

MALAYSIA DEBT VENTURES BERHAD  
(578113-A)



ANNUAL REPORT 2017



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# MIDW ANNUAL REPORT

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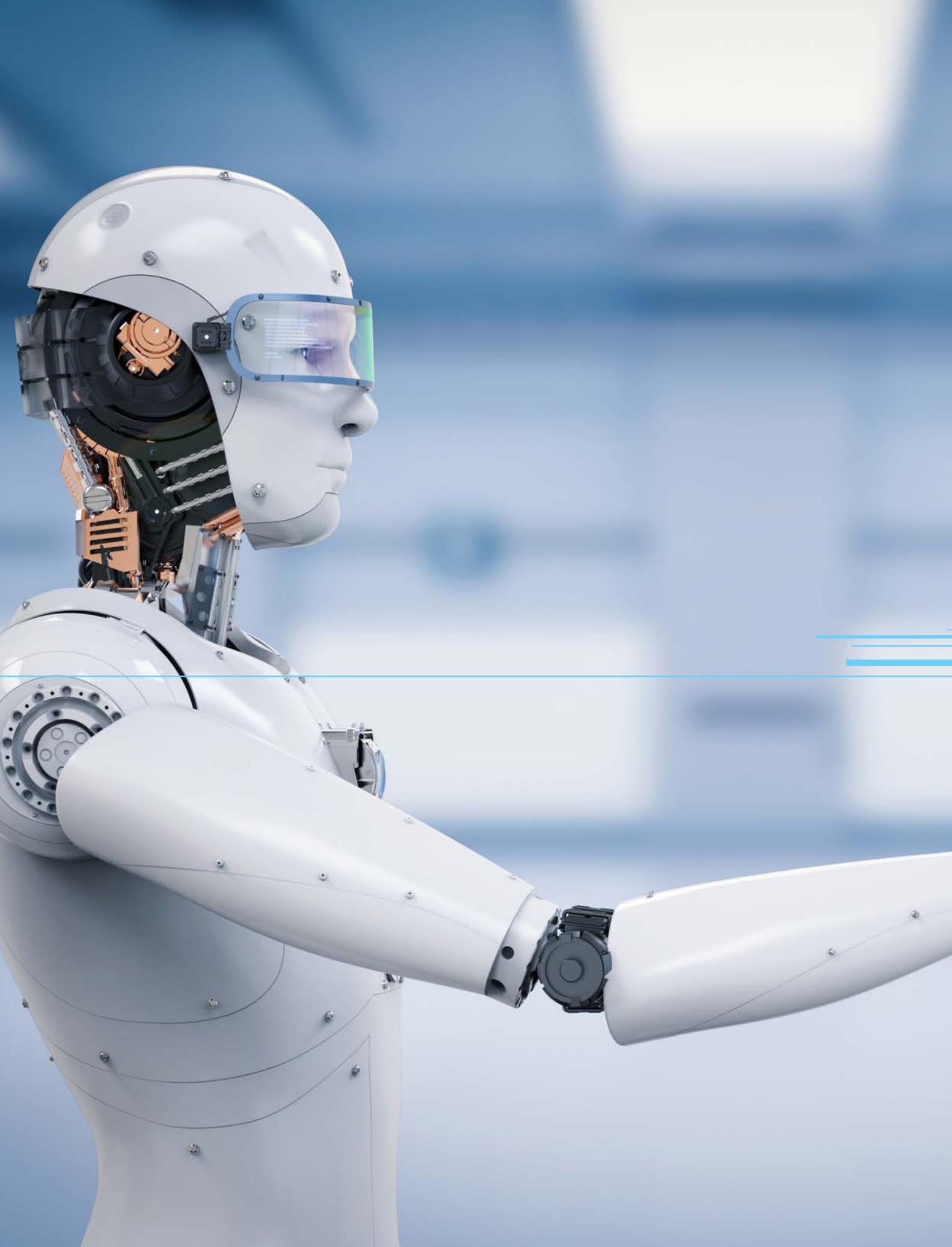
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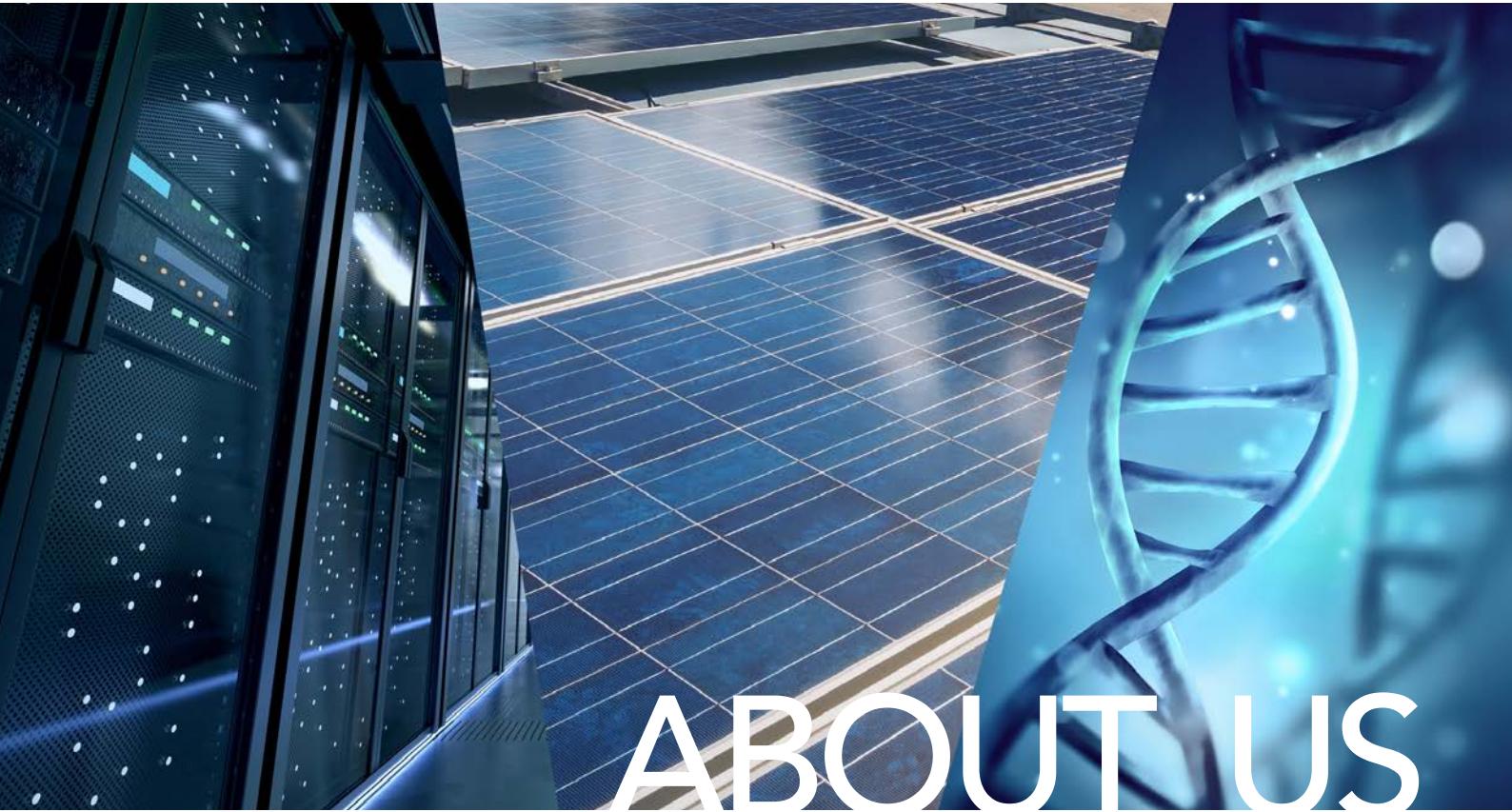
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# MDV's CORPORATE PROFILE & OVERVIEW

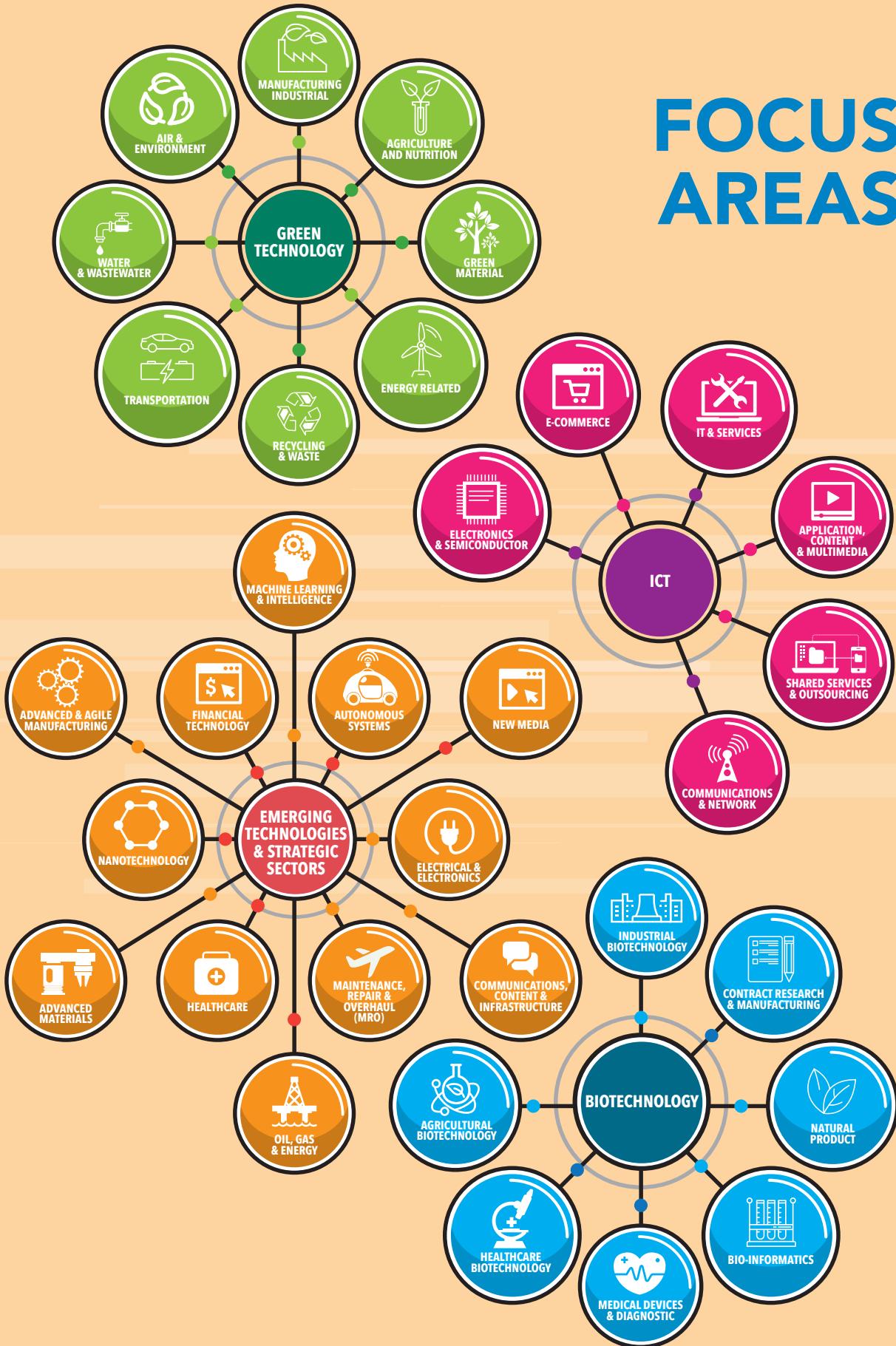


Malaysia Debt Ventures Berhad (MDV) was established by the Government of Malaysia in 2002 with the objective of providing flexible and innovative financing facilities to develop high-impact and technology-driven sectors of the economy, identified and prioritised by the Government as future engines of 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 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 RM11.30 billion for more than 822 projects, channeling funds to more than 718 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.

# FOCUS AREAS



# VISION

The Nation's Leading Technology Financier

# MISSION

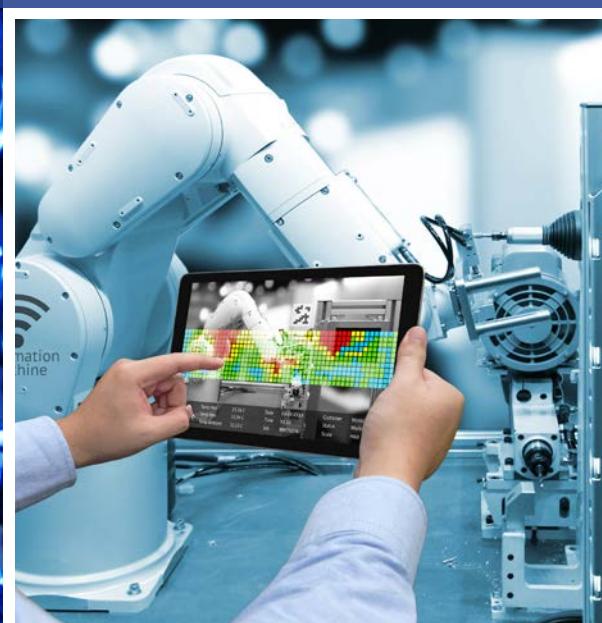
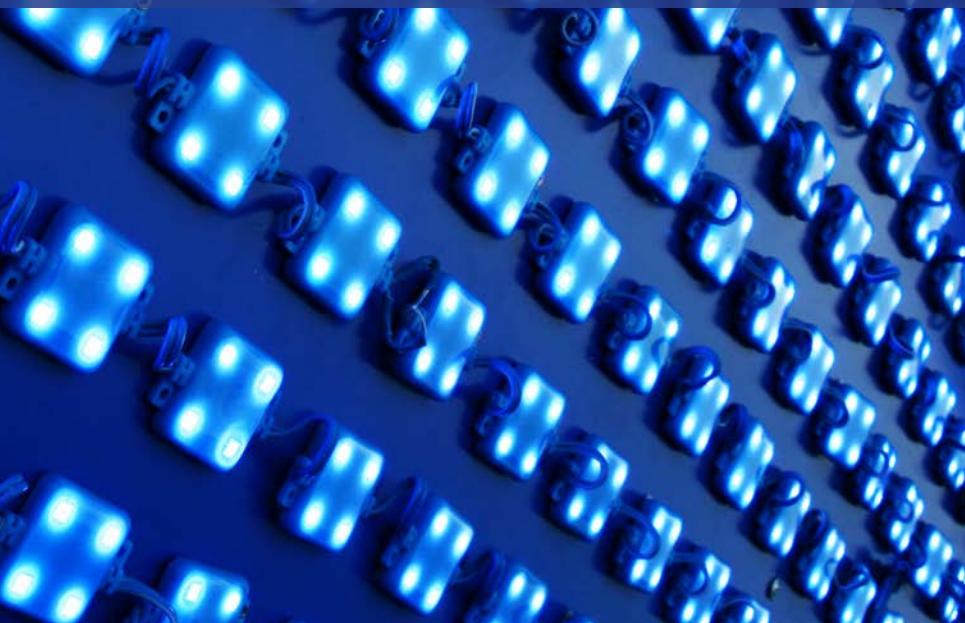
- To support the Nation's technology agenda and increase Malaysian technology companies' probability of success through:
  - Innovative and flexible financing solutions
  - Specialised funding programmes
  - Industry expertise and advisory services
  - Nurturing of young companies
- To remain financially sustainable while fulfilling our developmental role.

# CORE VALUES

MDV's 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 our working environment.

# MARKETING & STRATEGIC POSITIONING

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 structure/product to provide the required financing to increase the probability of success for the companies financed.

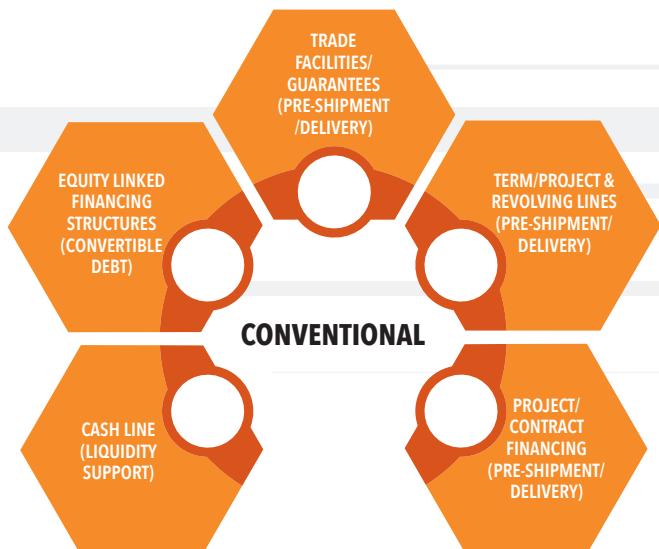
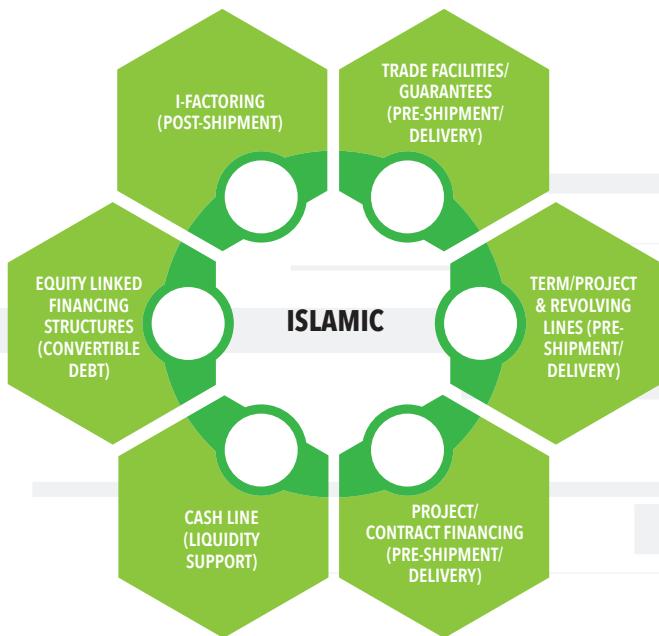


# RANGE OF FINANCING PRODUCTS & PROGRAMMES

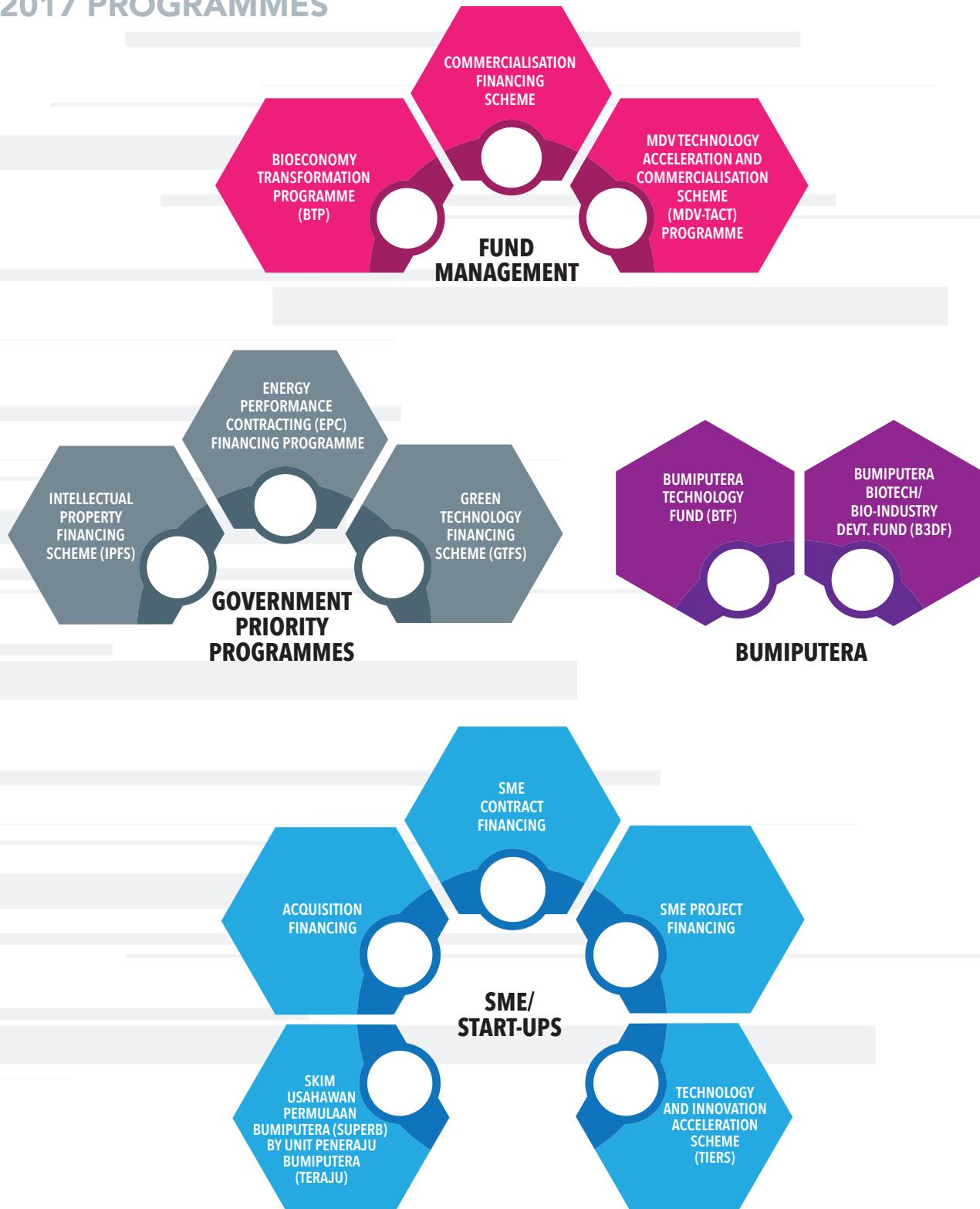
To fulfill the role of spurring and accelerating the growth of technology companies, MDV offers a comprehensive range of financing products from trade financing and guarantees to project and contract financing, working capital and asset financing as well as growth and acquisition financing. To further 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 acquisition financing, convertible debt financing and completed project 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 Acceleration 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 Skim Usahawan Permulaan Bumiputera (SUPERB) programme by Unit Peneraju Agenda Bumiputera (TERAJU) for Bumiputera economic development. In addition, the Energy Performance Contracting (EPC) Fund was created to support the development of the EPC sector and energy efficiency in buildings, as well as the Bioeconomy Transformation Programme (BTP) to promote investments and development of the Bioeconomy sector of the national economy.

## 2017 PRODUCTS



## 2017 PROGRAMMES



# MDV FINANCING PROGRAMMES 2017

## MDV TECHNOLOGY ACCELERATION AND COMMERCIALISATION SCHEME (MDV-TACT)

MDV-TACT 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.

MDV-TACT 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 RM50.00 million.

Applicants will be financed via a hybrid approach where a lower financing rate would be provided but with an equity component provided to MDV via debt conversion or warrants. This structure hopes to lower the cash costs to customers and mutually reward MDV and the customer upon the successful development of the financed company.

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

## 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.

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.

## COMMERCIALISATION FINANCING PROGRAMME

MDV Commercialisation Fund is a government-funded programme to enable early stage startup companies to raise funds to match funding requirements for sustainable businesses in the technology sector at early and commercialisation stages. This funding is aimed at companies with good, viable technologies to achieve their maximum potential.

## ENERGY EFFICIENCY FINANCING

MDV's Energy Efficiency Financing provides credit financing for Energy Efficiency (EE) and Energy Savings-based projects undertaken by Energy Service Companies (ESCO) in the building sector with the aim to accelerate the growth of ESCO's business in the country and strengthen their financial credit profile.

## 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.

This programme will be succeeded by a GTFS 2.0 programme in 2018.

### ■ **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.

### ■ **BUMIPUTERA BIOTECH/BIO-INDUSTRY DEVELOPMENT FUND (B3DF)**

MDV's Bumiputera, 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 applicable to Bumiputera-owned biotechnology and bio-industry companies with Bionexus status.

### ■ **PROJECT/CONTRACT FINANCING**

Project financing facility is provided to fund long-term public or private technology infrastructure projects, in which project equity and MDV financing will be used to fund the project. Payments are generally secured from cash flow generated by the project, while the project's assets, rights and interests are held as secondary security or collateral. This form of financing includes Build-Operate-Own or Build-Operate-Transfer financing.

### ■ **SKIM USAHAWAN PERMULAAN BUMIPUTERA (SUPERB) BY UNIT PENERAJU BUMIPUTERA (TERAJU)**

This scheme provides a grant to support innovative and creative business ideas to help start-up Bumiputera companies. Selection of entrepreneurs will be done by the SUPERB Selection Committee comprising a group of successful entrepreneur panel in their respective fields of business.

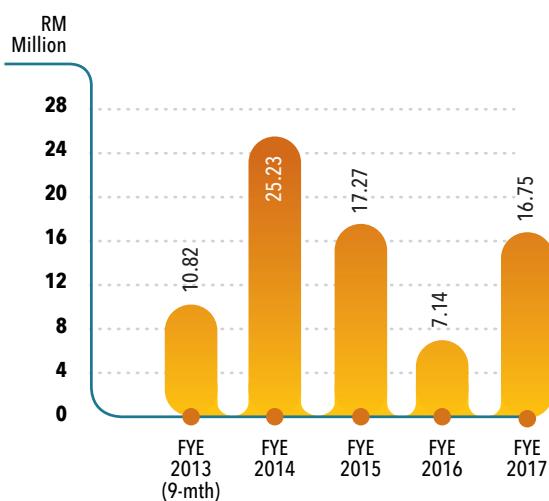
### ■ **TECHNOLOGY AND INNOVATION ACCELERATION SCHEME (TIERS) PROGRAMME**

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

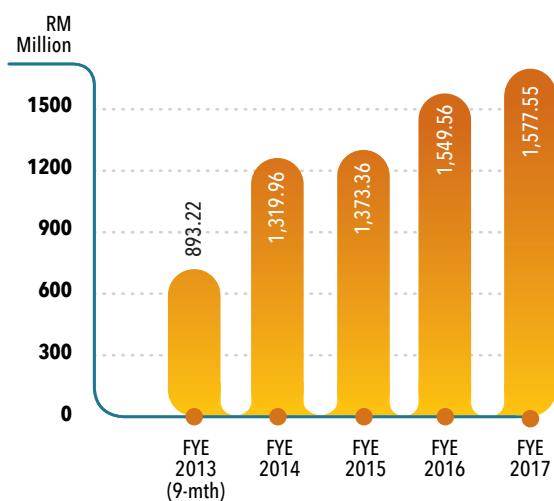
Pursuant to the programme, MDV will allocate programme ceiling of RM200.00 million with a flat financing rate of 4.00% per annum. The stated objective of the programme is to facilitate the development of export driven technology companies by providing financing to develop export capabilities and implement overseas projects, towards the development of regional technology champions.

# FINANCIAL HIGHLIGHTS

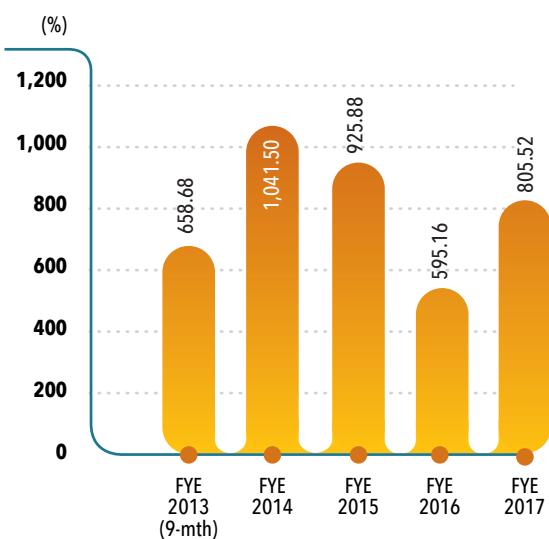
NET PROFIT



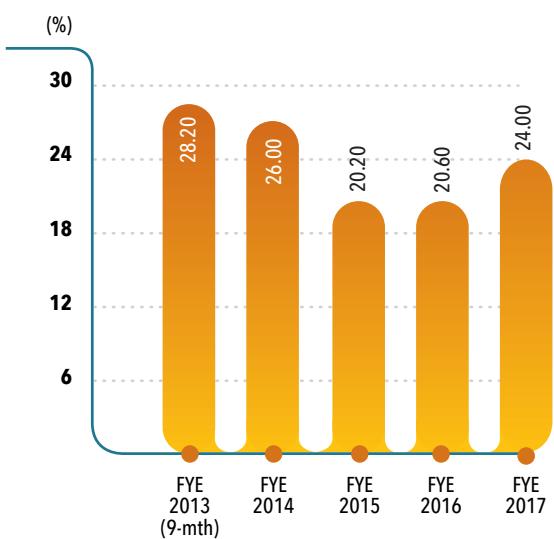
TOTAL LOAN &amp; FINANCING



LOAN/ FINANCING APPROVAL



COST INCOME RATIO



# HISTORY & 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.

**April 2002**

- 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 RM1.60 billion was sourced from The Japanese Bank of International Cooperation (JBIC) under Ministry of Finance (MoF) with the purpose of providing project financing facilities to ICT companies.

**March 2003**

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

**June 2006**

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

**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.

**May 2008**

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 MoF's 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.

**February 2009**

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

## February 2010

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.

## May 2011

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

## May 2012

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

## August 2013

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 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.

## April 2013

- MDV was and remains the only non-bank financial institution to be included in the Government's Green Technology Financing Scheme (GTFS).
- MDV participated in the Green Technology Financing Scheme (GTFS) to spur financing under the programme and further promote investments in the Green Technology sector.

## 2014

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

## December 2014

- 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..

**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 RM1.60 billion JBIC loan was made.

**May 2015**

MDV secured approval from the Economic Planning Unit (EPU) for the MDV Technology Acceleration 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.

**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.

**May 2016**

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

**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 centre.
- 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 – its objective is to further deepen and broaden the Islamic Financial Services sector. MDV 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.

**October 2015**

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

**May 2016**

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 were 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.

### 2017

- 2017 marked the fifteenth year of MDV in operation, since its inception in 2002.
- Subsequent to the launch of MDV's nurturing programme "Elev8" in 2016, 2017 saw the successful graduation of seven companies from this programme after being nurtured, coached and mentored by MDV within a 12-month timeframe with the objective of strengthening these companies' management, financial and project management capabilities. Out of the seven, four companies met the criteria for financing by MDV with pre-approved maximum financing of RM2.00 million, surpassing MDV's initial target of three companies.

### 16 August 2017

Further to our commitment in developing the green sector, MDV launched the Energy Performance Contracting (EPC) Fund with the objective of providing financial assistance to energy service companies (ESCOs) that are undertaking energy-efficient projects in the building sector. MDV's funding will be supported by a credit guarantee amounting to RM15.80 million from the Ministry of Energy, Green Technology and Water (KeTTHA) and a RM2.00 million contribution from the JKR Building Sector Energy Efficiency Project.

### July 2017

MDV inked a Memorandum of Understanding (MoU) with Astana International Financial Centre Authority ("AIFC") during the Islamic Green Financing Week at the Malaysia Pavilion Astana Expo 2017 in Astana, Republic of Kazakhstan.

The MOU was inked to foster the development and sharing of best practices, expertise and knowledge in the field of Islamic and Green finance, as well as to strengthen mutual efforts in the building of Islamic and Green finance ecosystem of both companies and countries.

### September 2017

MDV launched its Third Fund via a Government guaranteed Sukuk to continue financing companies that fall under MDV's technology mandate. The Third Fund will serve as a platform for MDV to finance new technology areas and provide complementary financial products. Similar to MDV's Second Fund, the Third Fund also aims to increase awareness of the socio-economic benefits of Islamic financing as an appropriate alternative to conventional financing.



# MESSAGE TO STAKEHOLDERS

# CHAIRMAN'S STATEMENT



**Tan Sri Zarinah Anwar**  
Chairman

I am pleased to present the 2017 annual report of Malaysia Debt Ventures Berhad.

In the year under review, Malaysia's economy continued to be resilient, recording a strong GDP growth of 5.90%, mainly driven by domestic demand, indicating rapid expansion in both private and public sector spending. The technology sector growth was reflected by ICT-related businesses accounting for 18.20% of the GDP and is on track to exceed the target of 20.00% by 2020. Investments in technology start-ups also showed encouraging numbers, in particular into FinTech, Big Data, virtual reality and the sharing economy. Alternative financing platforms such as Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) saw 23 issuers raising RM22.34 million on ECFs in 2017, while P2P platforms recorded 628 successfully-completed campaigns across 120 issuers, with a total of RM37.15 million raised.

MDV continued to play an important role in the overall growth of the technology sector in 2017. Our work in supporting the national technology agenda is achieved by means of extending project and contract financing facilities to technology-based companies to complete and deliver their projects, including key and strategic eGovernment infrastructure projects.

MDV financing programmes have assisted in building and developing technology companies and businesses, growing the number of high value-add companies and technopreneurs.

MDV celebrated its fifteenth anniversary in 2017. Several key achievements were recorded during the year, further strengthening our position as one of the leading technology financiers in the country.

The year saw the successful launch of our Third Fund via a Government Guaranteed RM1.00 billion Sukuk Programme, enabling MDV to continue offering various financing programmes to technology companies in our mandated areas. MDV's success in securing this new Fund reflects the Government's continued support of our role in facilitating the development of high-impact and technology-driven sectors of the economy by providing accessible and innovative project financing particularly for the financially underserved technology-based Small and Medium-Sized Enterprises (SMEs).

Following the implementation of MDV's nurturing programme "Elev8" in 2016, a first cohort of seven qualified companies was nurtured, coached and mentored within a 12-month timeframe with the objective of strengthening their management, financial and project management capabilities. 2017 saw these companies successfully graduating from the programme, with four companies meeting the criteria for financing by MDV with pre-approved maximum financing of RM2.00 million, surpassing our initial target of three companies. With this positive outcome, MDV will continue our developmental role in helping nurture young technology companies towards achieving growth.

2017 also saw MDV maintaining our position as the top financier for Green Technology projects under the Green Technology Financing Scheme (GTFS) ahead of other financial institutions. With the Government's growing emphasis on utilising sustainable sources of energy as an alternative to fossil fuel and in line with Malaysia's master plan to increase energy efficiency by 15.00% in 2030, we are confident that this sector continues to hold significant growth potential for MDV.

Further to our commitment in developing the green sector, MDV had launched the Energy Performance Contracting (EPC) Fund with the objective of providing

financial assistance to energy service companies that are undertaking energy-efficient projects in the building sector. MDV's funding will be supported by a credit guarantee amounting to RM15.80 million from the Ministry of Energy, Green Technology and Water (KeTTHA) and a RM2.00 million contribution from the JKR Building Sector Energy Efficiency Project.

MDV had also signed an MOU with Astana International Financial Centre (AIFC) with the aim of fostering development and sharing of expertise in the field of Islamic and Green Finance. This includes exploration of opportunities to develop Islamic and Green Finance markets through AIFC and MDV platforms as well as organising joint professional educational and training programmes, conferences, research and publications.

In the year under review, we expanded our financing programme to include seed and early stage funding through unique programmes managed on behalf of the Ministry of Finance, namely the MDV Commercialisation Programme and MDV Technology Acceleration & Commercialisation Financing Scheme which saw eight technology start-ups securing a total funding of RM16.40 million. Amongst others, these start-ups are involved in video conferencing software development; cloud services for school, office and mosque management systems; mobile point-of-sale (POS) systems; and proprietary sports-wearable technology. Additionally, a pre-qualified pipeline of nine additional applications for RM28.00 million in financing was at various stages of processing as at December 2017.

Notwithstanding the progress made on various fronts, 2017 proved to be a challenging year for MDV primarily due to significant impairments arising from sectoral consolidation of one of MDV's targeted business segments. Despite these challenges, we were able to record our eighth year of profitability and dividend payout.

MDV's resilience was the result of our continued commitment to upholding the highest standard of corporate governance as well as cultivating a strong risk management and high performance culture. To this end, MDV had put in place a comprehensive governance, internal control and risk management framework to ensure sustainability of our business and the achievement of our goals and business objectives.

We also continued to invest resources in human capital development, building on the competency framework established earlier. A significant portion of 2017 was devoted to the development of a Talent Management Framework customised to MDV's competency and performance management systems as well as determining performance measures and methodologies for assessing the potential of employees for inclusion in MDV's talent pool. Mission critical positions have also been determined and potential successors identified and their level of readiness assessed.

2017 was also Datuk Md Zubir Ansori Yahaya's final year as MD/CEO after having served MDV with distinction for 12 years. Datuk Zubir who retired in early 2018 has been succeeded by Encik Nizam Mohd Nadzri

who previously served as MDV's Chief Operating Officer. We are greatly heartened that our succession planning process of identifying, nurturing and developing our talents has resulted in a smooth handover of leadership.



## Funding the Future of Technology

With the arrival of disruptive technologies and innovative business models brought about by the rapid evolution of the technology sector, the need for MDV to evolve is inevitable. New businesses and revenue models will require a fundamental shift in MDV's financing programmes to ensure that we are able to cater to the changing needs of technology companies in Malaysia. Towards this end, MDV has commenced plans to embark on a new transformation journey (MDV2.0) to ensure that we possess all the essential tools to continue to support Malaysia's technology sector, while transforming into an institution with greater financial capacity, improved yields and risk-return profile, expanding market presence as well as improved processes and business lines. This is also consistent with MDV's plan to gradually reduce our dependency on Government's assistance while remaining sustainable over the longer term. Some of the changes that MDV 2.0 will bring include active participation in alternative fund-raising platforms such as ECF and P2P as well as transforming MDV into a digital organisation.

One of the early initiatives in our path to transformation is the implementation of our new Venture Financing programme. While MDV's focus to date has been on Project and Contract financing for growth or mature stage companies, the Venture Financing programme will enable MDV to extend financing to earlier stage companies, in particular technology start-ups financed by venture capital firms. Venture debt will complement the equity or quasi-equity funding by the VCs to among others extend the proverbial runway and enhance overall valuation of their investee companies. MDV's venture financing programme will allow for an enhanced risk-return matching profile with the inclusion of the attached warrant cover and expected capital gains via the appropriate exit mechanisms.

Our Venture Finance offering will be structured in the form of Shariah-compliant financing while benchmarked against Venture Debt models currently used by more developed markets. This Islamic Venture Financing programme will be the first of its kind to be introduced in ASEAN and exemplifies MDV's initiative towards innovation in Islamic Finance. With this latest financing

programme, we are confident that we will be able to meet the funding requirements of high-value early stage companies and continue to develop Malaysia's technology sector while remaining sustainable.

MDV will also be reviewing the adequacy of our provision for financing loss as we prepare for the implementation of the new MFRS 9. In this regard, we have already begun the necessary rationalisation by reviewing our financing loss provisioning policy, classification of impaired accounts and developed a forward-looking loss model.

## Moving Forward

The rapid pace of digitalisation will require all segments of the economy, both the public and private sectors, to adapt and leverage on the competitive advantages granted in this new technological age. With the Government rolling out a series of plans to improve digital penetration by businesses and boost the technological literacy of individuals, the way businesses operate will transform into a more complex and dynamic process, hence changing the nature of the businesses' financing requirements. In this respect, MDV must evolve both as an institution and in its product offerings, so as to ensure it will be able to continue playing an effective role within the technology financing sector to meet the financing requirements of technology start-ups, and cater for new business and revenue models of the digital economy.

In retrospect, I am pleased to note that MDV has progressed considerably in 2017. I would like to thank the Management and staff for their diligence and dedication, and express my utmost appreciation to the Ministry of Finance and the Board of Directors who have been unfaltering in providing their guidance and support.

**Tan Sri Zarinah Anwar**  
Chairman



# MANAGING DIRECTOR/CEO'S REPORT

**Datuk Md Zubir Ansori Yahaya**  
Managing Director/Chief Executive Officer

I am privileged to present Malaysia Debt Venture's (MDV) financial and operating performance for 2017.

Since our inception in 2002, MDV has played a vital developmental role in helping to spur the evolution of Malaysia's high value and knowledge intensive technology sector as a growth engine for the Nation. This was achieved by providing to technology-based Small and Medium-Sized Enterprises (SMEs) in the ICT, Green Technology, Biotechnology and Emerging Technology sectors accessible, competitive and innovative project and contract financing facilities. MDV's funding throughout the years has enabled many emerging technology companies the opportunity to grow their businesses further and in turn developed Malaysia's technology sector's capabilities and talents.

Our consistent performance in 2017 was achieved as a result of MDV's continued commitment in delivering our mandated role and in our pursuit of achieving sustainability. 2017 saw MDV recording our eighth consecutive year of profitability and seventh consecutive year of dividend payment to the Government. The year also saw MDV recording sustained growth in the size of our financing portfolio, which has reached RM1.58 billion by year end, exemplifying our unrelenting efforts in extending financing support to high-potential technology companies and high risk technology projects. In addition, MDV also successfully secured and launched our RM1.00 billion third fund in 2017, which further strengthened the Company's financial position and provided us the opportunity to expand our financing scope to include technology companies in earlier stages of development. The inclusion of these start-ups into MDV funding



**"MDV will need to step up our efforts to ensure that potential technology companies and viable projects will continue to have adequate access to funding."**

scope is instrumental to our nation building mandate and will help to pave the way for Malaysia to transform into an innovation-led economy.

Notwithstanding our track record and achievements, as MDV commemorated its 15th year in operations in 2017, we knew that the disruptive wave of technological advancement and new business and revenue models of new technology start-ups will require MDV to enhance its product and service offerings to grow and develop in tandem with the changing business needs of companies within the technology sector in Malaysia. To this end, MDV has taken progressive steps in transforming MDV for major changes going forward such as the commencement of MDV's 5-year transformation programme in 2018.

## Financial Review

For the financial year ended 31 December 2017 (FY2017), MDV achieved a net profit of RM16.75 million (FY2016: 7.14 million). MDV's performance continued to be on track as we recorded our 8th consecutive year of profits. The year also saw the Company's revenue moderating to RM130.00 million (FY2016: RM131.60 million) lower loan and financing portfolio growth.

Nevertheless, the lower revenue achieved for FY2017 was compensated by lower actual cost of funds and lower operating expenditure at RM54.00 million (FY2016: RM52.00 million) and RM31.00 million

(FY2016: RM27.00 million) respectively as a result of MDV's prudent financial management and a lean operating structure. However, as the company gears itself for the adoption of the new MFRS9, a significant financing loss allowance of RM116.00 million (FY2016: RM45.00 million) was incurred mainly due to sectoral consolidation of one of MDV's targeted business segments.

Loan and financing approval of RM805.00 million in FYE2017 significantly surpassed the FY2016 approval level of RM595.00 million, serving as a platform for disbursements and portfolio growth for 2018 onwards. However, total loan and financing disbursements during the year was lower at RM647.00 million, compared to FYE2016 at RM758.00 million contributed mainly by project deferrals and delays in financing implementation. The financing growth was also subdued following early settlement of accounts by some of our major customers during the year.

Nonetheless, our financing portfolio continued to grow during the year to RM1.58 billion from RM1.54 billion in FYE2016 as we remained committed in supporting the development of Malaysia's technology companies.

## Operational Review

Our strong performance in 2017 was the result of a number of business and operational initiatives and strategies undertaken during the year, consistent with our 2017 theme "Create, Synergise, Excel".





To ensure operational efficiency across the Company, during the year under review, MDV continued to give strong emphasis on the adoption of best practices in developing a strong credit culture in MDV. Similarly, our origination, assessment and account management processes were consistently reviewed and enhanced to ensure continuous improvements in operational processes. MDV also strengthened our Shariah Compliance Framework by updating our existing Shariah policy and legal documentation, as well as providing trainings for our back-room staff. MDV also implemented the Risk Control Self-Assessment (RSCA) across all divisions and departments in MDV and developed our own Global Key Risk Indicators with the aim to better anticipate risks, adapt to potential disruptors and seize relevant opportunities in the market, in line with the expected transformation of businesses in the digital era and a more complex financial structures and instruments.

On a macro level, MDV continued to build upon the strategic partnerships formed with several of our key stakeholders such as the Ministry of Finance (MOF), Ministry of Science Technology and Innovation (MOSTI),

Ministry of Energy, Green Technology and Water (KeTTHA), Works Ministry (KKR), Unit Perancang Ekonomi (EPU), Unit Peneraju Agenda Bumiputera (TERAJU), Malaysia Digital Economy Corporation (MDEC), Malaysian Bioeconomy Development Corporation, Malaysian Green Technology Corporation, NanoMalaysia Berhad, and Intellectual Property Corporation of Malaysia (MyIPO). MDV together with UNDP, Public Works Department and Suruhanjaya Tenaga developed a specific financing programme to boost the energy services industry. We also fostered new collaborations such as with Astana International Financial Centre (AIFC) to leverage on each other's strengths particularly in serving our shared objective of contributing to economic growth and prosperity.

MDV's partnership with AIFC provides the platform for sharing of best practices, expertise and knowledge in the field of Islamic and Green finance, and strengthens mutual efforts in the building of Islamic and Green finance ecosystem of both companies and countries. AIFC's confidence in MDV greatly reflects MDV's increasing presence and significance in the financing of the Green

Technology sector as well as our growing role as an Islamic financial provider in line with Malaysia's position as the global hub of Islamic Finance and we look forward to fostering similar collaborations with other strategic partners in the future.

Similarly, our collaboration with the Public Works Department in providing credit financing for Energy Efficiency (EE) and Energy Savings-based projects undertaken by Energy Service Companies (ESCO) in the building sector, has led to the successful implementation of MDV's Energy Performance Contracting (EPC) fund in 2017. With the aim to accelerate the growth of ESCO's business in the country and strengthen their financial credit profile, this financing programme is also meant to fill in the funding gap caused by lack of access to financing for EE projects, which is one of the main barriers hindering its market development in Malaysia.

The year 2017 also saw MDV achieving several milestones including maintaining its status as the top financier for the Green Technology Financing Scheme (GTFS) ahead of other financial institutions for the second year in a row and making vital progress in our nurturing and developmental role with the graduation of our first cohort of seven entrepreneurs from MDV's "Elev8" programme. With the continued strong support from the Government of Malaysia and in particular, the MOF, MDV had also successfully launched our RM1.00 billion Third Fund, which has been instrumental in ensuring that MDV's financial position remains resilient so as to continue fulfilling our mandated role in funding technology for years to come.

In 2017, MDV were also committed to lending our support to various programmes organised by our stakeholders and industry peers by participating in approximately 40 events and speaking engagements all year round such as BNM's Karnival Kewangan, Malaysia Bioeconomy's Day, GEM's Let's Jam, GreenTech's BioMalaysia 2017 and MOF's Bumiputera Entrepreneurship Programme (BAHTERA). Our participations were also aimed to improve our visibility especially amongst our target market, and educate them on MDV's various programmes and products offerings. While MDV continued to push forward in fulfilling our mandate in 2017, MDV's

commitment to strengthening our governance and the overall risk aspects of the Company remains firm. 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.

MDV also remained focused in developing our employees who we believe are the Company's most invaluable assets that need to be continuously nurtured to their utmost talent and potential. Following the establishment of the competency framework in 2016, our focus in 2017 was directed towards Talent Management initiatives and efforts to encourage continuous learning and development amongst our employees, through the implementation of Learning & Development programmes in areas such as Communication, Motivation and Leadership. In addition, following MDV's gap identification exercise which was carried out in 2016, MDV initiated a new development tool, known as the Personal Development Plan (PDP), to assist employees in creating their own personalised development plan over a one year period, based on their identified competency gaps.

## Moving Forward

MDV's continued emphasis and commitment to building Malaysia's technology sectors are clearly evident through our success in financing more than 700 companies with disbursements amounting to RM11.20 billion and funding the completion of more than 800 projects in various technology areas.

Notwithstanding the achievements that MDV has recorded so far, MDV is mindful of the need to ensure that our financing programmes are strategically aligned to the nation's technology agenda. Thus, over the years, we have gradually expanded our mandate beyond ICT to key growth areas including Biotechnology, Green Technology and Emerging Technologies such as Advanced & Agile Manufacturing, FinTech, Machine Learning & Intelligence, Autonomous Systems and New

Media to cater to the financing needs of fast growing technologies that are being developed and introduced. However, as a technology financier that is required to strike a balance between our nation-building mandate and providing financial and socio-economic returns to our shareholders, our tasks are never without considerable challenges and constraints. With the pressing need for the country to leverage on technology and innovation to reach our high income nation goal, MDV will need to step up our efforts to ensure that potential technology companies and viable projects will continue to have adequate access to funding.

Moving into 2018, MDV has embarked on a new transformation journey dubbed as MDV2.0 towards the realisation of MDV's long-term aspirations of achieving greater financial independence and expanding our footprints beyond the local technology scene. Our business transformation will also ensure that we are able to meet the financing requirements of technology start-ups and cater for new businesses and revenue models of the digital economy. Following this, we recently launched our new Venture Financing programme, which is a departure from MDV's current Project and Contract financing, which target early or mature stage companies. Through this new financing facility, eligible Venture Capital-backed companies will be able to extend their 'runway' to continue their R&D, meet the required milestones, compile the necessary data points and reach their valuation targets. The programme's financing structure and key elements such as disbursement requirements are geared towards the operational and business needs of start-ups and the proposed tranche structures will provide access to funds based on business milestones. Our returns are expected to be derived primarily through the additional exit mechanisms, such as through conversion, exercise of the warrants or repayment features should an exit event such as takeovers occur.

The implementation of this new programme will mark the beginning of the changes that MDV 2.0 will strive to accomplish including transforming MDV into a digital



organisation and our plan for participation in Recognised Markets as well as utilising new Fintech solutions to improve MDV's core operational processes moving forward.

### Acknowledgements

The year 2017 marked my final term serving as the MD/CEO of MDV. As such, I would like to sincerely thank and bid farewell to all those who have been instrumental in MDV's continuous development and many successes throughout its 15 years of establishment.

My utmost gratitude goes to the Government, particularly the Ministry of Finance, for the continuous support and guidance bestowed to MDV, and also to our strategic partners and customers, who have contributed tremendously towards MDV's continued progression all these years.

I would also like to thank our esteemed Chairman and the Board of Directors for their invaluable advice and stewardship of MDV. Acknowledgements also to the Management team for their expertise and exemplary leadership in overseeing the Company's operations.

Last but not least, I would like to bestow a heartfelt appreciation to all MDV employees who have always given their utmost commitment and contributions in making MDV the successful institution it is today. Your dedication, loyalty and friendship have always been my source of strength and inspiration.

I sincerely wish the Company continued success in becoming the Nation's Leading Technology Financier.

**Datuk Md Zubir Ansori Yahaya**  
Managing Director/Chief Executive Officer



# LEADERSHIP & PEOPLE

# BOARD OF DIRECTORS





Front: **Datuk Md Zubir Ansori Yahaya, Tan Sri Zarinah Anwar, Puan Khalimatun Saadiah Mohd Khalid**

Back : **Encik Johari Abdul Muid, Dato' Rajadorai Muthan, Encik Abdul Rahim Abdul Hamid, Mr. Ng Chih Kaye, Datuk Givananadam A/L Kalinan**



## BOARD OF DIRECTORS' PROFILE

Tan Sri Zarinah Anwar was appointed as Chairman of Malaysia Debt Ventures Berhad on 22 July 2013.

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.

### Tan Sri Zarinah Anwar

Chairman

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 a Pro-Chancellor of Universiti Teknologi MARA (UiTM) and member of the Academic Advisory Council of Universiti Teknologi PETRONAS.

Zarinah is one of the Founding Chairs of the 30% Club, Malaysia. She is also the Abdullah bin Abdulaziz Fellow at the Oxford Centre for Islamic Studies United Kingdom.

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



## BOARD OF DIRECTORS' PROFILE

### **Datuk Md Zubir Ansori Yahaya**

Managing Director/Chief Executive Officer

Datuk Md Zubir Ansori Yahaya served as Managing Director and Chief Executive Officer of MDV, a position he held from 2005 to February 2018. Prior to that, he was MDV's Vice President for Operations.

He holds a Bachelor of Accountancy (Hons) from Universiti Kebangsaan 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, 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 to 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 eight major outsourced partners for flagship projects including multinational companies.



Dato' M. Santhanaban was appointed as Director to the Board of MDV on 22 December 2008 and resigned from his post on 31 October 2017.

Prior to that, he had a long career 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 he had postings in Hong Kong and Washington DC. In 1981, he was assigned to Vientiane as Counsellor

## BOARD OF DIRECTORS' PROFILE

### **Dato' M. Santhanaban**

Independent Non-Executive Director

and later served as Charge d' Affaires there. He also held various positions in the Ministry of Foreign Affairs between these postings. In 1994 he was appointed High Commissioner to Papua New Guinea. He had also served as Ambassador to Argentina (1999-2003) and to the Republic of Korea (2003-2008).

He holds a Bachelors Degree (Hons.) (International Relations) from Universiti Malaya (UM).



Dato' Rajadorai Muthan was appointed as Director to the Board of MDV on 26 March 2013.

He is a Fellow of CPA Australia and a Chartered Accountant of Malaysia of the Malaysian Institute of Accountants. He graduated with a Bachelor of Economics (Hons) degree from Universiti Malaya (UM) and a Masters of Business Administration (Distinction) from Manchester Business School, University of Manchester, United Kingdom.

### **Dato' Rajadorai Muthan**

Independent Non-Executive Director

He is currently the Director of Indah Bandaran Sdn Bhd. He has been a Member of the Disciplinary Committee Panel of the Advocates & Solicitors Disciplinary Board, Malaysia since 17 June 2010. Presently he also sits on the Management Committee of the Royal Pahang Golf Club as an appointed representative of Duli Yang Teramat Mulia Tengku Mahkota Pahang.



Encik Abdul Rahim Abdul Hamid was appointed as Director to the Board of MDV on 15 June 2011.

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

## BOARD OF DIRECTORS' PROFILE

### **Encik Abdul Rahim Abdul Hamid**

Independent Non-Executive Director

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 two terms; 2005 - 2007 and 2009 - 2011 and as President of the ASEAN Federation of Accountants 2010 - 2011.

He also sits as an Independent Non-Executive Director on the Boards of Petra Energy Berhad and AEON CO (M) Bhd, Encorp Berhad and GFM Services Berhad.



Puan Khalimatun Saadiah Mohd Khalid was appointed as Director to the Board of MDV on 22 November 2016.

Puan Khalimatun obtained her Bachelor of Business Administration (Hons) (First Class) in Finance from Universiti Teknologi MARA (UiTM) 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

### **Puan Khalimatun Saadiah Mohd Khalid**

Non-Independent Non-Executive Director

the MoF (Inc.) Coordination, Privatisation and Public Enterprises Division of the Ministry of Finance in 2002. Puan Khalimatun is currently the Head of Unit (Commercial Sector) of the Government Investment Companies Division of the Ministry of Finance.

She was previously a Board Member of SIRIM Berhad and Kuantan Port Consortium Sdn Bhd.



Mr Ng Chih Kaye was appointed as Director to the Board of MDV on 18 September 2015.

He began his career at Blinkhorn, Lyon & Golding, Chartered Accountants, London and later at KPMG, Kuala Lumpur. He then served Maybank for 25 years with his last position as Executive Vice President and was a Board Member of Maybank Allied Credit & Leasing Berhad. Mr Ng is a member of the Malaysian Institute of Accountants (MIA) and

## BOARD OF DIRECTORS' PROFILE

### **Mr. Ng Chih Kaye**

Independent Non-Executive Director

a Fellow of the Association of Chartered Certified Accountants (ACCA). He currently sits on the Board of CapitaLand Malaysia Mall REIT Management Sdn Bhd.



Encik Johari Abdul Muid was appointed as Director to the Board of MDV on 20 November 2015.

He is currently a Board Member of Nomura Asset Management Malaysia Sdn Bhd and Nomura Islamic Asset Management Malaysia Sdn Bhd. He also serves on the Investment Panel of KWAP. He started his career in investment at CIMB Bank Berhad as Head of Treasury and then joined CIMB Securities Sdn Bhd as Senior Vice President for Institutional Sales.

### **Encik Johari Abdul Muid**

Independent Non-Executive Director

After serving CIMB for 20 years, he then joined Valuecap Sdn Bhd as Chief Investment Officer for a year before joining the Employees Provident Fund (EPF) as Chief Investment Officer. He was promoted to Deputy CEO Investment Division and later became Deputy CEO of Pension Policy and Corporate Planning. After eight years of serving the EPF, he left to join RHB Bank Berhad as Chief Executive Officer and retired in 2013.

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

He also sits on the Boards of Bursa Malaysia Berhad and Al Rajhi Banking and Investment Corporation (Malaysia) Berhad.



## BOARD OF DIRECTORS' PROFILE

### Datuk Noripah Kamso

Independent Non-Executive Director

Datuk Noripah Kamso was appointed as Director to the Board of MDV on 17 September 2014 and resigned from her post on 14 November 2017.

Datuk Noripah Kamso was a Visiting Fellow in Islamic Finance at Oxford Centre for Islamic Studies for academic year 2016 - 2017. In 2015 she was a Global Practitioner in Residence in the Center for Global Citizenship of Principal Financial Group, US. In this role she was attached to Drake University, Des Moines, Iowa, USA. She was the former Advisor of CIMB Islamic. She was also the founding CEO of CIMB - Principal Islamic Asset Management Sdn Bhd. Since 2008 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 (UUM) honored her as an Adjunct Professor under the School of Economic, Finance and Banking. For 2016 - 2018 she has been included in the Top 50 of the World's Most Prominent and Influential Personalities in Islamic Finance and Economy by ISLAMICA 500 (a publisher based in Belgium).

While she was the past President of the Malaysian Futures Brokers Association, she is now the 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).

She 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.



Datuk Givananadam Kalinan was appointed as the Director to the Board of MDV on 29 November 2017.

Datuk Giva obtained his Bachelor of Science (Hons.) from Universiti Malaya (UM) in 1982 and Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1984. He started his career in the Public Sector in 1984 as Assistant Secretary in the Ministry of Defence and then in the Ministry of Housing and Local Government.

He obtained his Master in Business Administration (Finance) from Michigan State University (USA) in 1997. He was then posted to the Ministry of

## BOARD OF DIRECTORS' PROFILE

### **Datuk Givananadam A/L Kalinan**

Independent Non-Executive Director

Finance (MoF). He continued his career in MoF as Budget Review Officer for nine years after which he served as Deputy Director of Budget for nine years. He was then appointed as Undersecretary of the International Division at MoF where he served for four years before retiring in October 2017.

During his service in MoF he also served in various Boards as Director including Malaysian Highway Authority (LLM), Human Resource Development Fund (HRDF), Kuantan Port Consortium, Aerospace Technology Systems Corporation and SOCSO (Investment Panel).

# 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

# SENIOR MANAGEMENT



**Angie Law Lee Cheng**  
Senior Vice President,  
Business



**Amiruddin Kemat**  
Senior Vice President,  
Corporate Planning



**Mohd Sharizal Mustaphah Kamil**  
Senior Vice President,  
Business & Technology Advisory



**Mohd Nazarul Haizan Md Dom**  
Senior Vice President,  
Business



**Hanim Kassim**  
Vice President,  
Human Capital



**Rozita Khamsiah Othman**  
Vice President,  
Legal & Secretarial



**Alfian Othman**  
Vice President,  
Finance & Administration



**Siti Rashidah Adam**  
Vice President,  
Internal Audit



**Amelia Ong Abdullah**  
Assistant Vice President,  
PR & Communications

# Human Capital Department's Key Achievements

Talents are defined as those employees who have the necessary skills, knowledge, cognitive ability, and the potential for future growth. Talent Management (TM) comprises the processes and systems that are related to hiring, retaining and developing a superior workforce, mostly by enhancing the recruitment process to make it more structured with our competency framework as a guideline. A large part of HC's key achievements for 2017 was focused on Talent Management.

Identified employees who meet certain criteria were assessed based on five focus areas i.e. Ability, Values, Skills, Motivation and Aspiration. These employees were then put through a range of tests and interviews to further shortlist actual potential talent in the Company. Observations were captured by our Talent Council, a governing body comprising the Chief Executive Officer and selected members of the Senior Management team. A number of discussions were held and action plans were drawn to build a base for a balanced Talent Management Framework that fits MDV's business, culture and aspiration.

The Talent Council also identified mission-critical positions that are crucial to MDV's survival and business continuity and would be tightly linked to the Company's succession plan.

Apart from the identified potential talents, other employees are not left out and each employee would have his/her own Personal Development Programme (PDP), an initiative intended to identify each employee's areas of improvement and monitor the interventions taken to close the gaps.

HC also spent a considerable amount of effort in ensuring the Learning & Development programmes for the year such as managing poor performance, transformation leadership and personal accountability achieve their intended objectives.

Also part of HC's 2017 initiatives was a revision of its benefits structure which is now benchmarked against other Financial Institutions (FIs) to remain competitive in the market. This initiative is a continuity of the salary review conducted in 2016.

2017 also saw the revival of MDV's Management Apprentice Programme (MAP), where suitable candidates will go through a rigorous apprenticeship programme for two years and those who successfully complete the programme may be considered for a permanent placement in the Company. The MAP was first introduced in 2010 and continued in 2011 before it experienced a six-year hiatus. The divisions involved were Business Marketing, Credit Management, Risk Management, and Asset Management.

Moving forward to 2018, HC will focus on TM development implementation and the other relevant development activities.



# Risk Management Division's 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 processing and provides an independent credit evaluation on Financing Applications. The value-added and risk-based assessment and inputs, including providing 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 contains 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 the relevant monitoring programme.

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, monitoring liquidity, risk stress testing, identifying emerging risks and monitoring and managing risk portfolios.

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, RMD has to ensure all staff adhere to the Code of Conduct and Anti-Fraud Policy. Both of these policies act as a guide for employees to live up to the highest ethical and behavioural standards required by MDV. With the improved Risk Control Self-Assessment (RCSA) and Global Key Risk Indicators, the number of loss events within MDV has reduced.

Moving into 2018, the RCSA and Global Key Risk Indicators shall be enhanced further to be more accurate and specific. This is in line with the expected transformation of businesses into digital era and towards a more complex financial structures and instruments. The foundation's outline will prepare RMD for the emergence and evolving risk types that arise from new business models. The rise of analytics also requires RMD to pay close attention to model risk and the greater level of interconnectedness which calls for more vigilance on contagion risk.

As MDV moves towards full Shariah compliance financing, RMD shall ensure all process, methodologies and controls are in accordance with the Shariah principals. With the assistance of Shariah advisory panels, RMD creates a pillar on how Shariah will be implemented accurately.

# PERFORMANCE REVIEW

# SECTORIAL & PROGRAMME REVIEW

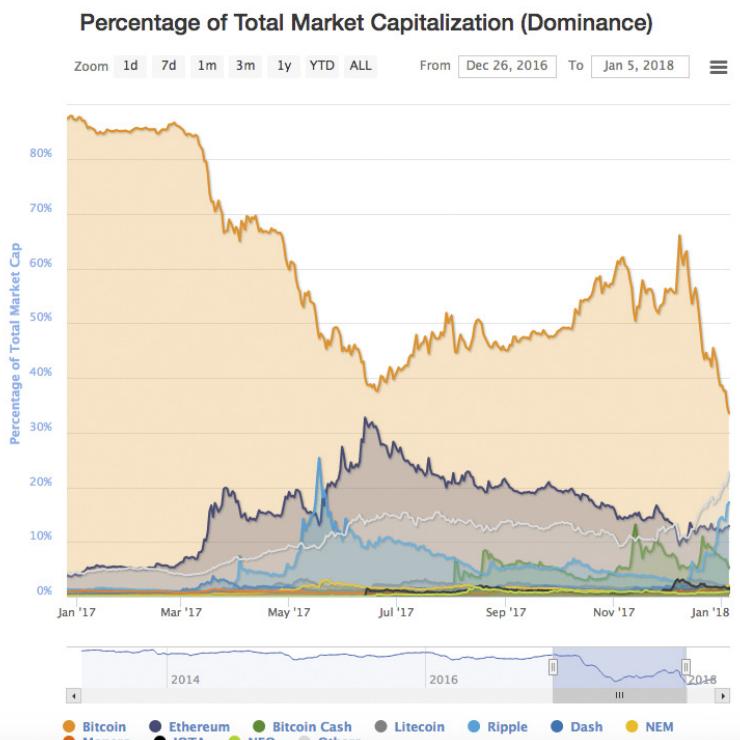
## Industry Review & Outlook 2017

2017 was the year of cryptocurrencies. Led by the price climb in Bitcoin, cryptocurrencies experienced a year-long bout of transactions, generating plenty of commentaries and discussions about its potential and misgivings in the current economic climate.

While the Ethereum cryptocurrency started the year off strongly, reaching USD400.00 in June, it dropped dramatically to USD179.00 by the mid-year mark. At the end of December, the increasingly popular Ripple crypto surged nearly 56.00 % to an all-time high, surpassing Ethereum as the second-largest cryptocurrency by market capitalisation.

Notwithstanding, Bitcoin remains the most widely circulated and transacted digital currency by far. In 2017, it had a market capitalisation of an estimated USD247.00 billion, accounting for about 41.00% of the total cryptocurrency market cap. Ripple accounted for about 12.50%, while Ethereum came a close third with 12.10%.

2017 also saw a notable surge in digitisation of finances, especially after the demonetisation drive undertaken by the ruling government last year. For our local market, the growth of mobile payment was strongly driven by China's growth in this space and coupled by the surge of Chinese tourists' usage of this particular service.



Source: CoinMarketCap

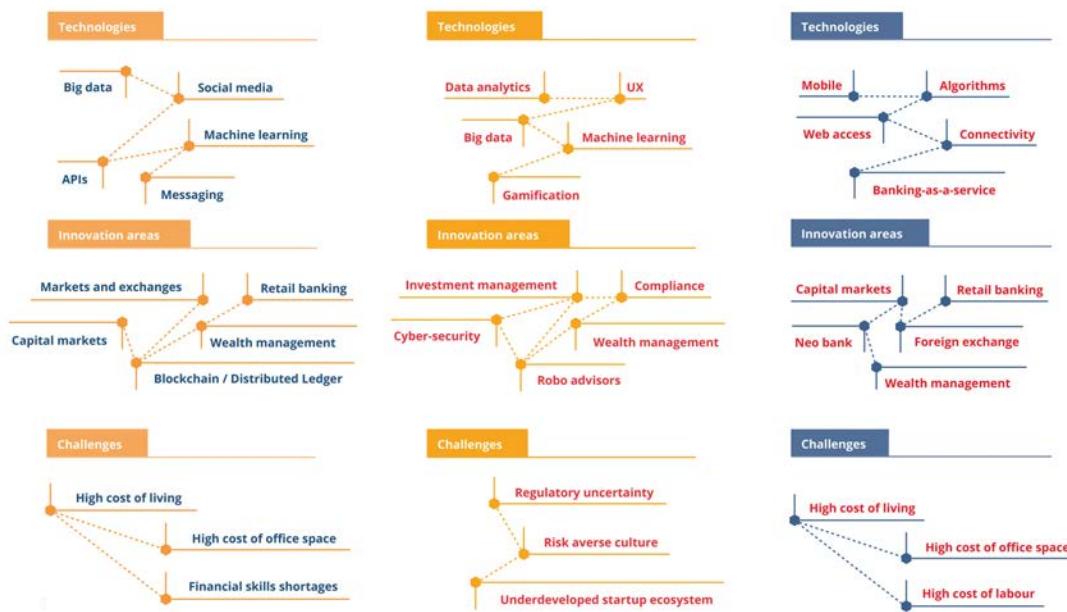
As one of the earliest entrants to the market, 13-year-old Alipay was practically the sole dominator in China's mobile payment sector. It held over 80.00% of transaction value across China three years ago. However, the app is quickly surrendering territory to a new rival – WeChat Pay. In Q1 2017, Alipay's market share dropped to 54.00%, while WeChat Pay claimed 40.00%. WeChat Pay's domestic success largely stems from the fact that it's an extension of social networking and IM tool WeChat.

Another one of the biggest trends of 2017 was the rise of new fintech hubs across the world as countries compete to attract investment. Cities in emerging economies such as Abu Dhabi, Budapest, Istanbul and Jakarta were recognised as new fintech hubs in 2017. Based on the Index Performance Score in the latest Global Fintech: Interim Hub Review 2017 prepared by Deloitte, Kuala Lumpur was ranked 101th.

## Overview - Index Performance Scores



Source: Global FinTech: Interim Hub Review 2017



Source: Global FinTech: Interim Hub Review 2016

2017 also saw various initiatives by regulators to further propagate the fintech industry in Malaysia. Bank Negara ("BNM"), the country's central monetary regulator, introduced its regulatory sandbox which saw the induction of pioneering fintech companies into the financial ecosystem. BNM also approved and published the e-KYC (Know Your Customer) guidelines in order to facilitate faster money services through online platforms. Meanwhile, the Securities Commission ("SC") also followed on their efforts to promote alternative capital raising in previous years (via the launches of equity crowdfunding and peer-to-peer lending platforms) by announcing the Digital Investment Manager framework which is proposed to govern the use of robo-advisors. The SC had also announced plans to open a secondary market for cryptocurrency trading together with a pilot project to utilise blockchain for OTC (Over-The-Counter) markets.

Another momentous event last year was the launch of Malaysia's Digital Free Trade Zone (DFTZ) in November 2017. DFTZ is a joint undertaking between the Malaysia Digital Economy Corporation (MDEC) and China's Alibaba Grxs to establish Malaysia as a leading logistics centre for global marketplaces by opening opportunities for companies both in Malaysia and other ASEAN countries to leverage a platform that enhances competitiveness and market access. The DFTZ comprises three key components that will be implemented in

different stages: an e-fulfillment hub and satellite hub as physical zones; and e-services as virtual zones.

The e-fulfillment hub is situated in close proximity to KLIA Aeropolis and is set to be developed in two phases. The hub is strategically developed to serve as a centralised aviation, air cargo, and logistics facility for Malaysia and the ASEAN region that will remove barriers to trade for smaller firms and emerging nations. MAHB has targeted to move over 3.5 million tonnes of goods by 2020.

SMEs located in the DFTZ will become a part of Alibaba's OneTouch e-services platform and will be directly connected to Alibaba's Hangzhou headquarters in China, under its Electronic World Trade Platform (eWTP). The eWTP aims at removing trade barriers and complex regulations that impede SMEs participation in global trade.

2017 proved to be the year that the technology sector continued to be resilient. Investments in technology startups as well as procurements of smart devices showed healthy numbers, providing a steady segue into the year of 2018 where analysts expect further flow of money into next generation infrastructure such as the blockchain as well as higher adoption rates for augmented and virtual reality.



# FINANCIAL REVIEW

MDV continued to fulfill its mandate as the nation's leading technology financier and managed to record new financing approvals of RM805.52 million significantly surpassing approvals recorded in the FYE2016 of RM595.16 million.

MDV's gross financing portfolio grew marginally by 1.80% to RM1.58 billion in FYE2017 (FYE2016: RM1.54 billion) on the back of a gross disbursement of RM647.37 million (FYE2016: RM758.22 million) to provide easy access to financing in line with its role to be the growth engine for the Nation. MDV also recorded a repayment of RM585.03 million (FYE2016: RM573.20 million) from its customers which included the full and early settlement of a few significant accounts, hence contributing to the subdued growth in portfolio.

Core revenue from financing activities for the FYE2017 recorded a year-on-year growth of RM3.86 Million or 4.32%, in tandem with the portfolio growth. However, the Company's total revenue decreased marginally to RM130.10 million (FYE2016: RM131.63 million) due to reduction in our ancillary income.

MDV's Cost of Financing ("COF") remains stable enabling MDV to offer affordable financing to its customers primarily from the small and medium sized industry. The COF grew marginally by 2.63% to RM53.53 million (FYE2016: 52.16 million) in tandem with the growth of our portfolio revenue. Whilst the operating expenditure of RM31.16 million represents an increase from the previous year's level of RM27.06 million as MDV continues to invest in human capital, it is still at optimum levels as reflected by our cost/income ratio of 24% reflecting a lean operating structure and prudent financial management.

For the FYE2017, MDV recorded a net financing loss allowance of RM115.73 million (FYE2016: RM45.27 million) mainly due to the accelerated provisioning of selected significant accounts in the emerging sectors. However, this was partially set-off through a one-off deferred tax income of RM87.34 million during the year.

For the close of FYE2017, MDV managed to record a very commendable Net Profit of RM16.75 million (FYE2016: RM7.14 million) – its eighth consecutive profit-making year therefore striking a balance between being 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 nation. MDV's financial resources in the future years was significantly strengthened with the securing of a new RM1.0 billion third Sukuk fund in August 2017 which catapults MDV into a transformation journey towards MDV2.0 as it continues to support Malaysia's booming digital economy.



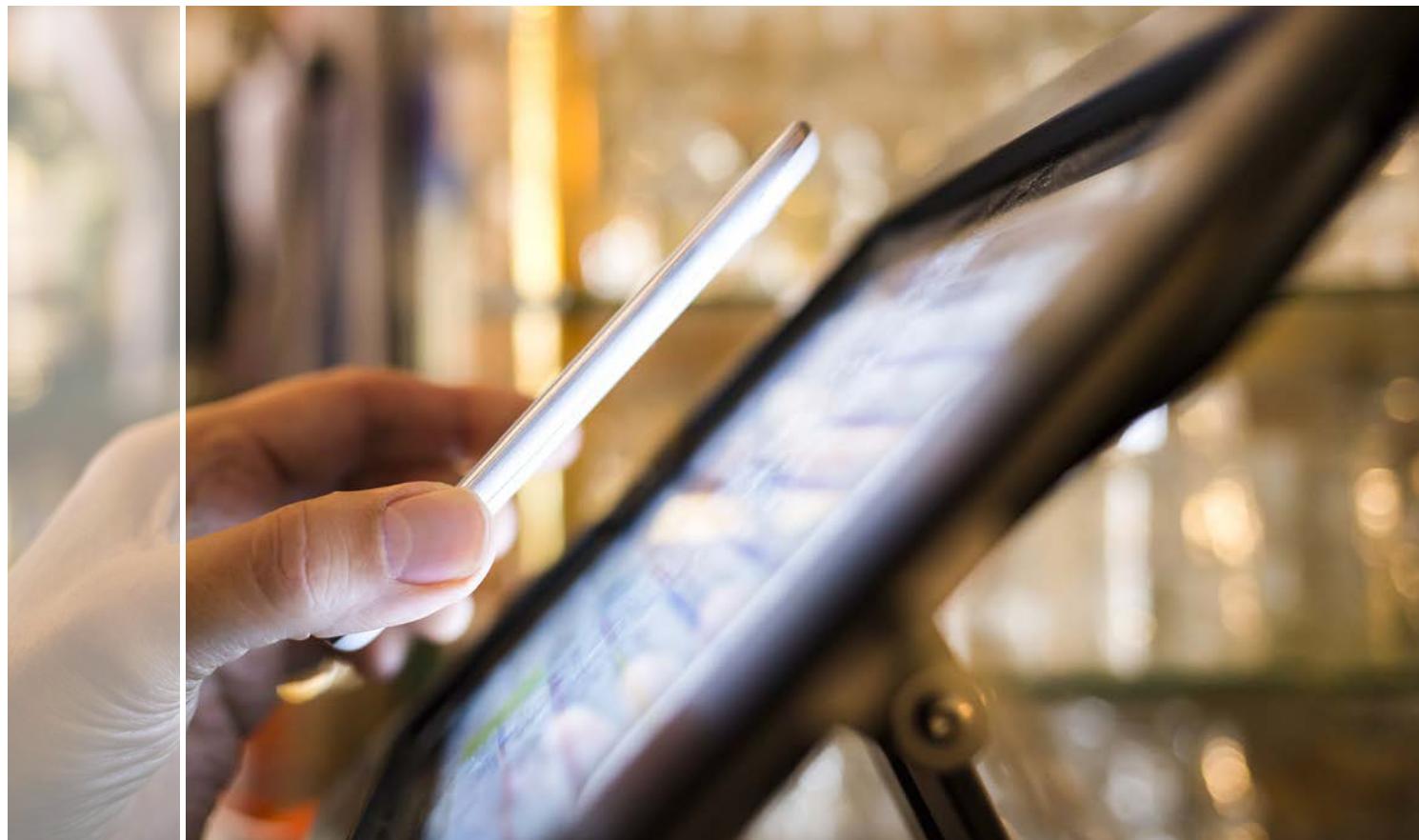
# DEVELOPMENT FACILITATION REVIEW

In FYE 2017, 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 43.10% and 42.00% respectively. Green Technology financing has continued to grow. This was once again due to financing approvals 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 2017, followed by Biotechnology, making them the two lowest trends compared to ICT and Green Technology. Despite its low portfolio contribution, MDV actively supports the sector via development

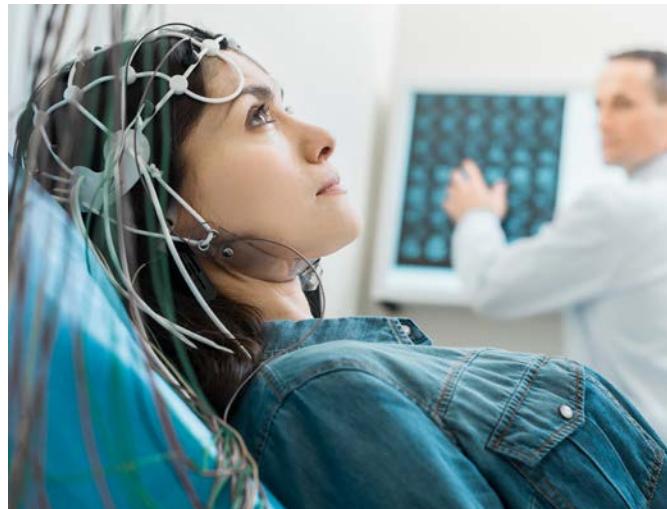
programmes, namely MDV's Commercialisation Fund, Bumiputera Biotech/Bio-industry Development Fund (B3DF) and the Bio Economy Transformation Programme (BTP) Fund, through which more than RM21.00 million of financing facilities have been approved up to end 2017. Across all five of MDV's development programmes comprising the B3DF, GTFS, IPFS, RMK-10 and Biotechnology Transformation Programme, MDV approved RM179.30 million in financing facilities during the year.

In FYE 2017, MDV focused efforts on increasing the traction of its development programme. As a result, MDV approved seven financing applications under the MDV-TACT programme. MDV also contributed the largest number of financing facilities over the life of the GTFS programme which ended in FYE 2017.



FYE 2017 also witnessed the culmination of the first cohort of the “Elev8” programme which exceeded expectations with four “Elev8” graduates securing financing from MDV against the initial target of three companies.

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, with the introduction of Venture Financing targeted for FYE 2018.





## DEVELOPMENT FINANCING: Future Technology Landscape

Innovation in the technology space is moving in leaps and bounds. Here are the future technology that will disrupt lives as we know it, as compiled from the predictions from the US National Academy of Sciences, Scientific American and from research journals published by various other sources.

### Eye-controlled technology

Advances in face and movement recognition software will allow us to build machines that can be controlled by eye movements.

### Paper diagnostics

Cheap diagnostic tools made from special paper will enable rapid screening of contagious diseases such as Ebola, tuberculosis, Zika and many others.

### Ingestible robots

Scientists are working to build consumable, biocompatible microbots that will be able to repair our injuries from within.

### Smart clothing

Advances in sensors and fabrics technology such as nanoporous fabrics, miniaturised electronics combined with haptic feedback will make for “smart clothing” that can change colour, shape, keep you cool or warm as the need arises.

### Photonics in space

Photonics technology means increased bandwidth, a data rate hundreds of times faster than radio frequency and lower power needs. This will improve spacecraft communication.

### Spintronics revolution

The rapid commercialisation of “spintronics”, the electron spin-orbit technology, will revolutionise smartphones and the Internet of Things (IoT).

## Carbon-breathing batteries

Electrochemical cells that use CO<sub>2</sub> to generate electricity and valuable by-products will simultaneously solve our power and pollution issues.

## Diamond battery

"Nuclear batteries" are formed by encasing radioactive waste in an artificial diamond casing, which converts radiation energy into electricity.

## Unhackable quantum internet

A satellite network using entangled photons for quantum-key distribution (QKD) will create a fully secure and unhackable Internet.

## The next evolution of Artificial Intelligence (Ai)

Big data analytics and predictive AI will be able to predict future events with a high degree of accuracy i.e. weather forecast, geopolitics and politics.

## Self-sufficient energy ecosystem

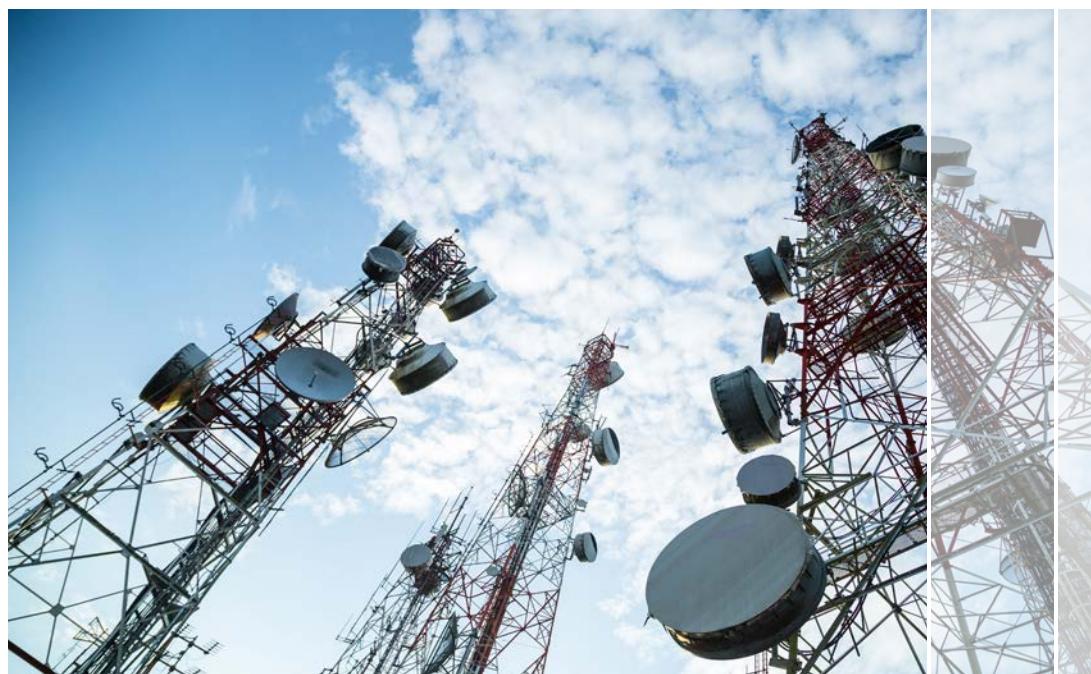
Advances in microbial fuel tanks, anaerobic digestion tanks, lithium-ion batteries and solar cell technology means virtually every home can be a closed-loop, self-sustaining energy ecosystem.

## Geoengineering

A special programme of calcite aerosol geoengineering to cool down Earth's temperature and repair the ozone layer.

## Wavetop and undersea cities

Undersea and floating cities will emerge as the new city-states and will mine deuterium fusion fuel from seawater.



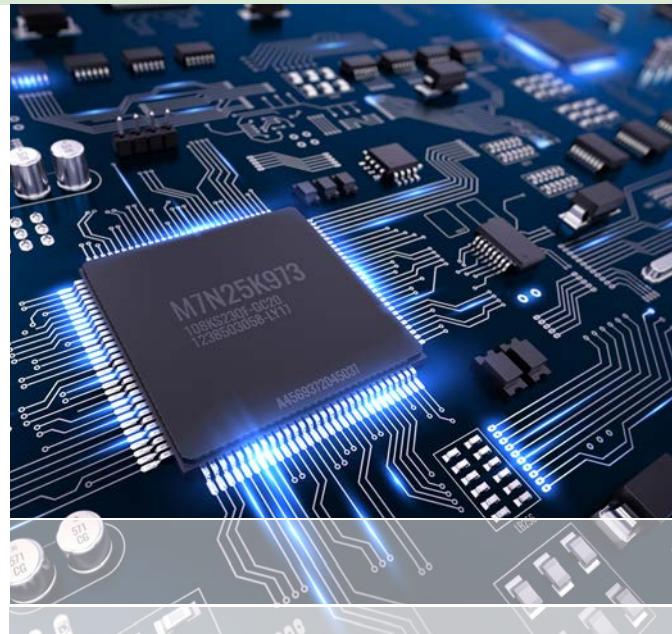
# Venture Financing Programme

2017 saw the groundwork for the launch of MDV's Venture Financing Programme, which will be the first Islamic Venture Financing Programme across continents. MDV's Venture Finance offering has been tailor-made to be in the form of a Shariah-compliant financing while benchmarking it against venture debt models currently used by more developed markets.

In supporting the Nation's technology agenda, the progress and expansion of MDV's financing mandate must always be strategically aligned and attuned to the Government's economic development plans. The Venture Financing programme represents a long-term strategy for MDV's business transformation in the effort to ensure continued sustainability of operations and reduce dependency on Government's support. This transition from traditional debt financing to Islamic Venture Financing will pave the way for MDV to become a regional leader in Venture Finance.

Expanding into Venture Financing will better enable MDV to finance early-stage companies and fill the gap in the ecosystem for venture-financing for growth. As a technology financier, MDV recognises that the development of this ecosystem is a crucial aspect for technology-based entrepreneurs, as traditional financial institutions are not prepared to support such early-stage companies. Access to capital is one of the most important aspects for any businesses to grow. A startup must secure the proper amount and type of capital for it to be able to grow efficiently.

This programme offers a unique set value propositions to all participants within the eco-system. There is less equity dilution for entrepreneurs and existing investors



when venture companies opt for venture financing and it also provides the ability for venture companies to extend cash runway to achieve their next development milestone and build enterprise value. Apart from supporting VC capital by permitting leverage of the VC funds & bridging to subsequent rounds, it also creates a domestic venture-debt financier which is a feature of developed VC markets.

Venture Financing is a common financing vehicle for tech startups in more developed markets such as the United States to complement equity funding from VCs in a more diverse funding ecosystem. It has also shown strong global growth in recent years. VC funding was up year-over-year across all regions, including Asia which recorded \$15.50 billion investment in Asia in Q4'17 alone. A vibrant VC market will translate into better opportunities for venture financing lenders who seek to complement equity funding as a means of alternative source of funding.

We are confident that there is strong potential and demands for Venture Financing based on our experience with the MDV Technology Acceleration and Commercialisation Scheme (MDV-TACT) programme under RMK-11. MDV-TACT, which offers financing on terms similar to the venture debt, has had strong demand and to-date, MDV has already approved seven companies under the programme with a total financing commitment of RM15.40 million. Another eight technology startups are currently under our due diligence processes with financing requested of RM27.50 million.



# CORPORATE GOVERNANCE & ACCOUNTABILITY

# 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 risks 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's 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 equip 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 ensuring 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) Reviews the effectiveness and of internal controls and risk management processes.

## External Audit

- (a) Recommends to the Board for the external auditors' appointment and audit fee payable including any decision on removal.
- (b) Reviews the external auditors' audit plan, its evaluation of the systems of internal control and the audit report.
- (c) Reviews the external auditors' management letter and Management's responses on weaknesses in internal accounting procedures and controls.
- (d) Assesses objectivity, performance and independence of external auditors.
- (e) Reviews any letter of resignation from the external auditors of MDV.
- (f) Reviews whether there is reason (supported grounds) to believe that MDV's external auditors are not suitable for reappointment.
- (g) Approves 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:

<b>"Act"</b>	The Companies Act 1965 as amended from time to time;
<b>"Company" or "MDV"</b>	Malaysia Debt Ventures Berhad (578113-A);
<b>"Board"</b>	The Board of Directors of MDV;
<b>"Committee"</b>	Audit Committee;
<b>"Company Secretary"</b>	Company Secretary of MDV;
<b>"Director"</b>	A Director of MDV, as defined in the Companies Act 1965, as amended from time to time;
<b>"Member"</b>	A member of the Committee as appointed pursuant to this TOR;
<b>"Secretary"</b>	Secretary of the Committee;
<b>"Terms of Reference"</b>	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 to ensure 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 to 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) Ensure appropriate actions have been taken by management on the recommendations made by the internal auditors.
  - (e) Appoint, evaluate the performance and decide on the transfer or dismissal of the Head of Internal Audit.
  - (f) 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 cooperation 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 four 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 three 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 three years to determine whether the Committee and its members have carried out their duties in accordance with their terms and reference.



# CORPORATE SOCIAL RESPONSIBILITY (CSR) & SPORTS AND RECREATION CLUB (SRC)

# CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES 2017



MDV continued to contribute back to the community through its CSR activities organised throughout 2017.

Activities for the year started in March with MDV's participation in a CSR programme organised by MoF at Projek Perumahan Rakyat (PPR) Laksamana in Kuala Lumpur. The programme involved the distribution of basic necessities to all residents and was aimed at lessening their burden as well as to encourage and instil the spirit of volunteerism in our community.

Our attempt at a philanthropic effort continued in April with MDV participating in a charity run hosted by Yayasan Chow Kit, branded The Chow Kit Run. MDV was represented by eight volunteers who competed in the 6km fun run category while wearing superhero masks of their choice as part of the event's theme, "Be a Hero for Every Child in the Country". The wearing of the masks was symbolic as it sought to drive home the message against pedophilia and to highlight the difficulty in identifying pedophiles among strangers. Participation of MDV in this event signified its support of Yayasan Chow Kit's efforts in advocating the rights and improving the lives of at-risk children and youths in Malaysia.



In May, MDV volunteers devoted their time and energy in a gotong-royong session at Rumah Kasih Harmoni, a welfare home for orphans and underprivileged children, located at Paya Jaras, Selangor. The programme was also joined by MDV's Managing Director/Chief Executive Officer, Datuk Md Zubir Ansori Yahaya who presented the home with electrical items and cash donation worth more than RM15,000.00.

MDV also extended monetary contributions to Rumah Kasih Nurul Hasanah in June, as a show of support to the CSR effort by the PUSPANITA organisation under the MOF in improving the welfare of the residents of the home. Subsequent to this, MDV donated two wheelchairs to the Pertubuhan Membantu Pesakit Parah Miskin Malaysia (PPPM) to aid the terminally ill and needy patients. In addition to this, MDV also sponsored ten shelves in July to the Luf Life Project, a collaborative effort by the Language and Linguistics Society of Universiti Malaysia Sarawak (UNIMAS) and The Wakaf Buku (TWB), in conjunction with their library beautification project.

Moving forward, MDV will continue to extend a helping hand to other needful segments of the community and to support noble initiatives that may help to empower the society and improve their overall wellbeing.



# SPORTS AND RECREATION CLUB

The Sports and Recreation Club (SRC) committee of 2017 started the year by dividing employees into four groups namely Moritani, Atreides, Harkonnen and Corrino. These names were taken from "family houses" featured in 1965 science fiction media fiction novel, "Dune" by Frank Herbert. Each sporting house was headed by at least one member of the senior management team to keep some check and balance. With every activity, each participating member that wins or scores will contribute points to their house. These accumulated points will determine the overall winner at year end.

The first activity in session was a solat Hajat and Yassin recital followed by Asar prayers for all Muslim staff to begin 2017 with peace and harmony. This has been an annual ritual in MDV to not only instil goodness, but also the spirit of togetherness.

On that note, sports has always been known to inculcate comradeship and SRC has always included the importance of sportsmanship in their activities. The first sporting activity for 2017 was a ping pong tournament in February and a darting battle in March. To add some spice to SRC's activities, a movie night to watch Beauty and The Beast was held at the cinema and were enjoyed by the first 50 people that responded to the offer.



In May, SRC organised a rare yet exciting family day where it was held at the National Zoo and filled with activities such as colouring contest, zoo exploring for the children and a zoo hunt for everyone else. Staff were able to bask in these fun-filled activities with their families as well as educate their next of kin on the animal kingdom. Having the family day at the zoo brought back nostalgia as it reminded staff of the times when they were brought there by their own parents decades ago. It was definitely a moment to remember. The month continued with 18 MDVians participating in the Standard Chartered Kuala Lumpur Marathon 2017 and winners helped increase points for their sporting house.





After a hiatus due to Ramadhan and Hari Raya Aidilfitri, sporting events continued with a pool tournament in August and a bowling tournament in December. More movie nights were also conducted: one in August (Annabelle Creation), one in November (Justice League) and another in December (Star Wars the Last Jedi).

In September, SRC planned a company trip to the island of Langkawi for a very promising “sun, sand and sea” holiday. Staff brought their families along for this island escapade and looked very much forward to relax by the beach with their loved ones. However, activities were not limited to the beach as SRC had included the mangrove tour, cable car ride, activity at laman padi and a floral themed barbecue night for everyone to mingle about, with a karaoke contest in tow.



## HOTEL ISTANA KUALA LUMPUR



The highlight of all SRC 2017 events took the form of MDV 15th Annual Dinner & Awards Night 2017 held at Istana Hotel in October with the theme "Bollywood Dhoom Machale". Prior to the dinner, all four houses were asked to prepare a dance performance befitting the theme and these performances were showcased during the dinner. Emceed by Helmi the Gimmick, guests were left very much amused by his antics and even more entertained when the dance performances took place. Moritani took first place followed by Harkonen and as per usual, the night ended with lucky draws and a photo session.

To wrap up SRC 2017's activities, a small gathering was organised to officially pass the baton to the 2018's SRC committee and to announce the overall winner of 2017's SRC activities.



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