



**MALAYSIA DEBT VENTURES BERHAD**  
200201010450 (578113-A)



# ANNUAL REPORT 2020

# THE NATION'S TECHNOLOGY FINANCIER





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# 01 CORPORATE PROFILE & OVERVIEW







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# ABOUT US

## MDV HAS BEEN THE KEY FUNDING CATALYST FOR INNOVATIVE & SUSTAINABLE TECH COMPANIES IN THE COUNTRY

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 the Information and Communications Technology (ICT) sector that had been identified and prioritised by the Government as the catalyst for the nation's growth.

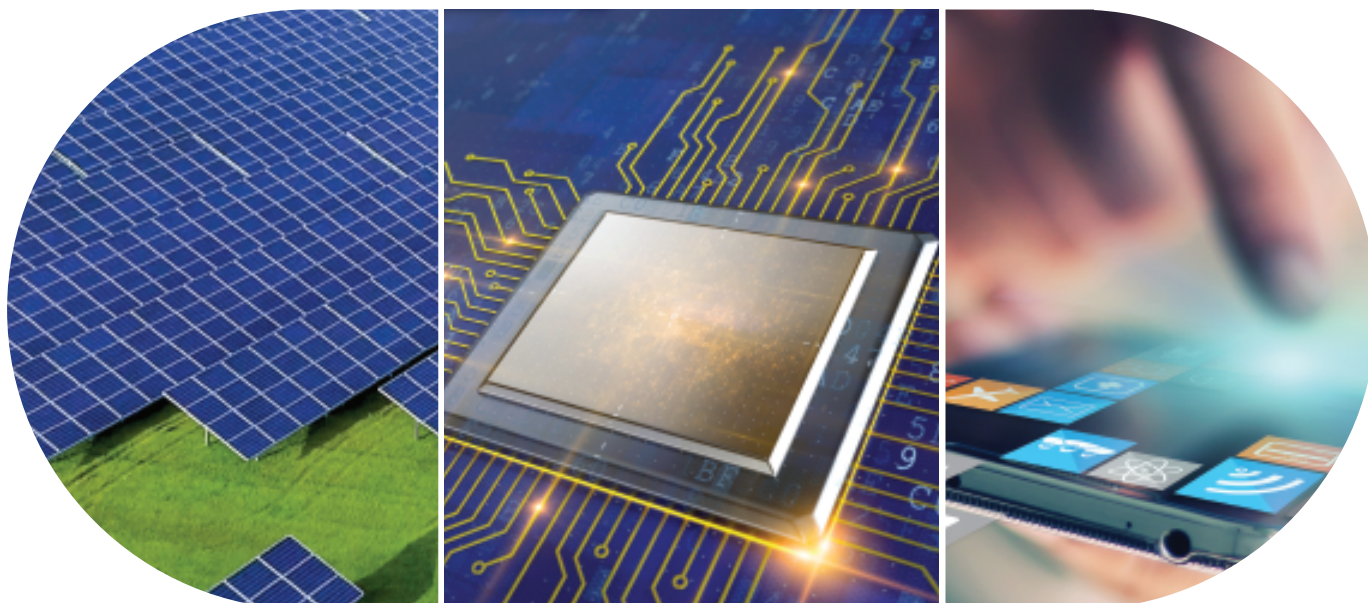
As the nation progressed, MDV's financing mandate was concurrently extended to serve more high-impact and technology-driven sectors of the economy including Biotechnology, Green Technology and Emerging Technologies. MDV also progressively expanded its product range to cater to the financing requirements of technology-based companies and start-ups with innovative products and/or services as well as sustainable business propositions.

MDV bridges the funding gap that is generally underserved by commercial financial institutions, namely financing for technology-based companies. Currently, MDV is the only financier in Malaysia offering Venture Financing, the Shariah-compliant equivalent of Venture Debt models currently deployed in more developed markets, for high-growth venture-capital backed technology start-ups in Malaysia.

As one of the few financing agencies in Malaysia solely focused on technology-driven sectors, MDV positions itself as the nation's technology financier. In striving to fulfil its mandate and developmental role, MDV has financed numerous technology projects in various sectors via innovative and flexible financing solutions. In line with the Government's objectives and aspirations, MDV has realigned and updated its financing focus into three key areas comprising **Green Technology**, **ICT (Digitalisation and Connectivity)** and **Start-ups** to continue to play its role as a funding catalyst for the technology industry in the country.

Achievement	
Disbursement	<b>RM12.72 billion</b>
Aggregate Fund Size	<b>RM4.10 billion</b>
Projects	<b>1,018</b>
Companies	<b>889</b>

To date, MDV has disbursed **RM12.72 billion** for more than **1,018** projects with financing approvals for over **889** 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 and innovation as a path to a high-income nation.



# OUR VALUES AND FOCUS AREAS

## MANDATE

Providing flexible financing for technology-based companies or projects based on companies' business needs including serving new businesses with primarily intangible assets but with high product and service potential. MDV's focus is on technology-based companies with novel business models that have limited access to traditional financial platforms.

MDV may utilise any financial instrument to provide the required financing to increase the probability of success for the company financed.

## VISION

The Nation's Technology Financier.

## MISSION

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

- Providing access to Financing
- Innovative and flexible financing solutions
- Specialised funding programmes
- Industry expertise and advisory services

To remain financially sustainable while fulfilling our developmental role.

## CORE VALUES

MDV's core operating values encompass our business philosophy of **Transparency**, **Trustworthiness** and **Timeliness** to ensure good corporate governance and credibility while meeting the needs of clients.

This philosophy is complemented by MDV's mindset of '**Harmony**' as the foundation of MDV's relationships both internal and external, '**Think Customer**' to enhance MDV's commitment to business building and '**Deliverable Oriented**' in its working environment.

The final component of MDV's values comprises MDV's corporate identity of being a **high performance**, **highly disciplined**, **highly cohesive**, **highly innovative** and a **highly ethical** organisation.





# MARKETING & STRATEGIC POSITIONING

## The Nation's Technology Financier

MDV's strategic role in the technology financing ecosystem in Malaysia is defined by our approach to funding which is different from other financial institutions.

With the vision of becoming the Nation's technology financier, MDV offers innovative and flexible financing solutions and specialised funding programmes to help fund technology project requirements by customising the loan or financing structure based on each customer's business needs.

Our financing niche is helping to fund technology-based companies or start-ups that are unable to secure financing from commercial financial institutions due to their novel business model, lack of proven operating track record and lack of collateral.

MDV's approach to funding technology-based companies with projects is to focus on the potential of an applicant and its projects by the type of financing application, credit conduct, investor support, business and industry risk, viability and suitability of its technology; the quality of their key management and technical teams; as well as the reasonableness of its business plan and cash flow projections.

In financing technology start-ups, MDV will, among others, assess the management, investors, viability, suitability, and sustainability of the business beyond the current business financial profile as an indicator of their ability to reach their potential. Mitigating risks of such ventures will include close monitoring and account reviews of each account by relevant departments; pre-requirement of participation of venture capital companies or Government agencies; and warrants issued to MDV to cover for higher financing risks.

With the rapid rate of technological and digital advances, and Malaysia's continued push towards becoming an advanced nation, MDV will continue to have a significant role to play in financing emerging technology areas based on the Ministry of Science, Technology & Innovation (MOSTI)'s 10-10 MySTIE Framework including 5G/6G, Sensor Technology, 4D/5D Printing, Advanced Materials, Advanced Intelligent Systems, Cyber Security & Encryption, Augmented Analytics & Data Recovery, Blockchain, Neuro Technology, and Bioscience Technology.

MDV will strive to harmonise its activities to support the initiatives of MOSTI, as our stakeholder. MDV endeavours to help accelerate MOSTI's goals to drive the nation's economic growth through the implementation of the National Science, Technology and Innovation Policy (DSTIN) which provided for the implicit framework and strategies to galvanise the technology sector throughout the nation from 2021 to 2030.



# SUITE OF FINANCING PRODUCTS & PROGRAMMES

## MDV AS A KEY TECHNOLOGY FINANCIER PROVIDING FLEXIBLE AND INNOVATIVE FINANCING SOLUTIONS TO CATER FOR VARIOUS FUNDING REQUIREMENTS

To fulfil its role to spur and accelerate the growth of technology companies, MDV offers the full spectrum of financing products: trade financing and guarantees; project and contract financing; working capital and asset financing; as well as growth, venture and acquisition financing.

MDV also extends cash lines and factoring facilities to young technology companies to assist these companies that have yet to develop the required credit histories to secure credit lines. All of MDV's products are offered in both the Islamic and conventional financing principles to ensure MDV's ability to cater for a wide range of technology financing needs.

In addition to MDV's direct financing solutions, MDV also manages dedicated and targeted financing programmes initiated by the Government. These include the MDV Technology Acceleration and Commercialisation Scheme (MDV-TACT), a programme for the commercialisation of technology products and services by start-ups; the Skim Usahawan Permulaan Bumiputera (SUPERB), a programme with Unit Peneraju Agenda Bumiputera (TERAJU) for Bumiputera economic development; the Bioeconomy Transformation Programme (BTP) to promote investments and development of the Bioeconomy sector of the national economy; and a specific programme to assist technology start-ups that are severely affected by the COVID-19 pandemic through the Liquidity Financing for Technology Start-ups (LIFTS).

PRODUCTS	ISLAMIC	CONVENTIONAL	
	Trade Facilities/Guarantees (Pre-shipment/Delivery)	Trade Facilities/Guarantees (Pre-shipment/Delivery)	
	Term/Project & Revolving Lines (Pre-shipment/Delivery)	Term/Project & Revolving Lines (Pre-shipment/Delivery)	
	Project/Contract Financing (Pre-shipment/Delivery)	Project/Contract Financing (Pre-shipment/Delivery)	
	Factoring (Post-shipment)	Cash Line (Liquidity Support)	
	Cash Line (Liquidity Support)	Venture Debt	
	Venture Finance		
PROGRAMMES	SME/START-UPS	GOVERNMENT PRIORITY PROGRAMMES	FUND MANAGEMENT
	SME Contract Financing	Green Technology Financing Scheme 2.0 (GTFS 2.0)	Bioeconomy Transformation Programme (BTP)
	SME Project Financing Skim Usahawan Permulaan Bumiputera (SUPERB) by Unit Peneraju Bumiputera (TERAJU)	Energy Performance Contracting (EPC) Financing Programme	MDV Technology Acceleration and Commercialisation Scheme (MDV-TACT) Programme
	Venture Financing	Liquidity Financing for Technology Start-ups (LIFTS)	Commercialisation Financing Scheme
	Acquisition Financing		
	Vendor Development Programme (VDP) for National Fiberisation and Connectivity Plan (NFCP)		

# MDV FINANCING PROGRAMMES 2020

## Project/Contract Financing

Project/Contract Financing facility is available to fund long-term public or private technology infrastructure projects. Payments are 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, which require significant upfront investments.

MDV's financing enables project assets to be financed through term financing that is payable over specified amounts based on a repayment schedule over the project period. MDV allows for financing tenures of up to 15 years, subject to overall project period. This facility is offered to companies or Special Purpose Vehicles (SPV) companies that have secured medium to long-term public or private technology infrastructure projects.

MDV's financing solutions for project/contract financing are available in various instruments such as term loans or financing, revolving and trade facilities according to specific requirements. MDV approved RM179.52 million for project/contract financing to 35 companies in 2020.

## Liquidity Financing for Technology Start-ups (LIFTS)

To cushion the impact brought forward during challenging market conditions, MDV with the support from the Ministry of Science, Technology & Innovation (MOSTI) and the Ministry of Finance (MOF) launched the Liquidity Financing for Technology Start-ups (LIFTS) on 8 May 2020 with an allocation of RM100.00 million fund. LIFTS aims to provide immediate and targeted cash flow support for Venture Capital (VC) or Government agency-backed technology start-ups that are affected by the adverse market and economic conditions due to the COVID-19 pandemic to sustain their business operations.

The facility offers a profit rate of 3.50% per annum on the amount outstanding. LIFTS is similar to a revolving credit facility, meaning that disbursement can be requested on demand or based on a 6-month rolling cash flow requirements per applicant. Outstanding balances of the principal can be rolled over semi-annually, providing flexibility in managing repayment.

In 2020, MDV has approved a total of RM54.77 million for 46 companies under this programme.

## Energy Efficiency Financing

MDV's Energy Efficiency Financing provides financing for Energy Efficiency (EE) and Energy saving-based projects undertaken by Energy Service Companies (ESCO) in the building and construction sectors. Energy Efficiency financing aims to accelerate the growth of the ESCO and Energy Performance Contracting business model in the country by strengthening financing availability. The allocated fund for MDV's Energy Efficiency Financing is RM200.00 million.

Successful applicants will enjoy a 1.00% profit subsidy. The credit profile of applicants is also enhanced through 50% guarantee from the Corporate Guarantee Corporation (CGC) under this financing scheme. MDV has approved 5 Energy Efficiency projects totalling RM16.60 million for 2020.

## Venture Financing

MDV's Venture Financing (VF) programme targets high-growth, venture capital-backed and innovative technology start-ups to scale up their business and accelerate value creation. With a financing tenure of up to 5 years, the programme offers start-ups repayment schedules that are tailored to their business requirements and projections. VF facilities are offered at competitive risk-adjusted financing rates with a warrant cover of up to 25% of the financing amount. This programme is significant for young tech companies that are looking for financing options without incurring relatively heavier shareholding dilution from equity fundraisings or for companies that are seeking liquidity to bridge their operations until the next fundraising round. MDV approved 2 companies under this VF programme in 2020 totalling RM5.00 million.

## MDV Technology Acceleration and Commercialisation Scheme (MDV-TACT)

As part of the Eleventh Malaysia Plan (RMK-11) initiatives by the Government to promote national technology development, MDV-TACT was developed and implemented to improve Malaysia's R&D commercialisation outcomes over the period of RMK-11 and thereafter. The main objective is to provide access to financing for commercialisation and growth acceleration activities for start-up companies. The fund size under the programme in total is RM44.40 million.

Successful applicants will receive up to RM5.00 million in financing via a hybrid approach of lower financing rate but with an equity component provided to MDV via debt conversion provision or warrants. The benefit of such structure is to lower the funding costs to customers thus making it acceptable for tech start-ups.

As of 2020, MDV has approved a total of RM49.50 million in financing facilities to 17 technology companies. From the approved facilities, a total of RM32.50 million of financing facilities have been activated by 10 companies under this programme. The Venture Financing model has been well accepted by start-up companies in Malaysia and due to its success, the programme will be continued under the RMK12.

## i-Factoring

MDV's i-Factoring programme allows businesses to factor receivables up to 80% of face value for immediate cash to improve cashflow. MDV's i-Factoring is similar to factoring solutions by other institutions but targeted to technology companies. Since its launch in 2013, MDV has approved 16 revolving i-Factoring applications totalling approximately RM33.76 million. By end of 2020, the programme has generated disbursements of more than RM41.12 million.

## Green Technology Financing Scheme 2.0 (GTFS 2.0)

GTFS 2.0 was approved by the Government in 2019 with a total allocation of RM2.00 billion following the successful inception of GTFS 1.0 in 2010. The purpose of the programme remained to finance green technology investments for the production, utilisation and purchase of assets relating to energy efficiency or energy performance contracting. MDV as one of the participating financial institutions under GTFS 2.0 offers financing for projects certified under the programme.

Customers under the programme can enjoy 60% government guarantee on Green Technology cost upon financing approval. MDV has approved RM912.40 million in GTFS 1.0 and 2.0 financing to 64 companies as at end of 2020.

## Acquisition Financing

The purpose of Acquisition Financing is to facilitate technology SMEs acquiring strategic stakes in other companies to scale up their operations, develop their business scope and pursue management buy-outs. Consistent with MDV's mandate, this financing seeks to assist companies that generally do not have access to acquisition financing due to their small size, relatively small financing needs, and lack of investment bank and commercial bank participation in this market. The total amount of acquisition financing approved by MDV as of 2020 was RM13.30 million.

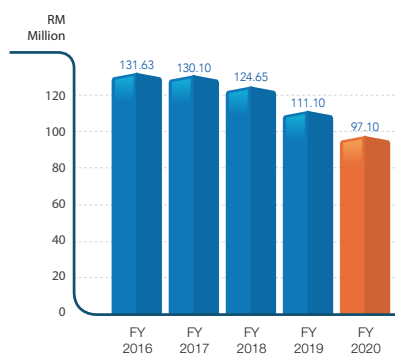
## Bioeconomy Transformation Programme (BTP)

The Bioeconomy Transformation Programme (BTP) was launched in collaboration with Malaysian Bioeconomy Development Corporation Sdn Bhd. This effort was made to channel and maximise commercial opportunities in bio-based companies to help transform the industry into a high income, inclusive and sustainable economy. As at end of 2020, MDV has approved six BTP applications totalling RM35.00 million.

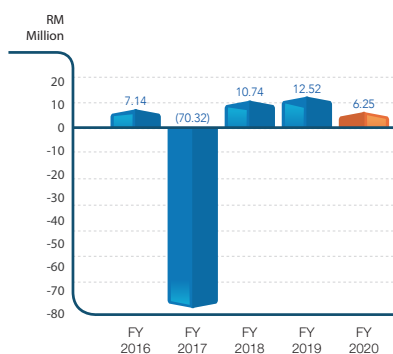


# FINANCIAL HIGHLIGHTS

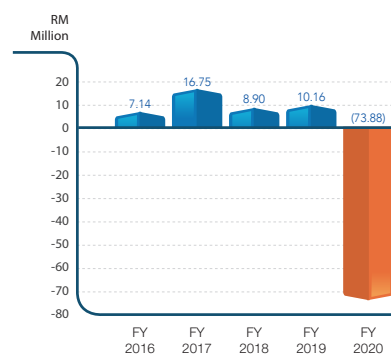
## REVENUE



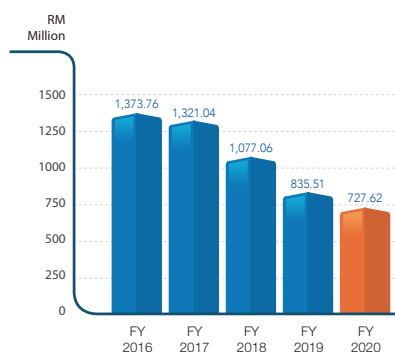
## PROFIT/(LOSS) BEFORE TAX



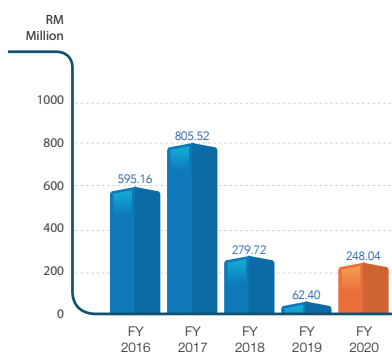
## NET PROFIT/(LOSS)



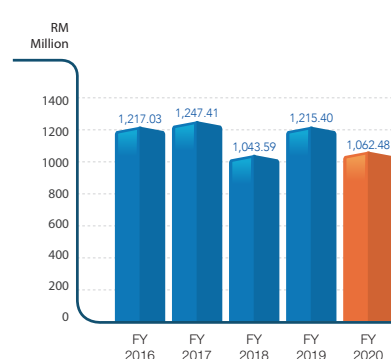
## NET LOANS/FINANCING



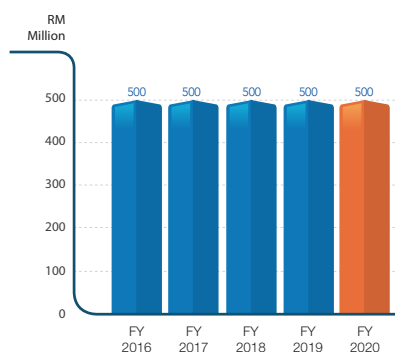
## LOAN APPROVAL



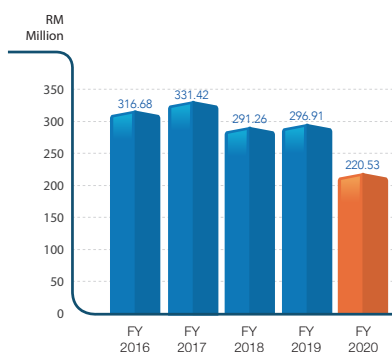
## SUKUK, TERM LOAN AND REVOLVING CREDIT FACILITIES



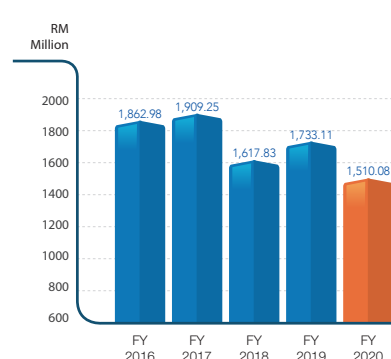
## SHARE CAPITAL



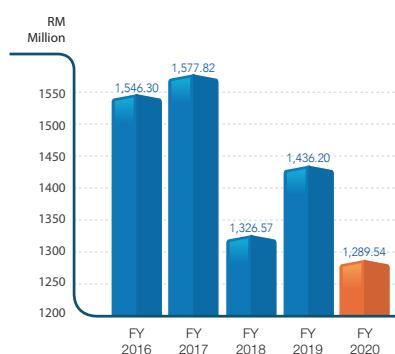
## SHAREHOLDERS' FUNDS



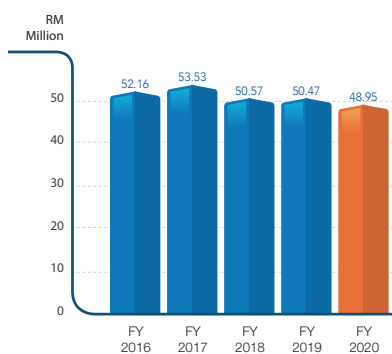
## ASSETS



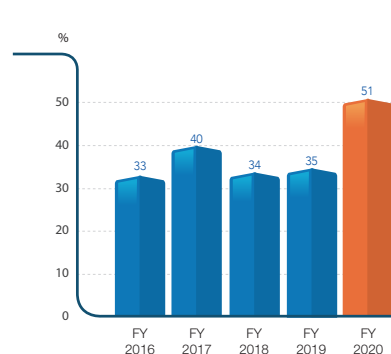
## LIABILITIES



## COST OF FUNDS



## COST INCOME RATIO



# HISTORY & KEY MILESTONES



# 02 MESSAGE TO STAKEHOLDERS







# CHAIRMAN'S MESSAGE

I am pleased to present the 2020 Annual Report for Malaysia Debt Ventures Berhad (MDV). It is an honour for me to assume the position of Chairmanship since October 2020, hence allowing me to exercise the leadership role and share my knowledge and experience in enhancing MDV's performance further. I am also pleased to share herein my vision in realising MDV's potential to be one of Malaysia's leading funding catalysts for technological innovation and digital disruption.



The year 2020 was indeed extraordinary as it was highly challenging for the global economy and people's livelihood. The implementation of the COVID-19 Movement Control Order (MCO) has restricted activities in economic sectors and certainly strained the nation's wellbeing. The year 2020 has categorically given people a new perspective of life.

At MDV, amid all the challenges, we found respite in our ability to be part of the many solutions for our customers, employees, partners, stakeholders, and communities who matter to us. While we were not spared the impact of the dwindling economy and the many limitations that came with the spread of COVID-19, we continued to strive to deliver our mandate and therefore fulfil our roles and responsibilities.

## 2020 In Review: An Unprecedented Year

With the COVID-19 being declared a global pandemic, many countries have taken unprecedented measures to extend social safety nets, especially for vulnerable groups such as low-income households, women and children, low-skilled workers, part-time or temporary workers and the self-employed. Malaysia was also quick to react by introducing various direct benefits to the people, stimulus packages and other aids, amounting to more than RM600.00 billion which were intended to minimise the impact of job losses and reduced income.

Local and foreign financial institutions in the country were also encouraged to assist their customers in navigating the crisis,

and MDV has responded by implementing relief measures such as offering extended loan moratorium and proactive account management including providing options to selected customers to restructure their financing.

On the economic front, the year has been hard on businesses, with the operating landscape in the year 2020 being extremely challenging as the worsening of the COVID-19 pandemic led to a global recession. In the year under review, the global economy is estimated to have shrunk by 3.6% (2019: growth of 2.8%) following deep contractions in major economies. Malaysia was also hit hard with the economy being shut down almost entirely between March and June 2020, which resulted in the contraction of the GDP for the year by 5.6% from a positive growth of 4.6% in 2019 (the lowest it has been since 1998).

Despite the subdued economic growth, the technology sector registered a remarkable performance by outperforming other sectors, with a significant gain of 91.0% y-o-y, driven by higher demand and increasing usage of technology. The Bursa Malaysia Technology Index also recorded an astounding gain of 86.6% on the back of the push towards digitalisation and the adoption of new technologies particularly in supporting Malaysia's post-pandemic economic recovery. Across 2020, businesses have stepped up their digital transformation efforts, accelerating the adoption of digital solutions, such as cloud computing, e-commerce and digital marketing, not only as a response to the pandemic but also as a way to remain competitive in an increasingly digitalised world.

## Remaining Resilient in Times of Uncertainty

Over its 19-year history, MDV has proven its resilience by overcoming various economic and financial challenges to become a financier that is synonymous with the technology sector. MDV continues to evolve by providing financial services to technology companies in supporting the realisation of the nation's digitalisation agenda. The year 2020 was no exception as MDV continued to persevere in supporting the development of the technology sector by continuing to provide access to financing for eligible technology companies, having disbursed RM149.99 million for various technology projects under our portfolio comprising the ICT, Biotechnology, Green Technology and Emerging Technologies sectors, with a focus in Renewable Energy, ICT (Digitalisation and Connectivity) and Venture Debt (start-ups). However, as anticipated, due to a challenging economy and unprecedented impact to the operating environment caused by the COVID-19 pandemic, the year posed multiple challenges to MDV, operationally and financially, which ultimately affected MDV's overall planning and profitability.

Despite these challenges, MDV was able to build on the improvement efforts in recent years, to navigate the economic uncertainty albeit at a reduced capacity. MDV has identified good funding and strategic collaborations opportunities during the pandemic and ensuing market volatility. Notable collaboration for the year 2020 included MDV-Standard Chartered co-creation of a first-of-its-kind replicable bare custody Islamic trust structure for development financiers, which provides a platform that allows for enhanced administration, better governance, full control and visibility over financing related accounts which significantly reduces operational risks for financial institutions in the country. For customers, this trust structure would provide them with better visibility and transparency regarding their financing.

In the year under review, MDV also rolled out a series of measures to alleviate the burdens faced by technology companies particularly the Micro, small and medium enterprises (MSMEs) and start-ups. These include expediting evaluation process on existing products to ensure timely availability of funds and accelerating disbursements for customers to enable capacity building, as well as offering a moratorium on loan repayments to support the companies through tough times and to help bridge their cash flow gap. MDV also provided options to existing customers, on case-by-case basis, to reschedule or restructure their financing facilities to help them manage their cashflows.

MDV was also among the earliest organisation to introduce a funding relief programme, specifically to technology start-ups facing financing constraints due to the economic impact brought about by the pandemic. With the support of the Ministry of Finance (MOF) and the Ministry of Science, Technology and Innovation (MOSTI), MDV had rolled out the Technology Start-Ups Financing Relief Facility (TSFRF) programme in May last year, to provide cash flow support for Venture Capital (VC) and Government agency-backed technology start-ups that are impacted by the adverse economic conditions and funding disruptions. The TSFRF has now been rebranded as Liquidity Financing for Technology Start-ups Facility (LIFTS) to match the current objective of

providing cash line support to ease cashflow restrictions for technology start-ups. To date, MDV has accepted 57 applications, with approved financing amount totaling RM70.27 million. To date, RM21.26 million has already been disbursed to 25 companies and MDV expects more companies to benefit from this facility in the year 2021.

Despite a challenging year, MDV recorded further progress for its pioneering Venture Financing programme, as it strives to attract newly emerged, fast-growing businesses with viable business models built around an innovative product, service, process, or platform to facilitate the achievement of milestones critical for their development and integral to increasing their value. Cumulatively, MDV has already approved 20 financings to viable technology companies under its Venture Financing portfolio with approved financing amount of RM62.50 million.

As a forward-looking technology financier, MDV has always been a firm supporter of the country's sustainability agenda and believes that green technology holds an important key to achieving sustainable economic growth for the continued development of the nation. Testament to this, in the year 2020, MDV remained one of the leading financiers for Sustainable Energy in Malaysia based on its contribution to the sector via the Green Technology Financing Scheme (GTFS) in which MDV was the highest financier under the scheme with more than RM912.40 million financing approved for 64 green technology companies since the scheme was first introduced by the Government back in the year 2010.

## Normalising the New Norms

The global pandemic has brought about a 'new normal' in people's way of living and working, hence has forced everyone to reassess the way to interact and to connect with each other within the present constraint. In this context, the year 2020 has imparted an important lesson on the need to properly navigate the significant shift in one's life, work, and family interaction, and the need to manage one's mental and physical health during this highly challenging and difficult period.

Henceforth, MDV took no shortcuts in ensuring that the safety, health and well-being of the employees, customers and stakeholders are protected in the way MDV conducts business and operations. Personal protective equipment, disinfectant procedures, social distancing, work from home arrangements and increased use of digital communication tools are some of the many adaptations and new operating procedures taken up to ensure employees could work in a safe environment while continuing to be productive.

In terms of people development, as employees are undoubtedly the most important asset, and to continue nurturing a high-performance culture, MDV undertook various efforts during the year to ensure that all employees would still have access to relevant and impactful training to help them build relevant skills to excel in their respective roles despite having to work away from the office. MDV had re-evaluated and reprioritised its learning and training schedules, which would fit the requirements of employees at the time, by adjusting the training calendar and fully adopting virtual training sessions.

MDV also understands the challenges faced by employees to normalise working from home requirement. As such, MDV has made it a priority to ensure that the welfare of the employees is promptly managed and addressed. Several new allowances and benefits were introduced such as the MCO Special Assignment Allowance (SAA), the Employee Financial Assistance (EFA) and the cashless outpatient medical facility to alleviate some of the employees' financial burdens.

The commitment to strengthening governance and risk management framework, remains firmly intact to ensure continued resilience and sustainability of the businesses and operations. Upholding good corporate governance and continuously advocating transparency, accountability, responsibility, and integrity across the organisation have been amongst MDV's utmost priorities, besides ensuring sound credit and risk management practices to mitigate potential challenges.

For this purpose, MDV has in place relevant policies and standard operating procedures (SOP) and guidelines, which all employees are required to comply with including MDV's Code of Conduct Policy; Anti-Fraud SOP; Integrity & Anti-Corruption SOP; Anti-Money Laundering & Counter Financing of Terrorism (AML/CFT) Guideline; Fraud & Corruption Risk Assessment; and Fraud & Corruption Perception Index. MDV had also executed several activities and programmes for employees' awareness and involvement throughout the year 2020, which include MDV Integrity Day, Majlis Ikrar Bebas Rasuah, forums and webinars on integrity and corruption.

MDV also further strengthened the Company's overall risk aspects by conducting periodical reviews of policies and SOP, and consistently benchmarking the current practices and processes with the market's best practices in developing a strong credit culture.

## Challenges and Opportunities

The COVID-19 pandemic has provided Malaysia many valuable lessons, but none is more prevalent than the importance of science, technology and innovation in surviving a global pandemic. It has accelerated the growth of national digital economy and opened up avenues to various new digital businesses, which provided the nation with the agility to pursue new growth opportunities such as gig economy and Fintech. This consequential development has led us to a new digital culture.

Digital culture denotes how technology and the internet are shaping the way that people interact with each other and how they behave, think and communicate within a society. It is the product of the endless persuasive technology around us and the result of disruptive technological innovation. In short, digital culture is the result of the relationship between humans and technology. With the risk of the COVID-19 pandemic continuing to loom over people's everyday lives, and the increased dependency on technology to adjust to new ways of work and life, digital culture has now, to a significant extent, become ingrained within the heart of our society.

Despite the progress made on the technology and digital front, it is equally important for Malaysians to not lose sight of the social values that are also driving the country's journey in achieving economic prosperity: peaceful co-existence; mutual

respect and tolerance; respect of the rule of law; and continuous seeking and sharing of knowledge. As Albert Einstein once said, "The human spirit must prevail over technology", and these words of wisdom has never rung truer than in the present time.

In the Malaysian context, the growing use of technology for work, leisure and in staying connected with each other, has shaped new digital habits among the people. This is a positive development as it has helped to expedite Malaysia's existing target to leverage on the advancement of technology in transforming Malaysia into a digital economy and in achieving the status of a developed nation. The Government has also embarked on various initiatives to bridge the digital divide among Malaysians to ensure equal opportunity for people to leverage on technology for their wellbeing and to spur the digital economy, such as promoting technology adoption among businesses and encouraging digital entrepreneurship.

The Malaysia Grand Challenge (MGC); the National Policy on Science, Technology and Innovation (DSTIN) 2021-2030; and the 10-10 Malaysian Science, Technology, Innovation and Economic (MySTIE) Framework introduced by MOSTI; as well as the MyDigital Roadmap that was launched by the Prime Minister, further solidify the Government's commitment to the development of technology and innovation in line with the country's aspiration to realise the Shared Prosperity Vision 2030 (SPV 2030) and Sustainable Development Goals (SDGs) as outlined by the United Nations.

MDV stands ready to assist the Government towards accelerating Malaysia's shift into a fully digital economy. To this end, MDV will look to providing better access to financing to all technology companies and to expedite jobs creation.

## Gearing Up for 2021 and Beyond

Moving into the year 2021, MDV expects that this year will be an equally challenging year for the country and the economy. Nonetheless, MDV's commitment in funding the nation's technology sector remains firm and MDV will continue to be prudent and vigilant during these trying times.

For the current year, MDV has set its focus on strengthening financial resources and liquidity including pursuing funding diversification strategy by means of securing alternative funding via issuance of MDV's own corporate-rated Sukuk programme and through additional credit facilities from other financial institutions. This is part of MDV's long-term sustainable growth strategy to be self-reliant as it transitions into a mature organisation. With the assignment of a corporate credit rating of "AA3-stable/P1" by the Rating Agency Malaysia (RAM), MDV intends to raise funds from the capital market via issuance of a standalone sukuk (Islamic bond) without a Government Guarantee amounting to RM2.00 billion to support its financing programme moving forward. This has already been approved by MOF and will likely be deployed in part by the third quarter of the year 2021.

MDV has also identified a few strategic priorities for the next 3 to 5 years which include increasing funding capacity, expanding market and strategy, embarking on a portfolio rebuilding initiative, growing the Venture Financing programme further, and supporting the Government's initiatives in cushioning the impact of COVID-19.



One of the initiatives to kickstart MDV's strategic priorities was the establishment of a Fintech Fund with Kenanga Investment Bank Berhad, with a target fund size of RM300.00 million to support the growth of Fintech companies and further develop the venture capital and venture finance industry in Malaysia. MDV will see a few more investment funds to be created in the near future focusing on their niche areas for example agri and commodity-based technology.

MDV will also provide innovative financing solutions for technology companies undertaking projects related to the 30 STIE priority areas under the mySTIE framework to support the development of local technologies through commercialisation and innovation as part of the DSTIN 2021-2030 objective of ensuring the progress of science and technology, in line with the country's economic growth. This entails that MDV will look to creating new products to target sectors that have yet to be tapped and new programmes that can leverage on MDV's existing products.

As such MDV looks forward to finance companies undertaking technology infrastructure projects related to 5G, fiber optic, cloud computing and digitalisation. MDV is also currently exploring the financing of IOT applications in the areas of industry automation, Agri technology and medical devices. Investments in start-ups and technology companies based in Malaysia are also expected to grow in the next 10 years which MDV intends to fully support via flexible and affordable financing packages.

Along with the aspiration to be a world class technology financier and development facilitator, effort towards achieving MDV's vision can be accelerated via the proposed development of MDV's own office building. The proposed new headquarters together with a Venture Finance Centre of Excellence (CoE) will not only help build MDV's own competencies and brand, but also facilitate greater upskilling and technical development of the domestic venture finance market. This would be a long-term solution to facilitate MDV's plans to expand into equity financing, widen sectoral coverage, expand MDV's portfolio to RM2.00 billion and aggressively grow venture debt activities which in return require additional number of staffs, resources and space.

Albeit all the plans and strategies, our nation and the world remain to be at war with COVID-19, a battle that we have yet to win. While MDV remains optimistic of Malaysia's resilience in facing this crisis, MDV will continue to prepare for further unprecedented impact and will take every measure necessary to remain crisis-proof. MDV will also ensure business continuity so that we will be able to meet the funding requirements of technology companies during this trying time.

## Acknowledgements

MDV's meaningful journey so far would not have been possible without the unyielding support of all MDV's stakeholders, partners, customers, and dedicated employees. My utmost gratitude to our stakeholders, MOF and MOSTI, particularly Yang Berhormat Senator Tengku Dato' Sri Zafrul Tengku Abdul Aziz and Yang Berhormat Tuan Khairy Jamaluddin, who have been unfaltering in providing their guidance and support to MDV always. I would also like to thank YBhg. Dato' Seri Lee Kah Choon, who had served as Chairman of the Board from December 2018, for his valuable contribution during his tenure at MDV. I am also grateful to the Board of Directors for their relentless commitment and the valuable inputs provided for the continued growth of the Company. Finally, my deepest appreciation goes to the Management and employees for their tireless efforts in serving the technology sector with diligence and dedication. I am privileged to be given the opportunity to work together with everyone in MDV towards creating more success stories for the Company and in pushing MDV to even greater heights.

### Khairul Azwan Harun

Chairman



# CHIEF EXECUTIVE OFFICER'S REPORT



## 2020: Key Highlights

2020 was a year which brought MDV's agility and resilience to the fore as an operating entity and the nation's technology financier.

It was a year that was marked by widespread uncertainties, volatility in the global financial markets, and an overall challenging economic environment brought about by the COVID-19 pandemic. In the Malaysian context, the pandemic has had a profound impact on the country's economy, affecting various revenue-generating sectors and significantly impacting business activities. These had led to a significant contraction in the GDP. Inevitably, the financial services, including MDV, were also faced with unfavourable market conditions, which affected loan growth, earnings, provision, and liquidity.

Notwithstanding, supported by the Company's solid fundamentals, sound business strategy and agile response to COVID-19, MDV persevered in delivering our mandate by providing uninterrupted financial and liquidity support to technology companies that fall within our mandate throughout the year.

Although some of MDV's key targets were affected for the year, this did not deter MDV from successfully providing funding access to 86 technology companies with more than RM248.04 million in approved financing to assist them in delivering their projects in technology areas such as Digital Content, Services & Infrastructure, Telecommunications & Broadcasting, Energy Efficiency, Green and Renewable Energy. Total disbursements for the year reached RM149.99 million, bringing the overall cumulative disbursements amount to date to RM12.72 billion for over 889 technology companies and more than 1,018 projects in various technology sectors. Another key part of our Corporate KPIs – Service Turnaround Time – continued to be achieved as we refined our processes and procedures to continue to deliver to our customers and stakeholders, both in terms of processing new financing applications and attending to disbursement requests.

In FY2020, the mandated technology sectors under MDV continued to achieve their growth trajectory. The Information and Communications Technology (ICT), Green Technology and Strategic Technology sectors remained the biggest beneficiaries of MDV's funding for the year making up 54.18%, 40.88% and 4.19% of our total loan and financing assets respectively.

Befitting MDV's role as a catalyst to the continued growth and development of the technology sector in Malaysia, in the year under review, MDV rose to the challenge in supporting the Government's rigorous efforts to provide financial support to technology companies, particularly the micro, small and medium enterprises (MSMEs) that were severely affected by the spread of the COVID-19 virus and the succeeding

containment measures including the implementation of a nationwide lockdown, which brought Malaysia's economy to almost a standstill.

Amid this, MDV was quick to offer some much-needed relief measures to our affected customers by implementing two phases of moratoriums involving 66 companies with total approximate deferments of RM134.30 million comprising principal and profit payments. This flexibility, to a certain extent, has helped our customers to alleviate their cash flow issues and cope with the financial challenges that they have had to endure.

With the support of the Ministry of Finance (MOF) and the Ministry of Science, Technology & Innovation (MOSTI), MDV also launched a RM100.00 million relief programme, the Technology Start-ups Funding Relief Facility (TSFRF), or presently known as the Liquidity Financing for Technology Start-ups (LIFTS), in May 2020 to alleviate short-term cash flow and funding problems faced by technology start-ups in Malaysia. MDV had received encouraging response for the facility with a total of 122 applications received to-date; equivalent to more than RM230.32 million in financing applied.

The applications received were further filtered to ensure that the companies financed fulfil the key funding criteria including being strategically positioned in its related segment/sector; prospect for regional/global growth; and potential in making a tangible contribution to the nation. Subsequent to this, MDV approved more than RM70.27 million of financing under the programme and has so far disbursed RM21.26 million to companies across multiple technology sub-sectors with e-Commerce, B2B and Fintech companies being the largest beneficiaries. Given that financing such as LIFTS is crucial for the local technology companies' continued survival during this tumultuous time, MDV is currently working towards expediting our approval processes and to further increase the disbursements under this facility.

## Financial Review

For FY2020, MDV's financial performance continued to be commendable with a profit before tax of RM6.25 million against RM12.52 million recorded in 2019. This result was primarily driven by MDV's improved management of our net financing loss allowances through close and constant monitoring of non-performing accounts; increased engagements with customers to ensure timely repayment; and continuous enhancements of our credit controls. However, due to a recent change in the Malaysia tax regulation which now limits the usage of any unutilised tax losses to only seven (7) years, MDV was required to make an adjustment to our deferred tax which resulted in MDV having to record a net loss of RM73.88 million for FY2020. While this is an unfavourable result in terms of the Company's performance, it is not in any way, an indication of the Company's financial standing, which continues to remain stable.

In FY2020, MDV recorded a lower net allowances for losses on loans/financing of RM15.65 million against RM25.16 million recorded in FY2019. This represents a 37.80% improvement in MDV's net financing loss allowances for the year. MDV's gross impaired financing rate further improved during the year to 19% (FY2019: 23%), while also recording total cash recovery of RM52.79 million from our impaired accounts. MDV is on track to further lower our credit costs to be on par with other financial institutions.

The year also saw MDV receiving the first cash distribution of RM1.13 million from MDV's investment in the 500 Startups III Funds and recording an unrealised gain of RM5.35 million from MDV's technology-related private fund investments and venture financing, enabling MDV to partly mitigate the lower interest/profit income from our financing portfolio which registered a drop to RM64.85 million from RM85.29 million in FY2019.

In the year under review, MDV's financing portfolio contracted by 12.91% y-o-y to RM727.62 million (FY2019: RM835.51 million) on the back of sluggish economic activities due to the COVID-19 crisis, which led to delays in customers' projects progress and fewer contracts being awarded to companies. This consequently affected MDV's financing approvals for the year and resulted in MDV registering lower disbursements of RM149.99 million (FY2019: RM226.53 million).

The decrease in MDV's portfolio was also attributable to the redemption/full settlement of accounts amounting to RM80.58 million, mainly for solar projects financed by MDV. Notwithstanding, this development positively signified MDV's effective execution of our mandate in nurturing our customers by enabling them to deliver their projects and developing their business credibility, which subsequently provided them with access to financing from other commercial banks and capital markets.

In FY2020, MDV's cost of funds recorded a slight decrease at RM48.95 million (FY 2019: RM50.47 million), while MDV's operating expenditure stood at RM26.25 million - lower than our initial budget mainly due to cost savings recorded during the Movement Control Order (MCO) period.

Moving forward, MDV will continue to exercise continued prudence in every aspect of our financing activities and to intensify our focus to scale up for growth.

## Operational Review

2020 became a litmus test to MDV's resilience as a technology financier. Amid the challenging economic and operating landscape, MDV ensured that our business operations would remain smooth with minimal interruptions by being quick to adapt to the operating requirements during the time of a pandemic. At the core of all decisions and changes implemented by MDV during the crisis, the priority was always in safeguarding the safety and wellbeing of our employees and customers, while continuing to effectively serve our mandate.

To this end, the year saw MDV initiating the adoption of relevant policies and procedures across our business and operations in complying with the COVID-19 and MCO-related SOPs as well as the guidelines that were implemented by the Government and the health authorities. Some of the crucial measures taken by MDV were to equip our employees with the necessary tools to Work-From-Home (WFH) and to minimise any type of physical interactions through extensive usage of our digital infrastructure. This required us to revisit and expedite our digital transformation plan by prioritising aspects such as digital security, migration to cloud-based platforms and investments in productivity enhancement tools. I am pleased that our efforts have made MDV a more virtually connected organisation and we will further improve on our digitalisation efforts to ensure that MDV will remain prepared for any future or unprecedented disruptions to our operations.

The initiatives taken by MDV had not only protected our employees from unnecessary exposures to COVID-19 but also provided them with a supportive and accommodative working condition for their continued productivity. These outcomes were instrumental in ensuring MDV's operational efficiency and our ability to remain on track in terms of our implementation of the FY2020 strategies and action plans.

As part of our portfolio rebuilding strategy and to grow our financing pipeline further, the year 2020 saw MDV continuing to provide access to financing for technology companies within our focus areas comprising Green Technology, Connectivity, Digitalisation and Start-ups. MDV's funding in Green Technology in particular, continues to register progress with more than RM912.44 million in cumulative financing under the Green Technology Financing Scheme (GTFS) having been approved so far making MDV the highest financier under the scheme, while RM16.60 million were approved under the Energy Efficiency Financing in the year 2020 alone.

MDV also continued to accelerate our efforts in providing access to financing for the commercialisation and growth of technology start-ups via our Venture Debt/Financing programme which have so far seen more than twenty (20) Venture Capital (VC) backed technology start-ups receiving MDV's approval for financing with a total allocation of RM32.50 million since this programme was first introduced in 2018. We are proud that some of the companies that we funded under this programme have successfully expanded their footprints outside of Malaysia in a bid to become a globally recognised brand. With the Government's continued commitment in supporting and enhancing the start-ups ecosystem in Malaysia as evident from the implementation of strategic initiatives such as the Dana Penjana Nasional programme, MDV is optimistic that our Venture Debt/Financing offering will continue to expand further and be increasingly viewed as the preferred source of capital option by technology companies that are

looking to scale their businesses and broaden their reach beyond the local market. To this end, MDV is doubling our efforts in seeking high potential local start-ups in supporting them towards becoming the nation's next technology Unicorns.

The year also saw MDV continuing to build upon our marketing and strategic partnership with our industry peers and leading venture capitalists in furthering our mandate and creating a significant momentum for our financing products/programmes. Given the constraints arising from the spread of the pandemic, MDV was driven to leverage on the use of online platforms to conduct a series of webinars and virtual engagements with relevant agencies and potential customers in creating more awareness of our product offerings. This has proven to be an effective approach as our Business Building Managers were able to reach out to a substantial number of prospects and create meaningful engagements with multiple industry players albeit virtually.

During the year, MDV went the extra mile in creating added values for our customers and the financial industry through strategic collaborations. MDV's partnership with Allianz General and Anora Agency for instance, was formalised in an effort to provide protection for MDV's Solar Photovoltaic (PV) financing customers via SolarPro, which is Malaysia's first comprehensive insurance protection scheme catered for home, commercial and industrial solar PV. MDV is pleased to be able to offer this added security to our Solar PV customers, which complements the innovative Renewable Energy (RE) project financing offered by MDV that has enabled us to become the leading RE and Green Technology financier in Malaysia. In the same year, MDV also worked together with Standard Chartered Bank in creating the financial market's first replicable bare custody Islamic trust structure that can be customised to customer's needs and be expanded to other development financiers to improve governance, visibility and control over their financing portfolios. This initiative exemplifies MDV's readiness to contribute to the growth of the financial sector particularly by advocating the values of governance and transparency as the underpinning principles in any financial activities.

This is in harmony with MDV's own commitment to upholding the highest standards of corporate governance as we continued to advocate transparency, accountability, responsibility and integrity in all of our activities throughout the year. Some of the main initiatives undertaken by MDV in 2020 were related to MDV's integrity & anti-corruption plan which saw MDV affirming our zero-corruption stance through the Corporate Integrity Pledge witnessed by the Malaysian Anti-Corruption Commission (MACC), the hosting of MDV's Integrity Day in collaboration with the Malaysian Institute of Integrity (IIM) and numerous awareness building activities for our employees. These activities were carried out on top of periodical reviews of our existing policies and SOPs such as MDV's Code of Conduct Policy, Anti-Fraud SOP, and Integrity and Anti-Corruption SOP. MDV also continues to strengthen our credit and risk management practices to mitigate potential challenges, which may be detrimental to the performance and progress of the Company.

In terms of employee development initiatives, the year saw MDV quickly shifting some of our key Human Capital processes such as recruitment and trainings to be conducted

completely online. This is important to ensure that even with the change in working conditions in which most of our employees are required to work from home, MDV is still able maintain the Company's standard of delivery and to enhance it further by providing continued access to learning and skills development for our employees via relevant online coaching and knowledge sharing sessions, and to continue to attract and retain the best talents in the market.

MDV also introduced special allowances that are meant to compensate and address some of the challenges faced by our employees during the year, particularly for those who were required to physically work and be present at MDV's office during the MCO period. This also includes subsidising the cost for employees to conduct their COVID-19 test. MDV also undertook a review of the Company's benefits to ensure that they adequately address the wellbeing of our valued employees. This has led the Company to introduce additional medical-related benefits including Cashless Outpatient Medical Facility; Home Rest option as an alternative to Sick Leave; and a revision to the group personal accident insurance coverage policy for employees with higher-risk job functions.

Moving forward, MDV will continue to strive to improve in all aspects of our operations and to always comply with the Government's guidelines and SOPs pertaining to COVID-19 to ensure the safety of our employees and customers at all times. MDV will also continue to build on our human capital capabilities by ensuring that all employees are given sufficient opportunities for their professional growth to help them excel in their respective roles.

## Reinforcing Resilience and Sustaining Momentum

According to a report by Accenture, ASEAN's digital economy is projected to add an estimated USD1.00 trillion to the region's GDP over the next 10 years in line with the acceleration in digital growth in the region. As a developing nation, Malaysia is cognizant of the urgent need for the country to transition into a globally competitive digital nation, without overlooking the need for the growth of the digital economy to be an inclusive process. While the Government has been consistently rolling out various initiatives to support this transition, it was the ongoing COVID-19 crisis that had really provided Malaysia with the opportunity and push to accelerate its pace for digital transformation as evident by the current growth and development of the nation's digital economy.

At the close of 2020, MDEC reported that 489,000 MSMEs have adopted eCommerce while the number of companies using eCommerce for exports grew exponentially from 1,800 to 27,000. This positive trend persists into 2021 with the first quarter GDP result showing that the online retail sales index had registered a growth of 18.30 per cent y-o-y. These encouraging developments were further boosted by the Government's continued emphasis on creating an innovative, inclusive and technology-integrated society such as via the implementation of the Digital Economy Blueprint; a 10-year road map that aims to transform Malaysia into a digitally driven, high-income nation and a regional leader in the digital economy.

As a dedicated technology financier, MDV occupies a significant role in supporting Malaysia's digital transformation journey. MDV's expertise in assessing innovative business models, identifying technologies that have the potential to catapult the nation's economic growth, as well as extending flexible and specialised funding solutions in bridging the funding gap for underserved technology companies have always been our differentiating advantage. Notwithstanding, the pace of technological development which continues to accelerate and the ever-changing dynamics of businesses, require MDV to constantly be prepared to adapt and elevate our product offerings as well as our overall processes to ensure that we are always up to speed with the present requirements of technology companies.

As part of this process, MDV has recalibrated our strategies for the current year to accommodate the present economic climate while continuing to be guided by our FY2018-FY2025 Roadmap focusing on transformation, strength and regionalisation. We have identified a range of initiatives and approaches that will be undertaken during the year including the scaling up of our portfolio in ICT, Green Technology and start-up financing, while also expanding our market and financing coverage by tapping into sectors/sub-sectors within the technology-space value chain that are yet to be covered under MDV's existing portfolio. A wider sectoral coverage will present MDV with added financing opportunities including in the 30 National STIE niche areas and other high-potential growth sectors such as Agri-tech, 5G and fintech, which MDV aims to support through the development of new financing products or specialised funding programmes.

Areas such as fintech for example, is seeing an increase in adoption rate, from mobile wallets and electronic payments, to crowdfunding and insurtech, contributed in part by improved digital infrastructure such as high-speed broadband facilities and better digital literacy. IMF analysis on Malaysia's fintech development deduced that fintech is rapidly becoming a central part of the country's financial sector, with considerable potential for expansion. However, access to funding, remain a challenge to the future of fintech growth in Malaysia and MDV seeks to assist in overcoming this issue by addressing the funding requirement of fintech companies with scalable and sustainable business models such as through a joint effort with Kenanga Investment Bank Berhad for the establishment of a RM300.00 million Fintech Fund that was unveiled earlier this year. MDV will be looking to adopt similar approach in regard to other technology areas, by utilising an ecosystem-wide collaboration with other key players to facilitate the deployment of high-impact technology projects.

MDV will also continue to pursue our funding diversification strategy in growing our funding capacity and ensuring liquidity which is crucial to the success our market expansion and portfolio rebuilding strategies moving forward. MDV is also making encouraging progress in our efforts to ensure our long-term sustainability and become a financially independent Government-Owned Corporation (GOC). MDV has already laid out a solid plan in strengthening our financial resources including commencing final preparations for our planned issuance of a new sukuk/bond programme this year and seeking additional credit facilities from other financial institutions to boost our capacity to finance more technology companies requiring our assistance.

Budget 2021 as announced by the Government last year has also accorded MDV with a total allocation of RM38.00 million, allowing MDV to continue to plan for the expansion and growth of our Venture Debt/Financing portfolio. To achieve this, MDV will continue to strengthen our VC partnership network in maintaining relevance in the market and secure robust deal pipeline, with a target to finance ten (10) technology start-ups in FY2021. MDV will also work on our plan to provide additional access to funding for tech start-ups through a synergy between the Government and the private sector via a Microfund scheme.

In the face of the ongoing crisis, MDV will spare no efforts and resources in ensuring our continued resilience, perseverance and commitment to assist technology companies, particularly, the MSMEs, to weather the current economic challenges and to regain their growth momentum post COVID-19, while also continuing to support the Government's efforts in mitigating the devastating and wide-ranging effects of the pandemic on the country's economy and people's livelihoods as guided by MDV's role as the nation's technology financier.

## Acknowledgements

The extraordinary journey that we experienced in 2020 had given us in MDV an invaluable lesson on the need for any businesses to always remain agile and ready in facing any unprecedented circumstances, while recognising that change is an inevitable process that needs to be embraced and experienced for any meaningful growth to transpire.

In this regard, our achievements in 2020 would not have been possible without the support of our stakeholders, peers, partners, customers, and employees. On behalf of the Management, I would like to extend my utmost gratitude to the Government of Malaysia, particularly, the Ministry of Finance (MOF) and the Ministry of Science, Technology & Innovation (MOSTI) for continuing to believe in MDV's role and potential as the nation's technology financier. My heartfelt appreciation is also due to our esteemed Chairman and Board of Directors for their guidance, wisdom and unwavering support of the Management. Last but not least, I would like to express my gratitude and appreciation to all MDVians for their uncompromising dedication and unrivalled camaraderie in supporting the Company during this highly challenging period.

I am confident that MDV will continue to brave through this crisis with diligence and determination to emerge stronger and more resilient in delivering our mandate for the continued development of the nation's technology sector.

## Nizam Mohamed Nadzri

Chief Executive Officer



# 03 LEADERSHIP & PEOPLE







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# BOARD OF DIRECTORS' PROFILE



**Mr. Khairul Azwan Harun**  
**Non-Executive Chairman**

Mr. Khairul Azwan Harun was appointed as the Chairman of MDV on 28 October 2020.

Mr. Azwan is a former Senator in the Malaysia's Upper House of Parliament from 2016 to 2019. During his term in office, he was instrumental in the effort to reform Dewan Negara through the establishment of the Dewan Negara Caucus in 2018.

Upon the completion of his tenure as Senator, Mr. Azwan established Progredior Consulting, a Kuala Lumpur-based management consulting outfit, where he currently serves as a Managing Partner, providing consultation to his corporate clients in policy research, strategic communications, stakeholder advocacy and political risk assessment.

He is currently a board member for University Utara Malaysia and LGM Properties Corporation as well as Chairman of Vsolar Group Bhd.

Mr. Azwan started his career as an auditor and corporate recovery consultant with Ernst & Young Malaysia. He holds a master's degree in Management from Open University Malaysia and attended the leadership course at Harvard Kennedy School of Government, Massachusetts. He obtained an Accounting degree from Cardiff University of Wales.



**Dato' Seri Lee Kah Choon**  
**Non-Executive Chairman (resigned w.e.f. 28 October 2020)**

Dato' Seri Lee Kah Choon was appointed as the Chairman of MDV on 13 December 2018.

Dato' Seri Lee Kah Choon is currently a board member of various state government linked companies and private corporations.

Dato' Seri Lee is also a member of the Investment Committee of Areca Capital, a licensed fund manager for individuals, corporations and other institutions.

Additionally, he is also a chairperson for various private companies covering a plethora of industries such as: telecommunications, nurturing start-ups, trading, packaging, manufacturing, tourism, property development and wealth management.

Dato' Seri Lee is a Barrister at Law, a Certified Financial Planner & the Adjunct Senior Fellow, Penang Institute.



**Mr. Ng Chih Kaye**  
**Independent Non-Executive Director**

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

He began his career at a Chartered Accountants firm in London and later at KPMG, Kuala Lumpur. He then served Maybank for 25 years, his last position being an Executive Vice President. Mr Ng is a member of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants (ACCA). He currently sits on the Board of Ambank (M) Bhd. and Shangri-la Hotels Malaysia Bhd.



**Puan Nazidah Ahmad Azli**  
**Independent Non-Executive Director**

Puan Nazidah Ahmad Azli was appointed as Director to the Board of MDV on 5 February 2018.

Puan Nazidah obtained her Bachelor of Commerce (Accounting) from University of Western Australia, Perth in 1985.

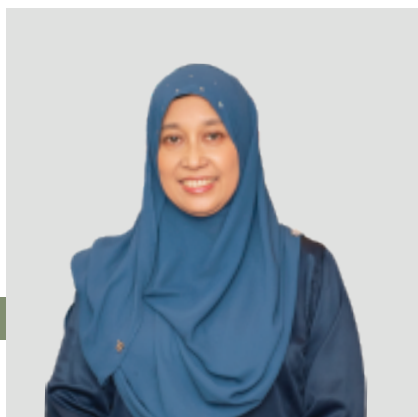
She started her career at Telekom Malaysia Berhad thirty-three years ago and has held several different positions throughout her years of service. Puan Nazidah started as an accountant for TM Group. She was instrumental in the ERP implementation for the company as a Project Director before being appointed as VP Financial Controller of TM Group.

She was later appointed as CFO of VADS Berhad; the ICT arm and wholly owned subsidiary of Telekom Malaysia. Puan Nazidah currently heads the Finance division of TM Global; holding the position for the last seven years.

In her capacity as senior management personnel of TM Group she had previously served as Director on the Boards of VADS Berhad and Menara KL. As the CFO of TM Global she currently sits on the Board of several TM's regionally incorporated entities abroad since 2019.

Puan Nazidah is a FCPA of CPA Australia since 2004.





**Dr Azura Othman**  
**Independent Non-Executive Director**

Dr Azura Othman was appointed as Director to the Board of MDV on 5 November 2018.

Dr Azura graduated with a degree in Accounting and Finance from London School of Economics and Political Science. She is also a Fellow of ACCA (UK), a member of Malaysian Institute of Accountants (MIA) and a chartered member of the Institute of Chartered Islamic Finance Professionals (CIIF). She received her PhD in Islamic Finance from the International Centre of Education in Islamic Finance (INCEIF).

Currently, Dr Azura is the Chief Executive Officer of the Chartered Institute of Islamic Finance Professionals (CIIF), a professional standard setting body for Islamic finance practitioners. She served as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad from 2015 until September 2020, where she chaired the Board Audit Committee and the Nomination and Remuneration Committee.

She was a former Executive Director of PricewaterhouseCoopers Taxation Services, Malaysia with over 19 years of experience as a tax consultant and in engagements relating to Islamic Finance. Among her major assignments include formulating the tax incentives for Malaysia as the International Islamic Financial Centre (MIFC). She authored a book in Macroeconomic Policy and Islamic Finance as well as various chapters and articles in Islamic finance.



**Puan Nahidah Usman**  
**Non-Independent Non-Executive Director**

Puan Nahidah Usman was appointed as Director to the Board of MDV on 18 December 2019.

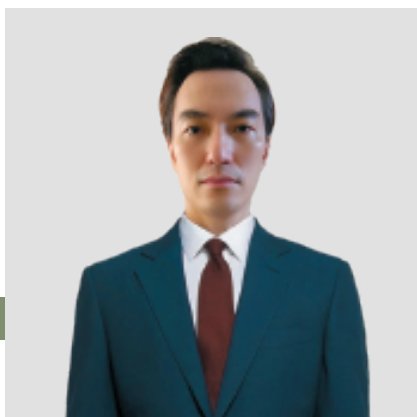
She is currently the Head of Finance and Investment Section, Government Investment Companies Division, Ministry of Finance. Presently, she also sits on the Board of Syarikat Tanah dan Harta Sdn Bhd.

She started her career as Assistant Secretary of the Human Resource Division at the Ministry of Finance in 2001. In 2006, she continued to serve as Assistant Secretary at the Government Procurement Division, Ministry of Finance. She was later appointed as the Principal Assistant Secretary in the same division prior to pursuing her master's degree in 2010. She continued her services in civil service in 2012 as the Principal Assistant Director of the Public Private Partnership Unit (UKAS), Prime Minister Department. From here onwards, she played a massive role in UKAS and was appointed as Director of Health & Education Section until April 2019.

Subsequently, she returned to the Ministry of Finance in May 2019 serving as the Head of Commercial Unit of the Government Investment Companies Division.

Puan Nahidah Usman holds a Bachelor in Business Administration from National University of Malaysia, a Master's Degree in Economics (Human Resource) from the same university and Diploma in Public Administration from the National Institute of Public Administration (INTAN).





**Mr Ng Sang Beng**  
**Independent Non-Executive Director**

Mr. Ng Sang Beng was appointed as Director to the Board of MDV on 10 March 2020.

Mr. Ng is the founder and CEO of ACE Market- listed Aemulus Holdings Bhd., a company primarily focusing on the design, engineering and development of automated test equipment (ATE) for the semiconductor manufacturers and outsourced semiconductor assembly and test (OSAT) companies.

He started his career with Altera Corporation in Penang upon graduation. He was first employed as a Test Development Engineer before moving up to Application Engineering. In Altera, he had successfully managed to transfer five of Altera USA functions to Altera office in Penang. These efforts provided huge cost savings as much as RM1.00 million per year for Altera.

He left Altera in 2004 and founded Aemulus to provide disruptive technology for the semi-conductor industry. Aemulus was subsequently listed in Bursa Malaysia's ACE market in 2015.

Mr. Ng was an Intel scholar and holds a Bachelor of Electrical Engineering from Universiti Teknologi Malaysia (UTM).



**Dato' Asmuni Sudin**  
**Independent Non-Executive Director**

Dato' Asmuni Sudin was appointed as Director to the Board of MDV on the 13 of August 2020.

Prior to his appointment of MDV board member, Dato' Asmuni was the Chief Operating Officer (COO) for Banking Operations at Bank Rakyat. He was also the Chief Financial Services Officer and Chief Operating Officer at Agrobank.

Dato' Asmuni's working experience spans over thirty years at Maybank where he held various positions from Branch Manager, General Manager of Maybank Brunei and Regional Director Selangor/Negeri Sembilan overseeing Banking Operations, Retail, SME, micro and Consumer Financing. In total, Dato' Asmuni has over thirty years of experience with the Commercial Bank and eight years with Development Financial Institutions.

Dato' Asmuni obtained a Bachelors' Degree in Economics from University Malaya in 1980.

Dato' Asmuni is also one of the Board of Directors of PT Resources Holdings Berhad.



**Mr. Puvanesan a/l Subenthiran**  
**Independent Non-Executive Director**

Mr. Puvanesan a/l Subenthiran was appointed as Director to the Board of MDV on 22 January 2021.

Mr. Puvanesan graduated with BA (Hons) in Accounting and Finance from London South Bank University and holds a Diploma in Economics from the National Council for Educational Awards, Ireland. He has also completed the Senior Management Development Program and Program for Leadership Development at Harvard Business School.

Mr. Puvanesan is one of the founding members of Privasia Group and is currently the Chief Executive Officer and Managing Director for Privasia Technology Berhad. Prior to this, he was a senior in the Business Advisory and Assurance Department of BDO Simpsons Xavier in Ireland and upon his return to Malaysia, was the Chief Financial Officer of the Makmal Jaya Group.

Mr. Puvanesan is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Chartered Accountant with the Malaysian Institute of Accountants (MIA) and a member of the Young Presidents Organization (YPO).



**Dato' Dr. Mohd Zaidi bin Md Zain@Zakaria**  
**Independent Non-Executive Director**

Dato' Dr. Mohd Zaidi bin Md Zain@Zakaria was appointed as Director to the Board of MDV on the 8 April 2021.

Dato' Dr. Zaidi has over twenty (20) years of experience in Islamic Family Law and is currently practicing under his legal firm i.e. Messrs Zaidi Zain & Associates, specialising in Shariah Law.

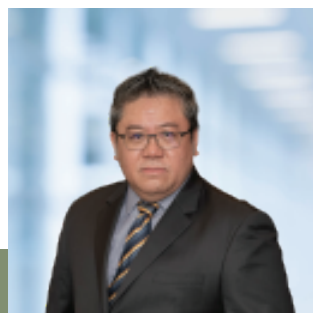
He had also served as a member of the Kajang Municipal Council from 2014 to 2018 where he was appointed as a member of the Board of Disciplinary and Legal Committee. Dato. Dr. Zaidi was also a part-time lecturer at Universiti Sains Islam Malaysia ("USIM"), Negeri Sembilan specialising in Shariah Court Procedural Laws.

Dato' Dr. Zaidi has a PhD and Master's Degree in Shariah & Law from Universiti Malaya.

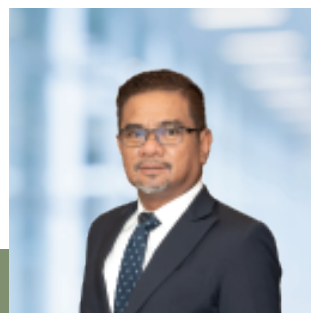
# MANAGEMENT TEAM



**Nizam Mohamed Nadzri**  
Chief Executive Officer



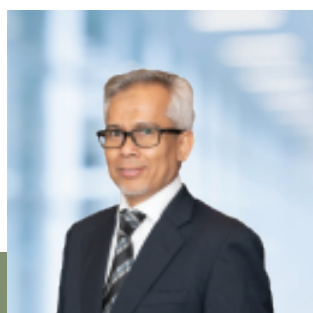
**Adrian Khor**  
Chief Operating Officer



**Aimi Aizreen Nasharuddin**  
Chief Business Officer



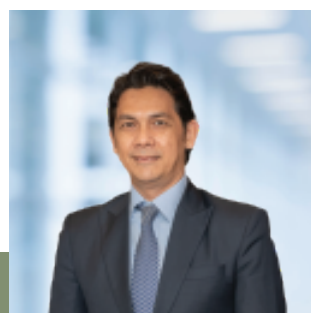
**Rizal Fauzi**  
Chief Risk, Integrity & Governance Officer



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



**Abu Hasan Abd Manan**  
Senior Vice President of Business



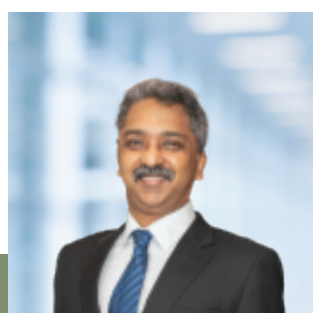
**Mohd Farid Mohd Rosli**  
Senior Vice President of Venture Finance



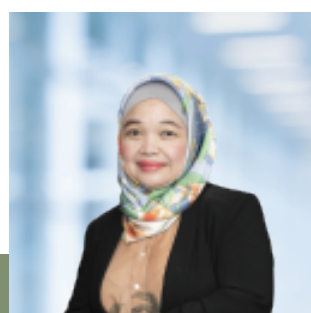
**Sharul Sazman Samaan**  
Senior Vice President of Business Building  
& Public Relations & Communications



**Liow Choong Kai**  
Senior Vice President of  
Credit Management



**Yashvin Metha Vythy**  
Senior Vice President of Corporate Planning



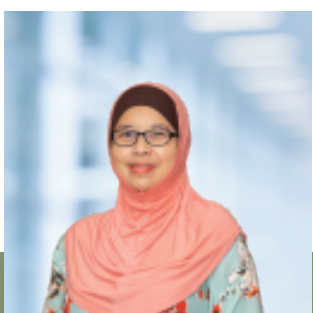
**Julinah Abd Hamid**  
Senior Vice President of Asset Management



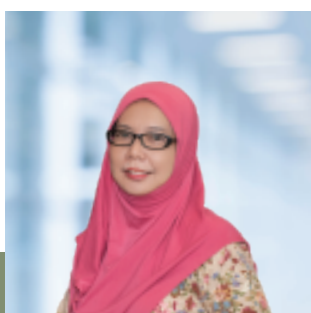
**Zuhry Bin Rashid**  
Vice President of Business &  
Technology Advisory



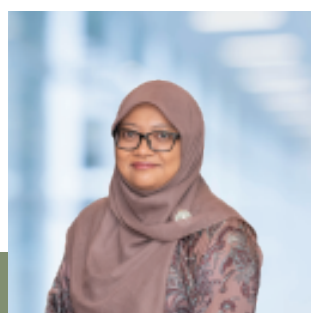
**Alfian Othman**  
Vice President of Finance & Administration



**Hanim Kassim**  
Vice President of Human Capital



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



**Marlina Sabtu**  
Vice President of Legal & Secretarial

# PREPARING THE NEW NORMAL FOR MDV



We have seen imminent shifts involving the governments, businesses, and consumers throughout the world due to the devastating impact of the infectious coronavirus disease (COVID-19). The COVID-19 pandemic has negatively impacted the global economy as a whole and as a result, businesses around the world needed to pivot, adopt and pursue what is considered as a new normal of conducting business and its operations.

Paramount to MDV is the health and safety of our employees, stakeholders, and work environment. These aspects remain pivotal points for us to continue providing uninterrupted access to efficient and smooth financing operations by addressing the challenges brought forward by the pandemic. MDV reacted swiftly and implemented working-from-home (WFH), office and administrative policies to minimise exposure in tandem with the Movement Control Order (MCO) and its variations imposed by the Government. With the advent of the new policies, new Standard Operating Procedures (SOP) came to birth.

The Standard Operating Procedures (SOP) introduced and executed by the Risk Management Division (RMD) as part of MDV's Business Continuity Management (BCM) became the overarching SOP umbrella covering work-safety and operational procedures designed to manage work activities during and post the MCO periods. Key action plans include:

- ***Constant COVID-19 updates and informing roles and responsibilities of all MDV Employees during the pandemic.*** Amongst the first initiative to be undertaken was the dissemination of information on COVID-19 and its transmissions, key dos and don'ts including wearing of face masks, social distancing, sanitisation, and actions to be undertaken if any employee is suspected to be COVID-19 positive or in close contact with one.

Employee declaration of contact/possible contact with COVID-19 infected-persons and travel to COVID-19 red areas has become an important monitoring tool whilst frequent updates through email blasts and dedicated social media platforms have become a norm for all employees to equip themselves with the latest COVID-19 information, precautions, and statistics.

Additionally, free face masks, gloves, protective face shields, and sanitisers were also made available to all especially the frontliners for them to operate in safer conditions.





- **Specific operational and administrative procedures.** All departments had employee work rotations and work-from-home (WFH) plans from the onset to minimise physical interaction. Limitation of access to other floors, online meetings by default and minimal participants with strict SOPs for physical meetings only when absolutely necessary were just some of the measures introduced by the Administrative Unit to reinforce social distancing at the office.

Temperature and symptom screening for employees prior to entering the office and during their time at the office were also introduced to pre-empt any outbreak in the office. All departments also undertook to update and administer new department-specific processes and workflows to ensure that operations remain uninterrupted through the use of various online and cloud-based platforms. Great emphasis and importance were also placed on the integrity and authenticity of data and approvals in line with high standard of corporate governance that MDV adheres.

- **Precautionary measures and Business Continuity Plans.** We are grateful to our landlord, Bank Pembangunan Malaysia Berhad, for providing fortnightly building-wide sanitisation services to ensure that any possible COVID-19 spread is curtailed. In addition, our internal office hygiene and cleanliness action plans were put into action with frequent daily sanitisation of all common areas in the office such as the main reception areas on each floor, meeting rooms, common working areas, executive rooms, pantry, and toilets. While seemingly rudimentary, all these action plans have indeed made MDV a safer workplace for our employees, and we are pleased to inform that there were no COVID-19 outbreak stemming from within the office.

As a forward-looking measure, our Business Continuity Plan (BCP) was also updated to disseminate information more effectively and to prepare employee for any eventuality including the declaration/activation of any 'Code Red' announcement for the immediate evacuation of the office floors.

- **Employee welfare and assistance.** MDV is also cognisant of the fact that the COVID-19 pandemic and the resultant MCOs may also create mental, emotional, and financial challenges to the employee. Undeniably, the MCOs and WFH may create mental fatigue as everyone adapts to a full household, countless online meetings and the blurring of work-life demarcation. MDV continuously provide support to its employee with work-flexibility and motivational support with various online talks and programmes aimed at educating employee to better manage stress. We are also grateful to MDV's management and Board of Directors for approving additional incentives including subsidisation of phone and connectivity bills that have enabled employee to ensure online work are optimised through productivity tools.

Moving forward, we anticipate all the above mentioned and new initiatives under the new normal to be executed by integrating a variety of physical workspaces, flexible seating arrangements, and technologies that create a virtually connected organisation. Priority will be given to initiatives for a healthier, flexible and a conducive workplace under the new normal as MDV keeps abreast with global trends and insights in applying and strategizing best practices in ensuring employee safety and productivity.

# OVERCOMING PEOPLE MANAGEMENT & HUMAN CAPITAL CHALLENGES DURING THE COVID-19 PANDEMIC

**“In order for organisations to create a sense of contribution that translates into true organisational performance, they must design well-being into the work itself: technology to promote connectivity, increasing employee autonomy, improving flexible scheduling and remote work opportunities, providing part-time and gig opportunities, redesigning the physical workplace and integrating wellness behaviors into daily work.”**

– 2020 Deloitte Global Human Capital Trends Report



The year 2020 will go down in history as the year our work-life changed substantially. Organisations worldwide faced major disruptions and had to frantically chart new ways and norms to survive. The human resources practice was not spared the turmoil. The COVID-19 pandemic had caused human resources practitioners to re-think their role as they adjust their strategies and processes in an uncharted work environment.

The same is true for MDV's people management initiatives. COVID-19 posed a challenge for the Management to re-strategise and ensure the delicate balance of keeping the employees safe, sustain productivity while ensuring business continuity and performance.

As the pandemic hit our shores, the biggest and most pronounced work adjustment was the implementation of work-from-home (WFH) arrangement due to the Movement Control Order (MCO) announcement by the Government. While remote working is not a foreign concept to MDV, it took some adjustments to mobilise MDV's business operations off-site for the entire company.

However, MDV's Business Continuity Plan (BCP) addresses the mobilisation strategy and procedures to allow for employees to commence work from a designated remote location in the event of disrupted working conditions. Traditionally, MDV

conducts BCP stimulation exercises twice yearly to ensure readiness for any eventualities. As such, when the call for WFH arrangements was made, the Company and its people were prepared. Despite minor (but expected) teething issues, we are happy to report that the majority of MDV employees have been productively working from home since March 2020. Minor issues such as connectivity and logistics were quickly ironed out by the Technical and Administration teams.

The pandemic also required MDV to relook into and adjust its recruitment practices. With over twenty vacancies to be filled for the year, MDV needed to pivot to adopt a quick and contactless approach for recruitment that was done entirely online. Suitable candidates were sourced from online job portals. Subsequently, chosen candidates were required to submit video-pitch or virtual resumes to MDV including video recording of their interviews for panel reviews and deliberation. Subsequently, the approval process, job offer, and on-boarding continued to be done online.



Another aspect for human capital growth in any organisation during the pandemic is the learning and development for all employees. Physical trainings in the forms of classroom, seminars and forums needed to be shifted online via virtual teaching platforms. MDV took this opportunity to re-evaluate and reprioritise its learning and training schedules. Apart from having to readjust our training calendar to fully adopt to virtual training, we are happy to report that training activities resumed 100% per schedule, albeit virtually.

This was in part, due to MDV's initiative to shift from pure physical learning and adopted a blended-learning environment of both virtual and physical from 2019. As such, MDV was able to continue its planned trainings for the staff in 2020: MyDaoshi (internal mentoring platform) programme, Distressed Customer Engagement, 6 Critical Practices for Leading a Team, Anti-Money Laundering Act (AMLA) and others.

For every cloud, there is a silver lining – the pandemic, indirectly reduces MDV's attrition rate for the year 2020. MDV recorded a marginal 4.3% attrition rate; a fifteen- year record low, ostensibly due to the safety net and stability that MDV can offer to our employees. Employee retention will remain one of the core strategies for the Human Capital Department in MDV to ensure higher staff engagement and satisfaction which directly translates to greater productivity for the company.

Employee welfare remains MDV's top commitment to its people. Throughout the year, MDV via its HCD ensures the welfare of the employees is adequately managed and addressed. Other than the customary annual 'Employee's Satisfaction Survey' (ESS), periodical surveys were also conducted to assess the employees' sentiment and suss out their pressing needs that the Company may be able to assist. A series of online focus-groups discussions were held to understand and address any concerns an employee might have in present working conditions. We are happy to report that the ESS for the year 2020 saw an increase for employee satisfaction up to 14% compared to FY 2019.

The Company also pledged to aid employees during these trying times. The Management of MDV approved for a MCO Special Assignment Allowance (SAA) and Employee Financial Assistance (EFA). SAA provides for a daily compensation for skeletal employees who were required to physically work during the MCO period. SAA are paid via allowance token payment monthly. Additionally, EFA provides monetary relief to employees facing financial constraints. EFA can be reimbursable to the employee up to one-month salary in advance, payable on a mutually agreed payment schedule.

MDV employees also enjoyed three new medical benefits during the year. Firstly, MDV introduced a cashless outpatient medical facility which allows access to over 3500 panel clinics nationwide. MDV also introduced the 'Home Rest' policy which allows for employees to take a sick leave without requiring any medical certificate from a clinic. Finally, MDV also reviewed the group personal accident insurance coverage policy for employees with higher-risk job functions that present them with greater exposure to adversities such as assaults, accidents and other unforewarned harm.

The pandemic required MDV to remobilise its work force and business operations quickly and without incident. To achieve this, a special COVID-19 Task Force group was formed comprising of the Risk Management Division, Technical Services Department, Administrative Department and Human Capital Department. The group is tasked to ensure employees' safety while allowing for uninterrupted business operations. The Task Force also drafted and implemented the COVID-19 SOPs which stipulates the changes required in work environments and operations. Strict adherence of the SOPs requirements such as 50% capacity at the office, social distancing and COVID-19 swab test pre-requisite were consistently observed.

These are just a small but pertinent initiatives that MDV undertook to cushion the blow of the pandemic on its people while ensuring productivity, business continuity and operations in an uncertain and demanding market situation. The Management, through the HCD shall continuously address and alleviate employees' concerns, despite and beyond the pandemic. Overall, we are of the view that the pandemic gave the necessary nudge for the Company to rethink and restrategise its operations and adopt various innovative changes to continue to always ensure the wellbeing of its employees' welfare.





# 04 PERFORMANCE REVIEW



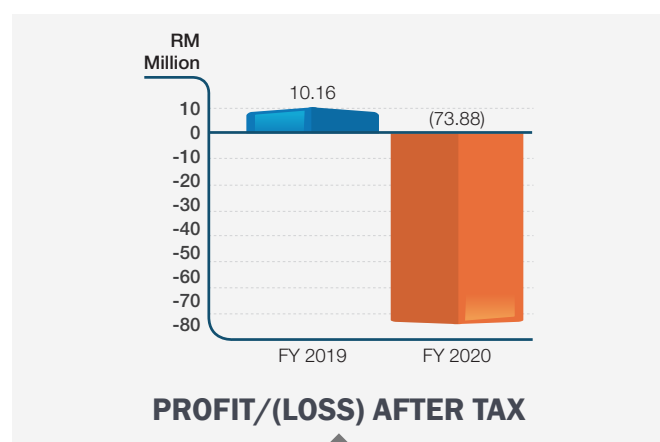




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# FINANCIAL REVIEW

The year 2020 was significantly impacted by the far-reaching and widespread effects of COVID-19 and the consequential slowdown in business growth activities globally and domestically. The Movement Control Orders (MCO) in its various forms, whilst necessary, led to a significant contraction in the economy and this impacted several of MDV's customers at the micro level. While challenges, hardships and crisis were the main keywords for 2020, the pandemic also presented opportunities to showcase our resilience and adaptability to the challenges as well as creating opportunities to assist customers under our financing mandate.



For the financial year ended 31 December 2020 (FY 2020), MDV recorded a very commendable profit before tax of RM6.25 million (FY 2019: RM12.52 million) on the back of significant improvements in the Company's net financial allowances albeit lower revenues and higher operating expenditure. However, MDV recorded a significant net loss of RM73.88 million for FY 2020 (FY 2019: Net profit of RM10.16 million) due to a required deferred tax reversal of RM73.88 million to comply with the change in the Malaysia tax regulations that limited the usage of any unutilised tax losses to only seven (7) years.

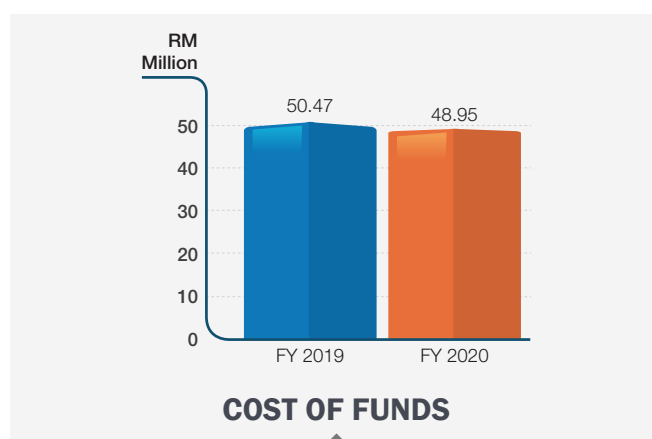
For FY 2020, MDV recorded lower interest/profit income from loans/financing portfolio of RM64.85 million (FY 2019: RM85.29 million) on the back of a 12.91% contraction in MDV's portfolio to RM727.62 million (FY 2019: RM835.51 million) that was primarily driven by lower disbursements and redemptions. Effects from the COVID-19 pandemic and the restrictions that came with the implementation of the MCO meant slower project progress and lesser contracts awarded by the project awarders. This contributed significantly to the lower disbursements of RM149.99 million (FY 2019: RM226.53 million). MDV's portfolio was further reduced by the redemption/full settlement of accounts amounting to RM80.58 million during the year, mainly from solar projects financed by MDV. Nonetheless, the redemptions also signified MDV's success in nurturing its customers to a level where they are able to obtain financing from local financial institutions based on their own financial standings.

The lock down from the imposed Movement Control Orders (MCO) posed a slight challenge for the Business Building Team. However, MDV initiated a different approach from physical to virtual engagements for our business development initiatives with the business leads via series of webinars and virtual funding clinics. For the year 2020, MDV has carried out eight webinars and virtual meetings. These virtual product briefings and funding clinics for better customer engagement was attended by approximately 700 pax.

In addition, MDV also embarked on purely virtual processing and assessment process, from document submission right up to assessment and valuation; enabling MDV's existing cloud-based solutions to ensure minimal operational disruptions.

FY 2020 also recorded aggressive interest rate cuts by Bank Negara Malaysia (BNM) with a reduction in the Overnight Policy Rate (OPR) from 3.00% to 1.75% between January 2020 to July 2020 as the Government implemented their expansionary monetary policies to stimulate the economy that was severely hit by the COVID-19 pandemic. Nonetheless, effective treasury management enabled MDV to record a creditable placement yield of 2.79% albeit lower than the previous year of 3.45%. Overall, MDV registered placement income of RM18.42 million (FY 2019: 16.29 million) on the back of higher available funds.

The first cash distribution from MDV's investments in the 500 Start-ups III Fund; unrealised gain on the higher valuation of MDV's assets measured at fair value through profit and loss; bad debts recovered; and other income of RM13.83 million (FY 2019: RM9.52 million) enabled MDV to mitigate some of the shortfalls on lower interest/profit income from loans/financing portfolio.



MDV's cost of funds of RM48.95 million was also lower than the previous year of RM50.47 million due to lower usage of its revolving credit facilities. MDV has also successfully paid RM200.00 million of IMTN under its Second Fund in August 2020. The full-year effects of the cost savings on the RM200.00 million IMTN payment will be seen in 2021. Cumulatively, MDV has to-date paid RM1.00 billion of the RM1.50 billion IMTN issued under its Second Fund.

MDV's operating expenditure of RM26.25 million (FY 2019: 22.95 million) was higher than the previous year on the back of a few one-off expenditures in relation to recovery actions and stamp duty fees under the new RM100.00 million Liquidity Financing for Tech Start-ups (LIFTS) obtained from MOF, in collaboration with the Ministry of Science, Technology and Innovation (MOSTI). Nonetheless, the recorded operating expenses represented a 7.53% savings against the FY 2020 operating expenditure budget of RM28.38 million as a result of the various cost optimisation exercises undertaken throughout the year as well as from the effect of the implementation of the work-from-home (WFH) policy due to the MCO.

One of the key drivers that enabled MDV to achieve a profit before tax of RM6.25 million was the effective management of our net financing loss allowances through several measures including very close and constant monitoring of delinquent accounts; aggressive engagement with customers to ensure timely repayment; and continuous improvements in our credit controls. For FY 2020, MDV recorded a lower net allowances for losses on loans/financing of RM15.65 million (FY 2019: RM25.16 million). This included specific provision write-backs amounting to RM1.56 million from recovery actions as well as a net MFRS 9 write-back of RM2.56 million arising from improvements in the MFRS 9 staging and the effects of the redemption of accounts. For FY 2020, MDV recorded a total cash recovery of RM52.79 million from its impaired accounts that resulted in the recognition of RM5.17 million of interest/profit recovered from impaired accounts in the Income Statement. This is in addition to the earlier mentioned specific provision write-backs of RM1.56 million.

Whilst MDV faced challenges in its portfolio which contracted to RM727.62 million (FY 2019: RM835.51 million), MDV continued to serve its mandate and support Government's initiatives, particularly in assisting customers that were impacted by the COVID-19 pandemic.

MDV also implemented two (2) phases of moratoriums between April 2020 to March 2021 benefitting 66 for customers with a combined total outstanding balances of RM851 million that were directly or indirectly affected by the COVID-19 pandemic.

For FY 2020, MDV in collaboration with MOSTI, had executed an agreement with the Government of Malaysia who was represented by the MOF, for Liquidity Financing for Technology Start-ups (LIFTS), a RM100.00 million term financing to provide immediate and targeted cash flow support to technology start-ups that were impacted by adverse economic conditions and funding issues due to the COVID 19 pandemic. The LIFTS facility, with a low financing rate of 3.5% to customers, is expected to benefit 40 to 60 start-up companies. MDV had on 22 October 2020 received the first tranche of RM50.00 million from the MOF in respect of the LIFTS.

MDV's asset quality continued its improvement trajectory with a gross impaired financing rate of 19% (FY 2019: 23%) on the back of improved recoveries and write-off of balances that had been fully provided. Moving forward, MDV will continue with its plans to further reduce its impairment rate to below 10% through an expansion in its assets base and improvement in asset quality financing.

Financial resources and liquidity remained a focus for MDV in FY 2020 in charting for future growth. Following this, MOF had in October 2020 approved MDV's request to establish a new RM2.00 billion Sukuk/Bond programme, based on MDV's corporate rating of AA3/P1 (non-Government Guaranteed) as assigned by RAM Ratings. Preparations are underway for the new programme to be deployed by Q3 2021. All the available funds as well as the existing and proposed funding programmes augur well for MDV as the Company readies itself to aggressively rebuild and grow its portfolio to continue with its mandate as a technology financier.



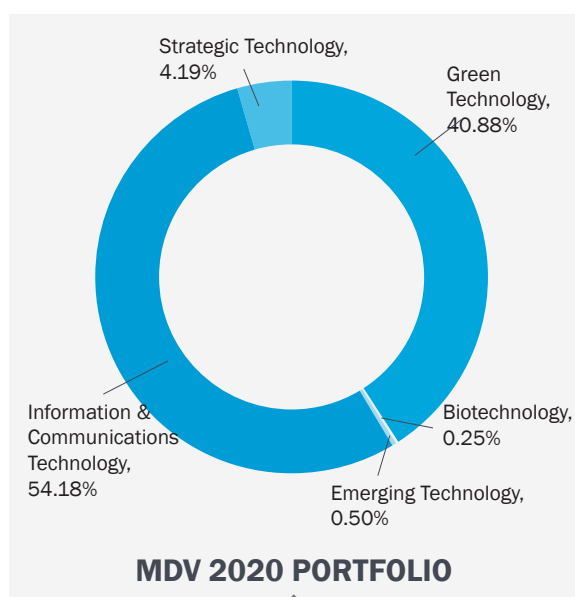
# SECTORAL PERFORMANCE HIGHLIGHTS

Bank Negara Malaysia (BNM) reported that Malaysia's GDP contracted by 5.6% in 2020 amid a highly challenging global and domestic operating environment in comparison to the expansion by 4.3% in 2019. As with most countries globally, the unprecedented economic shocks emanating from the pandemic resulted in a sharp decline in Malaysia's GDP growth, the lowest since 1998. On the domestic front, the economy was heavily impacted by the introduction of strict local containment measures. While these measures successfully curbed the initial rise in COVID-19 cases, they also led to concurrent supply and demand shocks to the Malaysian economy.

Growth in the manufacturing sector contracted by 2.6% as restriction on operations, supply-chain disruptions and subdued demand conditions weighed on production activities. Meanwhile, growth in the construction sector contracted by 19.4% in 2020 reflecting reduced work capacity in compliance to containment measures, labour shortages due to international border closures, supply chain disruptions and site shutdowns following the COVID-19 outbreak. Most project sites remained idle, as developers experienced financial, compliance, and supply-chain challenges in resuming work.

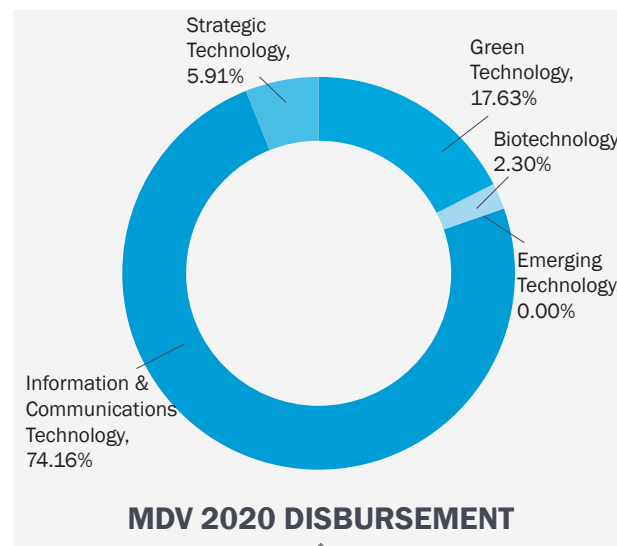
From MDV's perspective, substantial number of financing redemptions by MDV's customers contributed to a contraction in MDV's portfolio by 12.91% year-on-year to RM727.62 million as at the end of FY 2020.

The composition of MDV's loan or financing portfolio in 2020 comprises the following sectors: ICT leading at 54.18%, Green Technology at 40.88%, Strategic Technology at 4.19%, Emerging Technology at 0.50% and Biotechnology at 0.25%.



Total disbursements for FY 2020 reached RM149.99 million with the ICT sector garnering the highest disbursement percentage at 74.16%, followed by Green Technology

(17.63%), Strategic Technology (5.91%) and Biotechnology (2.30%).



From a sub-sectoral perspective, the top five sub-sectors dominating FY 2020 disbursements were Digital Content, Services & Infrastructure (47.00%) followed by Telecommunications & Broadcasting (24.84%), Energy Efficiency (9.93%), Renewable Energy (5.11%) and Oil & Gas (4.93%). Other sub-sectors contributed below 3.00% each to total disbursements.

Total financing approved for FY 2020 totalled RM248.04 million. This was to fund 86 companies comprising 69 ICT companies with RM186.74 million of approvals; 10 Green Technology companies with RM38.80 million of approvals; 4 Strategic Technology companies with RM14.80 million of approvals and 1 company each from Biotech with RM3.00 million of approvals; and Emerging Technology with RM0.50 million of approvals.

From the total approved financing, RM4.65 million of financing facilities were approved under development programmes in FY 2020. Development programmes constitute financing programmes crafted to spur specific sectors based on the Government's strategic priorities. For FY 2020, the biggest contributor to this segment was financing under the MDV-TACT programme, which targets tech start-ups, and utilises the 11th Malaysia Plan allocation.

Additionally, MDV with the support of the Ministry of Finance (MOF) and the Ministry of Science, Technology and Innovation (MOSTI) had also developed Liquidity Financing for Technology Start-ups (LIFTS) for technology start-up companies. The objective of the RM100.00 million fund was to complement existing COVID-19 relief funds in the market, but specifically to cater for start-ups, which faced considerable difficulty in accessing bank-based relief schemes targeted at SMEs. As at 31 December 2020, RM54.77 million in financing had been approved for 46 start-ups, with RM4.68 million in disbursements released.



# LIFTS: LIQUIDITY FINANCING FOR TECHNOLOGY START-UPS

*\* In May 2020, MDV launched its RM100.00 million Technology Start-ups Funding Relief Facility or TSFRF. MDV has since rebranded TSFRF to Liquidity Financing for Technology Start-ups or LIFTS in January 2021. For posterity and consistency, we will use LIFTS throughout the Annual Report.*

The 2020 Global Start-up Ecosystem Report by Start-up Genome ranked Kuala Lumpur as the 11th emerging start-up ecosystem in the world. Malaysian start-ups have had an encouraging funding success, raising up to USD\$226.00 million in 2019. Earlier report by the National Tech Association of Malaysia (PIKOM) stipulated that the Malaysian start-up ecosystem contributed a total of RM3.4 billion to the nation's Gross Domestic Product (GDP) from 2008 to 2016 and is projected to reach RM30.8 billion by 2030, giving it a significant role in creating a robust economy for the country. However, the outbreak of the COVID-19 pandemic has significantly impacted businesses, particularly start-ups, who are more vulnerable to revenue slowdowns.

Acknowledging the extremely challenging economic condition that was brought about by the COVID-19 outbreak, the Government had called upon the private sectors to share the responsibility to stimulate the economy through various measures. MDV, as a dedicated technology financier, has always been aligned with the government's initiatives, including providing support for technology companies, both start-ups and SMEs alike.

Heeding the Government's call to arms, MDV launched its RM100.00 million Liquidity Financing for Technology Start-ups (LIFTS)\* in May 2020. LIFTS was aimed to provide immediate, affordable and targeted cashflow support for Venture Capital (VC) or Government Agency-backed technology start-ups that are impacted by the current adverse economic conditions and funding disruptions. This is to ensure that they can sustain their business operations during this difficult time. LIFTS' profit rate is offered at 3.50% per annum on the amount outstanding.

LIFTS FEATURES	
✓ Simplified Application Process	✓ Quick Assessment Process
✓ No Additional Costs & Legal Fees	✓ Minimal Security
✓ Simpler Documentation	✓ Easier & Quicker Disbursement

To create awareness for the new product and ensure the correct and expanse dissemination of the programme, LIFTS was promoted extensively to reach the targeted start-ups; whilst taking cognisance of the time and physical limitations to promote the programme during the pandemic.

LIFTS was developed following a series of engagement sessions with technology start-ups; VC firms; MDV's stakeholders i.e., the Ministry of Science, Technology and Innovation (MOSTI), and the Ministry of Finance (MOF); as well as key cohorts in the technology sector namely Cradle Fund Sdn. Bhd. (Cradle); Malaysia Venture Capital Management Berhad (MAVCAP); the Malaysian Global Innovation and Creativity Centre (MaGIC); and Malaysia Digital Economy Corporation (MDEC).

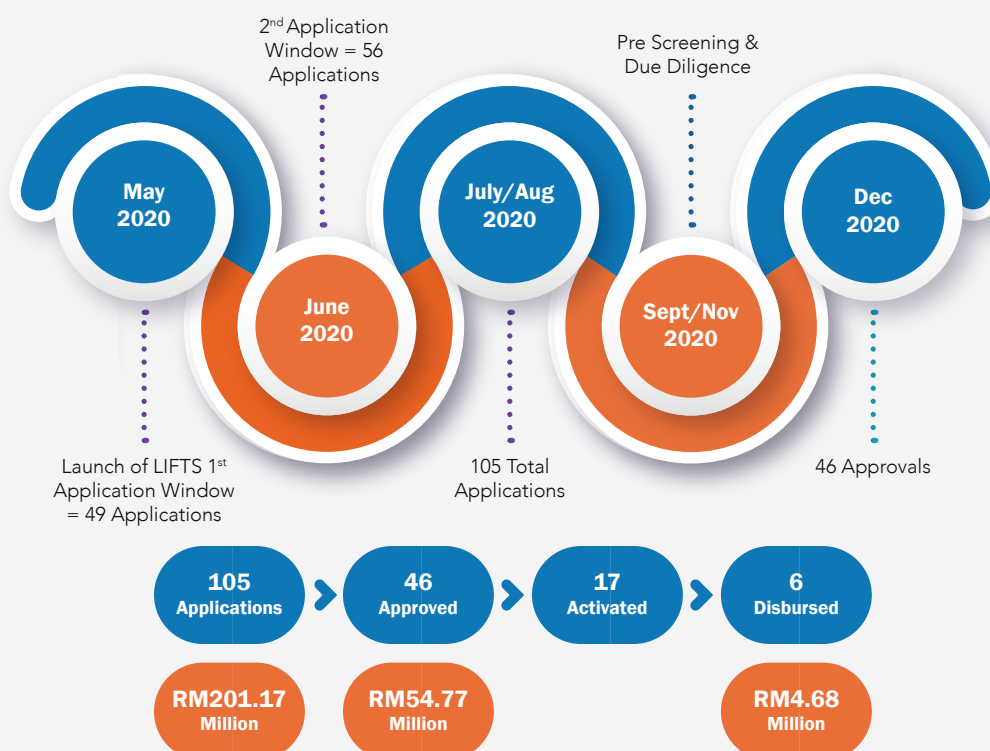
MDV leveraged on its network and relationship with above agencies and leading venture capital companies to conduct a series of webinars & virtual engagement with targeted start-ups within the network to reach out and obtain business leads and prospects for the LIFTS programme.

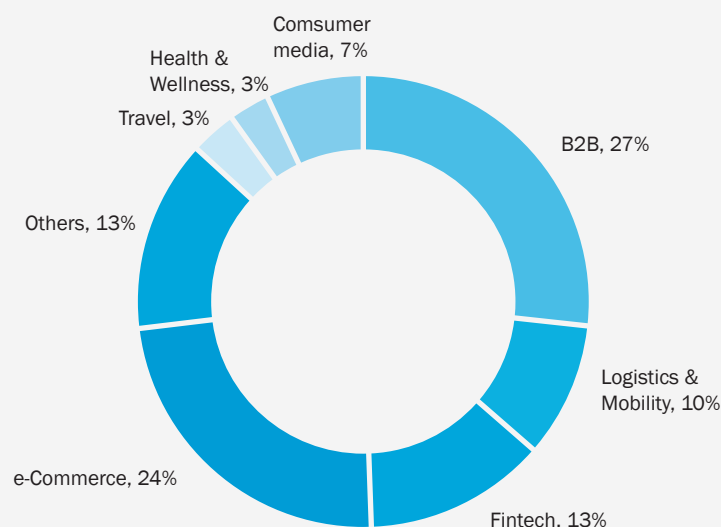
LIFTS MARKETING ACTIVITIES	DATE
Meeting with RHL Ventures	27.03.2020
Webinar (Cohost with ScaleUp Malaysia)	29.04.2020
Webinar (Cohost with Malaysian Venture Capital & Private Equity Association)	30.04.2020
Webinar (Cohost with Agensi Inovasi Malaysia)	06.05.2020
Issuance of Press Release	12.05.2020
Webinar (Cohost with Technology Park Malaysia)	12.05.2020
Webinar (Cohost with InvestPenang)	13.05.2020
Meeting with Malaysia Digital Economy Corporation	15.05.2020
Webinar (Cohost with Kumpulan Modal Perdana & NanoMalaysia Berhad and opened to all start-ups)	15.05.2020
Issuance of Press Release	30.11.2020

Cradle, MAVCAP, MaGIC and MDEC also assisted MDV in the pre-screening stage where all LIFTS applications received by MDV were assessed and evaluated based on three main criteria i.e., the company's strategic positioning in its related segment/sector; its potential for regional/global growth; and its competitive positioning. Factors that will be considered within the above criteria include Management, Venture Capital Investor Support, Revenue and Revenue Growth, Enterprise Value, Market Opportunity, and Competitiveness. Following the screening by the committee, all applications are then required to go through MDV's credit assessment.

The submissions received for LIFTS applications had been encouraging. As at end of December 2020, MDV had received 105 applications with a total financing of RM184.54 million, with the two highest number of applications coming from the B2B (26%) and e-Commerce (23%) sub-sectors. Out of the 105 applications, 46 applications have been approved for a financing amount of RM54.77 million.

### LIFTS: Timeline & status as at December 2020



**Chart: Sub-sectors of Approved LIFTS Applicants**

In its aim to provide continuous support for the Government's initiatives for tech start-ups, MDV has reopened its third application window for LIFTS in January 2021 and has since received 23 applications. The rebranding of LIFTS from TSFRF is to better reflect its aims and purpose for financing.

After more than a year of battling the COVID-19 virus and its devastating impact to the economy and people's livelihood in general, the Government is now focusing on bolstering economic recovery through rigorous efforts in reviving the economy, restoring confidence among investors, as well as strengthening the capital market.

Businesses are also slowly recovering and are now easing into the new norms of utilising technology and leveraging on digital platforms to ensure continued survival and sustainability of their business post COVID-19.

MDV will always continue to support start-ups in weathering this challenging recovery phase by providing cash line support to ease cashflow restrictions for tech start-ups that are backed by VCs and Government agencies. As the nation's dedicated technology financier, MDV will continue to identify and address the financing gaps faced by technology companies in Malaysia, particularly start-ups, to further position Malaysia as Southeast Asia's start-up hub and the Heart of Digital Asean.

# 05 TECHNOLOGY OVERVIEW







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# WHAT ARE VENTURE DEBT WARRANTS ALL ABOUT?

## A Quick Guide: 6 Things to Learn About Venture Debt Warrants

Venture debt financing is relatively new and uncommon in the Malaysian market; globally however, the growth of venture debt financing surpasses both venture capital (VC) and private equity markets as it provides for an attractive and alternative financing route for companies.

In 2020, US VC-backed companies received debt financing valued at more than \$25 billion, the third consecutive year for the market to surpass \$20 billion in venture loans, compared to a decade ago where start-ups received less than \$5 billion in loans in 2010 and 2011.

In Malaysia, MDV is currently the only local financier actively offering venture debt financing in Ringgit Malaysia (in both conventional and shariah compliant modes) to technology start-ups. MDV is actively expanding its venture debt portfolio which enables start-ups to continue growth and increase their cash runway with less dilution. The key structural difference between standard debt and venture debt is that the latter comes with a warrant cover. Here are the six (6) things to learn about venture debt warrants and how it forms part of MDV's venture debt financing offering:

### 1. What are venture debt warrants?

Warrants are a security that gives the holder the right, but not the obligation, to purchase company stock at a specified price within a specific period of time. These are issued by the companies/start-ups i.e. the borrowers. Warrants cause dilution if exercised because the company is obligated to issue new shares when a warrant is exercised. The guaranteed price at which the warrant holder has the right to buy the shares at is called the strike price or exercise price.

### 2. How much is the price paid for the warrant option?

In venture debt, warrant options are usually issued free to the lender unless stated otherwise. However, warrants are a key risk and yield management tool for lenders like MDV and serve as a sweetener to make lending feasible. MDV will pay for the actual price of subscription of the shares based on the agreed exercise price upon exercise of the warrants.

### 3. How is the exercise price of the warrants determined?

MDV adopts a global standard of exercising the price of the warrants. For the venture debt offered by MDV, the exercise price is usually based on the last done price of the borrower's equity, i.e. the issue price the last time the borrower issued shares. However, some negotiations are generally permitted in cases where the last fundraising round had been done some considerable time back. However, in rare cases where MDV lends to companies that have not had a previous round of fundraising, MDV and the borrower can negotiate a mutually agreed price based on suitable valuation metrics.

### 4. How many shares of the companies/start-ups can warrant holders purchase upon exercise of the warrants?

The number of shares of the companies/start-ups that the warrant holder is entitled to buy upon the exercise of the warrants will be based on the warrant coverage agreed to when the loan was made and largely depends on the risk-level of the company and expected performance of the company. For MDV, the warrant coverage can range between 10% to 40% of the financing facility/loan amount. To illustrate this, a 10% warrant coverage for a RM2.0 million financing loan would entitle the warrant holder to purchase RM200,000 worth of shares of the start-up based on the exercise price, as stated above.

### 5. When can the warrant holders exercise the warrants and is there any expiry date to the exercise right?

The exercise price is only valid for a finite time period often termed as the availability period, during which the warrant can be exercised before it expires. For MDV, the availability period is as per the tenure of the financing facility plus an additional two (2) years. This means an availability period of up to seven (7) years for a five (5) year loan, subject to credit risk assessment and evaluation of potential growth of the start-ups/borrowers.

### 6. Why are warrants used in venture debt financing?

For venture lenders like MDV, the warrants attached to venture loans helps to compensate for the higher risks of lending to start-ups, particularly given the cash-flow profile and limited securities available from such borrowers.

From the lens of the borrower, the issuance of warrants enables them to access debt capital which is typically cheaper and less dilutive than equity, and build a credit track record for future borrowings.



# CHARTING NEW HORIZONS FOR START-UPS: GOING GLOBAL

According to a survey by Startup Genome in year 2020, Malaysia is ranked 11th in the world for the top cities for start-up ecosystem. It noted that Malaysia owns an ideal ecosystem for start-ups to thrive – that is, relatively low costs for operations, high quality of living and progressive talent, fast-tracked visas, and robust government support. This bears testimony to the Government's drives and initiatives to create an ideal platform to encourage start-up players in the country.

The nation is progressively providing and preparing resources to build a world class technology start-up ecosystem. Dedicated agencies with specific focus area such as funding like Malaysia Debt Ventures Berhad (MDV), Malaysia Venture Capital Management Bhd. (MAVCAP) and Cradle Fund Sdn Bhd (Cradle), along with supporting agencies like Malaysia Digital Economy Corporation (MDEC), Malaysia Technology Development Corporation (MTDC) and Malaysian Global Innovation & Creativity Centre (MaGIC), provide a holistic and complete assistance for start-ups. Private sectors are also playing a critical role in driving the ecosystem, from building world class technology start-ups by encouraging and collaborating with start-ups, to cultivating competitive technology talents. With the support of the public and private industry players, Malaysia's technology start-up ecosystem is locally built, but is armed with global ambitions since day one.



## Malaysia Start-up Ecosystem Source: MaGIC

Malaysian start-ups have begun to gain traction and visibility in the region in recent years. Aerodyne, a drone company, is now serving in 25 countries successfully securing Series B funding totalling USD\$30.00 million. iPay88 was invested by global giant NTT Data Malaysia, leaping the payment gateway company regionally.

The limitation of market size in the country is one of the catalysts to push for Malaysian start-ups to expand globally. Expanding globally also allows Malaysian start-ups to gain access and raise funds with global investors, which likely have bigger coffer to offer. Crucially, finding right local partner to assist in deployment and market linkages in new market and access to funding would be the key considerations for local start-ups to expand globally.

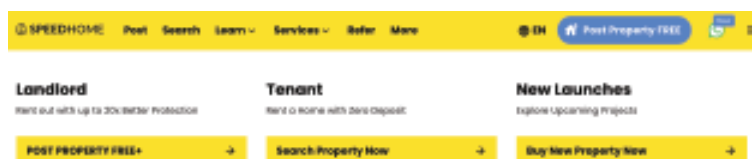
MDV is proud to be the funding partner to three start-ups who have since expanded outside of Malaysia. We delved into three start-ups who thrived globally while carrying the national flag.

## SPEEDHOME

Speedhome offers a zero-deposit, zero-commission automated platform connecting landlords to tenants and covered by insurance from Allianz. Established in 2016, Speedhome has, to-date matched over 100 transactions per month. Speedhome strives on innovation; for example, property owners are able to provide virtual viewing of their properties to prospective tenants during the pandemic. Speedhome mobile application has garnered over 300,000 downloads to-date with 70,000 active listings.

Their relentless growth story has since captured the confidence of investors with their second successful Equity Crowdfunding rounds closed in the midst of pandemic last year. This allowed for expansive marketing campaign to capture a larger crowd in the rental market and as well as a substantial improvement to their app which now allows for additional featured services such as rental collections and repair services on-demand.

To cap the year 2020 off, they have participated in Gobi Partners' SuperSeed II Championship and emerged the category winner for Insurance Technology (InsurTech). Speedhome looks poised to start the year 2021 strong as they are expecting to grow with economy recovery.



## NALURI HIDUP

Naluri is a digital health service provider that combines behavioral science, data science, and digital design to deliver structured health coaching and psychological support for people who are at risk of chronic conditions such as diabetes, cardiovascular diseases or chronic depression, anxiety and stress.

Co-founded by Azran Osman Rani and his partners, Naluri focuses on providing customised programmes to individuals to help them become mentally stronger and resilient, which then helps them develop their resolve to achieve the life they desire. Naluri closed a Series A funding of USD\$5.00 million in May 2021 and will expand its operations in Singapore and Indonesia, and launch its service in Thailand and the Philippines. Naluri will also be looking into enhancing their product offerings, by putting more emphasis on their tech and data science capabilities to enhance its predictive algorithms and depression detection.





## JIRNEXU

Jirnexu operates the RinggitPlus website which provides the users to compare and make informed decisions for existing financial services and offering such as credit cards, home loans, car loans, investments and insurance schemes. Led by Yuen Siew Tuck and his partners, Jirnexu operates with 134 staff in Malaysia and Vietnam focusing on providing robust localised fintech solutions for consumers.

Jirnexu recently launched RinggitPlus Advance, using their commendable experience in fintech for digitalising a traditional industry. RinggitPlus Advance enable access for Malaysians to engage the services of Certified Financial Planners (CFP), providing comprehensive financial planning services at transparent and affordable fees with zero hidden charges. Jirnexu also collaborates with AirAsia for the latter's "AirAsia money" – providing credit card and loan application services to the public.

Jirnexu's vision is to assist Malaysians make better financial decisions and get easier access to financial products. With the latest trend of embarking into digital banking space being observed in Malaysia and other countries, as one of the local pioneers in fintech, Jirnexu is in a favourable position to exploit this greenfield area. Jirnexu has secured an additional funding of approximately USD\$5.00 million in April 2020 and currently stood at \$57.00 million in valuation.



## MDV VENTURE DEBT PROGRAMME

MDV offers venture debt financing to high growth, technology companies based in Malaysia. It is one of the first venture debt programmes offered in the Southeast Asia and aims to complement funding ecosystem with debt offerings. The programme, which started in 2018, has seen various successes in its portfolio companies, which includes aspects of local tech talents nurturing and oversea expansions. MDV Venture Debt financing will continue its mission in 2021 to seek high potential local start-ups that can be the next company to go global. To date, MDV Venture Debt financing has funded 20 start-ups for up to RM62.50 million.

# FUTURE TECHNOLOGY LANDSCAPES IN THE NEW NORMAL

## THE FUTURE IS HERE AND NOW

The year 2020 was a transformational year for all including technology providers, organisations and the society at large. While the masses anticipated that the future will be highly digital, no one had expected that the digital shift took place instantly. The COVID-19 pandemic allowed opportunities for business organisations to push their digital transformation strategy and agenda at the top of their agenda.

The year 2020 has also catalysed the adoption of technological innovations beyond the norm. According to Bain & Company, last year has seen five years of digital transformation taking place in just one year. Technology has indeed become a necessity for organisations and mass consumers to allow businesses survive from massive lockdowns and limited physical contacts.

In hindsight, the rapid and radical transformation has pushed technology providers to continue challenging the status quo and dive further into their technological innovations. In previous years, technological innovation mainly focuses on improving processes, increasing cost efficiencies and enhancing speed. Today, the focus has shifted towards providing the "experience economy".

Innovation today focuses more on creating meaningful purposes and providing experience- as-a-service to consumers. This shift has now geared towards creating a more sustainable future, such as reducing carbon footprints, improving healthcare and well-being, and providing a seamless and personalised experience to the masses.

Another radical change brought about by the adversity is the rapid growth in digital consumers. In Southeast Asia (SEA), digital consumers' growth has leapt past the 2025 forecast in a single year. Facebook and Bain & Company both forecasted that the number of digital consumers would reach 310 million by the end of 2020, which constitutes 70% of the total SEA population. Consumers are digitally connected more than ever before.

As such, technological innovation not only shifted but also adapted into the change in lifestyle to collect, synthesise and analyse data from multiple sources and platforms, and essentially provide a personalised experience that consumers demand.

## DISRUPTIVE TECHNOLOGY

### THE FUTURE OF VACCINATIONS

Discovery of mRNA as vaccine will change the future of vaccinations

### HYPER-PERSONALISED MEDICINE

How hyper-personalised medicine will revolutionise the future of gene medicine

### NATURAL LANGUAGE PROCESSING

GTP-3 is an example of how the future will be automated, digitalise and robotise.

### QUANTUM NETWORK

Will quantum network produce an unhackable Internet?

### LITHIUM METAL BATTERIES

Driving towards sustainability. Lithium metal batteries will improve electric vehicles

### GREEN HYDROGEN ECONOMY

The decline in renewable energy cost will make green hydrogen feasible in the near future

### DIGITAL CONTRACT TRACING

How technology changes the new normal towards a safer future

### SENSOR & FACIAL RECOGNITION

The use of technology to understand and monitor the future of human behaviours

## THE EIGHT DISRUPTIVE TECHNOLOGY BREAKTHROUGHS POST COVID-19

## THE DISRUPTIVE TECHNOLOGIES FOR THE FUTURE

Technology has evolved rapidly in the past decade, particularly in 2020. The COVID-19 pandemic pushed entrepreneurs to dive further into the technological advancement that was not possible a few decades back. This section discusses the technological breakthroughs around the globe, and the upcoming and future disruptive technologies in the new normal.

### 1. MEDICAL TECHNOLOGY

#### A. Future of Vaccination through mRNA

In the past, vaccinations utilised live or dead viruses for training the body's immunity system to attack against foreign particles (antigen). However, the latest breakthrough in the medical field has found the usage of messenger RNA (mRNA) as a vaccine. These mRNAs signal our cells to produce copies of harmless protein unique to the virus and subsequently trigger an immune response inside our body.

The antibody created will protect the body against real infection in the future. As the virus undergoes mutation, mRNA can be easily and quickly modified. In the future, scientists suggest that mRNA could be used to send instructions to the cell to produce vaccines against herpes, malaria, gene fixes for cancer, and even HIV.



#### B. Hyper-personalised medicine

Genetic mutation cases worldwide are typically rare, but it does happen, especially for new-born babies. Unfortunately, in the past, most of the genetic mutation ailments were incurable. However, scientists have recently developed novel drugs that are de-signed to treat unique genetic mutations.

One such case was recorded recently when a group of doctors successfully developed a drug that helped stabilise Mila Makovec, a young girl suffering a fatal brain disease. In the future, researchers anticipate that gene medicine might take the form of gene replacement, gene editing, or antisense



### 2. ADVANCED COMPUTING

#### A. Natural Language Processing (NLP)

Machines are not only getting smaller, lighter, and powerful but also intelligent in understanding humans.

This is made possible with the advancement of AI, machine and deep learning, and NLP. GPT-3, developed by OpenAI, is the largest and most literate natural language computer. Using deep and machine learning to understand thousands of texts, it can understand, process, and respond to human inquiry.

Additionally, it can emulate human-written text. It is impressive to think that neural networks were built with functions tuned to specific tasks only a few years ago, such as answering questions and translating with datasets curated for each task. The coming of GPT-3 has slowly revolutionised that as it is not limited to a certain task or functions and no datasets were required. The future of NLP lies in the ability to understand beyond voice and text and moving towards understanding images and videos.



## B. Secure Internet using Quantum Network

The application of quantum physics in the development of the Internet has brought a new era to inherently secure information. The application of classical Internet sends the information in a build-up known as bits, a binary system encoded by '0' or '1' – which can be decoded easily once hacked.

On the other hand, quantum Internet works with quantum bits – qubits – which can be encoded as '0' and '1' simultaneously. Since qubits cannot be measured without being disturbed, it presents a big advantage to the data transferred over the quantum Internet.

Any interference or an attempt to hack the data can easily be detected early. Quantum Internet is still at its nascent stage. The downside to quantum Internet is the inability to transfer secure data over a long distance.



## 3. SUSTAINABLE FUTURE ENERGY

### A. Lithium metal batteries for Electric Vehicles (EV)

Between 2019 and 2026, the global EV market is forecasted to increase by almost five-fold to reach an estimated size of USD 567 billion. Lithium-ion batteries power current EVs. Lithium-ion batteries still have various limitations such as shorter driving range, longer charging time, and shorter lifecycle from battery degradation.

To answer these challenges, QuantumScape developed a new energy-dense battery known as the Lithium metal batteries. According to the CEO of QuantumScape, Lithium metal battery will provide what consumer wants: lower cost, greater range, shorter charging times, a longer total lifetime on the road and improved safety. Volkswagen expects to have batteries in its cars and trucks by 2025, expecting a big slash in EV cost.



## B. Green Hydrogen Economy

Known as the most abundant element in the universe, hydrogen is also useful in electricity and power generation – to power electricity plants, act as a fuel to our vehicles and provide a great alternative to store energy without carbon emission that drives climate change.

While most of the global hydrogen production today comes from the natural gas source, there is an alternative to producing clean hydrogen through water electrolysis. However, the latter method is deemed expensive due to the high amount of power required to break the strong bond between H<sub>2</sub>O.

Since we are highly dependent on coal and fossil fuels, it would lead to high carbon emissions to produce hydrogen on a large scale. However, as the cost of solar, wind, and hydropower decline, the production of green hydrogen utilising renewable energy looks promising. The International Energy Agency forecasted that by 2030, the cost of producing green hydrogen would fall by 30%.



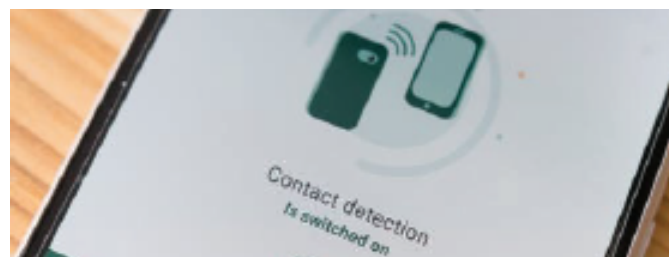
## 4. INTERNET OF BEHAVIOURS

### A. Digital Contact Tracing

In the collective effort to curb the spread of COVID-19, government agencies and various organisations have formed synergies to produce various systems and SOPs. Digital contact tracing is now in place to keep citizens aware of their real-time risk exposure while they are out in public places. It uses technology to track and trace close contacts of COVID-19 patients.

Thanks to the advancement of technology and the help of location-based technology, including Bluetooth and GPS, we can now know if we have been exposed to the area where a COVID-19 patient visited. Digital contact tracing is a much faster and efficient method as compared to manual contact tracing.

One downside to digital contact tracing is the lack of adoption among the elderly and people from an underserved community – making it hard to keep these groups well-informed on their exposure in real-time.





## B. Sensors and facial recognition for a safer workplace

To ensure economic continuity and trade opening, the government has had to allow certain essential sectors to operate as usual again.

Although there are SOPs and guidelines in place, there is no assurance that employees will be abiding by the SOPs. We foresee an increased adoption of sensors and facial recognition technology in the workplace to ensure that important aspects, such as wearing a face mask, temperature monitoring, and social distancing, are in place.

Gartner projected that by 2025 over half of the world population would be subjected to at least one Internet of Behaviours programme. Sensors and facial recognition can be used to monitor if employees or the public are wearing a face mask and stay within a healthy body temperature. Meanwhile, technology such as Bluetooth is anticipated to ensure that people will follow the social distancing guide.



## KEY TAKEAWAYS

### 1. Digital approach in every single aspect of life

Moving forward to the future, we expect that digital is integrating more into our life more than it already is. Various tasks that use to require physical contact and visit will be done digitally. In China, for example, Ping An has introduced Good Doctor that allows its users to seek medical assistance at their fingertips. The advancement of IoT has also allowed consumers to control every-thing through a click of a button on their smartphone. The smart home is no longer novel. Today, we can control almost everything in our house through our smartphones.

### 2. Personalisation of experience will be the key differentiator

A few years back, a visit to the mall with family was a normal weekend activity for many people around the globe. Unfortunately, due to the COVID-19 pandemic, that norm has now shifted. Online shop- ping and the digital platform have become a new normal. For many companies, it is not enough to go 'phygital'; providing a personalised experience is key to loyalty building. Big data, AI, deep and machine learning will allow companies to realise this aspiration.

### 3. Increasing adoption of new technologies leading to a rise in Start-ups which will further accelerate the growth of these technologies

Today, the adoption line of certain new technologies is practically vertical. Innovations and technologies are rapidly introduced into the market and accepted by society. The time it takes for new technology to reach mainstream adoption is accelerating exponentially, to the point in the future where new technology can have greater than 50% market penetration in just a few years, whereas earlier, it would take decades.

This is a rapid growth for technology that portends a very bright future for technology businesses, and in particular, technology start-ups and their ecosystems. This can also be seen from another perspective – the valuation of the companies responsible for the disruption. Today we face a high rate of disruption and technology adoption. Apart from that, the emergence of new technologies is increasing over time.

### 4. Digital talent development and upskilling

Another key challenge of industry digitalisation often faced by businesses is the shortage of digital talents. As the world moves towards a digital future, the key shifts surrounding talents are emerging roles, evolving roles, and declining roles.

In Malaysia, Huawei reported that 48% of SMEs recognise the lack of digital skills. Meanwhile, World Economic Forum forecasted that 50% of all employees will need re-skilling by 2025. Apart from digital strategy, companies across verticals and sizes should prioritise developing a clear talent strategy to ensure employees' skill enhancement and talent retention as digital workforce will have a global appeal to work in any time zone and any country digitally.

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- 10 Breakthrough Technologies 2020 <https://www.technologyreview.com/10-breakthrough-technologies/2020/#unhackable-internet>
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- This super-energy-dense battery could nearly double the range of electric vehicles.
- <https://www.technologyreview.com/2020/12/08/1013357/quantumscape-vw-lithium-metal-battery/>
- Size of the global market for electric vehicles in 2019 and 2026 <https://www.statista.com/statistics/271537/worldwide-revenue-from-electric-vehicles-since-2010/>
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# TECH WATCH: BLOOMING TECHNOLOGIES DESPITE THE PANDEMIC

## COVID-19 and the ever evolving technology industry

The coronavirus (COVID-19) outbreak is causing widespread concern and economic hardship for consumers, businesses, and communities worldwide. Although most companies already have their business continuity plans in place, those may not fully address the fast-moving and unknown variables of a pandemic like COVID-19. Conventional contingency plans intend to ensure operational effectiveness following natural disasters, cyber incidents, and power outages, among others. They don't generally consider the widespread quarantines, extended school closures, and added travel restrictions that may occur in the case of a global health emergency.

The crisis raises several unique challenges. Coronavirus brought the world to a standstill, and as a result, many businesses are struggling to stay afloat. However, some industries have seen profits increase and are likely to continue to do so post-pandemic, while other sectors that are working now are also set to flourish once the COVID-19 crisis is over. Below are our findings on areas of technology that we believe will thrive post-pandemic.

### Initiatives in the healthcare sector will increase

As consumers focus much more on their health, medical test kits are the order of the day, whether it's COVID-19 tests required by healthcare organisations or consumers opting to use private companies to test themselves for different medical conditions. With the right privacy limits in place, the resulting massive increase in healthcare data represents an opportunity for various data and AI specialists to develop useful solutions that will help reduce contagion risks, relieve consumer anxiety, and provide reassurance to help them cope with these difficult times.

For example, China's Ping An Health, developed by Ping An Insurance Group currently has 373.0 million registered users with 72.62 million monthly active users and 3.98 million monthly paying customers; making it the largest mobile medical app in China. The mobile portal provides real-time consultations via its 1,800 in-house medical team, online bookings and a health-related discussion forum. It aims to provide "every family with a family doctor, creating e-health profile for everyone and set-up a health management plan for all its users."

Additionally, platforms like Naluri aim to aid people with mental disorder brought about by the COVID-19 pandemic and the Movement Control Order (MCO). Naluri disrupts Employee Assistance Programmes (EAP) with early screening tool. A typical distribution of employees would see 40% having depression, 60% experiencing anxiety, and 30% dealing with stress. As of September 2020, Naluri hosts more than 50 medically recognised experts on their platform, and their expertise range from psychologists to fitness coaches to dieticians.

MCK19 or "Makcik Kiah" is the first Malaysian-made delivery robot designed to assist healthcare delivery to COVID-19 patients. The use of MCK19 to deliver foods and medications to patients' rooms on its own can reduce the exposure of health workers from isolated patients who may be highly contagious. It can be instructed via its touchscreen interface, laptops, phones, or tablets. An LCD screen enables health checks to be done remotely through teleconferencing. Other countries are also experimenting using similar concepts in restaurants, cafes and more.

COVID-19 has also shifted the Medical Technology "MedTech" industry to the centre stage with unprecedented demand for diagnostic tests, personal protective equipment (PPE), ventilators, and other critical medical supplies. In addition to the extraordinary measures underway to rapidly ramp up manufacturing capacity and capabilities, MedTech companies are also looking outside their conventional sector boundaries to explore creative solutions to further supplement capacities, such as partnerships with companies outside the sector, open-source equipment design for 3D printing, drones to monitor production areas and robots to enhance delivery chain within warehouses.



## E-commerce has experienced a revolution

Due to self-isolation, consumers who typically visit physical stores are increasingly resorting to shopping online instead encouraged by massive lockdowns and physical distancing. This trend may well become the new normal once people acclimatise and gain trust to do online purchases.

Lazada Malaysia was one the platforms that took off this year, having millions of orders placed and an increase of 80% on average compared to pre-pandemic. Its CEO Leo Chow said the platform saw consistent growth across the entire 2020 compared to the previous year, with the fastest-growing month recording an increase in sales by almost 120% year-on-year (YoY) and an 80% increase YoY in active daily buyers.

E-Commerce startups funded by MDV also saw consistent growth during the pandemic compared to pre-pandemic, with a total of an average 115% growth in terms of average active monthly visits to their platforms.

The COVID-19 crisis accelerated the expansion of e-commerce towards new firms, customers and types of products. It has provided customers with access to a significant variety of products from the comfort of their own homes. It has enabled firms to continue operating despite contact restrictions and other confinement measures. These factors coupled with the possibility of new waves of the pandemic, likely meant that some of these changes in the e-commerce landscape will likely be of a long-term nature.

The Malaysia Digital Economy Corporation (MDEC) had rolled out the Micro, Small and Medium-sized Enterprises (MSMEs) e-commerce campaign, an initiative under the National Economic Recovery Plan (PENJANA), which ran from June to September 2020. The agency said that the Government had allocated RM70.00 million under PENJANA for the implementation of the campaign to facilitate local businesses in sustaining their operations and gradually enhancing their productivity. Over 145,000 MSMEs benefited from the e-commerce onboarding training, seller subsidy and sales support.



Aside from the MSMEs e-commerce campaign, the Government has also allocated another RM70.00 million to implement the Shop Malaysia Online initiative, the second e-commerce initiative under PENJANA that ran for two months from August until September 2020. Shop Malaysia Online is part of the Government's initiative to spur economic recovery by stimulating online consumption through high impact e-commerce promotions executed via a public-private partnership model.

According to a Rakuten survey conducted in May 2020, more than 50% of respondents stated that they carried out more

online purchases due to the pandemic. Malaysia's e-commerce market is expected to grow by 24.7% year-on-year (YoY) in 2020 to RM 30.2 billion. From 2020 to 2024, the market is expected to continue growing at a CAGR of 14.3% to reach RM51.6 billion.

Food and grocery delivery services have proved to be big winners in the pandemic. It experienced a significant increase in demand as consumers sought to adhere to social distancing guidelines by avoiding crowded supermarkets and indoor dining.

On the first day of the MCO alone, food delivery platforms such as GrabFood and Foodpanda witnessed a 30% increase in orders. Partners saw a 25% increase in online revenue through GrabFood, while more than 8,000 merchants signed up with the platform during the MCO period. The platform expanded to 5 more cities within the first three weeks of the MCO, bringing onboard more businesses and household brands, including pharmacies and grocery stores. More than 20,000 new riders joined Foodpanda from March to June 2020. Approximately 58% of the respondents to a survey conducted by Rakuten Insight in Malaysia, stated that they often ordered food on food delivery apps during the pandemic and approximately 62% of those respondents are aged between 25 and 34 years old.

## Digital collaboration tools and entertainment tools to increase in usage

As companies rapidly, and in some cases permanently move towards remote working, the market for digital collaboration tools such as Microsoft Teams, Google Hangouts and Zoom are likely to expand quicker. Zoom has already experienced a 50% increase in its share price since the start of the year.

What's more, as video calls has become the new virtual hang out, instead of visits to concerts, museums and events, consumers seek equivalent AR and VR experiences, which can be enjoyed while staying home. Together with this, we are already seeing growing demand for digital media and entertainment consumption, including social media, gaming, news, video streaming, and books as people seek to relieve boredom and fill the time previously taken up with travelling and socialising face-to-face.

As part of the #DigitalVsCovid Movement that was introduced by MDEC as a positive response platform that collates digital resources for Malaysians to mitigate the impact of COVID-19, seven tech giants made their remote collaboration tools with video conferencing facilities freely available to enhance work-from-home (WFH) capabilities of Malaysian business. MDEC is confident that with the country's robust digital infrastructure, having the support from the digital and tech companies, and its digitally savvy population, Malaysia is well poised to be the location of choice for robust digital investments. It already serves as a primary business continuity hub for most multinational companies.

Subscriptions to streaming platforms have surged as a result of the pandemic. While the growing number of streaming subscribers to platforms such as Netflix and iFlix is hardly a new trend in prior years, the enforcement of the MCO has played a part in accelerating uptake of such on-demand services in Malaysia post pandemic. As expected, Netflix (netflix.com)

gained 195% in sequential traffic in March 2020 on a rolling 7-day basis (compared to January 2020). Visits to homegrown video streaming service Tonton (tonton.com.my) jumped 232% in sequential in the third week of March 2020 (compared to January 2020).

As a result of the MCO, avid news readers among Malaysians also flocked to online news platforms to keep up with what's happening in the country. Malaysians flocked to online media outlets such as Malaysiakini.com, TheStar.com, Nst.com, Malaymail.com, Freemalaysiatoday.com, Hmetro.com.my, Bharian.com.my, Astrowani.com, and Chinapress.com.my, with sequential traffic surging between 190% and 250%. This was due to speed of information delivery and interactive feedback provided by each news platforms.

## Fintech is on the rise

The COVID-19 pandemic has accelerated the adoption of electronic money (e-money) payments in Malaysia. E-wallet providers are seeing higher take-up during the movement restrictions period. According to the E-wallet operator Boost, Malaysian consumers have embraced a digital lifestyle and made contactless payments as the key payment method during the Recovery Movement Control Order (RMCO).

According to Bank Negara Malaysia (BNM), a transaction value of e-money payments in Malaysia crossed RM20.00 billion between January and September 2020. Touch 'n Go E-Wallet saw over 10-fold increase in its user base throughout 2020 and a positive curve skewing towards broader acceptance market and segments. Boost reported a 140% increase in Gross Transaction Value (GTV) in August 2020 compared to the same period last year in August 2019.

Another alternative to digital financing is Peer-to-Peer (P2P) Lending, which had been introduced and endorsed by the Securities Commission Malaysia since 2016. Platforms such as Funding Societies by Modalku Ventures Sdn. Bhd., a P2P client of MDV, connects the underbanked SMEs in Malaysia with investors looking for an alternative investment options.

This P2P platform utilises proprietary credit learning models to identify lending insights from potential borrowers and generate proposed interest rates return. The model has been well received since its introduction and garnered many borrowers and lenders to the marketplace platform. Funding Societies expects to disburse up to RM 100.00 billion by the end of 2021. This is a milestone that is remarkable for a new digital lending product and we hope that by serving the underbanking market, there will be more growth drivers to spur the SMEs businesses.

Similarly, MoneyMatch, provides a P2P currency exchange platform, focusing on international payments. It has since successfully executed RM1.00 billion transactions through its digital platform for its cross-border trade payments and individual remittance. MoneyMatch disrupts traditional banking in providing seamless, faster, cross-border transactions at a fraction of the cost. Funds can be transferred to approximately 80 countries through MoneyMatch.

The MCO showed individuals and businesses how digital platforms, including digital banking and payments, could help them live and run their business without interruptions. Greater digital adoption and digital transformation of the economy make it even more important for Malaysians to be more agile, adaptive and digitally minded.

Citibank Malaysia saw a growth of 11% in mobile adoption and 10% in transactions on Citibank Online and Citi Mobile App from April 2020 to July 2020. Active mobile users increased by 52% from April 2019 to March 2020, and more than 70% of the bank's products are currently available online.

Maybank also saw a significant increase in the number of digital transactions during the MCO. Usage of Maybank's QRPay in May and June 2020 grew significantly with transaction volume growth of more than 650%.

As the end of May 2020, almost 80% of Hong Leong Bank's customers were extensively using HLB Connect, the bank's mobile banking app. Moreover, customers aged above 50 recorded the most significant increase of 42%. The total transaction value for mobile banking transactions surged by 80% while the number of transactions grew by 75%.

## Telecommunication infrastructure plays a vital role in keeping the country connected and running

Adherence to the MCO by remaining indoors saw 23.5% higher Internet traffic nationwide during the first week of the MCO. The second week of the MCO saw a further increase of 8.6%. As of September 2020, internet traffic in Malaysia at residential areas increased substantially between 30 to 70%.

There is also an increase in 5G usage, where 5G base stations were set up at two quarantine centres to deliver free Wi-Fi to patients and medical staff. Digitisation of the mobile registration and activation process meant that prepaid mobile customers could register and activate prepaid SIM cards through the mobile app by scanning an ID and clicking and submitting a selfie. The app authenticates customers using facial recognition technology.

5G technology has brought about a new way of epidemic surveillance and patrol in public places. In Malaysia, more than ten drones, equipped with heat-sensing technology and speakers for delivery of messages, were used to control and monitor public movement. Exactly a month after Aerodyne started assisting the Malaysian authorities in enforcing the MCO, the team achieved a milestone of completing over 1,000 hours of drone flight time. At an average speed of 40km/hr, the teams have covered over 40,000 kilometres.

To this end, MDV is proud to have played a vital role as the key financier for the telecommunications sector. OCK Setia Engineering, a key player, in the sector, now owns 4,200 telco towers in three companies, providing crucial support for the telco providers, such as OCK Setia Engineering Sdn. Bhd., Other crucial players in the industry include Instacom Engineering Sdn. Bhd. (now part of Vivocom Intl Holdings Berhad), Areno Resources Sdn Bhd., VC Telecoms Sdn. Bhd. and others who each played a distinct role in ensuring ubiquitous telecommunications service throughout the country.

Cloud adoption has evolved from 'nice to have' to 'must-have'. Cybersecurity has become a key focus to address online security as businesses go digital. Undeniably, cloud and cybersecurity go together. Since cloud adoption is still in nascent stages in Malaysia, there is a significant growth potential for this market.



## The future of EdTech

The COVID-19 crisis has been a significant catalyst in enhancing the learning process for students, educators, investors and EdTech start-ups. The year before the pandemic already saw high growth and adoption in education technology, with global EdTech investments reaching USD\$19.26 billion in 2019.

At its peak in mid-April 2020, the virus caused nationwide school closure in 190 countries, impacting 90% of total enrolled students equivalent to almost 1.6 billion people globally. In this context, EdTech start-ups are helping schools and universities to adapt and evolve. In primary and secondary education, start-ups like Kognity or Lix Technologies help with course materials, using intelligent textbooks, engaging video content, slide shows, activities and assessments.

In higher education, we're seeing start-ups like Graduway or Teacherly provide students with digital-first academic support and accessibility, smart assessment, and new curriculum types in specialised areas such as languages, science or coding. As for adult learning, it is now much easier to access remote learning, increasing online courses from traditional institutions.

Additionally, investments in EdTech have been growing, and start-ups in Europe have been expanding globally during the pandemic, as the demand for high-quality online schooling is skyrocketing. Amidst the uncertainty of the COVID-19 pandemic, Malaysian EdTech company A-One has also secured RM2.00 million in seed funding from Wavemaker Partners, Southeast Asia's leading early-stage venture capital firm.



Besides producing teaching videos for Education TV and EduWebTV, the Ministry of Education has also launched a digital learning platform known as Digital Educational Learning Initiative Malaysia (DELIMa) on June 15 to replace the Frog Virtual Learning Environment platform. DELIMa is viewed as a step forward in digital learning, and it is not just a platform for the teaching and learning process but also serves as a space for sharing and collaboration among teachers. For the long term, however, there is a need to create a digital education platform that supports teaching and learning and an assessment system appropriate to the country's educational needs.

## Conclusion

History has shown us that most crisis spurs innovation. A case in point where the World War II created industrialised countries with baby boomers being part of that era of countless innovation such as automobiles, jet engines, space technologies and more. However, the COVID-19 pandemic is unparalleled and needs to be looked upon with a different lens. While the pandemic has had a debilitating impact across most industries and sectors globally, however, most venture capital-backed Start-ups have appeared more robust to stand the test of time. According to a working paper from Harvard and Stanford universities, 52% of Start-ups (globally) have been positively impacted by the pandemic.

The COVID-19 crisis has catapulted a new breed of Start-ups to stardom which are lapping up the pandemic opportunities and disrupting old business models with their innovations. They are growing rapidly on the back of digital adoption, witnessing an acceleration worth multiple years in just a few months. These include sectors such as E-commerce, EdTech, Logistics, FoodTech and FinTech. The other areas include healthcare, gaming and software-as-a-service (SAAS). Old economies will have to learn from tech Start-ups to stay resilient and relevant for the next generation businesses in digital economies.

COVID-19 has made our technology trends more relevant and urgent than before. Opportunities that businesses expected to have years to prepare for are quickly approaching. To meet these challenges, organisations will need to innovate, invent, and redefine themselves. People depend on technology more than ever. How quickly and responsibly companies or industries deploy it matters more than ever, too. We are living in an unprecedented time, heading into a fast-changing future.

On MDV's part, through its Business and Technology Advisory (BTA) Unit, MDV continues to engage with its stakeholders through knowledge sharing sessions and business intelligence approach for up-to-date technology and investment trends in our region. This will ensure that MDV is able to fulfil its nation-building technology mandate and remain as one of the key technology sector enablers for the benefit of the nation.

# MDV'S COMMITMENT TO PROPEL THE COUNTRY'S ECONOMIC GROWTH

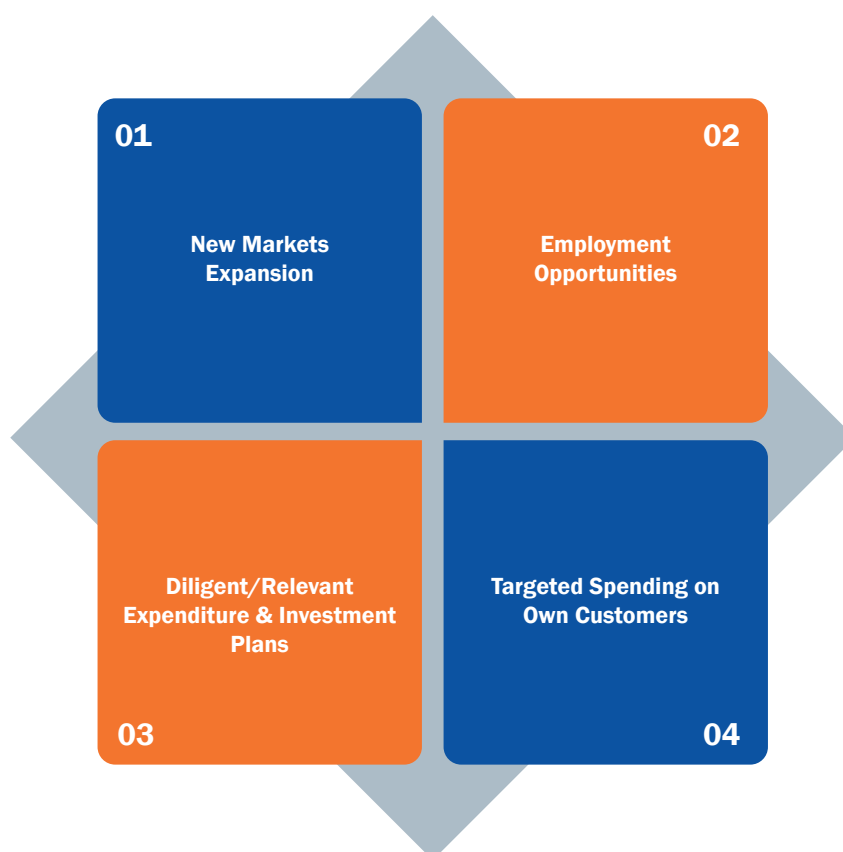
The rapid widespread of the COVID-19 pandemic greatly disrupted the nation in unconventional ways. It has brought about major economic and financial disturbances, affecting vast sectors of the economy. To illustrate, Bank Negara Malaysia (BNM) reported that the pandemic-driven conditions had resulted in Malaysia's economy contracting by 5.6% for 2020.

Subsequently, the Government's call to arms for all Government-Linked Companies (GLCs) and Government-Linked Investment Companies (GLICs) to contribute in stimulating the country's economy had MDV, as a dedicated technology financier, responding to the Government's call in sharing the responsibility to stimulate and revitalise the economy via innovative and flexible financing by assisting and addressing business' operating and financing needs.

MDV has moved quickly to provide relief for existing customers and continues to provide unimpeded access to financing for technology companies. MDV has also accelerated approvals under the Liquidity Financing for Technology Start-ups (LIFTS) to ensure that local start-ups are also able to participate in the broad-based recovery currently observed as well as build resilience against any fall-out due to the current resurgence in COVID-19 cases. MDV has also taken these initiatives to support the effective policy measures by the Government and contribute to sustained public and private sector expenditures.

Apart from the above measures, MDV also relooked and reassessed its strategic directions. MDV aims to further adopt these four measures to assist in jump-starting the technology sector:

## MDV'S STRATEGIC DIRECTIONS FY 2020



MDV's approach for new market expansion is two-pronged where MDV is determined to offer innovative financing for new sectors within the technology sectors by going deeper vertically into the value-chain, while at the same time, also aiming to create greater financing avenues and alternative funding sources for companies within MDV's financing mandate. MDV is currently looking at providing a cacophony of financing products such as P2P FinTech lending and financing for early-stage companies who are traditionally not within the usual financiers' appetite.

This allows for the ripple effect to invigorate the nation's economic activities. To achieve this, MDV has significantly increased its lending target in 2021 to eligible customers under MDV's mandate.

In looking at the medium-term strategy, MDV looks to raise funds from the capital market via issuance of a stand-alone Medium Term Notes (MTN)/Islamic Medium Term Notes (IMTN) facility of RM2.00 billion, without a Government Guarantee, for MDV's Fourth Fund. This new fund is intended to provide MDV with a new source of sustainable funding from the capital market for its long-term operations. This cements MDV's unwavering support to propel the tech sector.

MDV's second focus areas is to create greater employment opportunities for the rakyat. MDV acknowledges that a major component that contributes to a country's economic growth is via robust consumer spending. Increased consumer spending directly correlates to the ability for businesses to sustain its operations. MDV endeavours to create new job opportunities by restarting our Management Apprentice Programme, in addition to hiring interns and temporary or contract employees.

The third focus area is to continue striving for diligent/relevant expenditure and investment plans to maintain sustainable cost control via good cashflow management to ensure healthy financial performance for MDV. This is not an entirely new initiative by MDV given our perpetual pursuit for smart and diligent cost control in our finances throughout the years.

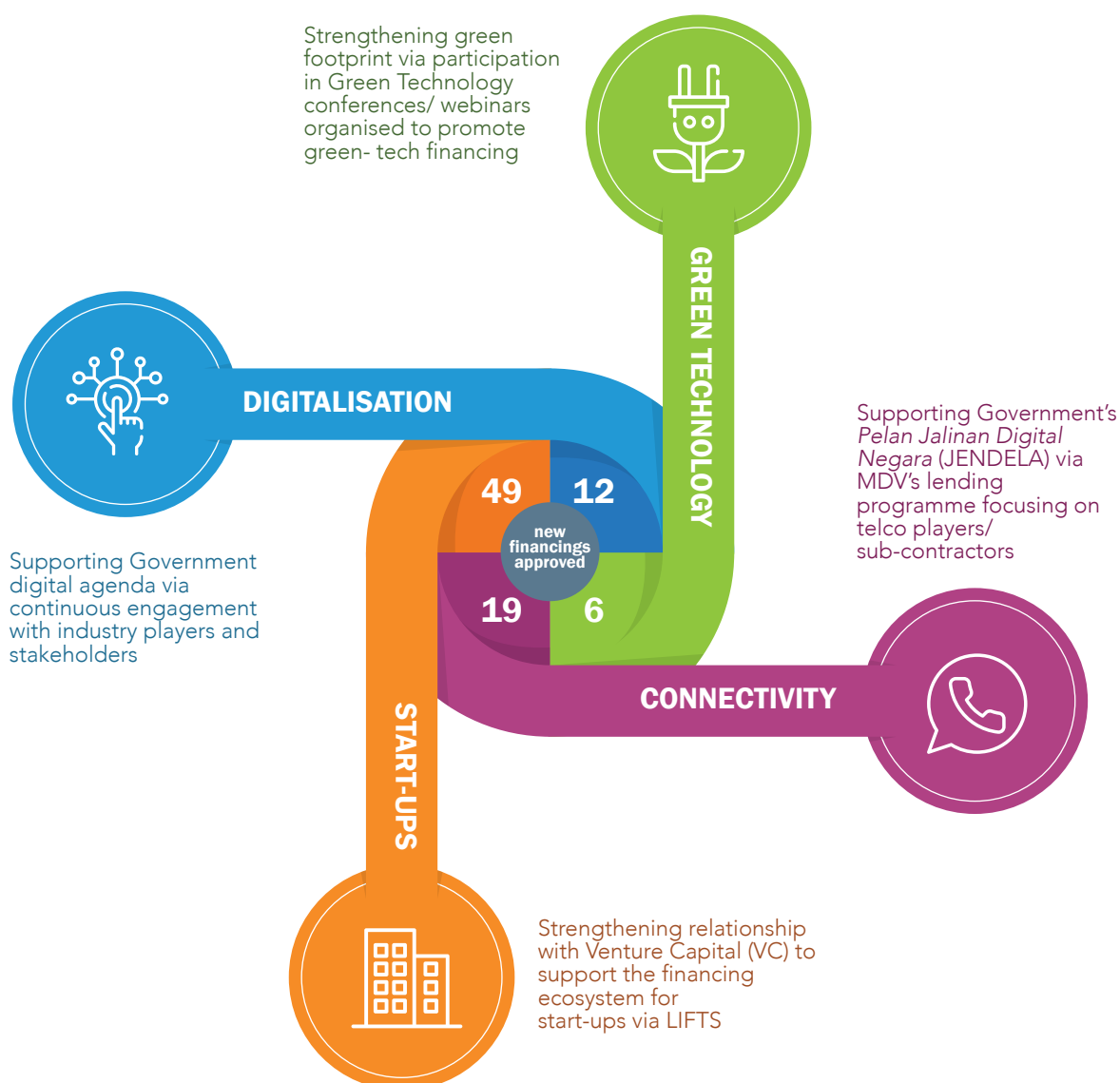
The final focus is to achieve targeted spending on MDV's own invested companies and customers. As a leading technology financier, MDV has access to the country's most innovative and exciting technology products that are focusing on improving output and productivity. MDV can and will leverage on its own customer base for business solutions, by endorsing and supporting customers' products, thus creating revenue streams and improving the cashflow for customers while also enhancing MDV's productivity and efficiency at the same time.

MDV understands and empathises with the need to always pivot and strategise business and action plans to continue to stay resilient, despite the current economic setbacks. MDV is committed to ensuring that the nation's agenda to position Malaysia as a leading technology hub in the region will be a success. MDV will always strive to facilitate all relevant Government's initiatives to ignite and propel the growth of our nation's economy for the continued prosperity of the country.

# MDV'S STRATEGIES TO SUPPORT GOVERNMENT'S INITIATIVES

## 2020

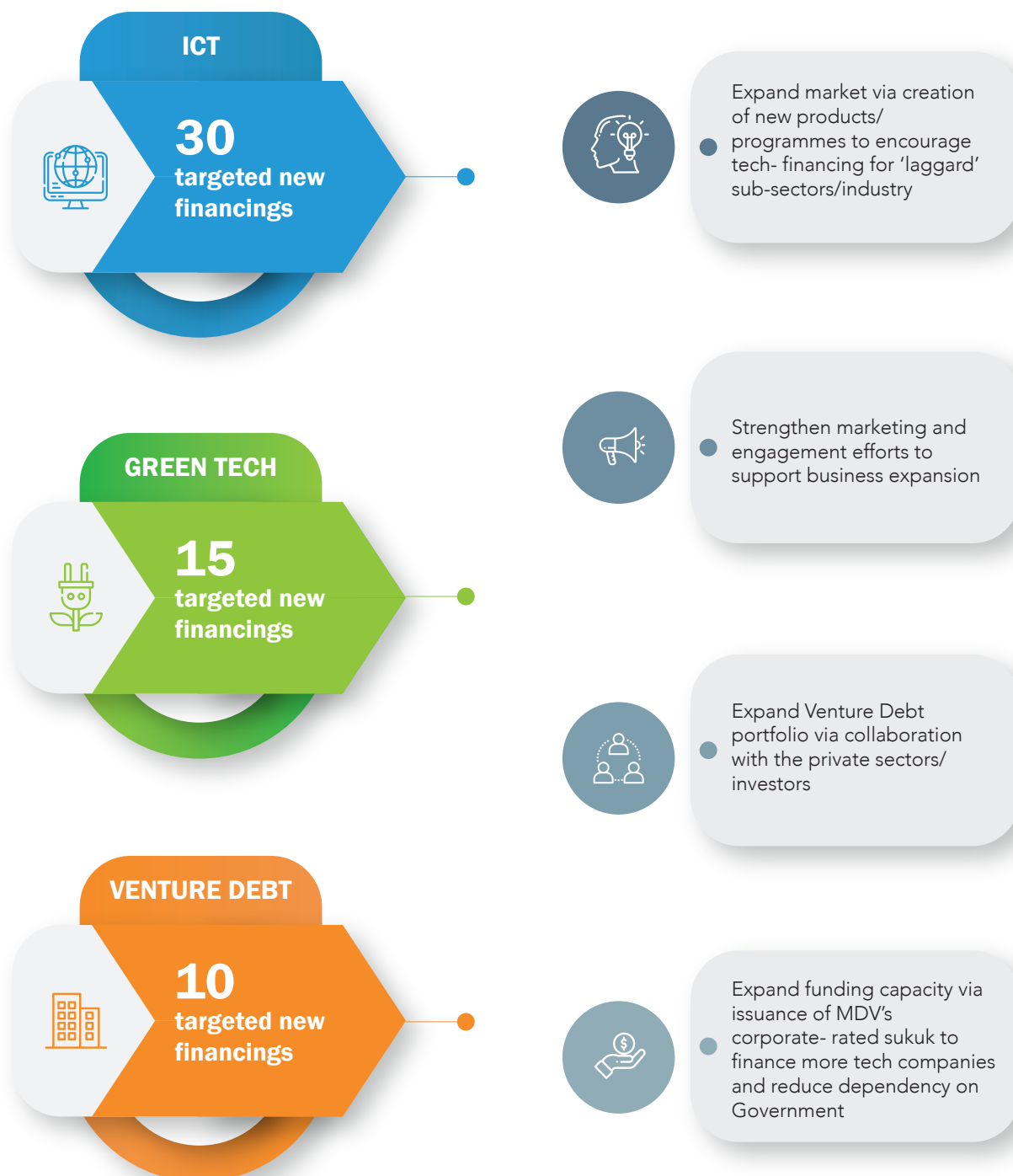
For the year under review, MDV's focus was centred around four (4) key areas/ pillars: Digitalisation, Connectivity, Green Technology and Start-Ups, which was largely supported by the following key strategies.





## MOVING FORWARD

Moving forward, MDV will continue to support Government's digital agenda and aspiration to boost adoption of technology to drive economic growth.



# 06 CORPORATE GOVERNANCE & ACCOUNTABILITY







This photo was taken during **MDV's Corporate Integrity Pledge with Malaysian Anti-Corruption Commission** on 26 February 2020 at BPMB's Auditorium

# CORPORATE GOVERNANCE

## Governance Framework

The Board of Directors of MDV ("the Board") is fully committed to uphold 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 responsible for leading and managing MDV's business and operations in an effective and responsible manner. Each Director has a 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 met. The Memorandum and Articles of Association of MDV, the Companies Act 2016, other governing laws of Malaysia and the relevant guidelines issued by the relevant authorities from time to time govern the roles and responsibilities of the Board.

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

### 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). 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 which 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 (RMD) to ensure the risk is controlled, monitored and evaluated. Additionally, any approved policy and standard operating procedures formulated to identify, measure and monitor the various risk components will be reviewed and recommended by RMC to BRMC. RMC also reviews and assesses the adequacy of these risk management policies and ensures that proper infrastructure, resources and systems for risk management are in place.

### Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee (NRC) is to recommend to the Board suitable remuneration policies for Directors, evaluate the performance of the CEO and the Senior Management and establish pay-for-performance plans to ensure it is aligned with the Ministry of Finance's (MOF) expectations. NRC also works with the Chairman to assess the Board's composition and skills and recommends candidates for the positions of Chairman, CEO, Board Members and other key company positions subject to the views of MOF.



# THE ROLE OF RISK MANAGEMENT DIVISION & KEY ACHIEVEMENTS

## RMD UNDERTAKES CONTINUOUS COMPLIANCE REVIEWS TO ADDRESS ANY GAPS IN MDV'S OPERATIONAL, BUSINESS AND PROCESSES

The duty of the Risk Management Division (RMD) is to prevent MDV's exposure to losses or risks and protect the value of its assets.

RMD's roles and responsibilities encapsulate the monitoring and management of Credit Risk, Portfolio Risk, Market Risk and Operational Risk; as well as ensuring compliance of Shariah and managing Integrity and Governance in MDV. The ultimate objective is to ensure that the risk-taking in MDV is risk-rewarding whilst allowing MDV to achieve its business objectives.

### 1. CREDIT CULTURE & RISK APPETITE

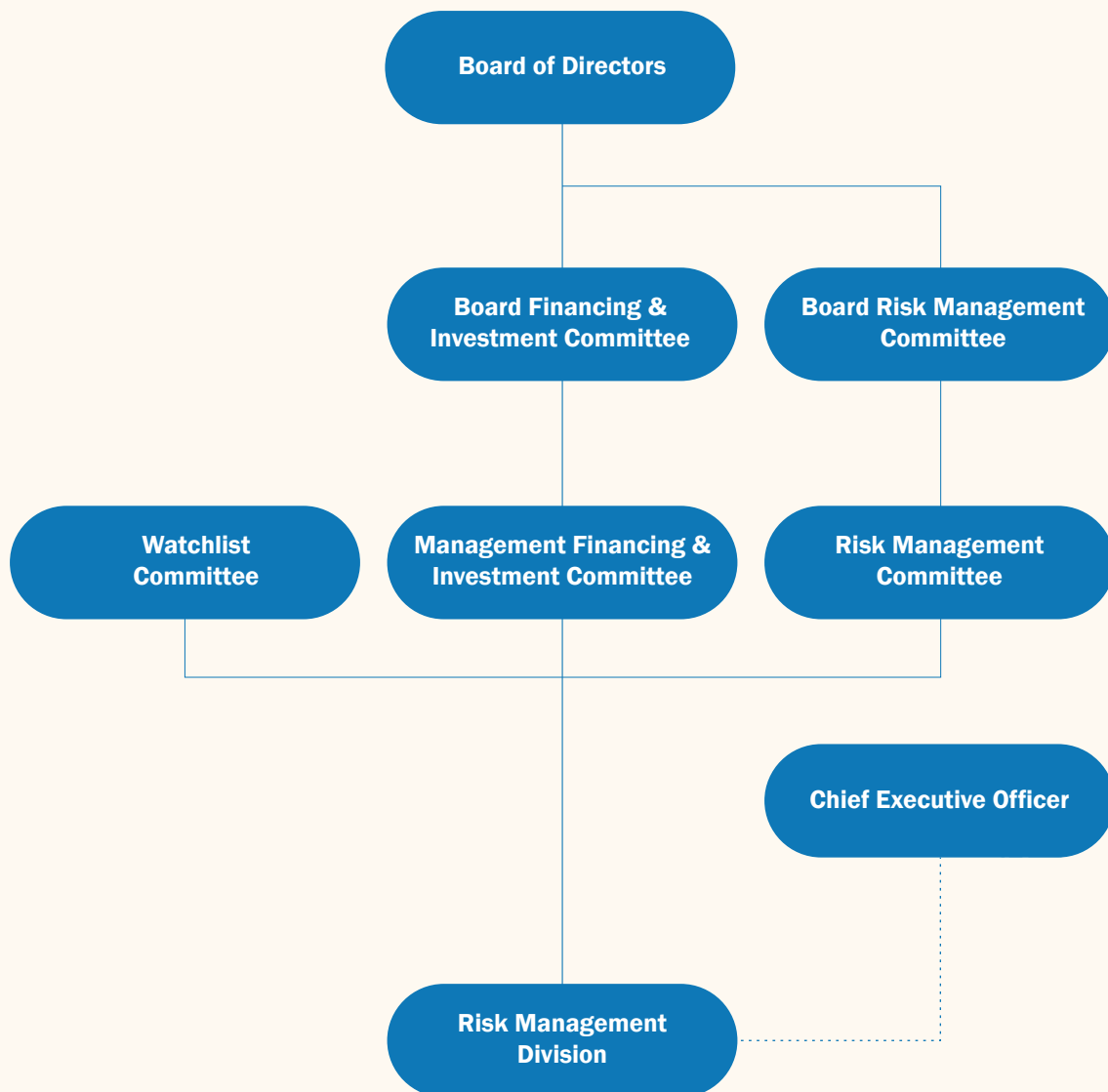
- 1.1 The credit culture is a unique combination of MDV's credit values, beliefs, practices and attitude, which defines the financing environment and determines the financing behaviour that is acceptable to MDV.
- 1.2 MDV operates in a high-risk financing environment in view of our nation-building role in financing unfamiliar and advanced technology-based companies. With this weighted responsibility, RMD always exercise appropriate vigilance and prudence when undertaking credit lending to ensure that our capital is preserved at all times.

### 2. RISK TOLERANCE

- 2.1 In MDV, we encourage the taking of controlled risks, grasping new opportunities and use innovative approaches to expand the interests of the Company to achieve its objectives, provided that the resultant exposures are within the Company's risk tolerance range.
- 2.2 Other than managing the portfolio effectively by applying robust credit analysis and evaluation processes, the Company shall always conform to the highest standards in accordance with acceptable Shariah principles on the prohibition of all forms of injustice and imbalance in all business transactions.
- 2.3 The Company also commits to high legal, ethical and moral standards and zero tolerance to any forms of fraud and corruption.

### 3. RISK GOVERNANCE

- 3.1 MDV has an established framework to ensure appropriate oversight, accountability and management of all risks encountered in the course of doing our business.
- 3.2 The responsibility and accountability for risk management starts with the Board of Directors' oversight of governance structure, which ensures that our business activities:
  - Applying the principles of sound corporate governance to the assessment and management of risks;
  - Ensure that the risk-taking activities are aligned with MDV's capacity to absorb losses whilst safeguarding our long-term viability;
  - Consistent with MDV's credit culture & risk appetite, risk tolerance, and overall business strategy; and
  - Having adequate risk management and internal controls.
- 3.3 MDV's Board Risk Management Committee (BRMC) and Board Financing & Investment Committee (BFIC) assist the Board of Directors in managing and governing the Company. BRMC, supported by the Risk Management Committee (RMC), reviews the overall risk appetite and level of risk capital to be maintained for the Company. BFIC endorses certain limit of the financing proposals and is supported by the Management Financing & Investment Committee (MFIC).
- 3.4 In addition, the Watchlist Committee at the Management level deliberates on accounts which show early signs of distress and increased risk potentials which would require close monitoring, special attention and proactive account management.
- 3.5 To further strengthen the overall risk management aspects in MDV, we also monitor market, credit (portfolio management) and operational risks that may impact MDV in general. The observations and findings are presented in the risk reports with relevant recommendations to the RMC and BRMC for deliberations.

**RMD'S RISK GOVERNANCE STRUCTURE**

## 4.0 RMD's KEY ROLES &amp; RESPONSIBILITIES

Risks Covered	RMD's Roles and Responsibilities
<b>4.1 Credit Risk</b>	<p><b>Risk assessment and monitoring to protect MDV's financing portfolio.</b></p> <ul style="list-style-type: none"> <li>• In assisting the relevant approving committees (i.e., MFIC and BFIC) in making informed financing decisions, RMD performs independent credit risk assessments and provides relevant recommendations to mitigate the risks associated with the financing applications.</li> <li>• We monitor the performance of all accounts via monthly Watchlist Committee Meetings to track and manage potential non-performing financing (NPF) accounts. The Watchlist Committee will decide on appropriate actions to be taken on accounts that show signs of distress and red flags.</li> <li>• We further analyse the NPF accounts and perform post-mortem review and share the report with relevant credit divisions for lessons learnt purposes.</li> </ul>
<b>4.2 Portfolio Risk</b>	<p><b>Review and track exposures at portfolio level on prudent basis to manage systemic risk, concentration risk and associated profitability considerations.</b></p> <ul style="list-style-type: none"> <li>• The portfolio analysis is crucial to maintain an enterprise-wide control over financing exposures. This is done by monitoring actual risks against pre-set risk tolerance and parameters.</li> <li>• The portfolio management allows for a valuable insight into MDV's loan/financing amount, composition and maturity, single customer exposures, probability of default, sub-sector-capping and systemic risk/risk concentrations.</li> <li>• Our portfolio management review will also cover any economic or industry events/trends that may have an impact on our portfolio accounts and risk-reward structures.</li> </ul>
<b>4.3 Operational Risk</b>	<p><b>Provides overarching governance of operational risks through relevant policies, standard operating procedures (SOPs) and operational risk management (ORM) tools.</b></p> <ul style="list-style-type: none"> <li>• We monitor the day-to-day operational risks via two key ORM tools i.e., Risk Control Self-Assessment (RCSA) and MDV's Global Key Risk Indicators (KRIs). All divisions and departments in MDV must scrutinise all the risk factors outlined in these two ORM tools and to report on any occurrence of loss events, breach of controls and breach of Global KRIs. The findings and recommendations are reported to RMC/BRMC for deliberations and further actions.</li> <li>• We review the divisional/departmental policies and SOPs as to ensure that the new and updated processes in MDV are properly captured in the Company's documents for staff's meaningful reference and full compliance.</li> <li>• To ensure that MDV's business operation is uninterrupted during a disaster, we continuously monitor, review and conduct business continuity processes and procedures to give assurance of MDV's non-compromise on operational disruptions to both MDV employees and external parties.</li> </ul>

Risks Covered	RMD's Roles and Responsibilities
<b>4.4 Market Risk</b>	<p><b>Optimise the Company's returns by maintaining market risk exposures within acceptable parameters.</b></p> <ul style="list-style-type: none"> <li>We ensure that exposure to market risk is always kept within our capability and financial capacity to withstand potential future losses. For Asset Liability Management (ALM), we examine and analyse the areas of risks as follows: <ul style="list-style-type: none"> <li>i. The liquidity position to cover the monthly operating expenses and payment of the Sukuk/Islamic Revolving Credit (RC-I) obligations;</li> <li>ii. The risk of movement in interest/profit rates leading to mismatch between Sukuk/RC-I profit rate and interest/profit rate charged to customers; and</li> <li>iii. The availability of cash for funding purposes (capital management).</li> </ul> </li> </ul>
<b>4.5 Credit Compliance Risk</b>	<p><b>Credit Compliance to Enhance MDV's Overall Credit Quality.</b></p> <ul style="list-style-type: none"> <li>We undertake continuous compliance reviews via Post-Approval Compliance Review and Post-Disbursement Review to address any gaps in the current credit approval and disbursement processes to ensure MDV's overall credit quality and worthiness and consequently, minimise any non-compliance that can be detrimental to MDV's interest.</li> </ul>
<b>4.6 Shariah Compliance Risk</b>	<p><b>Shariah Compliance Unit (SCU) to align with MDV's Financing in accordance with Islamic Principles.</b></p> <ul style="list-style-type: none"> <li>SCU functions as a gatekeeper to ensure MDV's compliance with Shariah standards on all our Islamic business operations and activities.</li> <li>SCU is responsible to deliberate and provide advice on Shariah compliance matters, specifically on the lending/financing principles.</li> <li>SCU further engages with the Shariah Advisor to provide on-going Shariah advisory and consultancy support on all matters relating to the Islamic products, such as financing restructuring/rescheduling, review of legal documentations for existing and new products; and review and enhancement of Islamic products.</li> </ul>
<b>4.7 Integrity &amp; Governance</b>	<p><b>Integrity and Governance to Ensure Good Governance.</b></p> <ul style="list-style-type: none"> <li>In line with the Government's objective to strengthen and enhance corporate integrity and governance at all Government Linked Companies, the Integrity &amp; Governance Unit (IGU) was set up in August 2019. IGU reports directly to the Board of Directors of MDV. On half-yearly basis, IGU also provides reports to the Malaysian Anti-Corruption Commission (MACC) on the four (4) core functions consisting of detection and verification, complaints management, integrity enhancement and governance.</li> <li>IGU ensures that all MDV's internal and external business relationships are guided by MDV's Code of Conduct which provides a guidance for all of MDV's staff and external parties.</li> </ul>



## 5.0 KEY INITIATIVES FOR 2020

Areas	Initiatives Carried Out
<b>5.1 Portfolio &amp; Credit Risk Management</b>	<ul style="list-style-type: none"> <li>RMD had conducted a Portfolio Stress-Test to analyse the possibilities of the COVID-19 pandemic negatively impacted our customers and portfolios; and further how detrimental can these risks be to MDV's financial position.</li> <li>We introduced the Risk-based Expected Financing Loss (RBEFL) Framework to replace the Capital at Risk (CaR) model for monitoring and management of MDV's portfolio exposure. This is in line with the MFRS9 expected credit loss model. This has resulted in a more prudent outcome on the expected credit loss on MDV's portfolio.</li> </ul>
<b>5.2 Business Continuity Management (BCM)</b>	<ul style="list-style-type: none"> <li>In tandem with the Movement Control Order (MCO) announced by the government in March 2020 following the COVID-19 pandemic, we had outlined and prepared the Action Plan on COVID-19 and Procedures for Work from Home (WFH). The procedures for WFH mainly address the BCM flows and structures whilst ensuring internal and external business relationships are maintained amid the disaster.</li> <li>Further, we had established Post-MCO SOP when working in the office. In line with the Management's priority to ensure the health and safety of everyone, all employees are obliged to adhere to the rules on health screening, physical distancing and personal hygiene.</li> </ul>
<b>5.3 Integrity &amp; Governance</b>	<ul style="list-style-type: none"> <li>IGU had conducted several activities and programmes for staff's awareness and involvement throughout year 2020. The key activity for year 2020 was MDV Integrity Day which was organised by IGU in collaboration with Malaysian Institute of Integrity (IIM). During the Integrity Day, MDV also had the corruption-free pledge ceremony (<i>Ikrar Bebas Rasuah</i>) with MACC to signify our commitment and support towards the MACC's initiative to deter corruption at Company level.</li> <li>The other activities, programmes and initiatives conducted by IGU could be broadly divided into four (4) main categories as follows: <ul style="list-style-type: none"> <li>A) Reviewed and revised policies, SOPs, forms and checklists to ensure consistent update to MDV's existing regulations and governance: <ul style="list-style-type: none"> <li>Reviewed MDV's Code of Conduct Policy, Anti-Fraud SOP and Integrity &amp; Anti-Corruption SOP.</li> <li>Revised Employee's Undertaking &amp; Acknowledgement.</li> <li>Revised Procurement Integrity Pacts.</li> <li>Enhanced MDV's Blacklist.</li> <li>Established Anti-Money Laundering &amp; Counter-financing of Terrorism (AML/CFT) Guideline.</li> <li>Created Staff Declaration of Conflict of Interest with Third Party and Customers forms.</li> <li>Revised Third Party Declaration Form, Third Party Non-Conflict of Interest Form, and Due Diligence Checklist on Third Party.</li> <li>Revised Customer's Annual Declaration Form.</li> <li>Replaced Third Party Non-Conflict of Interest Form with Third Party Declaration of Conflict of Interest with MDV Form.</li> <li>Established new RMD's Compliance Checklist and Director's Compliance Checklist.</li> </ul> </li> </ul> </li> </ul>

Areas	Initiatives Carried Out
<b>5.3 Integrity &amp; Governance</b>	<p>B) Organised talks and training as knowledge sharing to create awareness among all employees:</p> <ul style="list-style-type: none"> <li>• Talk on Section 17(A): Corporate Liability Provision by MACC (during the Integrity Day).</li> <li>• Annual training on MDV's Code of Conduct Policies and SOPs.</li> <li>• Online Forum: "Paving the Way Towards A Corrupt-Free Nation" (in collaboration with IIM).</li> <li>• AML/CFT Webinar.</li> <li>• Newsletter on Section 17(A).</li> <li>• Integrity Webinar: Who is Criminally Liable under S17(A)? (in collaboration with IIM).</li> <li>• Integrity &amp; Anti-Corruption Townhall.</li> </ul> <p>C) Carried out various initiatives for Corruption Risk Management:</p> <ul style="list-style-type: none"> <li>• Fraud &amp; Corruption Risk Survey, Fraud &amp; Corruption Risk Assessment (FCRA) and Fraud &amp; Corruption Perception Index.</li> <li>• Integrity Test for New Staff (conducted by Human Capital Department).</li> <li>• Disclosure &amp; Collection of politically exposed persons (PEP) Lists.</li> <li>• Promote the use of MACC's Corruption Offenders Database.</li> <li>• Organisational Statistic on Corruption Cases (procured from MACC).</li> </ul> <p>D) IGU's Empowerment and other initiatives:</p> <ul style="list-style-type: none"> <li>• Signing of Corporate Integrity Pledge with Corporate Integrity System Malaysia, MACC.</li> <li>• Enrolment for Certified Integrity Officer Programme.</li> <li>• Enrolment for BNM's AML/CFT Data Compliance &amp; Report Programme.</li> <li>• Reminder on Whistleblowing to all MDV Staff.</li> <li>• Reminder on Declaration of Gift, Entertainment and Corporate Hospitality.</li> </ul>

## 6.0 MOVING FORWARD

- 6.1 Moving into 2021, RMD will implement the enhanced MDV's Credit Risk Grading model – an improved and robust system in accordance with MDV's credit values by considering key credit parameters i.e., type of financing, sectors & sub- sectors, type of customers, and related qualitative & quantitative factors.
- 6.2 The Organisational Anti-Corruption Plan (OACP) for the period of 2021-2023 will also be rolled out. This OACP is the consolidation of all policies and SOPs relating to integrity and anti-corruption with further incorporation of FCRA and strategic initiatives that are in line to the National Anti-Corruption Plan 2019- 2023. The ultimate objective of this OACP is to strengthen the integrity and anti- corruption culture amongst the employees as well as our key partners and stakeholders. More importantly, we wish to ensure that we will comply with the Corporate Liability Act or commonly known as Section 17(A).
- 6.3 To ensure the strict compliance of the Corporate Liability Act or commonly known as Section 17(A), IGU had adopted the two guidelines issued by IIM and MACC namely, Guidelines on Adequate Procedures (AP) and Guidelines on Management of IGU.

As at end of December 2020, we had completed all the five (5) TRUST initiatives under the AP i.e. Top Level Commitment; Risk Assessment; Undertake Control Measures; Systematic Review, Monitoring and Enforcement; and Training and Communication.

As for the Guidelines on Management of IGU, we had also completed all the six (6) requirements/ directives i.e. Integrity & Governance Management Network; Organisation Risk Rating; Appointment Criteria for Chief Integrity & Governance Officer and Integrity & Governance Officer; Capacity Strengthening of Integrity Officers; Certified Integrity Officer (CeIO) Programme; and Reporting by IGU.

We will continue to adhere to the requirements and report all IGU-related activities and initiatives twice yearly as required by MACC.

# AUDIT COMMITTEE REPORT

The Board of Directors (the Board) has the overall responsibility for internal controls, and for reviewing its adequacy and integrity. The Board recognises that MDV's system of internal controls is designed to manage the risks within its acceptable risk profile and not to eliminate the risk of failure to achieve the Company'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.

## COMPOSITION

The Audit Committee (the Committee) is a board-delegated committee established by the Board to provide an independent oversight of the adequacy and effectiveness of the governance, risk management, the company's system of internal controls particularly on financial reporting process and integrity of financial statement, as well as compliance with relevant laws and regulations.

Collectively, the Committee members comprising primarily independent directors have a range of necessary skills, knowledge and experience in discharging their duties and responsibilities.

The Board-appointed Chairman of the Committee is not the Chairman of other Board Committees.

The Committee members are:

1. Dr Azura Othman - Independent Non-Executive Director, Chairman.
2. Puan Nazidah Ahmad Ali - Independent Non-Executive Director, Member.
3. Puan Nahidah Usman - Non-Independent Non-Executive Director, Member. (Appointed on 8 April 2020)

## DUTIES AND RESPONSIBILITIES

The primary duties and responsibilities of the Committee amongst others, are:

### A. Internal Audit

The Committee is responsible for overseeing the internal control structure. For that reason, the Committee supervises the work of internal audit (IA) and for the remuneration and supervision of the Head of IA. The Chairman of the Committee shall be consulted before appointing or terminating the head of IA and shall conduct entry and exit interviews with the Head of IA. The appointment or termination of the Head of IA must be approved by the Board as a whole.

The Committee shall supervise IA of the Company and its responsibilities which include:

- a. Reviewing the IA function's mandate on an annual basis;
- b. Assessing the capabilities of IA;
- c. Reviewing the IA function's independence and reporting relationships;
- d. Reviewing IA's audit plan including the scope and timeline, as well as ensuring that the IA is adequately resourced and able to undertake the activities independently and objectively;
- e. Review IA's performance against its plan;
- f. Reviewing IA's reports particularly on the audit findings and recommendations;
- g. Monitoring the implementation by the Management regarding IA's recommendations
- h. Ensuring coordination of IA's work with the work of external auditors;
- i. Reviewing the overall effectiveness of IA in relation to its mandate and IA standards.

## B. External Audit

- a. Appointing external auditors and approving their remuneration based on the review of the previous year's work and the current year's work, as well as the experience and independence of the proposed audit team;
- b. Approving the scope of the audit and how key risk areas are covered by the external auditors in their audit plan;
- c. Ensuring the independence of the external auditors including the rotation of the key audit partner;
- d. Reviewing the assistance given by the employees of the Company to the external auditors;
- e. Reviewing the audit findings and recommendations including any disagreements that have occurred with the Management (by meeting the external auditors without the Management's presence) and discussing internal control deficiencies/fraud/illegal acts, if any;
- f. Reviewing any letter of resignation from the external auditors of the Company;
- g. Whether there is reason (supported grounds) to believe that the Company's external auditor is not suitable for reappointment.

## C. Financial Reporting

Reviewing year-end financial statement, prior to the approval by the Board, focusing particularly on:

- a. Changes in or implementation of major accounting policy changes.
- b. Significant and unusual events; and
- c. Compliance with accounting standard and other legal requirements.

## D. Related Party Transaction

Any related party transaction and conflict of interest situation that may arise within the Company including any transaction, procedure or course of conduct that raises questions of the Management's integrity.

## E. Whistleblowing

Ensuring oversight of ethics and integrity and the preservation of the Company's reputation that could create a liability for the Company by reviewing any report that is received from IA, the external auditors and whistle-blowers.

## F. Investigation

In assisting the Board in discharging its supervisory role, the Committee has the power to investigate any matter brought to its attention within its terms of reference.

## ACTIVITIES OF THE COMMITTEE FOR THE YEAR

### Overview

The Committee is committed to its role in ensuring appropriate corporate governance practices and providing oversight on the Company's financial reporting, risk management and internal control systems.



## Attendance of Meetings

A total of five (5) meetings were held during the year. The details of attendance of each member at the Committee meeting held during the year are as follows:

Name of Committee member	No. of meetings attended during the period under review
1. Dr Azura Othman	5/5
2. Puan Nazidah Ahmad Azli	5/5
3. Puan Nahidah Usman	5/5

The Committee consists of two (2) Independent Non-Executive Directors, and one (1) Non- Independent Non-Executive Director who is representing the Ministry of Finance (MOF).

The Committee met on a quarterly basis. The Chief Executive Officer (CEO), Executive Vice Presidents (EVP) and Vice President (VP) of IA were invited to attend the meetings.

The external auditors were also invited to attend the meetings to discuss their Audit Planning Memorandum, Audit Committee Report and other matters deemed relevant. In addition, the Committee also had a session with the external auditors without the presence of the Management.

During the year under review, the Committee in discharging its duties and functions, carried out the following activities:

### A. Internal Audit

1. Reviewed and deliberated the revised IA plan for the financial year 2020, taking into consideration changes in risks, ad-hoc special reviews and additional scope requested for certain audits, as well as availability of IA resources.
2. Reviewed IA's reports particularly on significant risk audit observations and improvement opportunities. The Committee considered IA's recommendations taking into account the Management's responses, and upon which, approved IA's proposals for rectification and implement the agreed remedial actions for improvement.
3. Reviewed and deliberated the rectification actions and timelines taken by the management to ensure unresolved audit issues are addressed accordingly within the stipulated deadline. The Committee also deliberated the rectification timeline extension requests by the Management and approved such requests where the justifications were acceptable.
4. Reviewed and deliberated on special review reports and provided directions, where necessary, to address and improve the internal control weaknesses highlighted.
5. Reviewed IA's audit activities undertaken for the financial year covering the progress on planned audit assignments and ad-hoc special reviews.
6. Reviewed the minutes of all Management Audit Committee meetings for an overview of the deliberation and remedial actions taken by the Management on the internal control lapses and enhancements raised by the internal auditors.
7. Reviewed the effectiveness of the IA function and appraised the performance of the VP of IA and the internal auditors for the year 2019.
8. Deliberated and approved the key performance indicators for VP of IA and internal auditors for the year 2020.
9. Reviewed and deliberated the annual IA plan for the financial year 2021 to ensure adequacy of the scope, coverage of activities as well as IA's staff strength and competency to carry out its functions.

## B. External Audit

1. Conducted review with the external auditors on the Audit Plan for the financial year 2020 focusing on the scope of work, audit timeline and proposed audit fees.
2. Discussed and deliberated on the external auditors' report and recommendations regarding opportunities for improvement to the significant risk areas, internal controls and financial matters areas based on observations made in the course of the audit.
3. Evaluated the external auditors' performance and independence before recommending them to the Board for their reappointment. The external auditors provided the directors with a statement that they have complied with relevant ethical requirements regarding their independence.

## C. Financial Reporting

1. Reviewed the annual audited financial statements to ensure that the financial reporting and disclosure requirements are in compliance with the accounting standards, with special focus placed on the changes in accounting policy, as well as any significant and unusual transactions.
2. Discussed with the external auditors on:
  - Summary of uncorrected misstatements;
  - Significant audit and accounting matters that include credit impairment assessment, MFRS 9 related matters, and COVID-19 implication on financial statements; and
  - Tax related matters.

## D. Annual Report

1. Reviewed and approved the Audit Committee Report for inclusion in the Annual Report for the financial year 2019.

## E. Directors' Training

During the year, the Committee members have attended training programmes, seminars and talks to keep abreast of latest developments to enhance their knowledge for the discharge of their duties and responsibilities.

Some of the training programmes, seminars and talks attended were:

- Corporate Governance: Boards for a Digital World.
- Section 17A of MACC Act 2009 (Amendment 2018).
- Talk on "Section 17(A), Offence by Commercial Organisation".

## INTERNAL AUDIT FUNCTION

The IA function is guided by its Internal Audit Charter and reports functionally to the Committee, and administratively to the CEO. Additionally, IA is independent of the activities or operations of the Company.

The principal responsibility of IA is to undertake independent reviews of risk management, internal controls and governance processes implemented by the Management to provide reasonable assurance that such processes are sound and adequate, as well as to continue to operate effectively and efficiently.

## Summary of IA's activities

The main activities undertaken by IA during the financial year are summarised as follows:

1. Prepared the annual risk-based audit plan and reported the progress status of the approved audit plan to the Committee on a quarterly basis.
2. Revised the audit plan based on changes in risks and requests from the Management.
3. Conducted audits as per the approved or revised audit plan and ad-hoc special reviews as requested by the Management during the year.
4. Based on the above, IA provided the Committee with independent and objective reports on the state of internal controls of the divisions and departments within the Company and the extent of compliance by such business and support units with the Company's established policies and procedures, as well as relevant laws and regulations.
5. Monitored and followed-up on unresolved audit issues.
6. Reviewed new and updated policies, procedures and processes to provide feedback on the adequacy of internal controls to address the relevant risks.
7. Established a Work from Home (WFH) Standard Operating Procedures that outlines the procedures or pre-requirement to be followed by all internal auditors for WFH arrangement arising to any national emergency circumstances that will threaten human health or safety, or any disaster resulting in the closure of MDV's office – entirely or partly.
8. Prepared the Audit Committee Report for inclusion in the Annual Report for the financial year 2019, upon approval by the Committee.
9. Conducted training annually on Whistleblowing Policies and Procedures.

## Proficiency

To perform their duties and responsibilities, internal auditors had undergone continuous training programmes that were held internally and externally to equip themselves with requisite knowledge and technical skills.

# 07 CORPORATE SOCIAL RESPONSIBILITY







# MDV'S CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES IN 2020

The COVID-19 crisis which hit the world in 2020 was unprecedented and unprepared for. The spread of the virus had impacted all verticals of the society, be it in terms of health, economy, business, social and education. However, as a socially responsible organisation, despite these challenging times, MDV remains focused and committed in our efforts to support our stakeholders and the society in general via our Corporate Social Responsibility (CSR) initiatives.

In 2020, MDV had carried out the following CSR initiatives:-

## Program “Syukuri Nikmat Ramadan” Dengan Kerjasama PPZ MAIWP



MDV collaborated with Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan (PPZ-MAIWP) in May 2020 by donating basic food necessities such as rice, cooking oil, salt, eggs, flour etc. to be distributed to asnafs residing at 7 Projek Perumahan Rakyat (PPR) in Kuala Lumpur for the remaining days of Ramadan and in preparation for Aidilfitri. Additionally, MDV also contributed to 21 small food businesses owned by asnafs that were badly affected due to the MCO. The monetary aid is to ensure that the businesses can continue to operate during the month of Ramadan and beyond for their continued survival.

## The Breakfast Talk Series with Bro Firdaus Wong



In trying to alleviate the stress of having to mentally cope with COVID-19 challenges, MDV organised an online public talk as part of its community education and self-empowerment initiative in May. The talk was delivered by Bro Firdaus Wong with the topic “Apa Alasanmu?” The talk, among others, touched on one’s relationship with the Creator and what we can do to spread goodness and kindness to the people around us.

MDV aims to continue this initiative in 2021 with relevant speakers and topics.



## Program Sejambak Kasih “Back-to-School” MDV with Jabatan KEMAS Parlimen Pasir Salak.



MDV in collaboration with KEMAS Parlimen Pasir Salak had organised a Back-To- School programme at Pasir Salak to help the underprivileged segment of the community to prepare for their children’s schooling session in 2021. As part of the programme, MDV had donated school-related items such as school uniforms and school bags to 300 primary school and kindergarten students. The event was officiated by YB Dato Sri Hj Tajuddin bin Abdul Rahman, Member of Parliament for Pasir Salak.

## Corporate Donations

MDV also reached out to the following organisations and individual who required monetary assistance from MDV:-

- Donation of an adjustable bed for En. Taufiq Kamal’s ailing mother-in-law in Sg. Manik, Perak (worth RM1,800.00). Encik Taufiq is a B40 small town business owner based in Sungai Manik, Perak, who enlisted help from MDV after he had unsuccessfully requested for an adjustable bed for his bed-ridden mother-in-law from various organisations and corporate bodies.



- Donation for 50 cancer patients under MAKNA’s Food Pack Assistance Programme (worth RM10,000.00); and



- Donation of 330 PPE suits to front liners under the Yayasan Ikhlas’ PPE Supply Project (worth RM10,000.00).





**MALAYSIA DEBT VENTURES BERHAD**

200201010450 (578113-A)

Level 5, Menara Bank Pembangunan  
1016, Jalan Sultan Ismail,  
50250 Kuala Lumpur, Malaysia

Tel: +60 3 2617 2888

Fax: +60 3 2697 8998

Email: [mdvinfo@mdv.com.my](mailto:mdvinfo@mdv.com.my)

