



NURTURING **WORKFORCE** **POTENTIAL**

ANNUAL REPORT 2017



Nurturing Workforce Potential

HRDF's growth in reach and capabilities is captured by the graphic image of a vibrant tree. The evergreen branches encircle the initiatives and plans seeded by HRDF's core values. This reflects sustainable progress rooted in strong values.

HRDF's position as a national driver for quality human capital development is further depicted by the Malaysian landscape and people at work.

The roots, conveyed by a graphical visual of the mind, illustrates the importance of strategy and planning in manpower development.



Malaysia Top Achiever Awards 2017
Industry Excellence in
Human Capital Development



Global Leadership Awards 2017
Emerging CEO of the Year
Dato' CM Vignaesvaran Jeyandran



Global Leadership Awards 2017
Leadership Excellence in
Human Capital Development

AWARDS & RECOGNITION

HRDF has consistently earned industry accolades and recognition for leadership and performance excellence. In 2017, the following prestigious awards were added to our list of achievements.



**Leadership Excellence
In Transformation of
Human Capital Development
Award**



**Malaysia HR Awards 2017
Team Excellence (Gold Award)**



**SME Congress &
Golden Dinar Awards
Masterclass Human
Capital Development**

EFFECTIVENESS

REGISTRATION WITH HRDF INCREASES A FIRM'S LIKELIHOOD OF TRAINING



+24

PERCENTAGE POINTS
INCREASE IN STAFF TRAINING

HRDF REGISTRATION INCREASES THE SHARE OF WORKERS TRAINED BY

19

PERCENTAGE POINTS

Firms in sectors not covered by HRDF train a smaller share of workers (except for the Finance sector).



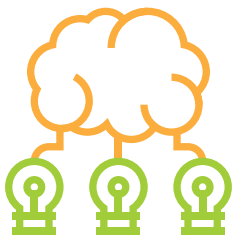
AGRICULTURE



CONSTRUCTION

IMPACT

HRDF'S TRAINING CONTRIBUTES TO PRODUCTIVITY, UP-SKILLING AND HIGHER WAGES.



25%

OF JOB CHANGES AFTER HRDF TRAININGS WERE PROMOTIONS **FROM AN UNSKILLED TO A SKILLED JOB**

1

PERCENTAGE POINT OF A COMPANY'S WORKFORCE IS ASSOCIATED WITH A **1% INCREASE IN PRODUCTIVITY** AMONG MALAYSIAN COMPANIES. HOWEVER, HRDF-REGISTERED FIRMS SHOW



+3

PERCENTAGE POINT
INCREASE IN
PRODUCTIVITY.

AT A GLANCE



SINCE HRDF'S ESTABLISHMENT IN 1993 TILL 2017

A TOTAL OF



21,928

EMPLOYERS REGISTERED
WITH HRDF



13,928,970

TRAINING PLACES APPROVED



2,293,579

TRAINEES TRAINED

FINANCIAL

TOTAL INCOME

RM **297.5**
million

2016: **RM299.6 million**

TOTAL EXPENSES

RM **283.3**
million

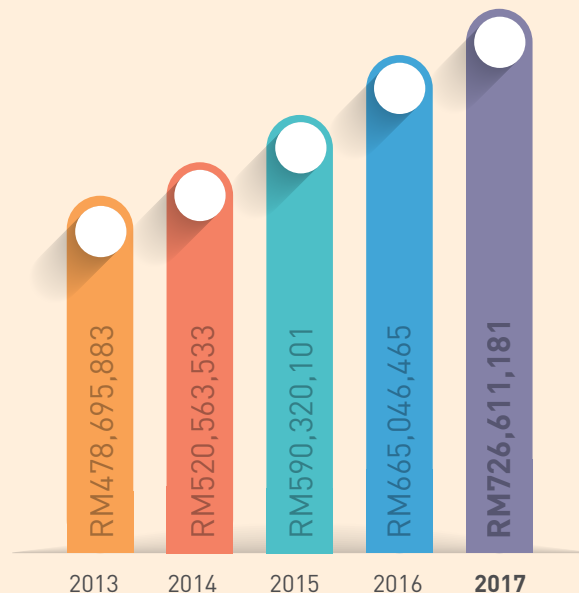
2016: **RM111.7 million**

TOTAL ASSETS

RM **1.65**
billion

2016: **RM1.63 billion**

LEVY COLLECTION FOR FIVE CONSECUTIVE YEARS (2013-2017)



HIGHLIGHTS

TOTAL EQUITY

RM **584.1**
million

2016: **RM562.5 million**

TOTAL EMPLOYER FUND

RM **972.4**
million

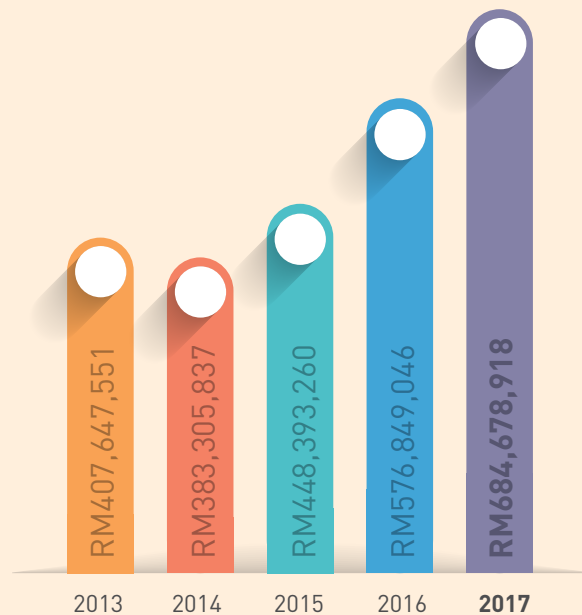
2016: **RM953.5 million**

TOTAL LIABILITIES

RM **93.4**
million

2016: **RM116.4 million**

GRANT DISBURSEMENT FOR FIVE CONSECUTIVE YEARS (2013-2017)



INSIDE STORY



HUMAN RESOURCES DEVELOPMENT FUND (HRDF)

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The Human Resources Development Fund (HRDF) is a dynamic organisation established in 1993, under the Ministry of Human Resources.

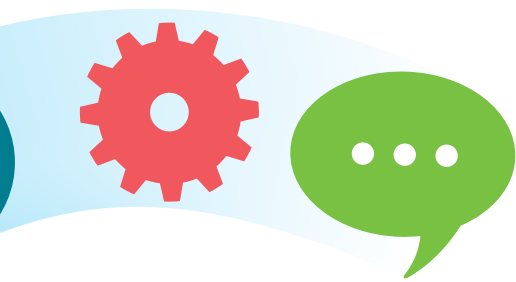
About Human Resources Development Fund (HRDF)

Governed by the Pembangunan Sumber Manusia Berhad Act 2001 (PSMB Act 2001), HRDF was given the mandate by the Malaysian Government to catalyse the development of a competent local workforce that will contribute to Malaysia's vision of becoming a high-income economy.

Since its inception, HRDF has evolved from managing a sizeable fund to becoming a one-stop-centre for providing novel Human Resource Development (HRD) solutions to the critical mass of small and medium enterprises (SMEs) in Malaysia.

HRDF is well positioned to offer robust and prudent solutions that will help Malaysia move up in rank on the Global Competitiveness Index. By enhancing regional and global competitiveness via up-skilling, re-skilling and multi-skilling Malaysian talent, it looks to help propel the country towards becoming a high income nation.





In line with the 11th Malaysia Plan (11th MP), the Malaysian Government initiated several programmes that focus on accelerating human capital development through four major areas. These include:

- Improving the efficiency of the labour market to accelerate economic growth;
- Transforming technical and vocational education to meet industry demand;
- Strengthening lifelong learning for skills enhancement; and
- Improving the quality of education system for better student outcomes and institutional excellence.

For the 'Strengthening of Lifelong Learning for Skills Enhancement' programme, HRDF's latest mandate is to ensure the growth of quality local workforce through efficient, high-skilled training certification programmes and initiatives that would contribute to a 35% skilled Malaysian workforce and the creation of 1.5 million jobs by Year 2020.

HRDF continues to be steadfast in its effort towards encouraging employers covered under the PSMB Act 2001 to retrain and upgrade the skills of local employees, apprentices and trainees in keeping with the fast evolving global business landscape while meeting their individual company's aspirations.



VISION

To be the human capital development authority in strengthening the economic development of Malaysia



MISSION

To spearhead human capital learning and development through strategic interventions that fulfil current and future industry needs



OBJECTIVE

To encourage employers covered under the Pembangunan Sumber Manusia Berhad Act 2001 to retrain and upgrade the skills of their employees, apprentices and trainees in line with their business needs and the development strategy of their company.



VALUES



INTEGRITY



CUSTOMER FOCUS



**CONTINUOUS
IMPROVEMENT**



ACCOUNTABILITY



BRAND PROMISE



PEOPLE

Everything that we do is to support the people of organisations and the country, in terms of identifying, nurturing and growing their skills and capabilities, empowering and enriching their lives.



PROWESS

Our efforts are focused on tapping the potential and increasing the prowess of our human capital, in every way possible.



PROGRESS

We endeavor to play our role as a responsible and visionary organisation, making progress inclusive and meaningful, especially for the people – who are both the means and beneficiaries of any development.



With unwavering support from the Malaysian Ministry of Human Resources in strategising and executing our mandate, our teams work in collaboration with both the private sector and government. This enhances our efficiency and effectiveness in driving improvements and ensuring sustainable processes.





BOARD OF





DIRECTORS



1. Dato' Mohamed Elias bin Abu Bakar
2. Tan Sri Datuk (Dr) Ketheeswaran M. Kanagaratnam
3. Datuk Kang Hua Keong
4. Dato' Mohd Razali bin Hussain
5. Dato' CM Vignaesvaran Jeyandran
6. Dato' Jeffery Tan
7. Dr Hii Sui Cheng
8. Haji Abdul Wahab bin Abu Bakar

9. Davies Danavaindram
10. Sarojini Ruth Rajahser Aarons
11. Lim Yoke Cheong
12. Thiagarajan S Rengasamy
13. Rizal Faris bin Mohideen Abdul Kader
14. Azah Hanim binti Ahmad
15. Ganesh Kumar Bangah

BOARD OF DIRECTORS' PROFILE

1

DATO' MOHAMED ELIAS BIN ABU BAKAR

Acting Chairman of the Board

Representing Ministry of Human Resources (MoHR)

58 years old, Malaysian

Qualification

- Second Class Upper, Bachelor of Arts (Hons) Degree, University of Malaya

Work Experience

Present

- Deputy Secretary-General (Operations), MoHR
- Alternate Member, Employees Provident Fund (EPF)'s Board
- Deputy Chairman, National Skills Development Council (MPKK)

Previous

- Undersecretary of the Development, Finance and Human Resource Division, MoHR
- Director of the Research & Consumerism Policy
- Director of Business Development Division, Ministry of Domestic Trade, Co-operatives and Consumerism
- Principal Assistant Secretary of the Federal Court, Prime Minister's Department
- Principal Assistant Secretary, Ministry of Science, Technology and Innovation
- Deputy Principal Private Secretary to the Prime Minister of Malaysia





2

**TAN SRI DATUK (DR)
KETHEESWARAN
M. KANAGARATNAM**

Employer representative
**Malaysian Associated Indian Chambers of
Commerce and Industry (MAICCI)**
57 years old, Malaysian

Qualification

- Honorary Doctorate in Entrepreneur Development, Asia Metropolitan University

Work Experience

Present

- Executive Chairman of Pinehill Pacific Berhad
- President MAICCI
- Vice President of the National Chamber of Commerce and Industry of Malaysia
- President of the Johor Indian Chamber of Commerce and Industry
- Director, Pinehill Plantations (M) Sdn Bhd

Previous

- Over 24 years of experience in palm oil, plantation and harvesting, property development and infrastructure industries projects

BOARD OF DIRECTORS' PROFILE

3

DATUK KANG HUA KEONG

Employer representative
SME Association of Malaysia

57 years old, Malaysian

Qualification

- BSc (Marine Engineering) Degree,
National Taiwan Ocean University, Taiwan

Work Experience

Present

- SME Advisor at Prime Minister's Department
- Member of the Steering Committee for the Incubator Programme, Ministry of Science, Technology and Innovation (MoSTI)
- National President of the SME Association of Malaysia
- CEO of SMB Solution Management Sdn Bhd



4

DATO' MOHD RAZALI BIN HUSSAIN

Representative of Malaysia Productivity Corporation (MPC)
(Representing Government and public sector agencies)
58 years old, Malaysian

Qualifications

- BSc (Hons) (Physics) Degree, Manchester University, UK
- Master's Degree in Industrial and Systems Engineering, Ohio University, USA

Work Experience

Present

- Director General of MPC
- Alternate Director for Malaysia in the Asian Productivity Organisation

Previous

- Deputy Director General, MPC
- Regional Director for the Southern Region, MPC



BOARD OF DIRECTORS' PROFILE

5

DATO' CM VIGNAESVARAN JEYANDRAN

Chief Executive of Human Resources Development Fund (HRDF)

45 years old, Malaysian

Qualifications

- Bachelor of Business Studies/Administration/Management (Marketing), Universiti Kebangsaan Malaysia
- Professional Certification, Judge Business School, Cambridge University, UK
- Professional Certification on Big Data Analytics, Harvard University, USA
- Adjunct Professorship, Asia Pacific University

Work Experience

Present

- Chief Executive, HRDF (2014)
- President Elect, International Federation of Training and Development Organisations (IFTDO)
- Director, Penang Skills Development Centre
- Director, Malaysia Convention and Exhibition Bureau
- Advisory Council, ICLIF Leadership Energy AWARDS (ILEA)

Previous

- Deputy Chief Executive (Operations), HRDF
- General Manager, Training Grant and Development Division, HRDF
- Marketing Operations Manager, JOBSTREET.com
- Operation Manager, SapuraCrest Petroleum Sdn Bhd
- Assistant Marketing Manager, Sharp Roxy Sales and Services



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DATO' JEFFERY TAN**Employer representative**

The Associated Chinese Chamber of Commerce and Industry of Malaysia (ACCCIM)

43 years old, Malaysian

Qualification

- Bachelor of Science in Business Management and International Business, Indiana University, Bloomington Indiana, USA

Work Experience**Present**

- CEO, SMD Development Sdn Bhd
- Active in promoting technical and vocational training and certification among members, schools and the public through various awareness programmes including talks, seminars, visits, etc.



BOARD OF DIRECTORS' PROFILE



7

DR HII SUI CHENG

Independent Member

70 years old, Malaysian

Qualifications

- BSc (Hons), Chemistry, University of Canterbury
- PhD, Organic Chemistry, University of Canterbury
- Fellow, New Zealand Institute of Chemistry

Work Experience

Present

- Executive Chairman, Delta Leasing Sdn Bhd
- Chairman, Hunda Berhad

Previous

- Executive Director/CEO, RHB Delta Finance Bhd



8

HAJI ABDUL WAHAB BIN ABU BAKAR

Employer representative
Malaysian Employers Federation (MEF)
64 years old, Malaysian

Qualifications

- B.Econ Degree (Hons) (Applied Economics), University of Malaya
- Alumni of IMD, Lausanne, Switzerland and London Business School
- Adjunct Professor of OYA Graduate Business School, University Utara Malaysia.

Work Experience

Present

- Vice President of MEF
- Serves as a Board member and in Advisory roles for leading Malaysian companies

Previous

- Over 40 years of corporate experience in various industries ranging from Airlines, Oil & Gas, Mining, Financial and Fast-Moving Consumer Goods

BOARD OF DIRECTORS' PROFILE



9

DAVIES DANAIVANDRAM

Employer representative

Federation of Malaysian Manufacturers (FMM)

71 years old, Malaysian

Qualifications

- BA Degree, University of Malaya
- Certificate in HR Management
Malaysian Institute of Human Resource Management

Work Experience

Present

- Director of Radosh Engineering and Industrial Sdn Bhd
- Council Member and Chairman of the Human Resources Management Committee of the FMM

Previous

- Director of Human Resources, Gopsoft Non Woven Sdn Bhd
- Director of Human Resources, Aluminium Company of Malaysia Berhad
- Assistant Director of Labour, Ministry of Human Resources

10

SAROJINI RUTH RAJAHSER AARONS

Employer representative

**National Association of Women Entrepreneurs of
Malaysia (NAWEM)**

64 years old, Malaysian

Qualifications

- Senior Cambridge (S.C.)

Work Experience

Present

- Panel Member of SME Corp Malaysia's, *Keusahawan & Enterprise Mikro*; and Panel Member of SME Corp Malaysia's Productivity & Innovation
- President of NAWEM
- Board Member, Small Debts Resolution Committee (Bank Negara)
- Secretary of the Selangor and Federal Territory Indian Association
- Founder & Board Member, Stepping Stones Living Centre
- Treasurer of ROTI 1Malaysia
- Board Member, Rama Subbiah Scholarship Fund
- Managing Director of Data-Tech Sdn Bhd



BOARD OF DIRECTORS' PROFILE

11 LIM YOKE CHEONG

Employer representative
Malaysian Automotive Component Parts
Manufacturers (MACPM)

69 years old, Malaysian

Qualifications

- MBA (UK)
- Higher Diploma in Mechanical and Production Engineering, UK

Work Experience

Present

- President, Malaysian Automotive Component Parts Manufacturers
- Vice Chairman, Automotive Federation Malaysia
- Council member of ASEAN Automotive Federation, National Automotive Council
- Executive Advisor to several auto manufacturing companies providing overall business policies and strategies

Previous

- Over 40 years of experience and exposure as Executive Director of seven (7) automotive manufacturing plants of a subsidiary of a Public Listed Company



A portrait of Thiagarajan S Rengasamy, a middle-aged man with a mustache and glasses, wearing a dark pinstripe suit, a light blue shirt, and a purple tie. He is standing with his hands in his pockets against a blurred background.

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**THIAGARAJAN
S RENGASAMY**

Employer representative

**Federation of Malaysian Training Providers & TVET
Associations (FMTA)**

47 years old, Malaysian

Qualifications

- Bachelor of Economics (Hons), Applied Economics, University of Malaya
- Business Administration and Management, Cranfield University
- PROSCI® Change Management Practitioner Certification 2016
- SMART Business Leaders Programme, ESMT European School of Management and Technology Executive Education

Work Experience

Present

- Founder & Group CEO, K-Pintar Sdn Bhd

Previous

- Product Manager, Sanofi-Aventis
- Product Specialist, Sanofi-Aventis

BOARD OF DIRECTORS' PROFILE



13

**RIZAL FARIS BIN
MOHIDEEN ABDUL KADER**

Employer representative

Dewan Perniagaan Melayu Malaysia (DPMM)

47 years old, Malaysian

Qualification

- Diploma In Law

Work Experience

Present

- Group Chairman of Kemuncak, Ever Nexus
- President, DPMM
- Member, Asean Circle
- Vice President, General Council & Executive Committee, National Chamber of Commerce and Industry of Malaysia
- Yang Dipertua, Penang Malay Chamber of Commerce
- Board of Trustee, Malay Economic Action Council
- Chairman, Penang Joint Chamber of Commerce
- Chairman, Penang Research Centre in Socio-Economy (PReCISE)
- Chairman, Dana Amanah Biasiswa & Kebajikan DPMM, Pulau Pinang
- Director, Yayasan DPM Pulau Pinang Berhad
- Chairman, Economic Crisis Council, National Malay Chambers of Commerce
- Local Council, Penang State Government
- Member, Penang State International Halal Hub Steering Committee
- Member, Penang State Economic Action Council

Previous

- Former Secretary General, the National Malay Youth Chamber of Commerce

14 AZAH HANIM BINTI AHMAD

Representing Ministry of Finance (MoF)

49 years old, Malaysian

Qualifications

- Masters, Business Management, Nanyang Technological University, Singapore
- Diploma, Public Management, National Institute of Public Administration (INTAN)
- Bachelor of Business, Public Management, Michigan State University, United States

Work Experience

Present

- International Division Secretary, MoF

Previous

- Deputy Secretary, International Division, MoF
- Deputy Secretary, International Division, MoF
- Deputy Division Secretary in Policy and Consultation Sector, GPMD, MoF
- Section Head of Procurement Policy Development Section, GPMD, MoF
- Principal Assistant Secretary at the International Procurement Policy Unit, GPMD, MoF
- Assistant Secretary, Government Procurement Management Division (GPMD), MoF
- Assistant Secretary at Budget Unit, Finance Division, Ministry of Education



BOARD OF DIRECTORS' PROFILE



15 GANESH KUMAR BANGAH

Employer representative

Persatuan Industri Komputer dan Multimedia Malaysia (PIKOM)

38 years old, Malaysian

Qualification

- Certificate in Computer Studies, National Centre for Information Technology, United Kingdom

Work Experience

Present

- Chairman, PIKOM
- Chairman, E-Commerce Malaysia
- Member of the Special Task Force to facilitate business (PEMUDAH) of the Malaysian Prime Minister's Department
- Member of the Malaysian Productivity Council
- Champion of the ICT Nexus under the Malaysian Productivity Blueprint

Previous

- Founder and Executive Chairman of Commerce Asia
- Founder, Executive Chairman and Chief Executive Officer of MOL Global Inc. (MOL); South East Asia's first internet company to be listed on the NASDAQ

BOARD OF COMMITTEES

No.	Names	Committee[s]	Designation
1.	Dato' Mohamed Elias bin Abu Bakar	Tender A (for acquisition valued at RM20 million or more)	CC
2.	Lim Yoke Cheong		CM
3.	Haji Abdul Wahab bin Abu Bakar		CM
1.	Dato' Mohamed Elias bin Abu Bakar	Tender B (for acquisition valued at RM500,000 or more but less than RM20 million)	CC
2.	Dato' Jeffery Tan		CM
3.	Dato' Mohd Razali bin Hussain		CM
4.	Dr Hii Sui Cheng		CM
1.	Datuk Kang Hua Keong	Finance Committee	CC
2.	Davies Danavaindram		CM
3.	Lim Kheng Chye		CM
4.	Rizal Faris bin Mohideen Abdul Kader		CM
1.	Dato' Jeffery Tan	Audit Committee	CM
2.	Lim Kheng Chye		CM
3.	Thiagarajan S Rengasamy		CM
1.	Sarojini Ruth Rajahser Aarons	The Board of Information Technology Steering Committee (BITSC)	CC
2.	Dato' CM Vignaesvaran Jeyandran		CM
3.	Dato' Jeffery Tan		CM
4.	Thiagarajan S Rengasamy		CM
5.	Muhundhan Kamarapullai		CM
1.	Dato' Mohd Razali bin Hussain	Establishment & Benefits Committee (EBC)	CC
2.	Sarojini Ruth Rajahser Aarons		CM
3.	Lim Yoke Cheong		CM
4.	Davies Danavaindram		CM
1.	Dato' Mohamed Elias bin Abu Bakar	Investment Panel	CC
2.	Dato' CM Vignaesvaran Jeyandran		CM
3.	Dr Hii Sui Cheng		CM
4.	Farithal bin Sahari		CM
5.	Mohd Najib bin Jaafar		CM
6.	Manokaran Mottain		CM

CC Committee Chairman
CM Committee Member

SENIOR MANAGEMENT TEAM



**DATO' CM VIGNAESVARAN
JEYANDRAN**
Chief Executive

LIM KAH CHENG

Deputy Chief Executive

MUHAMMAD GHAZALI BIN ABDUL AZIZ

Chief Special Purpose Vehicle

WAN YON SHAHIMA BINTI WAN OTHMAN

Chief Development Officer

ANDY TAN ENG TEIK

Chief Information Officer



ORGANISATIONAL STRUCTURE

01 HUMAN RESOURCES
DEVELOPMENT FUND (HRDF)

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STATEMENT

CHIEF EXECUTIVE

DEPUTY CHIEF
EXECUTIVE

General
Counsel

Enforcement

Legal & Advisory

IT Technology
Transformation

Marketing &
Communications

Event &
Promotion

Publication &
Communications

Branding
& Public Relations

Media &
Branding

Special Projects

Special
Purpose Vehicle

National Human
Resource Centre (NHRC)

Special Projects

SME Development

Development

Employer
Registration

Vendor
Management

Sectorial Training
Committee

Housewives
Enhancement and
Reactivate Talent
Scheme (HEARTS)

Corporate
Financial Management

Treasury
Management

Accounting

Levy & Claims

Procurement

Board of Directors

Chief Executive
Office

Deputy Chief
Executive

Division

Department

Unit

BOARD OF DIRECTORS

Governance

Internal Audit

Risk Management &
Corporate Governance

Company Secretary

Operation

East Malaysia

West Malaysia

Central Region

Information Technology

Application
Management

Infrastructure
Management

Relationship
Management

IT Security
Management

IT Project
Management

Strategy

Corporate Planning

Corporate Strategy
& Insights

Transformation
Management Office

Human Capital

Organisation
Development

HR Operation

Talent Management

Learning &
Development

Facilities & Administration

Facilities & Building
Management



WE SHINE

the spotlight on talent development

Today, we are a one-stop centre providing novel human resource development solutions to all Malaysian small and medium enterprises. Through efficient high-skilled training certification programmes and initiatives, we look to contribute towards a 35% skilled Malaysian workforce and the creation of 1.5 million jobs by year 2020.



MINISTER'S MESSAGE

Our strength as a nation depends on the quality of our people. Human beings are the basis of all economic activity, and we must emphasise the human factor as we strive for greater progress. Our people's potential, capacity and capability are our greatest resource. As we provide greater opportunities for up-skilling, re-skilling and multi-skilling in terms of talent and leadership development, we are priming ourselves for equitable, sustainable growth. This is the true value of human resources to the progress of an economy and the existence of a nation.

This is why the role of Human Resources Development Fund (HRDF) is vital for national development. Since its inception in 1993, HRDF has been fulfilling its Government-mandated purpose of catalysing the growth of a competent local workforce that will contribute towards Malaysia's vision of becoming a developed nation. The development of Malaysian talent through efficient, high-skilled training certification programmes and initiatives would also improve the country's regional and global competitiveness.

As of 31 December 2017, a total of 21,928 employers registered themselves with HRDF. The percentage of skilled workers under HRDF surpassed the 2017 target by over 43%. A total of 3,182 skilled workers were recognised through the Recognition of Prior Experiential Learning (RPEL) initiative under HRDF as compared to the targeted expectation of 1,700. These are solid indicators of the growing awareness and acceptance of continued learning and skill building in our economy.

According to The Global Human Capital Report 2017 by the World Economic Forum (WEF), Malaysia is Southeast Asia's second best nation and 33rd in the world in terms of its human capital development. WEF's The Global Competitiveness Report 2017-2018, a report which measures the factors that drive a country's long-term growth and prosperity, ranked Malaysia 23rd out of 137 countries, putting it closely behind Australia (21st) and ahead of China (27th).

This is a momentum that we intend to sustain as part of the nation's aspiration of creating local talent that is globally competitive. Economies today are being challenged by winds of change. New digital knowledge and skills are becoming more essential requiring a large portion of our workforce to be up-skilled and given exposure.

At the Ministry, we have set a target to have 2.2 million employees covered under the PSMB Act 2001 to ensure greater relevance in meeting new needs at the workplace. With HRDF being the catalyst for integrated collaborations between industries, employees and qualified training providers, I am confident that we will succeed.

I commend the efforts of the Board, management, employees and partners of HRDF in staying agile and responsive as Malaysia's human development partner.

I look forward to the achievements set to be unleashed for 2018.

Dato' Sri (Dr) Richard Riot Anak Jaem
Minister of Human Resources, Malaysia



NURTURING POTENTIAL TOWARDS NATIONAL PROGRESS

As of 31 December 2017, a total of 21,928 employers registered themselves with HRDF. The percentage of skilled workers under HRDF surpassed the 2017 target by over 43%.



CHAIRMAN'S STATEMENT

Unlike previous industrial revolutions, IR4.0 is characterised by a range of new technologies that are fusing the physical, digital and biological worlds, impacting all disciplines, economies and industries, and even challenging ideas about what it means to be human. This calls for a revolution in the way we work; the Malaysian economy will suffer unless Malaysians are 'Future Ready'.

The buzzword "Big Data" is a large part of the Fourth Industrial Revolution (IR4.0). Big Data enables manufacturers and their customers to collect, organise and analyse a wealth of information. Determining what is the most important information to collect, and how to use it, will continue to be an evolutionary process as IR4.0 progresses.

As with any new technology or way of doing things, early adopters of IR4.0-associated technologies will benefit most. The sooner an industry implements or develops these technologies, the better positioned our economy will be.

Digital economic development is the basis of current economic growth to enhance our competitiveness globally. To achieve this, talent or labour resources are the catalyst. Greater focus is being placed on providing local talent with specific skills to meet these digital development needs. The HRDF National Workforce Human Capital Blueprint (2018-2025) has been structured towards meeting these new industry needs.

At the same time, the recent expansion of the PSMB Act 2001 means that more employees can now benefit from HRDF's services and value propositions. During the year, in catering to the new industry's need for more manpower, HRDF has partnered with Skills Development Centres, Polytechnics, Universities and Employers' Associations.

As a catalyst for national productivity, it is imperative that we as an organisation lead as a role model. I am pleased to report that last year was an impressive one for HRDF as it exceeded expectations in meeting key targets, successfully completing planned initiatives and key programmes for 2017. There were more training places and financial assistance approved, as well as more training grants disbursed. There were 38,476 HR Capability Programmes implemented for SMEs, surpassing the target of 35,000.

These results put HRDF on track towards further advancing our five strategic pillars for 2018, as part of the HRDF National Workforce Human Capital Blueprint: Competent Workforce for the Nation, Enhancement of Training and Development Landscape, Strengthening SME's Human Capital Development, Effective and Efficient Enablers, and Organisation Sustainability.

Adhering to our set strategies, I am confident HRDF will effectively fulfil our role as the nation's progressive partner in economic development.

Dato' Mohamed Elias bin Abu Bakar

Acting Chairman

Human Resources Development Fund (HRDF) Malaysia



“

DRIVING INDUSTRY READINESS TOWARDS IR4.0

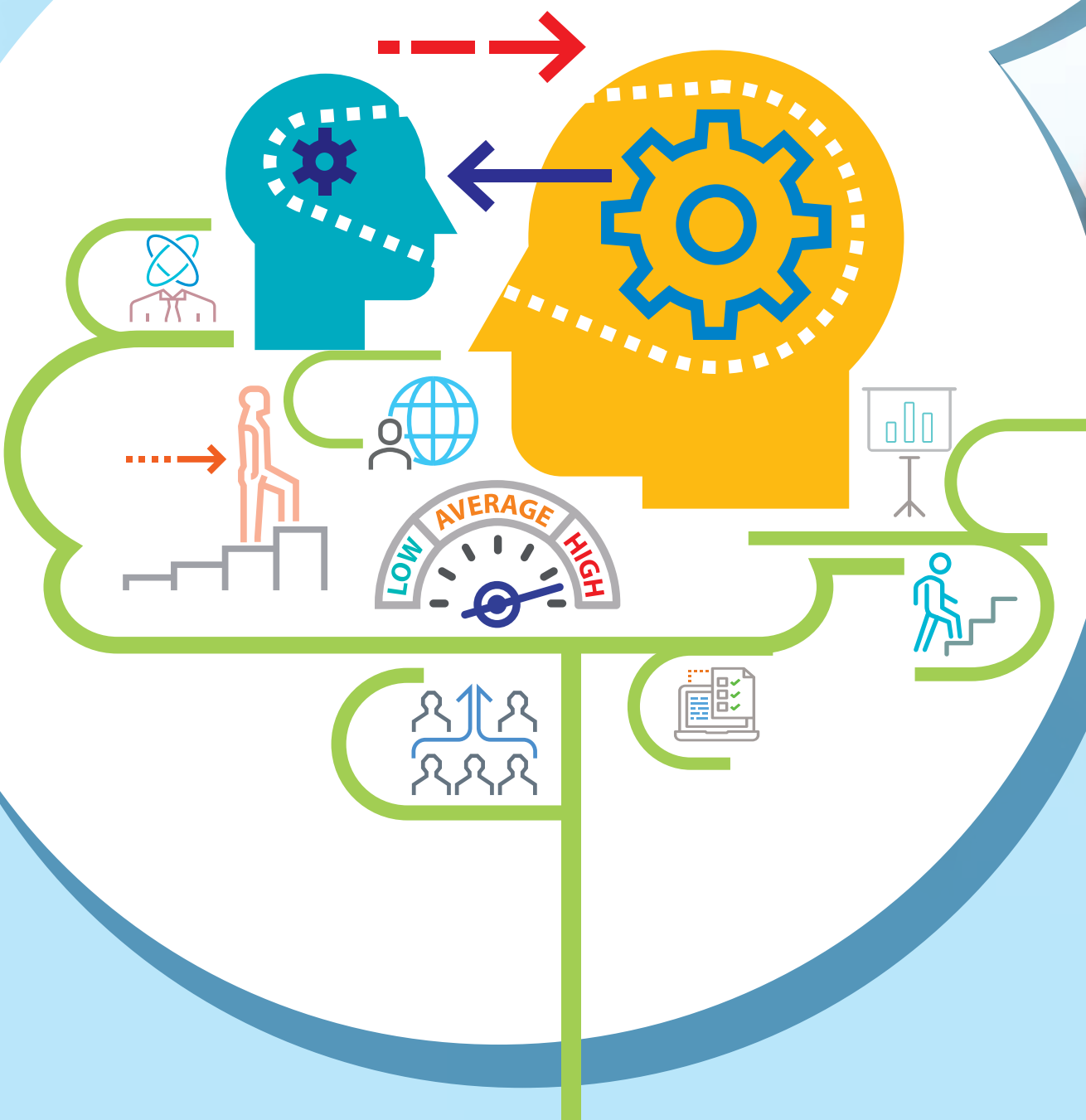
As the world advances towards a Fourth Industrial Revolution, HRDF's role is more vital than ever. Data and digital technologies are the key elements of IR4.0. In driving workforce evolution, HRDF looks into preparing Malaysians to be future ready by stressing on the importance of up-skilling and re-skilling of our local talent, especially in IR4.0 related training.

”

WE ADVANCE

our economy by up-skilling and re-skilling the nation

At HRDF, we believe that if every Malaysian enterprise, entrepreneur, employer and employee discovers their potential for progress, our nation will emerge as a highly developed, innovation-driven economy. We endeavour to catalyse development of a competent workforce through various capacity building programmes.





MESSAGE FROM THE CHIEF EXECUTIVE

During the year under review, we exceeded targeted growth in many areas. The number of skilled workers under HRDF increased to 50,113, new NHRC subscribers rose to 21,759 and a total of 959,343 training places were approved. This was in addition to 38,476 training places approved under the HR Capability Building Programmes introduced for Small and Medium Enterprises (SMEs), and accompanied by RM588.58 million in financial assistance and the disbursement of RM486 million in training grants. However, quantity did not override quality. Over 1,500 training providers were given Star Rating and 21 STC initiatives were implemented.

It was a dynamic year, with sterling achievements being made on most of HRDF's strategic fronts, namely:

- Building a competent workforce for the nation
- Enhancing the training and development landscape
- Implementing effective and efficient enablers, and
- Ensuring organisational sustainability

I take the opportunity to highlight the following in particular:

1. Expansion and amendments to PSMB Act 2001

The year under review saw HRDF staying on track in executing amendments for the Pembangunan Sumber Manusia Berhad Act 2001 (PSMB Act 2001). The expansion aims to extend the benefits of HRDF's services and training provisions to more employers and employees. With the successful completion of the first part of this execution, effective 1 April 2017, all employers of the three sectors under HRDF with 10 and more employees are eligible to register and benefit from the services and value propositions offered by HRDF.

2. The Industry Based Certification Programme (INBASE) initiative

INBASE was introduced in 2017 to cater to the critical training needs of HRDF registered employers addressed through Employers' Associations that will move up the industry value chain. All courses offered must be certification or industry based courses, as required by the industries. This programme is open to Malaysian employees from HRDF registered employers and industries covered, who wish to upgrade their skills and knowledge through up-skilling and re-skilling professional certification or industry needs programmes.

3. The Rural Accelerated Industry Skills for Employability (RAISE) programme

RAISE is a sub-programme under the Future Workers Training component that focuses on short-term intensive training for rural youth to meet the needs of HRDF registered employers, or industries covered under the HRDF. This programme is designed to train rural youths aged from 16-25 years old to be equipped with the relevant skills required for a particular position offered by HRDF registered employers with minimum salary of RM1,000 per month.

Forging Ahead

Moving ahead, the expansion of the PSMB Act will allow more employers and employees to have opportunities to training programmes, affirming our commitment to strengthening the human capital development especially of SMEs. Besides this, HRDF is also aggressively championing several other key initiatives such as Big Data and Industry 4.0, which will enhance the training landscape of Malaysian workforce.

I would like to take this opportunity to thank the Board, management and staff at HRDF for their dedication and commitment towards ensuring the success of our programmes to date. I also wish to thank the Government of Malaysia and our other stakeholders, as without their invaluable support, we would not be where we are today.

Dato' CM Vignaesvaran Jeyandran
Chief Executive



“

SUSTAINING OUR MOMENTUM TOWARDS MEETING NATIONAL GOALS

With the expansion of the PSMB Act in place, HRDF is particularly committed to strengthening the human capital development of SMEs through various capacity and capability building programmes with the aim to increase knowledge, skills and competencies of SME employees, thus boosting Malaysia's productivity in this key sector.

”

MANAGEMENT ANALYSIS & REVIEW 2017

OVERVIEW OF OUR MANDATE & PURPOSE

The Human Resources Development Fund (HRDF), an agency under the Malaysian Ministry of Human Resources was established in 1993. Governed by the Pembangunan Sumber Manusia Berhad Act 2001 (PSMB Act 2001), HRDF was given a mandate by the Malaysian Government to catalyse the development of competent local workforce that will contribute to Malaysian's vision of becoming a highly developed nation by 2020.

Since its inception, HRDF has evolved in its role from managing a sizeable fund to also offering itself as a one-stop-centre, providing novel human resource development solutions to up-skill, re-skill and multi-skill Malaysian talent. Additionally, HRDF continues to be steadfast in its efforts towards encouraging employers covered under the PSMB Act 2001 to retrain and upgrade the skills of their local employees, apprentices and trainees in keeping up with the fast evolving global business landscape while meeting their individual company's aspirations.

This is in line with the 11th Malaysia Plan (11th MP) that focuses on accelerating human capital development through four major areas:

- Improving the efficiency of local workforce to accelerate economic growth;
- Transforming technical and vocational education to meet industry demand;
- Strengthening lifelong learning for skills enhancement; and
- Improving the quality of the education system for better student outcomes and institutional excellence.

Today, HRDF's dynamic mission is to spearhead human capital learning and development through strategic interventions that fulfil the current and future industry needs. Rooted in values of integrity, customer focus, continuous improvement and accountability. In 2017, HRDF made significant achievements in its client charter.



OUR STRATEGY

HRDF's strategies are aligned towards our five material pillars of:

1. Competent Workforce for the Nation

Human capital development is a critical enabler for driving and sustaining Malaysia's economic growth. The availability of a skilled workforce is necessary to support the transition of all economic sectors towards knowledge-intensive activities, drive labour productivity gains, and attract foreign investment into Malaysia. Henceforth, to become the authority in human capital development of Malaysia, HRDF will continue its efforts in up-skilling, re-skilling and multi-skilling the Malaysian workforce. For the "Strengthening of Lifelong Learning for Skills Enhancement" programme, HRDF will contribute towards the creation and growth of quality local human capital through efficient high-skilled training certification programmes and initiatives.

2. Enhancement of Training and Development Landscape

The learning landscape in organisations is shifting in line with the new era for all industries. This change, particularly in digitisation, social platforms and search engines, is heralded by technological advancements that are transforming every aspect of our lives. In terms of training, HRDF will continue to create the future ecosystem for learning to boost our relevance in training and development of the nation's workforce by leveraging on Big Data Analytics (BDA).

3. Strengthening SME's Human Capital Development

In Malaysia, most of the establishments are in the small and medium enterprises (SME) category. As of 2016, SMEs contributed 36.6% towards Malaysia's GDP, and 65.3% towards employment. In order to assist SMEs to become more dynamic and productive, HRDF is set on improving human resource standards and stimulating the growth in training and human capital development across all sectors.

4. Effective and Efficient Enablers

To become an authority in human capital development, HRDF needs to ensure its internal processes are solid and robust. Thus, HRDF is committed to strong corporate governance to identify significant risks that may affect our growth and progress. We continuously implement effective counter measures to minimise and eliminate risks in order to safeguard the organisation. At the same time, HRDF engages with our stakeholders to identify areas for improvement to serve them.

5. Organisation Sustainability

In making sure the organisation is sustainable, HRDF periodically reviews and improves the PSMB Act 2001 to ensure that a significant pool of current and future employers are being identified so that training interventions could be offered to employers in need. Aside from assisting external stakeholders, HRDF is committed to supporting its internal staff by embarking on various relevant up-skill trainings to ensure a competent and sustainable talent pipeline.

In implementing these strategies, HRDF steadfastly focuses on delivering leadership and industry excellence; leveraging on research for continuous improvement; and ensuring synergy among all our business units.

2017 Testaments of Excellence

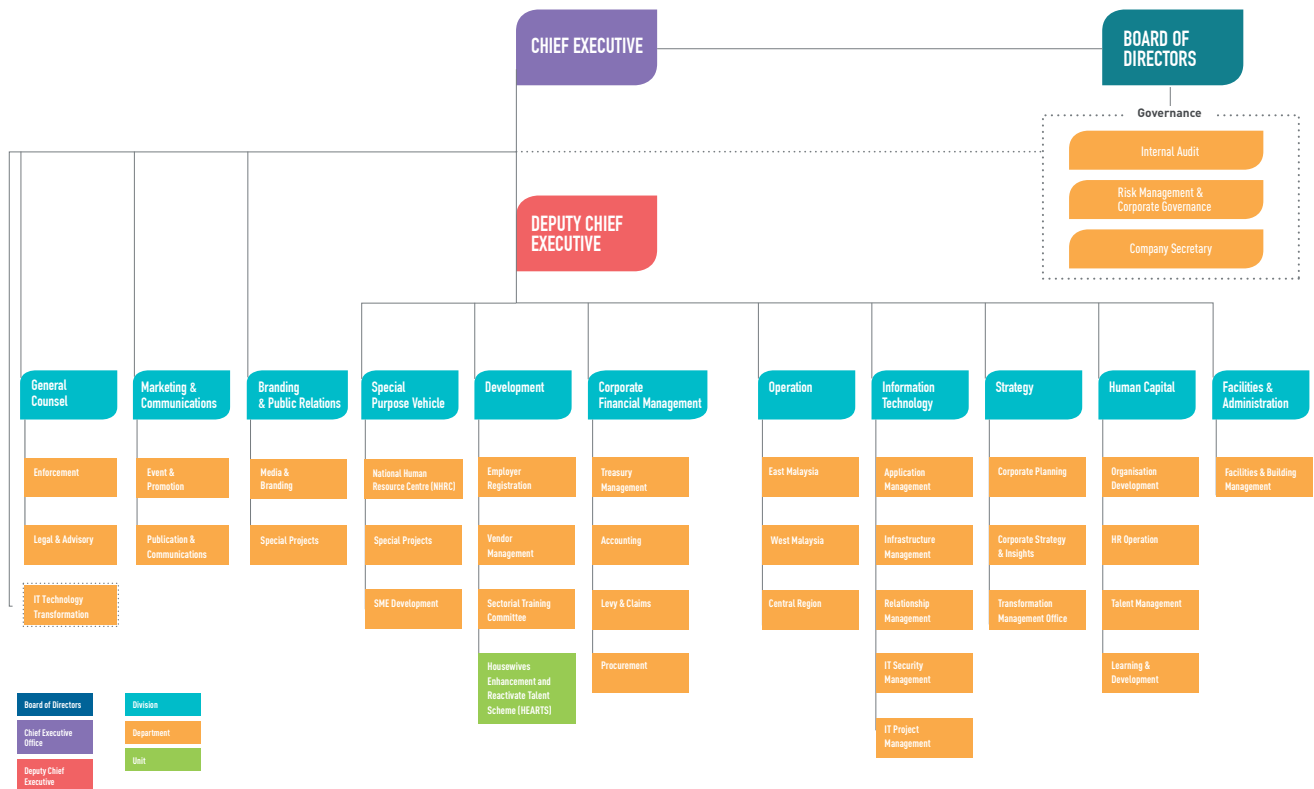
Award/Event	Category
Global Leadership Awards 2017	Emerging CEO of The Year (Dato' CM Vignaesvaran Jeyandran)
Global Leadership Awards 2017	Leadership Excellence in Human Capital Development Award for HRDF
Golden Dinar Awards 2017	Winning Masterclass Award in Human Capital Development
MIHRM HR Malaysia Awards 2017	Gold Award for Team Excellent Category
80 th Anniversary Celebration Perak Indian Chamber of Commerce	Leadership Excellence in Transformation of Human Capital Development Award
Malaysia Top Achiever Awards 2017	Industry Excellence in Human Capital Development Award

MANAGEMENT ANALYSIS & REVIEW 2017



ORGANISATIONAL STRUCTURE

In 2017, HRDF refined its organisational structure (shown below) to better delineate our duties and deliver on the KPIs targeted for the year, which are listed in the table below:



No.	KPI	Target	Achievement
1	Skilled workers under HRDF	35,000	50,113 (143%)
2	Growth in training places approved	930,000	959,343 (103%)
3	Growth in financial assistance approved	RM590 million	RM588 million (99.7%)
4	Growth in training grant disbursed	RM470 million	RM486 million (102%)
5	Number of Training Providers given STAR Rating	1,500	1,505 (100%)
6	Implementation of STC initiatives	20	23 (115%)
7	HR Capability Building Programme for SMEs	35,000	38,476 (110%)
8	Number of New NHRC Subscribers	20,000	21,759 (109%)
9	Percentage (%) of Key Programmes Completed	100%	160% (160%)
10	Implementation of BDA	15% Completion of BDA Implementation	15% Completion (100%)
11	Number of Audit Gaps	100% compliance	100% compliance (100%)
12	Number of Internal Audit Assignments	5 audit assignments	6 Assignments have been Completed
13	Risk Assessment on Projects/Programmes	20	20 (100%)
14	Customer Satisfaction Survey (Customer Satisfaction Index – CSI)	94% – satisfaction rate	95% – satisfaction rate (100%)
15	Percentage (%) completion of PSMB Core & Finance System Revamp	100%	90% (90%)
16	Growth in Registered Employers	3,753	4,605 (123%)
17	Return on Investment	ROI: 4%	ROI: 3.95%
18	Growth in Levy Collection	RM682 million	RM726 million (106%)
19	Percentage of Initiatives Completed	100%	98%

* Overall performance for the year 2017



MEASURING OUTCOMES FOR BETTER SERVICE DELIVERY

We regularly monitor and evaluate our value proposition and delivery systems. Improvements are made to ensure our delivery of services will continue to enhance our retraining programmes, relevancy of our purpose and skills upgrading of the Malaysian workforce.

For the year 2017, through our Corporate Strategy & Insights Department, we completed several major studies with appointed consultants, namely:

a. The Effectiveness Study on the Human Resources Development Fund (HRDF) and the HRDF National Workforce Human Capital Development Blueprint (2018 – 2025) by the World Bank Group (WBG);

The main objective of the Effectiveness Study of HRDF is to determine the impact on all our initiatives since 1993 and to prepare a blueprint that covers both short-term actions (2018-2020) and a long term strategy (2021-2025) after incorporating forward looking discussions on the potential critical role of HRDF in navigating Malaysia's future in Human Capital Development.

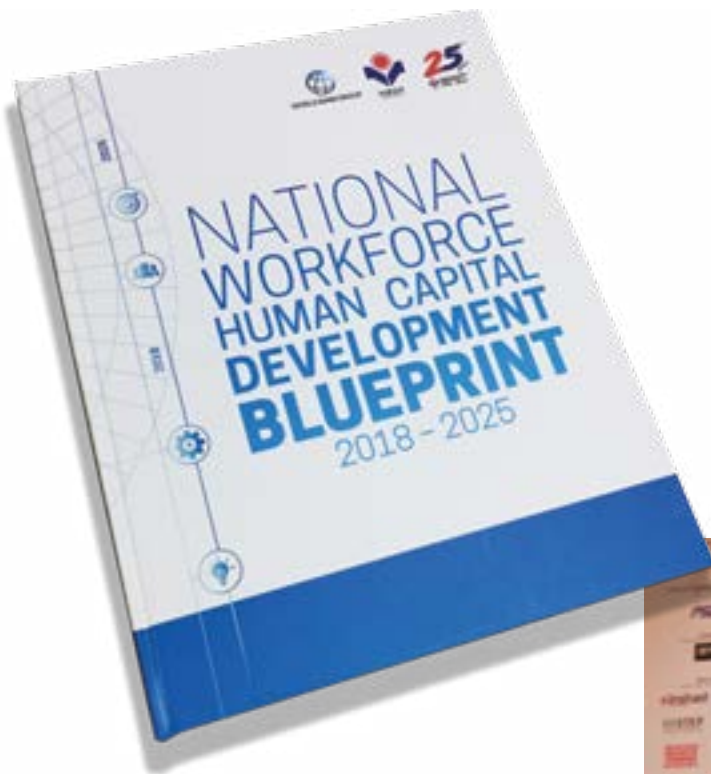
Both reports were completed in November 2017. This study found that HRDF is effective in increasing training trends and has a positive impact on workers and organisations. The key findings from the Effectiveness Study of HRDF are shown in the At a Glance page.

Through this study, we identified areas for improvement which are aligned with the Blueprint's objectives to strategise HRDF's way forward as per the chart below:



Overview of the HRDF National Workforce Human Capital Development Blueprint

The HRDF National Workforce Human Capital Development Blueprint (2018 – 2025) was officially launched by the Sixth Prime Minister of Malaysia, on 29 January 2018.



b. **The Outcome-based Study on the Effectiveness of Training Incentive Programme for SMEs and Apprenticeship Scheme under the 10th Malaysia Plan (10th MP) by Ipsos Consulting Sdn. Bhd. and Saujana Edu Urus Sdn. Bhd.**

Under the 10th Malaysia Plan (10th MP), Chapter 5 – **Developing and Retaining a First Class-World Talent Base**, HRDF was given the mandate to upgrade the skills and capabilities of the existing workforce. During the period of the Plan (2011-2015), an allocation of RM50 million each was allocated for the implementation of Training Incentive for SMEs and Apprenticeship Scheme respectively. At the end of the Plan period however, the actual amount received was RM47.5 million for Training Incentive and RM46 million for Apprenticeship Scheme.

In terms of the numbers of trainees trained, during the entire implementation period, 16,248 trainees were trained under the Training Incentive Scheme, while 3,287 apprentices were trained under the Apprenticeship Scheme.

As the outcomes of both schemes are significant to the Government, HRDF conducted two separate outcome-based studies, involving three different groups: trainees/apprentices, employers/sponsoring employers and training providers, with the objective of measuring the effectiveness of the schemes.



Two independent consultants were appointed to conduct these studies which commenced on 8 September 2016.

In order to ensure the conduct of both studies were in line with the respective Terms of Reference (TOR), HRDF established a Technical Committee with the objective to provide guidance in terms of the technicality aspects of the study and also a Steering Committee with the objective to provide input and decide on matters raised by the Technical Committee in relation to the Governance and overall conducts of the studies in order to ensure the attainment of the expected outcomes. Both committees comprised of internal and external members. These committees met more than five times throughout the implementation of the studies.

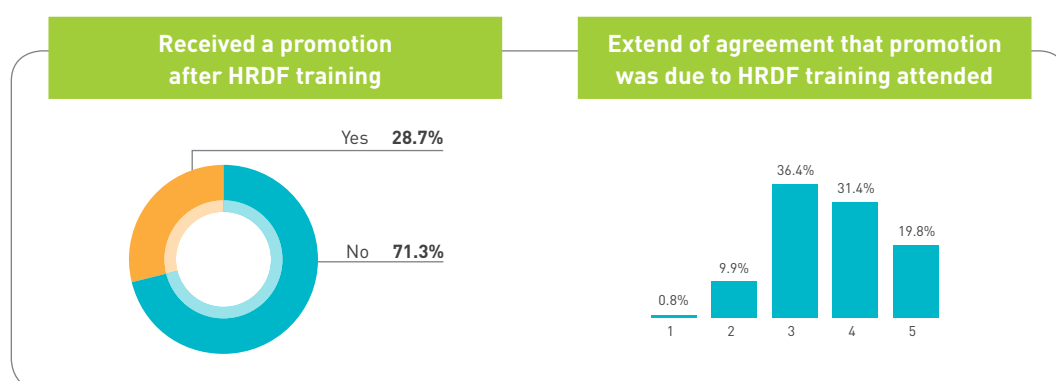
Both outcome-based studies were completed in September 2017 and the key findings from the studies are as Diagram 1 and Diagram 2.

KEY FINDINGS FROM THE OUTCOME AND EFFECTIVENESS STUDIES

Outcome-based Study on the Effectiveness of Training Incentive Programme for SMEs under the 10th Malaysia Plan (10th MP)

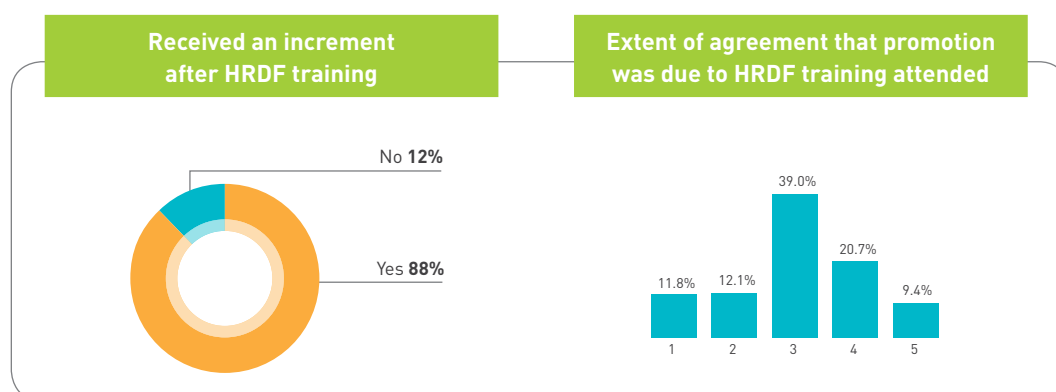
TRAINEES' CAREER DEVELOPMENT AFTER ATTENDING TRAINING

Promotion



Although 68% of trainees felt that a promotion was a reason for attending training, only 29% received a promotion after attending the training. Of those that received a promotion, 52% agreed that the promotion was due to the training attended (15% of total trainees)

Increment



About 88% of the trainees received a salary increment after training which exceeds the 58% who felt that increment was a reason for attending training. However, only 30% of those that received an increment agreed that it was due to the training they attended (27% of total trainees)

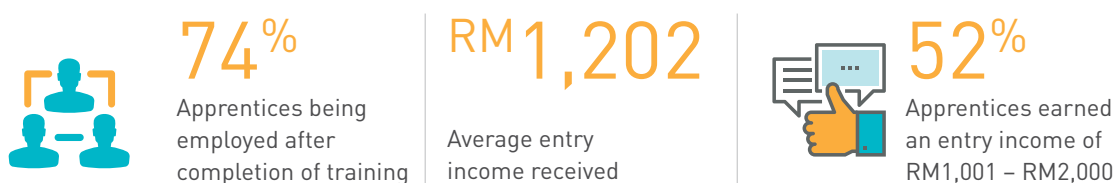
Diagram 1: Key findings from the Outcome-based Study on the Effectiveness of Training Incentive Programme for SMEs under the 10th Malaysia Plan (10th MP)

KEY FINDINGS FROM THE OUTCOME AND EFFECTIVENESS STUDIES

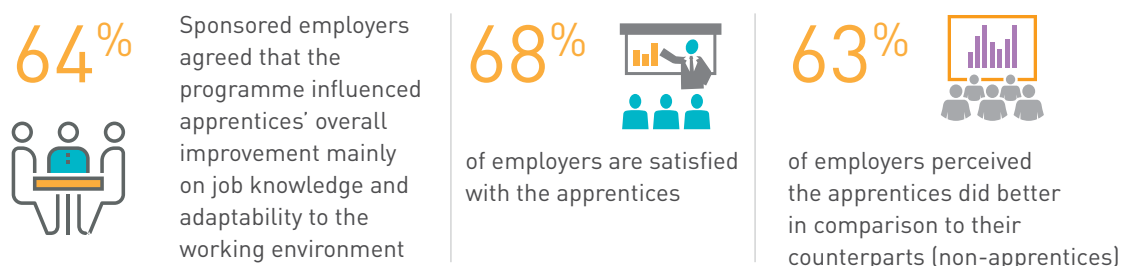
Outcome-based Study on the Effectiveness of Training Incentive Programme for SMEs under the 10th Malaysia Plan (10th MP)

HRDF'S APPRENTICESHIP SCHEME

Findings from Apprentices



Findings from Sponsored Employers



Findings from Training Providers

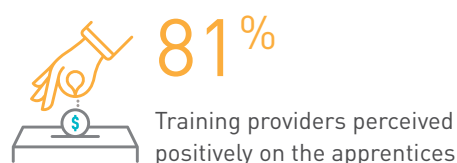


Diagram 2: Key findings from the Outcome-based Study on the Effectiveness of HRDF Apprenticeship Scheme under the 10th Malaysia Plan (10th MP)

The findings from the Training Incentive for SMEs study was presented during the 42nd Federation of ASEAN Economic Associations (FAEA) Conference on 7 December 2017.



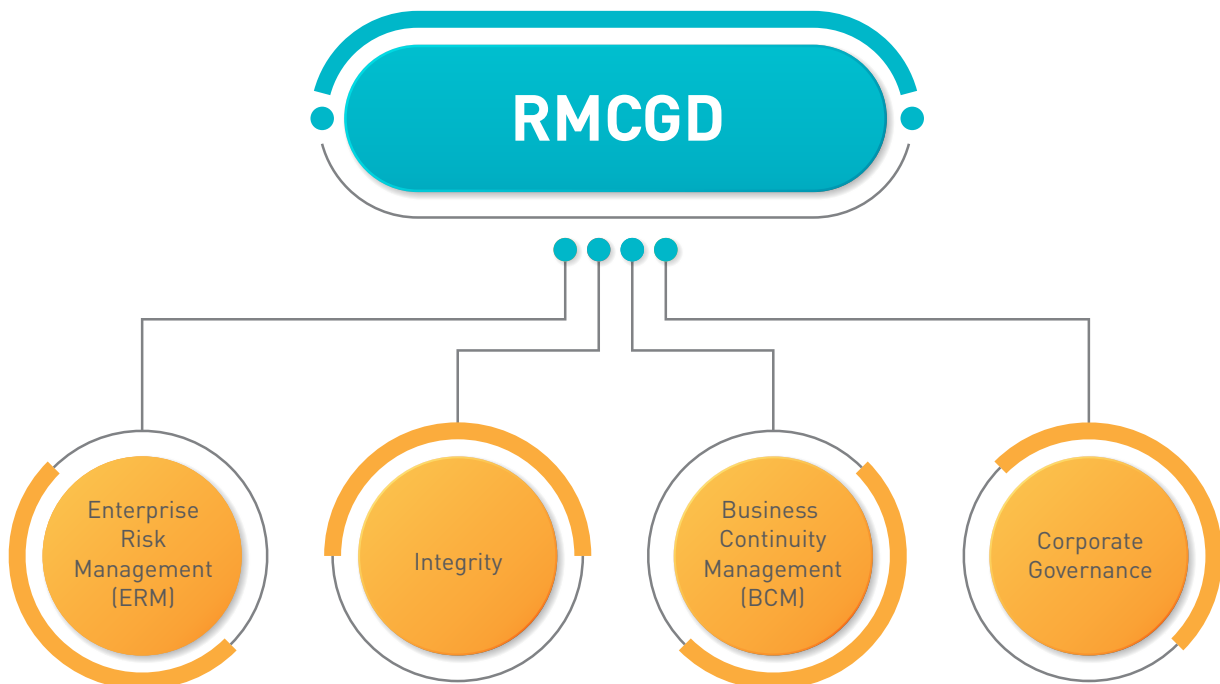
RISK MANAGEMENT & BUSINESS CONTINUITY MANAGEMENT

HRDF's Risk Management & Corporate Governance Department (RMCGD) is responsible for the overall Enterprise Risk Management (ERM) in the organisation to ensure the business units are aligned with HRDF's corporate goals and strategies. RMCGD provides independent advisory from a risk perspective on proposed capital expenditures, investments, and projects to safeguard HRDF's interest and minimise risk exposure. It is also tasked to ensure continuous improvement in the organisational capabilities of using enterprise risk management methodologies, tools and techniques in daily operations through effective communication and stakeholders' involvement. Ultimately, the main focus is to create a risk-aware culture in every aspect of our business.

In addition to the above, RMCGD is also responsible for the implementation of Business Continuity Management (BCM) to ensure the continuity and sustainability of HRDF's business operations. RMCGD is also involved in the Implementation of Corporate Integrity Pledge (CIP), Corruption Free Pledge, No Gift Policy as well as supporting Corporate Governance framework, processes and systems in line with HRDF's national mandate.



Functions of RMCGD



MANAGEMENT ANALYSIS & REVIEW 2017

a. Enterprise Risk Management (ERM)

Identify, analyse and evaluate risks by performing risk assessment to ensure HRDF achieves strategic objectives, understand the risks and integrate risk management in all decision making processes. RMC GD is also assisting all employees to be alert of the potential risks that may affect HRDF and to respond effectively. Continuous engagement, reporting and monitoring, assist the HRDF management and employees to institutionalise a risk-aware culture.

b. Integrity

Create awareness among stakeholders i.e. employees, registered training providers, registered employers, and registered suppliers to embrace integrity in their day-to-day operation and every dealing with HRDF.

c. Business Continuity Management (BCM)

Ensure continuity and sustainability of HRDF's business operations.

d. Corporate Governance

Implement, facilitate and support Corporate Governance framework, processes and systems in order to achieve our strategic objective.

During the period under review, HRDF achieved the following initiatives through RMC GD;

- Conducted Risk Assessment for 9 Departments and identified 37 risks in these departments. Risk Assessment for the remaining departments will be conducted in 2018.
- Made the Corporate Integrity Pledge (CIP), which was signed with the Malaysian Anti-Corruption Commission (MACC) in 2014, available in the HRDF portal in order for the Training Providers and Employers to submit to the CIP effectively.
- Signed and implemented 'Corruption Free Pledge' (Ikrar Bebas Rasuah) witnessed by MACC on 15 September 2017.
- Issued a 'No Gift Policy' on 15 September 2017 in order to guide our actions towards achieving the highest standards of integrity in dealing with stakeholders and external parties.

Moving forward, the following initiatives are in the pipeline for execution, towards ensuring effective risk management within HRDF;

- Risk Assessment for all Divisions/Departments
- Implementation of Business Continuity Management (BCM)
- ISO37001: 2016 Anti-bribery Management System (ABMS)
- Whistleblowing Policy





Divisional Performance

General Counsel

The General Counsel division comprises of Enforcement and Legal and Advisory Departments. Apart from providing advice on PSMB's daily operations, the General Counsel is also tasked to provide counsel on the implementation, amendment and expansion of the PSMB Act 2001 (Act 612) in line with the 11th Malaysia Plan (11th MP).

Amendment and Expansion of Act 612:-



A. Pembangunan Sumber Manusia Berhad (Registration of Employers and Payment of Levy) Regulations 2001

- i. Effective date of amendment:
16 January 2017
- ii. Objective:
 - To allow the existing processes to evolve; and
 - To provide PSMB the power to determine the relevant processes administratively.



B. First Schedule of Act 612

- i. Effective date of amendment:
1 April 2017
- ii. Objective
 - To increase the number of employees eligible for financial assistance under PSMB by 58% from 1.77 million in 2014 to 2.8 million in 2020.
- iii. The current First Schedule as a result of the amendments
 - Mandatory category: employers with 10 Malaysian employees or more under 63 sub-sectors that are covered under Act 612.
 - Optional category: employers with 5 – 9 Malaysian employees under 63 sub-sectors that are covered under Act 612.



C. Expansion of the coverage of Act 612

- i. Proposed effective date of amendment:
January 2019, subject to further directions of Ministry of Human Resources (MoHR).
- ii. Objective
 - To increase the number of employees eligible for financial assistance by 58% from 1.77 million in 2014 to 2.8 million in 2020.
 - Expansion to cover all sectors, exemption to statutory bodies, public sectors, financial services and construction industries; subject to further directions of MoHR.
- iii. Activities by LAD
 - Commenced the Regulatory Impact Analysis (RIA) process as mandated to and governed by MPC to ensure the amendment of Act 612 is effective and efficient in addressing the public policy objectives and is implemented in a transparent manner.
 - Conducted engagement sessions with stakeholders: MOHR, key ministries, government agencies and the employers' associations.
 - As at 31 December 2017, LAD conducted a total of 12 engagement sessions nationwide to inform and educate stakeholders of the plans to amend Act 612 and successfully obtained the stakeholder's input.

MANAGEMENT ANALYSIS & REVIEW 2017

ENFORCEMENT DEPARTMENT

The Enforcement Department supports the achievement of organisational goals through activities such as the collection of arrears of levy and interest and also the management of fraud cases. Several of these activities contribute to the year's key performance indicator (KPI) as mentioned in the 2017 Employee Performance Assessment (EPA).

i. To proceed with the action of collecting levies and interest which are in arrears pursuant to Section 24 of the PSMB Act 2001;

During the year, the department collected a total of RM10.1 million and resolved RM3,213,759.73 comprising of the levy and interest due out of RM22 million. Some of the initiatives taken to ensure that employers paid the outstanding levy and interest is to allow the employer to pay the arrears by way of installments, making verification by phone calls to employers, as well as increasing the number of panel lawyers to take civil action against errant employers.

ii. To make verification visits on training locations for special programmes such as 1MGRIP, Future Workers, Training Incentive and others;

Enforcement department conducted 1,114 verification visits to assess compliance of training providers in running HRDF's special programmes were carried out for all seven programmes (1MGRIP, EMPHATIC, Train and Replace, HRDF Outplacement Centre, SPICE, GENERATE and Future Workers) throughout the year 2017. All programmes during the year were found to have complied with the terms and conditions stipulated by HRDF.

iii. To collaborate with other government agencies under the Ministry of Human Resources in operating integrated 1 Visit Policy.

The department worked with Jabatan Tenaga Kerja Semenanjung Malaysia (JTKSM), Social Security Organization (SOCISO) and Cawangan Kawal Selia dan Penguatkuasaan (CKSP) to identify potentially liable employers qualified to be registered under PSMB Act 2001. The operations found that the number of eligible employers registered has increased and the registration process has become more effective.

Integrated 1 Visit Policy operations for 2017

Year	Month	State	Total Visits	Liable To Register
2017	January	Perak	18	10
	February	Pahang	18	6
	March	Terengganu	18	13
		Kelantan	18	11
	April	Selangor	18	15
		Kuala Lumpur	18	15
	May	Penang	18	11
	July	Johor	18	12
	November	Malacca	7	12
Total			151	99

Inspection – 1 Visit Policy



Divisional Performance

Special Purpose Vehicle

HRDF's Special Purpose Division is responsible for the execution of solutions-based bespoke projects that focus on special needs of niche groups and business communities. These create greater engagement and focus towards target-driven results. HRDF's Special Purpose Vehicle Division introduced innovative solutions through its divisions such as the National Human Resource Centre (NHRC), SME Development and Special Projects.

National Human Resource Centre (NHRC)

The National Human Resource Centre was established in line with the National Transformation Plan (NTP) agenda to develop the capabilities of small and medium enterprises (SMEs) in managing strategic and administrative functions of human resources in order to move up their value chain in terms of business performance.

NHRC plays a pivotal role in helping SMEs manage human resource and ensure compliance of the legal requirements, especially for those without dedicated HR personnel.

NHRC Information and Services

Level 1 Services	Level 2 Services	Level 3 Services
Provide clarity and understanding to the requirements of respective employment legislations. The information is available through its online platforms via NHRC Portal (www.nhrc.com.my) using the different modes as follows: • Knowledge Centre • Forum • FAQs • Email • Live chat	Provide basic consultation on the right applications and issues resolution through quick response delivery. The NHRC provides guidance to SMEs through Call Centre 1800-88-4800 (toll free number) and walk-in applications.	Provide outsourcing capabilities through on-site intervention services. It refers to the comprehensive scope of consultation on various HR functions either by NHRC or appointed consultants via the following programmes: • HR Consultancy • SME Training Needs Analysis (TNA) Consultancy Scheme • TNA Training • HR Solution Workshop



MANAGEMENT ANALYSIS & REVIEW 2017

NHRC Achievements in 2017

A comparison of the Level 1 services were assessed in 2016 and 2017 and the number of users from Level 1 services in 2017 are portrayed in the charts below.

NHRC Level 1 Services



2016
104,357

2017
285,271

Comparison on number of Users for Level 1 services in 2016 and 2017

In 2017, there was a significant increase on the NHRC level 1 service by 34% compared to 2016. It showed an increase due to a greater number of users registered with the NHRC portal.



205,892
Visitors



11,350
Knowledge Centre
(Fundamental)



6,552
Knowledge Centre
(Secondary)



52,692
F.A.Qs



490
Forums



67
Live Chats



3,894
Emails



4,334
Articles

Number of users of Level 1 services in 2017

The centre aims to cater to a massive number of HR queries and issues among the SMEs more effectively through delivery of quick solutions via NHRC's website and call centre.

SMEs can access the NHRC website (www.nhrc.com.my) for HR related information on hiring, separation and many more. Toolkits, templates and simplified process flows are made available for them to use.

NHRC Portal Subscribers

A total of 21,759 users were registered with NHRC portal in 2017, which marked the highest achievement recorded since the establishment of the NHRC. The increase in the number of new subscribers reflect the effectiveness of NHRC engagement strategies and greater awareness on the importance of having excellent human capital management among business owners.

HR Capability Building Programme

HRDF encourages its employers to send their workers for HR up-skilling programmes, certification and functional training. Through the NHRC, the HR Capability Building Programme aims to increase the skills, knowledge and competencies of SMEs in Human Resources. In 2017, there were 38,476 training places under the programme.

In addition, in order to raise awareness and encourage talent development, HRDF had embarked on online and marketing campaigns which were supported by roadshows and exhibitions.

NHRC Level 2 Services

In 2017, a total of 59,728 employers contacted the Call Centre to seek immediate advice on human resource related matters such as Talent Management, Training and Development, Employee Relations, Employee Development and other general enquiries. This figure was 45% higher compared to the year 2016. This was attributed to greater engagement due to policy changes that were frequently being communicated through calls and employer circulars. The amendment of first schedule of the PSMB Act 2001 and the change of terms and conditions in training grant applications, were among the significant updates in 2017.



Call

2016
26,853

2017
59,728



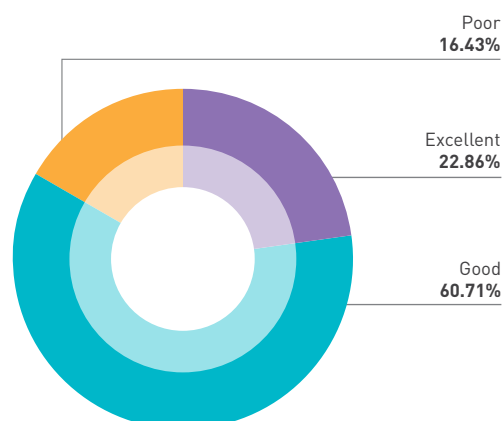
Walk-in

2016
112

2017
88

Comparison on number of users on Level 2 services in 2016 and 2017

The Customer Satisfaction Index (CSI) for 2017 illustrated that a total of 83.57% of customers were satisfied with our Contact Centre services via phone calls, emails, walk-in and live chats. The level of satisfaction reflects the effectiveness of the Call Centre in meeting stakeholders' expectations and needs.



MANAGEMENT ANALYSIS & REVIEW 2017

NHRC Level 3 Services

The NHRC Level 3 services are used relatively less compared to the other levels of services under NHRC due to the niche players involved in acquiring the services. Despite the small number of users, demand for the services in 2017 significantly increased and these services were established as an important channel in delivering impact to the SMEs.



TNA Consultancy

2016 17

2017 20



TNA Training

2016 210

2017 275



HR Consultancy

2016 295

2017 325

Comparison of number of users of Level 3 services in 2016 and 2017

TNA Consultancy Scheme

The SME TNA Consultancy Scheme objective is to assist SMEs in the preparation of a systematic annual training plan for their businesses. This scheme is fully funded by HRDF and aims to improve knowledge and understanding of the concept, approaches and components of TNA. This is facilitated through knowledge and skills transfers by the appointed consultant(s) during the project.

Applications For Year 2017	
New Applications Received	53
Process	1
Withdrawal/Reject	23
Approved	29
Project For Year 2017 (After PRM)	
Projects in progress	11
Withdrawal/Reject	9
Process	0
Completed	9
Total project	29

Level 3 services, SME TNA Consultancy Scheme as of 31 December 2017

All the applications under the scheme were monitored by the TNA Panel Review Committee (PRM), comprising of members from different departments and agencies under the Ministry of Human Resources. As of 31 December 2017, the Committee approved 29 applications from SMEs.

HR Solutions Workshops

In 2017, 325 people took part in a series of HR solutions-based workshops conducted by NHRC at several locations nationwide. The workshops were successful with positive feedback received from the participants. There were requests for more sessions and several popular HR topics were suggested for the future. The workshops promoted a hands-on approach in implementing practical HR solutions which resonate with SMEs' day-to-day business operations.

HR Publications

Every year, NHRC produces HR materials in the form of publications exclusively for SMEs. In 2017, NHRC published four HR reference guides as follows:

No.	Book Titles
1	Handling Probationer Contract and Issues
2	Managing Medical Leave at Workplace
3	How to Handle Poor Performance
4	HR Startup Toolkits



These publications were distributed to all employers and SMEs registered with the NHRC as well as disseminated at several flagship events such as Trainers Conference and HRDF conferences and exhibitions in 2017.

In addition, HR knowledge-sharing programmes were organised for NHRC subscribers throughout the year. These included participation in HR events, awards and exhibitions.

National Human Resource Standards (NHRS)

In 2017, NHRC progressed towards the Phase III development of NHRS which involved assessment methodology and certification process. These encompassed the NHRS governance structure and certification process, application requirements and membership, criteria of selection of appraisers, as well as 'code of conduct' for human resource practitioners.

It is anticipated in 2018, the project will proceed to Phase IV through the establishment of a promotional platform where HRDF will embark on promoting and positioning NHRS as the standard setting body and its membership as the professional qualification for Malaysian SMEs HR practitioners.

SME Development

HRDF's Small and Medium Enterprise Development Department (SMEDD) continues to champion various human capital development programmes for Malaysia's small and medium enterprises (SMEs), which are the backbone of the nation's economy with a representation of a whopping 98.5% of overall businesses in Malaysia.

Realising that human capital plays an increasingly important role towards propelling the country's economic growth, HRDF's SMEDD continues to encourage local SMEs (including non-HRDF registered SMEs) to invest in education and training to ensure a sustainable source of innovation and long-term competitiveness for their business and the country. This is also in view of great challenges, which continue to sweep SMEs into intricate complexities. These challenges include (but are not limited to) shortage and mismatch of skills, under-representation of women in businesses and a lack of global competencies due to innovation and technological barriers.

This is where the HRDF's Training Incentive Scheme which is administered through its SMEDD comes into action.

1. HRDF's Training Incentive Scheme

The implementation of HRDF's Training Incentive Scheme is also in line with the focus areas of the SME Master Plan (2012-2020) which are Productivity and Innovation. According to the latest SME Annual Report (2016/17) by SME Corporation Malaysia, the SME GDP contribution in 2016 was 36.6%.

The HRDF Training Incentive Scheme assists SME employers to continuously up-skill, re-skill and multi-skill their local employees through capacity and capability building programmes, allowing both SME employers and their local employees to acquire the latest knowledge and expertise that drives productivity and innovation. The training and development programmes offered under this Scheme are programmes that are recognised locally and internationally. For the Year 2017, a total of 2,847 SME participants benefitted from the following programmes:

- **Strategic Programmes**

The design of strategic programmes has been carefully crafted for Chief Executive Officers, Managing Directors, Directors, decision-makers, and middle management of SME businesses. These programmes aim to develop advanced management skills as well as analytical and creative decision-making competencies.

Dec 2017: 353 SMEs

- **Functional Programmes**

Functional and technical level programmes are aimed at middle management and below. The objective of these programmes is to equip SME employees with specialised and technical skills, enabling participants to apply these learning at their workplace to improve productivity, accelerate innovation and best practices on Human Resource Management. Most of these programmes are certification programmes.

Dec 2017: 648 SMEs

• Ad-Hoc Programmes

In addition to the strategic and functional programmes, SMEDD also supports new proposals on ad-hoc programmes, which focuses on specific topics of interest based on current and future needs of business and industry development. This is inclusive of the focus areas of the SME Master Plan (2012-2020) – productivity and innovation, megatrends, global shifts reshaping the world, digital disruptions and other major factors that will impact organisations, industries and the wider society. These ad-hoc programmes are mostly in the form of conferences, seminars, forums and masterclasses.

Dec 2017: 1,846 SMEs

2. SME Skills Upgrading Programme

In line with HRDF's commitment to develop the capability of Malaysia's SMEs, the SME Skills Upgrading Programme aimed to increase the knowledge, skills and competencies of employees of SMEs, thus boosting productivity. The objectives of this programme are:

- Enhances knowledge and skills of SMEs in managing business;
- Improves skills and competencies of SME employees in performing their job and eventually contributing to the increase of a company's productivity; and
- Inculcates practice of trainings among SMEs.

A total of 753 SME employees benefited from this programme during its implementation in 2017.

3. Minimum Wages Training Fund Programme

On 1 January 2014, the Government implemented the Minimum Wage Policy (MW Policy) following in-depth consultations with various stakeholders. To help SMEs implement the policy, the Government also introduced programmes to alleviate the additional financial burden.

Accordingly, HRDF was allocated a special fund, to be offered via employers' associations, whose purpose is to encourage SME employers affected by the policy to enhance the technical or critical skills of their employees. This would in turn improve their company's productivity and revenue stream, enabling the employer to provide higher wages and reduce the financial impact of the MW Policy. In 2017, 188 employees were trained under the Minimum Wages Training Fund Programme.

4. Development of Trainers in Malaysia

HRDF understands that a trainer's ability to deliver effective training outcomes depends on possessing extensive expertise and industry knowledge as well as adequate knowledge of the client's business. It is therefore required for trainers to undergo the Train-the-Trainer (TTT) programme before conducting training under any of the HRDF schemes. However, trainers who already possess training qualifications, recognitions and experience may apply to be exempted from the HRDF TTT programme.

HRDF was also tasked by the National SMEs Development Council (NSDC) to provide the Evaluation of Effectiveness of Training (EET) and the Master Trainer programme in ensuring high quality of training delivery in addition to high industry relevance.

In 2017, HRDF successfully trained 3,229 trainers for TTT programmes and 106 trainers for the Evaluation of Effectiveness Training (EET) programmes, with participants coming from the public and private sectors.

5. MyFuture

HRDF introduced the MyFuture assessment tool to assist Malaysia's SMEs to measure and understand their employees' skill gaps and enable an organisation's growth and sustainability in a competitive local, regional and global marketplace. MyFuture measures three key maturity dimensions – Human Resources, Innovation and Productivity, deep diving into what's stopping an organisation's growth and sustainability in terms of employees' skill and current workplace competencies. Based on an organisation's human resources maturity level, HRDF prepares a structured learning and development intervention for targeted action with guided assistance and performance monitoring.

In the year 2017, more than 1,000 SMEs successfully completed the MyFuture assessment. Out of this, 523 SMEs were given structured training and development programmes to enhance their productivity while boosting their business growth.

6. On-Demand e-Learning Platform

HRDF collaborated with Harvard Business School Publishing Corporation (HBSP) to implement the Harvard Manage Mentor (HMM) for Malaysian Small and Medium Enterprise (SMEs). HMM is an on-demand e-learning platform and performance support solution for SMEs. HMM allows participants to take control of their own professional development by giving them immediate desktop access to answers and tools needed to tackle the challenges faced daily in the workplace.

HMM delivers practical advice, curated ideas, and multimedia tools for a customised learning experience. As of Dec 2017, 846 participants from SMEs have successfully registered for this e-learning programme.

Special Projects

Industry Based Certification Programme (INBASE)

The **Industry Based Certification Programme (INBASE)** was introduced, catering to the critical training needs of HRDF registered employers (addressed through various Employer Associations) to move them up the industry value chain. All the courses offered are certification or industry based courses as required by the industries. INBASE is open to Malaysian employees from HRDF registered employers and industry covered, who are inclined to upgrade their skills and knowledge through up-skilling, re-skilling and multi-skilling professional certification or industry based programmes with the following objectives:

- To provide opportunity for Malaysian employees to increase their skills by participating in high value-added industry based trainings that would enhance their career development and earn higher income;
- To provide a platform to HRDF registered employers to accelerate skills of Malaysian employees to support Human Capital Development and the Government's aspiration to achieve a developed nation status by Year 2020; and
- To provide employers with a highly skilled Malaysian workforce which will allow them to explore business opportunities in higher value chain through up-skilling programmes focusing on Knowledge Intensive activities that encompass knowledge-based, high-tech and high value-added products or activities in order to continuously be competitive in the global market.

HRDF aggressively championed several key initiatives under INBASE that supported the Malaysian workforce to be more competitive globally. INBASE's initiatives for 2017 are based on three clusters; Industry Facilitation, Industry Development and Supporting Economic Corridors. Among the approved initiatives are as follows:

a. *Industry 4.0*

HRDF acknowledges the importance of the employees to be equipped with relevant skills and knowledge in order to prepare for the adoption of Industrial Revolution 4.0 (IR 4.0) technologies hence HRDF collaborated with several industry players to promote specific training initiatives.

b. *National Big Data & Analytics Talent Development Programme*

During the 28th MSC Malaysia Implementation Council Meeting (ICM), 30% of the consolidated fund from HRDF was allocated to support Data Science & Data Professional Training programmes from the year 2017 until 2020. This four-year plan will eventually support the government's aspiration of producing 20,000 data professionals and 2,000 data scientists by 2020.

c. *Internet Protocol Version 6 (IPv6)*

The migration process of IPv6 usage began in 2004 under the 9th Malaysia Plan (9th MP), with the establishment of the National IPv6 Implementation Monitoring Committee. The transition from IPv4 to IPv6 is very crucial, given the proliferation of broadband users and networks in the country is increasing by the day. In line with this transition, HRDF also introduced its own strategic initiative which is known as HRDF's Internet Protocol Version 6, which will benefit all HRDF registered employers.

d. *Electrical & Electronics (E&E) Strategic Initiatives*

The E&E industry in Malaysia is focused on deepening and strengthening the three major ecosystems namely the semiconductors, solar and LED technologies. To support these E&E strategic initiatives, HRDF has allocated financial assistance with the aim to certify Malaysian Employees with relevant industry specific courses in order to move up the value chain in design and development.

e. *Enhanced Capabilities Programmes For Logistics Service Providers Supported By Ministry of Transport (MoT)*

The logistics industry forms the backbone of global supply chains and is increasingly recognised as the key to stimulate trade, facilitate business efficiency and spur economic growth. MoT established the National Logistics Task Force (NLTF) to focus, dedicatedly drive and monitor the implementation of the Logistics and Trade Facilitation Master plan. Through NLTF, HRDF has allocated financial assistance to strengthen technology and human capital in the logistic industry.

f. *Support Towards National Development Corridor*

In recognising the importance of and potential to propel the economic growth of the country, "Support towards National Development Corridor" is implemented in five regional economic corridors namely Iskandar Malaysia, Northern Corridor Economic Region (NCER), East Coast Economic Region (ECER), Sarawak Corridor of Renewable Energy (SCORE) and Sabah Development Corridor (SDC). For the human capital development of the corridors, HRDF collaborated with various employers' associations to offer certification courses to employees registered with HRDF.

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As of 31 December 2017, a total of **187 courses** were approved under the **INBASE** programme from **39 Employer Associations**. A total of **7,662 trainees** approved with financial assistance of **RM120,124,264.03**.

Details of Allocation, Financial Assistance and Trainees based on Initiatives

Items	Total
Training Courses Approved	187
Employer Association	39
Trainees Approved	7,662
Financial Assistance Approved	RM120,124,264.03

The trainees were divided into two types; in-service workers and future workers. Out of 7,662 trainees, **5,757 trainees** were employees of **HRDF Registered Employers** with RM 77,249,786.37 financial assistance approved, while **213** are employees of **Industry Covered under HRDF** with RM 3,217,786.00 financial assistance approved and **1,692** were future workers with RM 39,656,691.66 financial assistance approved. The details are as follows:

Details of Trainees of HRDF & Industry Covered

Type of Trainees	Trainees of HRDF & Industry Covered	Trainee	(%)	Total Financial Assistance Approved (RM)	(%)
In-Service Employees	Employees of HRDF Registered Employers	5,757	75.14	77,249,786.37	64.3
	Employees of industry covered under HRDF	213	2.78	3,217,786.00	2.7
Future Workers	Future Workers	1,692	22.08	39,656,691.66	33
Total		7,662	100	120,124,264.03	100



There were a total of 5,970 in-service employees from service, manufacturing as well as mining and quarrying industries. 54.4% of the trainees were from service industry and 45.1% from manufacturing industry and 0.5% from mining and quarrying.

Details of In-service Employees by Type of Industry

Type of Industry	Number of Trainees	(%)
Service	3,249	54.4
Manufacturing	2,692	45.1
Mining And Quarrying	29	0.5
Total	5,970	100

Furthermore, the trainees approved based on Training Location are shown below. Overall 32.3% of the trainees are working in Kuala Lumpur, followed by Selangor 29.6%.

Details of Trainees Approved Based on Training Location

Training Location	Trainees	(%)
Kuala Lumpur	2,478	32.3
Selangor	2,269	29.6
Penang	1,002	13.1
Sarawak	290	3.8
Sabah	145	1.9
Johor	571	7.5
Pahang	240	3.1
Perak	320	4.2
Kelantan	0	0.0
Malacca	25	0.4
Negeri Sembilan	63	0.8
Kedah	134	1.4
Terengganu	0	0.0
Perlis	50	0.7
**Oversea	75	1.0
Total	7,662	100

In terms of gender distribution, majority of trainees who participated under this programme were male at 60.7%.

Details of Trainees by Gender

Gender	Number of Trainees	(%)
Male	4,650	60.7
Female	3,012	39.3
Total	7,662	100

Majority trainees were Malay (52.4%) and the second highest Chinese (35.4%), Indian (9.6%) and the balance are Bumiputeras from Sarawak and Sabah (2.6%).

Details of Trainees by Race

Race	Number of Trainees	(%)
Malay	4,011	52.4
Chinese	2,714	35.4
Indian	736	9.6
Bumiputera (Sarawak & Sabah)	201	2.6
Total	7,662	100

Based on the top five skilled areas, Actuarial/Statistics recorded the highest with 2,222 trainees (29%). Computer/Information and Technology 1,628 (21%), and Engineering 884 (12%).

Details of Trainees Approved based on Top 5 Skill Areas

Top 5 Skill Areas	Number of Trainees	(%)
Actuarial or Statistics	2,222	29
Computer or Information and Technology	1,628	21
Engineering	884	12
Purchasing or Logistic or Supply Chain	811	11
Safety and Health	690	9
Others	1,427	19
Total	7,662	100

HRDF Outplacement Centre

The **HRDF Outplacement Centre** is an initiative to enhance the employability of retrenched Malaysian workers. This is in line with one of the measures of the 11th Malaysia Plan (11th MP) i.e. to empower human capital through a quality workforce to improve their employability. The objectives of HRDF Outplacement Centre are to:

- Act as a one-stop center for Malaysian retrenched workers to gain employment;
- Assist retrenched workers by up-skilling, re-skilling or multi-skilling them for job placement upon completion of training; and
- Reduce the burden of retrenched workers by providing counselling, planning and preparation for a career move or placement.

To meet these objectives, HRDF Outplacement Centre offers the following services:

- Job Portal and Mobile Applications** – The Job Portal is an informative portal that has been developed to help the targetted demographics (all retrenched Malaysian employees) to gain the latest information related to retrenchment issues and works as a platform for employment opportunities. HRDF Outplacement Centre also introduced its mobile application for users to receive updates on retrenchment and employment to help them with their re-employment planning.
- Counselling** – Systematic and professional services rendered by our counsellors will be provided to retrenched workers to help manage trauma, self-assessment, defining career goals, and planning for next employment, as well as identifying skills gaps in order to gain new opportunities. Our counsellors are responsible for matching them with available job vacancies that would provide immediate employment.
- Job Placement** – The HRDF Outplacement Centre Job Placement is the main platform which is accessible by retrenched Malaysian workers for job placement and employers who wish to advertise job vacancies. The HRDF Outplacement Centre Job Placement Team is in charge to guide and assist applicants to find job opportunities through collaboration with employers, the public and private employment agencies as well as through job advertisements in the local print and electronic media.

- Training** – This service is only extended for workers who have been retrenched by HRDF registered employers and industries covered under HRDF Act. Types of courses offered under the HRDF Outplacement Centre are mainly focused on up-skilling and re-skilling; meeting the needs of the industries and matched with the skills required for specific jobs available in the market. Training courses would enhance the employability. Skill gap assessment tools will be performed on every retrenched worker to determine the relevancy of training courses with jobs offered by employers.

In 2017, HRDF Outplacement Centre managed to engage with 5,646 retrenched workers from 60 companies. Out of this figure, retrenched workers from the Manufacturing industry recorded the highest with 2,366 (42%), Service Industry with 1,570 (28%), Mining & Quarrying industry 1,031 (18%), Agriculture Industry with 479 (8%) and Construction industry with 200 (4%).

Total Retrenched Workers Engaged by Industry

Type of Industry	Retrenched Workers	(%)
Manufacturing	2,366	42
Services	1,570	28
Mining And Quarrying	1,031	18
Agriculture	479	8
Construction	200	4
Total	5,646	100

In 2017, a total of 23 seminars were conducted by the HRDF Outplacement Centre team. Due to these, supported by other outreach activities, a total of 5,170 retrenched workers registered on the HRDF Outplacement Centre portal, and another 387 employers posted 12,314 vacancies. A total of 4,695 vacancies from 395 employers were identified through employers' engagement sessions and visitations.

From the 5,170 workers, HRDF Outplacement Centre conducted counselling sessions for 4,559 retrenched workers through email, phone call or face-to-face meetings.

Total Retrenched Workers Have Been Counsellor by Industry

Counselling by Counsellor		
Type of Industry	Retrenched Workers	(%)
Services	2,817	62
Manufacturing	1,139	25
Mining & Quarrying	593	13
Construction	7	0.2
Agriculture	3	0.1
Total	4,559	100

The highest number of counselling sessions was conducted for the service industry with 2,817 retrenched workers or 62.0%, followed by the manufacturing industry with 1,139 retrenched workers or 25.0%. The mining & quarrying industry had the third number of highest participants, i.e. 593 or 13% of retrenched workers.

A total of RM65 million was allocated from the HRDF 30% Consolidated Fund to support training initiatives for retrenched workers from HRDF registered employers or industries covered under PSMB Act. Through various counselling sessions, skill gaps were identified, specific training courses were conducted and job placements were sought with HRDF registered employers or employers from industries covered by the Act.

From 2016 until December 2017, a total of 3,644 trainees were approved for training initiatives under HRDF Outplacement Centre. In 2017 itself, a total of 2,880 retrenched workers were approved to participate in its training initiatives, comprised of 38 courses with financial assistance amounting to RM40,818,363.75.

In terms of gender distribution, 2,605 trainees (90%) were male and the remaining 275 trainees were female.

Total Trainees Approved by Gender

Gender	Number of Trainees	(%)
Male	2,605	90
Female	275	10
Total	2,880	100

The ultimate objective of the HRDF Outplacement Centre is to ensure retrenched workers obtain job placements in a short period of time. The government, through this initiative, was able to secure employment either in the same industry or different industry for 2,655 retrenched workers in 2017.

Total Job Placement Based on Industries in 2017

Job Placement Through Training		
Type of Industry	Number of Workers	(%)
Services	1,263	53
Mining & Quarrying	841	35
Manufacturing	275	12
Total	2,379	100

Job Placement Through by Job Placement Team (JPT)		
Type of Industry	Number of Workers	(%)
Services	155	56
Manufacturing	88	32
Mining & Quarrying	30	11
Construction	3	1
Total	276	100

The highest job opportunities were in the Services industry.

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Train and Replace (T&R)

The **Train and Replace Programme (T&R)** was implemented to up-skill the future Malaysian workforce and replace existing foreign workers in the country. The implementation of this programme was announced by the Sixth Prime Minister during the 2016 Budget on 23 October 2015. The key objectives were to:

- Equip local workers with specific skills needed by employers to replace existing foreign workers [low and middle-skilled]/expatriates [skilled];
- Assist employers find qualified skilled workers, especially in knowledge-intensive industries, while enhancing companies' competitiveness; and
- Reduce the country's dependency on foreign workers/expatriates, especially skilled workers, and contribute to the target of achieving a 35% skilled workforce by the year 2020.

Under this programme, HRDF registered employers, who seek to replace their existing foreign workers with Malaysian workers, may request for financial assistance to train local future workers for specific positions/skill-sets. The employers may collaborate with any HRDF registered training provider or their internal trainer to offer these courses. The maximum duration of such training is 12 months.

For this programme, a total of RM25 million was allocated from the HRDF 30% Consolidated Fund. From 2016 to December 2017, a total of 1,499 trainees were approved for the T&R programme. In 2017 itself, a total of 1,223 trainees were approved with financial assistance of RM10.9 million.

Out of RM10.9 million, RM10.5 million (96%) financial assistance was approved to cover the course fees and the remaining RM406,164.05 (4%) was approved for trainees' allowances.

In terms of gender distribution, 768 trainees (63%) were male and 455 (37%) were female.

Total T&R Trainees Approved by Gender

Gender	Trainee	(%)
Male	768	63
Female	455	37
Total	1,223	100

All 1,223 trainees were to replace foreign workers in the Service and Manufacturing industries. The majority of the trainees were approved for engineering-related courses (715 trainees).

Total T&R Trainees Approved by Top 3 Skill Areas

Top 3 Skill Areas	Trainees	(%)
Engineering	715	58
Process or Operation	486	40
Others	22	2
Total	1,223	100

Total T&R Trainees Approved by Location of Training

Trainees Approved By Location	Trainee	(%)
Selangor	622	51
Sabah	0	0
Pahang	0	0
Perak	462	38
Terengganu	100	8
Kuala Lumpur	22	2
Melaka	17	1
Total	1,223	100

Graduates Enhancement Programme for Employability (GENERATE)

The **Graduates Enhancement Programme for Employability (GENERATE)** was implemented to train and equip unemployed graduates with the relevant skills for them to be more employable for the working world. The broad objectives of GENERATE are to equip, develop and assist unemployed graduates with:

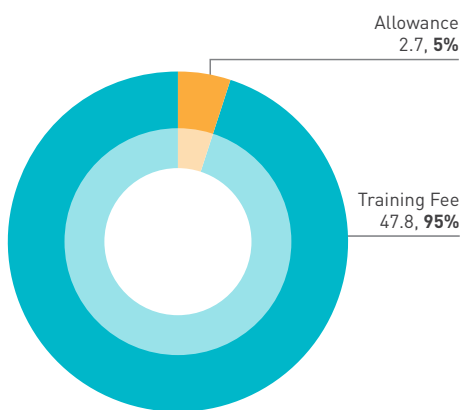
- high-end skills and competencies that are required by the industries;
- relevant working experience;
- exploring new career paths; and
- job placements.

Through this programme, HRDF registered employers or employers' associations may request for financial assistance to train unemployed graduates for high-value jobs. The targeted high-value jobs with a starting salary of RM2,000 and above for diploma holders and RM3,000 and above for degree holders.

A total of RM75 million was allocated for the implementation of this programme — RM55 million from the HRDF 30% Consolidated Fund and RM20 million from Government funding. Courses offered under this programme were focused on key areas based on manpower requirements in the Economic Corridors of Malaysia [NCER, SCORE, SEDIA, ECER and IRDA].

From 2016 until December 2017, a total of 3,423 trainees were approved under the GENERATE programme. In 2017 itself, a total of 2,775 unemployed graduates were approved, involving total financial assistance of RM50.5 million. The total of financial assistance approved consists of course fees and allowance — RM47.8 million (94.7%) was for the course fee, while RM2.7 million (5.3%) was for the trainees' allowances as follows:

Total Financial Assistance Approved (RM) Million



From the total of 2,775 unemployed graduates, 65% were trained for placements in the service industry. Similarly, 959 trainees (35%) underwent training for job placement in manufacturing industry. Details are as shown below:

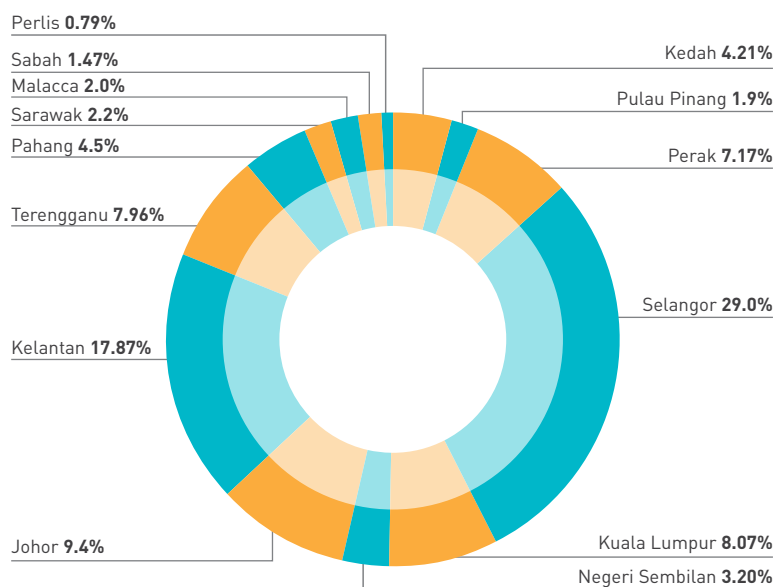
Total GENERATE Trainees Approved and Trained for Job Placement Based on Industry

Type of Industry	Number of Trainees	Percentage (%)
Service	1,815	65
Manufacturing	959	35
Others	1	0
Total	2,775	100

Breakdown of approved training locations are as shown in Chart 2 below.

Total GENERATE Trainees Approved by Location of Training

Out of all the approved trainees, most came from Selangor with 807 (29%), followed by Kelantan with 496 (17.87%). The least number of trainees approved was in Perlis with 22 (0.79%).



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Total GENERATE Trainees based on the Certification Type

Certification type	2017	(%)
Certification courses	2,307	83
Non-certification courses	468	17
Total	2,775	100

The GENERATE programme has been proven effective as it emphasises skills required to perform a job — 77% were employed less than six months upon completion of training.

Trainees Approved/Job Placement for Year 2017	
Total Trainees Approved	2,775
Total Job Placement (Less than 6 months)	2,152

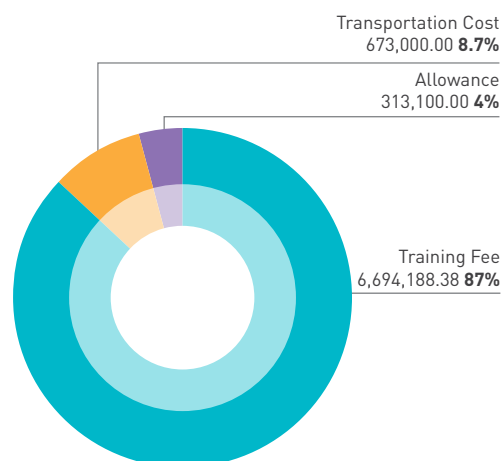
Rural Accelerated Industry Skills for Employability (RAISE)

The **Rural Accelerated Industry Skills for Employability (RAISE)** programme is a sub-programme under the Future Workers Training scheme, which focused on short-term intensive training to fulfil acute shortage of workers in the manufacturing and services industries, covered under the PSMB Act 2001.

This programme was designed to train rural youth aged 16-25 years old to be equipped with the relevant skill-sets required for specific positions offered by HRDF registered employers, with minimum salary of RM1,000 per month. The overall objectives of the establishment of RAISE are as follows:

- To increase the supply of skilled workforce to industries through strategic partnerships with HRDF registered employers and industries covered under the PSMB Act 2001, in order to support the human resource requirements of Regional Economic Corridors; and
- To reduce the unemployment rate, especially among rural youth, while supporting the Government's aspiration in achieving 35% of skilled workforce by year 2020.

A total of RM15 million was allocated from the HRDF 30% Consolidated Fund for the implementation of the RAISE programme. From January 2017 until 31 December 2017, a total of 1,360 rural youth were approved, involving financial assistance of RM7.6 million. The breakdown of financial assistance approved is as follows:



Total RAISE Trainees Approved by Gender

Gender	Number of Trainees	(%)
Male	766	56.32
Female	594	43.68
Total	1,360	100

Of all approved trainees, 63% (845) were trained for placements in the service industry and 38% (515) were trained for the manufacturing industry.

Total RAISE Trainees Approved by Type of Industry

Type of Industry	Number of Trainees	(%)
Service	845	62
Manufacturing	515	38
Total	1,360	100

Table 3: Total Trainees Approved by Location of Training

Trainees Approved By Location	Number of Trainees	(%)
Selangor	276	20.29
Kuala Lumpur	82	6.03
Pulau Pinang	110	8.09
Johor	133	9.78
Perak	140	10.29
Melaka	11	0.81
Negeri Sembilan	16	1.18
Kelantan	29	2.13
Kedah	106	7.79
Pahang	67	4.93
Terengganu	21	1.54
Perlis	21	1.54
Sarawak	200	14.71
Sabah	148	10.88
Total	1,360	100

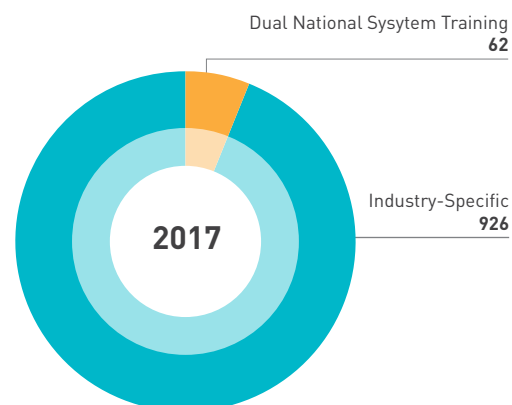
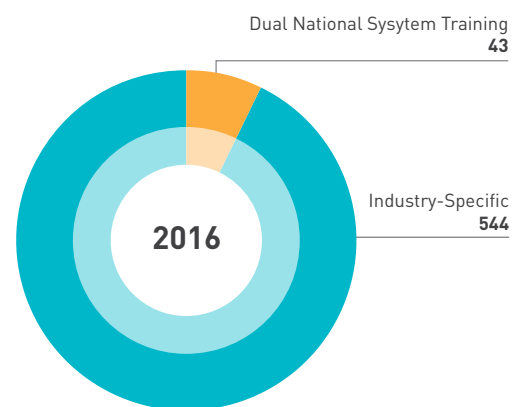
Apprenticeship Scheme

The **Apprenticeship Scheme** was a structured training programme focused on skills training in certain fields for a particular industry. This scheme was executed in accordance with the co-curriculum of the National Skills Standards (NOSS) by the Department of Skills Development (DSD), under the Ministry of Human Resources. The objectives of the implementation were to:

- Increase the supply of skilled workers to the industry (jointly determined by HRDF and the industry concerned), enabling employers registered with HRDF to be actively involved;
- Prepare various skills training (Multi-Skilling) programmes for school leavers at PMR/PT3/SPM level, to create new skilled workers in the industrial and service sectors of the country;
- Create a highly competent, well-trained, knowledgeable and skilled workforce by equipping workers with the latest and specific skills through up-skilling, re-skilling and cross-skilling programmes;
- Enhance the human resources capabilities of Small and Medium Enterprises (SMEs); and
- Increase Malaysia's productivity and efficiency by strengthening the country's competitiveness in the global market.

From 1996 to 2017, a total of 17,558 apprentices were trained under the HRDF Apprenticeship Scheme. Out of this figure, 16,331 apprentices (93%) were trained under the Industry-specific Apprenticeship Scheme; 342 apprentices (2%) under the Company-specific Apprenticeship Scheme; and 885 (5%) apprentices under the National Dual Training System (SLDN). A total of 926 apprentices were approved in 2017, an increase of 70% from 2016.

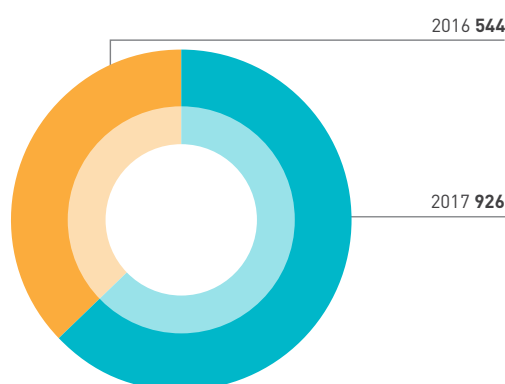
Apprentices Approved Between 2016 and 2017



As compared to the previous year when 544 apprentices were approved, a total of 926 apprentices were approved in 2017 under the Industry-specific Apprenticeship Scheme. The increment was mainly due to HRDF bearing the apprentice allowance during the off-the-job training.

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Apprentices Approved Between 2016 and 2017 Under Industry-Specific



From January 2017 until 31 December 2017, eight programmes under Industry-specific Apprenticeship Scheme were conducted, involving more than 40 training providers registered under HRDF apprenticeship scheme. The three schemes most popular among the apprentices remained the same as the previous year. A total of 292 apprentices (32%) were under the Hotel Industry Apprenticeship Scheme, 284 apprentices (31%) were under Mechatronics and 157 apprentices (17%) were under the Welding Technician scheme.

Apprenticeship Achievement

A success story of our Apprenticeship scheme is Muhammad Syakir Bin Mohamad, who had trained under the Hotel Industry Apprenticeship Scheme (Kitchen Practice – Cooking). He was placed second in the WorldSkills Malaysia Belia (WSMB) 2017, a competition he had entered from 2015. He will represent Malaysia at the next level of the competition – the ASEAN Skills Competition, which will be held in August 2018.

Entrepreneurship Enhancement Skills Programme for Indian Community Programme (EMPHATIC)

The **Entrepreneurship Enhancement Skills Programme for Indian Community (EMPHATIC)** programme was an initiative specifically designed to assist the Indian community to acquire entrepreneurial skills and competencies. With an allocation of RM30 million from the Ministry of Finance, EMPHATIC mainly targeted people in the B40 category with the following objectives:

- Equip trainees with skills and knowledge to venture into businesses that may increase their income;
- Create a platform for the Indian community to improve their socio-economic status by creating self-employment and income opportunities; and
- Increase the number of Indians in businesses, and support the Government's agenda to improve overall human capital productivity.

A total of 64 courses were offered under the EMPHATIC programme from 2016 to 2017, and the courses were chosen by a Selection Committee, which comprised of industry practitioners, government representatives and HRDF management. The courses were also identified to support the sectorial needs in the 12 National Key Economic Areas (NKEAs) of the Economic Transformation Programme (ETP).

To deliver greater value and for better impact, EMPHATIC included post-programme support of 1-3 months by the approved training providers upon completion of the training courses. The post-programme support included coaching and mentoring, development of business plans, starter-kit or job placements.

From 2016 until December 2017, a total of 2,179 trainees were approved under EMPHATIC initiatives. In 2017 itself, there were a total of 150 trainees in this programme, with a total of RM 2,198,556.20 financial assistance (course fees and allowance) approved.

Special Programme Intended for Community Enrichment (SPICE)

During Budget 2016, the 6th Prime Minister announced the government's priority to accelerate the socio-economic development of Sabah and Sarawak. In support of this, the **Special Programme Intended for Community Enrichment (SPICE)** programme was planned and provisioned for 414 trainees as part of HRDF's Corporate Social Responsibility (CSR). The objective was to bridge the gap between Peninsular, Sabah and Sarawak through this programme.

The SPICE programme was also part of HRDF's initiatives to increase income opportunities for B40 households in Sabah and Sarawak. The key objectives were to:

- Equip trainees with skills and knowledge necessary to start or engage in a business to increase their income;
- Create a platform for the local community to improve their socio-economic status through self-employment/job opportunities; and
- Increase participation of the local community in business, which will, in turn, further the government's agenda to enhance workforce productivity.

The programme aimed to promote entrepreneurship, and encouraged participants to create employment and business opportunities. To deliver greater value and for better impact, SPICE included post-programme support of 1-3 months by the approved training providers upon completion of the training courses. The post-programme support included coaching and mentoring, the development of business plans, and starter-kits for trainees to kick-off their businesses or job placements.

A total of 21 courses were offered under the SPICE programme, including:

- Bakery & Pastries Production
- Skills Certificate in Homestay Operation
- Baju Kurung Tradisional

For this initiative, HRDF allocated RM5 million as a form of CSR, to support the national agenda of assisting the B40 group in Sabah and Sarawak. From 2016 to December 2017, a total of 4,977 trainees were approved under SPICE programme. In 2017 alone, a total of 128 trainees participated under this programme, with RM1,151,233.65 approved financial assistance.

In terms of gender distribution, 92 trainees (71.8%) who participated in this programme were female and 36 (28.2%) were male.

Total Trainees Approved by Gender

Trainees by Gender	Trainees	(%)
Female	92	71.8%
Male	36	28.2%
Total	128	100%

Total Trainees Approved by Location of Training

Trainees Approved By Location	Trainee	(%)
Sarawak	108	84.3%
Sabah	20	15.7%
Total	128	100%

Recognition of Prior Experiential Learning (RPEL)

The **Recognition of Prior Experiential Learning (RPEL)** programme was set up to support the national agenda of increasing the number of skilled local workers to 35% to achieve a developed nation status by 2020. The RPEL programme gave formal recognition and certification of technical and management skills, knowledge and experience gained from work, life or previous study.

With this recognition, participants would then have a higher potential for job promotions and salary increments, increasing their motivation and productivity at the same time. The target group of this programme was Malaysian workers in the B40 group, or those earning less than RM3,900 per month.

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HRDF collaborated with the Federation of JPK Accredited Centers Malaysia (FeMAC), Silver Boundaries, and the Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT), to implement the RPEL programme. In 2017, a total of RM14 million was allocated to the programme (RM9 million from the HRDF 30% Consolidated Fund and RM5 million from the Government).

A total of 3,928 trainees participated in RPEL programme in 2017. As of 31 December 2017, RPEL had appointed three vendors, and approved financial assistance of RM10,498,524. Out of the total assistance approved, RM4,765,250 was utilised from government funding and the remaining balance of RM5,733,274 was from the HRDF 30% Consolidated Fund.

In terms of gender distribution, 2,483 trainees (63.2%) were male and 1,445 (36.8%) were female.

Total RPEL trainees based on gender

Gender	Number of Trainees	(%)
Male	2,483	63.2%
Female	1,445	36.8%
Total	3,928	100.0%

Most of the trainees last year were Malays (86%), while the rest were Indians, Chinese and Bumiputera (Sarawak and Sabah).

Total RPEL trainees based on race

Race	Number of Trainees	(%)
Malay	3,380	86%
Indian	188	4.8%
Chinese	136	3.5%
Bumiputera (Sarawak & Sabah)	224	5.7%
Total	3,928	100.0%

Based on location, most of the RPEL trainees were from Selangor (775), followed by Perak (667) and Sabah (580).

Total RPEL trainees based on location

State	Number of Trainees	(%)
Selangor	755	19.2%
Perak	667	17.0%
Sabah	580	14.8%
Johor	290	7.4%
Kuala Lumpur	262	6.7%
Kedah	256	6.5%
Sarawak	195	5.0%
Negeri Sembilan	192	4.9%
Kelantan	154	3.9%
Pahang	141	3.6%
Pulau Pinang	124	3.2%
Labuan	105	2.7%
Terengganu	94	2.4%
Melaka	77	2.0%
Perlis	26	0.7%
Putrajaya	10	0.3%
Total	3,928	100.0%

Graduation Ceremony of Recognition of Prior Experiential Learning 2017

To commemorate the success of the candidates who completed the programme in 2017, HRDF — in collaboration with the Federation of JPK Accredited Centers, Malaysia (FeMAC) — organised a graduation ceremony on 22 April 2017 in Kuala Lumpur. The ceremony, which was officiated by the then Minister of Human Resources, saw 365 graduates from all over Malaysia receiving their Malaysian Skills Diploma (MSD).

Launching and MOU Signing Ceremony of RPEL Programme for ATM Veteran From B40 Category

HRDF signed a Memorandum of Understanding (MOU) on 2 February 2017 with Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT), an agency under the Ministry of Defence, to open up access of the RPEL programme to veterans of the Malaysian Armed Forces (ATM). This initiative was a part of the then government's efforts to recognise the contribution of the ATM veterans, as well as to increase their employability upon leaving the armed forces.



Divisional Performance

Development

During the year, we continue to reach out and engage with multi stakeholders to improve our performance in developing relevant and effective products.

Employers Registration

The total number of employers registered with HRDF from 1993 till 31 December 2017 increased to 21,928. The total number of employers registered consists of 9,380 employers from the manufacturing sector, 146 employers from the mining and quarrying sector and 12,402 employers from services.

In 2017, the number of employers registered stood at 4,605 compared to 2016 which recorded 1,279. The figure in 2017 consists of 2,266 employers from manufacturing, 85 from mining and quarrying and 2,254 from the service sector. The tremendous increase of the number of registered employers in 2017 was attributed to:

- i. The amendment of PSMB Act 2001 effective on 1 April 2017;
- ii. The exemption of levy period offered to employers who registered within six months from the amendment of the Act was being effective (1 April 2017);
- iii. Training incentives offered to 400 newly registered employers who registered after 1 April 2017;
- iv. Memorandum of Understanding signing with 6 major employers' associations in Malaysia as the following;
 - The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM);
 - SME Association of Malaysia (SMEAM);
 - Malay Chamber of Commerce Malaysia (MCCM);
 - Malaysian Associated Indian Chamber of Commerce and Industry (MAICCI);
 - Federation of Malaysian Manufacturers (FMM); and
 - Malaysian Employers Federation (MEF).
- v. Bulk letter sending to potential liable employers from the various sources of data (25,288 letters have been sent).
- vi. Nationwide briefing on the expansion of PSMB Act 2001.

The total number of employers that registered after the amendment of the PSMB Act 2001 took effect stood at 2,390 and comprised 1,978 from the manufacturing sector, 338 from the service sector and 74 employers from the mining & quarrying sector.

From 1993 till 31 December 2017, SME employers constituted a great proportion to the total figure of registered employers, recording 18,398 employers compared to 14,207 registered employers in 2016. A total of 4,396 SMEs were registered in 2017, an increase as compared to the 1,124 SMEs registered in 2016.

The total number of de-registered employers in 2017 was 225 which showed a decrease as compared to 342 in 2016. The highest number of de-registered employers in 2017 was 130 from the service sector.

Vendor Management

Training providers are HRDF's main stakeholders in providing quality training programmes to HRDF employers to meet their human capital development needs. The training conducted must produce knowledgeable and skilled workers to meet the demand of the market in today's competitive environment.

As of December 2017, there are 21,928 companies registered as HRDF contributors. For that reason, HRDF has imposed a requirement that all training providers must register with HRDF in order to monitor and maintain the delivery of quality training to registered employers. Only registered training providers are allowed to offer customised and public programmes to employers.

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As at 31 December 2017 there are a total of 3,405 registered training providers comprising of training companies, colleges, universities and others. From January 2017 to December 2017, a total of 1,388 training providers were registered or have renewed their license with HRDF. Details on changes with regard to training premises and branch applications are shown in Table 2 below.

Table 1: Training provider registration

Number of Active Training Providers	3,405
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Table 2: Change of training premise and branch

Change of Training Premise	106
Branch Application	3



Training Provider Star Rating System

To ensure the standard of training providers available to current and potential registered employers, HRDF implemented the Star Rating System. The system provides an in-depth look at the outcome and as a measuring tool of quality of HRDF registered training providers.

The objectives of the Star Rating initiative, was to provide HRDF registered employers' access to quality training programmes, to encourage HRDF registered training providers to continuously increase the quality of their training programmes and services and to enhance HRDF's value-added services to our registered employers. The Star Rating as it exists now, remains as a measurement of relative strengths for training providers in terms of resources, capabilities, training programme development, management, quality systems and activeness as well as quality control. Under the Star Rating system, participating training providers will be assessed according to different criteria such as Training Programmes, Customer Management, Capacity and Capability Building, Quality System and Office Management.

As of 31 December 2017, 1,505 training providers have been rated. The breakdown according to the Star Ratings is as follows:

Star Rating	No.
5 Star	67
4 Star	199
3 Star	523
2 Star	524
1 Star	91
No Star	101

With the implementation of the Star Rating system, HRDF envisions that registered training providers will provide quality training programmes to employers and thus more employees can be up-skilled and re-skilled to drive goals of being a high-income economy.



Sectorial Training Committee

The HRDF Sectorial Training Committee (STC) is an initiative of the Malaysian Government, mobilised by HRDF to partner industry sectors, particularly those covered under the PSMB Act 2001, in developing human capital in Malaysia.

With objectives starting with the identification of training needs that correspond with the advancement of technology, or even analysing the required training programmes and providing industrial inputs, STCs have proved to be effective.

HRDF has taken a bold step in making itself relevant to all the industries it covers with the establishment of STCs. As of now, there are 21 HRDF STCs focusing on all 63 sub-sectors that are covered by HRDF. Each HRDF STC includes representatives from the industry, employer associations, organisations, key players from the industries, or subject matter experts.

1. Electrical, Electronic & Machinery Support
2. Transportation
3. Logistics & Warehousing
4. Textile, Apparel & Footwear
5. Digital Technology
6. Tourism & Event Management
7. Oil, Gas & Energy
8. Education
9. Training Services
10. Utility & Services
11. Wholesale & Retail
12. Healthcare
13. Mineral Based Products
14. Telecommunication
15. Commodity Based Product
16. Mining & Quarrying
17. Wood base & Furniture
18. Security
19. Food & Beverage
20. Plastics Industry
21. Big Data Analytics



Divisional Performance

Corporate Financial Management

The Corporate Financial Management Division was established with the objective to ensure the efficient and effective management of funds in such a manner as to accomplish the objectives of the organisation. Departments under the Corporate Financial Management Divisions are Levy and Claims, Treasury Management, Accounting and also Procurement.

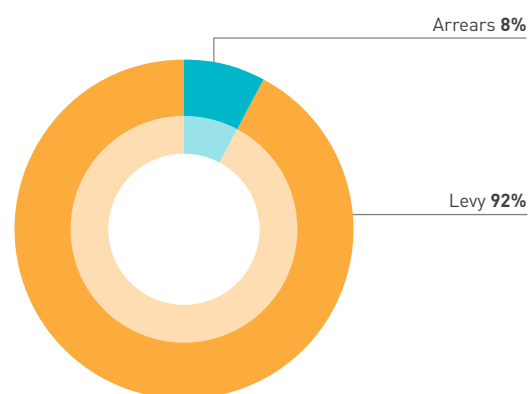
Total Levy Collection and Claims for 2017

Item		Total (RM)
Collections of Levy	Levy Payment	672,197,519
	Levy Arrears Collected	54,413,662
	Total	726,611,181
Training Grant Claims Disbursed	Training Grant Claims	486,362,788
	Special Project Training Grant Claims	198,316,130
	Total	684,678,918

Claim Processing and Online Levy Payment Client Charter

Item	Achievements
Claim Process & Paid within 8 Days	99.65%
Average Claims Processing Days	3.16 days
Online Levy Payment	27%

Levy Collections in 2017

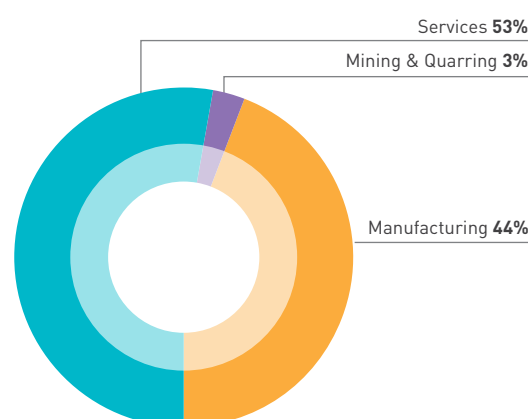


Analysis on Disbursement of Training Grant & Levy Payment

Levy Collections

The levy collection from registered employers for 2017 increased by 7.32% to RM727 million compared to RM665 million collected on 2016. The amendments and expansion of PSMB Act 2001 on 1 April 2017 was the contributing factor to the increase in levy collection in 2017. Out of the total levy collected in 2017, RM54.4 million were levy arrears.

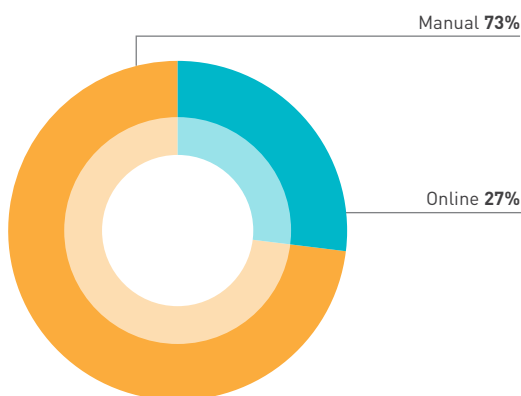
Levy Collections by Sectors in 2017



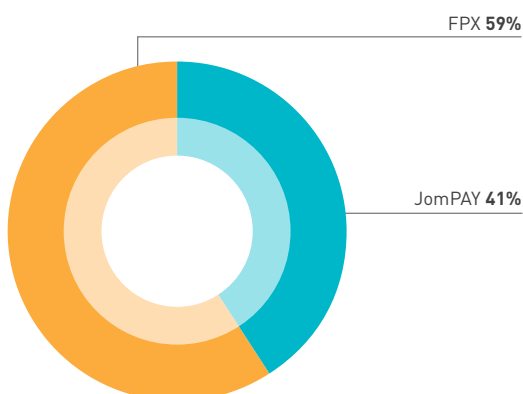
The payment methods for levy made by employers were 27% on online payment and 73% payment made at bank counters. Online payment increased from 6% on 2016 to 27% on 2017.

JomPAY was introduced to employers as an alternative to make online payment for levy besides the current internet banking facilities offered. JomPAY was launched on August 2017 through the Employer Circular No. 5/2017 and HRDF was the first to implement this payment facility among agencies under Ministry of Human Resources. Unlike the Financial Process Exchange (FPX) and internet banking facilities limited to only 16 banks offered by HRDF before, JomPAY covers more than 40 banks nationwide. As a result, JomPAY alone contributed to 40% of the total online payment within five months after launch, thus helping to significantly increase total online transactions made for levy payment in 2017.

Percentage of Levy Payment by Method in 2017



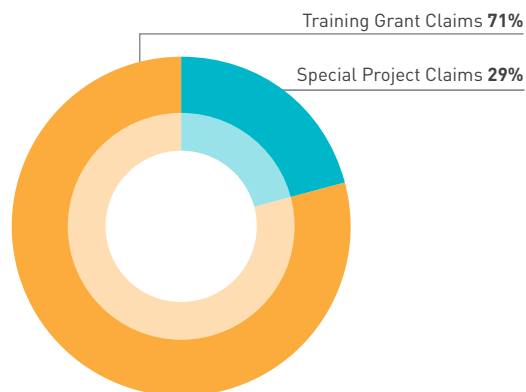
Online Payment Distribution for Levy Payment in 2017



Claims

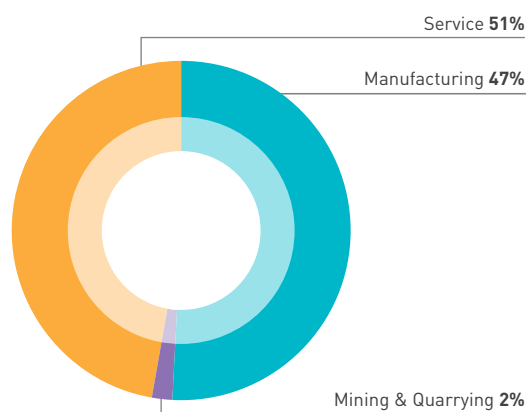
Claims process for 2017 decreased from the total of RM499.2 million disbursed in 2016 to RM486.4 million in 2017. The decrease of the total training grant disbursed was impacted by the 30% levy contribution for Pool Fund by the employers. However, the total number of claims processed increased from 87,255 in 2016 to 95,842 in 2017, a growth of 9.8%. Despite the decrease of total amount of training grant claims for training schemes under 70% of levy on 2017, the claims processed and reimbursed for special projects on Pool Fund increased to RM198.3 million for schemes under GENERATE, EMPHATIC, INBASE and others. This resulted in a total RM684.7 million disbursement made for training grant claims and special project claims during the year.

Total Claims Disbursed 2017



In 2017, achievement for the training grant claims processed and paid within eight days was 99.65% compared to 95.40% in 2016. The average payment periods on training grant claims also reduced from four days in 2016 to 3.16 days average payment period in 2017. The reimbursement of the Services sector was the largest on the total claims processed and reimbursed for 2017 with 51% compared to the other two sectors.

Training Grant Claims Disbursed By Sectors 2017





Divisional Performance

Operation

Through its branches nationwide, HRDF implements schemes designed to meet specific needs and challenges of the industry and contribute to the overall productivity and growth of the nation. The number of Training Places and Financial Assistance rose significantly in 2017 through increased momentum in directly engaging with employers and employees.

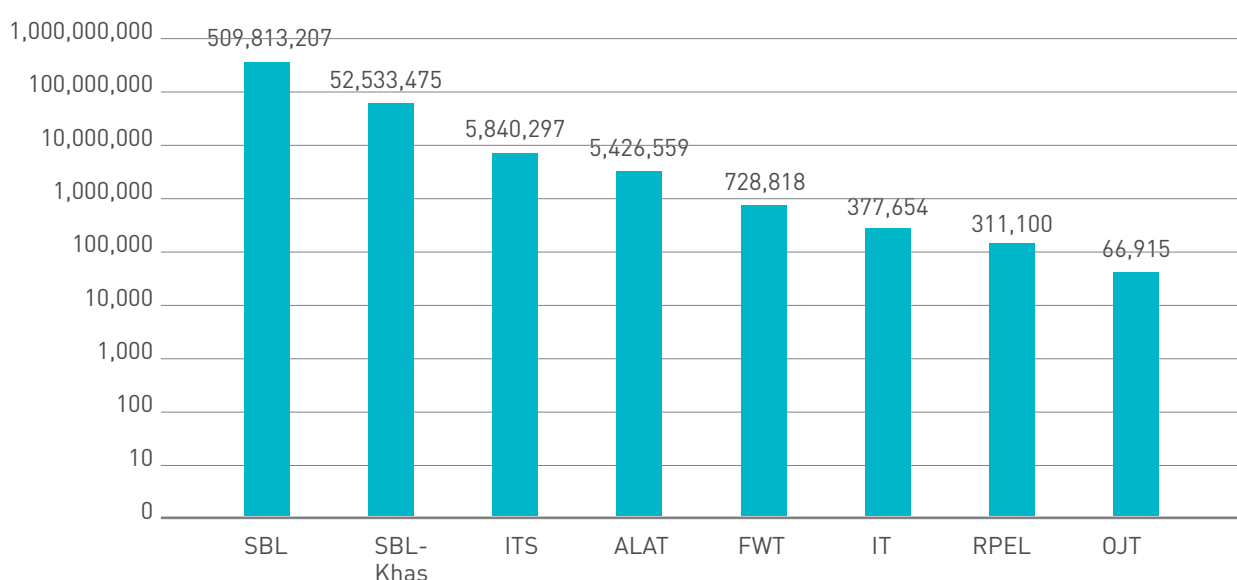
The Operation Division acts as the 'heart' of HRDF in providing knowledge to employers about training schemes offered by us. It also plays a role in designing the schemes to meet specific needs and challenges of the industry with an ultimate desire to contribute to the overall productivity and growth of the nation. The Operation Division covers three regions:

Central Region	Kuala Lumpur, Putrajaya and Selangor
West Region	Johor, Melaka, Negeri Sembilan, Perak, Pahang, Terengganu, Kelantan, Kedah, Pulau Pinang and Perlis
East Region	Sabah, Labuan and Sarawak

Financial Assistance & Training Places

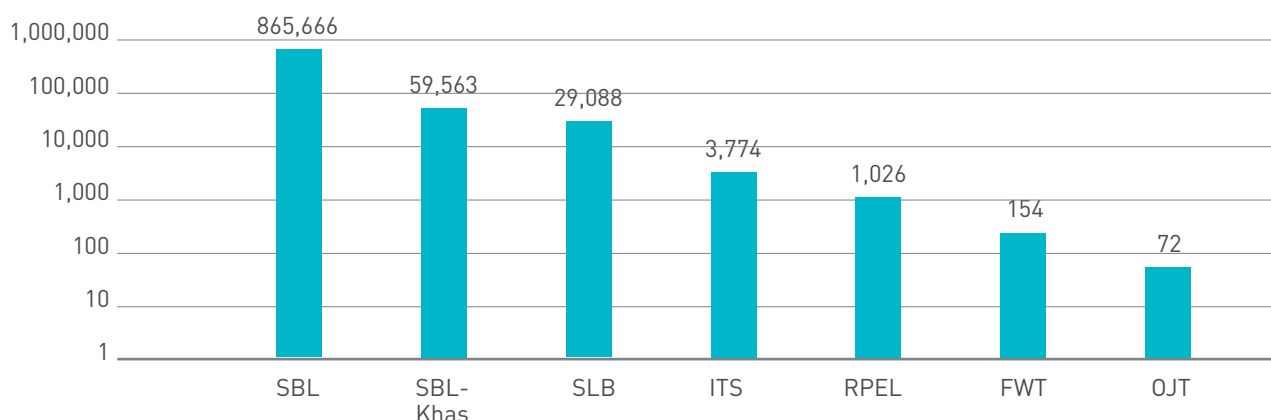
In 2017, HRDF achieved its set targets to increase the annual figures of their Financial Assistance (FA) and Training Places (TP). Compared to 2016, these increased by 3.69% for approved FA and 4.36% for approved TP. Total amount of approved FA for year 2017 was recorded as RM588,587,399.00 million and total number of approved TP was 959,343.

Approved Financial Assistance (FA) by Scheme for the Year 2017



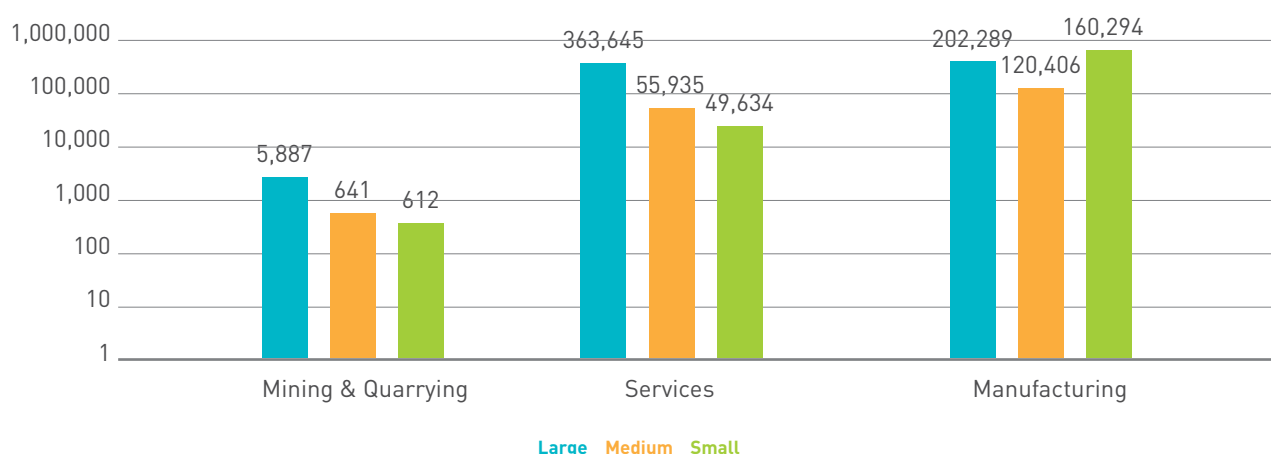
Figures shown above are the amounts of approved FA for eight schemes offered by HRDF. Total amount of approved FA for 2017 was RM588,587,399.00 million and the chart shows a similar trend as previous years where the SBL scheme remains as the highest approved scheme compared to other schemes with a total amount of RM 509.813,207.00 million approved FA.

Approved Training Places by Scheme for the Year 2017



In line with the approved FA shown, the numbers of approved TP shown in above chart also indicates the highest contribution of SBL scheme towards the approved TP with 865,666 places. Year 2017 recorded 959,343 approved TP which consist of seven schemes; SBL, SBL Khas, Skim Latihan Bersama (SLB), Industrial Training Scheme (ITS), Recognition of Prior Learning (RPEL), Future Workers Training Scheme (FWT) and On The Job (OJT).

Approved Training Places by Sector and Size of Employer for the Year 2017



Note: SBL, SBL-KHAS, ITS, RPL, FWT and OJT Schemes.

Out of the total number of approved TP, 50.3% of employees were from the manufacturing sector, 48.9% the service sector and 0.7% the mining & quarrying sector. By comparing achievements from previous years, 2017 showed an increment of approved TP and this was seen as a positive boost. More detailed information on the approved TP by sectors and employer sizes are illustrated below:

Approved Training Places and Total Number of Registered Employers by Industry for the Year 2017

Industry	Training Places	(%)	No. of Registered Employers	Average Training Places per Employer
Manufacturing	482,989	50.30	9,380	51
Services	469,214	48.90	12,402	38
Mining & Quarrying	7,140	0.70	146	49
Total	959,343	100.00	21,928	138

Note: SBL, SBL-KHAS, ITS, RPL, FWT, OJT Schemes.

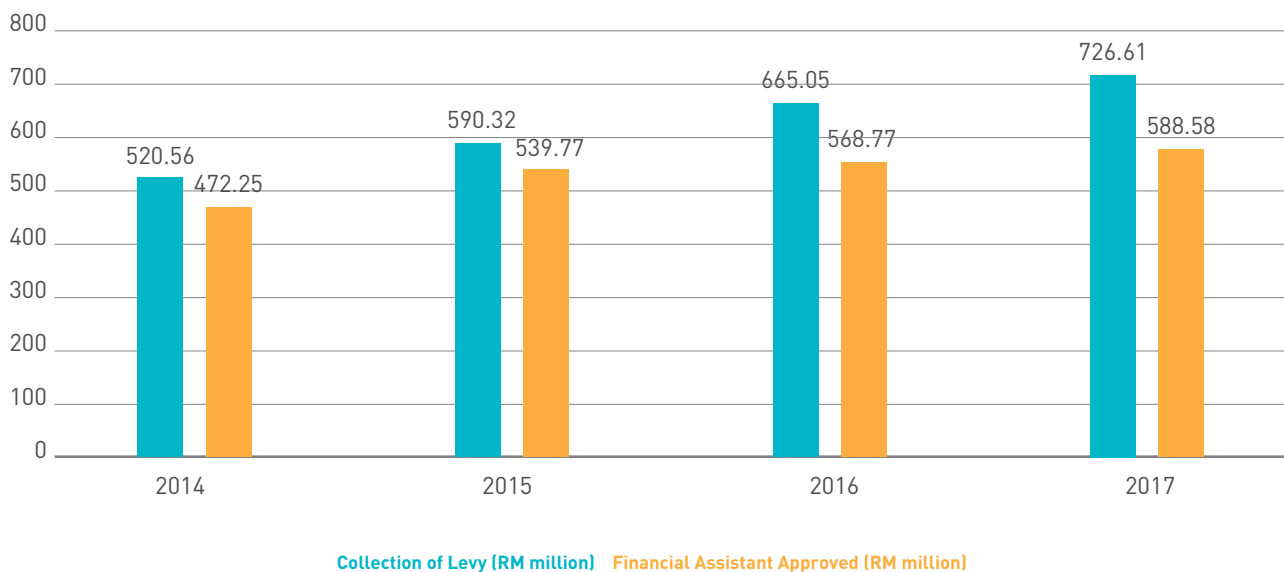
MANAGEMENT ANALYSIS & REVIEW 2017

Based on the data reported for year 2017 above, the manufacturing sector had the highest number of approved TP, which were 482,989 training places compared to the other two sectors. 9,380 employers registered under the manufacturing sector.

Even though the service sector showed the highest number of registered employers, which was 12,402 out of 21,928, it recorded the second highest with 469,214 training places.

This was followed by mining & quarrying with 7,140 training places and 146 registered employers.

Comparison Between Approved Financial Assistance and Levy Collected for the Year 2014 Until 2017



As shown above, there was a steady increment in the total amount of levy collected and approved FA. In comparison to 2016, collection of levy and approved FA in 2017 increased by 9.26% and 3.48% respectively.

Approved Financial Assistance and Levy Collected by Size of Employer for the Year 2017

Industry/Employers	Financial Assistance (RM Million)	(%)	Levy Collection (RM Million)	Difference (Levy Collection – Financial Assistance)
Large	356.622	60.80	409.699	50.077
Small & Medium	230.965	39.20	316.912	85.947
Total	588.587	100.00	726.611	136.024

Note: SBL, SBL-KHAS, ITS, RPL, FWT, OJT Schemes.

On the aspect of employers' size, in year 2017, a total amount of RM409.699 million in levy was collected from Large employers and RM316.912 million from Small and Medium employers. In relation to these, a higher number of FA had been granted to Large employers compared to Small and Medium employers with RM356.622 million and RM230.965 million respectively.

The FA given provided employers the opportunity to re-skill and up-skill their workforce to enhance the quality of their products and services. Small and Medium employers paid a higher levy than FA granted. However, HRDF registered employers did not fully utilise the levy paid for the year 2017. SMEs only applied about 72.9% from levy payment for their training grants, whereas Large employers applied about 87%.

Approved Financial Assistance and Training Places by Regional offices for the Year 2017

Branch	Financial Assistance (RM)	(%)	Training Places	(%)
Central Region	350,365,683	59.53	545,001	56.81
West Malaysia	207,445,606	35.24	375,777	39.17
East Malaysia	30,776,110	5.23	38,565	4.02
Total	588,587,399	100.00	959,343	100.00

Note: SBL, SBL-KHAS, ITS, RPL, FWT, and OJT Schemes for Training Places

Similar to trends in previous years, in 2017, Central Region recorded the highest total amount of approved FA and numbers of TP compared to West Malaysia and East Malaysia with RM350.37 million and 545,001 training places respectively. As illustrated above, the second highest approved FA and TP was for West Malaysia with RM207.45 million and 375,777 TP followed by East Malaysia with RM30.77 million and 38,565 TP respectively.

Approved Training Places by Skill Areas for the Year 2017

Skills	Training Places	(%)
Safety and Health	160,064	16.77%
Quality and Productivity	120,391	12.61%
Team Building or Motivation	96,804	10.14%
Management or Strategic Management	82,078	8.60%
Education or Training	56,027	5.87%
Computer or Information and Technology	53,192	5.57%
Human Resources	30,420	3.19%
Audit or Tax	29,963	3.14%
Engineering	28,452	2.98%
Process and Operation	27,331	2.86%
Supervisory	22,583	2.37%
Public Relations or Customer Service	22,188	2.32%
Food and Beverages	20,776	2.18%
Manufacturing or Production	20,619	2.16%
Retail or Merchandising	18,427	1.93%
Marketing and Sales	17,902	1.88%
Maintenance or System and Control	17,398	1.82%
Accounting or Finance	16,331	1.71%
Medical or Healthcare	15,605	1.63%
Legal and Law	15,484	1.62%
Security or Armed Forces	13,013	1.36%
Journalist or Publishing or Communication or Media	10,168	1.07%
Administration or Clerical	9,171	0.96%
Creativity and Innovation	8,667	0.91%

MANAGEMENT ANALYSIS & REVIEW 2017

Skills	Training Places	(%)
Aviation	8,538	0.89%
Language	7,565	0.79%
Hotel or Tourism	7,032	0.74%
Purchasing or Logistics or Supply Chain	5,321	0.56%
Research and Development	2,861	0.30%
Actuarial or Statistics	2,695	0.28%
Ship or Maritime Handling	2,382	0.25%
Creative Design	1,844	0.19%
New or High Technology	1,476	0.15%
Biotechnology or Chemistry	982	0.10%
Port Management	721	0.08%
Grand Total	954,471	100%

IB – Industry Based Programme JB – Job Based Programme PE – Personal Effectiveness

Note: SBL, SBL-KHAS, and FWT Schemes

In the perspective of approved TP by skilled areas for 2017, Safety and Health became the most preferred skilled area among employers in enhancing employees' competencies, with 160,064 approved TP which amounts to 16.77%. The skilled areas are grouped into three different types which are Industry Based Programme, Job Based Programme and Personal Effectiveness to show the preference types of skill areas of trainings by the employers. Job Based Programme has the highest number of approved TP with 435,967 training places or 46% of approved TP in 2017 followed by Industry Based Programme with total numbers of approved TP 369,364 or 38%. Personal Effectiveness has the lowest number of approved TP with only 149,140 places or 16%.

Table 5
Approved Financial Assistance by Skill Areas for The Year 2017

Skills	Financial Assistance (RM)	%
Safety and Health	74,100,552	12.85%
Management or Strategic Management	57,930,581	10.05%
Team Building or Motivation	50,147,793	8.70%
Quality and Productivity	48,151,856	8.35%
Computer or Information and Technology	47,174,196	8.18%
Engineering	43,126,008	7.48%
Education or Training	24,873,829	4.31%
Human Resources	20,553,387	3.56%
Process and Operation	18,460,871	3.20%
Audit or Tax	17,398,453	3.02%
Maintenance or System and Control	16,888,869	2.93%
Accounting or Finance	14,642,800	2.54%
Supervisory	13,868,275	2.41%
Marketing and Sales	13,764,310	2.39%

Skills	Financial Assistance (RM)	%
Manufacturing or Production	13,166,929	2.28%
Security or Armed Forces	10,517,748	1.82%
Public Relations or Customer Service	9,690,962	1.68%
Medical or Healthcare	8,957,827	1.55%
Legal and Law	8,420,234	1.46%
Journalist or Publishing or Communication or Media	7,614,874	1.32%
Aviation	7,423,615	1.29%
Creativity and Innovation	5,658,681	0.98%
Administration or Clerical	5,536,653	0.96%
Purchasing or Logistics or Supply Chain	5,271,394	0.91%
Language	5,120,049	0.89%
Food and Beverages	4,994,083	0.87%
Retail or Merchandising	4,450,883	0.77%
Ship or Maritime Handling	4,129,339	0.72%
New or High Technology	3,192,896	0.55%
Hotel or Tourism	3,063,326	0.53%
Research and Development	2,654,738	0.46%
Actuarial or Statistics	1,810,654	0.31%
Creative Design	1,572,562	0.27%
Biotechnology or Chemistry	1,446,843	0.25%
Port Management	788,804	0.14%
Grand Total	576,564,874	100.00%

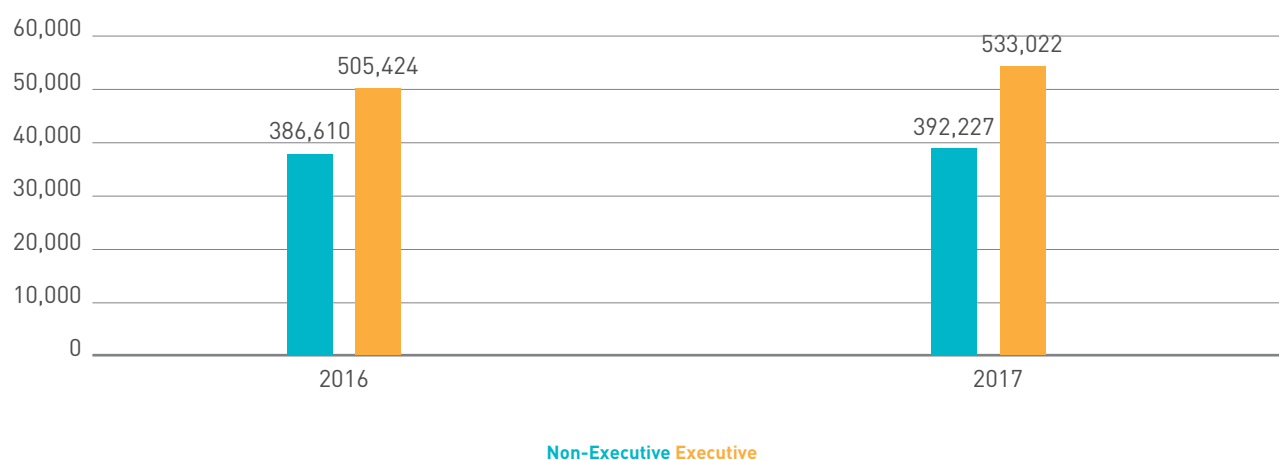
IB – Industry Based Programme JB – Job Based Programme PE – Personal Effectiveness

Note: SBL and SBL-KHAS Schemes

Similar with approved TP, approved FA showed that Safety and Health was the prominent skilled area selected by the employers in 2017. On the other hand, Industry Based Programme types of skilled area had the highest amount with RM255.89 million or 44.38% of approved FA in 2017 followed by Job Based Programme with total amount of approved FA of RM246.26 million or 42.71%. Personal Effectiveness skills had the lowest amount of approved FA with only RM74.41 million or 12.91%.

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Approved Training Places by Category of Job Position Under SBL and SBL Khas Scheme for the Year 2016 and 2017



Data analysis showed that SBL and SBL Khas schemes were the top two schemes based on approved TP. In relation to this, out of 925,229 approved TP for both schemes in 2017, 57.6% were for Executive and 42.4% for Non-Executive posts. In comparison with 2016, there was a slight growth in the number of posts for Executives and Non-Executives in line with the growing numbers of approved TP.

Approved Training Places by 63 Sub-Sectors for the Year 2017

Sub-sectors	Training Places	[%]
Manufacturer of Electrical Machinery, Apparatus Appliances and Supplies	159,511	16.63%
Food Manufacturing & Beverage Industries	55,106	5.74%
Private Institution of Higher Learning	44,040	4.59%
Hotel Industry	43,183	4.50%
Manufacturer of Industrial Chemicals & Other Chemical Products	39,338	4.10%
Telecommunication	37,800	3.94%
Computer Industry	36,252	3.78%
Manufacturer of Transport Equipment	35,847	3.74%
Non-Ferrous Metal Basis Industries & Fabricated Metal	35,574	3.71%
Hypermarket/Supermarket/Departmental Store	32,493	3.39%
Private Hospital	32,111	3.35%
Manufacturer of Plastics Products	32,109	3.35%
Postal	26,715	2.78%
Engineering Support & Maintenance	25,180	2.62%
Manufacturer of Rubber Products	20,393	2.13%
Land Transport	20,009	2.09%
Manufacturer of Non-Metallic Mineral Products	18,767	1.96%
Food and Beverage Services	18,189	1.90%
Freight Forwarder	16,831	1.75%
Air Transport	16,741	1.75%
Manufacturer of Machinery Except Electrical	14,831	1.55%
Sale and Repair of Motor Vehicles	14,282	1.49%
Security Firms	13,731	1.43%
Iron and Steel Basic Industries	13,522	1.41%
Franchise	12,467	1.30%
Printing, Publishing and Allied Industries	10,341	1.08%
Manufacturer of Textiles & Wearing Apparel, Except Footwear	10,258	1.07%

Sub-sectors	Training Places	(%)
Manufacturer of Paper and Paper Products	9,752	1.02%
Power (Energy)	8,730	0.91%
Water Treatment and Supply	7,848	0.82%
Training Provider	6,857	0.71%
Manufacturer of Professional and Scientific & Measuring and Controlling Equipment N.E.C. and of Photographic and Optical Goods & Others Manufacturing Industries	6,823	0.71%
Shipping	6,526	0.68%
Manufacturer of Wood & Wood Products and Cork, Except Furniture	6,010	0.63%
Petroleum & Gas Extraction	5,390	0.56%
Petroleum Refineries	5,327	0.56%
Port Services	5,221	0.54%
Building and Landscape Services	5,150	0.54%
Advertising	4,962	0.52%
Direct Selling	4,442	0.46%
Manufacture of Furniture and Fixtures Except Primarily of Metal	3,910	0.41%
Private Broadcasting Services	3,730	0.39%
Sewerage	3,531	0.37%
Research & Development	3,246	0.34%
Information Service	3,110	0.32%
Manufacturer of Glass and Glass Products	2,511	0.26%
Early Childhood Education	2,180	0.23%
Travel Agency - Outbound	2,023	0.21%
Production of Motion Picture, Video and Television Programme, Sound Recording and Music Publishing	1,901	0.20%
Mineral & Stone Quarry	1,750	0.18%
Health Support Services	1,546	0.16%
Manufacturer of Leather & Products of Leather, Leather Substitutes & Fur, Except Footwear & Wearing Apparel	1,436	0.15%
Bonded Warehouse	1,391	0.14%
Event Management Services	1,300	0.14%
Gas, Steam and Air-Conditioning Supply	974	0.10%
Driving School	655	0.07%
Travel Agency - Inbound	603	0.06%
Tobacco Manufacturers	541	0.06%
Manufacturer of Miscellaneous Products of Petroleum & Coal	492	0.05%
Manufacturer of Footwear, Except Vulcanised Or Moulded Rubber Or Plastics Footwear	370	0.04%
Manufacturer of Pottery, China and Earthenware	220	0.02%
Veterinary Services	70	0.01%
Waste Management and Material Recovery Services	2	0.00%
Total	959,343	100.00%

Note: SBL, SBL-KHAS, ITS, RPL, FWT, and OJT Schemes for Training Places

In 2017, Manufacturers of Electrical Machinery, Apparatus Appliances and Supplies were the most active industries to re-skill and up-skill their workforce. A total of 159,511 training places were approved for these industries. Food Manufacturing & Beverage Industries represented the second highest number of training places approved at 55,106. The third most active industry was the Private Institution of Higher Learning in which the total number of approved training places was 44,040.

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Approved Financial Assistance by 63 Sub-Sectors for the Year 2017

Sub-Sectors	Financial Assistance (RM)	(%)
Manufacturer of Electrical Machinery, Apparatus Appliances and Supplies	86,762,080	15.12%
Computer Industry	40,350,542	7.03%
Telecommunication	30,154,298	5.26%
Food Manufacturing & Beverage Industries	25,979,009	4.53%
Manufacturer of Industrial Chemicals & Other Chemical Products	22,164,434	3.86%
Private Institution of Higher Learning	21,767,778	3.79%
Engineering Support & Maintenance	20,513,077	3.57%
Hotel Industry	19,455,843	3.39%
Non-Ferrous Metal Basis Industries & Fabricated Metal	18,300,565	3.19%
Manufacturer of Transport Equipment	17,275,654	3.01%
Private Hospital	16,818,794	2.93%
Power (Energy)	15,716,944	2.74%
Manufacturer of Plastics Products	15,241,770	2.66%
Petroleum & Gas Extraction	13,296,714	2.32%
Hypermarket/Supermarket/Departmental Store	12,741,431	2.22%
Freight Forwarder	11,942,773	2.08%
Air Transport	11,821,162	2.06%
Manufacturer of Non-Metallic Mineral Products	11,145,719	1.94%
Manufacturer of Rubber Products	10,096,902	1.76%
Security Firms	9,697,588	1.69%
Sale and Repair of Motor Vehicles	9,066,201	1.58%
Land Transport	8,792,204	1.53%
Manufacturer of Machinery Except Electrical	8,232,728	1.43%
Iron and Steel Basic Industries	7,940,032	1.38%
Shipping	7,716,867	1.34%
Food and Beverage Services	7,702,414	1.34%
Petroleum Refineries	6,852,171	1.19%
Printing, Publishing and Allied Industries	6,741,524	1.17%
Postal	6,316,426	1.10%
Training Provider	5,648,203	0.98%
Manufacturer of Textiles & Wearing Apparel, Except Footwear	5,326,148	0.93%
Manufacturer of Paper and Paper Products	4,985,424	0.87%
Manufacturer of Wood & Wood Products and Cork, Except Furniture	4,685,126	0.82%
Port Services	4,641,248	0.81%
Manufacturer of Professional and Scientific & Measuring and Controlling Equipment N.E.C. and of Photographic and Optical Goods & Others Manufacturing Industries	4,073,124	0.71%
Advertising	3,915,408	0.68%
Water Treatment and Supply	3,880,506	0.68%
Mineral & Stone Quarry	3,618,105	0.63%
Building and Landscape Services	3,554,339	0.62%
Franchise	3,319,161	0.58%
Direct Selling	3,131,034	0.55%
Sewerage	2,572,286	0.45%
Information Service	2,560,557	0.45%
Research & Development	2,417,313	0.42%
Manufacture of Furniture and Fixtures Except Primarily of Metal	2,334,085	0.41%
Private Broadcasting Services	1,860,983	0.32%
Manufacturer of Glass and Glass Products	1,707,709	0.30%

Sub-Sectors	Financial Assistance (RM)	(%)
Travel Agency - Outbound	1,557,645	0.27%
Production of Motion Picture, Video and Television Programme, Sound Recording and Music Publishing	1,112,622	0.19%
Early Childhood Education	907,551	0.16%
Health Support Services	888,065	0.15%
Event Management Services	869,977	0.15%
Bonded Warehouse	861,475	0.15%
Manufacturer of Miscellaneous Products of Petroleum & Coal	731,595	0.13%
Manufacturer of Leather & Products of Leather, Leather Substitutes & Fur, Except Footwear & Wearing Apparel	585,037	0.10%
Tobacco Manufacturers	431,431	0.08%
Travel Agency - Inbound	350,611	0.06%
Driving School	296,194	0.05%
Manufacturer of Pottery, China and Earthenware	192,039	0.03%
Manufacturer of Footwear, Except Vulcanised or Moulded Rubber or Plastics Footwear	163,607	0.03%
Veterinary Services	25,354	0.00%
Waste Management and Material Recovery Services	2	0.00%
Gas, Steam and Air-Conditioning Supply	-	0.00%
Total	573,807,608	100.00%

Note: All schemes

As of 2017, the industry with the highest approved financial assistance was the Manufacturers of Electrical Machinery, Apparatus Appliances and Supplies with approved financial assistance of RM86.76 million, representing 15.12% of the total financial aid in 2017. This was followed by the Computer Industry at RM40.35 million (7.03%) and the Telecommunication Industry at RM30.15 million (5.26%).

Central Region

Central Region consists of three units: Service Unit, Manufacturing, Mining and Quarrying Unit (MMQ), and Industry Outreach Unit (IO). Service Unit focuses on 38 service sectors. In line with creating more high-skilled jobs, two initiatives have been implemented, namely 'Oh My Grant' (OMG) clinic and 'Jom Guna Levi' (JGL) briefing.

OMG was initiated to tackle employers who had utilised less than 75% of their levy, regardless of the size of the industry (large or SMEs). This clinic contributed to an increment of Financial Assistance (FA) approved and Training Places (TP) as most of the employers showed an outstanding augmentation of levy utilisation of at least 25%. By the end of 2017, a total of RM590.58 million of FA was approved and 959,973 of TP were recorded throughout the country.

'Jom Guna Levi' sessions were initiated on 7 June 2017 to brief SMEs who have not utilised their levy. They were briefed on our schemes and products as well as the benefits of utilising the levy. In addition, the sessions encouraged and cultivated the training culture among SME employers. A total of 11 sessions were conducted from June to November 2017.

Apart from that, consultative visitations showed a great impact to the increment of FA and number of TPs. Each officer conducted about 25 employers' visits. For large employers, Top 11 companies, such as those listed below, shared their knowledge and views through the consultative visitation.

- Telekom Malaysia Berhad
- Malaysia Airlines Berhad
- Digi Telecommunication Sdn Bhd
- Petronas ICT Sdn Bhd
- Ranthill Worley Parson Sdn Bhd
- POS Malaysia Berhad
- AEON Co Sdn Bhd
- KFC Peninsular Malaysia Sdn Bhd
- YTL Hotel Management Services Sdn Bhd
- Petronas ICT Sdn Bhd
- MISC Berhad

We visited 765 employers in 2017. As a result, there was a 9.5% difference in levy utilisation by employers. The continuous efforts by the Central Region team and cooperation by SME employers showed an increment of 63% of levy utilisation.

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Service Unit

Our service unit carried out several engagement sessions with decision makers of companies to gain insight into the difficulties they faced on both micro and macro levels of their industries and respective companies. The sessions found that the industry players were concerned about HRDF schemes and called for more improvement and collaboration between industry players and HRDF.

Industry players from the Education, Early Childhood, Private Institution, Land and Air Transportation, Food and Beverage (F&B), Services and Hotel participated in the first 'Tea Talk'.

In addition, a special briefing and engagement session for SMEs was organised. We had collaborated with the MMQ Unit and IO Unit to conduct the session which included an introduction to HRDF Schemes and Focus Group Discussion.

The SMEs selected from the service sector were Waste Management and Material Recovery Services, Water Treatment and Supply, Building and Landscape Services, Power (Energy), and Engineering Support and Maintenance. The selected SMEs from the MMQ Unit were Mineral and Stone Quarry, and Petroleum and Gas Extraction employers.

Among the concerns that surfaced during the Focus Group Discussion was that most of these employers had little awareness of HRDF schemes offered and thus it was hard for them to apply online. They also raised concerns about having no proper training module and insufficient grant balance.

Manufacturing, Mining & Quarrying Unit

MMQ Unit focused on 23 companies from the manufacturing industry and two from the mining and quarrying industry, such as Manufacturer of Plastic Product, Petroleum and Refineries, Tobacco Manufacturers and others. Mineral and Stone Quarry and Petroleum and Gas Extraction were covered under mining and quarrying industry.

A Tea Talk Session was conducted with decision makers from the Textile Industry. Throughout this session, MMQ found that the decision maker played an important role in making sure that all their employees were equipped with new skills, empowering them with new technology and this would drive the productivity and quality of their employees to fit with industry needs.

Industry Outreach Unit

Industry Outreach (IO) Unit is one of the key players under Operation Division. They were established in May 2017 and act as a linkage to Service and MMQ, which lead to strengthening the performance of every HRDF registered employer. From 63 sub-sectors or industries covered by both Service and MMQ, there were five focus industries:

1. Early Childhood Education
2. Food and Beverages Services
3. Manufacturer of Wood and Wood Cork
4. Manufacture of Textile and Wearing Apparel
5. Research and Development

Through the IO Unit, Central Region conducted a series of Special Programmes to support initiatives by Service and MMQ. They started with Halal Fundamentals Training Programme, which was also attended by other branches. In line with the Halal Industry Development Strategy in the Third Industrial Plan and the 11 Malaysia Plan, HRDF has established a strategic partnership with Halal Development Corporation (HDC) in developing human capital for the Halal Industry. To commemorate the collaboration, a strategic plaque presentation ceremony between HRDF and HDC was held on 23 August 2017, in conjunction with Halal Festival of Malaysia (HALFEST). Through this collaboration, a comprehensive training course covering aspects of Halal and Halal Industry was held for 52 sessions nationwide. Currently, 26 trainees have been trained under this Halal Programme.

Early Childhood Education Transformation (Creative Time)

In order to assist Malaysia in facilitating Early Childhood Education Transformation as reflected in the 11 Malaysian Plan, we collaborated with agencies accredited by the Community Development Department (KEMAS) to organise a special programme with HRDF registered employers on Early Childhood Care and Education. This special programme aimed at expanding performance monitoring mechanisms to all pre-schools and identifying smart and talented children through a gem programme to nurture their potential at an early age. This programme contributed RM6,300 of Financial Assistance.

Special Programme on Transition to MSISO 9001:2015

In view that every organisation needs a systematic approach to maintain quality standards by ensuring that their product meets customer requirements, the IO Unit worked hand in hand with the Department of Standards Malaysia (DSM) to organise a special programme that will educate employers on the transition to MS ISO 9001:2015 and Risk Based Approach Workshop. This special programme garnered participation by SME employers and Manufacturer of Textiles & Wearing Apparel employers. There were a total of 47 training places recorded with RM16,450 of Financial Assistance.

Dialogues with Employers

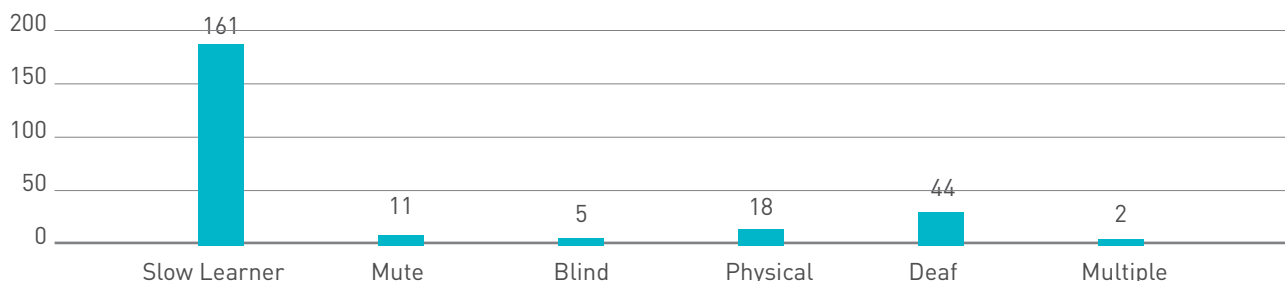
IO organised engagement sessions in Penang, Johor, Kuala Lumpur and Sarawak. HRDF Chief Executive Dato' CM Vignaesvaran Jeyandran and Director of Operation Division, M Za'ba bin Mohamad Zaham were present to meet our stakeholders. The dialogues provided us with the platform to meet and receive feedback on our schemes as well as to provide clarification to any enquiries made by them. A total of 470 employers participated in these sessions.

OKU Talent Enhancement Programme Scheme (OTEP)

In line with the 11th Malaysia Plan in strengthening disabled people's welfare, HRDF introduced the OKU Talent Enhancement Programme Scheme (OTEP) in 2016. Currently, there are about 338,000 registered OKU in Malaysia or 1.1% of Malaysia's total population.

OTEP aimed to enhance the marketability of persons with disabilities (PWDs) by equipping them with appropriate knowledge, skills and competencies through relevant training programmes that are required by all industries. The IO unit had participated in an OKU Career Fair to consult and engage potential employers on the importance of equipping people with disabilities whilst promoting the OTEP scheme. To date, 241 participants have been trained in various industries such as Food & Beverages Services, Hotel Industry, Hypermarket or Supermarket and Department Store and Manufacturer of Machinery except Electrical Industry.

A majority of the PWDs that were trained are under the category of 'slow learner' followed by 'deaf disability'. As many as 97% of them were hired by their current employer or potential employer.



Categories of PWDs trained under OTEP Scheme

To date, 10 employers have participated in this scheme. They were;

- Sentoria Theme Parks and Resorts Sdn Bhd
- Mydin Mohamed Holdings Berhad
- Cheng Hua Engineering Works Sdn Bhd
- Berjaya Starbucks Coffee Company Sdn Bhd
- Dommall Food Services Sdn Bhd
- Temasek Boutique Hotel Sdn Bhd
- Genashtim Sdn Bhd
- The Plaza Hotel Kuala Lumpur
- Iringan Flora Sdn Bhd
- Golden Palm Tree Resort & Spa Sdn Bhd

As part of efforts to support the National Blue Ocean Strategy (NBOS), HRDF collaborated with Jobs Malaysia and Department of Social Welfare Malaysia (JKMM), under the OTEP scheme to provide employment opportunities to PWDs. In order to train PWDs, a special training methodology was developed based on employers' proposal with the guidance of the JKMM.

IO in collaboration with JKMM hopes to attract more employers to participate in this project and it plans to revisit its training methodologies that will be aligned with the requirements of PWDs.

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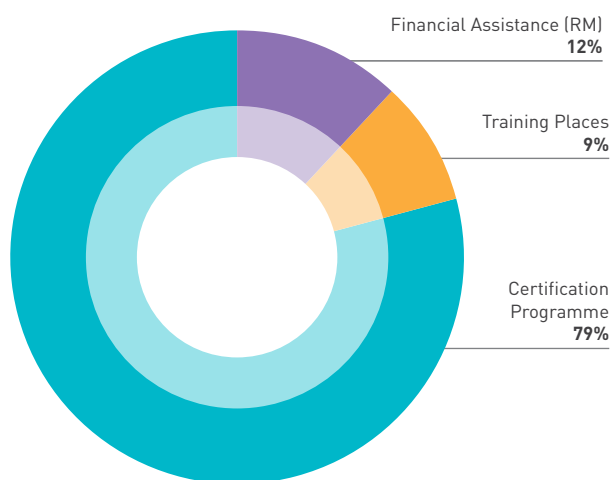
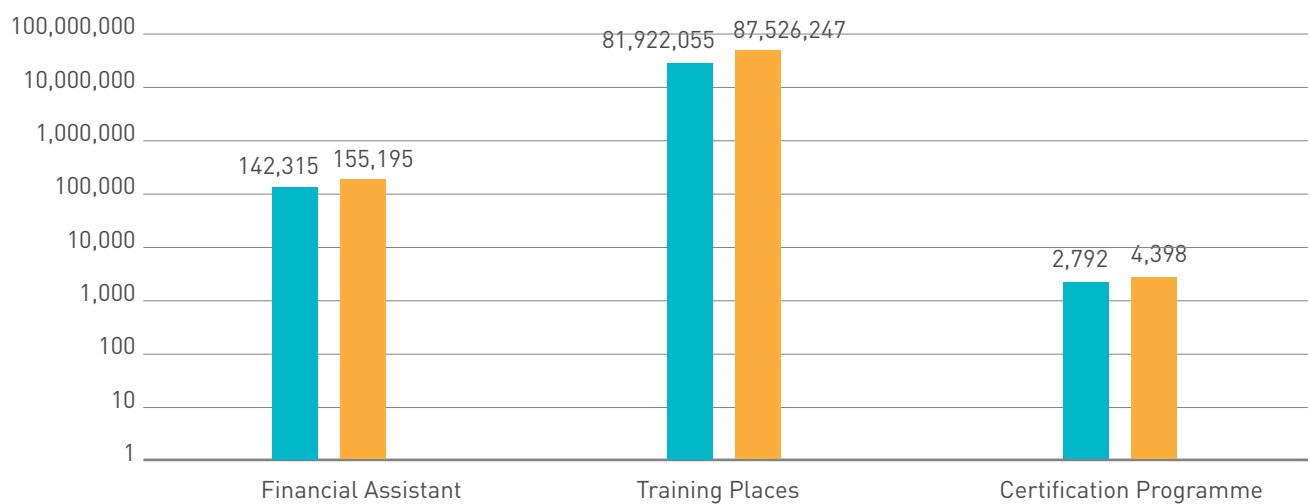
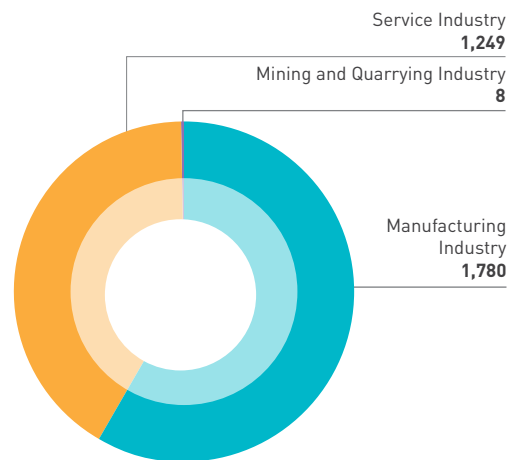
West Region

North States

HRDF has a branch in the Northern region that is located in Penang with 2,965 registered employers across Perlis, Kedah and Penang.

This year showed significant increment of training places and financial assistance approved in the Northern region.

Major achievements by HRDF Northern Region have been supported by numerous activities conducted in 2017. Both training places and financial assistance have increased by 9.05% and 6.84% respectively in comparison with training places and financial assistance approved in 2016.



Financial Assistance (RM), Training Places & number of Certification Programme of HRDF Penang registered employers

An example of an initiative conducted by the Northern region office is the Blue Ocean Talk, in collaboration with SOCSO (PERKESO) Penang. To date, we participated in 11 briefing sessions conducted by branch officers and staff. These talks were organised with an aim to provide awareness on HRDF to the potential liable employers. The sessions were attended by approximately 275 potential employers throughout the year.

Additionally, a total of 18 briefing on grants were conducted around the region to ensure that all registered employers were able to obtain the latest information on the schemes and updates by HRDF. A total of 446 registered employers attended the HRDF Grant Briefing. As a result, we had increased our training places, financial assistance and approved certification programmes.

Apart from that, 103 notification visits and 89 verification visits also known as 'Ops Daftar' were conducted throughout 2017. The visits aimed to assist employers who have not fully utilised their levy and to verify the grant applications that have been approved.

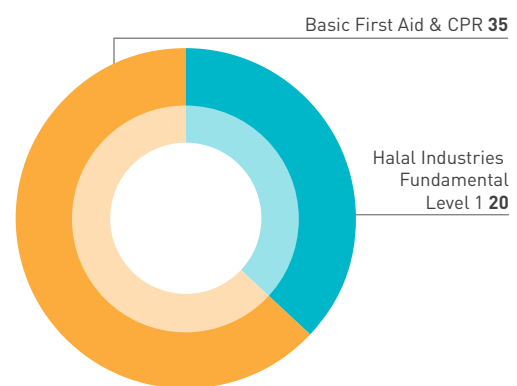
Visits conducted by Northern HRDF branch officers were found to be effective as more companies started to send their staff for training via in-house as well as public programme.

All officers and staff of HRDF Northern region visited identified industrial areas covering Perlis, Kedah and Penang. Throughout the three sessions of 'Ops Daftar', they managed to identify up to 254 potential employers to be covered. This initiative aimed to increase registered employers in the Northern Region. These data were later sent to the Registration Department. As of 31 December 2017, 70 employers had registered with HRDF, as a result of our effort.

On top of that, a total of 11 special briefing sessions were conducted to promote FWT, OJT and RPEL schemes to the selected employers in the Northern Region. The collaboration between HRDF Northern Office and Department of Skills Development (DSD) as well as the National Institute of Occupational Safety and Health (NIOSH) had contributed to the employers understanding on how to apply these schemes. These sessions aimed to support HRDF's functions and events organised within the region. In addition, the HRDF Northern region also took part in organising a dialogue with employers in the Northern region, led by the HRDF Chief Executive Dato' CM Vignaesarvan on 18 August 2017.

In addition, as part of our efforts to support the nation's mission to increase the percentage of skilled workforce to 35% by 2020, we had introduced two special programmes – Basic First Aid & CPR and Halal Industry Fundamental Level 1.

The first certification programme, Basic First Aid & CPR was conducted in collaboration with the Malaysian Red Crescent whereby 35 participants attended the programme. Meanwhile, the second programme, Halal Industry Fundamental Level 1 was conducted in collaboration with Halal Development Corporation where 20 participants attended the programme.



Pie chart of the number of participants for Special Programme

In addition to that, two focus groups were conducted for selected industries based on their levy utilisation. The focus groups were aimed at increasing levy utilisation for the selected industries. These focus groups were organised collaboratively with relevant associations and government bodies. A total of 31 employers sent their representatives during these sessions.

With the focus to build rapport with our stakeholders, HRDF Northern Region had initiated a Corporate Social Responsibility (CSR) programme with the Penang Free School in collaboration with Universiti Sains Malaysia (USM). Through the collaboration, we managed to establish the first Safety Lab in Penang High School that is fully equipped with safety equipment and approved by the Department of Skills Development (DSD) Northern Region.

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Johor

For HRDF Johor, Grant & Etris System Clinics were organised for registered employers. Held at HRDF Johor, and five other districts (Segamat, Batu Pahat, Pontian, Kluang, and Pagoh), the event saw a total of 489 participants, across 26 sessions. They also organised nine Engagements & Focus Group sessions to drive industries within the Johor State, which were:

1. Health Support Services,
2. Private Hospital,
3. Travel Agency,
4. Private Institution of Higher Learning,
5. Computer Industry
6. Driving School,
7. Engineering Support & Maintenance,
8. Iron and Steel, and
9. Land Transportation.

The Engagement session were successful, with the attendance of 126 participants, which were employers as well as Employer Associations. Apart from that, HRDF Johor conducted two special programmes, titled "Certification Programme in Housekeeping Management" and "Seminar Sehari Peranan Majikan dalam Pengurusan Sumber Manusia dan Keselamatan di Tempat Kerja".

Melaka

HRDF Melaka started off 2017 with the usual, but essential annual planning of activities to help the branch achieve its set goals and targets for the year. They kicked-off their initiative by having an engagement session with employers of focus industries, namely the Institution of Private Higher Learning (IPTs) and the Food and Beverage (F&B) Manufacturing and Services industry. The engagement allowed them to acquaint themselves with the industries whilst directly being able to identify and determine their training needs.

It was followed up with a special programme, the Halal Internal Auditor programme catered to F&B Manufacturing and Services employers, in collaboration with MAHTEC. The training programme was held on March 2017, garnering great success as it had all of its seats sold.

Their initiatives did not halt there, as they continued to incorporate more activities that encouraged and supported all other employers besides these focused industries. One of their activities that have been tremendously helpful, was a half-day Grant Workshop, where twelve sessions were held in the year, alternating between Melaka and Negeri Sembilan.

Apart from that, they took part in a training fair organised by HRDF headquarters which was held on 24 May 2017. They also organised the Halal Industry (The Fundamentals) special programme, initiated by the Central Region Operation Division. Held on 26 October 2017, this was the last special programme for the year.

Towards the end of 2017, they managed to achieve their Training Places target for the certification programme, and their Active Employers. For the certification programme, there was an increment of training places from 1,380, to 1,615; a growth of 17%. The number of active employers also saw a moderate increase of 35% from its set target. That being said, HRDF Melaka exceeded their active employers' target of 502 employers to 678.

Pahang

The East Coast HRDF branch which is located in Kuantan covers Pahang, Terengganu and Kelantan. To spread the quality and delivery of services to its stakeholders, numerous activities and engagements were arranged in order to strengthen their network across the East Coast region.

On 26 February 2017, HRDF East Coast, in collaboration with NIOSH (National Institute of Occupational Safety And Health), organised a one day programme called 'Seminar Hazard Identification, Risk Assessment and Risk Control (HIRARC)'. The objective of this programme was to encourage safety and health awareness among employers in the East Coast region. 54 participants joined this programme, with 37 participants coming from Service Industries, and 16 participants from Manufacturing Industries, with one participant from the Mining and Quarrying Industry. Then, on 23 and 24 March 2017, HRDF East Coast, in collaboration with FMM Institute Eastern Branch organised a two day programme, under the title 'Programme Introduction To Energy Efficiency'. The programme was targeted at increasing the 'Energy Manager' group, to boost competency and qualifications, as per industry demand. It is also created awareness on the importance of energy conservation and management. 12 participants attended this programme which covered the Manufacturing and Services industries.

The HRDF East Coast branch, in collaboration with the Malaysian Employer Federation (MEF), organised a certificate programme in Training Needs Analysis (TNA), on 25 to 27 September, 2017. The initiative was targeted at the formalisation and competency standards required for effective administration in the training department and identifying performance goals along with the knowledge, skills and abilities needed by a company's workforce. 30 participants registered in this programme, with 13 participants from the Manufacturing industry, and 17 participants from Services industry.

31 October 2017, a collaboration with Halal Development Corporation (HDC) organised the Halal Industry (The Fundamentals) programme to increase the level of awareness on the principle and concept of halal among the industry players, consisting of 22 participants from hotel industry, and food and beverages sub-sector.

20 to 24 November 2017, the East Coast branch in another effort, collaborated with Institut Teknologi Petroleum Petronas (INSTEP) to organise a certificate programme, named Certified Personnel For Metering Validation & Calibration Competency in INSTEP, Terengganu, to minimise financial leakage during metering operations, and certify competent personnel to perform metering validation. It is also carried out for calibration efforts in the oil & gas industry, and to fulfil the requirements for the PETRONAS metering maintenance contract. There were a total of seven participants who registered in this programme, four participants from the Services industry, two participants from the Mining and Quarrying industry and one participant from the Manufacturing industry.

Last but not least, on 11 to 13 December, 2017, the same branch organised a certification programme titled 'Training Needs Analysis (TNA) in collaboration with Malaysian Employer Federation (MEF)'. It was held to formalise the competency standards required for effective administration of the training department, and to identify performance goals along with the knowledge, skills and abilities needed by a company's workforce. 19 participants registered. 12 participants were from the Manufacturing industry and seven participants were from the Services industry.

The branch also organised various extensive Engagements and Training Briefings to strengthen the bonds with employers and training providers and provide a platform for stakeholders in channeling out their areas of concerns and issues related to HRDF offers. They added on with an organised event called 'HRDF & You' in collaboration with Institut Teknologi Petroleum PETRONAS (INSTEP). The objective of the event was to provide and share the importance of human capital development. Furthermore, there were seven training providers invited to open their booths to promote and offer their trainings. Overall, 120 participants joined and participated.

Perak

HRDF Perak branch was established on 3 January 2017. Since then, we started our journey to develop and inspire Employers of Perak. Planning of annual activities helped achieve its goals for the year. During the initial months, the Perak Branch started promoting the brand to its stakeholders, met with training providers, Perak state government players and other agencies under Ministry of Human Resources.

After thoughtful discussions, briefing sessions were conducted as a preview for the Professional Certification training in collaboration with the Training Provider PHCDC, as a "kick-off" activity. They then had meetings and conducted engagement sessions with MAH Association, Private Higher Learning, Universiti Teknologi Petronas (UTP), the CEO of NIOSH, Government Agencies LHDN, PERKESO and Jabatan Mineral & Geosains Perak as one of the big players in Mining & Quarrying in Perak. This allowed them to be acquainted with their industry training needs.

The team also decided to implement special programmes such as engagement sessions for focus groups as per their strategic planning for 2017. Three certification programmes were organised for focused industries, ranging from Electric and Electronic Manufacturing, Food & Beverage Manufacturing and Hotel industries, with the 'Authorised Entrant & Standby person for Confined Space' session, receiving great response.

Initiatives continued, as other activities were incorporated to improve awareness amongst employers and create close relationships with stakeholders. Half day workshops were conducted throughout 2017, in addition to the levy visitations and verifications for employers' to improve their levy utilisation.

Besides all the programmes listed, participation in Training Fair programmes organised by HRDF's Central Region, held on 24 August 2017, were also part of their activities. Most of the employers actively participated at the training fair.

East Region

Sabah

HRDF Sabah held several Mini Workshop for registered employers. All sessions were held at Jobs Malaysia UTC, Kota Kinabalu. They also organised special programmes on 14 November 2017, which were "Taklimat Peluang Latihan Dan Programme Kemahiran B40" with Kontraktor Sabah Electricity Sdn Bhd. Aimed to introduce HRDF to non-registered employers, it took at Dewan Persidangan Sabah Electrical Sdn Bhd, Karamungsing.

A 'Brainstorming Session on The Establishment of Blueprint for Human Capital in Sabah' was also organised, discussing the development of upgrading employees, aligned with the national agenda of achieving 35% of skilled workforce by 2020. The programme took place on 21 November 2017 at Institute for Development Studies (SABAH), IDS Meeting Room, SEDIA, Kota Kinabalu.

Sarawak

HRDF Sarawak conducted a few engagements, along with briefing sessions for registered employers to help in the enhancement of local talent, and to create new opportunities by up-skilling, so that they would be more valuable to employers.

On 23 November 2017, an initiative to promote and increase the level of understanding for HRDF registered employers on schemes offered, and how to maximise their levy utilisation was organised. It was conducted in conjunction with the Industry 4.0 Related Scheme and Implementation of Rural Accelerated Industry Skills For Employment (RAISE) Programme. MESTR-FMM Seminar: Workforce Development Programmes And Schemes For Industry 4.0 was also conducted to create awareness among the employers about the pool fund especially RAISE.

MANAGEMENT ANALYSIS & REVIEW 2017

In addition, they provided briefings to employers from the oil and gas industry, such as Syarikat Oceancare Corporation Sdn Bhd to encourage more employer registrations.

HRD Awards 2017

Having a close relationship with our employers across industries has enabled us to encourage qualified employers to participate in the HRD Awards 2017. The Award is a prestigious recognition that was introduced by HRDF in 2001.

The Award was created, and presented as a form of recognition for registered employers and training providers who have actively been involved and contributed significantly to the field of Human Resources Development. The recognition also goes to employers and training providers who have been promoting the culture of learning and development to enhance the competencies of their employees.

Several Central employers such as Prince Court Medical Centre Sdn Bhd, Convex Malaysia Sdn Bhd, Arvato Systems Malaysia Sdn Bhd, Leaderonomics Sdn Bhd, HID Global Sdn Bhd, Prasarana Malaysia Berhad, submitted their applications.

A total of seven employers from both Melaka and Negeri Sembilan submitted their applications, with three successfully garnering awards. Notable employers were SunPower (M) Manufacturing Sdn Bhd, Honda Malaysia Sdn Bhd and Panasonic Appliances Foundry (M) Sdn Bhd.

A great example is Borneo Eco Tours Sdn Bhd, who always believed in giving back to the community through their medical camps, rainwater tank projects, reforestation efforts, and social entrepreneurship projects. Such initiatives have them recognised locally and globally. In early 2017, HRDF Sabah approached and encouraged them to participate in the HRD Award. They took up the challenge, submitted their applications and earned themselves a HRD Award.

Human Resources Minister Award

The Human Resources Minister Award is given to an employers or training providers who scores the highest overall marks. Below are the previous winners:

Large Employer

SUNPOWER



SME Employer



HID CORPORATION



Training Provider



Human Resources Development Award (HRD Award)

This award is presented to employers or training providers that score second highest overall marks. Previous winners include:

Large Employer



KUALA LUMPUR
CONVENTION CENTRE



HONDA
The Power of Dreams

SME Employer

Panasonic®



BERTELSMANN

Training Provider



MALAYSIAN INSTITUTE OF MANAGEMENT
Institut Pengurusan Malaysia

Innovation and Creativity Award, Pearl Award & Data Analytics Award

In order to boost the qualities and capabilities of Malaysian employers to a global standard, three awards were introduced – the Innovation and Creativity Award, Pearl Award and Data Analytics Award. The Innovation and Creativity Award is given as recognition for the employer who introduces creative solutions and innovation in the development of human resources in their company. The Pearl Award is given to recognise the employer that practices work-life balance. Moving towards big data business, HRDF took on an initiative to explore new categories of awards that encourages employers to take a Data Analytics approach in strengthening the human capital development in their organisation. This new award is known as the Data Analytic Award. Previous winners include:

Innovation and Creativity Award 2017

Denso (Malaysia) Sdn Bhd

Pearl Award 2017

Sunpower Malaysia Manufacturing Sdn Bhd

Data Analytics Award 2017

Petronas Technical Training Sdn Bhd

Certificate of Excellence (Training Provider)

Institut Pengurusan Malaysia (MIM Edu Sdn Bhd)

A remarkable achievement like this inspires other employers to increase their learning and development capacity and capability.



Divisional Performance Information Technology

Change starts from within. The enhancement of our ICT infrastructure and skills within HRDF is vital as we pursue efforts to create a digital economy in readiness for the requirements of Industry 4.0.

The Information Technology division is tasked to keep the organisation at the forefront of technology advancement. This division strategically identifies the best technology to be implemented within the organisation in order to deliver information and communications technology (ICT) solutions that bring simplicity and accessibility to HRDF's daily operations.

For 2017, HRDF introduced four ICT Strategic Projects; JomPAY, Document Management System (DMS), Disaster Recovery Centre (DRC) and Next Generation Core & Financial System.

These are in line with the Malaysian Government's aim to have "90% services available online: anytime, anywhere". These projects encompass the upgrading of the overall ICT infrastructure and business applications.

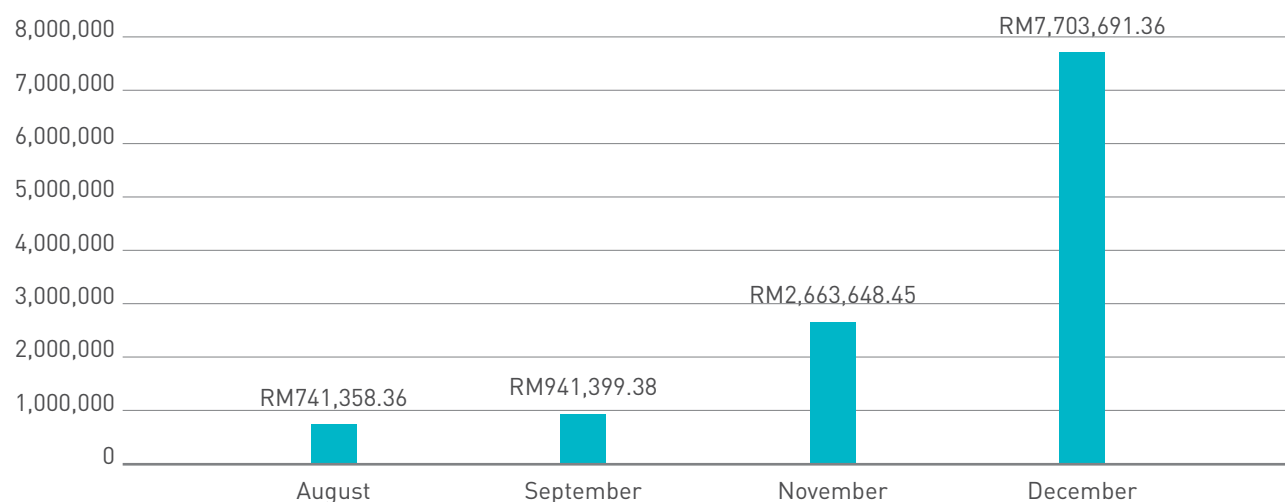
At the beginning of August 2017, HRDF introduced the JomPAY payment channel which is a national initiative, supported by banks, to enable online bill payments across Malaysia. With this initiative, HRDF provides flexible, convenient, secure and hassle free payments for their customers, especially employers. Data and statistics showed that from August to November 2017, there was a slight increase in transactions. However from November to December 2017, a sharp spike was seen.

The Document Management System (DMS) project is currently ongoing and is expected to be implemented by the end of 2018. This project's main objective is to ensure HRDF has the latest technology, to efficiently manage documents and to enable all sources of information in HRDF to be centralised for better user accessibility. HRDF will engage reputable local partners to complete the project and with this initiative, respond to the Government's call to encourage the use of digital services.

The Disaster Recovery Centre (DRC) project looks to enable the retrieval of data lost during unfortunate events. A Recovery Time Objective (RTO) of 24 hours has been targeted to prevent data loss and restore the state of the systems to a known, consistent point that is as up-to-date as possible.

Moving forward, upon the expansion of the PSMB Act 2001, HRDF will administer and manage the HRD levy for the purpose of re-skilling, up-skilling and multi-skilling for all industries except construction and banking. This could potentially cover over 480,000 employers and around nine million employees in Malaysia. In order to fulfil this commitment, HRDF will need to upgrade its current ICT equipment in terms of network bandwidth, infrastructure and application. HRDF hopes that our internal and external stakeholders will embrace this exciting new phase of transformation in our journey to be the driving force in human capital training and development.

JomPAY Monthly Transaction for 2017





Divisional Performance Strategy

As HRDF aspires to play a leading role in Malaysia's human capital development, it also intends to work together with other departments within the Ministry of Human Resources (MOHR), as well as local and international institutions. By leveraging on the rich data assets available, HRDF embarked on its Big Data Analytics (BDA) journey.

The BDA project was created to leverage on data assets and enhance analytics, so that insights from the right data is delivered, assisting both its day to day business and in strategic decision making. It will lead HRDF to become a Data Driven Organisation (DDO). The journey of HRDF-BDA comprises of three (3) main stages, which are Preparation, Implementation and Culturation. The CSI Department has been tasked to lead and ensure this journey is a success.

For the first half of 2017, HRDF completed its preparation stage by producing the HRDF-DDO Roadmap 2018-2020. This roadmap was developed together with BDA Consultants and presented to HRDF Management, along with the BDA Steering Committee (BDASC).

In the HRDF-DDO Roadmap, a total of 17 key activities were highlighted in order to support the implementation of BDA which focuses on Strategy, Organisation, Talent, Data, Analytics and Technology. These activities fall under two (2) main categories, Business and Technical, which are then divided into four (4) phases, as shown below in Figure 1:

With the approval given by the BDA Steering Committee (BDASC), HRDF started its BDA journey by executing BDA Technical Project A [Data Cleansing and High Level Reporting].

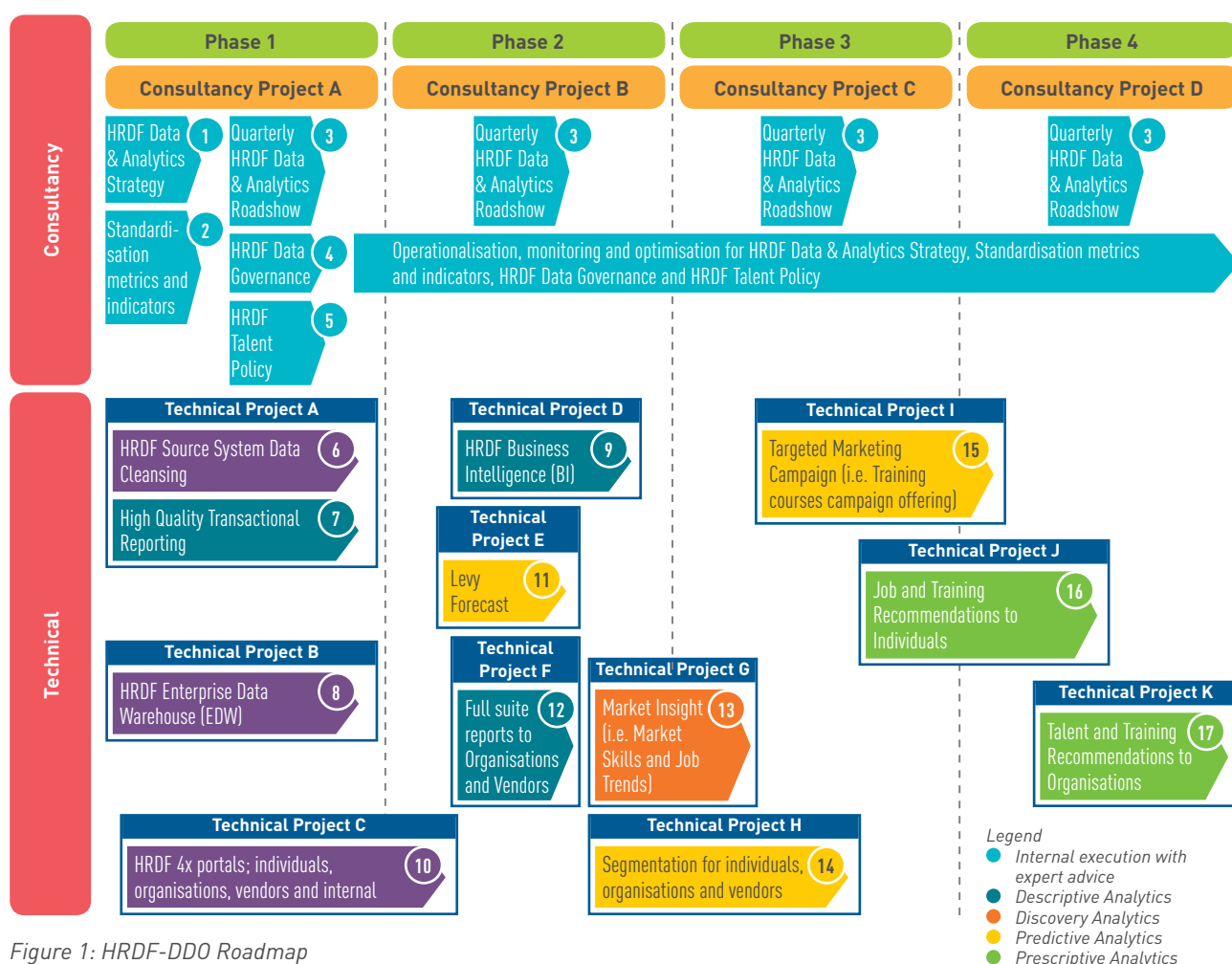


Figure 1: HRDF-DDO Roadmap

MANAGEMENT ANALYSIS & REVIEW 2017

Ensuring High Quality Transactional Data

In order to meet public demand for better services, HRDF embarked on its transformation journey to implement a new Integrated Core, Finance and HR System. Upon completion of the initiative, and a post-implementation review on 31 May 2016, several issues were discovered:

1. Poor data management leading to data quality issues.
2. Data not fully tested prior to conversion/migration and lack of documentation on remedial action.
3. Data was incomplete and inaccurately interfaced between systems leading to frequent data patching.

To address the issues mentioned above, proposals for improvements were:

1. An establishment of a stronger data management framework to address data integrity and reporting reliability issues, as well as future data governance needs.
2. An institution of data management functions to oversee data assets and data stewardship for accountability, to prevent rampant data patching.
3. This workstream addresses data issues that affect HRDF's ability to get accurate system output and reliable reporting.

The development of this Data Governance Framework is very much needed as a foundation, for the successful management of data assets.

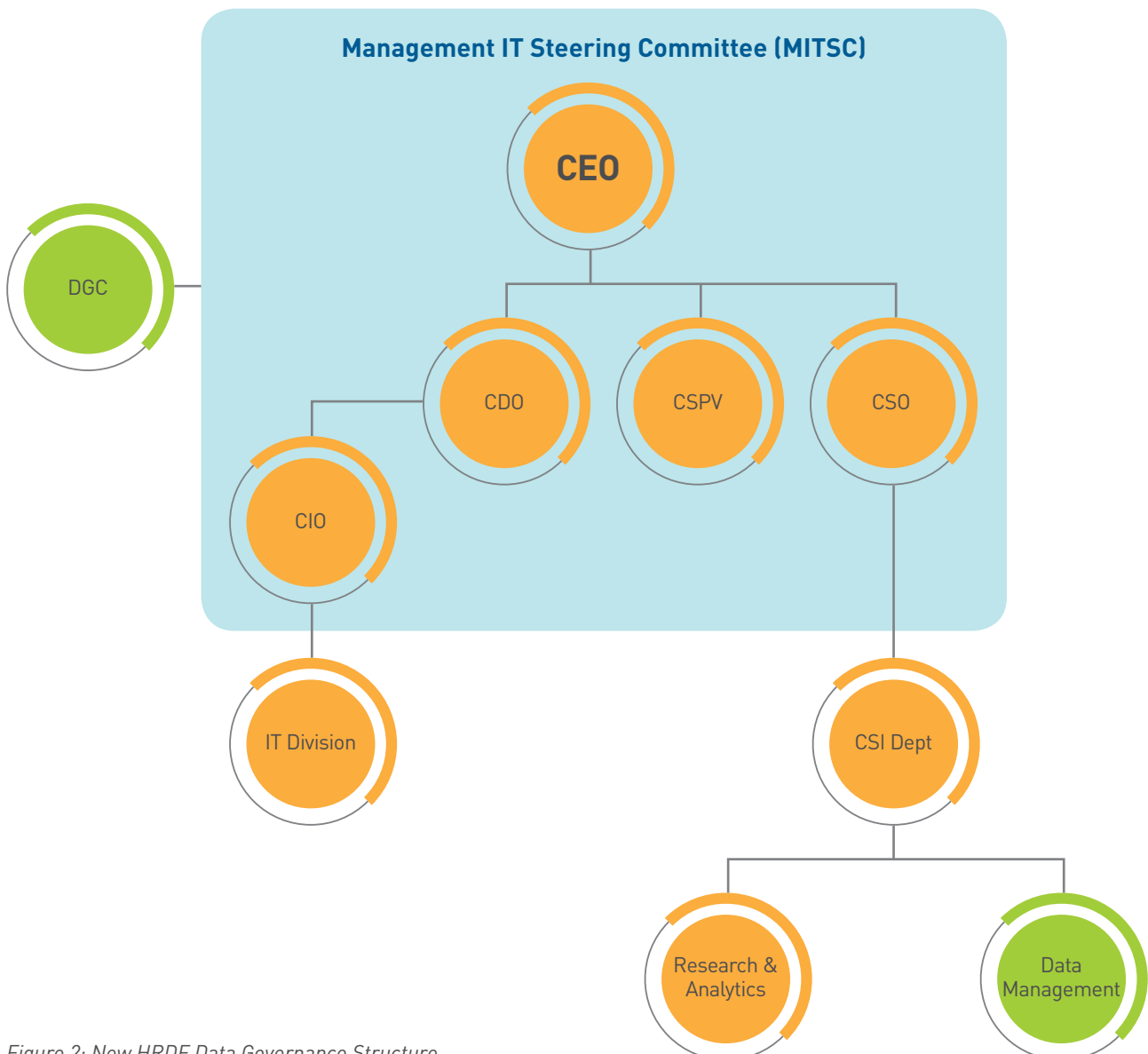


Figure 2: New HRDF Data Governance Structure

The initial draft of the Data Governance Framework has been completed, encompassing the Data Governance Committee structure, Data Management function, and Data Management Policies and Procedures.

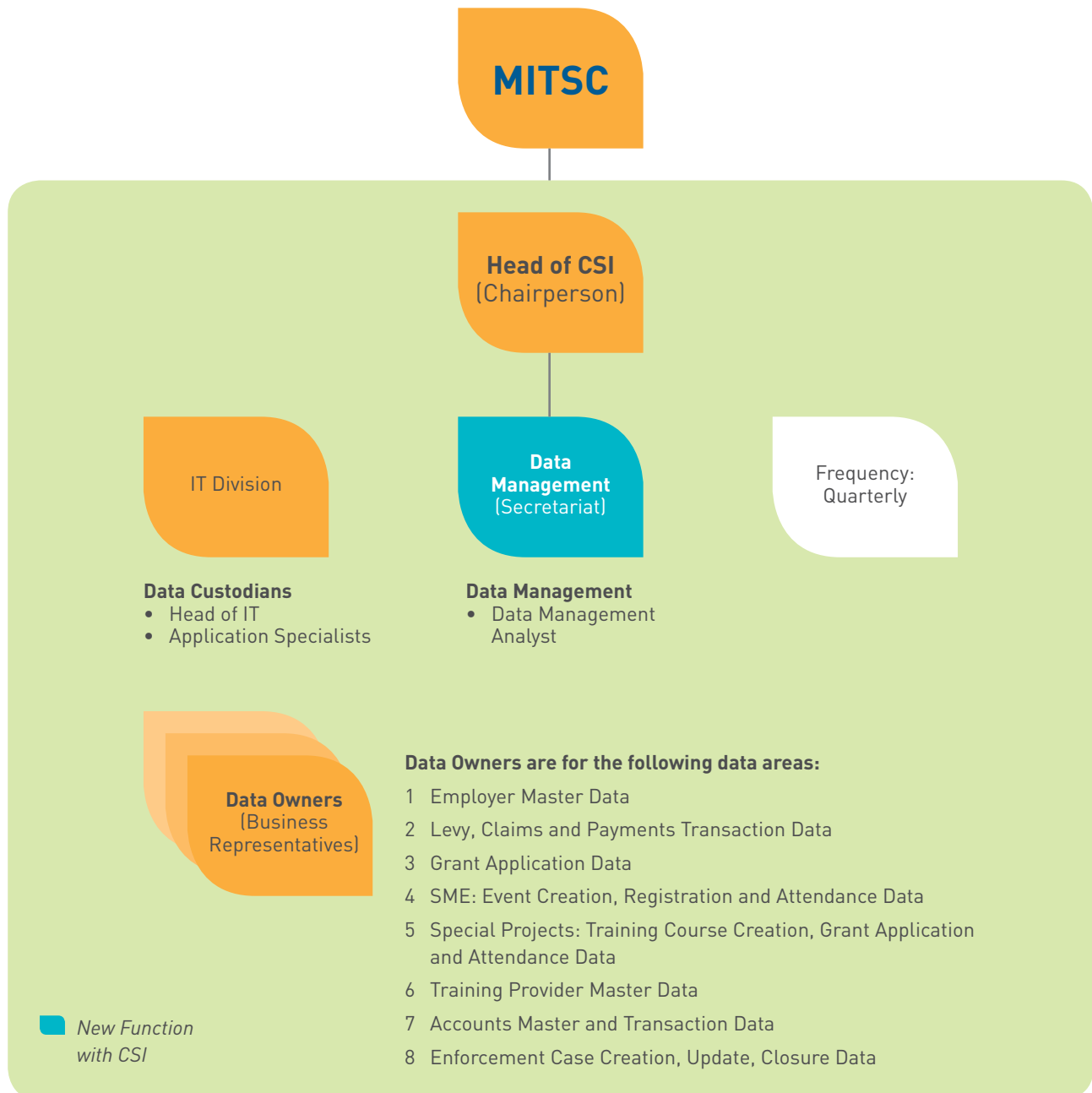


Figure 3: Data Governance Committee (DGC)

There are several elements below Data Management Policies and Procedures, comprising the Data Quality Management Policy, Data Standards Management Policy, Data Management for Third Party Outsourcing Policy, Data Privacy and Confidentiality Policy, and Data Warehousing Policy.

Bringing Back Expert Retirees Through Back To Work Up-skilling Programme (BACKUP)

HRDF proposed to conduct the “Back to Work Up-skilling Programme”, known as BACKUP, in year 2017, which focuses on re-skilling retirees, towards the goal of becoming trainers themselves, and guide less experienced employees.

The programme’s objective is to create a sustainable ecosystem, by revitalising the expertise of retirees (experience and knowledge), to support learning and development initiatives of the industry, as well as encourage and emphasise lifelong learning.

The target audience for the BACKUP Programme are skilled retirees, based on the Malaysia Standard Classification of Occupations (MISCO) definition. Qualified retirees are also required to be selected by industry/ employers’ association, and are required to be in good health, mentally and physically.

Interested retirees will need to engage relevant Employers’ Associations where the appointed retired employee is required to undergo HRDF’s 5-day Train-The-Trainer (TTT) programme. This training programme is compulsory for all appointed retired employees in order to become a certified trainer. Upon completion, the retired employee shall work as a certified trainer, attached to the Employers’ Association, and conduct in-house training using the HRDF normal mechanism.

For the pre-implementation of the pilot project, the CSI Department conducted an engagement session on 22 November 2017, alongside employers’ associations within 21 sub-sectors that have levy utilisation rates of 70% and below. 17 employers’ associations attended the session.

Based on the engagement session, the Employers’ Associations agreed that the BACKUP programme as a good initiative, and were willing to participate. They also agreed to the proposed mechanism with some improvements.

Moving forward, the Management approved the pilot project to take effect, under the purview of the Special Project Division.

Key Findings from the Engagement Session on the Implementation of BACKUP

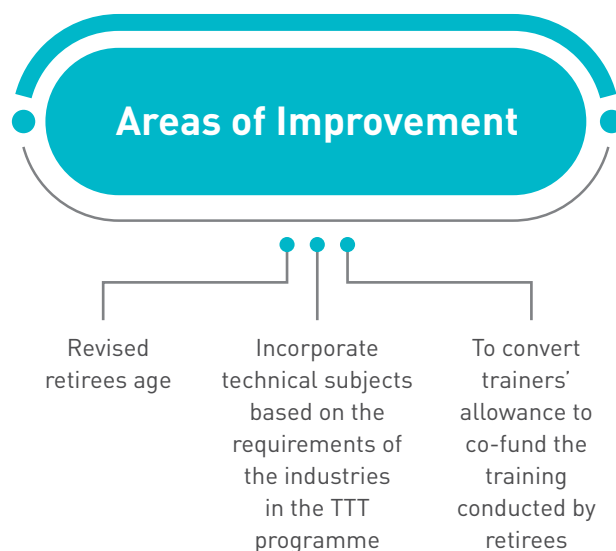


94%

Participating Employers’ Associations feel that the implementation of this programme is a good initiative

88%

Participating Employers’ Associations willing to participate in this programme





Divisional Performance

Human Capital

The Human Capital Division plays a crucial role in the up-skilling, re-skilling and multi-skilling of all HRDF employees. We believe that well trained individuals play a crucial role in developing organisations to greater heights.

The Employee Development Programme's task is to facilitate employee transition from the "old" HRDF to the "new" HRDF. It aims to prepare them to assimilate into a high-performing work culture and provide continuous learning and development programmes to all levels of employees.

Target	Programme	Purpose
All employees	Cultural Transformation Programme	To inculcate HRDF's Core Values to support its vision and mission
All employees	KPI Workshops	To streamline understanding and practice in performance management systems
Senior Clerks	Clerical Development Programme RPEL (2018)	To bridge senior clerks who are nearing or at maximum salary to become executives
Executives/Senior Executives	Certification Programmes Functional training IELTS	To upgrade Executives with functional and soft skill certification for their professional development
	HRDF Future Leaders Programme	To unleash the potential of young talents
Middle Management	Local, regional and international Conferences, Seminars	To equip Middle Management with managerial, leadership and international exposure
Senior Management	Local and International Development Programmes	To equip Senior Management with leadership and international exposure
	Speakers/Moderators/Panelists at seminars and conferences	Brand image, visibility

Innovative and Creative Circle (ICC)

In any organisation, teamwork is vital. Thus, ICC was formed and consists of a group of employees, tasked to brainstorm and investigate, analyse and find solutions regarding work problems using ICC tools and problem solving processes. From the processes of ICC, every single employee gets a chance to contribute their ideas and opinions of their departments/divisions as well as the organisation as a whole. This will contribute to employee satisfaction in their daily duties as well as increase productivity and quality of work.

ICC has been practised in Malaysia for more than two decades and is now a major component in best workplace culture. An ICC activity implies that the development of skills, capabilities, confidence and creativity of the people through cumulative processes of education, training, work experience and participation will sustain the motivation and commitment towards growth.

INNOVATION Achievement of ICC 2017





STAKEHOLDER ENGAGEMENT & SOCIETAL CONTRIBUTIONS



Through HRDF's Corporate Social Responsibility (CSR) activities, we are committed to supporting the needs of the less fortunate to help them build a more sustainable future.



AT HRDF, we believe in creating value that is meaningful for our stakeholders. Our investments are channelled to areas that will help mitigate issues that directly or indirectly impact human capital development. Ultimately, we want to empower individuals and organisations to realise their potential.

Through HRDF's Corporate Social Responsibility (CSR) activities, we are committed to supporting the needs of the less fortunate to help them build a more sustainable future.

CSR activities organised for the year include:

3 February

- HRDF provided funds for Sarawak's rural community to purchase books, computers, printers and necessary furniture for the community library.
- The HRDF team also celebrated Chinese New Year at Wisma HRDF with orphans from Lighthouse Welfare House. We presented angpows, goodies and hampers to the orphans and the home.

15 February

Through the 8MAD Group, HRDF contributed to *Persatuan Komuniti Orang Kurang Upaya Pendengaran Selangor* (PKOKUPS) by providing tickets for 80 disabled persons to join the Healthland #SWAGrun 2017.

23 March

HRDF contributed to the medical, educational and daily living expenses for children at *Pertubuhan Kebajikan Mental Selangor*, a home for the depressed and mentally disabled.



27 March

- HRDF contributed to the 'Leadership and Community Carnival with Special Children' organised by the Malaysian Thinking and Strategic Aspect Association (ASPIRASI) through the Ministry of Human Resources, together with 14 welfare organisations. Activities such as forums, talks, exhibition booths, dialogues, *gotong-royong* and sports were held during the event.
- HRDF contributed to the Seremban Independence Society to help disabled persons and their families improve their learning and lifestyle skills.
- HRDF contributed to Cochrane National High School's 2017 Excellence Award Ceremony in KL, with the objective of cultivating excellence in education and performance.

STAKEHOLDER ENGAGEMENT & SOCIETAL CONTRIBUTIONS

12 - 14 May

HRDF supported the community and environment of Pulau Perhentian through a contribution to *asnaf* families in the area and by also planting corals at the Perhentian Island Marine Park.

22 May

HRDF made a financial contribution for the renovation and upgrading of toilets at Sekolah Kebangsaan Saint Thomas in Pahang through its East Coast branch.



5 June

HRDF contributed funds towards the daily operational and nursing expenses at Tasputra Perkim, daycare training centre for special needs children.

17 - 18 June

HRDF joined the *Ziarah Kasih Ramadhan* programme organised by RTM called *Gotong-royong*, at Kampung Kuala Boh Cameron Highlands, Pahang. The event included the breaking of fast, *tarawih* prayers and a *moreh* ceremony.

18 July

HRDF celebrated the 2017 Raya festive season with children from Sekolah Bimbingan Jalinan Kasih at Wisma HRDF Kuala Lumpur.

28 July

HRDF provided clothing aid to underprivileged senior citizens through the Malaysian Volunteer Welfare Organisation.

1 August

HRDF sponsored a charity performance titled Down Memory Lane, held at Wisma Peladang, Kuala Lumpur to raise money for the Dr Rama Subbiah Scholarship Fund, which provides underprivileged students of all races, the opportunity to pursue higher education.

14 September

HRDF made a contribution to the Tahfiz Darul Ittifaqiyah Center for Fire Victims.



14 October

Together with Universiti Sains Malaysia's Industrial Technology Training Centre, HRDF carried out a briefing on Occupational Safety and Health Management at Penang Free School. We also donated a safe laboratory that met legislative requirements that can be a model for other interested schools. School staff were also provided exposure to occupational safety and health aspects in laboratories.

10 November

HRDF held a CSR programme in Pasir Mas, Kelantan to provide much needed aid to underprivileged families.



OUR NETWORK



HRDF's footprint extends across the nation. Strong networking across our offices ensures synergy in the planning and implementation of HRDF programmes in different states and districts. Each branch office acts as a catalyst to further our agenda to champion the national human capital agenda by providing more growth in financial assistance for employers; increasing the number of training places; and raising awareness on HRDF's programmes and initiatives with multiple stakeholders.

1. HRDF HQ

Pembangunan Sumber Manusia Berhad (545143-D)
Human Resources Development Fund (HRDF)
Wisma HRDF
Jalan Beringin, Damansara Heights
50490, Kuala Lumpur
Toll Free Line : 1 800 88 4800
General Line : (03) 2096 4800
General Fax : (03) 2096 4999
Website : www.hrdf.com.my
Email : support@hrdf.com.my

2. HRDF Penang

Tingkat 2, Wisma PERKESO
Lebuh Tenggiri 2
13700, Seberang Jaya
Pulau Pinang
Tel : (04) 397 0779/398 4697
Fax : (04) 398 7350

3. HRDF Perak

Level 19, Perak Techno Trade Centre
Jalan Jelapang
Bandar Meru Raya
30020 Ipoh
Perak
Tel : (06) 526 3357
Fax : (06) 526 3127



4. HRDF Kuantan

Tingkat 1, Wisma PERKESO Negeri Pahang
Jalan Mat Kilau
25000 Kuantan
Pahang
Tel : (09) 513 2079/513 0715
Fax : (09) 513 0362

5. HRDF Melaka

Lot 4-04, Wisma UTC
Jalan Tan Chay Yan
Off Jalan Hang Tuah
75300 Melaka
Tel : (06) 282 1537
Fax : (06) 282 1536

6. HRDF Johor

No. 50 & 50-01, Jalan Setia 3/7
Taman Setia Indah
81100, Johor Bahru
Johor
Tel : (07) 353 8121
Fax : (07) 353 8217

7. HRDF Sarawak

Wisma PERKESO
Level 4, Lot 436
Section 54, No. 52
Travilion Commercial Centre Padungan
93100 Kuching, Sarawak
Tel : (082) 254 721/254 564
Fax : (082) 254 795

8. HRDF Sabah

Blok B, Tingkat 5
Bangunan KWSP
88598, Kota Kinabalu
Sabah
Tel : (088) 263 114
Fax : (088) 252 114





WE PIONEER

new solutions to meet industry expectations

As a purpose-driven institution, our corporate values guide us to deliver our best.

We will continue to fulfill our responsibility of regularising competency needs assessment across priority sectors and identifying suitable value programmes as well as innovate new training solutions.



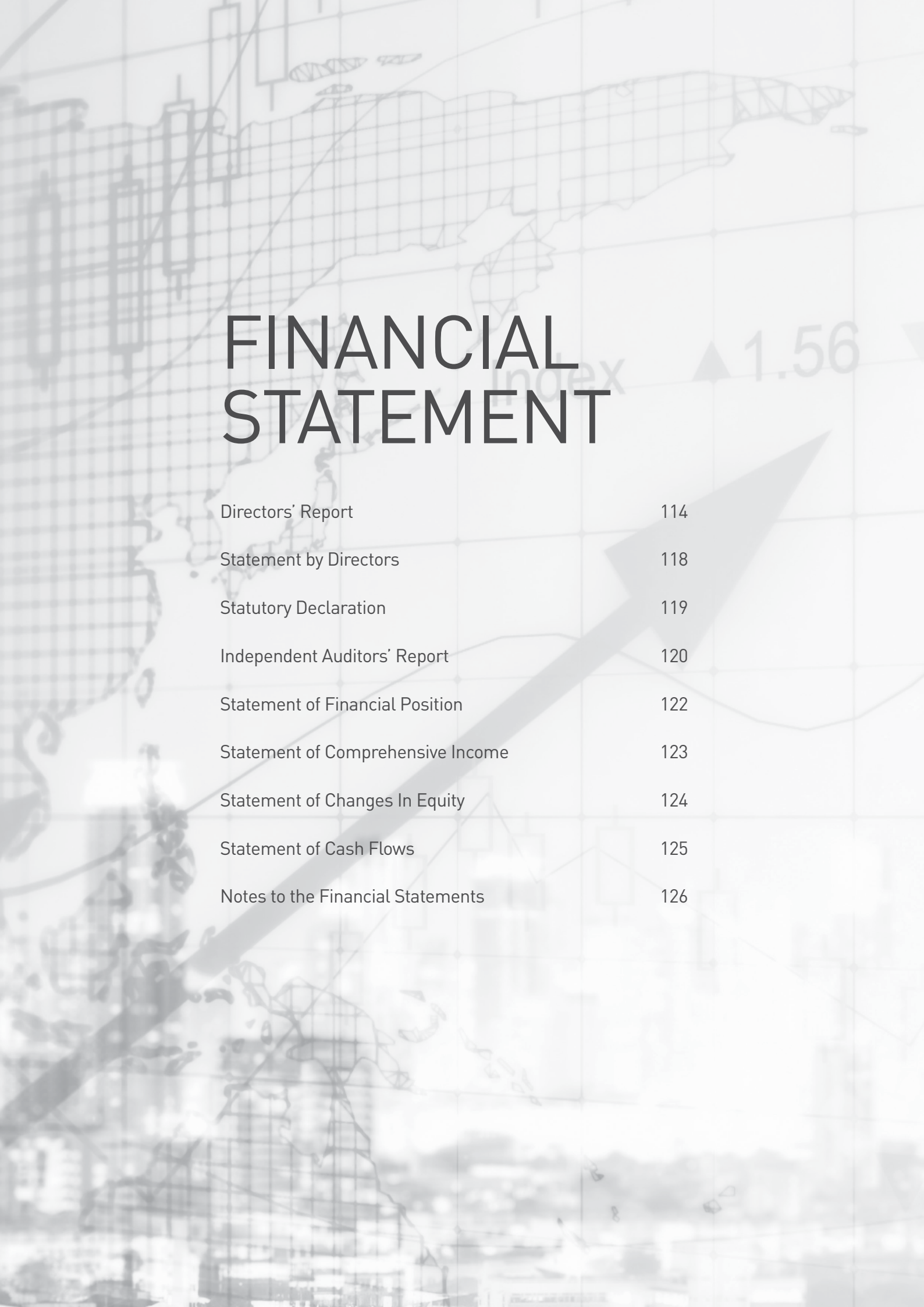
PEMBANGUNAN SUMBER MANUSIA BERHAD

(Company No. 545143-D)
(a Company Limited by Guarantee)
(Incorporated in Malaysia)

Financial Statements for The Year Ended 31 December 2017

Registered office:

Level 7, Wisma HRDF
Jalan Beringin
Damansara Heights
50490 Kuala Lumpur



FINANCIAL STATEMENT

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DIRECTORS' REPORT

for the year ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2017.

Principal Activities

As set out in the Pembangunan Sumber Manusia Berhad Act, 2001, the main objective of the Company is the imposition and collection of human resources development levy for the purpose of promoting the training and development of employees, apprentices and trainees and the establishment and administration of the human resources development fund.

The functions of the Company are:

- (a) to assess and determine the types and extent of employees', apprentices' and trainees' training and retraining in keeping with the human resources needs of industries;
- (b) to promote and stimulate manpower training; and
- (c) to determine the terms and conditions under which any financial assistance or other benefits are to be given.

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

Financial Results

	RM
Net surplus for the financial year	14,269,832

Reserves and Provisions

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

Directors of the Company

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Dr Abdul Razak Bin Abdul (Chairman)	(Cessation as Director on 21 November 2017)
Dato' Mohamed Elias Bin Abu Bakar (Deputy Chairman)	(Appointed on 16 May 2017)
Dato' Dr. Mohd Gazali Bin Abas	(Cessation as Director on 28 March 2018)
Dato' Dr Syed Omar Sharifuddin bin Syed Ikhsan (Alternate to Dato' Dr Mohd Gazali bin Abas)	(Appointed on 16 May 2017) (Cessation as Alternate on 28 March 2018)
Dato' CM Vignaesvaran A/L Jeyandran (Chief Executive)	
Tan Sri (Dr.) Ketheeswaran A/L M. Kanagaratnam	
Datuk Gobalakrishnan a/l Narayanasamy (Alternate to Tan Sri Dr Ketheeswaran A/L M. Kanagaratnam)	(Appointed on 16 May 2017)
Dato' Low Kian Chuan	(Cessation as Director on 15 May 2017)
Dato' Jeffery Tan (Alternate to Dato' Low Kian Chuan)	(Cessation as Alternate on 15 May 2017)
Dato' Jeffery Tan	(Appointed on 16 May 2017)
Gan Boon Khim (Alternate to Dato' Jeffery Tan)	(Appointed on 16 May 2017)
Dr Hii Sui Cheng	(Appointed on 16 May 2017)
Thiagarajan a/l S. Rengasamy	(Appointed on 16 May 2017)
Dato' Segarajah Ratnalingam	(Cessation as Director on 15 May 2017)
Haji Azizi bin Lin	(Cessation as Director on 15 May 2017)
Datuk Givananadam A/L Kalinan	(Cessation as Director on 28 March 2018)

DIRECTORS' REPORT (continued)

for the year ended 31 December 2017

Directors of the Company (continued)

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are: (continued)

Suhara Binti Husni (Alternate to Datuk Givananadam A/L Kalinan)	(Cessation as Alternate on 28 March 2018)
Davies Danavaindram A/L Arputhasamy	
Dato' Mizanur Rahman Bin S.M. Abdul Ghani (Alternate to Davies Danavaindram A/L Arputhasamy)	
Datuk Kang Hua Keong	
Teh Kee Sin (Alternate to Datuk Kang Hua Keong)	(Cessation as Alternate on 15 May 2017)
Ong Chee Tat (Alternate to Datuk Kang Hua Keong)	
Rayan Anak Narong	(Cessation as Alternate on 5 April 2018)
Haji Abdul Wahab Bin Abu Bakar	
Christopher Sakayaraj (Alternate to Haji Abdul Wahab Bin Abu Bakar)	
Lim Yoke Cheong	
Lim Kheng Chye (Alternate to Lim Yoke Cheong)	
Cheah Kok Hoong	(Cessation as Director on 15 May 2017)
Chin Chee Seong (Alternate to Cheah Kok Hoong)	(Cessation as Alternate on 15 May 2017)
Dato' Mohd Razali Bin Hussain	
Ab Rahim bin Yusoff (Alternate to Dato' Mohd Razali Bin Hussain)	
Sarojini Ruth A/P Rajahser Aarons	
K. Anusuya A/P A.Krishnan (Alternate to Sarojini Ruth A/P Rajahser Aarons)	
Amir Bin Omar	(Cessation as Director on 15 May 2017)
Nor Azri Bin Zulfakar (Alternate to Amir Bin Omar)	(Cessation as Alternate on 15 May 2017)
Haji Hanafée bin Yusoff	(Appointed on 19 August 2017) (Cessation as Director on 2 November 2017)
Norsyahrin bin Hamidon (Alternate to Haji Hanafée bin Yusoff)	(Cessation as Alternate on 2 November 2017)
Rizal Faris bin Mohideen Abdul Kader	(Appointed on 3 November 2017)
Norsyahrin bin Hamidon (Alternate to Rizal Faris bin Mohideen Abdul Kader)	(Appointed on 3 November 2017)
Datuk Dr. Rose Lena binti Lazemi	(Appointed on 29 March 2018)
Dr. Karminder Singh Dhillon (Alternate to Datuk Dr. Rose Lena binti Lazemi)	(Appointed on 5 April 2018)
Azah Hanim binti Ahmad	(Appointed on 29 March 2018)
Mastura binti Marsam (Alternate to Azah Hanim binti Ahmad)	(Appointed on 29 March 2018)
Ganesh Kumar Bangah	(Appointed on 29 March 2018)
Chin Chee Seong (Alternate to Ganesh Kumar Bangah)	(Appointed on 29 March 2018)
Lewis Menggu @ Gabriel Kajeh Menggu	(Appointed on 5 April 2018)

As specified in Section 7 of the Pembangunan Sumber Manusia Berhad Act, 2001, members of the Board of Directors (including the positions of Chairman and Deputy Chairman) shall be appointed by the Minister charged with the responsibility for human resources, which currently is the Minister of Human Resources.

DIRECTORS' REPORT (continued)

for the year ended 31 December 2017

Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to 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 disclosed in Note 19 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' Remuneration

Details of Directors' remuneration are set out in Note 19 to the financial statements.

Indemnity and Insurance Costs

During the financial year, the insurance affected for Directors and Officers is amounted to RM33,000.

Auditors' Remuneration

Details of auditors' remuneration are set out in Note 18 to the financial statements.

Statutory Information on The Financial Statements

Before the financial statements of the Company were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, which were unlikely to be realised at their book values in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

DIRECTORS' REPORT (continued)

for the year ended 31 December 2017

Statutory Information on The Financial Statements (continued)

At the date of this report,

- (a) there are no charges on the assets of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) there are no contingent liabilities of the Company which have arisen since the end of the financial year.

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, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the respective financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 May 2018.

DATUK KANG HUA KEONG

Director

DATO' CM VIGNAESVARAN A/L JEYANDRAN

Director

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Datuk Kang Hua Keong and Dato' CM Vignaesvaran A/L Jeyandran, two of the Directors of Pembangunan Sumber Manusia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 122 to 152 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and financial performance of the Company for the financial year ended 31 December 2017 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016.

Signed on behalf of Board of Directors in accordance with their resolution dated 24 May 2018.

DATUK KANG HUA KEONG

Director

DATO' CM VIGNAESVARAN A/L JEYANDRAN

Director

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, **WAN MOHD NAZARUDIN BIN WAN CHIK**, the officer primarily responsible for the financial management of Pembangunan Sumber Manusia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 122 to 152 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 above named in Kuala Lumpur on 24 May 2018.

WAN MOHD NAZARUDIN BIN WAN CHIK

Senior Director (Corporate Financial Management)

Pembangunan Sumber Manusia Berhad

Before me,

INDEPENDENT AUDITORS' REPORT

to the Members of Pembangunan Sumber Manusia Berhad (Company no. 545143-D)
(A Company Limited by Guarantee) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Pembangunan Sumber Manusia Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 122 to 152.

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 opinion.

Independence and other ethical responsibilities

We are independent 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.

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 Company and our auditors' report thereon.

Our opinion on the financial statements 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 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 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 the financial statements 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 02.01.2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

INDEPENDENT AUDITORS' REPORT (continued)

to the Members of Pembangunan Sumber Manusia Berhad (Company no. 545143-D)
(A Company Limited by Guarantee) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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:

- (a) Identify and assess the risks of material misstatement of the financial statements 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.
- (b) 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 Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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 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 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 Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 members 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.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
02910/02/2019 J
Chartered Accountant

Kuala Lumpur
24 May 2018

STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Note	2017 RM	2016 RM
Non-current assets			
Property, plant and equipment	3	34,352,175	186,401,096
Investment property	4	143,841,438	-
Total non-current assets		178,193,613	186,401,096
Current assets			
Investments	5	143,399,479	157,750,072
Accrued interest receivables, deposits, prepayments and other receivables	6	33,855,055	32,682,625
Staff loans	7	5,606,924	5,530,277
Tax recoverable		856	13,138
Cash and bank balances	8	1,288,860,402	1,249,999,091
Total current assets		1,471,722,716	1,445,975,203
Total assets		1,649,916,329	1,632,376,299
Equity			
Retained earnings:			
- Allocated to specific usage under Trust Funds		69,109,512	77,175,220
- Unallocated		323,588,591	317,763,265
- Attributable to Consolidated Fund	9	208,951,977	192,441,763
		601,650,080	587,380,248
Reserves		(17,530,576)	(24,865,494)
Total equity		584,119,504	562,514,754
Non-current liability			
Retirement benefits	10	22,642,359	20,039,500
Total non-current liability		22,642,359	20,039,500
Current liabilities			
Employers' Fund	11	972,387,534	953,461,709
General Reserves II	12	2,370,884	1,731,882
Government grants	13	34,920,931	54,053,035
Other payables	14	18,749,741	30,054,470
Accrued expenditure		14,725,376	10,520,949
Total current liabilities		1,043,154,466	1,049,822,045
Total liabilities		1,065,796,825	1,069,861,545
Total equity and liabilities		1,649,916,329	1,632,376,299

The notes on pages 126 to 152 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	2017 RM	2016 RM
Income			
Operating income	15	65,766,231	69,192,233
Development activities income	16	16,949,688	25,220,936
Receipts from levy under Consolidated Fund	9	214,826,344	205,169,157
Total income		297,542,263	299,582,326
Expenses			
Operating expenses		(55,064,307)	(70,049,991)
Development activities expenses		(29,891,994)	(28,961,411)
Programmes expenses under Consolidated Fund	9	(198,316,130)	(12,727,394)
Total expenses		(283,272,431)	(111,738,796)
Surplus before taxation		14,269,832	187,843,530
Taxation	17	-	-
Net surplus for the financial year	18	14,269,832	187,843,530
Net change in fair value of available-for-sale financial assets		7,334,918	587,017
Other comprehensive income for the financial year		7,334,918	587,017
Total comprehensive income for the financial year		21,604,750	188,430,547

The notes on pages 126 to 152 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Retained Earnings RM	Fair Value Reserves RM	Retirement Benefits Reserves RM	Total RM
At 1 January 2016	399,536,718	(17,791,258)	(7,661,253)	374,084,207
Net change in fair value of available-for-sale financial assets	-	587,017	-	587,017
Net surplus for the financial year	187,843,530	-	-	187,843,530
Total comprehensive income for the financial year	187,843,530	587,017	-	188,430,547
At 31 December 2016/1 January 2017	587,380,248	(17,204,241)	(7,661,253)	562,514,754
Net change in fair value of available-for-sale financial assets	-	7,334,918	-	7,334,918
Net surplus for the financial year	14,269,832	-	-	14,269,832
Total comprehensive income for the financial year	14,269,832	7,334,918	-	21,604,750
At 31 December 2017	601,650,080	(9,869,323)	(7,661,253)	584,119,504

The notes on pages 126 to 152 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	2017 RM	2016 RM
Cash flows from operating activities		
Cash generated from operations:		
Cash receipts from training providers and others	8,010,734	19,381,903
Cash payment to vendors and staff	(49,944,603)	(50,334,109)
Cash flows changes from operating activities	(41,933,869)	(30,952,206)
Cash from Employers' Fund:		
Payments to registered employers	(486,362,788)	(585,990,344)
Receipts from registered employers	723,983,601	665,046,465
Cash flows changes after Employers' Fund	195,686,944	48,103,915
Cash from Trust Funds and Government grants:		
Payment to employers	(1,483,606)	(5,070,177)
Payment to registered training providers	(248,157,800)	(125,156,867)
Payment to trainees	(3,482,523)	(2,930,586)
Payment for Employee Educational Sponsorship	(10,252)	(15,083)
Payment for vendor	(14,306,393)	(3,236,110)
Receipts from government allocation	20,000,000	40,484,785
Receipts from registered employers	12,469,678	19,126,618
Cash flows changes after Trust Funds and Government grants	(39,283,952)	(28,693,505)
Net cash used in operating activities	(39,283,952)	(28,693,505)
Cash flows from investing activities		
Acquisition of plant and equipment	1,392,831	(3,943,707)
Acquisition of property	(81,674)	(73,092,754)
Dividends received	6,626,572	2,629,946
Loans to employees (net)	(76,647)	(402,878)
Proceeds from disposal of investments	21,685,511	5,000,000
Proceeds from disposal of plant and equipment	207,213	11,221
Interest received	51,177,119	47,548,423
Withdrawal/(placement) of deposits with banks	22,763,389	236,419,982
Net cash used in investing activities	100,908,652	214,170,233
Net increase/(decrease) in cash and cash equivalents	61,624,700	185,476,728
Cash and cash equivalents at the beginning of financial year	196,689,772	11,213,044
Cash and cash equivalents at the end of financial year	258,314,472	196,689,772

The notes on pages 126 to 152 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Pembangunan Sumber Manusia Berhad is a company limited by guarantee, incorporated and domiciled in Malaysia. The address of the principal place of business and registered office of the Company is as follows:

Registered Office and Principal Place of Business

Level 7, Wisma HRDF
Jalan Beringin
Damansara Heights
50490 Kuala Lumpur

As set out in the Pembangunan Sumber Manusia Berhad Act, 2001, the main objective of the Company is the imposition and collection of human resources development levy for the purpose of promoting the training and development of employees, apprentices and trainees and the establishment and administration of the human resources development fund.

The functions of the Company are:

- (a) to assess and determine the types and extent of employees', apprentices' and trainees' training and retraining in keeping with the human resources needs of industries;
- (b) to promote and stimulate manpower training; and
- (c) to determine the terms and conditions under which any financial assistance or other benefits are to be given.

The financial statements were approved by the Board of Directors on 24 May 2018.

1. Basis of Preparation of The Financial Statements

The financial statements of the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016.

The financial statements have been prepared under the historical cost convention except as disclosed in the Note 2 Significant accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

(a) Amendments to published standards that are effective and applicable for the Company's financial year beginning on 1 January 2017

The amendments to published standards issued by Malaysian Accounting Standards Board ("MASB") that are effective and applicable for the Company's financial year beginning on 1 January 2017, are as follows:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of these amendments did not have any significant impact on the financial results and position of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Basis of Preparation of The Financial Statements (continued)

(b) New standards, Interpretation Committee ("IC") interpretation and amendments to published standards that are applicable to the Company but not yet effective

The Company will apply the new standards, IC Interpretation and amendments to published standards in the following period:

Effective for financial year beginning on/after 1 January 2018

- MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

- The majority of the Company's other investments that are currently classified as available-for-sale will satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets.
- There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from MFRS 139 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Company does not expect a significant change in the loss allowance for receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Basis of Preparation of The Financial Statements (continued)

(b) New standards, Interpretation Committee ("IC") interpretation and amendments to published standards that are applicable to the Company but not yet effective (continued)

Effective for financial year beginning on/after 1 January 2018 (continued)

- MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

Based on the assessment performed to date, the application of this standard is not expected to have significant impact to the Company's financial statements at initial application.

The Company intends to adopt the standard using the cumulative effect approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Effective for financial year beginning on/after 1 January 2019

- MFRS 16 - Leases
- IC Interpretation 23 - Uncertainty over Income Tax Treatments
- Annual improvements to MFRSs 2015 – 2019 cycle : MFRS 112 – Income Taxes
- Amendments to MFRS 140 - Clarification on 'Change in Use'

The adoption of the above applicable new standards, IC Interpretation and amendments to published standards as explained above are not expected to have a material impact on the financial statements of the Company except for MFRS 9, MFRS 15 and MFRS 16.

The Company has yet to assess the full impact of the standards mentioned above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Company, unless otherwise stated.

(a) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

(i) Cost

The cost of property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation incurred as a consequence of installing the asset. Subsequent cost is included in the carrying amount of the asset or recognised as appropriate only when it is probable that the future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying value of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

(ii) Depreciation

Freehold land is not depreciated as it has indefinite life. Property, plant and equipment are depreciated on straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives as summarised as follows:

	%
Building	5
Renovation	10
Motor vehicles	20
Furniture and office fittings	20
Office equipment	20
Electric and electronic equipment	20
Information and Communication Technologies ("ICT") System	20

Depreciation on property, plant and equipment under construction classified as work in progress commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognising and classification as held for sale.

The assets' residual values and useful lives are reviewed and adjusted as appropriate at end of each reporting.

(iii) Impairment

At end of each reporting period, the Company assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount (see Note 2 (d) on impairment of non-financial assets).

(iv) Gain or losses on disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the related asset and are included in other operating income in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant Accounting Policies (continued)

(c) Investment property

Investment properties comprise completed properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, completed investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of the completed investment properties is provided over a period of lease term on a straight line basis to write off the building cost of each asset to its residual value over the estimated useful life.

Investment properties are derecognised when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected. Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the year in which they arise.

(d) Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('cash-generating units'). The impairment loss is charged to the statement of comprehensive income.

(e) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets an initial recognition based on the nature of the asset and the purpose for which the asset was acquired.

(i) Classification

Fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'other receivables' and 'cash and cash equivalents' in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management have the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sales. Held to maturity financial assets are included in non-current assets, except for those with maturities less than twelve months from the end of the reporting period, which are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant Accounting Policies (continued)

(e) Financial assets (continued)

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at Fair Value through Profit and Loss ("FVTPL").

(iii) Subsequent measurement – Gains and losses

Available for sale financial assets and financial assets at FVTPL are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are subsequently carried at amortised cost using the effective interest method.

(iv) Subsequent measurement - Impairment of financial assets

The Company assesses at the end of each reporting period whether there is financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or 'events') has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the customer or obligor; or
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becomes probable that the customers will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) Adverse changes in the payment status of customers in the portfolio; and
 - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

Assets carried at amortised cost

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant Accounting Policies (continued)

(e) Financial assets (continued)

- (iv) Subsequent measurement - Impairment of financial assets (continued)

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

- (v) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company have transferred substantially all risks and rewards of ownership to related party.

(f) Financial liabilities

Employers' Fund, General Reserve II, Government grants, other payables and accrued expenditure are classified as other financial liabilities. The accounting policies for Employers' Fund, General Reserve II and Government grants are disclosed in note 2(j), 2(k) and 2(l) respectively.

Other payables and accrued expenditures represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other payables and accrued expenditure are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant Accounting Policies (continued)

(i) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the financial year in which the services are rendered by employees of the Company.

(ii) Defined contribution plans

The Company contributions to defined contribution plans are charged to statement of comprehensive income in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Defined benefit plans

The defined benefit liability recognised in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost. The Company determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, by discounting the estimated future cash outflows using market yields at the end of the reporting period on government bonds which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in retained earnings in other comprehensive income in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to profit or loss in subsequent period.

Past service costs are recognised immediately in profit or loss, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

(j) Employers' Fund

Payments of human resources development levy by employers are credited into the Employers' Fund on a cash receipt basis. This fund will be disbursed to employers and training providers for the approved training grants on claim basis.

For employers who have been deregistered due to cessation of business (relocation to other countries, insolvency, winding-up, receivership, etc.) and for employers who do not conduct training for their workers for a period of five years, the employers' levy received shall be forfeited by the Company (see Note 2). The accumulated fund from forfeiture of levy may be utilised for the benefit of registered employers, as a whole, based on approval by the Board of Directors.

(k) General Reserves II

General Reserves II was established to remit the transfer of levy balances from the accounts of employers who had been deregistered under Section 16(2) Pembangunan Sumber Manusia Berhad Act, 2001. These funds will be transferred back to the Employers' Fund account if the employer is re-registered within a period of two years from the date of deregistration. The employer shall continue to be eligible to receive any financial assistance or other benefits to which the employer was entitled prior to deregistration.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant Accounting Policies (continued)

(I) Government grants

Government grants received are held in trust by the Company. The Company has an obligation to distribute the government grants in accordance with the instructions of the Government. Government grants allocation and the corresponding expenses are offset and shown as net in the statement of financial position. The purpose and usage of the government grants are as follows:

(i) Apprenticeship Fund

The fund is the government allocation used to finance course fees charged by training providers for conducting off-the-job training for apprentices who undergo apprenticeship training.

(ii) Small & Medium Enterprises Training Incentive Fund

The fund is the government allocation used to finance course fees charged by training providers to conduct training programmes which will be credited to employers' levy accounts.

(iii) Study on Green Technology Consultancy Fund

The Company received an allocation from the government to conduct research and studies with collaboration of International Labour Organization on Green Technology.

(iv) SAY 1MALAYSIA Fund

The Company received an allocation from the Government to finance the course fees for Aircraft Maintenance Training offered to air force personnel leaving the service.

(v) Human Resource ("HR") Certification Body Fund

The Company received an allocation from the Government to initiate the HR Certification programmes. Establishment of the HR Certification is one of the strategic approaches identified to enhance the quality of human resource management by human resource practitioners.

(vi) Housewives Enhancement and Reactivate Talent Scheme ("HEARTS") Fund

The Company received an allocation from the Government to finance the courses conducted for housewives. The objectives of HEARTS programmes are to equip housewives, who are considered as latent workforces but possess tertiary education, with training in specialized skills that would allow them to be self-employed from home.

(vii) Trade Union Training on Leadership and Raconteur ("TUTELAR") Fund

The objectives of the fund is to equip trade union leaders with leadership and communication skills to enable them to negotiate on collective agreement and trade disputes effectively within the context of industrial harmony as well as the knowledge on their rights and responsibilities under the laws of trade union and industrial relations.

(viii) SME Skill Upgrading Fund

The programmes under SME Skill Upgrading Fund aim to enhance the knowledge and skills of employees of SMEs in terms of technical and management to help to improve the performance of local SMEs. Course fees will be paid out to appointed training providers throughout the country to provide training to SMEs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant Accounting Policies (continued)

(I) Government grants (continued)

(ix) Minimum Wage Programme Fund

The training program under Minimum Wage Fund is a form of training grants provided to the Employers' Association and Chamber of Commerce to train workers of SME employers in the association. Under the programme, the agency will identify technical courses that are critical in the development of the industry in order to increase contribution of the Gross Domestic Product ("GDP") SMEs to 41% by 2020.

(x) 1Malaysia GRIP ("1MGRIP") Fund

1MGRIP scheme was created to provide opportunity to employees to increase their skills by participating in specific fields to be expert that would enhance their career development and earn higher income. The allocation was injected to company by government to accommodate the course fees under the 1MGRIP programmes.

(xi) Entrepreneurship Enhancement Skills Programme for Indian Community ("Emphatic") Fund

The Entrepreneurship Enhancement Skills Programme for Indian Community Fund amounting to RM30 million was injected to PSMB in December 2016. The objective of this fund is to equip trainees with skills and knowledge to enable them to venture into businesses that helps them to increase their income. The programmes identified under this programmes will help the Indian community to improve their socio-economic status as well as support Government's efforts to improve human capital productivity.

(xii) RPEL (Non-HRDF) Fund

The objective of Recognition of Prior Experiential Learning ("RPEL") Fund for Non-HRDF is to enable worker who does not have formal qualification to be awarded Sijil Kemahiran Malaysia ("SKM") certification which in line with the government's effort to increase the number of skilled workers in Malaysia.

(xiii) SME Incentive (Non-HRDF) Fund

The SME Training Incentive Fund for Non-HRDF is to encourage SME employers to continuously and systematically train their employees to increase their level of competency. PSMB has engaged Hay Group to implement the Diagnosis for SMEs to identify the competency gaps.

(xiv) Outplacement Centre Programme Fund

The objective of 1Malaysia Outplacement Centre is to act as a one-stop centre for Malaysian retrenched workers to assist them by up-skilling or reskilling with the required competencies to enhance their employability and assisting them to secure employment either within the same or different industries. PSMB was injected with the allocation of RM5 million in March 2016.

(xv) Graduates Enhancement Programme For Employability ("GENERATE") Fund

The allocation was injected by government to PSMB to enhance the employability of Malaysian graduates. The objectives were to equip, develop and assist unemployed graduates with high end skills and competencies that required by the industries, relevant working experience, exploring new route path for their careers and job placement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant Accounting Policies (continued)

(m) Income

(i) Dividend income

Dividend income is recognised in “statement of comprehensive income” on the date that the Company’s right to receive payment is established.

(ii) Interest income

Interest income is recognised as an accrual basis, using the effective interest method in “statement of comprehensive income”.

(iii) Income from fees, services, rental of exhibition booths, penalties on late payment of levy and forfeiture of levy

Income from fees, services, rental of exhibition booths, penalties on late payment of levy, and forfeiture of levy are recognised when the right to receive payment is established.

(iv) Sale of goods

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(v) Consolidated Fund

Receipts from levy for Consolidated Fund is recognised in “statement of comprehensive income” on the date that the Company’s right to receive payment is established.

(n) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Property, Plant and Equipment

Property, plant and equipment ("PPE") comprise of the following:

	Note	2017 RM	2016 RM
Cost:			
Property	(a)	33,880,352	179,274,678
Plant and equipment	(b)	50,040,199	49,084,214
		83,920,551	228,358,892
Accumulated depreciation:			
Property	(a)	17,245,425	15,630,967
Plant and equipment	(b)	32,322,951	26,326,829
		49,568,376	41,957,796
Carrying amounts:			
Property	(a)	16,634,927	163,643,711
Plant and equipment	(b)	17,717,248	22,757,385
		34,352,175	186,401,096

(a) Property

	Freehold land RM	Building RM	Work in progress RM	Total RM
Cost:				
At 1 January 2016	1,591,200	32,289,152	72,301,572	106,181,924
Additions	-	-	73,092,754	73,092,754
31 December 2016/1 January 2017	1,591,200	32,289,152	145,394,326	179,274,678
Additions	-	-	81,674	81,674
	1,591,200	32,289,152	145,476,000	179,356,352
Transfer to investment property (Note 4)	-	-	(145,476,000)	(145,476,000)
At 31 December 2017	1,591,200	32,289,152	-	33,880,352
Accumulated depreciation:				
At 1 January 2016	-	14,016,509	-	14,016,509
Charge for the financial year	-	1,614,458	-	1,614,458
At 31 December 2016/1 January 2017	-	15,630,967	-	15,630,967
Charge for the financial year	-	1,614,458	-	1,614,458
At 31 December 2017	-	17,245,425	-	17,245,425
Carrying amounts:				
At 31 December 2016	1,591,200	16,658,185	145,394,326	163,643,711
At 31 December 2017	1,591,200	15,043,727	-	16,634,927

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Property, Plant and Equipment

(b) Plant and equipment

	Motor vehicles RM	Renovation RM	Furniture and office fittings RM	Office equipment RM	Electric and electronic equipmen RM	ICT System RM	Total RM
Cost:							
At 1 January 2016	1,889,891	4,313,137	1,777,374	980,043	14,759,266	21,477,970	45,197,681
Additions	386,480	402,025	17,100	55,722	13,090	3,069,290	3,943,707
Disposal/Write off	(57,174)	-	-	-	-	-	(57,174)
At 31 December 2016/ 1 January 2017	2,219,197	4,715,162	1,794,474	1,035,765	14,772,356	24,547,260	49,084,214
Additions	391,580	811,592	30,739	9,520	149,400	-	1,392,831
Disposal/Write off	(351,606)	-	-	-	(2,798)	(82,442)	(436,846)
At 31 December 2017	2,259,171	5,526,754	1,825,213	1,045,285	14,918,958	24,464,818	50,040,199
Accumulated depreciation:							
At 1 January 2016	598,822	1,329,650	1,438,968	796,839	13,344,375	3,347,324	20,855,978
Charge for the financial year	333,706	389,928	91,128	58,229	349,301	4,305,733	5,528,025
Disposal/Write off	(57,174)	-	-	-	-	-	(57,174)
At 31 December 2016/ 1 January 2017	875,354	1,719,578	1,530,096	855,068	13,693,676	7,653,057	26,326,829
Charge for the financial year	414,860	481,899	89,532	55,485	264,100	5,013,761	6,319,637
Disposal/Write off	(320,717)	-	-	-	(2,798)	-	(323,515)
At 31 December 2017	969,497	2,201,477	1,619,628	910,553	13,954,978	12,666,818	32,322,951
Carrying amounts:							
At 31 December 2016	1,343,843	2,995,584	264,378	180,697	1,078,680	16,894,203	22,757,385
At 31 December 2017	1,289,674	3,325,277	205,585	134,732	963,980	11,798,000	17,717,248

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Investment Property

	Building RM	Total RM
Cost:		
Transfer from PPE (Note 3)	145,476,000	145,476,000
At 31 December 2017	145,476,000	145,476,000
Accumulated depreciation:		
Charge for the financial year	1,634,562	1,634,562
At 31 December 2017	1,634,562	1,634,562
Carrying amounts:		
At 31 December 2017	143,841,438	143,841,438

5. Investments

	2017 RM	2016 RM
Available-for-sale financial assets	143,399,479	157,750,072
Available-for-sale financial assets comprise of the following:		
Quoted unit trust in Malaysia	35,634,736	48,242,040
Quoted securities in Malaysia	107,764,743	109,508,032
	143,399,479	157,750,072

Available-for-sale financial assets are denominated in Ringgit Malaysia.

6. Accrued Interest Receivables, Deposits, Prepayments and Other Receivables

	2017 RM	2016 RM
Accrued interest receivables	18,130,991	20,082,827
Deposits	341,624	284,874
Prepayments	31,101	31,101
Other receivables	15,351,339	12,283,823
	33,855,055	32,682,625

Accrued interest receivables, deposits, prepayments and other receivables are denominated in Ringgit Malaysia and do not contain impaired assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Staff Loans

	2017 RM	2016 RM
Motor vehicle loans	252,012	290,189
Computer loans	91,618	112,689
Housing loans	5,263,294	5,127,399
	5,606,924	5,530,277

Staff loans (only motor vehicle loans and housing loans) are granted to eligible employees of the Company, bears interest of 4% per annum (2016: 4% per annum). Staff loans are repayable over the term stipulated in the individual agreements with the eligible employees up to a maximum of 5 years, 8 years and 25 years for computer loans, motor vehicle loans and housing loans, respectively.

The staff loans are classified as loans and receivables financial assets which are subsequently carried at amortised cost using the effective interest method.

8. Cash and Bank Balances

	2017 RM	2016 RM
Fixed deposits are placed with:		
Licensed banks	685,907,529	446,514,862
Other financial institutions	477,837,674	794,836,749
	1,163,745,203	1,241,351,611
Cash and bank balances	125,115,199	8,647,480
	1,288,860,402	1,249,999,091
Less: Deposits with maturity of more than three months	(1,030,545,930)	(1,053,309,319)
	258,314,472	196,689,772

The range of maturities of the deposits that are readily convertible to cash as at 31 December 2017 is 16 to 89 days (2016: 1 to 89 days).

The range of interest rates of the term deposits as at 31 December 2017 is between 3.28% - 5.00% (2016: 2.50% - 5.00%).

The cash and bank balances are to be utilised for the purpose of:

	2017 RM	2016 RM
Consolidated Fund (Note 9)	208,951,977	192,441,763
Employer's Fund (Note 11)	972,387,534	953,461,709
Government Grant (Note 13)	34,920,931	54,053,035
	1,216,260,442	1,199,956,507

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Consolidated Fund

	2017 RM	2016 RM
At 1 January	192,441,763	-
Add: Transfer from 1MGRIP Fund	-	28,637,705
Receipts from levy (Note 11)	214,826,344	176,531,452
	407,268,107	205,169,157
Less: Expenses	(198,316,130)	(12,727,394)
At 31 December	208,951,977	192,441,763

The Consolidated Fund was created with the purpose of supporting the national agenda of achieving 35% skilled Malaysian workforce by year 2020. The objective of the Consolidated Fund is to implement several strategic initiatives with the aim of empowering the quality and employability of the Malaysian human capital through re-skilling and up-skilling programmes, for the benefit of both registered and non-registered employers of the sectors covered by PSMB.

Five key strategic initiatives were to carry out 5 under Consolidated Fund, which are as follows:

- (i) Training of Retrenched Workers under the 1Malaysia Outplacement Centre ("1MOC")
- (ii) Train and Replace ("T&R") Programme
- (iii) Small and Medium Enterprises ("SME"s) Up-skilling & Re-Skilling Programmes
- (iv) Future Workers' Training Programme
- (v) Certification/Value Added Programmes Identified by Sectorial Training Committees ("STC"s)/Special Fund for Industrial Association Programme

During the financial year, PSMB has spent RM198.3 mil (2016: RM12.7 mil) on course fees, allowances to employers, training providers, relevant participants for the above initiatives. Included herein is also administrative and management cost allocated to conduct programs under the Consolidated Fund.

10. Retirement Benefits

	2017 RM	2016 RM
Present value of unfunded obligations	22,642,359	20,039,500
Recognised liability for defined benefit obligations	22,642,359	20,039,500
Analysed as:		
Non-current portion	22,642,359	20,039,500
	22,642,359	20,039,500

Liability for defined benefit obligations

The Company recognised liability for defined benefit obligations based on the actuarial valuation report dated 16 November 2015. The Company operates a defined benefit scheme that provides pension benefits for employees upon retirement. Under the scheme, eligible employees are entitled to retirement benefits of 1.5 months of the last drawn salary for each completed year of service upon the retirement age of 60 if the number of years of service is less than 10 years and 2.0 months if the number of years of service is more than 10 years. For employees who are appointed after 1 April 2008, they are entitled to retirement benefits of 0.75 month of the last drawn salary for each completed year of service upon the retirement age of 60 if the number of years of service is less than 10 years and 1.0 month if the number of service is more than 10 years. Employees are also given the option to retire at the age of 50 and 45 for males and females respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Retirement Benefits (continued)

Movements in the present value of defined benefit obligations:

	2017 RM	2016 RM
At 1 January	20,039,500	17,909,417
Service costs (Current and Past) and interest	2,919,123	2,683,310
Benefits paid by the plan	(316,264)	(553,227)
At 31 December	22,642,359	20,039,500

Expenses recognised in statement of comprehensive income:

Current service cost	1,743,125	1,656,295
Interest on obligation	1,175,998	1,027,015
Net benefit expenses	2,919,123	2,683,310

Actuarial assumptions:

Principal actuarial assumptions at the end of the reporting period (expressed as weighted average):

	2017	2016
Discount rate	5.75%	5.75%
Average salary increase	6.0%	6.0%

Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, with other assumptions being constant, would have affected the defined benefit obligation by the amounts shown below.

	2017		2016	
	Increase RM	Decrease RM	Increase RM	Decrease RM
Discount rate (1% movement)	3,617,956	(3,037,334)	3,377,505	(2,815,176)
Average salary (1% movement)	4,341,272	(3,626,369)	3,786,539	(3,165,656)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Employers' Fund

	2017 RM	2016 RM
At 1 January	953,461,709	1,071,893,590
Add: Levy collected	726,611,181	650,568,379
Allocation for 1MGRIP Fund	-	14,478,086
SME Training Incentive Grant	341,337	6,481,354
	1,680,414,227	1,743,421,409
Less: Training grant disbursed	(486,362,788)	(499,201,919)
Disbursement for 1MGRIP programmes	-	(64,919,733)
Transferred to Consolidated Fund (Note 9)	(214,826,344)	(176,531,452)
Transferred from 1MGRIP Fund to Consolidated Fund (Note 9)	-	(28,637,705)
Transferred to General Reserves II – deregistration (Note 12)	(1,278,727)	(411,972)
Forfeiture of levy – close operation	(1,821,274)	(2,668,958)
Forfeiture of levy – 5 years unutilised	(768,643)	(1,965,309)
Overpayment of levy refunded	(2,968,917)	(15,622,652)
At 31 December	972,387,534	953,461,709

12. General Reserves II

	2017 RM	2016 RM
At 1 January	1,731,882	2,147,109
Add: Transfer from Employers' Fund (Note 11)	1,278,727	411,972
	3,010,609	2,559,081
Less: Forfeiture of levy – failure to re-register within 2 years	(639,725)	(827,199)
At 31 December	2,370,884	1,731,882

13. Government Grants

	Note	2017 RM	2016 RM
Apprenticeship Fund	(a)	10,644,463	17,968,772
SME Training Incentive Fund	(b)	321,596	457,759
Study on Green Technology Consultancy Fund	(c)	-	62,170
SAY 1Malaysia Fund	(d)	-	17,988
HR Certification Body Fund	(e)	280,679	430,336
HEARTS Fund	(f)	1,494,596	1,689,496
TUTELAR Fund	(g)	-	11,756
SME Skill Upgrading Fund	(h)	993,770	1,662,395
Minimum Wage Programme Fund	(i)	668,859	2,813,967
1MGRIP Fund	(j)	4,915,734	5,081,348
Emphatic Fund	(k)	3,042,831	7,926,084
RPEL (Non-HRDF) Fund	(l)	3,731,976	3,381,450
SME Incentive (Non-HRDF) Fund	(m)	1,048,664	4,624,553
Outplacement Centre Programme Fund	(n)	3,492,480	3,710,812
GENERATE Fund	(o)	4,285,283	4,214,149
		34,920,931	54,053,035

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Government Grants (continued)

(a) Apprenticeship Fund

	2017 RM	2016 RM
At 1 January	17,968,772	21,591,222
Add: Government allocation	-	-
	17,968,772	21,591,222
Less: Expenses	(7,324,309)	(3,622,450)
At 31 December	10,644,463	17,968,772

(b) SME Training Incentive Fund

	2017 RM	2016 RM
At 1 January	457,759	5,044,536
Add: Government allocation	-	-
	457,759	5,044,536
Less: Expenses	(136,163)	(4,586,777)
At 31 December	321,596	457,759

(c) Study on Green Technology Consultancy Fund

	2017 RM	2016 RM
At 1 January	62,170	62,170
Less: Expenses	(62,170)	-
At 31 December	-	62,170

(d) SAY 1Malaysia Fund

	2017 RM	2016 RM
At 1 January	17,988	54,948
Less: Expenses	-	(36,960)
Less: Transfer to SPICE Fund	(17,988)	-
At 31 December	-	17,988

(e) HR Certification Body Fund

	2017 RM	2016 RM
At 1 January	430,336	518,084
Less: Expenses	(149,657)	(87,748)
At 31 December	280,679	430,336

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Government Grants (continued)

(f) HEARTS Fund

	2017 RM	2016 RM
At 1 January	1,689,496	1,126,130
Add: Government allocation	-	1,470,000
	1,689,496	2,596,130
Less: Expenses	(194,900)	(906,634)
At 31 December	1,494,596	1,689,496

(g) TUTELAR Fund

	2017 RM	2016 RM
At 1 January	11,756	11,756
Less: Expenses	-	-
Less: Transfer to Special Programme Intended For Community Enrichment ("SPICE") Fund	(11,756)	-
At 31 December	-	11,756

(h) SME Skill Upgrading Fund

	2017 RM	2016 RM
At 1 January	1,662,395	3,920,207
Add: Transfers from Training Providers	-	14,785
	1,662,395	3,934,992
Less: Expenses	(668,625)	(2,272,597)
At 31 December	993,770	1,662,395

(i) Minimum Wage Program Fund

	2017 RM	2016 RM
At 1 January	2,813,967	8,388,106
Less: Expenses	(2,145,108)	(5,574,139)
At 31 December	668,859	2,813,967

(j) 1MGRIP Fund

	2017 RM	2016 RM
At 1 January	5,081,348	53,360,508
Less: Expenses	(165,614)	(48,279,160)
At 31 December	4,915,734	5,081,348

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Government Grants (continued)

(k) Empathic Fund

	2017 RM	2016 RM
At 1 January	7,926,084	30,000,000
Add: Government allocation	-	-
	7,926,084	30,000,000
Less: Expenses	(4,883,253)	(22,073,916)
At 31 December	3,042,831	7,926,084

(l) RPEL (Non-HRDF) Fund

	2017 RM	2016 RM
At 1 January	3,381,450	-
Add: Government allocation	5,000,000	9,000,000
	8,381,450	9,000,000
Less: Expenses	(4,649,474)	(5,618,550)
At 31 December	3,731,976	3,381,450

(m) SME Incentive (Non-HRDF) Fund

	2017 RM	2016 RM
At 1 January	4,624,553	-
Add: Government allocation	5,000,000	15,000,000
	9,624,553	15,000,000
Less: Expenses	(8,575,889)	(10,375,447)
At 31 December	1,048,664	4,624,553

(n) Outplacement Centre Programme Fund

	2017 RM	2016 RM
At 1 January	3,710,812	-
Add: Government allocation	-	5,000,000
	3,710,812	5,000,000
Less: Expenses	(218,332)	(1,289,188)
At 31 December	3,492,480	3,710,812

(o) GENERATE Fund

	2017 RM	2016 RM
At 1 January	4,214,149	-
Add: Government allocation	10,000,000	10,000,000
	14,214,149	10,000,000
Less: Expenses	(9,928,866)	(5,785,851)
At 31 December	4,285,283	4,214,149

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Other Payables

Credit terms of other payables are 30 to 45 days (2016: 30 to 45 days). All payables are denominated in Ringgit Malaysia.

15. Operating Income

	2017 RM	2016 RM
Dividend and other investment income	6,626,572	2,629,946
Fee income from training providers	6,733,029	2,671,603
Gain on disposal of plant and equipment	93,882	11,221
Interest income from fixed deposits	49,299,345	53,861,720
Interest income from loan to staff	8,785	11,432
Interest income from bank balance	107,234	43,310
Other income	393,804	719,259
Penalty on late payment of levy	912,804	1,323,463
Administrative fees	1,590,776	7,920,279
	65,766,231	69,192,233

16. Development Activities Income

	2017 RM	2016 RM
Income from forfeiture of levy	3,229,642	5,461,466
Income from Housing Loan Fund	707,056	632,852
Income received from National Human Resources Development Conference Fund	3,671,481	4,304,231
Participants' fees for Training and Consultancy Fund	8,798,197	14,822,387
Receipt from Tabung Amanah Latihan Khas ("TALK") Accounts	513,568	-
Receipt from SAY 1Malaysia Fund	17,988	-
Receipt from TUTELAR Fund	11,756	-
	16,949,688	25,220,936

17. Taxation

	2017 RM	2016 RM
Current year	-	-

There is no tax charged for the year since the Company is exempted from the payment of income tax in respect of statutory income in relation to all of its sources of income except dividend income for 10 years from the year of assessment 2008 until the year of assessment 2017. The appeal for further exemption is subject to approval by the Inland Revenue Board.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Net Surplus for the Financial Year

	2017 RM	2016 RM
Net surplus for the financial year is arrived at after crediting:		
Dividend and other investment income	6,626,572	2,629,946
Fee income from training providers	6,733,029	2,671,603
and after charging:		
Auditors' remuneration		
- Statutory audit	145,350	176,000
Depreciation	9,568,657	7,142,483
Staff related costs:		
- Expenses related to defined benefit plans	2,919,123	2,683,310
- Staff costs	37,826,166	31,603,700
Rental	646,724	541,031

19. Directors' Fees and Remuneration

The key management personnel compensations are as follows:

	2017 RM	2016 RM
Directors:		
Fees	870,667	866,000
Salaries, allowances and bonus	998,638	631,537
Defined contribution plan	167,287	104,323
	2,036,592	1,601,860

20. Financial instruments

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Loans and receivables ("L&R");
- (ii) Other liabilities ("OL"); and
- (iii) Available-for-sale financial assets ("AFS")

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Financial Instruments (continued)

(a) Categories of financial instruments (continued)

	Carrying amount RM	L & R RM	AFS RM
2017			
Financial assets			
Investments	143,399,479	-	143,399,479
Accrued interest receivables, deposits and other receivables	18,678,344	18,678,344	-
Staff loans	5,606,924	5,606,924	-
Cash and bank balances	1,288,860,402	1,288,860,402	-
	1,456,545,149	1,313,145,670	143,399,479
2016			
Financial assets			
Investments	157,750,072	-	157,750,072
Accrued interest receivables, deposits and other receivables	20,540,882	20,540,882	-
Staff loans	5,530,277	5,530,277	-
Cash and bank balances	1,249,999,091	1,249,999,091	-
	1,433,820,322	1,276,070,250	157,750,072
		Carrying amount RM	OL RM
2017			
Financial liabilities			
Employers' Fund	972,387,534	972,387,534	
General Reserve II	2,370,884	2,370,884	
Government grants	34,920,931	34,920,931	
Other payables	18,749,741	18,749,741	
Accrued expenditure	14,725,376	14,725,376	
	1,043,154,466	1,043,154,466	
2016			
Financial liabilities			
Employers' Fund	953,461,709	953,461,709	
General Reserve II	1,731,882	1,731,882	
Government grants	54,053,035	54,053,035	
Other payables	30,054,470	30,054,470	
Accrued expenditure	10,520,949	10,520,949	
	1,049,822,045	1,049,822,045	

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Financial Instruments (continued)

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

(i) Credit risk

Credit risk is the risk of a financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

Risk management objectives, policies and processes for managing the risk

The Company's exposure to credit risk is minimal. Credit risk mainly arises from the Company's fixed deposits placed with licensed banks and other reputable financial institutions, and the interest receivable from those placements. The exposure to credit risk is monitored on an on-going basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from cash and bank balances, fixed deposits, investments, other receivables and deposits are represented by the carrying amount in the statement of financial position.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its obligation to disburse various training grants.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The Company's financial liabilities as at 31 December 2017 have contractual maturity of less than 1 year.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and price risk that can affect the Company's financial position or cash flows.

- **Foreign exchange rate risk**

The Company has minimal exposure to foreign currency exchange risks as transactions and balances are predominantly in RM.

- **Interest rate risk**

The Company is not significantly exposed to the risk of changes in interest rates as it does not have any floating rate financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Financial Instruments (continued)

(b) Financial risk management (continued)

(iii) Market risk (continued)

- **Price risk**

Exposure

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the statement of financial position as available-for-sale.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Management of the Company monitors the investments on an individual basis. All buy and sell decisions are approved by the Investment Committee of the Company.

The majority of the Company's equity investments are traded.

Sensitivity

A change of 1% of the price of the investments at the end of the reporting period would have increase or decrease equity and post-tax surplus by the amounts shown below:

	Equity	
	1%	1%
	Increase	Decrease
	RM	RM
2017	1,433,995	(1,433,995)
2016	1,577,501	(1,577,501)

(iv) Capital management

The Company's objective when managing capital is to maintain a strong capital base, so as to sustain its human resources development activities. There were no changes in the Company's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Financial Instruments (continued)

(b) Financial risk management (continued)

(v) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, other receivables, deposits, other payables and accrued expenditure approximate their fair values and are equivalent to nominal values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value.

	Fair value of financial instruments carried at fair value			Total RM	Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM			
2017						
Financial Assets						
Investments	143,399,479	-	-	143,399,479	143,399,479	143,399,479
2016						
Financial Assets						
Investments	157,750,072	-	-	157,750,072	157,750,072	157,750,072

Level 1

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets that the entity can access at the measurement date.

21. Related parties

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company.

During the year, there are no transactions with key management personnel, as defined above, other than as disclosed in Note 19.

The Company is a company limited by guarantee which is being administered by the Minister of Human Resources which is controlled by Government of Malaysia. Entities that are directly controlled by the Government of Malaysia are collectively referred to as government-related entities to the Company. The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Company.

The Company enter into transactions with many of these bodies, which include but are not limited to purchasing of goods, including use of public utilities and amenities, and the placing of bank deposits.

All the transactions entered into by the Company with the government-related entities are conducted in the ordinary course of the Company's businesses on negotiated terms or terms comparable to those with other entities that are not government-related.

The Company is principally involved in the imposition and collection of human resources development levy for the purpose of promoting the training and development of employees, apprentices and trainees and the establishment and administration of the human resources development fund. These services have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

The Company has collectively, but not individually significant transactions with related parties.



**PEMBANGUNAN SUMBER MANUSIA BERHAD
HUMAN RESOURCES DEVELOPMENT FUND**

WISMA HRDF
JALAN BERINGIN, DAMANSARA HEIGHTS
50490 KUALA LUMPUR

HRDF CONTACT CENTRE
1800 88 4800

FAX
+603 2096 4999

WEBSITE
hrdf.com.my