



ANNUAL REPORT 2016





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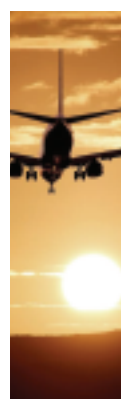
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MDV CORPORATE PROFILE & OVERVIEW

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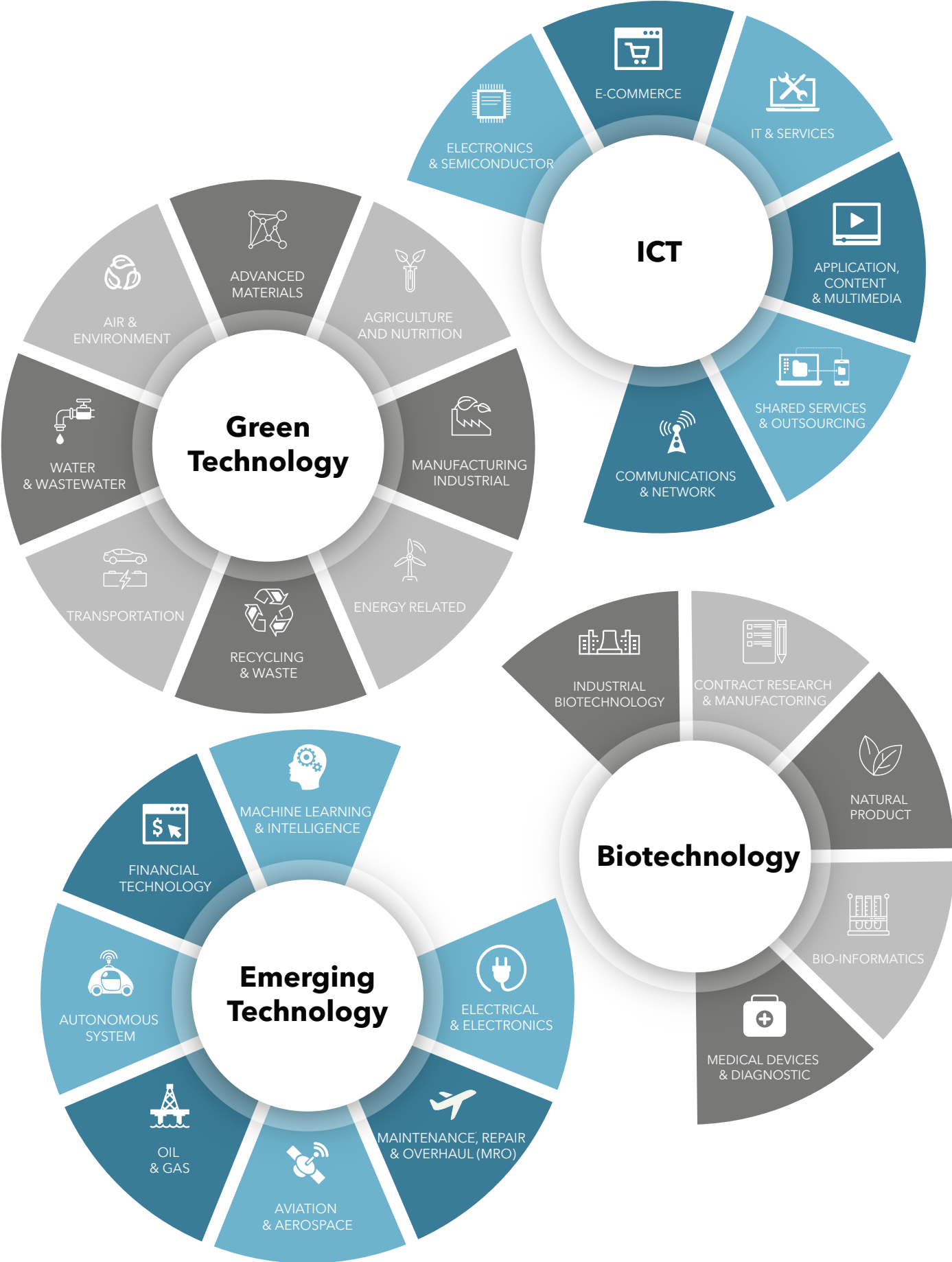


Malaysia Debt Ventures Berhad (MDV) was established by the Government of Malaysia in 2002 with the objective of providing flexible and innovative loan and Shariah financing facilities to develop high-impact and technology-driven sectors of the economy, identified and prioritised by the Government as future engines of growth. This segment of Malaysian companies are generally underserved by commercial financial institutions, creating a funding gap faced by companies from within these sectors, particularly for the technology-based Small and Medium-Sized Enterprises (SMEs). As the nation progressed, MDV's mandate expanded to include ICT, Biotechnology and Green Technology. In 2014, MDV included Emerging Technology as part of its technology mandate.

As one of the financing agencies in Malaysia focusing on technology-driven sectors, MDV envisions itself as the leading technology financier in Malaysia.

Since its establishment more than a decade ago, MDV has financed numerous technology projects in various sectors as it strives to fulfil its mandate and developmental role in the technology industry including E-Government, Satellite, Enterprise Software, Digital Content, Flight Simulator, Business Intelligence, RFID, Smart Cards, Telco Tower, Wireless Broadband, Fibre Optics, Algae Cultivation, Bio-Fertiliser, Bio-Diversity Research, Bio-Mass and Biogas, Renewable Energy and Solar PV, Green Public Technology, LED, Mini Hydro, Water Treatment and Management.

To date, MDV has disbursed RM 10.60 Billion for more than 740 projects, channeling funds to more than 520 technology companies in Malaysia. Moving forward, MDV will continue to play a vital role in supporting the Government's aspiration to promote high value technology & innovation as a path to a high income nation.





The Nation's Leading Technology Financier

MISSION

To support the Nation's technology agenda and increase Malaysian technology companies' probability of success through:

- Innovative and flexible financing solutions
- Specialised funding programmes
- Industry expertise and advisory services
- Nurturing young companies

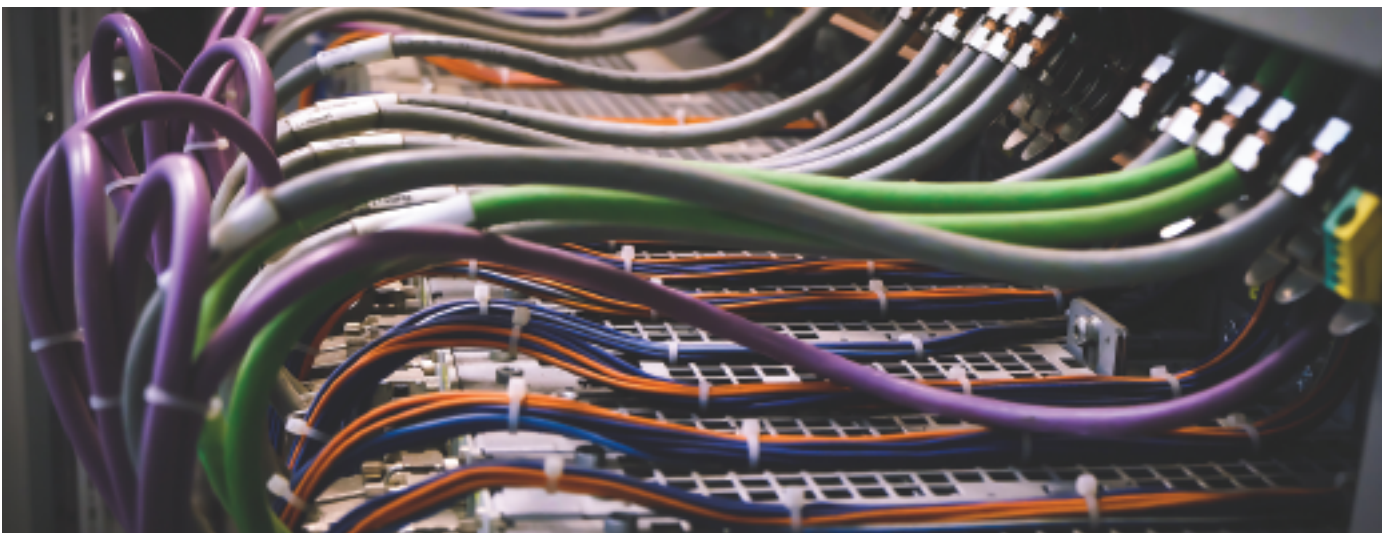
To remain financially sustainable while fulfilling our developmental role.

MDV CORE VALUES

MDV core values are 'Transparency, Trustworthiness and Timeliness' to ensure good governance, credibility and meeting the needs of clients. These values are further complemented by 'Harmony' as the foundation of MDV's relationships, 'Think Customer' to enhance MDV's commitment to business building and being 'Deliverable Oriented' in its working environment.

MARKETING POSITIONING & STRATEGIC OBJECTIVES

MDV's strategic objectives, consistent with its mandate from the Government are to finance technology based companies for their business needs, particularly for SME companies that have difficulty or are unable to access traditional financing platforms due to their novel business model, lack of track record and lack of collateral. To achieve these strategic objectives, MDV utilises the relevant financial instrument to provide the required financing to increase the probability of success for the companies financed.

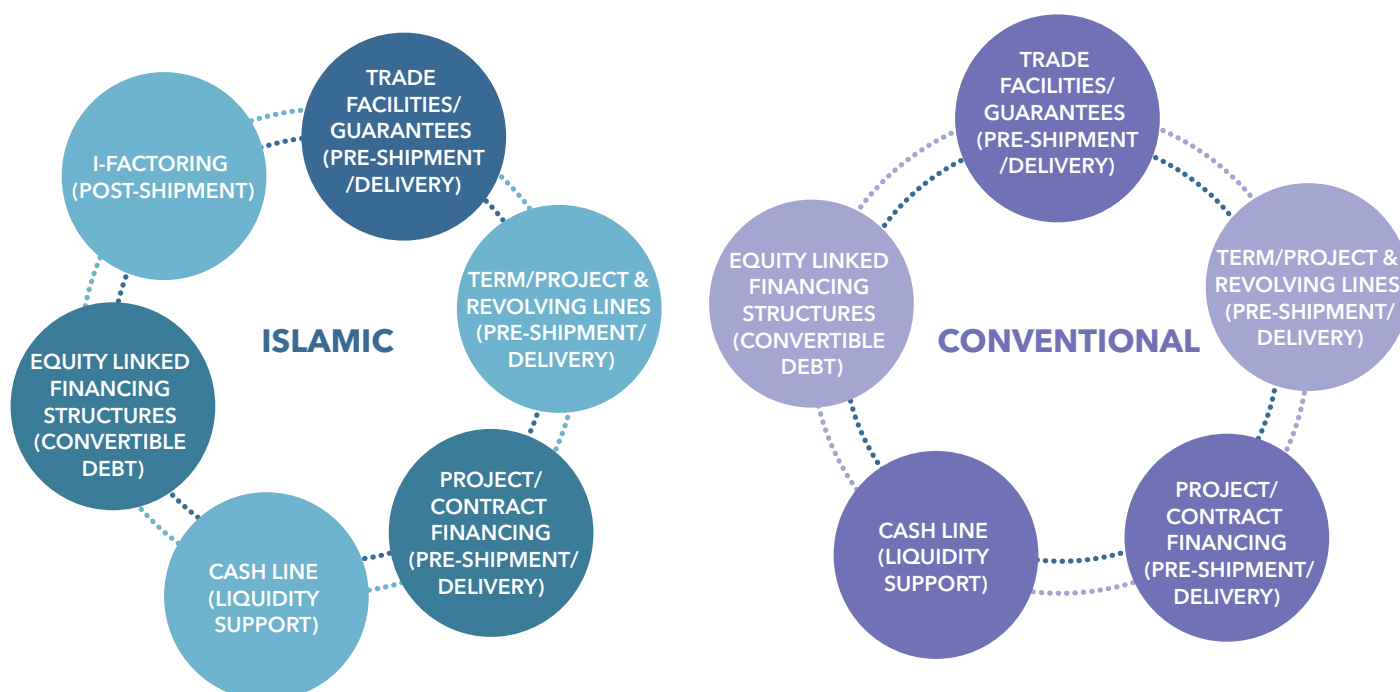


RANGE OF FINANCING PRODUCTS & PROGRAMMES

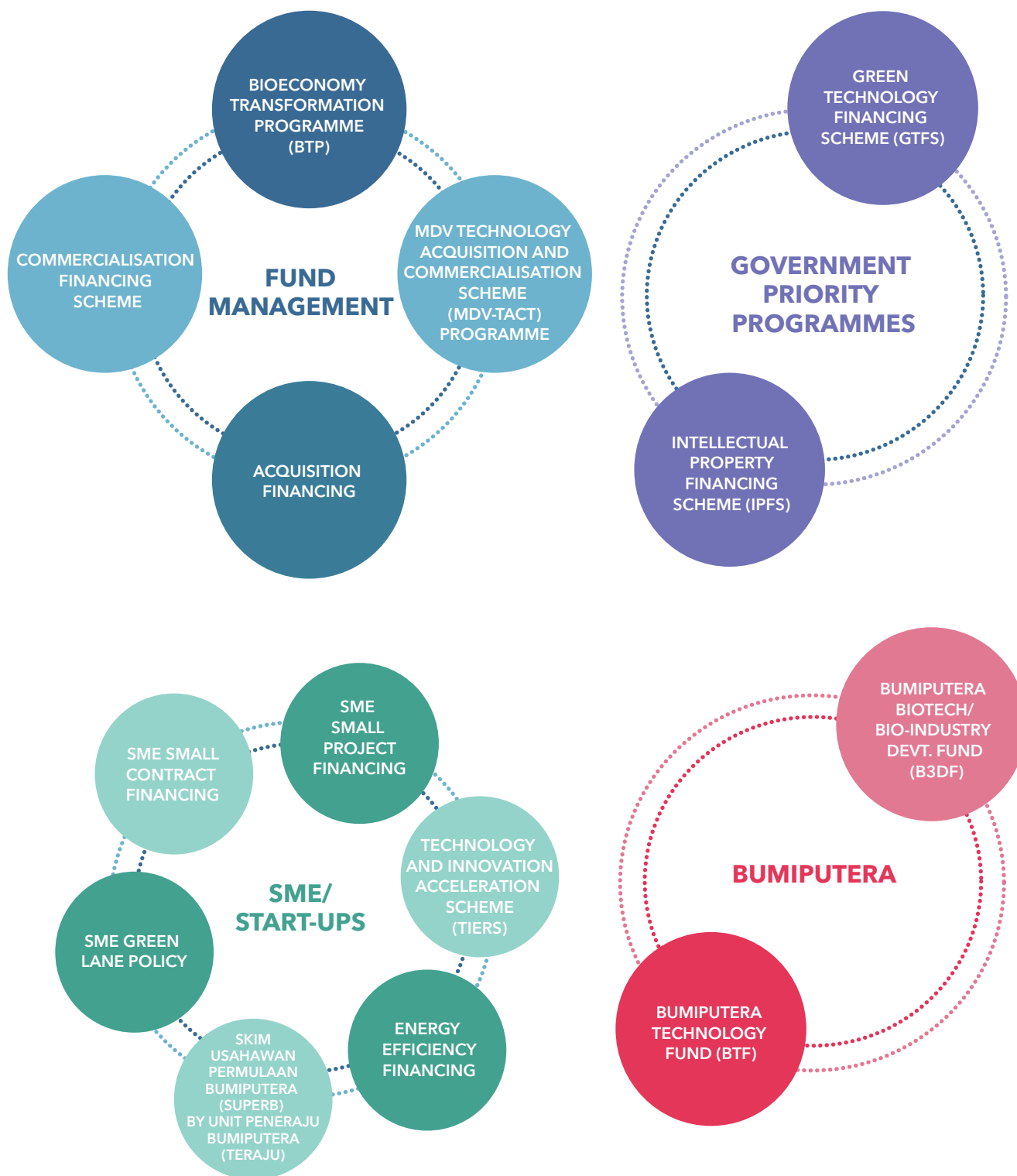
To fulfill its role of spurring and accelerating the growth of technology companies, MDV offers a comprehensive range of financing products from trade financing and guarantees to project and contract financing, working capital and asset financing as well as growth and acquisition financing. To further extend MDV's ability to fund young companies, we also offer cash-lines and factoring facilities, the latter to assist companies that have yet to develop the required credit histories to secure credit lines. These products are offered in both Islamic and conventional principles to ensure MDV's ability to finance a wide range of technology financing needs. To serve as a comprehensive financier of technology companies, MDV also offers niche financing solutions that include mezzanine financing, acquisition financing and convertible debt financing.

In addition to MDV's direct financing solutions, MDV also manages dedicated targeted financing programmes initiated by the Government. These include the MDV Technology Acquisition And Commercialisation Scheme (MDV-TACT) Programme for the commercialisation of technology products and services, the Bumiputera Biotechnology & Bio-industry Development Fund (B3DF), the Technology and Innovation Acceleration Scheme (TIERS) to support the regional expansion of local technology companies and TERAJU SUPERB Programme for Bumiputera economic development. In addition, MDV also offers the Intellectual Property Financing Scheme (IPFS) to enable technology companies to utilise their intellectual property as collateral for financing as well as the Bioeconomy Transformation Programme (BTP) to promote investments and development of the Bioeconomy sector of the national economy.

PRODUCTS



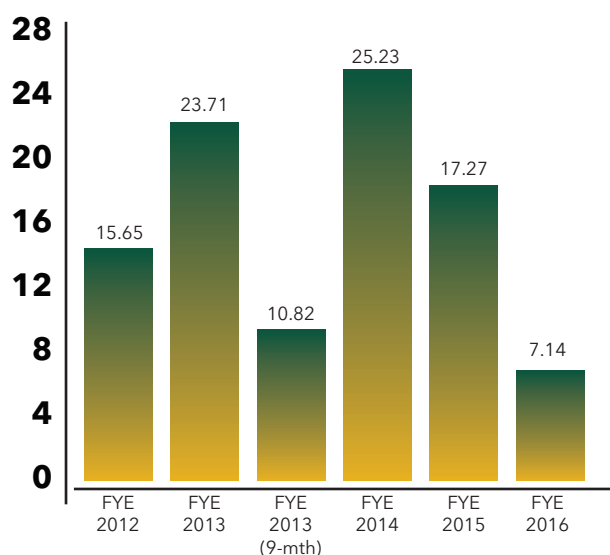
PROGRAMMES



FINANCIAL HIGHLIGHTS

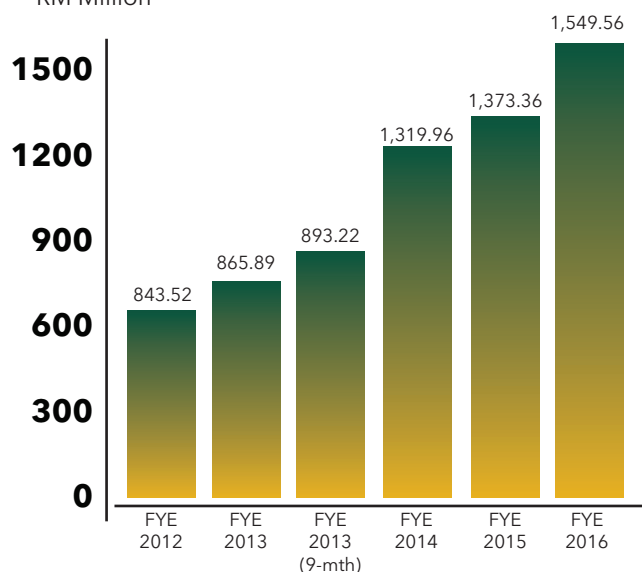
NET PROFIT

RM Million



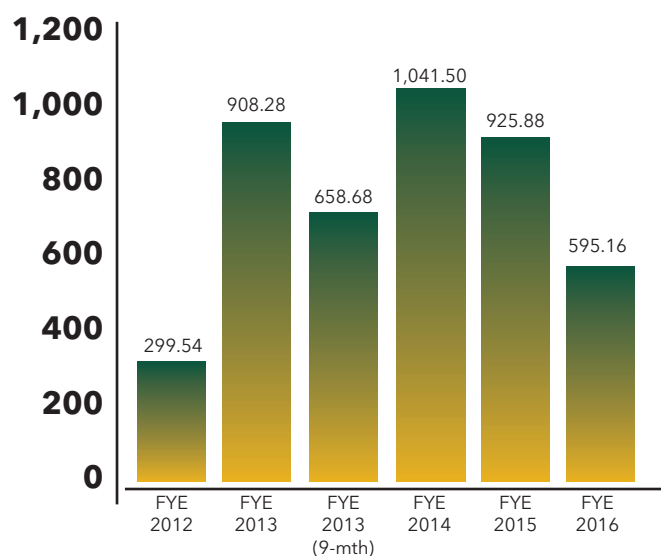
TOTAL LOANS & FINANCING

RM Million



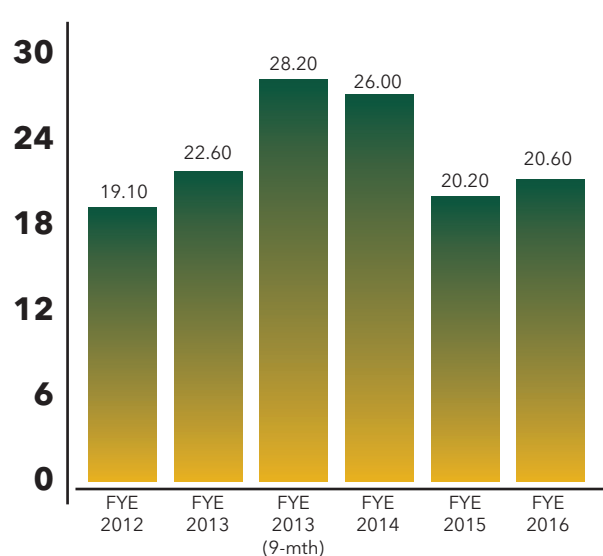
LOAN/ FINANCING APPROVAL

RM Million



COST INCOME RATIO

(%)



HISTORY AND MILESTONES

1997

Malaysia's designated ICT zone, the Multimedia Super Corridor was launched and it provided an impetus for the growth and development of the nation's Information and Communications Technology (ICT) industry. The ICT zone was fashioned to connect Malaysia to the information and knowledge economy.

Notwithstanding the development of a complementary funding infrastructure developed to support the ICT industry's research, development and commercialisation activities, young ICT companies at the growth and expansion stage faced challenges in financing their ICT projects in view of perceived risks on these young companies and ICT technologies.

MARCH

2003

MDV's financing portfolio reached a size of RM192.00 Million.

MARCH

2007

MOF approved RM2.50 Billion for MDV's Second Fund. Following this, MDV launched its RM1.50 Billion Islamic Medium Term Note (iMTN) to finance technology projects and expanded its focus areas to include Biotechnology in conjunction with the Second Fund.

2002

APRIL

- MDV was then established to fill this funding gap to provide Project Financing facilities to ICT companies to finance procurement of the necessary project inputs, capital expenditure and working capital. To facilitate these financing structures, MDV also provides trade and guarantee facilities as required by the project or contract through MDV's Partner Banks.
- MDV's first fund of RM 1.60 Billion, was sourced from The Japanese Bank of International Cooperation (JBIC) under 2002 Feb, Ministry of Finance (MOF) with the purpose of providing project financing facilities to ICT companies.

2006

JUNE

Debt Ventures (MDV's original branding name) was rebranded to Malaysia Debt Ventures Berhad (MDV).

2008

MAY

MDV's mandate included serving Biotechnology companies following launch of the Government's National Biotechnology Policy.

OCTOBER

2008

Launch of MDV's Second Fund. The Second Fund was used to expand the depth and breadth of Islamic financing programmes and to support the Government and Ministry Of Finance (MOF) objectives of positioning Malaysia as an Islamic Financial Centre. The new fund also necessitated MDV to develop and offer Islamic financing via Commodity Murabahah principles, and established internal Shariah governance and compliance framework.

JUNE

2010

MDV collaborated with Telekom Malaysia Berhad on the Jadual Kadar Harga vendor programme to support Bumiputera SME's participation in telecommunications and the nation's High Speed Broadband network.

DECEMBER

2011

- Commercialisation Financing Programme was launched under the Tenth Malaysia Plan (RMK-10) to enhance the technology financing ecosystem and improve Malaysia's commercialisation rate, focusing on underserved financing space for commercialisation requirements.
- MDV was and remains the only non-bank financial institution to be included in the Government's Green Technology Financing Scheme (GTFS).

APRIL

2013

MDV participated in the Green Technology Financing Scheme (GTFS) to spur financing under the programme and further promote investments in the Green Technology sector.

2009

FEBRUARY

MDV launched its Small Contract Financing to simplify the application process for small financing amounts.

2010

FEBRUARY

Commencement of the Bumiputera, Biotechnology and Bio-Industry Development Fund (B3DF) programme to support the development of Bumiputera SMEs in Biotechnology sector in partnership with Malaysia Biotechnology Development Corporation.

2011

MAY

MDV expanded its mandated areas into Green Technology financing, in line with the Government's focus on achieving sustainable development.

2012

MAY

MDV extended RM41.00 Million to one of Malaysia's first Feed in Tariff project with a project scale of 5 megawatts.

2012

AUGUST

Factoring/iFactoring was launched to expand MDV's product range and provide liquidity solution for customers.

DECEMBER**2013**

The Intellectual Property Financing Scheme (IPFS) was launched to facilitate financing utilising intellectual property as collateral.

JULY**2014**

Launched the Bioeconomy Transformation Programme (BTP) in collaboration with Malaysian Biotechnology Corporation. This effort was made to channel and maximise commercial opportunities in bio-based industries as well as help transform Malaysia into a high income, inclusive and sustainable economy.

JUNE**2015**

- MDV collaborated with Unit Peneraju Bumiputera (TERAJU) to develop and operate a Bumiputera Technology Fund to offer financing to Bumiputera technology entrepreneurs specifically TERAS and SUPERB companies involved in the high-technology sectors of the Malaysian economy.
- Full settlement of RM 1.60 Billion JBIC loan was made.

AUGUST**2015**

MDV launched acquisition financing for technology companies to acquire equity interests in other complementary companies to facilitate the increase of operational scale and scope to improve competitiveness.

2014

To further support the Government's technology agenda, MDV has expanded its financing mandate to also include Emerging Technology.

2014**DECEMBER**

- MDV executed the collaboration agreement with Unit Peneraju Agenda Bumiputera (TERAJU) to manage the SUPERB Programme.
- The New Corporate Strategy was launched to facilitate access to financing new sectors in emerging technology and new high growth sectors by young companies.

2015**MAY**

MDV secured approval from the Economy Planning Unit (EPU) for the MDV Technology Acquisition and Commercialisation Scheme (MDV-TACT) as part of the Eleventh Malaysia Plan (RMK-11), to run from 2016 to 2020, in recognition of MDV's expertise in providing sustainable financing for commercialisation of technology-based products and services.

OCTOBER

2015

MDV was entrusted by the Government to implement the Technology and Innovation Acceleration Scheme (TIERS) under the Budget 2016 to promote technology exports and overseas expansion by local technology companies towards becoming regional champions.

SEPTEMBER

2016

- The Energy Efficiency Financing Scheme was developed to finance Energy Efficiency projects, specifically Energy Performance contracting, with funding from MDV and incentives via guarantees and financing rate equalisation from Ministry Of Works (KKR), Building Sector Energy Efficiency Project (BSEEP) and Ministry Of Energy, Green Technology and Water (KeTTHA). The scheme's targeted outcome is to help Malaysia achieve its international carbon emission commitment and catalyse the incipient Energy Services sector.
- MDV's Third Fund of RM1.00 Billion was approved.
- MDV collaborated with Bank Negara Malaysia and IAP Sdn Bhd to promote the Islamic Investment Account Platform (IAP) initiative, which objective is to further deepen and broaden the Islamic Financial Services sector. MDV has signed an MOU with IAP Sdn Bhd to help promote the Investment Account Platform as an alternative means of funding for technology projects, and to provide technical assistance to IAP on technology financing.

2016

MAY

MDV's financing portfolio size exceeded RM1.50 Billion.

2016

MAY

MDV launched its first nurturing programme initiative, "Elev8" to showcase MDV's efforts to accelerate and increase the bankability of a technology start-up. Via Elev8, MDV will assist young technology companies to be sustainable and become success stories in their own right.

Seven Elev8 companies had been selected subsequent to the two-tier assessments. These companies provide a range of innovative and exciting technology services: cloud platforms for various management systems, environment mentoring for buildings and offices, invoice trading marketplace, internet based marketing solutions, Out of Home digital marketing solutions, data analytics, robotics, 3D printing and online marketplace delivery.

Eligible graduates of Elev8 can be extended to specialised funding programmes to build the next generation of Malaysia's technology icons.



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CHAIRMAN STATEMENT



I am pleased to present the annual report of Malaysia Debt Ventures Berhad (MDV), which provides an account of the company's performance and activities in 2016.

In the year under review, Malaysia's technology sector faced continued challenges following federal budget consolidation and global economic headwinds. According to the data released by the Ministry of International Trade and Industry, approved domestic investments fell from RM156.88 Billion in 2015 to RM148.86 Billion in 2016 due to the slowdown in the manufacturing sector, which contracted by almost 40%. Approved domestic investments in telecommunications industry also slowed down in 2016 (RM5.95 Billion) compared to 2015, (RM8.94 Billion). Total investments from Bionexus companies also fell from RM1.71 Billion in 2015 to just RM375.00 Million in 2016. The only subsector defying the trend was the information and communications technology ("ICT") sector, which achieved total approved investments of RM6.43 Billion in 2016 compared to RM4.57 Billion in 2015.

Despite the resultant impact on MDV's assets and income growth, MDV demonstrated resilience and sustained progress in our efforts to extend financing to technology-based companies and projects as evident in the growth of our financing portfolio by 13.14% year-on-year from RM1.37 Billion in 2015 to RM1.55 Billion in 2016. The year 2016 also marked the 7th consecutive profitable year for MDV – a result that we consider vital in ensuring sustainability across our business and operations.

Following our earlier transformation of MDV's origination and credit framework, we were able to grow our ability to provide technology-based SMEs continued access to financing while continuing to fulfil our mandate of nurturing Malaysia's technology companies. The adoption and continuous enhancement of a sound credit culture and risk practices, efficient credit administration operations and effective customer relationship management within the organisation have enabled MDV to assess new credit and monitor overall portfolio risk, building further upon MDV's experience in financing technology companies and projects.

ACHIEVEMENTS IN 2016

MDV's track record and unique approach to technology and project credit evaluation resulted in further expansion of our role in funding Green Technology projects in support of the Government's goal to develop the sector as a strategic engine for the nation's socio-economic growth. As a testimony to our continued efforts in funding the sector, MDV emerged as the top financier for Green Technology projects under the Green Technology Financing Scheme (GTFS) in 2016, ahead of other financial institutions. With the Government's commitment to the National Green Technology Policy and continued emphasis on renewable energy, MDV is confident that this sector will continue to expand, providing further opportunities for MDV to offer funding assistance to qualified projects.

Our active participation in the GTFS is further supplemented by our collaboration with the Public Works Department (JKR) as the implementing body of the Building Sector Energy Efficiency Project (BSEEP) and Malaysian Green Technology Corporation (MGTC) to finance Energy Service Companies (ESCO) undertaking Energy Efficiency (EE) projects. This new financing programme is envisaged to fill in the funding gap caused by the lack of access to financing for EE projects, which is one of the main barriers hindering its market development.

Other notable partnerships in 2016 include our participation in promoting the Islamic Investment Account Platform (IAP) initiative with Bank Negara Malaysia and IAP Integrated Sdn Bhd to support technology companies and projects to raise additional capital to complement MDV's financing via the investment platform.

MDV also launched the Bumiputera Technology Fund (BTF) in collaboration with Unit Peneraju Agenda Bumiputera (TERAJU), to provide term and revolving facilities to Bumiputera technology-based companies in an effort to facilitate their business expansion through shariah-compliant working capital and asset financing. The BTF in particular, marks another progressive chapter in our partnership with TERAJU - after our participation in the Skim Permulaan Usahawan Bumiputera (SUPERB) in 2014 - with RM130 Million in fund offered to companies that are listed under TERAJU's SUPERB and Syarikat Bumiputera Berprestasi Tinggi (TERAS) programmes.

2016 also saw MDV successfully securing the Government's approval to launch two new developmental programmes for technology commercialisation and up-scaling, namely the MDV Technology Accelerator & Commercialisation Scheme (MDV-TACT) and Technology & Innovation Acceleration Scheme Programme (TIERS).

MDV-TACT was approved as part of the initiatives under RMK-11 to promote national technology development and acquisition, and further increase Malaysia's R&D commercialisation rate, while TIERS aims to facilitate the development of export driven technology companies in line with the Government's target to build regional technology icons and champions.

Both programmes, which will be ready for implementation in 2017, will complement the rest of our existing programmes and utilise the many innovative financing products that MDV currently offers.

EMPOWERING TECHNOLOGY AND INNOVATION

Besides providing access to financing, another crucial part of our developmental role is to help nurture young technology companies to increase their probability of success through providing industry expertise and advisory services. To this end, MDV has engaged partners, stakeholders and start-up companies to build further upon our current service offerings.

By leveraging on our years of experience in funding and developing technology companies, MDV successfully launched our very own nurturing programme "Elev8" in 2016 with a first cohort of seven qualified companies currently being nurtured and undergoing coaching and mentoring by MDV within a 12-month timeframe. Elev8 aims to strengthen these companies' management, financial and project management capabilities in order to increase their credit profile to secure financing from MDV or other financial institutions. The selected companies will also be granted market access and the ability to tap into MDV's ecosystem comprising of clients, vendors and suppliers where potential collaboration, knowledge sharing and technology transfer can happen to accelerate their commercial potential.

To further bolster our efforts in financing technology and our overall developmental role in the technology space, MDV was also successful in securing the approval of the Government to provide a guarantee and raise a Third Fund of RM1.00 Billion. This new fund will further complement MDV's existing Second Fund comprising an iMTN programme amounting to RM1.50 Billion.

This Third Fund will enable MDV to continue its financing programme to assist technology companies in mandated technology sectors and is projected to benefit more than 300 companies via potential disbursements amounting to RM4.00 Billion throughout its tenure. Given the development and evolution of technology companies and their business models, the Fund is also expected to extend MDV's current scope to include technology companies in earlier stages of development and growth to scale up their businesses and operations, and improve on their product and service portfolios to gain market traction. MDV's product offerings will also be enhanced through the development of new and innovative financial products that can cater to the needs of technology-based companies at different growth cycles such as hybrid financing structures and mezzanine financing.

COMMITMENT TO A STRONG RISK MANAGEMENT AND HIGH PERFORMANCE CULTURE

While MDV has achieved considerable progress in fulfilling our mandate in 2016, MDV's commitment to strengthening our governance and risk management framework, as well as rigorously developing our human capital capacity, remains firmly intact so as to ensure continued resilience and sustainability of our businesses and operations. Upholding good corporate governance and continuously advocating transparency, accountability, responsibility and integrity across the organisation have been amongst MDV's utmost priorities, besides ensuring sound credit and risk management practices to mitigate potential challenges.

In the year under review, we further strengthened our credit policy and the overall risk aspects of MDV by continuing to define acceptable financing and lending behaviour as well as the adoption of best practices in developing a strong credit culture. Similarly, our origination, assessment and account management processes were consolidated in 2016. Given the increased growth of MDV's Islamic financing portfolio, our Shariah governance framework and compliance policies were also reviewed and updated.

Further to our aim of nurturing a high performance culture in MDV, we undertook several efforts in 2016 to strengthen employees' capabilities and improve efficiencies through, among others, meaningful and impactful assessments of employees' needs and opportunities for improvements.

Continuing from where we left off last year, 2016 also saw the successful integration of the completed core, leadership and technical competency framework into HR-related processes and procedures such as Learning & Development, Recruitment & Selection, Job Management, and Performance Management System. A gap identification exercise for the technical competency framework was also conducted and completed, through which MDV was able to map out relevant development programmes, trainings and personalised coaching sessions for all employees to narrow down the identified gaps, such as communication and presentation skills, which makes up an important component of a high-performance organisation. As the cornerstone of a successful organisation is its pool of talents, the results of our efforts at up-skilling our employees will pave the way for the next phase of MDV's HR Roadmap which is talent development and succession planning.

MOVING FORWARD

As the country moves closer to becoming a high-income nation in 2020, our work in MDV will become more pressing given the nation's need to leverage on technology and innovation to reach these goals. The ongoing national exercise towards crafting Transformasi Nasional 2050 further emphasises the role of this key and strategic area. In view of the impending launch of our Third Fund, we are stepping up our efforts to ensure that potential technology companies and viable projects will continue to have adequate access to financing. We are aiming to achieve this on the back of enhanced business processes in terms of account management, risk & compliance as well as governance and resource productivity.

The overall technology sector's outlook seems to be promising as continued investments are expected in telecommunications infrastructure renewable energy, as well as new emerging technologies such as Fintech and virtual reality. The advent of large scale or utility scale solar projects and introduction of net metering are expected to further benefit the green technology sector, while continued commitment to the National Green Technology Policy will expand growth sectors beyond renewable energy and into areas such as energy efficient buildings and energy performance contracting. We are confident that there are significant growth opportunities in these sectors especially for young companies and SMEs, thus MDV will stand ready to extend our financing assistance in meeting the companies' financing needs in these new high-growth sectors.

In retrospect, 2016 was indeed a very demanding and challenging year for MDV and I would like to record my sincere appreciation to everyone who has contributed to the many accomplishments that MDV has enjoyed this year: The Ministry of Finance and members of the Board of Directors who have been unfaltering in providing guidance and support to our many efforts and endeavours; and to the Management and employees of MDV for all of their hard work, commitment and passion in delivering MDV's mandated role.

Tan Sri Zarinah Anwar
Chairman



MDV continued to deliver on our mandate in 2016 while remaining resilient against external and domestic headwinds, recording our 7th consecutive profitable year with a net profit of RM 7.14 Million.

This was achieved on the back of a volatile financial market, continued fiscal consolidation by the Government, and moderating investments in IT, telecommunication and renewable energy sectors. As a result, total approvals were below expectations although loan and financing assets grew significantly. Notwithstanding this, MDV recorded a significant 13.14% year-on-year growth in 2016 due to commencement of earlier approved projects and continued demand for financing to fund technology projects.

More significantly, the year 2016 also saw MDV successfully securing the Government's approval to provide a guarantee and raise our Third Fund of RM1.00 Billion. This new fund will ensure that MDV can continue to fulfil our mandate of providing financing access to technology companies from the ICT, Green Technology, Biotechnology and Emerging Technology industries in Malaysia.

MDV also achieved significant strides in our reach as Malaysia's leading technology financier via engagements with our partners and stakeholders, collaborating and leveraging on various different platforms to further enhance our visibility and reach to technology companies and projects within our financing appetite.

MANAGING DIRECTOR / CEO REPORT

FINANCIAL REVIEW

For the financial year ended 31 December 2016 (FYE2016), MDV recorded our 7th consecutive profitable year with a net profit of RM7.14 Million. This was achieved on improved yields on our loan and financing portfolio, and loan and financing asset's growth.

Total revenue for FYE2016 was RM131.63 Million, marginally lower than FYE2015 at RM132.50 Million, compensated by lower actual cost of funds and lower operating expenditure as a result of MDV's prudent financial management. Nonetheless, a higher net allowance for loan/ financing loss of RM 45.27 Million (FYE2015: RM34.34 Million) resulted in a lower net profit of RM7.14 Million (FYE2015: RM17.27 Million) for FYE2016.

Loan and financing approval continued to be commendable with RM595.16 Million approvals in FYE2016, albeit lower than RM925.88 Million recorded in FYE2015. Total loan and financing disbursements during the year of RM 758.22 Million was also a marginal improvement compared to RM 737.55 Million recorded in FYE2015.

Nonetheless, our financing portfolio continued to grow during the year as we remained committed to supporting the development of Malaysia's technology companies. In the year under review, MDV's portfolio grew by 13.14% year-on-year to RM1.55 Billion. This achievement will be further bolstered by our new Third Fund of RM1.00 Billion secured by MDV which is expected to boost our financing portfolio and sustain our operations in the coming years.

OPERATIONAL REVIEW

Our resilient performance in 2016 was achieved as a result of a number of initiatives and strategies undertaken during the year, both at the micro and macro levels, which include rigorous efforts in achieving operational efficiency across the Company as well as leveraging on our strength to maximise our growth for the year. These resulted in improved efficiency and significant cost savings for the company, while remaining successful in fulfilling our role of supporting and nurturing Malaysia's young technology companies.

While IT and Communications remain MDV's core mandated technology areas representing the biggest segment of our portfolio at 43.07%, we also saw a significant growth in the financing of green technology projects with the sector accounting for 42.00% of our overall financing portfolio. This growth signifies an important milestone in our commitment to fund Green Technology, which was further reinforced by our success in becoming the top financier for the Green Technology Financing Scheme (GTFS) ahead of other financial institutions. We are proud of this achievement as it not only reflects MDV's continued support of the government's aim to transform Green Technology into one of the key drivers in accelerating the national economy and promoting sustainable development in Malaysia, but it is also a testament of our belief in the importance of adopting green technology and sustainable practices across all industries in Malaysia in an effort to conserve energy and natural resources, as well as to facilitate the growth of the Green Technology industry in Malaysia.

Going forward, we expect that the Green Technology segment of our financing will continue to build further given the Government's commitment towards the National Green Technology Policy.

MDV's considerable success in extending our support and financing to key technology sectors is evident in the growth of our financing portfolio in 2016, made possible by continuing to offer accessible, flexible and competitive financing to technology companies, as well as by constantly rising to meet market needs and bridging the financing gap that exists within the sector.

Key strategies comprise collaborations with several strategic partners including Unit Peneraju Agenda Bumiputera (TERAJU) via the launch of MDV- TERAJU Bumiputera Technology Fund, our collaboration with the Public Works Department (JKR) in financing Energy Service Companies (ESCO) undertaking Energy Efficiency (EE) projects, as well as our participation in promoting the Islamic Investment Account Platform (IAP) initiative alongside Bank Negara Malaysia (BNM) and IAP Integrated Sdn Bhd.

MDV also commenced preparation for the full deployment of our new developmental programmes - MDV Technology Accelerator & Commercialisation Scheme (MDV-TACT) and Technology & Innovation Acceleration Scheme Programme (TIERS) - which aimed to support technology commercialisation, innovation and up-scaling towards creating regional champions. MDV-TACT in particular, which is an initiative under RMK-11, is targeted at early stage innovative technology companies with high potential. The financing can be utilised for marketing, commercialisation, overheads, growth and working capital needs of these companies. By adjusting the interest and principal repayment profiles or offering equity financing as part of the funding package under the programme, MDV can reduce cash burn and help companies to bridge the gaps between milestones, and even Venture Capital funding series, to potentially increase valuation and reduce dilution at subsequent rounds. The programme will also offer a fairly competitive rate of below 6% per annum in exchange for equity participation rights for MDV to mutually benefit both parties.

2016 saw MDV successfully taking our developmental role to a whole new level through the launch of our very own nurturing programme known as "Elev8", which to date, has engaged the first cohort of seven qualified companies to be enrolled under the programme. In keeping with our mandate to help nurture young technology companies to increase their probability of achieving success, Elev8 offers selected companies the unique opportunity to be coached and mentored by MDV within a 12-month timeframe with the ultimate aim of strengthening the companies' financial and project management capabilities, which in turn will improve their credit profile and eligibility to secure financing from MDV or other financial institutions.

MDV was also rigorous and consistent in our endeavours to inform and educate the general public, particularly the existing pipeline of technopreneurs in Malaysia, regarding MDV's various programmes and product offerings and the unique role that we play in helping to accelerate the development of young technology companies. These were mainly achieved by participating in more than 30 events and speaking engagements throughout Malaysia, organised by some of our partners and stakeholders, such as the International Greentech & Eco Products Exhibition & Conference Malaysia (IGEM) 2016, Bumipreneurs of Tomorrow (BAHTERA) 2016, the ITX Asia Trade Exhibition 2016, BioMalaysia & the Bioeconomy Asia Pacific 2016 and many others. Participations in these events were also aimed to improve MDV's visibility particularly amongst our target market and to further strengthen our overall market presence.

While remaining constant in fulfilling our nation-building mandate and growing our business further as Malaysia's leading technology financier, MDV firmly believes in our responsibility to also serve the society at large through philanthropy and meaningful engagements with the community as well as the less fortunate segment of the society. Through our Corporate Social Responsibility (CSR) programmes in 2016, we were able to support several Government-related and non-profit organisations' initiatives through direct contributions and sponsorships, as well as by organising interactive activities such as visits and community services. While we truly hope that these CSR programmes have had a positive impact on the beneficiaries and the community as a whole, they have certainly benefitted and enriched MDV in multifold of ways, both on humanitarian as well as professional grounds.

MOVING FORWARD

2017 will see continued domestic and external headwinds impacting business and investment sentiment. Nevertheless, the robust financial infrastructure and supporting Government policies will ensure Malaysia maintains its economic growth. The global and political uncertainties arising from Brexit and the US election could significantly affect the overall global market, posing more challenges to regional and domestic economic conditions.

MDV however, remains positive on the growth prospects of Malaysia's technology sector going forward, given the Government's continued emphasis on technology and innovation as one of the key drivers of the economy and the advent of disruptive and new emerging technologies, which look set to attract continued investments within the sector. On MDV's part, we are looking forward to launch our Third Fund in 2017 after successfully having secured the approval of the Government to provide a guarantee and to raise RM1.00 Billion fund. This new fund, which follows MDV's existing Second Fund of RM1.50 Billion raised via iMTN, will enable MDV to continue its growth in an upward trajectory and offer financial assistance to more than 300 companies and projects within our mandate and focus area with potential disbursements of approximately RM4.00 Billion in total.

This is an exciting prospect for us as we are also set to embark on a new challenge of extending our scope of financing to include more technology companies in earlier stages of development and growth, and to assist them in reaching their full potential in becoming the next possible technology icon for the country.

ACKNOWLEDGEMENTS

MDV's many accomplishments in 2016 would not have been possible without the continued support and guidance of the Malaysian Government, in particular the Ministry of Finance. My utmost gratitude is also due to our esteemed Chairman and the Board of Directors for their invaluable advices and stewardship of MDV, as well as the Management team for their exemplary leaderships and tireless contributions to the company.

My appreciation also goes to our strategic partners and valued clients for all of their unfaltering support and cooperation extended to MDV. Last but definitely not least, I would like to record my deepest gratitude to the employees of MDV, who have always been the backbone of the Company in ensuring that MDV continues to achieve success and progress as the Nation's Leading Technology Financier.

Datuk Md Zubir Ansori Yahaya

Managing Director/Chief Executive Officer



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BOARD OF DIRECTORS

from left to right (seated): Tan Sri Zarinah Anwar, Puan Khalimatun Saadiah Mohd Khalid

from left to right (back): Mr Ng Chih Kaye, Encik Johari Abdul Muid , Datuk Md Zubir Ansori Yahaya,
Dato' M. Santhananaban, Encik Abdul Rahim Abdul Hamid , Dato' Rajadorai Muthan

PROFILE OF BOARD OF DIRECTORS



Tan Sri Zarinah Anwar

Chairman

Tan Sri Zarinah Anwar is the Chairman of Malaysia Debt Ventures Berhad.

She is the former Chairman of the Securities Commission Malaysia (SC), a position she held for six years until her retirement in March 2012. She had served as the Deputy Chief Executive of the SC since December 2001.

While at the helm of the SC, Zarinah had served as Vice Chairman of the Emerging Markets Committee of the International Organisation of Securities Commissions and served two terms as Chairman of the ASEAN Capital Markets Forum, established under the auspices of the ASEAN finance ministers to discuss policy issues on ASEAN capital market development.

Prior to joining the SC, Zarinah was Deputy Chairman of Shell Malaysia, having spent 22 years with the Shell Group, serving in various capacities across Shell's diverse business interests in Malaysia.

Zarinah is currently a member of the Board of Directors of PETRONAS and PNB, and a Trustee of the Razak School of Government, Yayasan Hasanah and the Jeffrey Cheah Foundation. She is Pro-Chancellor of Universiti Teknologi Mara (UiTM) and a member of the Academic Advisory Council of Universiti Teknologi PETRONAS.

Zarinah is one of the Founding Chairs of the 30% Club, Malaysia and also serves as a member of the National Advisory and Consultative Council on Women.

Zarinah is the Abdullah bin Abdulaziz Fellow at the Oxford Centre for Islamic Studies United Kingdom, and is a member of the Advisory Board of the Emirates Securities & Commodities Authority, UAE.

Zarinah graduated with an LLB (Hons) from the University of Malaya and started her career in the government's Legal and Judicial service before joining Shell in 1979.

PROFILE OF BOARD OF DIRECTORS



Datuk Md Zubir Ansori Yahaya

Managing Director / Chief Executive Officer

Datuk Md Zubir Ansori Yahaya today serves as Managing Director and Chief Executive Officer of MDV, a position he has held since 2005, in which prior to that, he was MDV's Vice President for Operations.

He holds a Bachelor of Accountancy (Hons) from National University of Malaysia (UKM) and Certificate of Banking and Managerial Process from Asian Institute of Management (AIM), Manila. He is also a Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA).

He started his career as an Assessment Officer at the Department of Inland Revenue before joining Malaysian Airline System Berhad (MAS) in 1983 where he eventually spent 15 years with, serving in various capacities across the airline's Finance & Treasury Division where he managed to gain extensive experience in managing the Airline's Finances.

Md Zubir has had more than 30 years of management experience in various sectors including Financial Services, Aviation, Transportation and Cargo Logistics, Information & Communications Technology, Trading and Corporate Consultancy. The departments he was assigned include General Cost Accounting, Management Accounting, Passenger Revenue Accounting, Freight Revenue Accounting and Credit Control Accounting.

Md Zubir was posted to the UK in 1990 as the Regional Accounts Manager Europe where he controlled the MAS Accounting Offices throughout Europe. When he returned home in 1994, he was then appointed as the Head of Finance and Admin of Malaysia Airlines Cargo Sdn. Bhd. (MAskargo),

a fully owned subsidiary of MAS where he was primarily responsible for the setting up of the Cargo's subsidiary company and led the Company through major negotiations with MAS. During his tenure as the Head of Finance & Admin, MAskargo was acknowledged as one of the most profitable subsidiary of MAS.

After leaving MAS in 1998, he ventured into entrepreneurship before joining Capital Risk Management Sdn Bhd (CRM), a corporate consultancy firm where his expertise was to manage start-up businesses and turnaround management.

Md Zubir joined Telekom Smart School Sdn. Bhd. (TSS) in 1999 as Finance & Administration Director and it was there where he was primarily responsible for negotiating contracts with 8 major outsourced partners for flagship projects including multinational companies.

Currently, he is a member of Executive Council MyLab project for Ministry of Education, Intellectual Capital Development Committee of National Innovation Agency Malaysia and Funding Committee of Bioeconomy Transformation Programme.

Md Zubir sat on a few national councils namely Local Advisory Panel for MSC Malaysia, NEF Advisory Committee, Enabler Sub-Committee in Biotechnology, Implementation Committee on Biotechnology for MOSTI and National Innovation Model Sub Implementation Committee on Funding in Ministry of Finance.

PROFILE OF BOARD OF DIRECTORS



Dato' M. Santhanaban

Independent Non-Executive Director

Dato' M. Santhanaban was appointed as Director to the Board of MDV on 22 December 2008 and still holds the position as of today.

Earlier in his career, M. Santhanaban served a long time at the Malaysian Ministry of Foreign Affairs, from September 1972. His first overseas posting was to Lagos, Nigeria as Second Secretary in early 1975 and subsequently to Hong Kong and also Washington DC.

He was assigned to Vientiane as Counsellor in 1981 and later served as Charge d' Affaires. In between his postings, he has held various positions in the Ministry of Foreign Affairs. In 1994 he was appointed as High Commissioner to Papua New Guinea and subsequently as Ambassador to Argentina (1999-2003) and to the Republic of Korea (2003-2008).



Dato' Rajadorai Muthan

Independent Non-Executive Director

Dato' Rajadorai Muthan was appointed as Director to the Board of MDV on 26 March 2013 and still holds the position as of today.

Having graduated from Universiti Malaya with a Bachelor of Economics (Hons) and Manchester Business School with a Masters of Business Administration (Distinction), he currently is a Fellow of CPA Australia as well as a Chartered Accountant of Malaysia of the Malaysian Institute of Accountants.

Rajadorai currently holds the position of Group Chief Financial Officer of Teras Dara Konsortium Sdn Bhd and Director of TDK Khidmat Sdn Bhd. On top of that, he also serves as Alternate Directors in Teras Dara Konsortium Sdn Bhd and Sawira Sdn Bhd.

On 17 June 2014, he was appointed as a Member of the Disciplinary Committee Panel by the Advocates & Solicitors Disciplinary Board, Malaysia for 2 years. Currently, he also sits on the Management Committee of the Royal Pahang Golf Club as an appointed member by DYT M Tengku Mahkota of Pahang, the President of Royal Pahang Golf Club.

PROFILE OF BOARD OF DIRECTORS



Encik Abdul Rahim Abdul Hamid

Independent Non-Executive Director

Encik Abdul Rahim Abdul Hamid was appointed as Director to the Board of MDV on 15 June 2011 and still holds the position as of today.

He currently represents the Ministry of Finance Incorporated on the Boards of Malaysia Venture Capital Management Berhad and Technology Park Corporation Sdn Bhd and sits as an Independent Non-Executive Director on the Boards of MIDF Amanah Asset Management Berhad, Petra Energy Berhad, AEON CO (M) Bhd, Encorp Berhad, Ire-Tex Corporation Bhd and Asian Finance Bank Berhad.

Abdul Rahim started his career in Coopers & Lybrand in 1971 as a professional accountant. He eventually became its Managing Partner & Chief Executive in 1993 and served as Deputy Executive Chairman when the firm merged with Price Waterhouse in 1998 to establish PricewaterhouseCoopers, until he retired in June 2004.

He is the Principal at ARH Associates, a Professional Services & Business Advisory Consultancy. He served as the President of the Malaysian Institute of Accountants for 2 terms; 2005 - 2007 and 2009 - 2011 and as President of the ASEAN Federation of Accountants 2010 - 2011.



Dato' Siti Zauyah Md Desa

Non-Independent Non-Executive Director

Dato' Siti Zauyah Md Desa was appointed as Director to the Board of MDV on 26 March 2013 and has resigned from her post on 30 April 2016.

Siti Zauyah graduated from the University of Reading, United Kingdom with a Bachelor of Science (Honours) and started her career as a Quantity Surveyor with the Public Works Department in 1982 and later moved on to hold several other positions with a higher learning institution and several private organisations. She then pursued her Diploma in Public Administration from the National Institute of Public Administration (INTAN) and upon graduation, joined the Ministry of Finance Malaysia (MOF) to serve in the Contract Management Division as Assistant Secretary from 1989 to 1993 before pursuing her Masters in Business Administration (International Banking) at the University of Manchester, United Kingdom.

She was promoted to Principal Assistant Secretary at MOF in 2001 after serving as Assistant Secretary with the Tax Division and Finance Division. In 2003, she was seconded to the Asian Development Bank, Manila as Director's Advisor until August 2006 and continued her service with MOF and was appointed as the Deputy Secretary (Economy), Investment, MOF (Inc.) & Privatisation Division in April 2008 upon her return. In November 2012, she was promoted to Secretary, Loan Management Division and eventually assumed the position of Secretary, Government Investment Company Division in early 2014. In December 2014, she was promoted to Director of National Budget Office and was further promoted to her current position as Deputy Secretary General (Policy) to the Treasury in early 2016.

She currently holds directorships in Johor Corporation, Majlis Amanah Rakyat, Bank Kerjasama Rakyat Malaysia Berhad, Danalnfra Nasional Berhad, Employees Provident Fund, Pension Trust Fund and National Trust Fund.

PROFILE OF BOARD OF DIRECTORS



Mr Ng Chih Kaye

Independent Non-Executive Director

Mr. Ng Chih Kaye was appointed as Director to the Board of MDV on 18 September 2015 and still holds the position as of today.

Chih Kaye began his career at Blinkhorn, Lyon & Golding, Chartered Accountants, London and later at KPMG, Kuala Lumpur. He then served Maybank for 25 years, eventually leaving it as Executive Vice President and was a Board Member of Mayban Allied Credit & Leasing Berhad.

Chih Kaye is a member of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants (ACCA). He currently sits on the Board of Agrobank Malaysia and CapitaLand Malaysia Mall REIT Management Sdn Bhd.



Encik Johari Abdul Muid

Independent Non-Executive Director

Encik Johari Abdul Muid was appointed as Director to the Board of MDV on 20 November 2015 and still holds the position as of today.

Johari held the post Head of Treasury at CIMB Bank Berhad and later joined CIMB Securities Sdn Bhd as the Senior Vice President for Institutional Sales. After 20 years in CIMB, he then joined Valuecap Sdn Bhd as the Chief Investment Officer for a year before joining the Employees Provident Fund (EPF) as the Chief Investment Officer. He was then promoted to Deputy CEO of Investment Division and later became the Deputy CEO of Pension Policy and Corporate Planning. After 8 years of working in EPF, he left to join RHB Bank Berhad as the Chief Executive Officer and retired in 2013.

Johari currently sits on the Board of Nomura Asset Management Malaysia Sdn Bhd and Nomura Islamic Asset Management Malaysia Sdn Bhd as a Director and also serves on the Investment Panel of KWAP.

Johari is also a Fellow of the Chartered Institute of Management Accountants, United Kingdom.

PROFILE OF BOARD OF DIRECTORS



Datuk Noripah Kamso

Independent Non-Executive Director

Datuk Noripah Kamso was appointed as Director to the Board of MDV on 17 September 2014 and is currently a Visiting Fellow in Islamic Finance in Oxford Center for Islamic Studies tasked to pioneer an Islamic Finance Unit in the Center.

Upon completing her role as Advisor to CIMB Islamic in 2014, she accepted the offer to be a Global Practitioner in Residence in 2015 in the Principal Financial Group Center for Global Citizenship in Drake University in Des Moines, Iowa, United States of America. As the founding Chief Executive Officer (CEO) of CIMB Principal Islamic Asset Management Sdn Bhd (CPIAM) since 2007, she has successfully established a global platform for CPIAM to extend its reach to the United Kingdom (UK), Europe, Asia, USA and Australia. CPIAM acts as a global partner to global institutional investors, providing a range of Shariah Investment Portfolios. She pioneered the listing of the world's first Regional ASEAN Exchange Traded Fund, "CIMB ASEAN 40 ETF", listed in Singapore in 2007.

Her fine leadership persona has led her to be listed in the "Top 10 women listed in Islamic Finance" by the Dubai-based publication, Islamic Business and Finance. She was deemed a two-time winner of the "Marketing Personality of the Year" award (for 2006 and 2005) by Asia Asset Management for the Asia Pacific region, CEO of the Year for Malaysia (2007) and Personal Achievement award for contribution to Islamic asset management by International Takaful Summit, London (2012). She is a member of the Honor Society for International Scholars, PHI BETA DELTA -Zeta Gamma Chapter, Northern Illinois University. In 2014, Universiti Utara Malaysia honored her as an Adjunct Professor under the School of Economic, Finance and Banking.

Noripah was the past President of the Malaysian Futures Brokers Association and now is Chairman of the Islamic Finance Council of the Malaysia-US Chamber of Commerce based in Washington DC. She currently sits as a Board Member of Top Glove Corporation Berhad, BIMB Investment Management Berhad and Federation Investment Managers Malaysia (FIMM). She is also a member of the Appeal Committee of Securities Industries Dispute Resolution Centre (SIDREC).

Noripah has published two books, her first which is "Credit Decision Making: A Qualitative Approach" and her second book, "Investing in Islamic Funds: A Practitioners Perspective", published by WILEY & Sons of New York in 2013 and targeted for international readers has obtained global praise and readership.

PROFILE OF BOARD OF DIRECTORS



Puan Khalimatun Saadiah Mohd Khalid

Non-Independent Non-Executive Director

Puan Khalimatun Saadiah Mohd Khalid was appointed as Director to the Board of MDV on 22 November 2016 and still holds the position as of today.

Khalimatun obtained her Bachelor of Business Administration (Hons) (Finance) from Universiti Teknologi MARA in 2001 and a Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 2003. She started her career as the Assistant Secretary of the MoF (Inc.) Coordination, Privatisation and Public Enterprises Division of the Ministry of Finance in 2002. Puan Khalimatun is currently the Principal Assistant Secretary of the Government Investment Companies Division of the Ministry of Finance.

She is also a Board Member of SIRIM Berhad.



Dato' Dr Yusof Ismail

Non-Independent Non-Executive Director

Dato' Dr Yusof Ismail was appointed as Director to the Board of MDV on 11 May 2016 and has resigned from his post on 15 November 2016.

Yusof holds a Ph.D (Community Economy Development) from Universiti Pertanian Malaysia and Masters in Development Economics from William College Massachusetts, USA. He had obtained his Bachelor of Economics (Hons) from Universiti Malaya and Diploma in Public Administration from the National Institute of Public Administration (INTAN).

Currently, Yusof is the Under Secretary of the Strategic Investment Division, Ministry of Finance. Since his attachment to the Ministry of Finance in 1988, Dr Yusof has held various positions there and has also served in the Ministry of Rural and Regional Development and Energy Section of the Economic Planning Unit, Prime Minister's Department and was assigned as the Deputy Chief Executive Officer of Langkawi Development Authority (LADA).

Yusof is currently the member of the Board of Perbadanan Nasional Berhad, Caring Pharmacy Group Berhad, FELDA, GovCo Holdings Berhad, Boustead Naval Shipyard Sdn Bhd, Garuda Suci Sdn Bhd and Integrated Nautical Resorts Sdn Bhd.



SENIOR MANAGEMENT

Datuk Md Zubir Ansori Yahaya
Managing Director/Chief Executive Officer



Nizam Mohamed Nadzri
Acting Chief Operating Officer



Adrian Khor Yew Meng
Executive Vice President, Finance & Operations



Aimi Aizreen Nasharuddin
Executive Vice President, Business



Nazli Abdul Hamid
Senior Vice President, Asset Management



Engku Husain Hazmi Engku Embong
Senior Vice President, Credit Management



Rizal Fauzi
Senior Vice President, Risk Management



Angie Law Lee Cheng
Senior Vice President, Business



Amiruddin Kemat
Senior Vice President, Corporate Planning



Mohd Sharizal Mustapah Kamil
Senior Vice President, Business and Technology Advisory



Mohd Nazarul Haizan Md Dom
Senior Vice President, Business



Hanim Kassim
Vice President, Human Resource



Rozita Khamsiah Othman
Vice President, Legal & Secretarial



Alfian Othman
Vice President, Finance & Administration



Siti Rashidah Adam
Vice President, Internal Audit

HUMAN RESOURCE DEPARTMENT KEY ACHIEVEMENTS



Similar to 2015, the year under review saw the continuing efforts by Human Resource Department (HRD) in inspiring employees to elevate and strengthen themselves within the three areas of Core, Leadership and Technical competencies. MDV has always believed that prioritising employees' competencies and abilities in these areas are imperative in driving profitable and sustainable achievement in any organisation. Especially against today's competition for talent, HRD has strived towards making this a reality.

Another area that heavily contributes to the core function of MDV is how employees respond and understand risk and ways to manage it. To educate MDV employees about the importance of risk management, HRD together with Risk Management Division (RMD) organised a 2-day Risk Embracing Seminar in March 2016 for all employees. This campaign is to inculcate risk awareness mindset in carrying out daily work activities.

Further to this, risk culture was also embedded in MDV's process and frameworks. On a different note, as job evaluation serves to facilitate in building the foundation of MDV's compensation structure, a Job Evaluation project was also kicked - off to ensure all jobs in MDV are correctly defined and evaluated, and salaries are aligned to the market.

Core, Leadership and Technical competency framework was finalised in 2016 to give a focus on employees' aptitude level. Towards this end, a Core Competency Awareness Programme was conducted in May 2016. This programme will continue in 2017 for Leadership Competency focusing on "Nurtures Future Talent" competency. The year under review also observed the integration of MDV's Competency Framework into other HR functions such as Learning & Development, Recruitment & Selection, Job Management, and Performance Management System.

Apart from that, based on the training needs analysis, "Communicates Effectively" appears as one of the critical competencies that needs to be developed. With that, HRD had previously arranged for a series of online tests, written and verbal to gauge each employee's competency level. Employees were provided workshops and coaching to heighten their communication competency and to strengthen their usage of English language as a business tool. This particular programme will be continued in 2017.

Subsequently, to address the same competency gap, Presentation Skills Workshops were organised. The Programme provided a principle foundation of presentation skills. This training was important not only to instil confidence in employees, but also to impart on them how to utilise certain skills for presentation purposes. On a similar note, coaching programmes were conducted for selected employees. It comprised individual coaching that is more focused and advanced with greater commitment from all participants as well as their immediate superiors. HRD believes that for employees to be able to communicate effectively they would need to nurture the art of communicating. It is not just about having information at hand but also how these information are disseminated to others, hence the significance of presentation skills.

Also, in an effort to make MDV's career page more accessible, HRD in collaboration with PR & Communications gave MDV's career page in the company's website a new look and updated content to cater for possible new hires.

2016 also saw MDV receiving the Best Employers' Award from the Employees Provident Fund (EPF) Malaysia (Raja Chulan Branch). The Award was presented in September 2016 in a ceremony held at PWTC.

Moving forward, HRD plans to establish a talent management framework, policies and procedures to identify potential successors for mission critical positions.

RISK MANAGEMENT DIVISION ROLE & KEY ACHIEVEMENTS



Risk Management Division's (RMD) primary contribution is its Credit Risk review as MDV provides financing to high risk sectors and companies. It is the second pillar of MDV's credit process. The primary responsibility is to undertake an independent credit evaluation on Financing Applications. The value-added and risk-based appraisal and inputs, including risk mitigating measures are meant to assist the relevant approving authority make an informed and accurate decision. This is done by way of an analysis that delves into accuracy, adequacy and depth of the credit proposal. The assessment also contain key risk areas which are unique to MDV and covers the overall eco-system of customers and projects and provides the important lessons learned and outlines precedents and recommends monitoring programme in project financing.

RMD continues to emphasise the strengthening of overall risk aspects of MDV by monitoring key focus areas namely Market, Portfolio, Operational and Credit Risk of the organisation. RMD also analyses information and outcome of MDV's operations, and provides a strategic report to the Management. This include inter alia the asset and liability management, and liquidity and expected yield returns for MDV to achieve profitability. Apart from that, RMD also monitors and reports on the possibility of systemic risks under sectoral, sub-sectoral and large loans exposures under its Portfolio Risk analysis.

RMD is also the guardian of MDV's Credit Policy to ensure standards of underwriting are maintained and updated. The Credit Policy is a live document which will be updated in a timely manner for relevance and usefulness. RMD also tracks all financing exposures in breach of the Credit Policy and propose any changes where necessary.

To ensure adherence to the company's Key Risk Indicators by all divisions/departments, Operational Risk plays a critical role in monitoring the effectiveness of the controls.

Any loss event/incident will be reported on a quarterly basis to the Management and Board Risk. Recommendations are provided to avoid similar incidents from repeating. Further, RMD consistently provides recommendations in improving and enhancing the existing policies via policy reviews thus adopting industry best practices for MDV.

As part of Operational Risk, MDV Code of Conduct and Anti-Fraud Policy was also introduced in 2016 in which all employees are required to read and adhere to each year. Both of these policies act as a guide for employees to live up to the highest ethical and behavioral standards required by MDV.

In March 2016, RMD with the assistance of the Human Resource Department (HRD) embarked on an awareness programme of "Embracing Risk" within the whole organisation. A two-day "Embracing Risk" seminar was held featuring guest speakers from various industries to speak about the many aspects of risk in an organisation. The objective of the seminar is to inculcate the passion of having a risk mindset in their daily activities. Employees need to work within certain parameters in ensuring that every action contributes the highest return to the company. Consistently having this mindset and philosophy in their daily activities will help to create a healthy working culture thus resulting in a good corporate culture.

Moving into 2017, RMD will continue to embark on further improvements to enhance risk management of MDV. RMD is expected to complete the Risk Control Self-Assessment (RCSA) for all divisions/departments and Global Key Risk Indicators. Both risk controls and indicators are part of the continuous embracing risk culture to be inculcated into the mindset of employees. Controls are being individually set and monitored by respective divisions/departments with monthly reporting for improvements.



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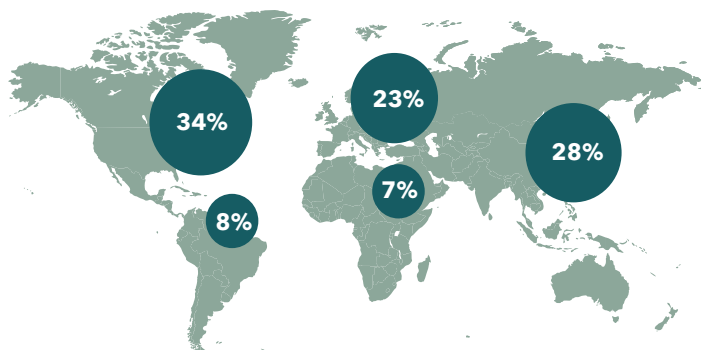
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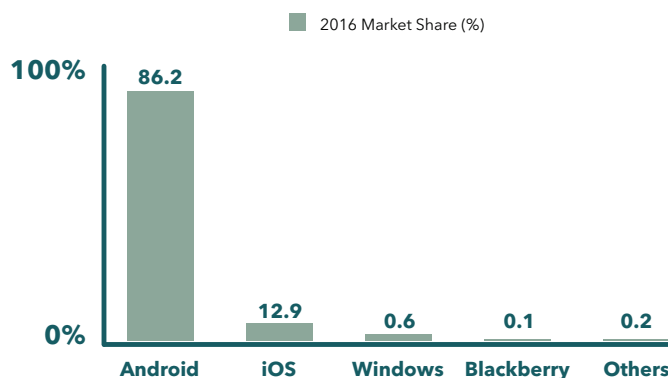
SECTORIAL & PROGRAMME REVIEW

TECHNOLOGY OUTLOOK

**The Global Information Technology Industry:
\$3.4 Trillion**



2016 Mobile Market Share by OS (%)



Source: Gartner, August 2016

ICT INDUSTRY REVIEW & OUTLOOK FOR 2016

According to International Data Corporation (IDC), the global Information Technology (IT) industry surpassed USD3.4 Trillion in 2016 and if growth expectations materialise, the industry will push past the USD3.5 Trillion mark in 2017. The U.S. market accounts for approximately 28% of the total, or slightly more than USD1 Trillion. Over the past decade, the biggest shift in global industry allocations stems from growth of the Asian region, driven primarily by the rise of China. This growth has been fueled by the purchases made by businesses and enterprises, with a small portion coming from the household spending.

In the field of telecommunications, 2016 saw China successfully launch its first quantum communications satellite into orbit in August. The satellite, owned by Quantum Experiments at Space Scale (QUESS), is designed to establish a secure quantum communications technology. If successful, this could lay the foundation for an ultra-secure, impenetrable encrypted communications network with numerous military and commercial uses.

According to Gartner, in 2016, Apple's iOS only accounts for 12.9% of the mobile market share globally while the remaining 86.2% is held by Android. Despite Samsung's Note 7 recall due to battery fault, strong sales of the Galaxy S7 managed to propel Android as the leading mobile OS in the market. Strong sales of other Android models such as Xiaomi mi5 and Huawei P10 also helped cement their market share.

In Malaysia, encouraging the growth of the digital economy has been a strategic focus, which is led by Malaysia Digital Economy Corporation (MDEC). For 2016, MDEC's focus areas that contribute to the digital economy include cloud and content services, Big DataAnalytics (BDA), eCommerce and Internet of Things (IoT). MDEC outlined plans to develop and strengthen the Digital Economy at the 28th Annual MSC Malaysia Implementation Council Meeting in October 2016, chaired by Prime Minister Dato' Sri Mohd Najib Tun Abdul Razak. The plans include adapting and diversifying MSC Malaysia Cybercentres, through the setting up of new Digital Hubs.

These Digital Hubs will aim to encourage more venues to be optimised for MSC Malaysia corporates, yet be able to support startup ecosystems with the necessary hard infrastructure offerings such as high speed broadband to enable growth of the internet economy. Currently the contributions to Malaysia's Gross Domestic Product (GDP) from the Digital Economy stands at 17.8%, only 0.4% short of target to be achieved in 2020.

The Malaysian e-commerce market (excluding e-services) in Malaysia for 2016 was expected to reach USD991.1 Million (RM4.1 Billion) in revenue. The growth is in line with the forecasted 11% CAGR as reported in the National eCommerce Strategic Roadmap developed by AT Kearney for the Ministry of International Trade and Industry (MITI) and MDEC.

In order to optimise the local telecommunications infrastructure, Malaysian Communications and Multimedia Commission (MCMC) announced in February its intention to reallocate spectrum in the 900MHz and 1800MHz bands among the four major telecommunications operators, namely Maxis, Celcom, Digi and U Mobile.

The reallocation saw Maxis' and Celcom's previous allocation reduced. MCMC had announced the cost of a 2x5 MHz block in the 900MHz band is RM499,725,000 whilst the total cost of a 2x5MHz block in the 1800MHz band is RM217,770,000.

With respect to developments in the local financing landscape, the industry welcomed the news that the Securities Commission (SC) had approved six Equity Crowdfunding (ECF) operators, namely FundedByMe, AtaPlus, Crowdo, Eureeca, Equity. pitchIN, and Crowdplus.Asia. The current ECF guidelines set by the SC allows each angel investor to take up to RM500,000 worth of shares in a company that seek capital via the ECF platform. High net-worth individuals with RM3 Million in assets are eligible to take up unlimited shares, as long as the amount subscribed to does not exceed RM3 Million a year. The SC views ECF as an alternative funding channel that can facilitate the growth of new small-scale enterprises which contribute significantly to the national economy.

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PROGRAMME REVIEW

MDV TECHNOLOGY ACQUISITION AND COMMERCIALISATION SCHEME (MDV-TACT) PROGRAMME

MDV Technology Acquisition And Commercialisation Scheme (MDV-TACT) Programme was developed and implemented as part of RMK-11 to promote national technology development and increase Malaysia's R&D commercialisation rate over the RMK-11 period, by providing access to financing for commercialisation and growth acceleration activities.

The MDV-TACT Programme is a continuation of the previous commercialisation programme under RMK-10 managed by MDV. However, the RMK-11 allocation has been enhanced to also cover the financing of acquisitions of technologies and complementary companies in order to accelerate the growth and market competitiveness of domestic technology companies. The fund ceiling under the programme over the RMK-11 period is RM 50.00 Million.

Applicants will be financed via a hybrid approach where financing facilities can be offered via equity and debt combinations to better match the expected cash flow and prospects of the applicant. By utilising an equity debt hybrid, MDV may provide equity as the initial financing instrument and reduce potential cash flow drains on start-up tech companies while offering committed debt financing at higher value for commercialisation, growth and expansion.

The financial instruments to be provided by MDV under MDV-TACT will include common equity, preference shares, credit financing and convertible credit financing.

TECHNOLOGY AND INNOVATION ACCELERATION SCHEME (TIERS) PROGRAMME

The Technology And Innovation Acceleration Scheme (TIERS) Programme was entrusted to MDV as part of the federal budget for 2016.

Pursuant to the programme, MDV will allocate programme ceiling of RM200.00 Million with a flat financing rate of 4.00% per annum.

The stated objective of the programme is to facilitate the development of export driven technology companies by providing financing to develop export capabilities and implement overseas projects, towards the development of regional technology champions.

MDV will collaborate with MIDA, MDeC, Bioeconomy Corporation and SME Corp to develop a pipeline for applicants in addition to MDV's existing customer base.

ACQUISITION FINANCING

Consistent with MDV's mandate to support the financing needs of technology companies and deepen the financial solutions available to SME technology companies for their development needs, MDV offers an Acquisition Financing product for technopreneurs. The objective of the financing is to facilitate the acquisition of strategic stakes in other companies to scale-up operations, develop their business scope, and pursue management buy-outs.

These SME technology companies generally do not have access to acquisition financing due to their small size, relatively small financing needs and the lack of Investment Bank and Commercial Bank activity in this space. As such, MDV fills a gap in the current ecosystem.

BUMIPUTERA TECHNOLOGY FUND (BTF)

To promote business expansion of Bumiputera technology based companies, MDV has collaborated with Unit Peneraju Agenda Bumiputera (TERAJU) through the Bumiputera Technology Fund (BTF). Under the BTF, MDV shall make available a total fund size of RM130.00 Million which comprise working capital financing line of RM100.00 Million and Asset Purchase Financing line of RM30.00 Million to all Bumiputera technology based companies under TERAJU's TERAS companies and SUPERB programme's graduates.

INTELLECTUAL PROPERTY FINANCING SCHEME (IPFS)

The government has recently introduced the Intellectual Property Financing Scheme (IPFS) to further inculcate innovation and increase productivity. The initiative of RM200.00 Million in financing will be offered solely by MDV.

The scheme will enable companies with IP rights (IPRs) to use their IPRs as an additional source of collateral to obtain funding and spur more investments for companies with technology capabilities and in turn encouraging innovation. The scheme will also help alleviate the difficulties that several technology-focused companies face when attempting to seek funding from financial institutions.

GREEN TECHNOLOGY FINANCING SCHEME (GTFS)

The Green Technology Financing Scheme (GTFS) introduced by the Government aims to promote green technology by offering loans / financing to companies that supply and utilise green technology. The objective of GTFS is to promote investments in Green Technology which minimise the degradation of the environment, have a zero or low greenhouse gas (GHG) emission, safe for use and promote healthy and improved environment for all forms of life, conserve the use of energy and natural resources and promote the use of renewable resources.

COMMERCIALISATION FINANCING PROGRAMME

An innovative financing programme to match funding requirements that have good and viable businesses in the technology sectors especially those at early and pre-commercialisation stage. The funding of post R&D pre-commercialisation activities cater for companies with good and viable technologies to achieve their potential.

SME GREEN LANE POLICY

Green Lane Policy is a newly introduced initiative by the Government to further boost the growth of Malaysia's SME. The scheme was introduced to recognise the

importance of SMEs for the development of the country's economy. In addition, it is also to acknowledge the contribution of competitive and innovative local SMEs under the RMK-10.

With this initiative, MDV will be able to further strengthen its support to the SMEs in ICT, Biotechnology, Green Technology and other high growth sectors by providing them innovative financing facilities.

The policy was intended to accelerate and provide ease of doing business on matters pertaining to the four incentives listed under the policy which are loans with subsidised interest rates, tax exemption, Government procurement and privileges in the Ministry of Finance Incorporated Companies' procurement.

SME SMALL CONTRACT FINANCING

Financing, via a suite of financing instruments, which is specifically tailored for a specific contract with a contract value/ financing needs of between RM250,000.00 and RM2.00 Million. Under MDV's direct contract financing, the contract price, contract period and terms of payment should be set out and defined in the contract award. Applications for SME Small Contract Financing benefit from a faster and more streamlined evaluation process.

SME SMALL PROJECT FINANCING

Financing by MDV, via a suite of financing instruments, whereby the project to be financed does not have any specific contract or agreement and, as such, no project sponsors. Applications for SME Small Project Financing should have a financing requirement between RM250,000.00 and RM2.00 Million and will benefit from a faster and more streamlined evaluation process.

BUMIPUTERA BIOTECH/BIO-INDUSTRY DEVELOPMENT FUND (B3DF)

MDV's Bumiputra, Biotechnology & Bio-Industry Development Fund (B3DF) Programme is a dedicated financing Programme for the project/ contract financing needs of Bio-Nexus status Bumiputera-owned biotechnology and bio-industry companies, up to a financing limit of RM5.00 Million per applicant. The fund is also applicable to Bumiputera-owned biotechnology and bio-industry companies that undertake to secure Bionexus status within 6 months of financing approval.

FINANCIAL REVIEW

2016 was a financially challenging year with volatile financial markets, globally and domestically. The fiscal consolidation by the Government continued as it remains committed to maintain the targeted 3.1% fiscal deficit of GDP by end 2016 amidst a backdrop of prolonged sustained low commodity prices and weakening of the Ringgit with the currency coming close to a 19-year low in late November 2016.

Despite the challenging environment, MDV continued to fulfill its mandate as the nation's leading technology financier and managed to record new financing approvals of RM595.16 Million albeit at lower levels compared to the previous financial year (FYE2015: RM925.88 Million).

Disbursements continued to be made to fund clients' planned expansion and critical operations resulting in MDV recording an impressive 13.14% year-on-year growth on its gross financing portfolio from RM1.37 Billion in 2015 to RM1.55 Billion in 2016. This was mainly derived from a stronger disbursement order book against previous years as MDV continued its foray in leading the financing for information technology driven and green technology projects.

Core revenue from financing activities for the financial year ended 2016 (FYE2016) recorded a year-on-year growth of RM3.87 Million or 4.52%, in tandem with the portfolio growth, whilst other income recorded a decrease of RM4.74 Million mainly on the back of lower money market returns. As a whole, total revenue for the FYE2016 of RM131.63 Million is marginally lower than RM132.50 Million recorded for the FYE2015.

Cost of Financing remains stable enabling MDV to offer affordable financing to its customers primarily from the small and medium sized industry. Whilst the financing portfolio grew significantly, the FYE2016 operating expenditure was contained at approximately the same levels as the FYE2015 of approximately RM26.70 Million.

This was achieved on the back of cost saving measures and prudent financial management, ultimately resulting in a lean and efficient Cost-Income Ratio of 20.60% (FYE2015: 20.20%).

Gross impaired financing ratio decreased from 28.38% for the FYE2015 to 27.50% for the FYE2016 whilst allowance for loan and financing impairment recorded in the Income Statement increased from RM34.34 Million for the FYE2015 to RM45.27 Million for the FYE2016 as MDV continued to make prudent provisions for its loans and financings where the recoverability remains uncertain at the close of the year. MDV remains committed in proactively working to recover these impaired financing by providing a lifeline for its young technopreneurs and working with its customers to turnaround and salvage the various businesses impacted by the turbulent economy, where feasible.

Despite the challenging macro and microeconomic environment, MDV was still able to record a modest Net Profit of RM7.14 Million for the FYE2016 (RM17.27 Million in FYE2015) - its seventh consecutive profit making year - and will continue to be self-sustainable whilst serving its nation building mandate and development facilitator role.

MDV's financial position remains resilient with the continued strong support from the Government of Malaysia and in particular, the Ministry of Finance, in driving the technology agenda of the country towards a high-income and advance knowledge nation. MDV's financial position will be further strengthened with the impending launch of its new Third Fund of RM1.00 Billion to boost its financing portfolio and continue its mandated role as the nation's leading technology financier in the coming years.

DEVELOPMENT FINANCING

DEVELOPMENT FACILITATION REVIEW

In FYE2016, MDV's portfolio grew by 13.14% year-on-year, as MDV's portfolio reached a record of RM1.55 Billion. With respect to MDV's financing flows for the year, the bulk of net disbursements went to the ICT and Green Technology financing at 43.07% and 42.00% respectively. Green Technology financing has continued to grow owing to the increase in the financing approval for new renewable energy projects, supported by SEDA Feed-In Approval and Renewal Energy Power Purchase Agreement (REPPAs) with Tenaga Nasional Berhad.

In terms of value, direct financing to Emerging Technology applicants stood at 6.15% of MDV's financing activity in 2016, similar to that of Biotechnology, making them the two lowest trends compared to ICT and Green Technology. As far as Emerging Technology is concerned, this was mainly due to the segment being newly introduced in 2015 whilst the low trend in Biotechnology was due to the current nature of the Biotechnology industry, which typically requires growth capital rather than project or contract financing. Nonetheless, MDV continued to facilitate financing to the sector via development programmes, namely MDV's Commercialisation Fund, Bumiputera Biotech/Bio-industry Development Fund (B3DF) and the Bio Economy Transformation Programme (BTP) Fund, through which more than RM 21.00 Million of financing facilities were approved in 2016. Across all 5 of MDV's development programmes comprising the B3DF, GTFS, IPFS, RMK-10 and Biotechnology Transformation Programme, MDV approved RM179.26 Million in financing facilities during the year.

MDV's product range has continued to expand in response to growing market needs and Government initiatives. In the year under review, MDV developed four new financing programmes, comprising technology commercialisation and up scaling through the MDV-TACT Programme under the RMK-11 and TIERS Programme for creating regional technology champions within the ASEAN region financing for energy efficiency projects and financing for corporate equity acquisitions related to productive purposes.

FYE2016 also represents the 1st anniversary of the full implementation of MDV's New Corporate Strategy, which saw MDV's mandated role expanded to new high-technology areas, including nanotechnology, advanced materials, robotics, artificial intelligence, electrical & electronics, aviation & aerospace, oil & gas and transportation. During the course of the year, MDV had a financing portfolio of RM144.11 Million to companies from these new emerging sectors, reflecting MDV's success in implementing the New Corporate Strategy. A further component of the strategy was for MDV to increase its exposure to include financing for corporate and equity acquisitions, including management buy-outs.

As part of MDV's ongoing efforts to enhance its role as the Nation's leading technology financier, MDV will continue to identify new financing programmes and enhance existing programmes to meet the emerging needs of technology companies.

FUTURE TECHNOLOGY LANDSCAPE

As a leading technology financier, MDV is constantly monitoring new and emerging technology trends. As such, it is imperative to track the direction of technology developments in order to create competitive products and offerings to the local technology scene. Future trends in the technology landscape that have been identified for 2017 and beyond, cover a broad spectrum of industry and application, showcasing how immersive technology has become in every aspect.

One area of innovation that continues to dominate headlines is in the space of financial technology, or Fintech. According to Accenture, investments in Asia-Pacific (APAC) Fintech ventures, primarily in China, reached USD\$9.62 billion as of 31 July 2016 - more than twice the USD\$4.26 billion invested in the region in all of 2015.

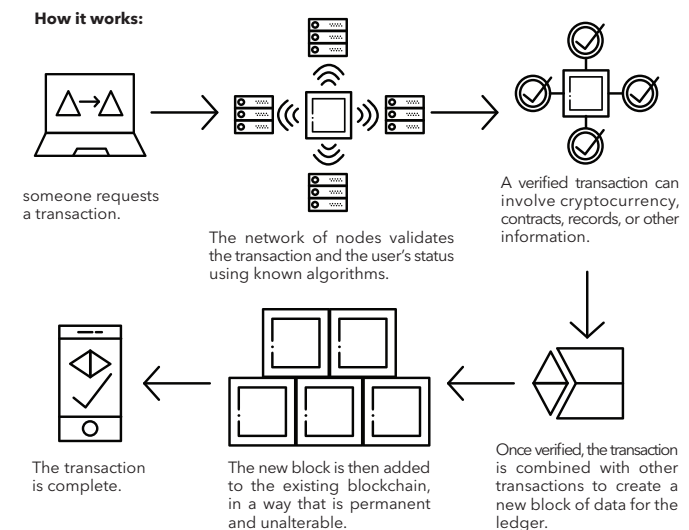
Juniper Research released a report titled "The Future of Blockchain: Bitcoin, Remittance, ID Verification & Smart Contracts 2016-2021" which highlighted the increasing diversification of nascent blockchain deployments, with applications ranging from identity to asset management.

Blockchains allow users the ability to create value and authenticate digital information. The existence of distributed ledgers in blockchains enables the coding of 'smart contracts' which are transactions that can be automatically executed upon the fulfillment of set criteria.

The graphic below explains blockchain in general terms :

A look at blockchain technology What is it?

The blockchain is a decentralised ledger of all transactions across a peer-to-peer network. Using this technology, participants can confirm transactions without the need for a central certifying authority. Potential applications include fund transfers, settling trades, voting, and many other uses.



Source : PwC

On the local front, online and mobile banking will continue to remain a strong area of innovation within the Fintech areas. The CIMB Banking Group had already closed 23 of its branches, in an effort to push further adoption of its digital banking services. Similarly, the Maybank Group had earlier this year unveiled its 2020 initiative, aimed at being Asean's "digital bank of choice."

The authorities have also played their part in developing innovation within the financial industry. Bank Negara Malaysia had established a Regulatory Sandbox Framework that allows for experimentation of Fintech solutions in a live environment, subject to appropriate safeguards and regulatory requirements.

Advances in transportation and mobility are changing the way people get around. Autonomous vehicles and the technology surrounding it continue to receive investments from leading automakers such as the Toyota Corp which has invested USD1 billion into developing artificial intelligence capable of autonomous driving, Tesla recently releasing an update that allows their most advanced autopilot functions fully accessible on their HW2 Model X as well as Uber partnering with both Ford Motors and Volvo AG to develop driverless cars.

Another sector picking up quick pace is the advancement of immersive technology. Virtual reality (VR) and augmented reality (AR) are projected to generate USD162 Billion sales by 2020, according to IDC . It is expected that more than half of the revenue to come from hardware sales and that most revenue will come from the US.

This aggressive growth will likely come from both the hardware and software development such as games and medical applications, building a robust and engaging ecosystem of content that will entice adoption to a mass scale.

Artificial intelligence (AI), is another technology sector which research firm, Gartner Inc. has predicted as one of the top 10 strategic technology trends for the future.

Creating intelligent systems that learn, adapt and potentially act autonomously rather than simply execute predefined instructions is primary battleground for technology vendors through at least 2020.

AI and machine learning (ML), which include technologies such as deep learning, neural networks and natural-language processing, combined with advances in processing power capability, will spin-off “intelligent” applications such as mobile virtual assistants like Apple Corp’s Siri and Samsung Corp’s Bixby. These virtual assistants allow users to use voice command, remember preferred choices and identify relevant information that are of interest to you, based on their learning capability.

AI models such as the Google Home and last year’s Alexa and Echo from Amazon, are voice activated and are able to connect to various devices in your home intelligently based on your command. For example, if you were to ask Google Home to play a Netflix show, it will automatically start playing it on your TV. Amazon’s Echo will answer questions, read your audiobooks, provide traffic and weather updates, basically (almost) anything your voice commands.

All these nascent but intelligent technologies are evolving at a rapid pace. It is worth noting that the iPhone was not even invented yet in 2006 but today, 78 Million iPhones have been sold globally. Technology often outpaces its applicability but if history has anything to teach us, it is that to never underestimate how quickly technology can be part of our lives.

1. “Normal to shut, relocate branches: Maybank” <http://www.nst.com.my/news/2016/08/168647/normal-shut-relocate-branches-maybank>
2. “Financial Technology Regulatory Sandbox Framework” http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4273&lang=en
3. 2016 Game Changers Report by CB Insights
4. IDC Press Release “Worldwide Revenues for Augmented and Virtual Reality Forecast to Reach \$162 Billion in 2020, According to IDC”, 15 August 2016
5. “Gartner’s Top 10 Strategic Technology Trends for 2017” <http://www.gartner.com/smarterwithgartner/gartners-top-10-technology-trends-2017/>

NURTURING PROGRAMME - "Elev8"



As a leading technology financier, MDV is very much cognisant of the nation's agenda to propagate the success of Malaysian technology companies. In this context, MDV is taking up the challenge to engage start-ups and young companies with great potential to grow bigger and successful in their respective ventures as part of the company's Corporate Entrepreneurial Responsibility, a concept championed by the Ministry of Finance.

Launched in May 2016, the nurturing programme initiative, "Elev8", coined by MDV's MD/CEO, Datuk Md. Zubir Ansori Yahaya, aims to showcase MDV's efforts to accelerate and increase the bankability of a technology start-up. Via Elev8, MDV targets to assist young technology companies to be sustainable and success stories in their own right.

The launching event was officiated by Tan Sri Dr. Mohd Irwan Serigar Abdullah, the Secretary General of Treasury and was attended by MDV partner agencies and potential candidates along with start-up companies from various partnership programmes managed by agencies such as TERAJU, MaGIC, MyNEF and CRADLE. MDV also signed an MOU with Cradle, MaGIC and MyNEF to ensure the success of the Elev8 programme and the Elev8 companies.

In implementing Elev8, MDV leverages on its own resources as well as its local ecosystem to groom, coach and mentor these companies.



The senior management team, with its collective knowledge, skills and expertise, is selected to mentor each Elev8 company.

Through coaching and mentoring, Elev8 companies get access and knowledge in areas of funding readiness, good governance and industry and market insights. Additionally, MDV will also aid Elev8 companies' presence and visibility through attendance or co-promoting their marketing or product collaterals at events and social media platforms. The Elev8 companies will also benefit from MDV's introduction to MDV's partner agencies.

Once enrolled, Elev8 companies will meet with their individual mentors to discuss on matters pertaining to exercises and action plans to strengthen their companies' credit profile. This is done via rigorous assessments of cash flow projections, knowledge sharing through MDV's financing experience on similar products, technology or locality or connecting to available resources for better corporate governance.

The ultimate goal of the Elev8 programme is to give birth to MDV's own Technology Icon company, a beacon and champion for startups born and bred in Malaysia. By bringing the right mix of capital, market access and mentoring to startups, the Elev8 programme is striving to play an important role in making Malaysia's startups community a vibrant and productive ecosystem.



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CORPORATE GOVERNANCE

Governance Framework

The Board of Directors of MDV is committed to upholding good corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles and best practices of corporate governance and primary legislative and regulatory provisions.

Board of Directors

Roles and Responsibilities

The Board is charged with leading and managing MDV in an effective and responsible manner. Each Director has a legal duty to act in the best interest of MDV. The Board sets MDV's values and standards and ensures that its obligations to its shareholders and other stakeholders are understood and met. The roles and responsibilities of the Board are governed by the Companies Act 1965, the Memorandum and Articles of Association of MDV, and any relevant guidelines as may be issued by the relevant authorities from time to time.

The Board is also guided by its Board Charter which defines the matters that are specifically reserved for the Board and the delegation of day-to-day management of MDV to the Managing Director/ Chief Executive Officer (MD/CEO).

Risk Management Function

The Board has established an organisational structure with clearly defined lines of accountability, authority limits and responsibility aligned to business and operational requirements. This has been undertaken within the ambit of supporting the maintenance of a robust control environment while recognising MDV's Nation-building role for growth and the high-risk financing environment in which the Company operates. The Board also outlines the guiding principles and the accountabilities for effective risk-taking by establishing an appropriate control structure and process for identifying, evaluating, monitoring, managing and responding to various significant risks faced by the Company.

The risk governance structure is aligned across all business units through the implementation of an enterprise risk management framework. The framework is implemented across all business and support functions to create continuous risk awareness mindset, understanding of procedures and controls and thus enhance our risk management and risk culture. Risk management principles, policies, procedures and practices are updated regularly to ensure relevance and compliance with current/applicable laws and best practices, and are made available to all employees. MDV has also adopted the code of conduct, the anti-fraud and whistle-blowing policy, providing an avenue for employees to report actual or suspected malpractice, misconduct or violations of the Company's policies and regulations in a safe and confidential manner.

Operationally, MDV manages its risk based on the three lines of defence approach: risk taking functions, risk control functions and internal audit. At the first level, the risk taking functions, which comprise the operating business and support units, are responsible for the day-to-day management of risks inherent in the various business activities. Risk control functions, at the second level, are responsible for setting the risk management policies and guidelines, including developing relevant tools and methodologies for the identification, measurement, mitigation, monitoring and control of risks. Thirdly, the internal audit function complements the risk management functions by reviewing and evaluating significant exposures to risk and contributing towards the improvement of the risk management and control systems. The internal audit function also provides independent assurance of the adequacy and effectiveness of the Company's risk management framework.

Board Risk Management Committee

The Board has also delegated the responsibility of reviewing the effectiveness of risk management to the Board Risk Management Committee (BRMC). The BRMC primarily assists the Board in:

- ensuring that overall corporate risks are measured and thresholds are controlled within pre-determined limits;
- ensuring that there are sufficient internal controls and clear mitigation plans for major risks and these plans include accountabilities and timeliness; and
- ensuring that a culture of identifying and managing risks exists throughout the organisation.

The BRMC is assisted by the Risk Management Committee (RMC) and supported by the Risk Management Division on an ongoing basis to ensure the effectiveness of the risk management control is monitored and evaluated. Additionally, any approved policy and framework formulated to identify, measure and monitor various risk components will be reviewed and recommended by the RMC to the BRMC and subsequently approved by the Board. Additionally, the RMC reviews and assesses the adequacy of these risk management policies and ensures proper infrastructure, resources and systems for risk management are in place.

Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to recommend to the Board suitable remuneration policies for Directors, evaluate the performance of the MD/CEO and Senior Management, and establish pay-for-performance plans to achieve alignment with the Ministry of Finance's expectations.

The Committee also works with the Chairman to assess the Board composition and skills, and recommends candidates for the Chairman, MD/CEO and key company positions taking into account the views of the Ministry of Finance.

AUDIT COMMITTEE STATEMENT

The Board is responsible for MDV's system of internal control and for reviewing its adequacy and integrity. The Board recognises that MDV's system of internal control is designed to manage the risks within its acceptable risk profile and not eliminate the risk of failure to achieve MDV's objectives. Hence, it can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board has appointed the Board Audit Committee (AC) comprising independent directors to provide independent oversight and equips the Directors and Management in effectively discharging their duties and responsibilities in relation to the compliance with the rules and regulations, in particular compliance with the requirements of the Ministry of Finance, accounting policies, and financial reporting. In this regard, the AC assists the Board with supervision of the integrity of MDV's financial statement and financial reporting processes, the systems of internal accounting and financial controls, the performance of internal audit function, compliance with ethics-related policies, legal and regulatory requirements, as well as all transactions are executed in accordance with the Management's general and specific authorisation.

The AC also plays a valuable role in assisting the Board to ascertain that the Company's policies and procedures are reasonable and are adhered to, and that management is effective and efficient in discharging their duties. In addition, the AC provides a line of communication between the Board and the auditors by way of regular meetings.

Duties and Responsibilities

The primary duties and responsibilities of the AC, amongst others, are;

Financial Reporting

Review the year-end financial statement, prior to submission to the Board for approval to ensure fair and transparent reporting and prompt publication of the financial accounts.

In this regard, the AC focuses on changes in or implementation of major accounting policy changes, significant and unusual events, and compliance with accounting standards and other legal requirements.

Internal Audit

- (a) Ensures compliance with the minimum requirements for auditing such as;
 - review the internal audit function's independence and that it has the necessary authority to carry out its work
 - review the internal audit plan to ensure the scope of coverage is adequate
 - ensure adequate and technically competent resources for effective discharge of responsibilities
 - ensure appropriate actions have been taken by management on the recommendations made by the internal auditors
 - appoint, evaluate the performance and decide on the transfer or dismissal of the Head of Internal Audit
 - determine the remuneration package of the internal auditors.
- (b) Review the effectiveness and of internal controls and risk management processes.

External Audit

- (a) Recommend to the Board for the external auditors' appointment and audit fee payable including any decision on removal.
- (b) Review the external auditors' audit plan, its evaluation of the systems of internal control and the audit report.
- (c) Review the external auditors' management letter and Management's responses on weaknesses in internal accounting procedures and controls.
- (d) Assess objectivity, performance and independence of external auditors.
- (e) Review any letter of resignation from the external auditors of MDV.

- (f) Review whether there is reason (supported grounds) to believe that MDV's external auditors are not suitable for reappointment.
- (g) Approve provision of non-audit services by external auditors and ensure adequacy of proper checks and balances such that the provision of non-audit services does not impair the independence and objectivity of the external auditors.

Related Party Transactions

The Committee shall review any related party transaction and conflict of interest situation that may arise within MDV including any transaction, procedure or course of conduct that raises questions of management integrity.

Terms of Reference for Audit Committee

Definition and Interpretation

Except where the context otherwise requires, the following definition shall apply throughout this Terms of Reference:

"Act"	The Companies Act, 1965 as amended from time to time;
"Company" or "MDV"	Malaysia Debt Ventures Berhad (578113-A);
"Board"	The Board of Directors of MDV;
"Committee"	Audit Committee;
"Company Secretary"	Company Secretary of MDV;
"Director"	A Director of MDV, as defined in the Companies Act 1965, as amended from time to time;
"Member"	A member of the Committee as appointed pursuant to this TOR;
"Secretary"	Secretary of the Committee;
"Terms of Reference"	The terms of reference of the Committee or "TOR".

Objective

The primary objectives of the Committee are as follows:

- (a) To equip the Directors and the Management in effectively discharging their duties and responsibilities in relation to the compliance with the rules and regulations in particular compliance with the requirements of the Ministry of Finance, accounting policies, and financial reporting.
- (b) To provide independent oversight of the Company's financial reporting and internal control system as well as ensuring checks and balances within the organisation.
- (c) To assist the Board to ascertain that the Company's policies and procedures are reasonable and are being adhered to and management is effective and efficient in discharging their duties.
- (d) To provide, by way of regular meetings, a line of communication between the Board and the auditors.

Composition of Audit Committee

The Company must appoint the Committee from amongst its directors who fulfils the following requirements:

- (a) Committee must be composed of no fewer than 3 members;
- (b) A majority of the Committee must be independent directors;
- (c) The Chairman shall be an independent director; and
- (d) At least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least 3 years' working experience and:
 - (aa) he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he/she must be a member of one of the associations of accountants specified in Part 11 of the 1st Schedule of the Accountants Act 1967.

The Company must ensure that no alternate director is appointed as a member of the audit committee.

Chairman of The Audit Committee

The Board shall appoint the Chairman of the Committee from among their members who shall be an independent director.

If at any meeting the Chairman is not present within ten minutes after the time appointed for holding the meeting, the members present may choose one of their members to be the Chairman of the meeting.

Written Term of Reference

The Committee must have written term of reference, which deals with its authority and duties.

Roles and Responsibility

Without limiting the generality of the paragraph above, the duties and responsibilities of the Committee amongst others are to:

1. Review the quarterly results and year-end financial statement, prior submission to the Board of Directors for approval to ensure fair and transparent reporting and prompt publication of the financial accounts, focusing particularly on:
 - (a) Changes in or implementation of major accounting policy changes.
 - (b) Significant and unusual events.
 - (c) Compliance with accounting standard and other legal requirements.
2. Oversee the effectiveness of the internal audit function and ensure compliance with the minimum requirements for auditing such as:
 - (a) Review of the scope of audit plan, audit programme and processes.
 - (b) Ensure adequate and technically competent resources for effective discharge of responsibilities.
 - (c) Review the effectiveness of infrastructure for ensuring Shariah compliance.
 - (d) To ensure appropriate actions have been taken by management on the recommendations made by the internal auditors.
 - (e) To appoint, evaluate the performance and decide on the transfer or dismissal of the Head of Internal Audit.
 - (f) To determine the remuneration package of the internal auditors.
3. Ensure that the internal audit function is well placed to undertake investigations on behalf of the Committee.
4. Review the effectiveness of internal controls and risk management processes.
5. External Auditors
 - (a) Recommend to the board for the external auditors' appointment and audit fee payable including any decision on removal.
 - (b) Review the external auditors' audit plan and his evaluation of the system of internal controls;
 - (c) Review the external auditors' management letter; and management's response on weaknesses of internal accounting procedures and controls.
 - (d) Assess objectivity, performance and independence of external auditors.
 - (e) Review any letter of resignation from the external auditors of the Company.
 - (f) Whether there is reason (supported grounds) to believe that the Company's external auditor is not suitable for reappointment.
 - (g) Approve provision of non-audit services by external auditors and ensure adequacy of proper checks and balances such that the provision of non-audit services does not interfere with the external auditors' exercise of independent judgement.

6. Management is responsible for reviewing all related party transactions to ensure that they have been established at arms length terms.

The Committee shall review any significant transactions that are not within the normal course of business and where potential conflict of interest may arise between related parties.

7. Ensure oversight of ethics and integrity, and the preservation of the Company's reputation by receiving reports relating to conduct or behaviour that could create a liability for the Company. The reports can be received from internal auditors, external auditors and/or whistle-blowers.

Reporting of Breaches To The Ministry of Finance

Where the Committee is of the view that any matters reported to the Board of Directors of the Company has not been satisfactorily resolved resulting in non compliance to these requirements, the Committee must promptly report such matters to the Ministry of Finance.

Rights of The Audit Committee

The Company must ensure that whatever necessary and reasonable for the performance of its duties, the Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- (a) Have authority to investigate any matter within its terms of reference;
- (b) Have the resources which are required to perform its duties;
- (c) Have full access to and co-operation from management and full discretion to invite any director or executive officer to attend its meetings.
- (d) Have direct communication channel with internal and external auditors.
- (e) Have full and unrestricted access to information and the authority to obtain independent professional advice.
- (f) Be able to convene meetings with external auditors without the presence of management, at least annually.

Quorum of The Audit Committee

No business shall be transacted at any meeting of the Committee unless a quorum is present. Two (2) members of the Committee, of whom at least one is an independent director, shall constitute a quorum.

Frequency of Meeting

Meetings shall be held not less than 4 times a year. Additional meetings may be convened monthly or as and when required.

Reporting Procedures

Detailed audit reports prepared by the Internal Auditors are deliberated by the Audit Committee of the Board and recommendations are duly acted upon by the Management.

The minutes of the Committee will be tabled at the next Board meeting.

Attendance of Other Directors and Employees

In addition to the Committee members, the Managing Director/Chief Executive Officer and the Head of Internal Audit shall attend meetings by invitation of the Committee.

Any person who may possess information that would be useful to the Committee in carrying out its duties may also be invited by the Chairman to attend any meeting of the Committee.

Retirement and Resignation

In the event of any vacancy in the Committee resulting in the non-compliance of subparagraph above, the Company must fill the vacancy within 3 months.

Review of The Audit Committee

The Board of Directors of the Company must review the term of office and performance of the Committee and each of its members at least once every 3 years to determine whether such the Committee and its members have carried out their duties in accordance with their terms and reference.



CORPORATE SOCIAL RESPONSIBILITY & SPORTS & RECREATION CLUB 2016

55 CSR
57 Sports & Recreation Club

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

In 2016, MDV organised a series of CSR activities as a way of giving back to the community.



In March, MDV employees visited Pusat Jagaan Nur Hasanah in Beranang, Selangor and helped spruce the old-folks home as well as replacing worn items. Employees had the pleasure of mingling with the residents over lunch; sharing their life experiences and also listening to their stories and also participated in a mini singing session with them. The residents of Pusat Jagaan Nur Hasanah were pleased to have spent a few hours with MDV, and appreciated their new living spaces.



Apart from that, a donation of home appliances was made to Pusat Jagaan dan Pendidikan Warga Emas Darul Insyirah in June, an effort spearheaded by the PUSPANITA organisation under the Ministry of Finance.



Another donation was also made in June which comprised 500 boxes of dates to be distributed by Pusat Khidmat Kawasan Parlimen Labis to poor households within the Labis constituency in conjunction with the holy month of Ramadhan.



There was also a donation of one adjustable bed to a poor household within the Tangga Batu Constituency in Malacca.

In October, employees of MDV were given the opportunity to participate in a charity run organised by PUSPANITA with the main objective of promoting a healthy lifestyle to fellow Malaysians. MDV donated RM 2,000 for the run and participated as well.



In addition, MDV hosted HIV positive and affected children of Rumah Solehah and Rumah Kasih Pertiwi to Petrosains and the Petronas Twin Towers KLCC for an educational visit.

30 children together with their caretakers and volunteers from MDV spent hours venturing Petrosains before making their way to the KLCC bridge followed by the observatory deck. The children thoroughly enjoyed themselves especially when gifts consisting of souvenirs from Petrosains were given to them as a token.



Sports & Recreation Club (SRC) 2016

To instil the spirit of togetherness and encourage healthy competition amongst employees, the Sports and Recreation Club (SRC) pulled their efforts together to organise a series of programmes and activities throughout the year.

In February, a solat Hajat and bacaan Yassin was conducted to start the year off. Muslim employees congregated to perform the Asar prayers together followed by solat hajat and Yassin recital. The next activity planned was a sporting activity which was the battle of the darts, followed by table tennis in March, subsequently followed by a badminton tournament held in April.

May started off with a movie night at the cinema and the weeks after were used to prepare for the upcoming company trip to Kuching. The company trip in Kuching consisted of activities for adults and children alike, where employees were also given the liberty to opt for their own choice of activities. All joined in the final night for a themed dinner with a karaoke competition. It was indeed an entertaining event as everyone was dressed up in sporting attires and had the pleasure of witnessing members of the senior management team belting a tune.

The most awaited event of the year, the MDV 14th Annual Dinner and Staff Awards Night was held in August after hosting the MDV Hari Raya Open house at KL Convention Center. The theme being "Game of Thrones", everyone came dressed as their favourite characters from the series. The highlight of the evening was performances from all employees who were divided into four teams at the start of the year namely 'House of Stark', 'House of Lannister', 'House of Baratheon' and 'House of Targaryen'.

Another movie night was held in September followed by the finale of all sporting activities i.e 'The Battlebowl' in October where employees showed off their bowling skills to win points for their respective houses.

The excitement continued in November where the SRC organised a fun-filled day for all employees and their families at Bangi Wonderland Theme Park & Resort which also served as a final chance for all teams to gain points for their respective houses by competing in pre-planned tele-matches.

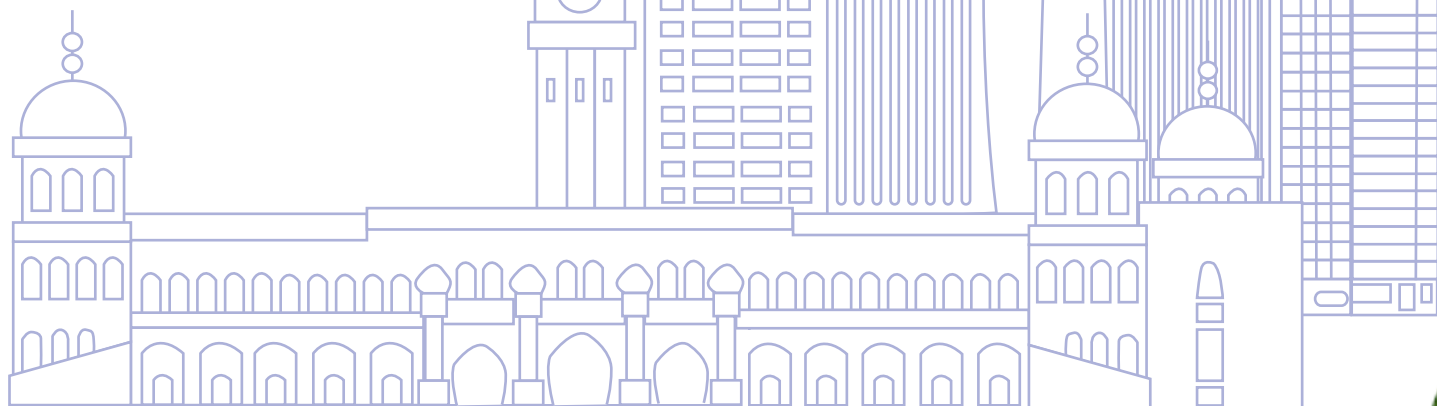
Employees' children were also allowed to take part in them, which made the games all the more enjoyable. House of Lannister, under the leadership of Aimi Aizreen Nasharuddin, MDV's Business EVP, won the house championship for 2016, taking into accounts their points for all activities they participated in throughout the year.

To conclude 2016, SRC organised one last movie night before handing over their leadership to the next staff-elected SRC committee members.

MDV would like to thank Audi Jasman (President), Amelia Ong Abdullah (Vice President), Aslin Ahmad Rafei (Secretary), Ainul Akmal Muhammad (Treasurer), Muhammad Firdaus Mohamed, Shashitharan Mudaliar A/L G.Balakrishnan, Haza Hazri Abdull Hamed, Nur Ezueen Ismail and Megat Ahmad Nabil Sharifuddin for their tireless effort in making 2016's activities a success.



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