidiaries are as stated in Note 14 to the financial statements.

There have been no significant changes to these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit net of tax, attributable to owners of the parent	4,705,162	4,825,946

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2018 was as follows:

	RM
In respect of the financial year ended 31 December 2018 as reported in the Directors' report of that year:	
First and final single tier dividend of 10%, on 20,000,000 ordinary shares, declared on 19 June 2019 and paid on 18 July 2019	2,000,000

A special single tier dividend of 5 sen or equivalent to a net cash flow of RM1,000,000 and a first and final single tier dividend of 15 sen or equivalent to a net cash flow of RM3,000,000 in respect of the financial year ended 31 December 2019, had been declared on 19 May 2020. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Datuk Azizan bin Haji Abd Rahman
Dato' Muthanna bin Abdullah
Leong Bee Lian
Chua Seck Guan
Toi See Jong **
Dr Veerinderjeet Singh A/L Tejwant Singh **

** The Director is also a Director of the Company's subsidiaries.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors and Officers of the Group and the Company are covered by Directors and Officers Liability Insurance which is maintained on a group basis by the Company in respect of liabilities arising from acts committed in their respective capacity as Directors and Officers of the Company subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Company was RM10,000,000 while the total amount of premium paid by the Company during the year was RM14,074.

DIRECTORS' INTEREST

None of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

  i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

  ii. to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONT'D.)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   i. it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

   ii. the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

   i. any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   ii. any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

   i. no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

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

AUDITORS

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

Auditors' remuneration is disclosed in Note 8 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 May 2020.

Datuk Azizan bin Haji Abd Rahman

Dr Veerinderjeet Singh A/L Tejwant Singh

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Azizan bin Haji Abd Rahman and Dr Veerinderjeet Singh A/L Tejwant Singh, being two of the directors of Malaysian Rating Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 63 to 112 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 May 2020.

Datuk Azizan bin Haji Abd Rahman

Dr Veerinderjeet Singh A/L Tejwant Singh

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Datuk Jamaludin bin Nasir, being the officer primarily responsible for the financial management of Malaysian Rating Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 63 to 112 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Datuk Jamaludin bin Nasir
at Kuala Lumpur in the Federal Territory
on 19 May 2020.

Before me,

Datuk Jamaludin bin Nasir

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIAN RATING CORPORATION BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malaysian Rating Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 112.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Dato' Megat Iskandar Shah bin Mohamad Nor
No. 03083/07/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
19 May 2020

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	4	16,644,980	14,913,701	16,167,800	14,437,317
Cost of services rendered		(5,587,107)	(5,402,639)	(5,255,835)	(5,178,485)
Gross profit		11,057,873	9,511,062	10,911,965	9,258,832
Other items of income					
Interest income	5	1,420,169	1,375,810	1,420,169	1,375,810
Dividend income	6	154,763	154,138	154,763	154,138
Net foreign exchange gain/(loss)					
Realised		157	(787)	157	(787)
Unrealised		(4)	6	(4)	6
Net gain/(loss) on financial assets held at fair value through profit or loss (“FVTPL”)					
Realised		708,033	-	708,033	-
Unrealised		150,555	(8,320)	150,555	(84,601)
Other income	7	109	111,105	543,024	111,105
Other items of expense					
Public relations and marketing		(98,602)	(172,665)	(98,602)	(154,058)
Administrative expenses		(7,692,276)	(8,142,595)	(7,963,377)	(8,125,846)
Profit before tax	8	5,700,777	2,827,754	5,826,683	2,534,599
Income tax expense	11	(995,615)	(949,353)	(1,000,737)	(879,070)
Profit for the year		4,705,162	1,878,401	4,825,946	1,655,529

STATEMENTS OF OTHER COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit for the year	4,705,162	1,878,401	4,825,946	1,655,529
Other comprehensive (loss)/income				
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:				
Net loss on financial assets at fair value through other comprehensive income ("FVTOCI")	(227)	(4,462)	(227)	(4,462)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Share of change in associate's reserve	-	41,252	-	-
Foreign currency translation	-	59,648	-	-
Other comprehensive (loss)/ income for the year, net of tax	(227)	96,438	(227)	(4,462)
Total comprehensive income for the year	4,704,935	1,974,839	4,825,719	1,651,067

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 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Assets					
Non-current assets					
Property, plant and equipment	12	13,756,404	13,650,636	13,756,404	13,650,636
Intangible assets	13	38,600	87,428	38,600	87,428
Investment in subsidiaries	14	-	-	4	4
Deferred tax assets	16	48,448	8,176	48,448	8,176
Investment securities	17	5,018,434	5,018,661	5,018,434	5,018,661
		18,861,886	18,764,901	18,861,890	18,764,905
Current assets					
Trade and other receivables	18	6,010,984	7,233,715	5,911,884	7,188,183
Amount due from subsidiaries, net	19	-	-	522,915	-
Other current assets	20	89,571	473,727	61,984	473,727
Investment securities	17	15,657,315	16,050,266	15,657,315	16,050,266
Deposits	21	19,885,218	15,180,307	19,885,218	15,180,307
Cash and bank balances	22	1,267,413	403,911	618,527	114,610
		42,910,501	39,341,926	42,657,843	39,007,093
Total assets		61,772,387	58,106,827	61,519,733	57,771,998
Equity and liabilities					
Current liabilities					
Other payables	23	2,653,727	2,262,170	2,571,538	2,247,407
Income tax payable		597,885	28,817	597,885	-
		3,251,612	2,290,987	3,169,423	2,247,407
Net current assets		39,658,889	37,050,939	39,488,420	36,759,686
Total liabilities		3,251,612	2,290,987	3,169,423	2,247,407
Net assets		58,520,775	55,815,840	58,350,310	55,524,591
Equity attributable to owner of the parent					
Share capital	24	20,000,000	20,000,000	20,000,000	20,000,000
Retained earnings		38,525,510	35,820,348	38,355,045	35,529,099
Other reserves	25	(4,735)	(4,508)	(4,735)	(4,508)
Total equity		58,520,775	55,815,840	58,350,310	55,524,591
Total equity and liabilities		61,772,387	58,106,827	61,519,733	57,771,998

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Distributable		Non-distributable				
	Note	Share capital RM	Retained earnings RM	Fair value adjustment reserves RM	Share of change in associate's reserves RM	Foreign currency translation reserves RM	Total other reserves RM	Total equity RM
Group								
At 1 January 2018		20,000,000	36,237,239	363,458	(41,252)	(59,648)	262,558	56,499,797
Effect of adoption of new accounting standards		-	204,708	(363,504)	-	-	(363,504)	(158,796)
At 1 January 2018 (as restated)		20,000,000	36,441,947	(46)	(41,252)	(59,648)	(100,946)	56,341,001
Total comprehensive income		-	1,878,401	(4,462)	41,252	59,648	96,438	1,974,839
Transaction with shareholders								
Dividends	31	-	(2,500,000)	-	-	-	-	(2,500,000)
At 31 December 2018		20,000,000	35,820,348	(4,508)	-	-	(4,508)	55,815,840
At 1 January 2019		20,000,000	35,820,348	(4,508)	-	-	(4,508)	55,815,840
Total comprehensive income		-	4,705,162	(227)	-	-	(227)	4,704,935
Transaction with shareholders								
Dividends	31	-	(2,000,000)	-	-	-	-	(2,000,000)
At 31 December 2019		20,000,000	38,525,510	(4,735)	-	-	(4,735)	58,520,775

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital RM	Distributable retained earnings RM	Non-distributable fair value adjustment reserves RM	Total equity RM
Company					
At 1 January 2018		20,000,000	36,168,862	363,458	56,532,320
Effect of adoption of new accounting standards		-	204,708	(363,504)	(158,796)
At 1 January 2018 (as restated)		20,000,000	36,373,570	(46)	56,373,524
Total comprehensive income		-	1,655,529	(4,462)	1,651,067
Transaction with shareholders					
Dividends	31	-	(2,500,000)	-	(2,500,000)
At 31 December 2018		20,000,000	35,529,099	(4,508)	55,524,591
At 1 January 2019		20,000,000	35,529,099	(4,508)	55,524,591
Total comprehensive income		-	4,825,946	(227)	4,825,719
Transaction with shareholders					
Dividends	31	-	(2,000,000)	-	(2,000,000)
At 31 December 2019		20,000,000	38,355,045	(4,735)	58,350,310

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Operating activities				
Deposits with licensed financial institutions	(6,015,218)	740,000	(6,015,218)	740,000
Cash receipts from operations	17,831,130	13,379,612	17,630,650	12,943,459
Cash paid for operating expenses	(11,813,582)	(13,456,904)	(11,498,553)	(13,208,527)
Cash paid for low-value assets leases	(30,104)	(31,716)	(30,104)	(31,716)
Other cash receipts	20,246	32,861	20,246	32,861
Cash from operations	(7,528)	663,853	107,021	476,077
Taxes paid	(392,754)	(933,970)	(343,973)	(869,031)
Net cash flows used in operating activities	(400,282)	(270,117)	(236,952)	(392,954)
Investing activities				
Dividends received	154,763	154,138	154,763	154,138
Purchase of investment securities	(160,731)	(189,371)	(160,731)	(189,371)
Proceeds from disposal of investment securities	1,432,270	-	1,432,270	-
Interest received	1,083,980	1,388,538	1,083,980	1,388,538
Purchase of plant and equipment	(562,822)	(57,273)	(562,822)	(57,273)
Proceeds from disposal of plant and equipment	4,663	27,058	4,663	27,058
Net cash flows generated from investing activities	1,952,123	1,323,090	1,952,123	1,323,090
Financing activities				
Repayment of/(advances from) amount due from staff	1,200	(1,200)	1,200	(1,200)
Advances from amount due from subsidiaries	-	-	(522,915)	-
Inter-company debt write-off	-	-	-	(3,707)
Dividends paid (Note 31)	(2,000,000)	(2,500,000)	(2,000,000)	(2,500,000)
Net cash flows used in financing activities	(1,998,800)	(2,501,200)	(2,521,715)	(2,504,907)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D.)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net decrease in cash and cash equivalents	(446,959)	(1,448,227)	(806,544)	(1,574,771)
Effect of exchange rate changes on cash and cash equivalents	154	(781)	154	(781)
Cash and cash equivalents at beginning of year	8,304,218	9,753,226	8,014,917	9,590,469
Cash and cash equivalents at end of year	7,857,413	8,304,218	7,208,527	8,014,917
Cash and cash equivalents comprise:				
Deposits (Note 21)	19,885,218	15,180,307	19,885,218	15,180,307
Cash and bank balances (Note 22)	1,267,413	403,911	618,527	114,610
	21,152,631	15,584,218	20,503,745	15,294,917
Less: Deposits with maturity more than 3 months	(13,295,218)	(7,280,000)	(13,295,218)	(7,280,000)
	7,857,413	8,304,218	7,208,527	8,014,917

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. The registered office of the Company is located at 19-07, Level 19, Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The principal activities of the Company are to carry out the business of research, analysis, rating, evaluation and appraisal of the obligations, dues, debts, commitments and the like including debentures, bonds, shares, stocks and other securities issued by or on behalf of any person, including any government, government of any states in a federation of states, agency or local authority or any other office of any government or of any state in a federation of states, statutory body, corporation, body corporate or unincorporate whether within or outside Malaysia.

The principal activities of the subsidiaries are disclosed in Note 14. There have been no significant changes in the nature of these principal activities during the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant accounting policies as disclosed in Note 2.

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Group and of the Company.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

i. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

ii. Exposure, or rights, to variable returns from its investment with the investee; and

iii. The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power over the investee:

i. The size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation (cont'd.)

ii Potential voting rights held by the Group, other vote holders or other parties;

iii. Rights arising from other contractual arrangements; and

iv. Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between:

i. the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

ii. the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss.

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity is reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2.3 Summary of significant accounting policies

(a) Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. 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 expenses and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(a) Business combinations (cont'd.)

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

(b) Subsidiaries

A subsidiary is an entity over which the Group has all the following:

i. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

ii. Exposure, or rights, to variable returns from its investment with the investee; and

iii. The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Foreign currency

i. Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Foreign currency (cont'd.)

ii. Foreign currency transactions

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserves in equity. The foreign currency translation reserves are reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

iii. Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserves relating to that particular foreign operation is recognised in the profit or loss.

The principal rate used for every unit of foreign currency ruling at the reporting date is as follows:

	2019 RM	2018 RM
United States Dollars	4.09	4.14

(d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company, and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Furniture, fittings and office equipment: 5 years
- Motor vehicles: 5 years
- Computers: 2 to 4 years
- Renovation: 3 to 5 years
- Building: 50 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit and loss in the year the asset is derecognised.

(e) Intangible assets and amortisation

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss.

Intangible assets not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised.

The Group's and the Company's intangible asset consists of computer software. The useful life of computer software is assessed to be finite. Computer software is amortised on a straight-line basis over 2 years to 4 years.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in statements of profit or loss.

(g) Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

i. Initial recognition and subsequent measurement

The Group and the Company determine the classification of their financial assets at initial recognition, and the category includes financial assets at fair value through other comprehensive income ("FVTOCI") for debt and equity instruments, FVTPL and amortised cost ("AC").

a. Financial assets at FVTOCI (debt instruments)

The Group and the Company measure debt instruments at FVTOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holdings to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Financial assets (cont'd.)

i. Initial recognition and subsequent measurement (cont'd.)

a. Financial assets at FVTOCI (debt instruments) (cont'd.)

For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Company do not have any debt instruments at FVTOCI during the financial year.

b. Financial assets designated at FVTOCI (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under MFRS 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

The Group and the Company elected to classify irrevocably its non-listed equity investments under this category.

c. Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives or financial assets acquired principally for the purpose of selling in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at AC or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

The Group's and the Company's financial assets at FVTPL include non-listed equity investments and investments in unit trusts under this category.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Financial assets (cont'd.)

i. Initial recognition and subsequent measurement (cont'd.)

d. Financial assets at AC

A financial asset is measured at AC if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Group and the Company include in this category trade receivables and other receivables, amount due from subsidiaries, deposits and cash and bank balances.

Subsequent to initial recognition, financial assets at AC are measured at AC using the effective interest or yield method. Gains and losses are recognised in profit or loss when the financial assets at AC are derecognised or impaired, and through the amortisation process.

The Group's and the Company's financial assets at AC include fixed-income investment under this category.

e. Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the financial asset have expired; or
- The company has transferred its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:
    - The company has transferred substantially all the risks and rewards of the financial asset; or
    - The company has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the company has transferred its rights to receive cash flows from a financial asset or has entered into a "pass through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the Company's continuing involvement in the financial asset. In that case, the Company also recognises an associated financial liability. The transferred financial asset and associated financial liability are measured on a basis that reflects the rights and obligations that the Company has retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there have not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there have been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established an internal credit rating for the Company and a provision matrix for the subsidiaries that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at AC and FVTOCI, the Group and the Company use internal credit rating to estimate the 12-month ECL and lifetime ECL. The Group and the Company consider that there has been a significant increase in credit risk when there is a significant deterioration in the borrower's credit rating from initial recognition or last reviewed date, the borrower is insolvent, it is becoming probable that the borrower will enter bankruptcy and debtor's listed debt or equity is suspended at the primary exchange because of rumours or facts about financial difficulties.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flow, cash and cash equivalents comprise cash and deposits with financial institutions with original maturity of three (3) months or less.

(j) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) Financial liabilities

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

<u>Other financial liabilities</u>

This category includes all financial liabilities, other than those measured at FVTPL. The Group and the Company include other payables in this category.

Financial liabilities are measured initially at fair value, plus directly attributable transaction costs, except in the case of financial liabilities at fair value through profit or loss and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

(l) Employee benefits

i. Short-term benefits

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

ii. Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws. The companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Employee benefits (cont'd.)

iii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

(m) Leases

Policy applicable before 1 January 2019

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

A lease is classified at the inception date as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased assets to the Company.

All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

Operating leases - the Group and the Company as lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Policy applicable after 1 January 2019

The Group and the Company had applied MFRS 16 Leases using the modified retrospective approach, under which cumulative effect on initial application is recognised as an adjustment to retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented as previously reported under MFRS 117 Leases and related interpretation.

i. Classification

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Leases (cont'd.)

Policy applicable after 1 January 2019 (cont'd.)

ii. Recognition and initial measurement

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use asset representing the right of use of the underlying assets.

Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group and the Company also apply the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense when incurred.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company, and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

i. Revenue from services

- Revenue from rating and surveillance services is recognised net of discounts at the point in time when services are rendered upon completion of milestones and deliverables.

- Revenue from subscriptions and sale of reports and data is recognised net of discounts according to the service period.

- Revenue from training and conferences is recognised net of discounts at the point in time upon completion of services rendered.

- Revenue from technical collaboration is recognised net of discounts at the point in time upon completion of services rendered.

ii. Interest income

Interest income is recognised using the effective interest method over the term of underlying investments.

iii. Dividend income

Dividend income is recognised at a point of time when the Group's and the Company's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Income taxes

i. Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Income tax for the year comprises current and deferred tax. Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

ii. Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse 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 taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Income taxes (cont'd.)

ii. Deferred tax (cont'd.)

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination that is adjusted against goodwill on acquisition.

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

iii. Sales and service tax

Revenue is recognised at net of the amount of sales and service tax ("SST"). Expenses and assets are recognised including the amount of SST. The net amount of SST payable to the taxation authority is included as part of payables in the statements of financial position.

(p) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Amendments to MFRS

At the beginning of the current financial year, the Group and the Company adopted the following MFRSs, amendments to MFRSs, annual improvements to MFRSs and Issues Committee ("IC") Interpretation which are mandatory for the financial periods beginning on or after 1 January 2019.

Description	Effective for annual financial year beginning on or after
MFRS 16: Leases	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	
(i) Amendments to MFRS 3: Business Combinations	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowing Costs	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019

The Group and the Company do not have any significant financial impact in the adoption of the MFRSs, amendments to MFRSs and annual improvements to MFRSs in the financial statements, except for as discussed below:

<u>MFRS 16 Leases</u>

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise lease liabilities to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Amendments to MFRS (cont'd.)

MFRS 16 Leases (cont'd.)

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

On 1 January 2019, the Group and the Company have applied MFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to retained earnings brought forward and not restate prior year/period comparatives information which remain as previously reported under MFRS 117 and related interpretations. The Group and the Company have developed its approach for assessing its leases including applying the recognition exemptions in the standard that allow the Group and the Company not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. There is no financial impact to the Group's and the Company's retained earnings upon adoption of MFRS 16 following the recognition exemptions applied.

2.5 Standards, amendments and interpretations issued but not yet effective

As at the date of authorisation of these financial statements, the following standards, amendments and IC Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Company.

Description	Effective for annual financial year beginning on or after
Amendments to MFRS 3: Business Combinations - Definition of Business	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements - Definition of Material	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between a Investor and its Associate or Joint Venture	To be announced by MASB

The adoption of the above-mentioned standards, amendments and IC interpretations are not expected to have material impact to the financial statements of the Group and the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving higher degree of judgement and complexity, are as follows:

3.1 Impairment of financial investment portfolio

The Group and the Company review their financial investments at AC under MFRS 9 which is required to recognise the ECL at each reporting date to reflect changes in credit risk. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the impairment review, the management's judgment is required for determination whether the investment is impaired based on certain indicators such as, among others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors and determination of ECL that reflects 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.

3.2 Impairment of trade and other receivables

As disclosed in Note 2.3 (h) (i), the Group and the Company have made significant judgements in the impairment of trade receivables by applying a simplified approach in the calculation of ECL.

3.3 Taxation

The Company is subject to income taxes in Malaysia. Significant management judgment is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advice from the Company's tax agent, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established (Note 11).

4. REVENUE

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Rating and surveillance fees	15,402,370	13,769,343	15,432,370	13,769,343
Seminars, conferences and publications	999,204	1,036,633	536,024	560,249
Technical collaboration fee/ advisories	204,906	78,675	160,906	78,675
Recoverable expenses	38,500	29,050	38,500	29,050
	16,644,980	14,913,701	16,167,800	14,437,317

Timing of revenue recognition

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Services transferred at a point in time	16,079,476	14,353,452	15,631,776	13,877,068
Services transferred over time	565,504	560,249	536,024	560,249
	16,644,980	14,913,701	16,167,800	14,437,317

5. INTEREST INCOME

	Group and Company	
	2019 RM	**2018 RM**
Deposits and money market	715,677	649,654
Financial investments at FVTPL	484,246	493,295
Financial investments at amortised cost	200,000	200,000
Loans and receivables	20,246	32,861
	1,420,169	1,375,810

6. DIVIDEND INCOME

Dividend income represents income from financial assets at FVTPL.

7. OTHER INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Miscellaneous income	-	98,181	-	98,181
Management fee income	-	-	125,000	-
Shared service income	-	-	417,915	-
Gain on disposal of property, plant and equipment	109	12,924	109	12,924
	109	111,105	543,024	111,105

Shared service income comprises costs allocated to subsidiaries for salary and benefits arising from the service agreement which took effect from 2019.

Management fee income relates to the income received from subsidiaries for cost allocation of shared services (administrative, financial, risk management and office facilities) rendered by the holding company to the subsidiaries.

8. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration		67,645	64,565	55,979	55,979
Expense from low-value assets leases		30,104	31,716	30,104	31,716
Consultancy fee expense	26	-	-	170,000	-
Depreciation of property, plant and equipment	12	452,500	564,759	452,500	564,759
Plant and equipment written off		-	7,594	-	7,594
Amortisation of intangible assets	13	48,828	63,192	48,828	63,192
Write-off of amount due from a subsidiary	26	-	-	-	3,707
Employee benefits expense	9	9,637,090	9,788,332	9,637,090	9,788,332
(Writeback of)/provision for ECL	18a(ii)	(80,858)	189,877	(80,858)	189,877

9. EMPLOYEE BENEFITS EXPENSE

	Group and Company	
	2019 RM	2018 RM
Salaries and bonuses	8,096,927	8,101,309
Contributions to defined contribution plan	1,260,643	1,254,624
Social security contributions	42,527	48,688
Gratuity	-	174,172
Other benefits	236,993	209,539
	9,637,090	9,788,332

10. DIRECTORS' REMUNERATION

The details of remuneration receivable by Directors of the Group and of the Company during the financial year are as follows:

	Group and Company	
	2019 RM	2018 RM
Non-executive:		
Fees	499,040	495,400
Other emoluments	113,906	109,390
Benefits-in-kind	62,172	64,862
Total non-executive directors' remuneration (including benefits-in-kind)	675,118	669,652

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current income tax:				
- Malaysian income tax	1,248,034	738,824	1,237,371	686,774
- Over provision in respect of previous years	(212,147)	(55,178)	(196,362)	(73,411)
	1,035,887	683,646	1,041,009	613,363
Deferred income tax (Note 16):				
- Origination and reversal of temporary differences	16,815	51,999	16,815	51,999
- (Over)/under provision in respect of previous years	(57,087)	213,708	(57,087)	213,708
	(40,272)	265,707	(40,272)	265,707
Income tax expense recognised in profit or loss	995,615	949,353	1,000,737	879,070

11. INCOME TAX EXPENSE (CONT'D.)

Reconciliation between tax expense and accounting profit

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Accounting profit before tax	5,700,777	2,827,754	5,826,683	2,534,599
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	1,368,186	678,662	1,398,404	608,304
Tax effect of:				
Non-deductible expenses	166,396	212,880	165,914	231,188
Income not subject to taxation	(310,131)	(100,719)	(310,132)	(100,719)
Over provision of income tax in respect of previous years	(212,147)	(55,178)	(196,362)	(73,411)
Deferred tax assets not recognised	40,398	-	-	-
(Over)/under provision of deferred tax in respect of previous years	(57,087)	213,708	(57,087)	213,708
Income tax expense recognised in profit or loss	995,615	949,353	1,000,737	879,070

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings, and office equipment RM	Motor vehicles RM	Computers RM	Renovation RM	Building RM	Total RM
Group and Company						
Cost						
At 1 January 2018	457,557	381,688	650,907	1,489,290	13,871,906	16,851,348
Additions	7,294	-	49,979	-	-	57,273
Disposals	-	-	(11,110)	(41,216)	(11,938)	(64,264)
Written off	(123,873)	-	(2,290)	(1,229,009)	-	(1,355,172)
At 31 December 2018/1 January 2019	340,978	381,688	687,486	219,065	13,859,968	15,489,185
Additions	20,873	382,028	51,881	-	108,040	562,822
Disposals	-	-	-	-	(4,663)	(4,663)
Written off	(9,777)	-	(14,733)	-	-	(24,510)
At 31 December 2019	352,074	763,716	724,634	219,065	13,963,345	16,022,834
Accumulated depreciation						
At 1 January 2018	344,999	211,236	534,321	1,357,080	223,862	2,671,498
Charge for the year (Note 8)	31,213	76,337	60,312	119,539	277,358	564,759
Disposals	-	-	(8,556)	(41,216)	(358)	(50,130)
Written off	(123,873)	-	(2,290)	(1,221,415)	-	(1,347,578)
At 31 December 2018/1 January 2019	252,339	287,573	583,787	213,988	500,862	1,838,549
Charge for the year (Note 8)	32,425	81,753	52,913	5,068	280,341	452,500
Disposals	-	-	-	-	(109)	(109)
Written off	(9,777)	-	(14,733)	-	-	(24,510)
At 31 December 2019	274,987	369,326	621,967	219,056	781,094	2,266,430
Net carrying amount						
At 31 December 2018	88,639	94,115	103,699	5,077	13,359,106	13,650,636
At 31 December 2019	77,087	394,390	102,667	9	13,182,251	13,756,404

The carrying amount of fully depreciated assets that are still in use amounted to RM1,092,085 (2018: RM874,431).

13. INTANGIBLE ASSETS

	Computer software RM	Total RM
Group and Company		
Cost		
At 31 December 2018 and 1 January 2019	275,198	275,198
Accumulated amortisation		
At 1 January 2018	124,578	124,578
Charge for the year (Note 8)	63,192	63,192
At 31 December 2018 and 1 January 2019	187,770	187,770
Charge for the year (Note 8)	48,828	48,828
At 31 December 2019	236,598	236,598
Net carrying amount		
At 31 December 2018	87,428	87,428
At 31 December 2019	38,600	38,600

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost	4	4

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activity	Proportion (%) of ownership interest 2019	2018
Held by the Company:				
MARC Risk Management Solutions Sdn Bhd*	Malaysia	Consultancy management & advisory	100	100
MARC Training Sdn Bhd*	Malaysia	Training	100	100

* Audited by Ernst & Young PLT, Malaysia

15. INVESTMENT IN AN ASSOCIATE

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Share at cost, unquoted shares outside Malaysia		-	1,695,158	-	1,695,158
Shares of post-acquisition reserves		-	(1,194,170)	-	-
Less: Allowance for impairment losses		-	-	-	(1,117,889)
Transfer to investment securities at FVTPL	17	-	(724,238)	-	(724,238)
Gain on financial assets held at FVTPL		-	223,250	-	146,969
		-	-	-	-

Details of the associate are as follows:

Name	Country of incorporation	Principal activity	Proportion (%) of ownership interest 2019	Proportion (%) of ownership interest 2018
ARC Ratings Holdings Limited* (ARC Ratings)	British Virgin Islands	Investment holding company	-	10

* Audited by a firm other than Ernst & Young PLT

On 17 October 2018, the Board agreed that the Company shall not have any Board representation on ARC Ratings. Hence, this signifies a loss of significant influence and ARC Ratings is no longer classified as an investment in an associate.

16. DEFERRED TAX

Deferred income tax as at 31 December relates to the following:

	Group and Company	
	2019 RM	2018 RM
At 1 January	8,176	177,057
Recognised in profit or loss (Note 11)	40,272	(265,707)
Recognised in equity	-	96,826
At 31 December	48,448	8,176

Presented after appropriate offsetting as follows:

	Group and Company	
	2019 RM	2018 RM
Deferred tax assets	428,001	372,693
Deferred tax liabilities	(379,553)	(364,517)
	48,448	8,176

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

Deferred tax assets of the Group and of the Company

	Group and Company		
	Allowance for ECL RM	Provision for liabilities RM	Total RM
As at 31 December 2019			
At 1 January	47,623	325,070	372,693
Recognised in profit or loss	(19,406)	74,714	55,308
At 31 December	28,217	399,784	428,001

16. DEFERRED TAX (CONT'D.)

The components and movement of the deferred tax assets and liabilities during the financial year are as follows (cont'd.):

Deferred tax assets of the Group and of the Company (cont'd.)

	Group and Company		
	Allowance for ECL RM	Provision for liabilities RM	Total RM
As at 31 December 2018			
At 1 January, as previously stated	-	383,926	383,926
- effect of adopting MFRS 9	2,052	-	2,052
At 1 January, as restated	2,052	383,926	385,978
Recognised in profit or loss	45,571	(58,856)	(13,285)
At 31 December	47,623	325,070	372,693

Deferred tax liabilities of the Group and of the Company

	Group and Company		
	Plant and equipment RM	FVOCI reserve RM	Total RM
As at 31 December 2019			
At 1 January	(364,517)	-	(364,517)
Recognised in profit or loss	(15,036)	-	(15,036)
At 31 December	(379,553)	-	(379,553)
As at 31 December 2018			
At 1 January, as previously stated	(112,095)	(94,774)	(206,869)
- effect of adopting MFRS 9	-	94,774	94,774
At 1 January, as restated	(112,095)	-	(112,095)
Recognised in profit or loss	(252,422)	-	(252,422)
At 31 December	(364,517)	-	(364,517)

Deferred tax assets have not been recognised during the financial year ended 31 December 2019 in respect of provision for liabilities and unutilised tax losses of the subsidiaries. The unutilised tax losses are available up to a maximum 7 consecutive years for offset against the subsidiary's future taxable profits.

17. INVESTMENT SECURITIES

		Group and Company	
	Note	2019 RM	2018 RM
Current			
FVTPL			
(Quoted in Malaysia)			
Unit trust funds		6,129,319	5,884,687
Real estate investment trusts		2,351,180	2,234,840
		8,480,499	8,119,527
(Unquoted in Malaysia)			
Institutional trust fund		7,156,816	7,166,501
Club membership		20,000	40,000
		7,176,816	7,206,501
(Unquoted in Malaysia)			
Equity instrument		-	724,238
Total current investment securities	15	15,657,315	16,050,266
Non-current			
FVTOCI			
(Unquoted outside Malaysia)			
Equity instrument		43,434	43,661
Amortised cost			
(Quoted in Malaysia)			
4.0% p.a.* RM corporate bonds due 8 February 2023		4,975,000	4,975,000
Total non-current investment securities		5,018,434	5,018,661
Total investment securities		20,675,749	21,068,927

* p.a.: per annum

In May 2019, the Company divested its entire holdings in ARC Ratings through a first right of refusal and option to buy for RM1,432,270 with a realised gain on sale of RM708,032.

18. TRADE AND OTHER RECEIVABLES

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Current					
Trade receivables	(a)	5,368,111	6,769,965	5,269,011	6,724,433
Other receivables					
Interest receivables		582,495	266,552	582,495	266,552
Refundable deposits		49,602	52,987	49,602	52,987
Sundry receivables		10,776	144,211	10,776	144,211
		642,873	463,750	642,873	463,750
Total trade and other receivables		6,010,984	7,233,715	5,911,884	7,188,183

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days' (2018: 30 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Trade receivables	5,485,682	6,968,394	5,386,582	6,922,862
Allowance for expected credit loss (Note 18(a)(ii))	(117,571)	(198,429)	(117,571)	(198,429)
	5,368,111	6,769,965	5,269,011	6,724,433
Lifetime non-credit impaired	5,385,450	6,798,729	5,286,350	6,753,197
Lifetime credit impaired	100,232	169,665	100,232	169,665
Gross carrying amount	5,485,682	6,968,394	5,386,582	6,922,862
ECL				
Non-credit impaired	17,339	46,924	17,339	46,924
Credit impaired	100,232	151,505	100,232	151,505
	117,571	198,429	117,571	198,429
Net carrying amount	5,368,111	6,769,965	5,269,011	6,724,433

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Reconciliation of the gross carrying amount and allowance for expected credit loss are as follows:

i. Qualitative movement of gross carrying amount

Trade receivables' decrease of RM1,482,712 (the Group) and RM1,536,280 (the Company) within 12 months are mainly due to lower accrued billings and increased collections from its debtors in the financial year ended 31 December 2019 which correspondingly decreased the ECL allowances.

Trade receivables' increase of RM1,534,090 (the Group) and RM1,493,858 (the Company) within 12 months are mainly for services rendered in the financial year ended 31 December 2018 which correspondingly increased the ECL allowances.

ii. Reconciliation of allowance for expected credit loss

	Group and Company		
	Lifetime non-credit impaired RM	Lifetime credit impaired RM	Total RM
Lifetime ECL			
At 1 January 2019	46,924	151,505	198,429
Allowance made	183,547	528,325	711,872
Reversals	(213,132)	(579,598)	(792,730)
At 31 December 2019	17,339	100,232	117,571
Lifetime ECL			
At 1 January 2018	-	-	-
Effect of MFRS 9 adoption	4,246	4,306	8,552
Restated day 1	4,246	4,306	8,552
Allowance made	123,176	151,505	274,681
Reversals	(80,498)	(4,306)	(84,804)
At 31 December 2018	46,924	151,505	198,429

19. AMOUNT DUE FROM SUBSIDIARIES, NET

	Company	
	2019 RM	2018 RM
(a) MARC Risk Management Solutions Sdn Bhd:		
Amount due from subsidiary		
Cost of commencement	10,000	-
Shared service cost	336,215	-
Management fee	46,000	-
Amount due to subsidiary	(30,000)	-
(b) MARC Training Sdn Bhd:		
Amount due from subsidiary		
Shared service cost	81,700	-
Management fee	79,000	-
	522,915	-

Effective 2019, shared services were allocated and charged together with management fee based on the service agreements between the Company and its subsidiaries. Previously, such allocated costs were borne by the Company.

The amount due from/to subsidiaries are repayable on demand, non-trade in nature, unsecured and interest free. The amount due from subsidiaries are neither past due nor impaired. There is no ECL charged during the year.

20. OTHER CURRENT ASSETS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Prepaid operating expenses	64,485	372,108	61,984	372,108
Staff advances	-	1,200	-	1,200
Others	-	1,268	-	1,268
Tax recoverable	25,086	99,151	-	99,151
	89,571	473,727	61,984	473,727

21. DEPOSITS

	Group and Company	
	2019 RM	2018 RM
Deposits with:		
Licensed financial institutions	19,885,218	15,180,307

The weighted average effective interest rates and average maturity of deposits at the reporting date were as follows:

	Group and Company	
	2019	2018
Weighted average effective interest rates (%)	3.95	5.21
Average maturity (days)	164	155

22. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash at banks and on hand	1,267,413	403,911	618,527	114,610

Cash at banks earns interest at floating rates based on daily bank deposit rates.

23. OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Accrued operating expenses	1,789,029	1,641,971	1,733,761	1,627,208
Others	864,698	620,199	837,777	620,199
	2,653,727	2,262,170	2,571,538	2,247,407

24. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2019	2018	2019 RM	2018 RM
Issued and fully paid				
At 1 January/31 December	20,000,000	20,000,000	20,000,000	20,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

25. OTHER RESERVES

Other reserves consist of fair value adjustment reserves which represent the cumulative fair value changes, net of tax, of FVTOCI financial assets.

26. RELATED PARTY DISCLOSURES

a. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Amount due from subsidiaries, net (Note 19)	-	-	522,915	-
Other income				
Shared service fee income	-	-	417,915	-
Management fee income	-	-	125,000	-
Cost of commencement	-	-	10,000	-
Consultancy fee expense	-	-	(170,000)	-
Write-off of amount due from a subsidiary	-	-	-	(3,707)

b. Compensation of key management personnel

	Group and Company	
	2019 RM	2018 RM
Short-term employee benefits	3,148,551	3,630,614
Defined contribution plan	490,440	530,004
	3,638,991	4,160,618

Key management personnel is defined as the Group Chief Executive Officer, Chief Economist, Chief Rating Officer, Technical Director and CEO of MARC Risk Management Solutions Sdn Bhd and Chief Business Officer and CEO of MARC Training Sdn Bhd.

27. OPERATING LEASE COMMITMENTS

The Group and the Company have entered into commercial leases on the use of office equipment. These leases have an average tenure of between three to five years with no contingent rent provision included in the contracts.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group and Company	
	2019 RM	2018 RM
Not later than 1 year	29,160	30,576
Later than 1 year but not later than 5 years	65,340	95,798
	94,500	126,374

Reconciliation of operating lease commitments to the lease liabilities as at 1 January 2019:

	Group and Company RM
Operating lease commitments as at 31 December 2018	126,374
Recognition exemption for leases of low-value assets	(126,374)
Lease liabilities as at 1 January 2019	-

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 2019 and 2018.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

A. Fair value of financial instruments that are carried at fair value (cont'd.)

Fair value hierarchy (cont'd.)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Level 1		Level 2		Level 3		Total	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Group and Company								
Financial assets:								
FVTPL								
(Quoted in Malaysia)								
Unit trust funds	6,129,319	5,884,687	-	-	-	-	6,129,319	5,884,687
Real estate investment trusts	2,351,180	2,234,840	-	-	-	-	2,351,180	2,234,840
(Unquoted in Malaysia)								
Equity instrument	-	-	-	-	-	724,238	-	724,238
Institutional trust	-	-	7,156,816	7,166,501	-	-	7,156,816	7,166,501
Club membership	-	-	20,000	40,000	-	-	20,000	40,000
FVTOCI								
(Unquoted outside Malaysia)								
Equity instruments	-	-	43,434	43,661	-	-	43,434	43,661
At 31 December	8,480,499	8,119,527	7,220,250	7,250,162	-	724,238	15,700,749	16,093,927

* p.a.: per annum

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

B. i. Movements of Level 3 instruments

The following table presents additional information about Level 3 financial assets measured at fair value on a recurring basis for 2018:

	Group		Company	
	Financial assets: *FVTPL* (Unquoted in Malaysia) Equity instrument RM	**Total Level 3 financial assets RM**	**Financial assets:** *FVTPL* (Unquoted in Malaysia) Equity instrument RM	**Total Level 3 financial assets RM**
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	-	-	-	-
Restated as at 1 January 2018	-	-	-	-
Reclassifications	577,269	577,269	500,988	500,988
Unrealised gains/(losses) recognised in income statements	146,969	146,969	223,250	223,250
Unrealised gains/(losses) recognised in other comprehensive income	-	-	-	-
Sales	-	-	-	-
Settlements	-	-	-	-
Exchange differences	-	-	-	-
At 31 December 2018	724,238	724,238	724,238	724,238

For the financial year ended 31 December 2019, there is no Level 3 financial assets at the Group and Company level.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

B. ii. Sensitivity of fair value measurements to changes in unobservable input assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

C. Fair value of financial instruments that are not carried at fair value

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets as disclosed below.

	Group and Company			
	2019		2018	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets:				
AC				
4.0% p.a. RM corporate bonds due 8 February 2023	4,975,000	5,065,000	4,975,000	4,925,000

i. Equity instruments (unquoted outside Malaysia)

These equity instruments represent ordinary shares in a Bahraini rating agency that is not quoted in any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future.

ii. Unquoted institutional trust fund investment and club membership

It is not practical to estimate the fair value of this unquoted investment due to a lack of market information and the inability to estimate the fair value without incurring excessive costs. However, the Group and the Company do not expect the carrying amounts to be significantly different from recoverable amounts.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

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

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

	Note
Trade and other receivables	18
Amount due from subsidiaries, net	19
Deposits	21
Cash and bank balances	22
Other payables	23

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Group Chief Executive Officer, Chief Business Officer and Head of Finance. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

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

a. Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy to receive part payment from customers upon signing of rating engagement letters in order to mitigate credit risks. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

a. Credit risk (cont'd.)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group and the Company do not have any significant exposure to any individual customer or counterparty nor do they have any major concentration of credit risk related to any financial assets.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Deposits with banks and other financial institutions and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

b. Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company actively manage their operating cash flows and the availability of their funding so as to ensure that all repayment and funding needs are met. As part of their overall liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements.

c. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits with licensed financial institutions and in short-term money market funds.

Sensitivity analysis for interest rate risk

Sensitivity analysis has not been disclosed because the Group and the Company have no significant net exposure to interest rate risk as at the reporting date.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

d. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company are not significantly exposed to transactional currency exposures as the majority of the Group's and the Company's transactions, assets and liabilities are denominated in their functional currency.

The Group and the Company are also exposed to currency translation risk arising from its net investments in Bahrain and the British Virgin Islands. The Group's and the Company's net investments in Bahrain and the British Virgin Islands are not hedged as currency positions in US Dollars are considered to be long term in nature.

e. Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk arising from its investment in real estate investment trusts ("REITs") and unit trust funds. These instruments are classified as FVTPL. The Group and the Company do not have exposure to commodity price risk.

The Group's and the Company's objective is to manage investment returns and market price risk by maintaining a diversified portfolio with steady yields within its investments. The Board of Directors approves the Group's and the Company's composition of investments and the approved composition limits are monitored by the management.

Sensitivity analysis for market price risk

At the reporting date, if the market value had been 5% higher/lower, with all other variables held constant, the Group's and the Company's profit before tax would have been RM117,559 (2018: RM111,742) higher/lower, arising as a result of an increase/decrease in the fair value of investments in real estate investment trusts ("REITs") classified as FVTPL. Based on past records, the impact of changes in the market value of the unit trust funds, with all variables held constant, is immaterial to the Group's and the Company's profit before tax and equity.

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a sustainable capital position in order to support its business and operations.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Company is required by the Securities Commission ("SC") vide its Guidelines on Registration of Credit Rating Agencies (under Paragraph 2.2) issued on 30 March 2011 to maintain minimum shareholders' funds unimpaired by losses of RM10 million, or such amount as may be specified by the SC at all times, to operate independently and to withstand economic and financial pressures. This externally imposed capital requirement has been complied with by the Company for the financial year ended 31 December 2019.

31. DIVIDENDS

	Group and Company	
	2019 RM	**2018 RM**
Recognised during the financial year:		
Dividends on ordinary shares: - First and final single tier dividend of 10% at 10 sen per ordinary share (2018: 12.5% single tier at 12.5 sen per ordinary share)	2,000,000	2,500,000
	2,000,000	2,500,000
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares: - A special single tier of 5% at 5 sen per ordinary share, and a first and final single tier of 15% at 15 sen per ordinary share (2018: 10% single tier at 10 sen per ordinary share)	4,000,000	2,000,000

A special single tier dividend of 5 sen or equivalent to a net cash flow of RM1,000,000, and a first and final single tier dividend of 15 sen or equivalent to a net cash flow of RM3,000,000 in respect of the financial year ended 31 December 2019, had been declared on 19 May 2020. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

32. SIGNIFICANT AND SUBSEQUENT EVENTS - IMPACT OF COVID-19 OUTBREAK

The COVID-19 pandemic has significantly disrupted many business operations around the world. For the Group and the Company, the impact on business operations has not been a direct consequence of the COVID-19 outbreak, but a result of the measures taken by the Government of Malaysia to contain it. As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy. The occurence of the COVID-19 outbreak is not an adjusting post-balance sheet event.

Other than as disclosed elsewhere in the financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2019 that have significant impact on the financial position of the Group and the Company as at 31 December 2019.

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 19 May 2020.

LIST OF SHAREHOLDERS 31 DECEMBER 2019

NAME OF SHAREHOLDER	PERCENTAGE (%)
Insurance Companies	
Etiqa General Insurance Berhad	2.900
Etiqa Life Insurance Berhad	4.900
MSIG Insurance (Malaysia) Bhd	4.250
AmGeneral Insurance Berhad	4.900
Malaysian Reinsurance Berhad	4.100
Zurich Life Insurance Malaysia Berhad	3.500
Manulife Holdings Berhad	3.500
AIA Bhd.	3.300
Chubb Insurance Malaysia Berhad	3.300
AXA Affin General Insurance Berhad	2.500
Lonpac Insurance Bhd	2.350
Berjaya Sompo Insurance Berhad	1.175
Prudential Assurance Malaysia Berhad	1.175
Great Eastern Life Assurance (Malaysia) Berhad	1.000
Sun Life Malaysia Assurance Berhad	0.600
Stockbrokers (Held directly or through their holding companies)	
JF Apex Securities Berhad	4.900
Rashid Hussain Berhad (In Members' Voluntary Liquidation)	4.900
TA Enterprise Berhad	4.900
AmSecurities Holding Sdn Bhd	4.000
Inter-Pacific Securities Sdn Bhd	2.350
Credit Rating Agency	
Care Ratings Limited	10.000
Investment Banks	
Kenanga Investment Bank Berhad	4.900
MIDF Amanah Investment Bank Berhad	4.900
RHB Investment Bank Berhad	4.900
Hong Leong Investment Bank Berhad	2.450
Public Investment Bank Berhad	2.350
Affin Hwang Investment Bank Berhad	2.000
KAF Investment Bank Berhad	2.000
Maybank Investment Bank Berhad	2.000

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

MALAYSIAN RATING CORPORATION BERHAD ("MARC" or "the Company")
Registration No. 199501035601 (364803-V)
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting ("24th AGM") of the shareholders of Malaysian Rating Corporation Berhad will be held entirely on virtual basis through live streaming via the Broadcast Venue at 19-07, Level 19, Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Wednesday, 24 June 2020 at 3.00 p.m. and at any adjournment thereof to consider the following items of business: -

AGENDA

1. To receive the Audited Financial Statements together with the Reports of the Directors and Auditors for the financial year ended 31 December 2019.

2. To ratify the payment of Directors' Fees from 1 January 2020 to 31 March 2020 of RM125,192.
(Resolution 1)

3. To approve the payment of Directors' Fees of RM817,904 from 1 April 2020 to the 25th Annual General Meeting of the Company.
(Resolution 2)

4. To approve the payment of Directors' Benefits for an amount up to RM308,800 from 25 June 2020 up to the 25th Annual General Meeting of the Company.
(Resolution 3)

5. To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
(Resolution 4)

As Special Business

6. To consider and, if thought fit, pass the following resolutions with or without modification as an Ordinary Resolution of the Company: -

Ordinary Resolution
- Authority to Allot and Issue Shares by Directors (Resolution 5)

"**THAT** pursuant to Sections 75 & 76 of the Companies Act, 2016 and subject always to the approval(s) from governmental/ regulatory bodies where such approvals shall be necessary, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being AND THAT such authority shall continue be in force until the conclusion of the next Annual General Meeting of the Company."

As Special Business (cont'd.)

7. **Special Resolution**
   -Proposed Adoption of a new Constitution of the Company ("Proposed Adoption") (Resolution 6)

   "**THAT** the Company's existing Constitution be amended and that the new Constitution as set out in the Company's Circular to Shareholders dated 1 June 2020 be and is hereby adopted as the Constitution of the Company.

   AND THAT the Directors be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption with full power to assent to any conditions, modifications and/or amendments as may be required."

8. To transact any other business for which due notice shall have been given.

By Order of the Board

CYNTHIA GLORIA LOUIS
(SSM PC No.: 201908003061)
(MAICSA No.: 7008306)
CHEW MEI LING
(SSM PC No.: 201908003178)
(MAICSA No.: 7019175)
Company Secretaries

Kuala Lumpur

1 June 2020

Notes:

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders are not required to attend the 24th AGM in person at the Broadcast Venue on the day of the meeting.*

2. *Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A member can appoint any person as his proxy.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if such appointer is a corporation, under its Common Seal or the hand of its attorney.*

4. *The Proxy Form or Certificate of Appointment of Corporate Representative or Power of Attorney must be deposited at the Registered Office of the Company at 19-07, Level 19, Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur or sent via email to marccosec@corporatepartners.com.my not later than Monday, 22 June 2020 at 3.00 p.m.*

5. *The invitation to participate at the 24th AGM will be sent to the email address provided by the shareholders. A shareholder who has appointed a proxy or authorised representative or attorney is required to provide their email address to participate at the 24th AGM not later than Monday, 22 June 2020 at 3.00 p.m.*

As the 24th AGM is a fully virtual AGM, shareholders who are unable to participate in this 24th AGM may appoint the Chairman of the meeting as his proxy and indicate the voting instructions in the proxy form.

Explanatory Note on Special Business:-

6. **Resolution 5- Ordinary Resolution – Authority to Allot and Issue Shares by Directors**

The proposed Ordinary Resolution (Resolution 5), if passed, will empower Directors of the Company to allot and issue shares up to an aggregate amount not exceeding ten per centum (10%) of the issued share capital of the Company for the time being and for such purposes as the Directors consider would be in the interests of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

7. **Resolution 6 -Special Resolution-Proposed Adoption of a new Constitution of the Company ("Proposed Adoption")**

This proposed Special Resolution if passed, will give full effect to the Proposed Adoption of a new Constitution as set out in Appendix I of the Circular to Shareholders dated 1 June 2020.

The rationale of the Proposed Adoption is to provide clarity to certain provisions as well as ensure consistency with other provisions in the Constitution.

PROXY FORM

MARC
MALAYSIAN RATING CORPORATION BERHAD
199501035601 (364803-V)

PROXY FORM

No. of Shares:	

I/We ____ (name as per NRIC, in capital letters), NRIC No./Company No. ______________________ (new) __________________ (old) of ____ (full address) being a member(s) of MALAYSIAN RATING CORPORATION BERHAD ("Company"), hereby appoint ____ (name of proxy as per NRIC, in capital letters) NRIC/Passport No. ______________ (new) ______________ (old) of ____ (full address) and email address at ________________________ or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Fourth Annual General Meeting of the Company to be held entirely on virtual basis through live streaming via the Broadcast Venue at 19-07, Level 19, Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Wednesday, 24 June 2020 at 3.00 p.m. and at any adjournment thereof in the manner indicated below.

My/our proxy is to vote on resolutions set out below as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.

RESOLUTION NO.	RESOLUTION	FOR	AGAINST
1	To ratify the payment of Directors' Fees from 1 January 2020 to 31 March 2020.		
2	To approve the payment of Directors' Fees from 1 April 2020 to the 25th Annual General Meeting.		
3	To approve the payment of Directors' Benefits up to the 25th Annual General Meeting.		
4	To re-appoint Messrs. Ernst & Young as Auditors.		
5	Authority to Allot and Issue Shares by Directors.		
6	Proposed Adoption of a new Constitution.		

Dated this ______________________ day of ______________________ 2020

Signed by the said ____

In the presence of ____

Notes:

(1) *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders are not required to attend the 24th AGM in person at the Broadcast Venue on the day of the meeting.*

(2) *Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A member can appoint any person as his proxy.*

(3) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if such appointer is a corporation, under its Common Seal or the hand of its attorney.*

(4) *The Proxy Form or Certificate of Appointment of Corporate Representative or Power of Attorney must be deposited at the Registered Office of the Company at 19-07, Level 19, Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur or sent via email to marccosec@corporatepartners.com.my not later than Monday, 22 June 2020 at 3.00 p.m.*

(5) *The invitation to participate at the 24th AGM will be sent to the email address provided by the shareholders. A shareholder who has appointed a proxy or authorised representative or attorney is required to provide their email address to participate at the 24th AGM not later than Monday, 22 June 2020 at 3.00 p.m.*

As the 24th AGM is a fully virtual AGM, shareholders who are unable to participate in this 24th AGM may appoint the Chairman of the meeting as his proxy and indicate the voting instructions in the proxy form.

PERSONAL DATA NOTICE

By submitting the proxy form, the shareholder or proxy accepts and agrees to the collection, use and disclosure of their personal data by the Company (or its agents or service providers) for the purpose of preparation and compilation of documents relating to the AGM (including any adjournment thereof).

STAMP

MALAYSIAN RATING CORPORATION BERHAD
199501035601 (364803-V)

19-07, Level 19, Q Sentral,
2A Jalan Stesen Sentral 2,
Kuala Lumpur Sentral,
50470 Kuala Lumpur

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All information stated is correct at time of printing.