

**Sabah Development Bank Berhad - 34638-W
(Incorporated in Malaysia)**

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

Principal activities

The principal activity of the Company is the provision of finance for development projects.

The principal activities of the subsidiaries are stated in Note 25 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	<u>113,165</u>	<u>91,486</u>
Profit attributable to:		
Owner of the Company	113,169	91,486
Non-controlling interests	<u>(4)</u>	<u>-</u>
	<u>113,165</u>	<u>91,486</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

Dividends

The amounts of dividends paid by the Company since 31 December 2013 were as follows:

	RM'000
In respect of the financial year ended 31 December 2014:	
First interim tax exempt dividend of 8.65%, on 520,000,000 ordinary shares, declared on 19 December 2014 and paid on 19 December 2014	<u>45,000</u>
	<u>45,000</u>

**Sabah Development Bank Berhad - 34638-W
(Incorporated in Malaysia)**

Directors' report

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Siau Wui Kee
Datuk Lim Siong Eng
Datuk Dr Mohamed Fowzi Hassan Bin Mohamed Razi
Datuk Kevin K. How
Datuk Yusoff @ Hunter Bin Mohamed Kasim
Datuk Pengiran Hassanel Bin Pg Mohd Tahir
Petrus Gimbad

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 12 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

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

Issue of shares

During the financial year, the Company increased its:

- a) authorised share capital from RM520,000,000 to RM1,000,000,000 by the creation of 480,000,000 ordinary shares of RM1 each; and
- b) issued and paid-up ordinary share capital from RM520,000,000 to RM535,000,000 by an allotment of 15,000,000 ordinary shares of RM1 each at par for cash.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Directors' report

Holding entity

The Company is a wholly-owned subsidiary of the State Government of Sabah.

Significant events

Details of significant events are disclosed in Note 25 to the financial statements.

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

**Sabah Development Bank Berhad - 34638-W
(Incorporated in Malaysia)**

Directors' report

Other statutory information (continued)


(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 02 JUN 2015



Siau Wui Kee



Datuk Kevin K. How

**Sabah Development Bank Berhad - 34638-W
(Incorporated in Malaysia)**

**Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965**

We, Siau Wui Kee and Datuk Kevin K. How, being two of the directors of Sabah Development Bank Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 127 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors dated 02 JUN 2015

Siau Wui Kee

Siau Wui Kee

Datuk Kevin K. How

Datuk Kevin K. How

**Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965**

I, Datuk Lim Siong Eng, being the director primarily responsible for the financial management of Sabah Development Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 127 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Datuk Lim Siong Eng at Kota Kinabalu in the State of Sabah on 02 JUN 2015

Datuk Lim Siong Eng

Datuk Lim Siong Eng

Before me,



No. 33, Tingkat Bawah, Jalan Tugu, Kg. Air
88000 Kota Kinabalu, Sabah.



Ernst & Young AF: 0039
Chartered Accountants
Suite 1-10-W1, 10th Floor, CPS Tower
Centre Point Sabah
No. 1, Jalan Centre Point
88000 Kota Kinabalu
Sabah, Malaysia

Tel: +6088 235 733
Fax: +6088 238 905
ey.com

Mail address: P.O. Box 10192
88802 Kota Kinabalu, Sabah, Malaysia

34638-W

**Independent auditors' report to the member of
Sabah Development Bank Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Sabah Development Bank Berhad, which comprise statements of financial position as at 31 December 2014 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 127.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

34638-W

**Independent auditors' report to the member of
Sabah Development Bank Berhad (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 25 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

34638-W

**Independent auditors' report to the member of
Sabah Development Bank Berhad (continued)**

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants
Kota Kinabalu, Malaysia
02 JUN 2015



Yong Voon Kar
1769/04/16(J/PH)
Chartered Accountant