

## 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 2017.

## Principal activities

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

The principal activities and other information of the subsidiaries are stated in Note 22 to the financial statements.

## Results

|                           | <b>Group<br/>RM'000</b> | <b>Company<br/>RM'000</b> |
|---------------------------|-------------------------|---------------------------|
| Profit net of tax         | <u>142,100</u>          | <u>132,522</u>            |
| Profit attributable to:   |                         |                           |
| Owner of the Company      | 142,100                 | 132,522                   |
| Non-controlling interests | <u>-</u>                | <u>-</u>                  |
|                           | <u>142,100</u>          | <u>132,522</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 2016 was as follows:

|                                                                                                                                                             | <b>RM'000</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| In respect of the financial year ended 31 December 2017:                                                                                                    |               |
| First interim tax exempt dividend of 8.01 sen per ordinary share, on 562,000,000 ordinary shares, declared on 22 June 2017 and paid on 22 June 2017         | 45,000        |
| Second interim tax exempt dividend of 1.78 sen per ordinary share, on 562,000,000 ordinary shares, declared on 31 October 2017 and paid on 1 November 2017  | 10,000        |
| Third interim tax exempt dividend of 2.67 sen per ordinary share, on 562,000,000 ordinary shares, declared on 29 December 2017 and paid on 29 December 2017 | <u>15,000</u> |
|                                                                                                                                                             | <u>70,000</u> |

## **Directors' report**

### **Directors**

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

Datuk Siau Wui Kee\*\*  
Datuk Lim Siong Eng\*\*  
Datuk Kevin K. How\*\*  
Datuk Pengiran Hassanel Bin Pg Mohd Tahir\*\*  
Petrus Gimbad\*\*

\*\*These directors are also directors of the Company's subsidiaries.

The name of the director of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) is:

Suhnlylla Kaur Kler

### **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 below) 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.

The directors' benefits are as follows:

|                                       | <b>Group</b>  | <b>Company</b> |
|---------------------------------------|---------------|----------------|
|                                       | <b>RM'000</b> | <b>RM'000</b>  |
| Salaries and other emoluments         | 3,783         | 2,654          |
| Fees                                  | 180           | 126            |
| EPF and social security contributions | 453           | 284            |
| Retirement gratuity                   | 228           | 228            |
|                                       | <hr/>         | <hr/>          |
|                                       | 4,644         | 3,292          |

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company are RM25,000,000 and RM76,000 respectively.

## **Directors' report**

### **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.

### **Holding entities**

The Company is a wholly-owned subsidiary of the SDB Corporation Sdn. Bhd., a company incorporated in Malaysia. SDB Corporation Sdn. Bhd. is a wholly-owned subsidiary of Sabah Development Berhad, a company incorporated in Malaysia, which is wholly-owned by the State Government of Sabah.

### **Other statutory information**

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that 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) it necessary to write off any 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.

**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.

Auditors' remuneration is as follows:

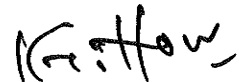
|               | <b>Group<br/>RM'000</b> | <b>Company<br/>RM'000</b> |
|---------------|-------------------------|---------------------------|
| Ernst & Young | 197                     | 166                       |

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young for the financial year ended 31 December 2017.

Signed on behalf of the Board in accordance with a resolution of the directors dated 08 JUN 2018



Datuk Lim Siong Eng



Datuk Kevin K. How

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

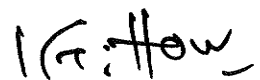
**Statement by directors  
Pursuant to Section 251(2) of the Companies Act, 2016**

We, Datuk Lim Siong Eng 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 10 to 104 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors dated 08 JUN 2018



Datuk Lim Siong Eng



Datuk Kevin K. How

**Statutory declaration  
Pursuant to Section 251(1)(b) of the Companies Act, 2016**

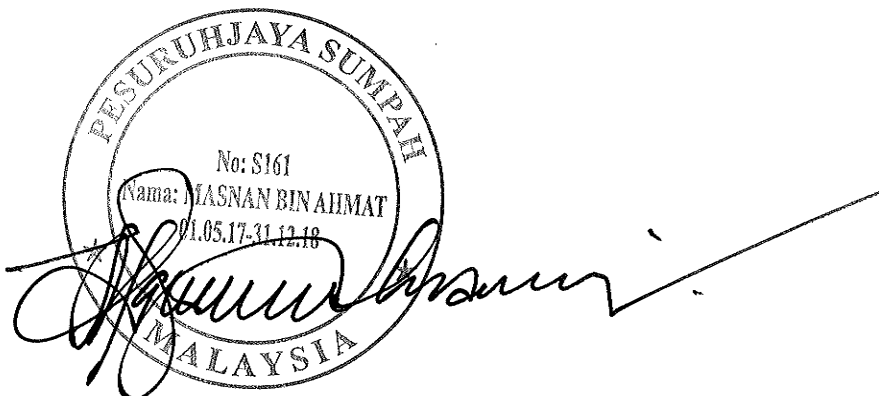
I, Datuk Lim Siong Eng, being the director primarily responsible for the financial management of Sabah Development Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 104 are in my opinion correct, and I make this solemn declaration conscientiously 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 08 JUN 2018



Datuk Lim Siong Eng

Before me,



The notary seal is circular with the text "PESURUHJAYA SUMPAT" at the top and "MALAYSIA" at the bottom. Inside the seal, it reads "No: S161", "Nama: MASNAN BIN AHMAT", and "1.05.17-31.12.18". A handwritten signature is written across the seal.

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

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Sabah Development Bank Berhad, which comprise statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 104.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for opinion*

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

*Independence and other ethical responsibilities*

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



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

*Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial statements*

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

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



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

*Auditors' responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.





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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**Other matters**

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Kota Kinabalu, Malaysia  
8 June 2018

Kwan Bitt Jing @ Winnie Kwan  
03257/05/2020 J  
Chartered Accountant