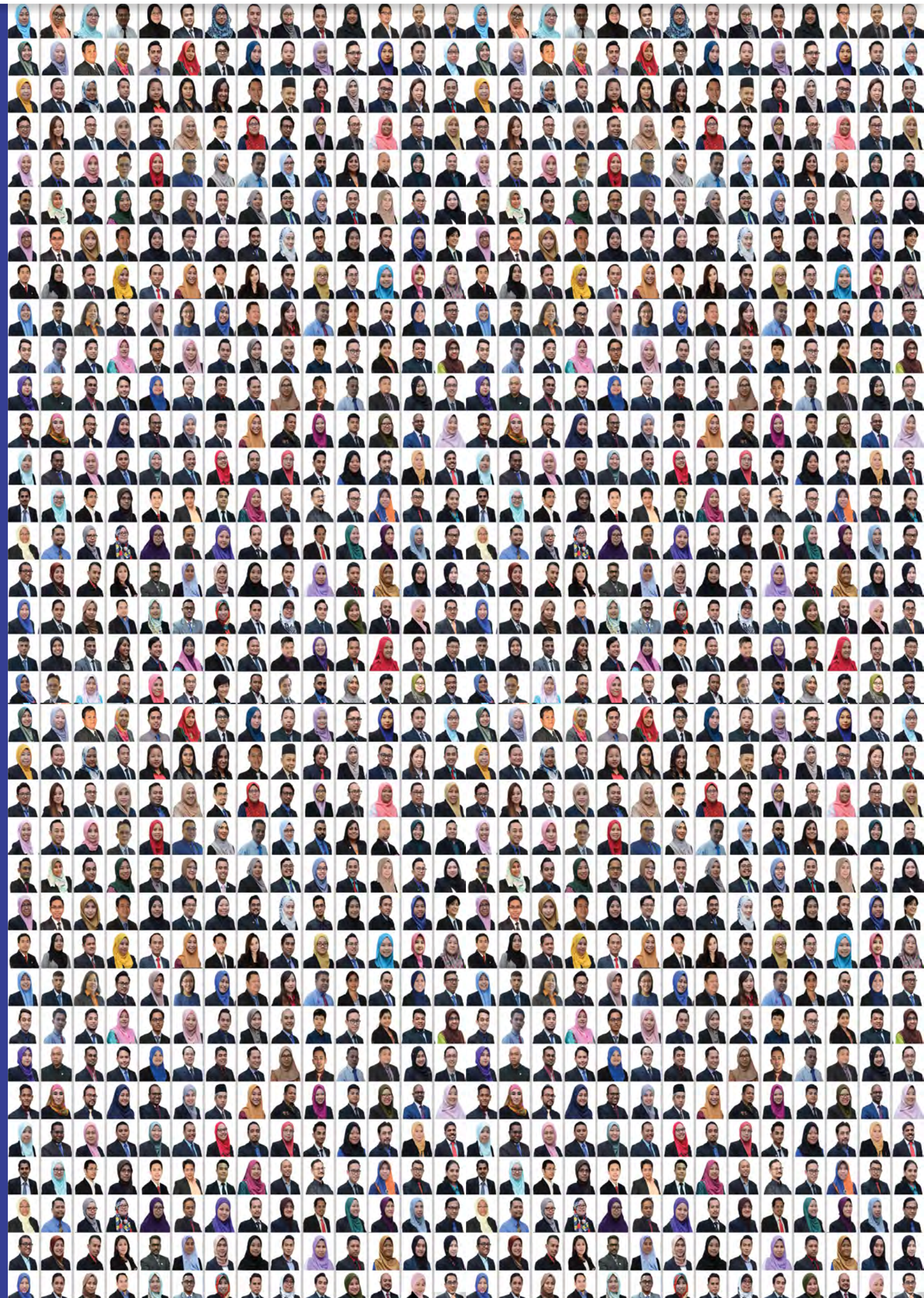
COMMITTED
TO STRONG GOVERNANCE



HRDF
MALAYSIA

ANNUAL REPORT 2018



ABOUT THIS REPORT

COVER RATIONALE:
Committed to Strong Governance

A lot has happened to the Human Resources Development Fund (HRDF) since the 14th General Election. When the Fund was going through challenging times, we were steadfast in a singular belief that "a bend in the road is not the end of the road unless we fail to make the turn". We faced our shortcomings and fixed them, and renewed and strengthened our commitment to good corporate governance. While the work is not complete, the Fund is resolute in making sure all our policies, processes and organisational and individual interactions with our stakeholders are effectively implemented.

Amidst all these, we also learnt that our strength lies with our people. For an agency of our size, with our span of oversight and complexity of functions, the people of HRDF have made much progress on many fronts which the Fund considers truly remarkable.

The progress of the Malaysian people continues to remain relevant to the Fund's future. HRDF truly believes that the economic strength of Malaysia resides in its people and we will endeavour to encourage every Malaysian employer and employee to invest more in learning and development to realise their full potential.

It is time to get our eyes on the work ahead of us.



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at a glance

Financial Highlights 2018

TOTAL INCOME ↓ 18.12%

RM238.65 million

2017: RM291.48 million

TOTAL EXPENSES ↓ 1.67%

RM278.54 million

2017: RM283.27 million

TOTAL ASSETS ↑ 7.88%

RM1.78 billion

2017: RM1.65 billion

TOTAL EQUITY ↓ 12.55%

RM297.12 million

2017: RM339.75 million

HRD FUND ↑ 7.98%

RM1.05 billion

2017: RM972.39 million

TOTAL LIABILITIES ↑ 12.98%

RM1.48 billion

2017: RM1.31 billion

LEVY COLLECTION FOR FIVE CONSECUTIVE YEARS (2014-2018)

2018	**RM805,720,320**	↑ 10.89%
2017	RM726,611,181	↑ 9.26%
2016	RM665,046,465	↑ 12.66%
2015	RM590,320,101	↑ 13.40%
2014	RM520,563,533	↑ 8.75%

GRANT DISBURSEMENT FOR FIVE CONSECUTIVE YEARS (2014-2018)

2018	**RM659,090,691**	↓ 3.74%
2017	RM684,678,918	↑ 18.69%
2016	RM576,849,046	↑ 28.65%
2015	RM448,393,260	↑ 16.98%
2014	RM383,305,837	↓ 5.97%

AWARDS & RECOGNITION

1



2



3



4



1. **Asia Recruitment Awards 2018**
   Best Employer Branding Category (Bronze Award)
2. **MIHRM Malaysia HR Awards 2018**
   Employer of Choice (Silver Award)
3. **SIRIM ISO Surveillance Audit**
   Zero Non-Conformance Report
4. **Malaysia Productivity Lean Recognition** (Gold Award)

Success Story – Wong Kok Ling

Company: LH Plus Sdn Bhd

Position: Senior Operations Manager

Participation in HRDF's Training Programme: Wong started his career as a production engineer in 2002 in the plastic manufacturing field and he is currently a Senior Operations Manager at LH Plus Sdn Bhd. During his two year tenure with LH Plus, he was given the opportunity to attend four courses under HRDF INBASE (Industrial Based Certification Programme), namely, Scientific Moulding, Smart Maintenance, Lean and Robot based Automation, and First Step to Smart Manufacturing.

In his own words: "After attending the courses under INBASE, I have learnt how to scientifically collect data, enabling better precision and accuracy in my work.

In short, these courses taught me to work independently (when the need arises) and with the most accurate outcomes as possible, in the plastic manufacturing industry. In fact, 50 per cent of the employees from LH Plus's production department have attended a minimum of one course under INBASE, which has proven to be of immense benefit to them and to the company.

I will continue to encourage other employees of LH Plus to attend relevant HRDF training programmes, courses and initiatives for their personal development and professional growth with LH Plus."

HRDF Creating Opportunities Episode 1





ABOUT US

THE PRESENT

The theme for HRDF's 2018 Annual Report is "Committed to Strong Governance". This year, for the Fund, we did not have to dig deep to come up with this theme.

To do this, we must start with May 9, 2018. The 14th General Election - a momentous day that marked one of the most significant turning points in the country's history - saw not only the installation of a new Government but also the start of more seismic reforms in the country - across government, society and economy.

At the Fund, the road ahead seems to have just begun. While we might have come a long way since 1993 when we were first set up as Majlis Pembangunan Sumber Manusia, we were squarely in the middle of a "crisis of trust" beginning June 2018. We were the driving story in the media in the second half of 2018 on the issue of corporate governance.

So, what did we do about this? How did the Fund, as the custodian and dynamic force of Malaysia's human capital development, respond to this crisis and strengthen our corporate governance?

The most important step we took was to rebuild the trust of our stakeholders, particularly our registered employers and their local employees. We understand now, more than ever, that trust is the engine that drives our will to push and promote the learning, relearning and up-skilling of all Malaysians. We understand now, more than ever, that with trust, our stakeholders are very willing to work hand-in-hand with us to create an effective and efficient Malaysian workforce that will not only move our country up the rank of the Global Competitive Index but also propel us towards becoming a high-income nation by the target year of 2024.

The Fund is also working at rebuilding trust among our employees – the people of HRDF. This means rewarding employees who act with exemplary integrity and who take the ethical stance at all times. This also means taking necessary actions against those who fail to act with honesty at all levels throughout the organisation without exception. HRDF will become a better organisation because of our employees.

HRDF Milestones (1993-2018)

- **1993** Establishment of the Human Resource Development Council (HRDC).
- **1995** Employers with 10 – 49 employees and paid-up capital ≥ RM2.5mil (manufacturing). Along with 9 Service sub-sectors.
- **2001** PSMB Act 2001 came into force on 16 May 2001. PSMB is the Manager of Human Resources Development Fund (HRDF).
- **2005** Employers with 10 employees in service sector, and employers with 50 employees in hypermarket.
- **2007** Commercial Land Transport and Railway Transport Services.
- **2014** PSMB expanded the PSMB Act by adding Mining & Quarrying sector and 19 new sub-sectors to the Services and Manufacturing Sector (total of 63 subsectors).
- **2016** Implementation of HRDF Consolidated Fund.
- **2017** The PSMB Act is expanded to cover all employers with 10 or more employees in the 63 sub-sectors.
- **2018** Discontinuation of the segregation of the 30 per cent of registered employers' Human Resources Development (HRD) levy into the HRDF consolidated fund, effective November 2018.

REFLECTIONS

HRDF has grown remarkably from our establishment in 1993. Starting life as an institution that collected levy and disbursed training grants, we have gone from strength-to-strength to contribute significantly in providing training and up-skilling interventions to key industries in Malaysia, including the Small and Medium Enterprises' (SMEs) sector.

For perspective, the objective of HRDF under the Pembangunan Sumber Manusia Berhad Act 2001 (PSMB Act 2001) is the imposition and collection of a human resources development (HRD) levy from employers under 63 sub-sectors within three key economic sectors – Manufacturing, Services, and Mining and Quarrying – with ten or more employees. These employers contribute one per cent of their monthly payroll to the Fund which we treat as a HRD "levy".

The purposes of the HRD levy are:

- Promote, develop and upgrade the skills of local employees, apprentices and trainees who are working with the Fund's registered employers;
- Provide financial assistance to the Fund's registered employers by way of grant or loan to support their human resource development needs;
- Carry out activities or projects to train or retrain retrenched employees or employees who are in the pipeline to be retrenched;
- Pay any expenses lawfully incurred by the Corporation;
- Provide financial assistance by way of loan or grant to training providers or employer associations; and
- Pay any expenses for carrying into effect the provisions of the PSMB Act 2001 and in connection with the administration of the Fund.

In 2016, 30 per cent of the HRD levy was segregated to a consolidated fund which was used to finance strategic human capital initiatives. However, this was a point of contention for the Fund's registered employers who claimed a lack of transparency on the utilisation of the consolidated fund. After a series of engagements with employers, HRDF discontinued the segregation of the 30 per cent of the HRD levy towards the consolidated fund in November 2018.

Nevertheless, the Fund's new administration is resolute to continue carrying out several strategic human capital initiatives with enhanced mechanisms aimed to improve the quality and employability of our unemployed graduates, secondary school leavers, in-service workers, and owners and Chief Executive Officers of SMEs. Economies of scale allows, the Fund manage the cost of the strategic initiatives enabling the consolidated fund to benefit more of the mentioned target groups for the next five years.

THE FUTURE

The vision forward for HRDF is to up-skill and re-skill Malaysia. Safeguarding the future also means assuming a greater responsibility to reach out to the corporates and educating and motivating them to reap the benefits of our learning and development schemes, initiatives and programmes.

The Fund is also making concerted efforts to intensify its enforcement which will help ensure training programmes conducted by employers are effective, and training providers are genuine and have the skills to impart knowledge and training to the Fund's registered employees. Towards this, HRDF is working closely with the Ministry of Human Resources in conducting spot checks and ensuring that the selection of training providers are done in a professional manner.

Moving forward, the Fund's stakeholders can also expect increased transparency from HRDF with the potentiality of the detailed usage of the Fund being made public by 2020 as an effort to improve the public perceptions of HRDF.

www.hrdf.com.my

vision

Every Malaysian employee trained

mission

Spearhead the learning and development of the Malaysian workforce

objective

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

our values

- **Integrity**
- **Customer Focus**
- **Continuous Improvement**
- **Accountability**

brand promise

People

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

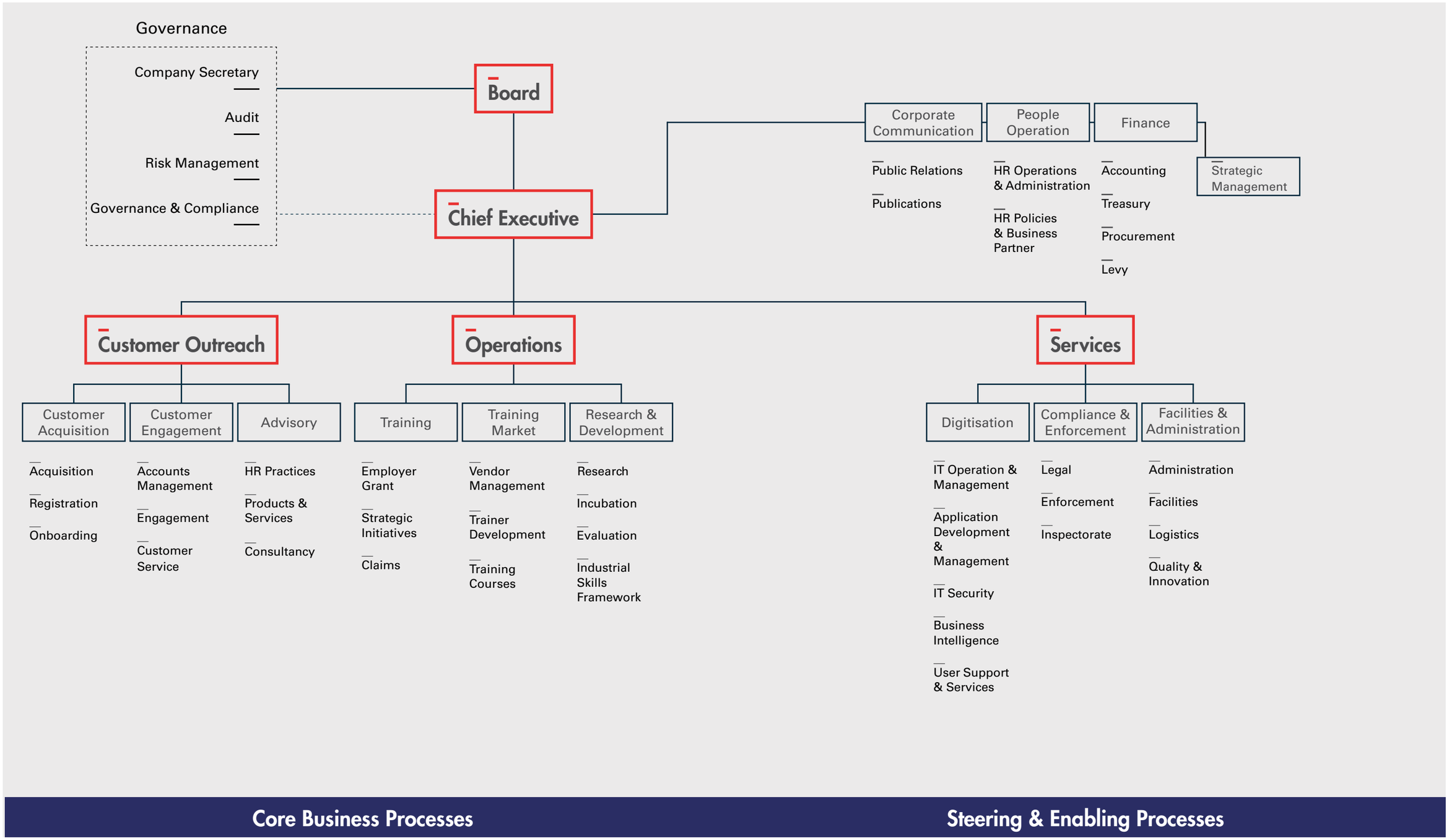
Prowess

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

Progress

We endeavour 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.

ORGANISATIONAL STRUCTURE





Success Story – Jason Kok

Company: Plasform Sdn Bhd

Position: Factory Manager

Participation in HRDF's Training Programme: One of Plasform's pioneer staff, Jason has been working for the company for 28 years and have participated in four courses under HRDF INBASE (Industrial Based Certification Programme), namely the Scientific Moulding; Smart Maintenance; Lean and Robot based Automation; and First step to Smart Manufacturing.

In his own words: "These courses under INBASE have given me the necessary exposure on scientific injection moulding and provided me with opportunities to apply the knowledge I've gained at work.

In addition, I had the chance to engage with employees and employers from the manufacturing industry while attending these courses and we exchanged ideas related to our areas of work.

These four courses under INBASE are interrelated and relevant for me in obtaining better understanding of the Industrial Revolution 4.0.

It is my belief that employers who are registered with HRDF should take advantage of HRDF's programmes, courses and initiatives as this is an integral step towards enhancing their knowledge and productivity in the manufacturing industry."

HRDF Creating Opportunities Episode 2



MINISTER'S MESSAGE

YANG BERHORMAT M. KULA SEGARAN

Minister of Human Resources



Human capital development plays a pivotal role in moving Malaysia towards becoming a high-income economy. It catalyses the growth of the nation through competencies such as knowledge, skills, attitudes, and values and enhances the quality of people's lives.

The Ministry of Human Resources is determined to develop competent, productive, responsive, and resilient local human capital to increase our national productivity. Our objective is to expand people's capabilities and enhance their opportunities for economic, social and political empowerment. We hope to achieve our objective through a holistic approach by looking at all aspects of an individual's work and life such as safety and security, retirement plan (Employees' Provident Fund), and constant up-skilling and re-skilling through platforms such as the Human Resources Development Fund (HRDF). We aspire to increase the percentage of skilled Malaysian workers to 30 per cent by 2020 from the current 28 per cent. To achieve this, our plan is to mitigate economic and social marginalisation by collaborating with other government bodies and together, create initiatives and programmes designed to assist target groups.

COMMITTED TO STRONG GOVERNANCE

In order for an organisation to thrive, especially for one that serves the people, it needs to earn the trust of the people it serves and one of the key factors is to be as transparent as possible.

Among the first few initiatives I rolled out, after being appointed as the Minister of Human Resources, was to restructure HRDF and set up a five-member independent Governance Oversight Committee (GOC) to investigate the allegations on the fund's misappropriation. These were necessary steps because HRDF is one of the most important organisations in the country and acts as a key driver of the nation's growth through the skills' upgrading of Malaysian employees. Hence, it is vital to restore the confidence of stakeholders, employers and employees towards HRDF.

CHALLENGES AHEAD

HRDF has faced a multitude of challenges but has been moving forward by striving to restore stakeholders' confidence and strengthen its governance.

One of its main challenges remains to be the under-utilisation of the Human Resources Development levy by the Fund's registered employers. Encouraging employers to use their levy to send their employees for training for career and personal growth is among HRDF's chief priorities. Small and Medium Enterprises ("SMEs") do not usually have access to training due to factors such as insufficient levy, time and shortage of workers. This is where HRDF comes in to support their aspirations for growth and enhanced productivity through a-learned and skilled local workforce.

Besides educating SMEs on the efficacy of training for both employers and employees, HRDF must also work on solving mismatching issues that exist between the training needs of its registered employers and the types of training solutions offered by training providers who are registered with the Fund.

To overcome these challenges, HRDF must continue to increase awareness on the significance of re-skilling and up-skilling by maintaining close collaboration with the industry, employers and the professional training community. I am proud to say that HRDF, working closely with the Ministry, has implemented strict periodic audits and verification processes to ensure training sessions are valid, conducted by professionals and will add significant value to employers and employees.

MOVING FORWARD

The Ministry will strive to ensure that a comprehensive, dynamic and progressive social safety net is built through increasing the employability and employment rate of the local workforce to meet the demands of the local job market. We aspire to achieve our mission of fostering harmonious and conducive industrial relations, prioritising the occupational safety and health of employees as well as ensuring the smooth operation of the nation's labour market.

With our continuous and concentrated efforts and commitment to strong governance, I believe HRDF will achieve its goals and targets in 2019.

A MESSAGE FROM HRDF'S BOARD CHAIRMAN



DATO' NOOR FARIDA MOHD ARIFFIN

Chairman, HRDF

What we regard as a revolutionary point of history in a country that has not seen a change in the federal government for over 60 years, was truly a call for accountability. The people demanded a cleaner and more honest narrative from the people whose purpose is to serve them, and May 9, 2018 saw just the first wave of that.

What followed was a series of much-needed clean-up within the bureaucracy and the Human Resources Development Fund (HRDF), which has seen major changes in its leadership and Board of Directors since June 2018. This is just a piece of the larger picture of the new Malaysia.

HRDF has faced heavy public scrutiny following reports of alleged wrongdoings that took place under the previous administration. I, along with the Ministry of Human Resources, the Board of Directors, the new management, and HRDF's employees are determined to rebuild the image of the Fund with new strategies and stronger corporate governance.

The Fund, operated by Pembangunan Sumber Manusia Berhad, sees its main purpose as ensuring the whole Malaysian workforce is adequately and continually be trained.

Under the new leadership in HRDF, we are equally committed to prioritising strong and effective governance.

Since June 2018, HRDF has strengthened its governance framework by appointing 10-new board members and restructuring the organisation. This has been part of the initiative to evaluate and assess the competencies of the Fund's employees and to streamline the functions across HRDF for a more effective and lean structure.

To drive transparency in the governance of HRDF, which is under the purview of the Ministry of Human Resources, the Minister of Human Resources, Yang Berhormat M. Kula Segaran set up an independent Governance Oversight Committee (GOC) in July 2018 to review all aspects of HRDF's governance framework.

In the first report presented by the GOC to its stakeholders, the committee proposed several recommendations for HRDF to implement and the Fund has incorporated most of them.

As a catalyst for national productivity, we at HRDF aspire to increase the proportion of skilled Malaysian employees and strengthen the Fund through implementing the following action plans:

- bringing wrongdoers to book
- strengthening our enforcement measures
- approve 1.2 million Training Places by the end of 2019
- creating job-ready graduates
- raising the quality of training professionals
- becoming an employer of choice

We recognise the importance of HRDF's role in encouraging employers to be more inclined to retrain and upgrade the knowledge and skills of their employees which in the long term will promote greater economic growth. We aspire to work closely with the Government and relevant stakeholders to implement initiatives to promote Technical-Vocational Education and Training, particularly those that focus on the Bottom 40 per cent of income earners, retirees and people with disabilities.

I look forward to ensuring the revitalised HRDF operates with stronger governance and fulfils the mandate given by the Malaysian Government, which is to cater to the development of a competent local workforce, in line with our aspiration to become a high-income nation.

www.hrdf.com.my
HRDF Moving Forward

CHIEF EXECUTIVE'S REVIEW

The Human Resources Development Fund (HRDF) plays a key part in creating a stronger and fairer economy in Malaysia by equipping thousands of our registered employers and millions of Malaysians they employ from all ages and backgrounds with the skills that help address their business needs and at the same time fulfil the potential of the Malaysian workforce from up-skilling and re-skilling initiatives.

While 2018 has been particularly challenging for the Fund, recognising and overcoming the pitfalls of the past have been essential for our continued growth. In this instance, I am no less proud to present our 2018 Annual Report in which you will read on the commitment of the Fund's new leadership towards a stronger governance. Further, you have our word that we will continually engage our stakeholders for more effective and efficient communication in delivering our mandate of developing and training as many Malaysians as we can so that our registered employers and their local workforce see the tangible value of their human resources development (HRD) levy contribution to us.

Allow me to place our 2019 goal up-front - HRDF targets to approve 1.2 million Training Places in 2019 from 880,380 in 2018. Towards this, we are resolute in our commitment to influence as many Malaysian employees as possible to take charge of their own career and skills development. At the same time, we continue to encourage all organisations and particularly our registered employers to drive the performance and productivity of their business through their employees.



ELANJELIAN VENUGOPAL

Chief Executive, HRDF

The time is now for the workplace environment in Malaysia to begin reflecting on the need for constant retraining. Additionally, organisations must think differently about the leadership capabilities needed and the culture required to drive the right learning environment so that employees move up the value chain, along with their families and employers becoming greater and globally competitive in the process.

The challenge for HRDF today is getting the agenda right to support learning, retraining and reskilling of all Malaysians. This is due in part to the limitation in the coverage of the Pembangunan Sumber Manusia Berhad Act 2001 (PSMB Act 2001). As a result, we plan to expand the Act in 2019 to cover more employers from various sectors. This will be a key step for the Fund to become a more effective enabler of a society that we know is ready to become more engaged towards greater career progression and social mobility.

TO MAP MALAYSIA'S FUTURE SKILLS' NEED, HERE'S A REFLECTION OF 2018:

In 2018, we had a total of 26,281 employers registered with the Fund with a total of 2,290,647 employees covered. A majority of the employers registered with HRDF were Small and Medium Enterprises (SMEs) which made up 85.89 per cent of the Fund's total registered employers.

HRDF collected a total of RM805.72 million in levies in 2018, an increase of 10.89 per cent from 2017. During the year under review, the Fund approved a total of RM642.72 million in financial assistance with RM236.02 million dedicated to SMEs. We exceeded the target growth for the number of skilled workers with 43,490 workers trained, an achievement of an additional 8,490 Malaysian workers from the 2018 target of 35,000.

In November 2018, HRDF's Strategic Human Capital Initiatives under the consolidated fund mechanism were included for a review and improvement process, announced by the Minister of Human Resources, Yang Berhormat M. Kula Segaran.

We are set to launch the enhanced Strategic Initiatives in 2019 focusing on four pillars:

Employment	**Post-Employment**
Pre-Employment	**Learning Ecosystem & Landscape**

The Fund's direction remains, which is to reduce Malaysia's dependency on foreign workers in semi-skilled and skilled areas of work as well as to reduce the nation's unemployment rate.

We look forward to working closely with the Ministry and all our stakeholders to ensure efficiency and further improvement in delivering human resource solutions that will meet the needs of the industry, our registered employers and individual Malaysian employees.

Now, with a clear understanding of where we were (and the pitfalls to avoid), the goals to accomplish in 2019 and beyond, and with a clear plan in sight to get us to our destination, my team and I are determined to support the Government's agenda of new possibilities of progress through the nation's most valued asset – its people.



Success Story – Noor Ridzuani Kamaruddin

Company: LH Plus Sdn Bhd

Position: Product Engineer

Participation in HRDF's Training Programme: Ridzuani has been with LH Plus for five years and her promotion from Junior Executive to Product Engineer is meteoric. She participated in HRDF's Industry Based Certification Programme (INBASE) which increased her scientific knowledge in her field of work in the manufacturing industry.

In her own words: "One of the most valuable knowledge I obtained was from the INBASE course - 7 Steps Injection Moulding Process which assisted me towards identifying the imperfections in my area of work within the manufacturing industry.

I encourage employers and employees who are registered with HRDF to attend courses, programmes and initiatives which are relevant to their areas of work as these provide practical knowledge for on-the-job applications.

Fresh graduates too should check out the Fund's many initiatives on learning, relearning and reskilling as these provide a strong foundation to your existing diploma and/or degree."

HRDF Creating Opportunities Episode 3



OVERVIEW AND STRATEGIC PILLARS

OVERVIEW AND STRATEGIC PILLARS

The 2018 business strategy of the Human Resources Development Fund (HRDF) is to enlist more companies – from large to medium and small - to be registered with the Fund. With the registration of liable employers, the Fund is able to support these employers to increase the efficiency and productivity of their local employees in completing their daily work tasks through learning and development initiatives. Additionally, trained employees are able to drive these companies to achieve greater consistency in process adherence, making it easier to project outcomes and meet company goals and targets.

HRDF's 2018 strategies are aligned towards five material pillars which are:

OUR STRATEGY

1. A SKILLED WORKFORCE FOR SUSTAINABLE AND BALANCED GROWTH OF THE NATION

Equipping the Malaysian workforce with the skills required for the jobs of today and those of tomorrow is a strategic concern in the national growth and economic outlook of the country. With the rise of knowledge content of production processes and services, the availability of a ready pool of relevantly skilled local employees is necessary to support the transition of the country's key economic sectors towards knowledge-intensive activities which will drive labour productivity gains and attract foreign direct investments into Malaysia.

Henceforth, HRDF continues its effort towards up-skilling and re-skilling the Malaysian workforce, ensuring the creation and growth of quality human capital through efficient certification programmes and initiatives.

The Fund's end goal is to ensure that 30 per cent of the Malaysian workforce is skilled in tandem with the Government's workforce policy and market demand forecast projections.

2. A STRATEGIC FRAMEWORK FOR THE TRAINING AND DEVELOPMENT LANDSCAPE

The cornerstone towards developing a suitably skilled workforce, in Malaysia and across the world, is the availability of good-quality training and development landscape which closely matches the skills supply to the needs of companies and the labour markets.

The accelerated change in today's training and development landscape has its roots in digitisation, social platforms and search engines – all of which are cumulatively transforming every aspect of our everyday lives. Today, more than ever, there is a pressing need for a dynamic training and development landscape which enables Malaysian employees and companies to seamlessly adjust to changes in technology and markets while anticipating and preparing for the skills' needs of the future.

With regards to this, HRDF continues to nurture a virtuous circle in which a continuously evolving learning and development landscape fuels innovation, investment, economic diversification, and competitiveness, as well as social and occupational mobility – thus creating more productive and more rewarding jobs. Towards this, the Fund expects to leverage on the HRDF Industrial Skills Framework alongside the industry.

3. ROBUST DEVELOPMENT OF MALAYSIA'S SMALL AND MEDIUM ENTERPRISES

Small and Medium Enterprises (SMEs) are critical for the growth of Malaysia as they drive the country's Gross Domestic Product (GDP) by contributing as much as 37 per cent. Additionally, Malaysia's SMEs accounted for 66 per cent of total employment in 2017. The vast majority of these SMEs are in the services and manufacturing sector – both of which are covered by the PSMB Act 2001.

Nevertheless, the adoption of learning and development, particularly on digital adoption, has been very low among local SMEs. This is worrying as there is a lot at stake for Malaysia as it needs to stay competitive with other countries in the region. The truth of the matter is that Malaysia's SMEs are facing competition not just at home but from abroad too. While it certainly is not due to the lack of connectivity as SMEs show high usage of PCs, smartphones and Internet connections, the SME sector needs to devote more to learning and development of its employees as well as on digital technologies to increase their productivity and propel Malaysia towards becoming a high income nation by 2024.

HRDF is steadfast in continuing to improve the human resource standards of the SME sector which in return is expected to increase the sector's business efficiencies and create new revenue streams.

4. EFFECTIVE AND EFFICIENT ENABLERS

To be acknowledged as the leader in Malaysia's human capital development, there is plenty of scope for HRDF to continue and deepen its enablers towards exchanges of knowledge and experience among its stakeholders on training and skills development policies and systems. It is particularly valuable for HRDF and its stakeholders to share their experiences in dealing with the more difficult challenges of maintaining the relevance of learning and development in the world of work, and in moving from policy principles to application.

In this instance, HRDF needs to ensure its enablers - which are in reference to its internal processes - are firm and balanced by sustained corporate governance in identifying high and significant risks that may affect the Fund's robust training efforts and performance.

Towards this, HRDF continues to benefit greatly from viewpoints given by the Ministry of Human Resources, the Industry as well as consultations with employers, employees and the professional training market of national and international experts.

5. STRATEGIC SUSTAINABILITY OF THE ORGANISATION

In making sure the organisation is sustainable, HRDF periodically reviews the PSMB Act 2001, making sure that the right training interventions are given at the right time to current and future employers.

Adaptive foresight is a strategic competency which HRDF continues to apply that involves observing trends and measures that might shape the future of learning. Observing these trends, HRDF applies scenario planning to anticipate changes early and adapt its plans for the benefit of the Fund's stakeholders. Additionally, these trends drive the Fund's daily operations and internal talent sustainability, aside from assisting external stakeholders.

In summary, HRDF remains consistent in supporting its internal staff to enrol in various relevant training programmes to ensure a competent and sustainable talent pipeline.

2018 KEY PERFORMANCE INDICATORS

HRDF ORGANISATIONAL KPI PERFORMANCE FOR QUARTER 1 - QUARTER 3 2018

We reviewed the Fund's KPIs as part of our reform initiatives, which resulted in us restructuring the organisation and making it more customer focused.

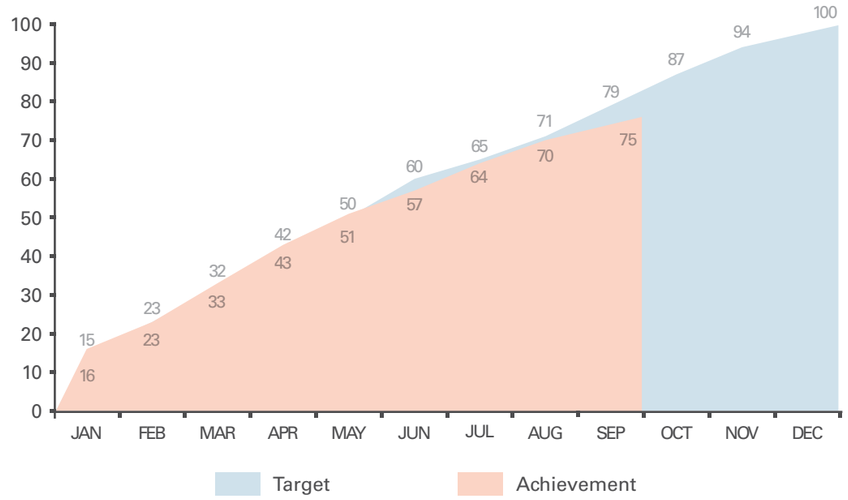
Strategic Pillars

- A Skilled Workforce for Sustainable and Balanced Growth of the Nation
- A Strategic Framework for the Training and Development Landscape
- Robust Development of Malaysia's SMEs
- Effective and Efficient Enablers
- Strategic Sustainability of the Organisation

4 Perspectives

- Stakeholder
- Process
- Financial
- People

Overall Achievement of Enterprise Scorecard as of September 2018



NOTE: The organisational KPIs have been changed in October 2018 and the progress was tracked until December 2018.

2018 KEY PERFORMANCE INDICATORS

95% OVERALL ACHIEVEMENT

15 KEY PERFORMANCE INDICATORS

KPI 1: Percentage of Skilled Workers Trained under HRDF	**KPI 2:** Growth in Approved Training Places	**KPI 3:** Growth in Disbursed Training Grant
KPI 4: Training Providers Rated (STAR Rating)	**KPI 5:** Implementation of Sectorial Training Committee (STC) Initiatives	**KPI 6:** HR Capability Building Programmes Completed for SMEs
KPI 7: Percentage of Key Programmes Completed for SMEs	**KPI 8:** Completion of Big Data Analytics' Implementation	**KPI 9:** Implementation of Risk Mitigations within Specified Timeframe (High and Significant Risks)
KPI 10: Completion and Analysis of HRDF's Yearly Customer Satisfaction Survey (Customer Satisfaction Index - CSI)	**KPI 11:** Growth in Registered Employers	**KPI 12:** Number of Employees Covered under HRDF
KPI 13: Amendments of the 1st schedule of the PSMB Act 2001 to cover all employers (Gazette Publication)	**KPI 14:** Growth in Levy Collection	**KPI 15:** Percentage of Project Completion on Human Capital Blueprint (Phase 2)

2018 KEY PERFORMANCE INDICATORS

HRDF CORPORATE KPI PERFORMANCE FOR QUARTER 4 2018

Perspectives	Strategic Pillars	No.	Key Performance Indicator	Target	Achievement
Financial	Organisation Sustainability	1.	Return on Equity (ROE)	1%	-0.56%
Stakeholder	A Skilled Workforce for Sustainable and Balanced Growth of the Nation	2.	Productivity Growth Rate	4%	5.82%
		3.	Registered Employees	2,300,000	2,290,647
		4.	Levy Efficiency	15 months	15.2 months
	Robust Development of Malaysia's SMEs	5.	Skilled Workers Trained	35,000	43,490
		6.	Unique Employees' Trained	500,000	507,039
	A Strategic Framework for the Training and Development Landscape	7.	Approved Training Places	970,000	880,380
		8.	Development of the Industrial Skills Framework	10%	10.7%
Internal Process	Effective and Efficient Enablers	9.	Clients Engaged	18,000	16,989
		10.	Customer Satisfaction Index	94%	93.13%
		11.	Levy Collected	RM 800 mil	RM 805.72 mil
		12.	System Availability	90%	99.99%
		13.	Training Programmes Inspected	350	552
		14.	Training Programmes Registered	5,196	5,288
		15.	Inactive Employers	30%	27%
Knowledge	Strategic Sustainability of the Organisation	16.	HRDF Staff Training Hours	Start in 2019	
	A Strategic Framework for the Training and Development Landscape	17.	Industry Intelligence Reports Created	Start in 2019	
	Effective and Efficient Enablers	18.	Rate of Change Request Handled Internally	Start in 2019	

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REGISTRATION OF EMPLOYERS

Number of Employers and Employees Registered from 1993 to 31 December 2018

	Manufacturing	Services	Mining & Quarrying	Total
Number of Employers Registered	11,145	14,927	209	26,281
Number of Employees Registered	1,071,508	1,198,170	20,969	2,290,647

Registered Employers - By Category from 1993 to 31 December 2018

	Manufacturing	Services	Mining & Quarrying	Total No. of Employers	%
Large Employers	982	2,709	18	3,709	14.11
SME Employers	10,163	12,218	191	22,572	85.89
Total	**11,145**	**14,927**	**209**	**26,281**	**100.0**

In 2018, HRDF continued to engage with its diverse stakeholders and reached out to as many employers as possible to meet its Key Performance Indicator (KPI) target of 4,895 new registered employers.

During the year, HRDF registered 4,901 new employers compared to 4,605 employers in 2017. The 2018 registrations comprised 2,015 employers from the Manufacturing sector; 64 from Mining and Quarrying; and 2,822 from the Services sector.

Consequently the total employers registered increased to 26,281 (from 21,928 in 2017) of which 11,145 were from the Manufacturing sector; 209 from the Mining and Quarrying sector; and 14,927 employers from the Services sector. The increase in total number of registered employers for 2018 has resulted in the growth of employees covered by the Fund by 7.2 per cent to 2,290,647 in comparison to 2,136,763 in 2017.

The positive increase in registration in 2018 was due to the diligent disbursement of notices to liable employers. A total of 23,902 registration notices were sent between September and November 2018, supported by engagement activities with several employer associations such as:

- Food Industry Employee Union (FIEU)
- Association of Malaysian Hauliers, Malaysian Association of Convention and Exhibition Organisers and Suppliers (MACEOS)
- Malaysia Retailers Association (MRA)
- Association of Bumiputra Women in Business and Profession (PENIAGAWATI)
- SME Corporation
- Malaysia Association of Cleaning Contractors (MACC).

SME employers continued to make up a significant proportion of the Fund's total number of registered employers at 86 per cent. In 2018, a total of 22,572 SME employers were registered with the Fund in comparison to 18,398 in 2017.

A total of 4,715 new SMEs were registered with HRDF in 2018, an increase of 7 per cent from 4,401 in 2017.

Table 1
Registered Employers - By State from 1993 to 31 December 2018

State	Manufacturing	Services	Mining & Quarrying	Total Registration	%
Selangor	3,138	4,591	22	7,751	29.49
Johor	2,450	1,511	18	3,979	15.14
Kuala Lumpur	437	2,976	34	3,447	13.12
Pulau Pinang	1,363	1,029	8	2,400	9.13
Perak	910	684	27	1,621	6.17
Sarawak	493	1,010	29	1,532	5.83
Kedah	672	524	6	1,202	4.57
Sabah	346	782	13	1,141	4.34
Melaka	443	381	6	830	3.16
Negeri Sembilan	407	375	8	790	3.01
Pahang	251	417	25	693	2.64
Terengganu	114	306	5	425	1.62
Kelantan	95	207	8	310	1.18
Perlis	17	51	0	68	0.26
Labuan	9	44	0	53	0.20
Putrajaya	0	39	0	39	0.15
Total	**11,145**	**14,927**	**209**	**26,281**	**100.0**

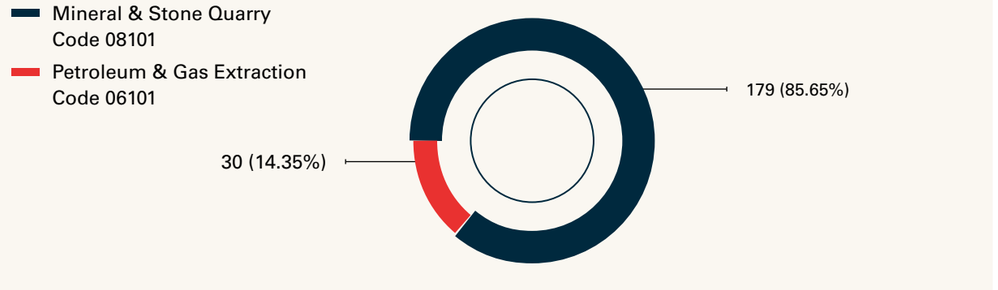
Table 2
Registered Employers - By Sub-Sector for the Manufacturing Sector from 1993 to 31 December 2018

Code	Industry	No. of Employers	%
10101	Food Manufacturing and Beverage Industries	1,634	14.66
25111	Non-Ferrous Metal Basis Industries and Fabricated Metal	1,279	11.48
27101	Manufacturer of Electrical Machinery, Apparatus Appliances and Supplies	1,140	10.23
22201	Manufacturer of Plastic Products	1,106	9.92
20111	Manufacturer of Industrial Chemicals and Other Chemical Products	748	6.71
16100	Manufacturer of Wood and Wood Products and Cork, Except Furniture	604	5.42
24101	Iron and Steel Basic Industries	553	4.96
31001	Manufacture of Furniture and Fixtures Except Primarily of Metal	548	4.92
23990	Manufacturer of Non-Metallic Mineral Products	527	4.73
28110	Manufacturer of Machinery Except Electrical	474	4.25
22111	Manufacturer of Rubber Products	439	3.94
29101	Manufacturer of Transport Equipment	423	3.80
18110	Printing, Publishing and Allied Industries	398	3.57
17010	Manufacturer of Paper and Paper Products	393	3.53
13110	Manufacturer of Textiles and Wearing Apparel, Except Footwear	375	3.36
26101	Manufacturer of Professional and Scientific and Measuring and Controlling Equipment N.E.C. and of Photographic and Optical Goods and Other Manufacturing Industry	229	2.05
23101	Manufacturer of Glass and Glass Products	94	0.84
19202	Petroleum Refineries	62	0.56
19100	Manufacturer of Miscellaneous Products of Petroleum and Coal	30	0.27
15203	Manufacturer of Footwear, Except Vulcanised or Moulded Rubber or Plastic Footwear	27	0.24
23930	Manufacturer of Pottery, China and Earthenware	27	0.24
15110	Manufacturer of Leather and Products of Leather, Leather Substitutes and Fur, Except Footwear and Wearing Apparel	24	0.22
12000	Tobacco Manufacturers	11	0.10
Total		**11,145**	**100.0**

Table 3
Registered Employers - By Sub-Sector for the Services Sector from 1993 to 31 December 2018

Code	Industry	No. of Employers	%
55101	Hotel Industry	1,605	10.75
62010	Computer Industry	1,390	9.31
45101	Sale and Repair of Motor Vehicles	1,385	9.28
71109	Engineering Support and Maintenance	1,286	8.62
49110	Land Transport	1,243	8.33
56101	Food and Beverage Services	1,056	7.07
52299	Freight Forwarder	963	6.45
80100	Security Firms	769	5.15
47111	Hypermarket/ Supermarket/ Departmental Store	597	4.00
85499	Training Provider	528	3.54
85302	Private Institution of Higher Learning	374	2.51
85102	Early Childhood Education	352	2.36
73100	Advertising	280	1.88
50111	Shipping	273	1.83
47991	Direct Selling	247	1.65
79120	Travel Agency - Outbound	243	1.63
81100	Building and Landscape Services	237	1.59
61101	Telecommunication	212	1.42
86101	Private Hospital	210	1.41
63111	Information Services	191	1.28
86901	Health Support Services	157	1.05
77400	Franchise	147	0.98
38111	Waste Management and Material Recovery Services	142	0.95
72101	Research and Development	131	0.88
85492	Driving School	116	0.78
79110	Travel Agency - Inbound	102	0.68
82301	Event Management Services	98	0.66
53100	Postal	86	0.58
35202	Gas, Steam and Air-Conditioning Supply	85	0.57
59110	Production of Motion Picture, Video and Television Programme, Sound Recording and Music Publishing	81	0.54
51101	Air Transport	80	0.54
35101	Power (Energy)	78	0.52
52100	Bonded Warehouse	49	0.33
36001	Water Treatment and Supply	47	0.31
52221	Port Services	42	0.28
60100	Private Broadcasting Services	26	0.17
37000	Sewerage	11	0.07
75000	Veterinary Services	8	0.05
Total		**14,927**	**100.0**

Chart 1
Registered Employers - By Sub-Sector for the Mining and Quarrying Sector from 1 June 2014 to 30 November 2018



The total number of deregistered employers in 2018 was 569, an increase of 344 compared to 225 in 2017. Ceasing operations was the main reason for the increase in the de-registration of employers. It made up about 69 per cent or 395 cases in 2018. Other reasons for deregistration of employers, were that the company was no longer liable under the PSMB Act, the company had less than 10 employees or the company had merged with another company.

Table 4
Deregistered Employers - By Type of Deregistration from 1 Jan 2018 to 31 December 2018

Type of Deregistration	Manufacturing	Services	Mining & Quarrying	Total	%
Cessation of being an employer (Form 4)	198	197	0	395	69.42
No longer liable under the Act	10	6	0	16	2.81
Number of employee <10	33	71	3	107	18.10
Company merged with other company (Form 4)	19	31	1	51	8.96
Total	**260**	**305**	**4**	**569**	**100.0**

Table 5
Number of Deregistration of Employers for Five Consecutive Years (2014 - 2018)

Year	Employers Deregistered	%
2014	167	(29.54)
2015	213	27.54
2016	342	60.56
2017	225	(34.21)
2018	569	152.89

UP-SKILLING AND RE-SKILLING INITIATIVES

HRDF encourages its registered employers to retrain and upgrade the skills of their local employees, apprentices and trainees to drive their respective business and operational growth. Over the years, HRDF has introduced various initiatives to fulfil this aim.

HRDF TRAINING SCHEMES

The HRDF Training Schemes were introduced with the aim of promoting and allowing registered employers to implement training programmes based on identification of their own training needs to retrain and upgrade their employees' skills in line with their operational and business requirements. In 2018, a total of 10 schemes were implemented, as provided below.



For the setup of internal training facilities

- Training Facilities and Renovation (ALAT)
- Information Technology
- Computer Based Training Scheme



For future workers' training

- Industrial Training (ITS)
- Future Workers' Training (FWT)

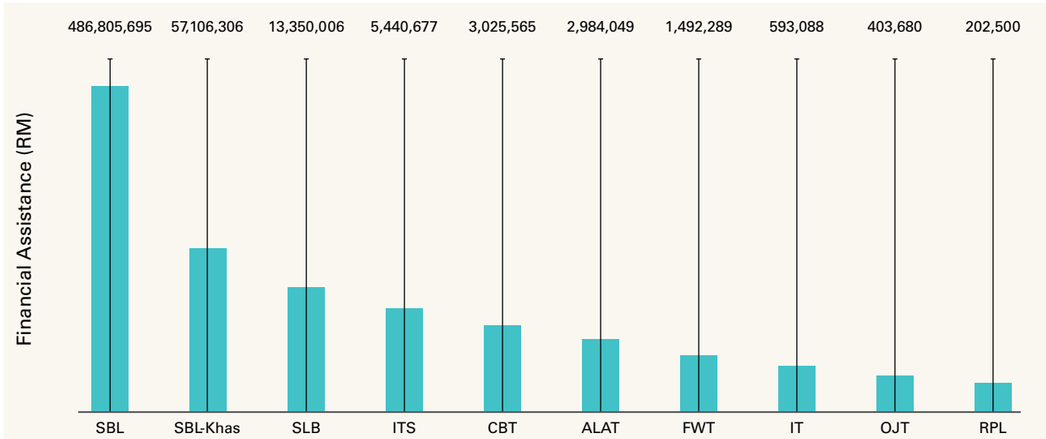


For the up-skilling and re-skilling of employees

- Training Assistance Scheme (SBL)
- Special Training Assistance Scheme (SBL-Khas)
- Joint Training (SLB)
- On-The-Job (OTJ) Training
- Recognition of Prior Learning (RPL)

Report on Approved Financial Assistance and Training Places for HRDF Training Schemes for the Year 2018

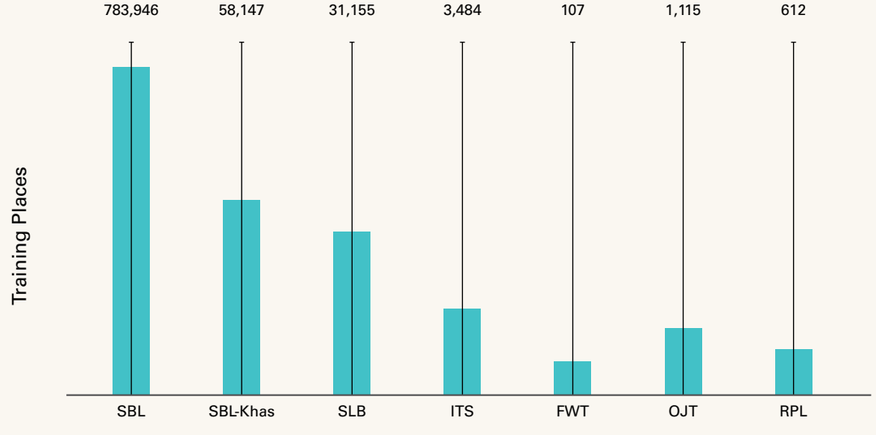
Chart 2
Approved Financial Assistance - By Scheme for the Year 2018



Note: Excluding OTEP (incentive), FWT (incentive) and Strategic Initiatives

Figures in Chart 2 are the Financial Assistance approved for 10 schemes offered by HRDF. The total Financial Assistance for 2018 was RM572 million and the chart illustrates that the SBL scheme continues to be the highest scheme compared to other schemes with a total Financial Assistance of RM487 million.

Chart 3
Approved Training Places - By Scheme for the Year 2018



Note: Excluding OTEP (incentive), FWT (incentive) and Strategic Initiatives

In line with the approved Financial Assistance shown in Chart 2, the number of approved Training Places shown in Chart 3 also indicates the SBL scheme is the highest contributor towards the 783,946 approved Training Places.

Based on the data reported for the year 2018 in Table 6, the Manufacturing sector had the highest number of approved Training Places with 448,747 training places.

Table 6

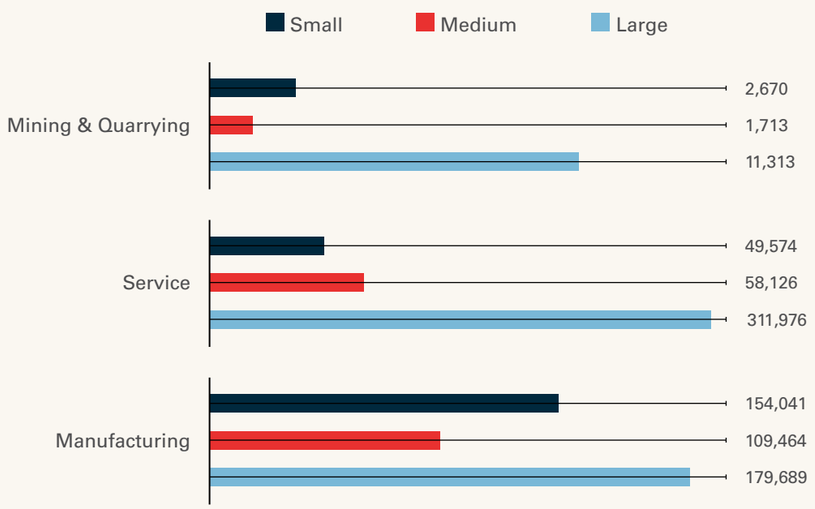
Approved Training Places and Total Number of Registered Employers - By Industry for the Year 2018

Sector	Training Places*	%	No. of Registered Employers	Average Training Places Per Employer
Manufacturing	448,747	51.4	11,145	40
Services	417,245	47.8	14,927	28
Mining & Quarrying	7,363	0.8	209	35
Grand Total	**873,355**	**100.0**	**26,281**	**103**

**Note: FWT, SBL, SBL-Khas & SLB schemes only*

Chart 4

Approved Training Places - By Sector and Size of Employer for the Year 2018



Note: Excluding OTEP (incentive), FWT (incentive) and Strategic Initiatives

Table 7

Approved Training Places - By Skill Areas for the Year 2018

Skills	Total	
	Training Places	%
Safety and Health	164,209	18.80
Quality and Productivity	91,683	10.50
Team Building or Motivation	90,334	10.34
Management or Strategic Management	76,616	8.77
Computer or Information and Technology	48,965	5.61
Education or Training	33,775	3.87
Audit or Tax	32,608	3.73
Engineering	29,186	3.34
Process and Operation	26,436	3.03
Human Resources	25,767	2.95
Supervisory	23,490	2.69
Public Relations or Customer Services	22,628	2.60
Maintenance or System and Control	20,147	2.31
Food and Beverages	20,112	2.30
Marketing and Sales	18,676	2.14
Journalist/Publishing/Communication/Media	18,466	2.11
Manufacturing or Production	18,203	2.08
Medical or Healthcare	17,602	2.02
Accounting or Finance	16,386	1.88
Legal and Law	14,377	1.65
Retail or Merchandising	12,248	1.40
Security or Armed Forces	9,067	1.04
Language	7,407	0.85
Creativity and Innovation	6,546	0.75
Administration or Clerical	6,466	0.74
Purchasing/Logistics/Supply Chain	5,425	0.62
Hotel or Tourism	4,254	0.49
Research and Development	2,295	0.26
Actuarial or Statistics	2,197	0.25
Aviation	1,977	0.23
Ship or Maritime Handling	1,794	0.20
New or High Technology	1,315	0.15
Creative Design	1,244	0.14
Biotechnology or Chemistry	1,064	0.12
Port Management	390	0.04
Grand Total	**873,355**	**100.0**

Note: According to Skill Areas for FWT, SBL, SBL-Khas & SLB

From the approved Training Places by skill areas for the Year 2018, Safety and Health was the most preferred with 164,209 approved Training Places or 18.80 per cent of 873,355 approved Training Places. The second highest was Quality and Productivity, which recorded 91,683 or 10.50 per cent; followed by Team Building or Motivation, which saw 90,334 approved Training Places or 10.34 per cent. Detailed information is shown in Table 7.

Table 8
Approved Training Places - By 63 Sub-Sectors for the Year 2018

Sub-Sectors	Training Places	%
Manufacturer of Electrical Machinery, Apparatus Appliances and Supplies	144,054	16.50
Food Manufacturing and Beverage Industries	49,547	5.67
Hotel Industry	40,775	4.67
Private Institution of Higher Learning	39,577	4.53
Manufacturer of Industrial Chemicals and Other Chemical Products	35,273	4.04
Hypermarket/ Supermarket/ Departmental Store	33,754	3.86
Non-Ferrous Metal Basis Industries and Fabricated Metal	33,497	3.84
Private Hospital	32,999	3.78
Telecommunication	32,593	3.73
Computer Industry	31,543	3.61
Manufacturer of Plastics Products	29,904	3.42
Manufacturer of Transport Equipment	29,762	3.41
Engineering Support and Maintenance	26,582	3.04
Manufacturer of Rubber Products	19,822	2.27
Land Transport	18,691	2.14
Postal	16,845	1.93
Manufacturer of Non-Metallic Mineral Products	16,357	1.87
Manufacturer of Machinery Except Electrical	16,352	1.87
Freight Forwarder	15,972	1.83
Food and Beverage Services	15,090	1.73
Iron and Steel Basic Industries	14,056	1.61
Sale and Repair of Motor Vehicles	12,798	1.47
Power (Energy)	12,583	1.44
Printing, Publishing and Allied Industries	10,746	1.23
Air Transport	10,174	1.16
Security Firms	9,175	1.05
Manufacturer of Paper and Paper Products	8,853	1.01
Manufacturer of Textiles and Wearing Apparel, Except Footwear	8,342	0.96
Petroleum Refineries	8,314	0.95
Manufacturer of Professional and Scientific and Measuring and Controlling Equipment N.E.C. and of Photographic and Optical Goods and Other Manufacturing Industry	7,223	0.83
Water Treatment and Supply	7,222	0.83
Training Provider	6,717	0.77

Table 8
Approved Training Places - By 63 Sub-Sectors for the Year 2018 (continued)

Sub-Sectors	Training Places	%
Manufacturer of Wood and Wood Products and Cork, Except Furniture	6,041	0.69
Franchise	5,701	0.65
Building and Landscape Services	5,018	0.57
Port Services	4,796	0.55
Petroleum and Gas Extraction	4,734	0.54
Manufacturer of Furniture and Fixtures Except Primarily of Metal	4,378	0.50
Shipping	4,306	0.50
Waste Management and Material Recovery Services	4,300	0.49
Advertising	3,945	0.45
Direct Selling	3,872	0.44
Information Services	3,203	0.37
Research and Development	3,019	0.35
Manufacturer of Glass and Glass Products	2,926	0.34
Private Broadcasting Services	2,777	0.32
Mineral and Stone Quarry	2,629	0.30
Early Childhood Education	2,330	0.27
Production of Motion Picture, Video and Television Programme, Sound Recording and Music Publishing	2,278	0.26
Travel Agency - Outbound	2,146	0.25
Manufacturer of Leather and Products of Leather, Leather Substitutes and Fur, Except Footwear and Wearing Apparel	1,481	0.17
Gas, Steam and Air-Conditioning Supply	1,334	0.15
Health Support Services	1,325	0.15
Sewerage	1,051	0.12
Event Management Services	902	0.10
Bonded Warehouse	867	0.10
Tobacco Manufacturers	671	0.08
Manufacturer of Miscellaneous Products of Petroleum and Coal	623	0.07
Travel Agency - Inbound	496	0.06
Driving School	477	0.05
Manufacturer of Pottery, China and Earthenware	310	0.04
Manufacturer of Footwear, Except Vulcanised or Moulded Rubber or Plastics Footwear	215	0.02
Veterinary Services	12	0.001
Grand Total	**873,355**	**100.0**

Note: FWT, SBL, SBL-Khas & SLB Schemes for Training Places

In 2018, the Manufacturer of Electrical Machinery, Apparatus Appliances and Supplies sub-sector was the most active sub-sector to retrain and upgrade workers' skills. A total of 144,054 Training Places were approved for industries in the sub-sector. The Food Manufacturing and Beverage Industries sub-sector was the second most active with 49,547 Training Places. The third most active sub-sector was the Hotel Industry, where the total number of approved Training Places was 40,775. Detailed information is shown in Table 8.

Table 9
Approved Financial Assistance and Levy Collected - By Size of Employer for the Year 2018

Industry/Employers	Financial Assistance (RM Million)	%	Levy Collection (RM Million)	Difference (Levy Collection - Financial Assistance)
Large	336.85	58.0	429.85	93.00
Small & Medium	236.02	41.1	375.87	139.85
Grand Total	**572.87**	**100.0**	**805.72**	**232.85**

Note: Excluding Strategic Initiatives

During the year, a total levy amount of RM429.85 million was collected from large employers while RM375.87 million was from SME employers. In relation to this, large employers received Financial Assistance of RM336.85 million, close to 18 per cent more than SMEs which received RM236.02 million. The Financial Assistance shown above does not include Consolidated Fund.

Table 10
Approved Financial Assistance - By Skill Areas for the Year 2018

Skills	Financial Assistance (RM)	%
Safety and Health	77,755,903	13.92
Management or Strategic Management	57,766,923	10.34
Team Building or Motivation	49,966,462	8.94
Computer or Information and Technology	44,093,286	7.89
Quality and Productivity	41,379,934	7.41
Engineering	40,114,424	7.18
Audit or Tax	19,883,711	3.56
Maintenance or System and Control	19,785,934	3.54
Process and Operation	18,882,156	3.38
Human Resources	18,693,734	3.35
Education or Training	17,357,582	3.11
Marketing and Sales	17,156,859	3.07
Supervisory	13,982,157	2.50
Manufacturing or Production	13,623,883	2.44
Accounting or Finance	12,980,231	2.32
Medical or Healthcare	12,530,033	2.24
Journalism or Publishing or Communication or Media	11,158,546	2.00
Public Relations or Customer Services	9,999,707	1.79
Security or Armed Forces	8,655,898	1.55
Legal and Law	7,458,341	1.33
Purchasing or Logistics or Supply Chain	5,839,048	1.05
Creativity and Innovation	5,263,979	0.94
Food and Beverages	4,924,650	0.88
Language	4,359,935	0.78
Retail or Merchandisingn	4,199,821	0.75
Administration or Clerical	4,038,440	0.72
Ship or Maritime Handling	3,376,628	0.60
New or High Technology	2,556,493	0.46
Research and Development	2,147,506	0.38
Hotel or Tourism	1,980,599	0.35
Actuarial or Statistics	1,976,265	0.35
Creative Design	1,592,512	0.29
Biotechnology or Chemistry	1,415,158	0.25
Aviation	1,368,324	0.24
Port Management	487,034	0.001
Grand Total	**558,754,296**	**100.0**

Note: According to Skill Areas for FWT, SBL, SBL-Khas & SLB

In the data shown for approved Financial Assistance, Safety and Health also emerged as the most preferred skill area among employers for Year 2018. A total of RM77,755,903 of Financial Assistance was approved or 13.92 per cent; while Management or Strategic Management recorded RM57,766,923 or 10.34 per cent, the second highest approved Financial Assistance.

Table 11
Approved Financial Assistance - By 63 Sub-Sectors for the Year 2018

	Financial Assistance (RM)	%
Manufacturer of Electrical Machinery, Apparatus Appliances and Supplies	82,686,059	14.80
Computer Industry	38,631,149	6.92
Telecommunication	32,281,764	5.78
Food Manufacturing and Beverage Industries	26,866,332	4.81
Manufacturer of Industrial Chemicals and Other Chemical Products	21,673,983	3.88
Engineering Support and Maintenance	20,896,271	3.74
Power (Energy)	20,146,667	3.61
Private Institution of Higher Learning	19,927,699	3.57
Private Hospital	18,976,088	3.40
Hotel Industry	18,818,692	3.37
Non-Ferrous Metal Basis Industries and Fabricated Metal	18,492,492	3.31
Manufacturer of Transport Equipment	15,764,020	2.82
Manufacturer of Plastics Products	14,767,074	2.64
Hypermarket/ Supermarket/ Departmental Store	13,026,885	2.33
Petroleum Refineries	11,169,866	2.00
Manufacturer of Rubber Products	11,022,107	1.97
Petroleum and Gas Extraction	10,535,677	1.89
Freight Forwarder	10,270,980	1.84
Manufacturer of Non-Metallic Mineral Products	10,079,901	1.80
Manufacturer of Machinery Except Electrical	8,965,171	1.60
Sale and Repair of Motor Vehicles	8,931,603	1.60
Land Transport	8,265,809	1.48
Iron and Steel Basic Industries	8,116,431	1.45
Security Firms	7,004,765	1.25
Food and Beverage Services	6,850,954	1.23
Air Transport	6,680,497	1.20
Printing, Publishing and Allied Industries	6,056,823	1.08
Shipping	5,804,195	1.04
Postal	5,605,895	1.00
Training Provider	5,547,007	0.99
Manufacturer of Paper and Paper Products	4,440,414	0.79
Manufacturer of Textiles and Wearing Apparel, Except Footwear	4,177,445	0.75
Manufacturer of Wood and Wood Products and Cork, Except Furniture	4,105,043	0.73
Manufacturer of Professional and Scientific and Measuring and Controlling Equipment N.E.C. and of Photographic and Optical Goods and Other Manufacturing Industry	3,977,567	0.71
Water Treatment and Supply	3,755,561	0.67
Port Services	3,719,952	0.67
Mineral and Stone Quarry	3,626,913	0.65

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Table 11
Approved Financial Assistance - By 63 Sub-Sectors for the Year 2018 (continued)

	Financial Assistance (RM)	%
Direct Selling	3,192,968	0.57
Building and Landscape Services	3,160,965	0.57
Advertising	3,029,291	0.54
Information Services	3,005,190	0.54
Manufacturer of Furniture and Fixtures Except Primarily of Metal	2,800,438	0.50
Franchise	2,560,024	0.46
Waste Management and Material Recovery Services	2,324,492	0.42
Research and Development	2,255,043	0.40
Private Broadcasting Services	2,162,209	0.39
Travel Agency - Outbound	1,731,026	0.31
Manufacturer of Glass and Glass Products	1,561,570	0.28
Production of Motion Picture, Video and Television Programme, Sound Recording and Music Publishing	1,341,141	0.24
Early Childhood Education	1,315,224	0.24
Sewerage	950,082	0.17
Gas, Steam and Air-Conditioning Supply	807,351	0.14
Health Support Services	805,435	0.14
Manufacturer of Miscellaneous Products of Petroleum and Coal	782,998	0.14
Manufacturer of Leather and Products of Leather, Leather Substitutes and Fur, except Footwear and Wearing Apparel	604,114	0.11
Event Management Services	596,849	0.11
Bonded Warehouse	581,487	0.10
Travel Agency - Inbound	365,751	0.07
Manufacturer of Pottery, China and Earthenware	318,915	0.06
Driving School	298,830	0.05
Tobacco Manufacturers	285,295	0.05
Manufacturer of Footwear, except Vulcanised or Moulded Rubber or Plastics Footwear	107,213	0.02
Veterinary Services	16,794	0.003
Grand Total	**558,626,446**	**100.0**

In 2018, the industry with the highest approved Financial Assistance was the Manufacturer of Electrical Machinery, Apparatus Appliances and Supplies, with RM82.69 million approved Financial Assistance, representing 14.8 per cent of the total Financial Assistance granted in 2018. This was followed by the Computer Industry with RM38.63 million (6.92 per cent) and the Telecommunication Industry at RM32.28 million (5.78 per cent). Detailed information is shown in Table 11.

HUMAN CAPITAL STRATEGIC INITIATIVES

The Human Capital Strategic Initiatives introduced by HRDF is aimed at contributing towards the national human capital agenda of creating a skilled Malaysian workforce. These initiatives were:

1) Industry Based Certification (INBASE)
2) HRDF Outplacement Centre (HOC)
3) Train and Replace (T&R)
4) Graduates Enhancement Programme for Employability (GENERATE)
5) Rural Accelerated Industry Skills for Employability (RAISE)
6) Recognition of Prior Experiential Learning (RPEL)

1) INDUSTRY BASED CERTIFICATION PROGRAMME (INBASE)

The Industry Based Certification (INBASE) Programme was introduced to cater to the critical training needs of HRDF-registered employers (addressed through employer associations) to elevate employees in the industry value chain. All courses offered are certification or industry-based courses as required by the respective industries.

Under INBASE, HRDF championed several key initiatives that propelled the Malaysian workforce to be globally competitive. INBASE's initiatives were based on three clusters - Industry Facilitation; Industry Development; and Supporting Economic Corridors. The approved initiatives were:

a. **Industry Revolution 4.0 (IR4.0)**
As we move towards adopting IR4.0, HRDF collaborated with key industry players to promote specific training initiatives to equip the Malaysian workforce with relevant technological skills and knowledge.

b. **National Big Data & Analytics Talent Development Programme**
The 28th MSC Malaysia Implementation Council Meeting (ICM) allocated 30 per cent of HRDF's consolidated fund to support the Data Science and Data Professional Training programmes from 2017 to 2020. The four-year plan was expected to bolster the government's aspiration of producing 20,000 data professionals and 2,000 data scientists by 2020.

c. **Internet Protocol Version 6 (IPv6)**
HRDF implemented its own strategic initiative known as HRDF's Internet Protocol Version 6 (IPv6). This initiative benefitted HRDF-registered employers and supported the nation's transition from IPv4 to IPv6 to meet the rapid rising demand of broadband network and Internet users.

d. **Electrical & Electronics (E&E) Strategic Initiatives**
HRDF acknowledged that the E&E industry in Malaysia focuses on deepening and strengthening three major ecosystems – semiconductors; solar; and LED technologies. As such, HRDF allocated financial assistance to certify Malaysian employees through relevant E&E courses, enabling these employees to move up the value chain in design and development.

e. **Enhanced Capability Programmes for Logistics Service Providers (supported by the Ministry of Transport)**
HRDF recognised the logistic industry's vital role in global supply chains and its significance in stimulating trade, facilitating business efficiency as well as spurring economic growth. In its effort to strengthen technology and human capital in the industry, HRDF allocated financial assistance through the National Logistics Task Force that was established by the Ministry of Transport to drive the implementation of the Logistics and Trade Facilitation Master Plan.

f. **Supporting the National Development Corridor**
HRDF continued to play its part in catalysing the nation's income growth through supporting the various initiatives by the government, namely the National Development Corridor. We collaborated with various employer associations to offer certification courses to our registered employees of the five regional economic corridors - Iskandar Malaysia; Northern Corridor Economic Region; East Coast Economic Region; Sarawak Corridor of Renewable Energy; and Sabah Development Corridor. Our collaborations ensured the development of local human capital in these regional corridor developments to propel national economic growth.

In 2018, a total of 174 courses were approved under INBASE in collaboration with 67 employer associations. Financial assistance of RM41,047,405 for a total of 3,129 trainees was approved as shown in Table 12 below.

Table 12
Details of Allocation, Financial Assistance and Trainees based on Initiatives

Items	Total(RM)
Training Courses Approved	174
Employer Associations	67
Trainees Approved	3,129
Financial Assistance Approved	41,047,405

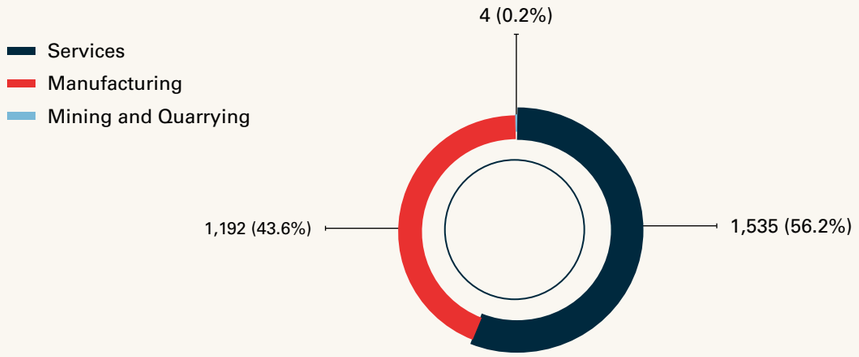
The trainees were divided into two: in-service workers and future workers. Out of 3,129 trainees, 2,648 trainees were employees of HRDF-registered employers with RM33,397,347 of total financial assistance approved, while 83 were employees of industries covered under HRDF with total financial assistance approved of RM389,400 and 398 were future workers with RM7,260,657 financial assistant approved. The details are as follows:

Table 13
Details of Trainees of HRDF and Industry Covered

Type of Trainees	Trainees of HRDF & Industry Covered	Trainees	%	Total Financial Assistance Approved (RM)	%
In-Service Employees	Employees of HRDF Registered Employers	2,648	84.6	33,397,347	81.4
	Employees of industry covered under HRDF	83	2.7	389,400	0.9
Future Workers	Future Workers	398	12.7	7,260,657	17.7
Total		**3,129**	**100.0**	**41,047,404**	**100.0**

There were a total of 2,731 in-service employees from the Services, Manufacturing as well as Mining and Quarrying industries. A total of 56.2 per cent of the trainees were from the Services industry while 43.6 per cent were from the Manufacturing industry and 0.2 per cent was from the Mining and Quarrying industry as shown in Chart 5 below.

Chart 5
Details of In-service Employees - By Type of Industry



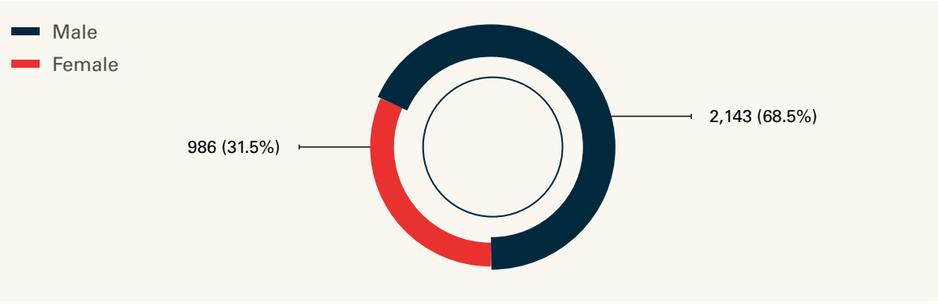
The number of trainees approved based on employer location are shown in Table 14. The highest percentage of trainees worked in Selangor, with 38.7 per cent, followed by Kuala Lumpur with 20.4 per cent.

Table 14
Details of Trainees Approved Based on Employer Location

Location	Number of Trainees	%
Selangor	1,058	38.7
Kuala Lumpur	555	20.4
Pulau Pinang	480	17.6
Sarawak	205	7.5
Perak	85	3.1
Negeri Sembilan	82	3.0
Sabah	72	2.6
Johor	65	2.4
Kedah	56	2.1
Melaka	55	2.0
Terengganu	7	0.3
Pahang	6	0.2
Kelantan	4	0.1
Perlis	1	0.0
Total	**2,731**	**100.0**

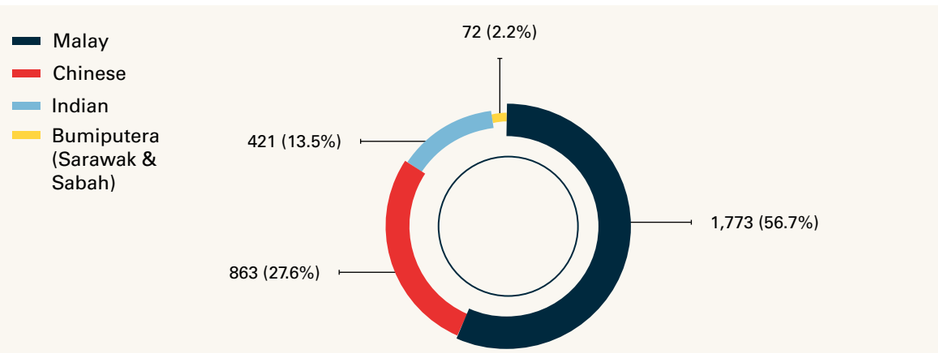
In terms of gender distribution, majority of the trainees who participated under the programme were male (68.5 per cent) while 31.5 per cent were female. The breakdown of gender distribution is shown in Chart 6 below.

Chart 6
Details of Trainees Participated - By Gender



In terms of ethnic distribution, Malays made up the most trainees, comprising 56.7 per cent or 1,773 trainees, followed by Chinese, who made up 863 (27.6 per cent) trainees while 421 Indians (13.5 per cent) participated in the programme. The remaining 2.2 per cent or 72 trainees were Bumiputera from Sarawak and Sabah. The breakdown of ethnic distribution is shown in Chart 7 below.

Chart 7
Details of Trainees Participated - By Ethnic



Based on the Top Five skill areas, Computer or Information and Technology recorded the highest participation with 828 trainees (26.5 per cent); followed by Engineering, (665 trainees or 21.3 per cent); and Purchasing or Logistic or Supply Chain (556 trainees or 17.8 per cent). The details of trainees approved based on Top 5 skill areas are as follows:

Table 15
Details of Trainees Approved based on Top 5 Skill Areas

Top 5 Skill Areas	Number of Trainees	%
Computer or Information and Technology	828	26.5
Engineering	665	21.3
Purchasing/Logistic/Supply Chain	556	17.8
Others	542	17.2
Actuarial or Statistics	315	10.1
Safety and Health	223	7.1
Total	**3,129**	**100.0**

2) HRDF OUTPLACEMENT CENTRE (HOC)

The HRDF Outplacement Centre (HOC) was a government initiative to enhance the employability of retrenched Malaysian workers. This is in line with one of the measures of the 11th Malaysia Plan, which was to empower human capital through a quality workforce and improved its employability.

Besides being a one-stop centre for retrenched Malaysian workers to gain employment, HOC also assisted these workers through up-skilling, re-skilling and multi-skilling as well as counselling, planning and preparing them for job placement.

The following services were offered by the HOC:

a. **Job Portal and Mobile Applications** - An informative portal developed to help the target demographics (retrenched Malaysian employees from both HRDF-registered and non-HRDF-registered employers) to gain updated information on retrenchment issues and to act as a platform for employment opportunities. HOC also introduced its mobile application for users to receive updates on retrenchment and employment to help them with their re-employment planning.

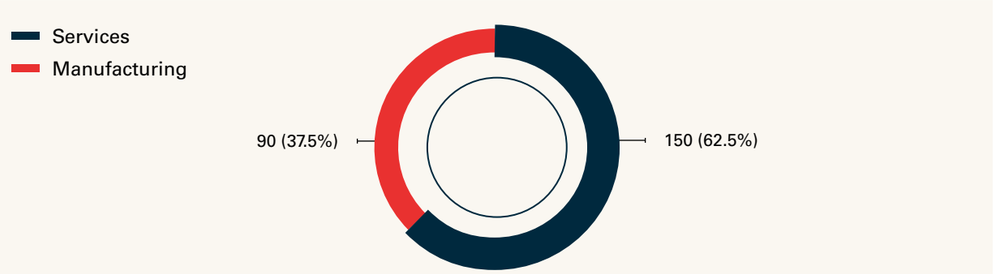
b. **Counselling** – HOC's counsellors offered systematic and professional counselling services to help retrenched workers overcome trauma, conduct self-assessment, define career goals and identify skill gaps for new employment opportunities. Its counsellors also ensured suitable job placements for retrenched workers.

c. **Job Placement** – HOC's Job Portal is the main job placement platform accessible by retrenched Malaysian workers for job placement, where employers can advertise job vacancies to the market. HOC's Job Placement Team guided and assisted applicants to acquire job opportunities through collaboration with employers, public and private employment agencies as well as through job advertisements in local print and electronic media.

d. **Training** - This service was extended only to retrenched workers of HRDF-registered employers. Types of courses offered under HOC focused on up-skilling and re-skilling; meeting the needs of the industry and matching the skills required for specific jobs available in the market. Training or courses enhanced the employability of these affected workers and skills' gap assessments were performed on the target demographic to determine the relevancy of training courses with available potential jobs.

240 retrenched workers from three HRDF-registered companies who underwent retrenchment exercises benefitted from HOC in 2018. Of the total, the highest number of retrenched workers was from the Manufacturing sector with 150 workers or 62.5 per cent; followed by the Services industry (90 workers or 37.5 per cent). Details are as per Chart 8 below.

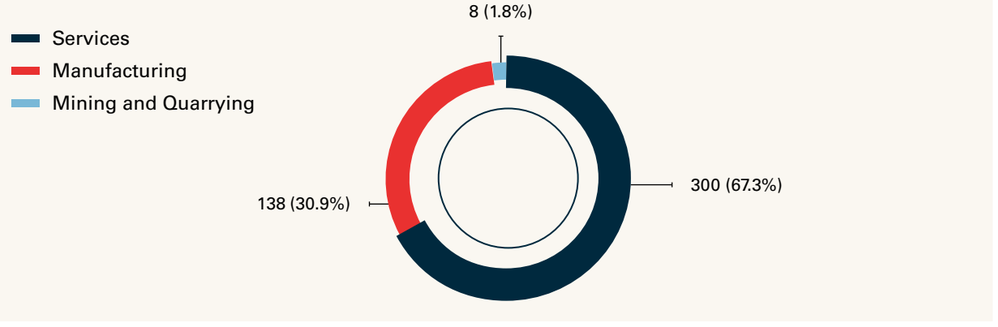
Chart 8
Retrenched Workers - By Industry



In 2018, the HOC team conducted two seminars and several other outreach activities, which garnered the registration of 1,041 retrenched workers on the HOC portal. Additionally, 1,444 vacancies were posted by 111 employers on HOC's portal. A total of 1,131 vacancies from 157 employers were identified through HOC's engagement and visitations with employers.

From the 1,041 workers, HOC conducted counselling sessions for 446 retrenched workers either through email, phone call or face-to-face meetings. Chart 9 below shows the number of counselling sessions conducted according to the various industries.

Chart 9
Number of Counselled Retrenched Workers - By Industry



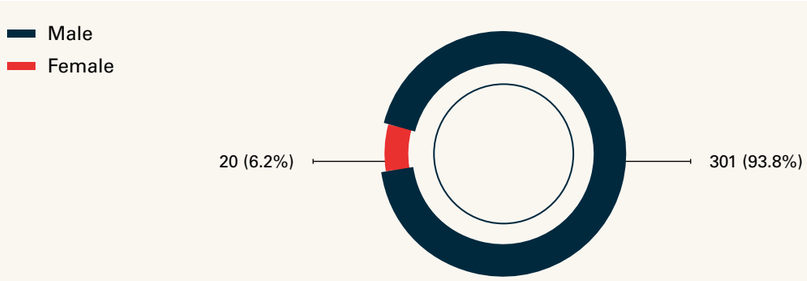
Based on Chart 9 above, the highest number of counselling sessions conducted was for the Services industry (300 retrenched workers or 67.3 per cent); followed by the Manufacturing industry (138 retrenched workers or 30.9 per cent); and the Mining and Quarrying industry (8 retrenched workers or 1.8 per cent).

HRDF allocated RM65 million from its consolidated fund to support training initiatives for retrenched workers from HRDF-registered employers or industries covered under the PSMB Act 2001. With various counselling sessions, HRDF was able to identify skill gaps, conduct specific training courses and assisted with job placements for employees affected by retrenchment with HRDF-registered employers or employers from industries covered by the Act.

Since 2016, HRDF approved a total of 3,965 trainees for HOC's initiatives. In 2018, HRDF continued with these initiatives by approving the participation of 321 retrenched workers for 21 courses with financial assistance amounting to RM4,444,640.

In terms of gender distribution, 93.8 per cent or 301 trainees were male, a huge contrast against the number of female trainees, which saw only 20 participants or 6.2 per cent. The breakdown of gender distribution is as per Chart 10 below.

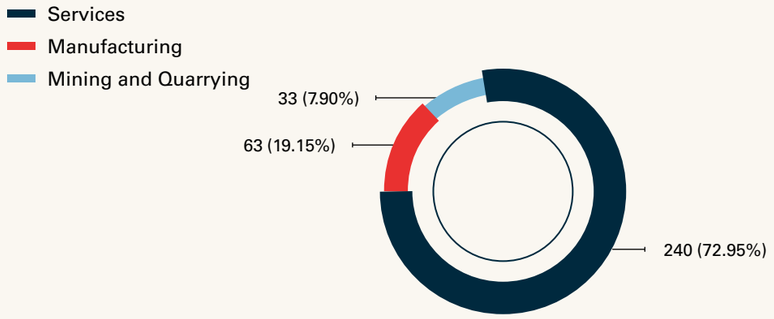
Chart 10
Total Trainees Approved - By Gender



The government successfully placed all 321 trainees in gainful employment through HRDF's HOC.

The details of job placements according to industries are shown in Chart 11 below.

Chart 11
Total Job Placement Based on Industries



PERFORMANCE REVIEW 2018

3) TRAIN AND REPLACE (T&R)

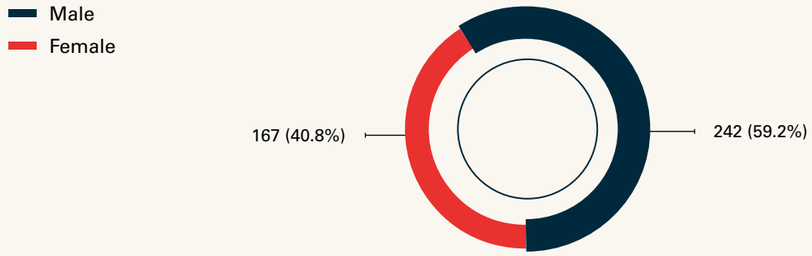
The Train and Replace (T&R) Programme was implemented in 2016 to up-skill the future Malaysian workforce to replace existing foreign workers in the country. The programme enabled HRDF-registered employers, who planned to replace their existing foreign workers with Malaysian workers, to apply for financial assistance from the Fund to train future local workers for specific positions or skill-sets.

These employers collaborated with HRDF-registered training providers or engaged their internal trainers to offer the relevant courses for which the maximum duration of training was 12 months.

A total of RM25 million was allocated from HRDF's consolidated fund from 2016 to 2018 with a total of 1,908 trainees benefitting from this programme. In 2018, a total of 409 trainees were approved with a total financial assistance of RM4.4 million.

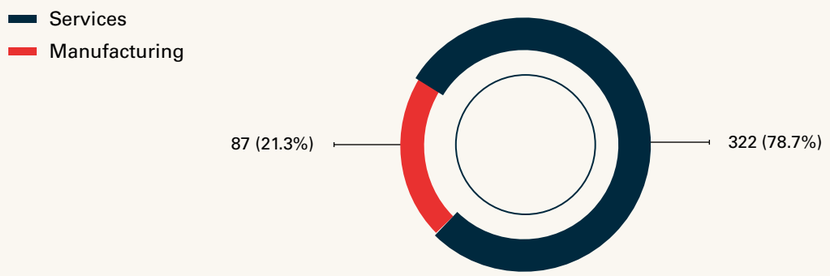
For year 2018, the majority of trainees who participated in this programme were male (242 trainees) while 167 of these trainees were female. The breakdown is as per Chart 12 below.

Chart 12
Total Trainees Approved - By Gender



All the 409 trainees were meant to replace foreign workers in the Services and Manufacturing industries. A total of 322 trainees were placed in the Services industry and 87 trainees placed in the Manufacturing industry. The details are shown in Chart 13 below.

Chart 13
Total Trainees Approved - By Industries



The number of trainees approved based on the location of employers are shown in Table 16. Overall, 72.6 per cent of the trainees were from Selangor; followed by Perak (21.3 per cent); and Kuala Lumpur (6.1 per cent).

Table 16
Total Trainees Approved - By Training Location

Location	Number of Trainees	%
Selangor	297	72.6
Kuala Lumpur	25	6.1
Perak	87	21.3
Total	**409**	**100.0**

4) GRADUATES ENHANCEMENT PROGRAMME FOR EMPLOYABILITY (GENERATE)

In our effort to increase the rate of employability among graduates, HRDF implemented the Graduates Enhancement Programme for Employability (GENERATE). GENERATE's objectives were to equip, develop and assist unemployed graduates with:

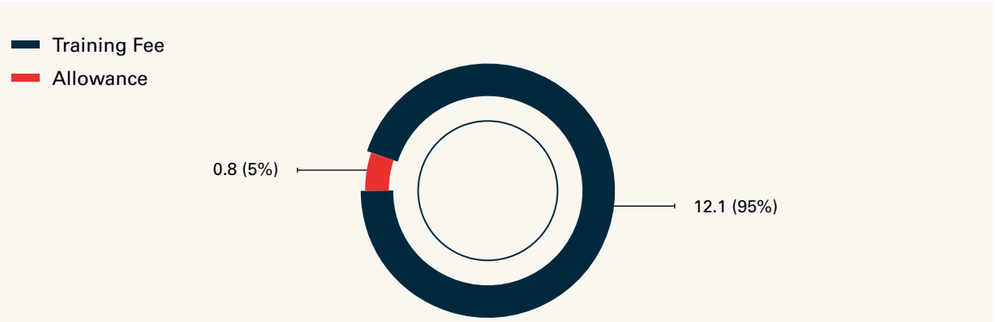
- high-end skills and competencies that are required by industries;
- relevant working experience;
- exploring new career paths; and
- job placements.

GENERATE enabled HRDF-registered employers or employer associations to apply for financial assistance from the Fund to train unemployed graduates for high-value jobs that offered a starting salary from RM2,000 and above (diploma holders) to RM3,000 or more (degree holders).

The programme - which was allocated RM55 million from HRDF's consolidated fund and RM25 million from the Government - offered courses which were required by employees to be gainfully employed in the country's key economic development corridors.

A total of 4,030 trainees benefitted from this programme between 2016 and December 2018. In 2018 alone, a total financial assistance of RM12 million was approved to benefit 584 unemployed graduates. The total financial assistance approved, which consists of course fee and allowance, (RM12.1 million for course fee; RM782,900 for trainees' allowances) is shown in the Chart 14 below.

Chart 14
Total Financial Assistance Approved (RM) Million



Of the 584 trainees, 396 or 67.8% obtained placement in the Services and Mining and Quarrying industries. A total of 350 trainees were placed in the Services industry while the remaining 46 trainees were offered jobs in the Mining and Quarrying industry as shown in Chart 15 below.

Chart 15
Total Trainees Approved and Job Placement by Industry

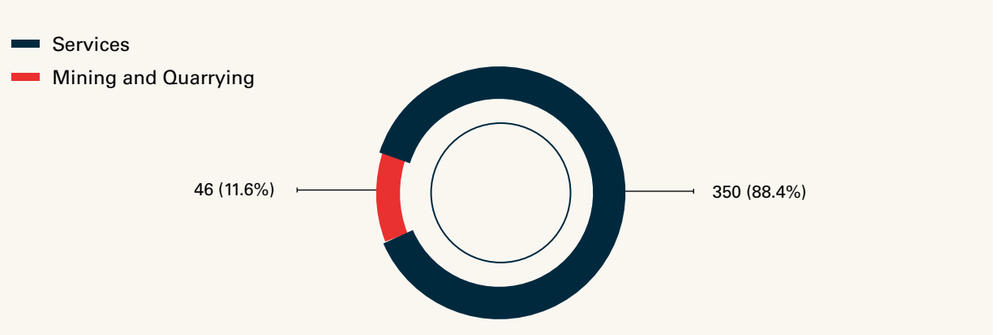
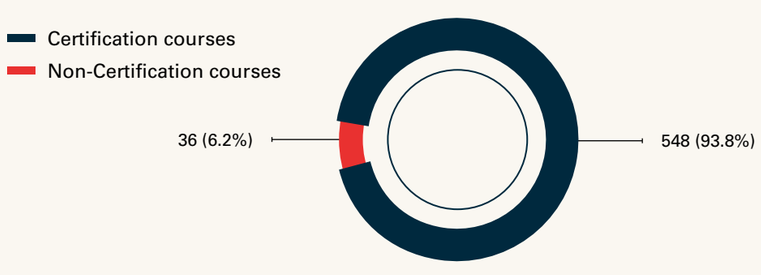


Figure 1
Total Trainees Approved - By Training Location



Figure 1 above shows the total trainees approved based on location. From the total trainees approved, Selangor had the highest percentage of trainees (188 trainees or 26.2 per cent); followed by Kelantan (175 trainees or 17.76 per cent).

Chart 16
Total Trainees - By Type of Certification



GENERATE successfully placed 67.8 per cent of its trainees in employment within six months of completion of their respective courses within the programme.

Table 17
Total Trainees Approved and Job Placement for the Year 2018

Total Trainees Approved	584
Total Job Placement (Less than 6 months)	396

5) RURAL ACCELERATED INDUSTRY SKILLS FOR EMPLOYABILITY (RAISE)

The Rural Accelerated Industry Skills for Employability (RAISE) focused on short-term intensive trainings to fulfil the acute shortage of workers in the Manufacturing and Services industries.

As one of the sub-programmes of the Future Workers Training scheme, RAISE was designed to equip rural youth aged between 16 and 25 years with the relevant skill-sets required for specific positions offered by HRDF-registered employers. Such positions offered a minimum monthly salary of RM1,000.

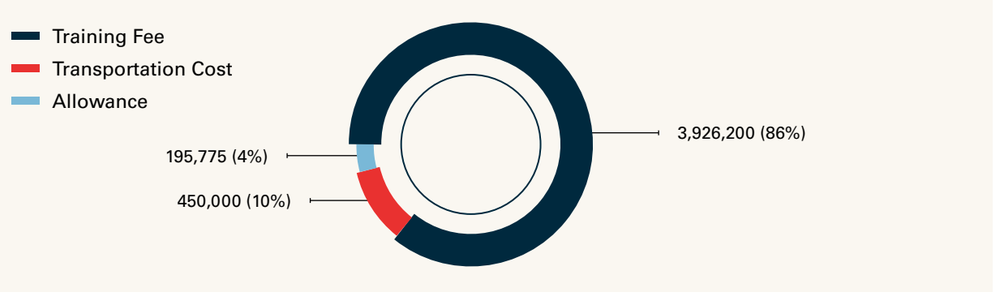
RAISE strived to:

i. Increase the supply of skilled workforce to industries through strategic partnerships with HRDF-registered employers and industries covered under the PSMB Act 2001 to support the manpower requirements of the Regional Economic Corridors.
ii. Reduce the unemployment rate, especially among rural youth, to help achieve the Government's aspiration of attaining 35 per cent skilled workforce by 2020.

A total of RM15 million was allocated from the HRDF 30 per cent Consolidated Fund for the implementation of RAISE programme. In 2018, a total of 807 rural youth were approved, involving RM4.5 million of financial assistance.

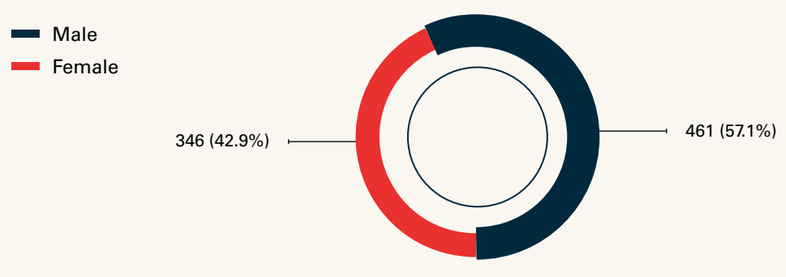
The breakdown of financial assistance approved is as follows.

Chart 17
Total Financial Assistance Approved (RM) Million



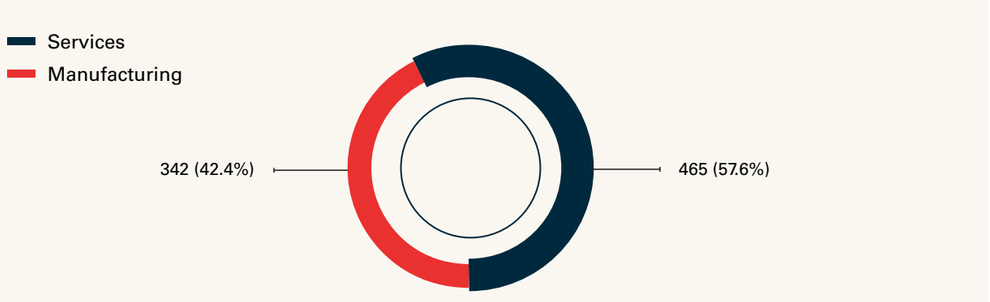
The total breakdown of trainees approved based on gender is as the chart below.

Chart 18
Total Trainees Approved - By Gender



Based on total trainees approved, 57.6 per cent were trained for placements in the Services industry and 42.4 per cent were trained for placements in the Manufacturing industry. Details are shown in Chart 19 below.

Chart 19
Total Trainees Approved - By Type of Industry



Details of approved training based on location are indicated below.

Table 18
Total Trainees Approved - By Location

Trainees Approved By Location	Number of Trainees	%
Selangor	208	25.8
Pulau Pinang	151	18.7
Kuala Lumpur	107	13.3
Perak	98	12.1
Terengganu	88	10.9
Sabah	50	6.2
Sarawak	38	4.7
Melaka	25	3.1
Johor	18	2.2
Kedah	13	1.6
Negeri Sembilan	11	1.4
Total	**807**	**100.0**

6) RECOGNITION OF PRIOR EXPERIENTIAL LEARNING (RPEL)

The Recognition of Prior Experiential Learning (RPEL) programme is aimed to give recognition and certification for technical and management skills and knowledge and experience gained through formal and informal learning. RPEL enabled trainees to get job promotions and salary increments which increased their motivation and productivity at work.

The programme targeted Malaysian workers in the Bottom 40 per cent group, who earned less than RM3,900 monthly and were in the non-skilled category or had qualifications lower than a diploma or Malaysian Skills Certificate (SKM) Level 4 or their equivalent.

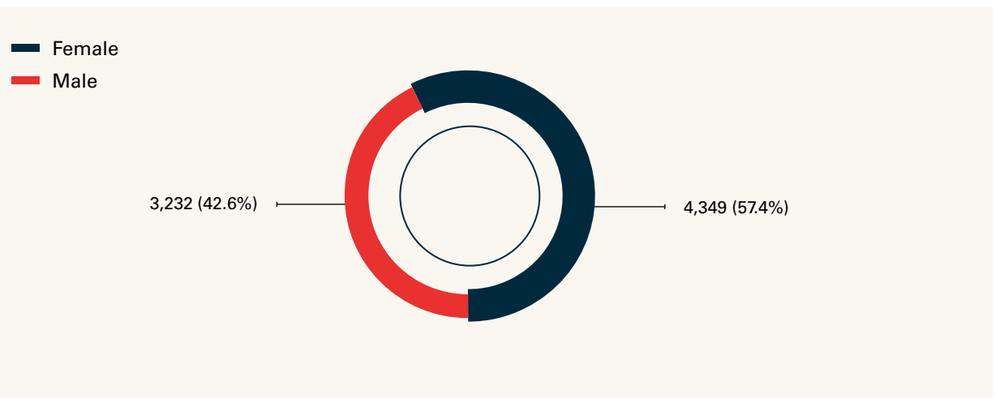
Although RPEL did not require its candidates to attend training or classes, they were given training of not more than five days if they had to prepare for a competency gap assessment.

Courses offered under RPEL were delivered through recognition of skills, knowledge and experience of workers. After assessment by the respective certifying bodies, candidates earned a paper qualification which was equal to the Malaysian Skills Certificate (SKM) Level 3, Level 4 or the Malaysian Skills Diploma (DKM) issued by the Department of Skills Development (JPK).

HRDF maintained its collaborations with the Federation of JPK Accredited Centres Malaysia (FeMAC); Silver Boundaries, the Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT), Malaysia Retail Chain Association (MRCA); and Skills Johor to implement the RPEL programme. In 2018, RPEL received RM21 million from the Government and RM14 million from HRDF's consolidated fund. A total of 7,581 trainees participated in the programme with these five appointed vendors.

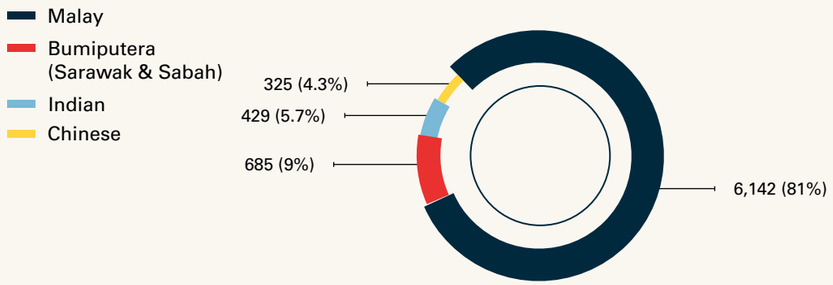
In terms of gender distribution, the majority of RPEL trainees were female (4,394 trainees or 57.4 per cent); while male trainees made up 42.6 per cent or 3,232 participants.

Chart 20
Total RPEL Trainees - By Gender



In terms of ethnic-based participation, 6,142 trainees or 81 per cent of the participants were Malays; followed by Indians (429 trainees or 5.7 per cent); and Chinese (4.9 per cent or 325 trainees). Chart 21 below illustrates the number of trainees according to ethnic groups.

Chart 21
Total RPEL Trainees - By Race



REGISTERED TRAINING PROVIDERS

Training providers are one of HRDF's main stakeholders as they deliver quality training programmes to HRDF-registered employers to meet their human capital development needs. With a total of 26,281 registered employers as of December 2018, HRDF required all its training providers to be registered so it can monitor and maintain the delivery of quality training to registered employers.

The training must produce knowledgeable and skilled workers to meet the demand of today's competitive environment. Only registered training providers are allowed to offer in-house and public programmes to employers.

Table 1 shows the total number of active training providers as of 31 December 2018 which was 3,576. Between January and December 2018, a total of 1,211 training providers registered or renewed their licenses with HRDF. Of the total, 28 training providers were rejected as they failed to meet the new application criteria. Details on changes in training premises and branch applications are shown in Table 2.

3,576
Number of Active Training Providers

116
Change of Training Premise

1
Branch Application

TRAIN-THE-TRAINER PROGRAMME

The HRDF Train-the-Trainer (TTT) programme is aimed to train managers, executives, trainers, instructors, team leaders, or individuals who aspire to deliver structured and effective training. Aside from the training delivery, TTT also encompasses a module on how best to assess the participants or TTT trainees from pre to post training.

This programme is designed to be conducted through short lectures, group discussions, presentations, role-plays, and real-life applications – all of which cater to the scope of holistic adult learning.

Table 19
Statistics on TTT Programmes Conducted in 2018

TTT Programmes / Category	No. of Training	Pax
Organised by Training Provider	149	1,357
In-House for Registered Employer	67	1003
In-House for Non-Registered Employer	30	470
Organised by HRDF	27	483
For Government Agencies (NSDC)	4	80
Total	**277**	**3,393**

STAR RATING SYSTEM FOR HRDF-REGISTERED TRAINING PROVIDERS

The HRDF Star Rating system was introduced in 2016 with the aim of ensuring continuous service improvement from the Fund's registered Training Providers.

On 6 July 2018, the Star Rating system was placed under review following feedback from Trainers and Training Providers during a Town Hall session with HRDF's Registered Training Providers in Kuala Lumpur on 7 June 2018. The review process was conducted through an online assessment survey as well as engagement sessions with Trainers and Training Providers.

Based on the results of the assessment and feedback, the Star Rating system was discontinued in February 2019. Nevertheless, HRDF continued to supervise the quality of its registered trainers and training courses.

As of 30 June 2018, a total of 1,597 training providers were rated by the Fund with the result as follows:

Star Rating	5 Star	4 Star	3 Star	2 Star	1 Star	Nil rating
Number of Training Providers	52	204	577	563	90	111

2018 STAKEHOLDER ENGAGEMENTS

HRDF continued to engage with its stakeholders in its effort to improve the development of relevant and effective initiatives while meeting the needs of employers and employees. Ultimately, it is HRDF's goal to empower individuals and organisations to realise their full potential through learning and development.

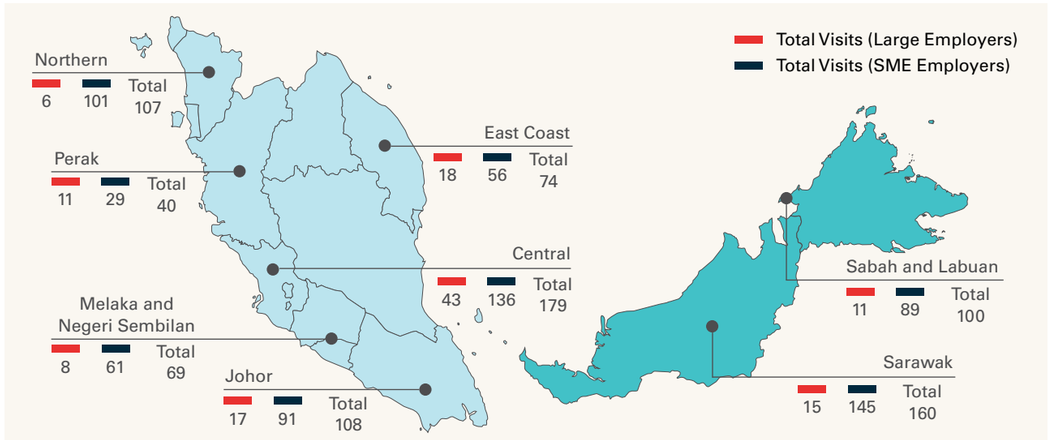
The engagement sessions enabled HRDF to obtain feedback from the stakeholders and to update registered employers on the Fund's recent developments. The engagement sessions were also held to establish trust between HRDF and its stakeholders, which included large and SME employers.

EMPLOYER VISITATION AND ENGAGEMENT ACTIVITIES

During the year, HRDF held over 800 engagement sessions with industry stakeholders to ensure continuous effectiveness and success of our initiatives.

Engagement with SME Employers		Engagement with Large Employers		Total
708	+	129	=	837

Figure 2
Employer Visitation and Engagement Activities - By States



HRDF DIALOGUES WITH REGISTERED EMPLOYERS

In 2018, HRDF held two dialogue sessions with approximately 220 registered employers in Melaka and Pahang to ensure continual engagement with employers outside of the Klang Valley.

The objectives of these dialogues were to inform the employers on HRDF's latest developments and to obtain feedback and suggestions to ensure continuous improvement in HRDF training programmes and initiatives.

Date	Venue	Attendees / Participants
16 March 2018	Zenith Hotel, Kuantan, Pahang	Approximately 100
10 April 2018	DoubleTree by Hilton Melaka	Approximately 120

CUSTOMER DAY

In 2018, HRDF organised three sessions of Customer Day in conjunction with various festive celebrations which were Chinese New Year, Hari Raya and Deepavali in Kuala Lumpur.

During the sessions, we had service counters to answer inquiries from employers, training providers, trainers as well as members of the public who were interested to know about HRDF.

We also shared information with potential employers on registering with HRDF and the levy claims process when they send their employees for training.

Through these sessions, HRDF was able to create awareness about its role as a catalyst in nation building through the development of human capital. The Customer Day also allowed HRDF to continue to create and maintain a positive relationship with its stakeholders, especially registered employers.

Date	Venue	Total Attendees / Guest
27 February 2018	Customer Day in conjunction with Chinese New Year Celebration at Wisma HRDF, Kuala Lumpur.	Approximately 250
10 July 2018	Customer Day in conjunction with Hari Raya Celebration at Wisma HRDF, Kuala Lumpur.	Approximately 250
22 November 2018	Customer Day in conjunction with Deepavali Celebration at Wisma HRDF, Kuala Lumpur.	Approximately 300

PSMB ACT 2001 BRIEFING SESSION

HRDF held several briefing sessions in 2018 to inform employers' associations in Kuala Lumpur, Pulau Pinang, Sabah and Sarawak on HRDF's plan to expand the PSMB Act 2001 to cover more employers and employees under the Act.

The briefing sessions were also a sharing platform to obtain feedback and suggestions from the industry on pertinent details with regards to the expansion of the Act.

Date	Venue
3 April 2018	The Waterfront Hotel, Kuching, Sarawak
5 April 2018	The Pacific Sutera Hotel, Kota Kinabalu, Sabah
9 April 2018	The Light Hotel, Seberang Jaya, Pulau Pinang
11 April 2018	Sunway Putra Hotel, Kuala Lumpur

TOWN HALLS

HRDF organised two town halls in 2018 for stakeholders to engage with the newly-appointed Human Resources Minister M. Kula Segaran. About 800 training providers, employer association representatives and registered employers attended the town halls held in Klang Valley.

Close to 600 training providers attended the first town hall in Bangsar South on 7 June 2018. The forum was held to inform training providers on the government's and HRDF's future direction as well as to obtain feedback from the participants on HRDF's performance across the years.

The second town hall was held at Sentul on 10 November 2018 to disclose the findings of HRDF's Governance Oversight Committee (GOC), which highlighted various issues related to the Fund's governance and mitigation efforts. About 200 representatives from employers' associations and training providers' associations as well as HRDF-registered employers were present.

Date	Town Hall	Attendees / Participants
7 June 2018	HRDF Town Hall with Registered Training Providers held at the Connexion Conference & Event Centre at Bangsar South, Kuala Lumpur	Approximately 600
10 November 2018	HRDF Town Hall with Employer Associations and Registered Employers held at the HGH Convention Centre in Sentul, Kuala Lumpur	Approximately 200

Success Story – Chandra Kunasegaran

Company: Plasform Sdn Bhd

Position: QA Supervisor

Participation in HRDF's Training Programme: Chandra has been with Plasform for ten years and faced challenges with lack of effective communication due to changes in her areas of responsibility from the Quality Department to Manufacturing and Product Management. She attended the Smart Manufacturing Programme to help mitigate some of these challenges.

In her own words: "After attending the programme, not only did I gain knowledge on my new roles and responsibilities, I also obtained the skills to effectively solve problem and communicate.

The programme I attended offered excellent theoretical and practical knowledge which served to increase my confidence and self-esteem at work, enabling me to serve Plasform better.

I urge all employers and employees, particularly those who are registered with HRDF, to participate in the Fund's skills' certification training programmes which will prove to be invaluable for their personal and professional growth.





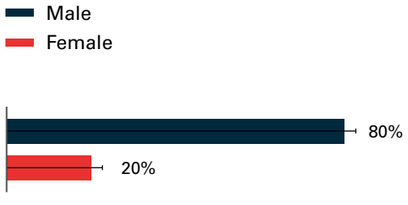
BOARD OF DIRECTORS



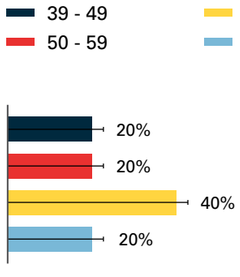
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1. **Davies Danavaindram Arputhasamy**
   Employer Representative
2. **Sia Tze Yong**
   Employer Representative
3. **Lim Eng Hock**
   Ministry of Human Resources Representative
4. **Datuk Kang Hua Keong**
   Employer Representative
5. **Dato' Raiha Azni Abd Rahman**
   Employer Representative
6. **Azah Hanim Ahmad**
   Ministry of Finance Representative
7. **Dato' Noor Farida Mohd Ariffin**
   Employer Representative
   Chairman of the Board
8. **Dato' Quah Thain Khan**
   Employer Representative
   Deputy Chairman of the Board
9. **Dato' Mohd Razali Hussain**
   Malaysian Productivity Corporation Representative
10. **Datuk Hj. Abdul Kadir M.E. Sikkandar**
    Independent Director
11. **Ras Manikkam**
    Employer Representative
12. **Govindasamy Annamalai**
    Independent Director
13. **Dato' Jeffery Tan**
    Employer Representative
14. **Lim Yoke Cheong**
    Employer Representative
15. **Elanjelian Venugopal**
    Chief Executive, Human Resources Development Fund

Gender



Age



Former Board of Directors

1. Datuk Givananadam Kalinan
2. Dato' Dr Mohd Gazali Abas
3. Rayan Anak Narong
4. Dato' Mohamed Elias Abu Bakar
5. Ganesh Kumar Bangah
6. Datuk Dr. Rose Lena Lazemi
7. Lewis Menggu @ Gabriel Kajeh Menggu
8. Sarojini Ruth Rajahser Aarons
9. Dato' CM Vignaesvaran Jeyandran
10. Lim Kah Cheng
11. Tan Sri (Dr) Ketheeswaran M. Kanagaratnam
12. Rizal Faris bin Mohideen Abdul Kader
13. Betty Hasan
14. Haji Hanafee Yusoff
15. Haji Abdul Wahab Abu Bakar
16. Dr. Hii Sui Cheng
17. Nidzam Kamarulzaman

BOARD OF DIRECTORS' PROFILE

DATO' NOOR FARIDA MOHD ARIFFIN

Employer Representative
Chairman of the Board

Nationality / Age

- Malaysian / 73

Dato' Noor Farida Mohd Ariffin received her Barrister-at-Law (Gray's Inn) from the United Kingdom. She currently sits on the Board of Aerospace Technology Systems Corp Sdn Bhd; leads the Law Reform Committee, National Council of Women's Organisations; acts as a trustee for the Women's Aid Organisation; and is a founder member of the Group 25 (G25). Dato' Farida's long and distinguished career in public service included being the Ambassador of Malaysia to the Netherlands and the Malaysian Permanent Representative to the Organisation for the Prohibition of Chemical Weapons. She also held the position of Director-General of Research, Treaties and International Law at the Foreign Ministry.

DATO' QUAH THAIN KHAN

Employer Representative
Deputy Chairman of the Board

Nationality / Age

- Malaysian / 61

Dato' Quah Thain Khan holds a Bachelor of Engineering (Honours) from Monash University, Australia and a Master in Business Administration from Cranfield School of Management, United Kingdom. He is currently the Chairman of Bikers Rental Sdn Bhd. Previously, Dato' Quah was the Group Managing Director of Hume Industries Bhd; a Board Member of Hong Leong Industries Bhd; and a Managing Director in Hong Leong Group. Additionally, he was on the Board of Lafarge Malaysia Bhd as the President and Chief Executive Officer. Dato' Quah also served on the Industry Advisory Council of Monash University Malaysia as well as on the committees of several industry and trade associations.

DAVIES DANAVAINDRAM ARPUTHASAMY

Employer Representative

Nationality / Age

- Malaysian / 73

Davies Danavaindram Arputhasamy holds a Bachelor of Arts Degree from University of Malaya and a certificate in Human Resource Management from the Malaysian Institute of Human Resource Management. He is currently the Director of Radosh Engineering and Industrial Sdn Bhd and a member of the Human Resources' Management Committee of the Federation of Malaysian Manufacturers. Previously, Davies was the Director of Human Resources at Gapsoft Non Woven Sdn Bhd and Aluminium Company of Malaysia Berhad. Additionally, he was the Assistant Director of Labour, Ministry of Human Resources.

DATO' JEFFERY TAN

Employer Representative

Nationality / Age

- Malaysian / 45

Dato' Jeffery Tan holds a Bachelor of Science in Business Management and International Business from Indiana University, Bloomington Indiana, United States of America. He is currently the Deputy Chairman of the Human Resource Committee and is a National Council Member of the Associated Chinese Chambers of Commerce and Industry of Malaysia. Previously, Dato' Jeffery was the Vice President cum Chairman of the Small Medium Enterprises and HR Committee of the Klang Chinese Chamber of Commerce and Industry and the Chief Executive Officer of Innostately Group of Companies and SMD Group of Companies.

RAS MANIKKAM

Employer Representative

Nationality / Age

- Malaysian / 62

Ras Manikkam is a Fellow Member of the Chartered Institute of Management Accountants (CIMA), United Kingdom and holds a Master in Business Administration (Finance and Marketing) from Massey University, New Zealand. Currently, he is the Director of Agile Formers Sdn Bhd. Previously, Rasamy was the Regional Managing Director of Felda IFFCO Sdn Bhd; the Chief Executive Officer of IFFCO PTY LTD (Egypt); and the Finance Director of Fonterra Brands (Dubai, United Arab Emirates). He was also the General Manager at Australasian Foods Export Ltd (New Zealand) and New Zealand Milk Products (Pacific) Ltd (New Zealand).

LIM ENG HOCK

Ministry of Human Resources Representative

Nationality / Age

- Malaysian / 60

Lim Eng Hock is the Deputy-Secretary General (Operations), Ministry of Human Resources. He holds a Master in Business Administration (Finance) from University of Wisconsin-Madison and a Master of Science and Bachelor of Science in Biology from Universiti Sains Malaysia. Previously, Lim was the Senior Deputy Director of the Remuneration Division, Public Service Department. He also held the positions of Principal Assistant Director of the Human Resource Management Information System Project Office, Public Service Department; Assistant Director of the Industrial Promotion Division, Ministry of International Trade and Industry; and Assistant Secretary of the Small Enterprise Division, Ministry of Rural and Regional Development.

DATUK KANG HUA KEONG

Employer Representative

Nationality / Age

- Malaysian / 59

Datuk Kang Hua Keong holds a Bachelor of Science in Marine Engineering from the National Taiwan Ocean University. He is currently the National President of SME Association of Malaysia and is the Board Director of SME Corp. Malaysia. Previously, Datuk Kang was a Council Member of the Employees Insurance Scheme; a sub-committee member on FX, Bank Negara Malaysia and a member of the Incubator Programme Steering Committee, Ministry of Science, Technology and Innovation. Additionally, he was the Managing Director for KYE System and Vintage and the Export Manager for Micro System.

LIM YOKE CHEONG

Employer Representative

Nationality / Age

- Malaysian / 70

Lim Yoke Cheong holds a Master in Business Administration from the University of Bath, United Kingdom and a Higher Diploma in Mechanical and Production Engineering from the United Kingdom. He is currently the President of the Malaysian Automotive Component Parts Manufacturers; Vice Chairman of Automotive Federation Malaysia; and a Council Member of the ASEAN Automotive Federation for ASEAN countries. Previously, Lim held the position of Executive Director in seven automotive manufacturing plants which are subsidiaries of a public listed company.

BOARD OF DIRECTORS' PROFILE

DATO' MOHD RAZALI HUSSAIN

Malaysia Productivity Corporation Representative

Nationality / Age

- Malaysian / 60

Dato' Mohd Razali Hussain holds a Bachelor of Science in Physics from University of Manchester, United Kingdom and a Master Degree in Industrial and Systems Engineering from Ohio University, United States of America. He is currently the Director of Malaysia Productivity Corporation; an Alternate Country Director of Asian Productivity Organisation; and serves as member of the Malaysian Services Development Council; the Construction Industry Transformation Plan Working Group on Productivity, Construction Industry Development Board; the Global Excellence Model Council; and SME Corporation's Business Advisory Council. Previously, Dato' Mohd Razali was a member of the PEMUDAH Working Group of Efficiency Issues.

AZAH HANIM AHMAD

Ministry of Finance Representative

Nationality / Age

- Malaysian / 50

Azah Hanim Ahmad holds a Bachelor Degree in Business Administration from Michigan State University; a Master Degree in Business Administration from Nanyang Technological University; and a Diploma in Public Administration from the National Institute of Public Administration, Malaysia. She is currently the Under Secretary of International Division, Ministry of Finance. Previously, Azah Hanim served in various positions in the same Ministry which included Deputy Under Secretary, Regional and Multilateral and Research and Negotiation; Deputy Under Secretary Policy and Consultancy; Section Head, Procurement Policy Development Section; and Principal Assistant Secretary, International Procurement Policy Unit. She also served as Assistant Secretary Budget Unit, Finance Division in the Ministry of Education.

SIA TZE YONG

Employer Representative

Nationality / Age

- Malaysian / 39

Sia Tze Yong holds a Bachelor of Commerce from Curtin University of Technology, Australia. A leading retailer with fourteen years of vast experience specialising in premium grocery markets, he is currently the Executive Chairman of Everrise Departmental Store Sdn Bhd and the Group Executive Director of Everrise Group. He is also a member of the Malaysia Shopping Malls Association. Previously, he was an academic researcher specialising in the Australian Initial Public Offering market.

GOVINDASAMY ANNAMALAI

Independent Director

Nationality / Age

- Malaysian / 67

Govindasamy Annamalai holds a Bachelor of Pharmacy (Honours) from Universiti Sains Malaysia. He is currently the Director and Owner of Farmasi Srisai Sdn Bhd; Chairman of Lembaga Pengelolah Sekolah of Sekolah Jenis Kebangsaan Tamil Tan Sri Dato' Manickavasagam, Tanjong Malim; and a Professional Member of the Malaysian Pharmaceutical Society. Additionally, Govindasamy is the Deputy President of the Educational Welfare and Research Foundation, Malaysia; and was a member of the Rotary Club of Jakarta, Indonesia; and the Treasurer of Malaysia Club Jakarta, Indonesia.

DATUK HJ. ABDUL KADIR M.E. SIKKANDAR

Independent Director

Nationality / Age

- Malaysian / 61

Datuk Hj Abdul Kadir M.E Sikkandar holds a Business Management Certificate from Kinabalu Commercial College, Sabah. He is currently the Chief Executive Officer of Kumpulan BTC Berhad and an Advisor to Politeknik Kota Kinabalu, Sabah. Additionally, Datuk Hj. Abdul Kadir is the Assistant Treasurer General of Majlis Datuk-Datuk Negeri Sabah; Treasurer of Dewan Perniagaan Melayu Malaysia; and a Member of Dewan Perniagaan Bumiputera Sabah. Datuk Hj. Abdul Kadir also serves as a member of the Federation Sabah Industri and the Malaysian Employers' Federation.

DATO' RAIHA AZNI ABD RAHMAN

Employer Representative

Nationality / Age

- Malaysian / 58

Dato' Raiha Azni Abd Rahman holds a Bachelor Degree in Marketing from Syracuse University, United States of America and was part of the INSEAD Senior Management Development Programme. She is currently the Senior Vice President, Group HR Management, PETRONAS; a Council Member of the Malaysian Employers' Federation; and Chairman for Institut Teknologi Petroleum PETRONAS Sdn Bhd (University of Technology PETRONAS) and PETRONAS Technical Training Sdn Bhd. Additionally, she is a Board of Director for PETRONAS Management Training Sdn Bhd and PETRONAS Lubricants International; and a Member of the Board of Studies for the Master of HR Development Programme, Universiti Putra Malaysia.

ELANJELIAN VENUGOPAL

Chief Executive, Human Resources Development Fund

Nationality / Age

- Malaysian / 48

Elanjelian Venugopal holds a Master of International Affairs in International Economic Policy from Columbia University; a Bachelor of Engineering in Mechanical and Marine Engineering from Liverpool John Moores University; and a Diploma in Marine Engineering from Singapore Polytechnic. He was previously the Managing Partner of Rajula Consultancy Plt; Vice-President in the Managing Director's Office, Khazanah Nasional Berhad; Head of Projects of the Malaysian Community & Education Foundation, Usaha Tegas Sdn Bhd; and Communication Manager of Westports Malaysia. Previously, he was the Executive Secretary of the Malaysian Tamil Education and Research and Development Foundation.

SENIOR MANAGEMENT



Elanjelian Venugopal
Chief Executive

Lim Kah Cheng
Chief Operating Officer

Wan Yon Shahima Wan Othman
Chief Customer Officer

Dhamodaran Munusamy
Chief Financial Officer

Tan Eng Teik
Chief Digital Officer

Morni Bujang
Head of Customer Engagement



Sashikala Devi Gopallan
Head of Corporate Communication

M Za'ba Mohamad Zaham
Head of Facilities & Administration

Ahmad Kamal Hasan Basri
Head of Application Development & IT Security

Rony Ambrose Gobilee
Head of Research & Development

Soffian Mohammed Amin
Head of Training Market

Md Sharizal Che Deris
Head of Customer Acquisition

GOVERNANCE OVERVIEW STATEMENT

TOWARDS AN ETHICAL CORPORATE GOVERNANCE

The Human Resources Development Fund (HRDF) remains committed to maintaining the highest standards of corporate governance. We strongly believe that good governance is at the heart of, and is fundamental to, the effective management of the Fund, its long term sustainability and continued success.

During the second half of 2018, HRDF came under the review of an independent five-member Governance Oversight Committee (GOC) which was commissioned by the Minister of Human Resources, Yang Berhormat M. Kula Segaran.

The first of its kind for a Government agency, HRDF's GOC was tasked with reviewing all aspects of the Fund's Board governance framework findings. The GOC report was presented to the Fund's stakeholders during a Town Hall with Employers' Associations and Registered Employers on 10 November 2019.

The findings of the GOC — including its enquiries, responses and recommendations — is published in its entirety on the HRDF website at www.hrdf.com.my.

An overview of key recommendations by HRDF's GOC which have been put in place are:

Effective Board Leadership

- There was lack of board oversight on the overall operations and governance across the organisation and the Fund, where the Board does not appear to provide adequate challenge to decisions reported by the Management. In this instance, new policies along with a board charter have been adopted to strengthen HRDF's Board so it directs and guides the organisation and the Fund to effectively serve its mandate. Effective 1 January 2019, HRDF appointed a new Chairman, Dato' Noor Farida Mohd Ariffin, who is also an employer representative.

Commitment to Governance and Transparency

- The Fund established a "Compliance and Governance Unit" in December 2018. Additionally, with a strong partnership between HRDF's Board, its Senior Leadership Team and the Fund's employees, we demand of each other and ourselves the highest standards of individual and corporate integrity with our customers, professional training community, suppliers, vendors, and stakeholders. The organisation and the Fund are committed towards vigorously protecting the company's assets and the Human Resources Development levy of its registered employers and comply with all of the organisation and Fund's policies and laws.

Leadership for the Future

- The Fund underwent a major delivery improvement to become more outward looking, including right-sizing our internal teams with three key divisions, which are Customer Outreach, Operations and Services. Striving to understand our customers' businesses and helping them to achieve their goals through the development of their local employees, the Fund applied dedicated diversity, fair treatment, mutual respect and trust to help us achieve our target to train 1.2 million Malaysian employees in 2019.

Highest standards of Process

- In carrying out their duties, HRDF's Board, Senior Leadership Team and employees are vigilant in looking beyond any short-sighted and short-lived interests to set processes and make decisions that are in the best interest of the Fund and its stakeholders over a longer time horizon. As a result, several measures for more effective control of our processes have been put in place which includes the establishment of several board committees and board charters, power limit, code of ethics and business ethics among others.

CREATING THE RIGHT CULTURE THROUGH OUR GOVERNANCE FRAMEWORK

Our culture is defined through our Code of Conduct. This sets out what the organisation and the Fund stands for, what we expect from our employees and how we expect our business to deliver our strategy.

Recognising that strong governance underpins a healthy culture, HRDF's Board leads by example, setting the tone from the top and championing behaviours it expects to see from the Fund's Senior Leadership Team and its employees.

HRDF BOARD

The Fund's Board of Directors are collectively responsible for the long-term success of its stakeholders.

This responsibility includes matters of strategy, performance, resources, standards of conduct and accountability. The Board also has the ultimate responsibility for corporate governance, which it discharges directly or through its Committees.

HRDF CHAIRMAN

HRDF's Chairman is responsible for the leadership and overall effectiveness of the Board. In particular, her role is to:

- Demonstrate ethical leadership and promote the highest standards of integrity throughout the business.
- Ensure effective operation of the Board, and its Committees.
- Set the agenda, style and tone of Board discussions in order to promote constructive debate and effective decision-making.
- Foster effective working relationships between the Non-Executive Directors, support HRDF's Chief Executive in his development of strategy and, more broadly, support and advise the Chief Executive.
- Ensure effective communication with the Fund's stakeholders and make the Board aware of their views.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors bring external perspectives and insight to the deliberations of HRDF's Board and its Committees, providing a range of knowledge and business or other experience from different sectors and undertakings (see their biographies on page 64 - 67).

They play an important role in the formulation and progression of the Fund's agreed strategy, and review and monitor the performance of the HRDF's Chief Executive, Senior Leadership Team and its employees in the implementation of this strategy.

GOVERNANCE OVERVIEW STATEMENT

HRDF BOARD COMMITTEES

Each Committee has a set of clearly defined terms of reference. Responsibility for the implementation of HRDF's strategies and day-to-day businesses are delegated to the Fund's Chief Executive and Senior Leadership Team.

1. EXECUTIVE COMMITTEE

The Executive Committee (EXCO) comprises three Independent Non-Executive Directors who have been constituted by HRDF's Board with the delegated authority to act on its behalf to ensure that the decision of the Board, strategic matters, business plans, budgets, and daily business and operational issues are carried out, implemented and/or monitored by the Fund's Management, and that the requirements of good corporate governance practices are being observed by the Management and employees of the Fund.

The primary role of the EXCO is to oversee the implementation and monitoring of the Fund's Board decisions; to make decisions in carrying out its roles; and to provide strategic guidance for HRDF as delegated by the Fund's Board in the EXCO's terms of reference.

2. INVESTMENT PANEL

The Investment Panel (IP) comprises six members who include Independent Non-Executive Directors, representative of the Ministry of Finance and two Independent Members with business and financial experience appointed by the Minister of Human Resources for a period of two years. The Chairman of the Board will be the Chairman of IP as prescribed in the Pembangunan Sumber Manusia Berhad Act 2001.

The primary responsibilities of the IP are to review HRDF Investment Guidelines, ensure that the Fund effectively and efficiently generate maximum returns from its investments and evaluate the performance of the Fund's investment.

The IP shall report to HRDF's Board on the status of the Fund's investments upon request.

3. BOARD AUDIT & RISK MANAGEMENT COMMITTEE

The Board Audit & Risk Management Committee (BARMC) comprises four Independent Non-Executive Directors with a collective wealth of knowledge, expertise and experience from different industries and backgrounds.

The BARMC evaluates the adequacy and effectiveness of HRDF's internal control systems and deliberates on issues identified by HRDF's internal and external auditors, and Management.

Throughout the year, the BARMC is briefed on the Fund's corporate governance practices, updates of the Malaysian Financial Reporting Standards, as well as legal and regulatory requirements in addition to key matters affecting the finances of HRDF.

The BARMC also reviews and reports to HRDF's Board on the engagement and independence of the Fund's external auditors and their audit plan which includes the nature, approach, scope, and other examinations of external audit. BARMC also assesses the effectiveness of the Fund's internal audit function which is further described in the section on Internal Audit.

The BARMC will meet regularly with full and unimpeded access to the Fund's Internal and External Auditors and employees.

4. BOARD PROGRAMME COMMITTEE

The Board Programme Committee (BPC) comprises five Independent Non-Executive Directors.

The roles and responsibilities of the BPC are to set the policy direction of schemes/programmes/courses (herein referred to as "initiative") under HRDF such as type of initiatives, implementation methods and budget allocation.

Additionally, the BPC reviews and approves proposed guidelines/terms of reference of these initiatives that include parameters of evaluation, maximum course fee(s) and others. Additionally, the BPC evaluates the effectiveness of initiatives that have been conducted for either continuation or discontinuation.

BPC meetings are expected to be held a minimum of four times per year with additional meetings conducted as and when required.

5. BOARD INFORMATION TECHNOLOGY STEERING COMMITTEE

The Board Information Technology Steering Committee (BITSC) comprises four Independent Non-Executive Directors who are responsible to review and endorse HRDF's IT policies; and accountable for strategic IT decision making and control – across aspects of implementation, operation and maintenance.

The BITSC also ensures adequate controls, risk mitigations and monitors the progress of the Fund's IT projects to warrant that they are implemented successfully and timely to meet the Fund's business objectives.

The BITSC is expected to meet six (6) times a year or more to help steer the Fund's IT initiatives.

6. BOARD NOMINATION AND REMUNERATION COMMITTEE

The Board Nomination and Remuneration Committee (BNRC) comprises three members of the Board, with one of them being the Chairman.

The BNRC is empowered to decide on all personnel remuneration policies of HRDF. These include providing an independent and unbiased review, assessment, and determination of HRDF's remuneration structure and policy; reviewing the Fund's Scheme of Salary (as and when required) and make recommendation on the revisions to the Scheme of Salary to HRDF's Board. BNRC also evaluates and makes recommendations to the Board on the Fund's annual salary increments, bonus payments and reviews the appointments, confirmations and promotions of the Fund's employees.

The BNRC will meet as and when required.

7. FINANCE STEERING COMMITTEE

The Finance Steering Committee comprises three Independent Non-Executive Directors.

This committee oversees the preparation of HRDF's annual budget and the performance of the Fund towards achieving its accounted revenues, expenses and other financial matters.

8. TENDER COMMITTEE

The Tender Committee comprises three Independent Non-Executive Directors and is segregated into two - Tender Board 'A' and Tender Board 'B'.

The Tender Board 'A' is empowered to decide on tenders more than RM20 million while Tender Board 'B' is authorised to decide on all tenders below RM20 million and on significant matters related to the procurement of supplies and services above the value of RM500,000.

Additionally, there are sanctions in line with HRDF's prevailing Interim Authority Limit and Procurement Procedure which apply to the Fund's Management.

9. DISCIPLINARY COMMITTEE

The Disciplinary Committee (DC) comprises three members with one of them being appointed as Chairman. Each DC members is charged with the responsibility to manage and overlook the disciplinary matters of persons with varying degree of positions within HRDF.

The primary function of the DC is to review the disciplinary report submitted by the Domestic Inquiry committee, and to mete out the appropriate penalty on any of the Fund's employee who had been found guilty on the charge(s) levelled against him/her based on HRDF's Terms and Conditions, Section 9.9(j).

The DC will meet as and when required.

10. DISCIPLINARY APPEAL COMMITTEE

The Disciplinary Appeal Committee (DAC) consists three members with one of them being appointed as Chairman.

The role of the DAC is to review and decide appeals from decisions of the Discipline Committee and to hear and decide appeals with respect to disciplinary action taken by authorised persons, in accordance with the terms of reference and any other rules, regulations and procedures of HRDF. The DAC will meet as and when required.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board affirms its overall responsibility for HRDF's system of internal control and risk management and for reviewing the adequacy and effectiveness of the system.

The Board is pleased to share the main features of the Fund's risk management and internal control system together with key achievements in respect of the financial year ended 31 December 2018.

In discharging its stewardship responsibilities, the Fund has established a sound risk management framework and procedures of internal control. These procedures, processes and structures of HRDF are subject to regular review by the Board, provide an on-going process for identifying, evaluating and managing the significant risks faced by HRDF that may affect the achievement of its business objectives and strategies.

RESPONSIBILITY AND ACCOUNTABILITY

The HRDF Board acknowledges the principal risks of all aspects of the business and recognises business decisions involve the taking of appropriate risks.

For areas pertaining to risk management, the Board is responsible for the following:

i. To ensure a sound system of risk oversight and management of internal controls are properly managed and functions effectively;
ii. To assess reports/judgments on the effectiveness of implementation of the risk management and internal control system received from the Board Audit Risk Management Committee (BARMC).
iii. Ultimately responsible for all elements of HRDF's risk management.

RISK MANAGEMENT

The Board regards risk management as an integral part of HRDF's business operations and has oversight on this critical area through the BARMC, which is tasked with the following:

i. To formulate and review the risk strategy of HRDF and define the risk management objectives across risk categories and divisions.
ii. To oversee the establishment of HRDF's Enterprise Risk Management (ERM) Framework and Policy.
iii. To recommend HRDF's ERM Framework and Policy for the Board's approval.
iv. To oversee the annual review and periodic testing of HRDF's ERM Framework and Policy to evaluate its effectiveness;
v. To oversee the Management's actions in identifying, managing and reporting of material risk; and
vi. To provide recommendations on risk matters to the Board for approval.

HRDF adopts MS ISO 31000:2018 – Risk Management Principles & Guidelines as a reference for identifying, analysing, integrating, evaluating, and treating and monitoring risks in order to align its risk management process with industry best practices. Figure 2 below illustrates the risk management framework as implemented in HRDF.

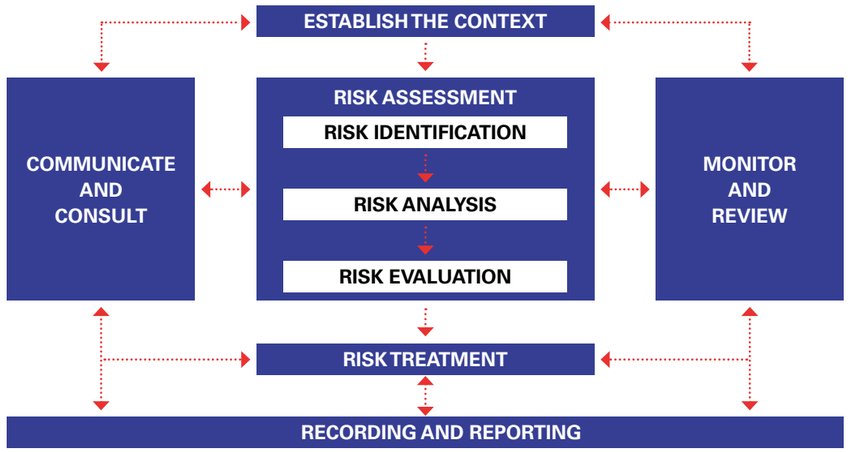


Figure 2

HRDF's ERM structure spans the entire organisation – from the Board of Directors to the operational level and is designed based on three defined levels of defence.

These lines of defence, in their respective roles, are designed to reinforce each other in the implementation and strengthening of HRDF's ERM Framework. The matrix for oversight, assurance, risk management and internal control is clearly set up in HRDF as illustrated in Figure 3.

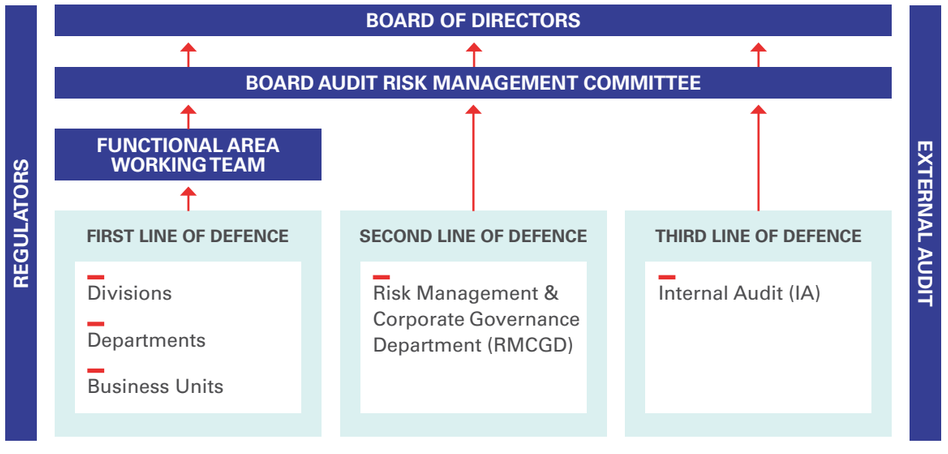


Figure 3

CONTROL ENVIRONMENT AND STRUCTURE

The HRDF Board and Management have established numerous processes to identify, evaluate and manage significant risks faced by the Fund. These include periodic testing of the effectiveness and efficiency of the internal control procedures and updating the system of internal control when there are changes to the business environment or regulatory guidelines.

The key elements of HRDF's control environment include the following:

1. ORGANISATION STRUCTURE

Establishment of the ten (10) Board Committees to support the Fund's objectives.

i. Executive Committee;
ii. Investment Panel;
iii. Board Audit & Risk Management Committee;
iv. Board Programme Committee;
v. Board Information Technology Steering Committee;
vi. Board Nomination and Remuneration Committee;
vii. Finance Committee;
viii. Tender Committee;
ix. Disciplinary Committee; and
x. Disciplinary Appeal Committee

2. BOARD AUDIT & RISK MANAGEMENT COMMITTEE

The Board Audit & Risk Management Committee (BARMC) evaluates the adequacy and effectiveness of the Fund's internal control systems and reviews internal control issues as identified by HRDF's internal and external auditors, and the Management.

The BARMC also reviews and reports to HRDF's Board on the engagement and independence of the external auditors and their audit plan, nature, approach, scope, and other examinations of the external audit matters. It also reviews the effectiveness of the internal audit function which is further described in the following section on Internal Audit.

3. INTERNAL AUDIT

The Internal Audit Department (IAD) continues to independently review key processes, monitor compliance with policies and procedures, evaluate the adequacy and effectiveness of internal control and risk management systems and highlight significant findings, enhancements and corrective measures in respect of any non-compliance on a timely basis. Its work practices are governed by the Internal Audit Charter, which is subject to revision on an annual basis.

The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the BARMC annually before the commencement of the following financial year and an update is given to the BARMC during each of its meetings. The BARMC oversees IAD's function, its independence, the scope of work, and resources. The head of IAD presents to the BARMC, audit results and significant matters raised in the audit reports on the audits undertaken in the respective area of operations. Follow-up audits were also carried out to determine the status of implementation of agreed corrective actions based on the previous audit issues reported.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

During the year, some areas for improvement in the internal control system were reported by the IAD to the BARMC. HRDF's Management has been responsive to the issues raised and has taken appropriate measures to address the areas for improvement that have been highlighted. The effectiveness of the system of internal control is constantly reviewed and enhanced in response to changes in the operating environment.

4. POLICIES AND PROCEDURES

There is extensive documentation of the Fund's policies and procedures in manuals including those relating to Financial, Legal, Enforcement, Treasury, Procurement, Training, Customer Service, Human Resources, and Information Systems. These policies and procedures are continuously enhanced.

5. FINANCIAL AND OPERATIONAL INFORMATION

A detailed budgeting and reporting process has been established by the Fund. Comprehensive budgets are prepared by the operating units and presented to HRDF's Board. Upon approval of the budget, the Fund's performance is then tracked and measured against the approved budget on a monthly basis. Reporting systems which highlight significant variances against the plan are in place to track and monitor performance. These variances in financial as well as operational performance indices are incorporated in detail in the monthly management reports. On a quarterly basis, the results are reviewed by the Board to enable them to measure the Fund's overall performance compared to the approved budgets and prior periods.

6. LEGAL

The Legal department plays a pivotal role in ensuring that the interests of HRDF are preserved and safeguarded from a lawful perspective. It ensures that the Fund's operations and transactions with third parties are in compliance with all laws. It also plays a key role in advising HRDF's Board and Management on legal and strategic matters. The Board is also briefed on material litigation and any changes in law that would affect HRDF's operations through reports to the BARMC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

MONITORING AND REVIEW

The processes adopted by HRDF to monitor and review the effectiveness of the Fund's internal control system include:

1. Management representation to the Board by the Fund's Chief Executive on the control environment of HRDF, based on representations made to him by Management on the control environment in their respective areas. Any exceptions identified are highlighted to the Board.

2. Internal Audit in their reporting to the BARMC continues to highlight significant issues and exceptions identified during the course of their review on processes and controls compliance. The BARMC Chairman updates HRDF's Board on the significant matters deliberated upon and the decisions made during the Audit Committee's meetings.

The Fund's Management has taken the necessary actions to remediate weaknesses identified for the period under review. The Board and Management of HRDF will continue to monitor the Fund's effectiveness and take measures to strengthen the risk management and internal control environment of the Fund.

ACHIEVEMENTS AND TARGETS

During the period under review, HRDF achieved the following initiatives through its Risk Management, Compliance and Governance Department (RMCGD):

i. Conducted Risk Assessment for all 23 departments and identified 119 risks in HRDF.
ii. Implemented the BCM Programme in HRDF which consists of five phases:

Phase 1:
Programme Initiation, Management and Risk Assessment

Phase 2:
Business Impact Analysis

Phase 3:
Strategy Development & Selection

Phase 4:
Plan Development

Phase 5:
Plan Testing & Maintenance

iii. Developed the Code of Conduct and Business Ethics for External Parties and the Whistleblowing Policy.
iv. All departments in HRDF have developed their respective SOPs.

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

i. Anti-Money Laundering and Counter Financing of Terrorism Policy;
ii. Anti-Bribery and Corruption Policy;
iii. Engagement sessions with departments/units to re-assess the identified risks and to identify any new risks;
iv. Risk management training to embed the risk awareness culture in HRDF; and
v. On-going assessment of the BCM Programme in line with any changes to HRDF's business together with refresher sessions with key personnel.

Click on the links to further information within the document.

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FINANCIAL STATEMENTS

DIRECTORS' REPORT
For the year ended 31 December 2018

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2018.

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.

RESULTS

	RM
Net deficit for the financial year	(42,921,056)

RESERVES AND PROVISIONS

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

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2018.

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Dato' Noor Farida Mohd Ariffin (Chairman)	(Appointed on 15 October 2018)
Dato' Quah Thain Khan (Deputy Chairman)	(Appointed on 26 June 2018)
Elanjelian Venugopal (Chief Executive)	(Appointed as Director on 21 June 2018) (Appointed as Chief Executive on 11 July 2018)
Dato' Jeffery Tan	
Gan Boon Khim (Alternate to Dato' Jeffery Tan)	
Davies Danavaindram Arputhasamy	
Dato' Mizanur Rahman S.M. Abdul Ghani (Alternate to Davies Danavaindram Arputhasamy)	
Datuk Kang Hua Keong	
Ong Chee Tat (Alternate to Datuk Kang Hua Keong)	
Lim Yoke Cheong	
Lim Kheng Chye (Alternate to Lim Yoke Cheong)	
Dato' Mohd Razali Hussain	
Ab Rahim Yusoff (Alternate to Dato' Mohd Razali Hussain)	
Azah Hanim Ahmad	(Appointed on 29 March 2018)
Mastura Marsam (Alternate to Azah Hanim Ahmad)	(Appointed on 29 March 2018)
Ras Manikkam	(Appointed on 26 June 2018)
Nidzam Kamarulzaman	(Appointed on 1 October 2018) (Retired on 11 March 2019)
Lim Eng Hock	(Appointed on 1 October 2018)
Dato' Raiha Azni Abd Rahman	(Appointed on 5 December 2018)
Sia Tze Yong	(Appointed on 5 December 2018)
Datuk Haji Abdul Kadir M.E. Sikkandar	(Appointed on 5 December 2018)
Govindasamy Annamalai	(Appointed on 6 December 2018)
Datuk Muhd Khair Razman Mohamed Annuar	(Appointed on 24 April 2019)
Dato' Dr. Mohd Gazali Abas	(Cessation as Director on 28 March 2018)
Dato' Dr. Syed Omar Sharifuddin Syed Ikhsan (Alternate to Dato' Dr Mohd Gazali Abas)	(Cessation as Alternate on 28 March 2018)
Datuk Givananadam Kalinan	(Cessation as Director on 28 March 2018)
Suhara Husni (Alternate to Datuk Givananadam Kalinan)	(Cessation as Alternate on 28 March 2018)
Datuk Dr. Rose Lena Lazemi	(Appointed on 29 March 2018) (Cessation as Director on 12 June 2018)
Ganesh Kumar Bangah	(Appointed on 29 March 2018) (Cessation as Director on 12 June 2018)

DIRECTORS (continued)

The Directors who have held office during the financial year and up to the date of this report are as follows: (continued)

Chin Chee Seong	
(Alternate to Ganesh Kumar Bangah)	(Appointed on 29 March 2018)
	(Cessation as Alternate on 12 June 2018)
Rayan Anak Narong	(Cessation as Alternate on 5 April 2018)
Lewis Menggu @ Gabriel Kajeh Menggu	(Appointed on 5 April 2018)
	(Cessation as Director on 12 June 2018)
Dato' Mohamed Elias Abu Bakar (Deputy Chairman)	(Cessation as Director on 21 May 2018)
Thiagarajan S. Rengasamy	(Cessation as Director on 12 June 2018)
Sarojini Ruth Rajahser Aarons	(Cessation as Director on 12 June 2018)
K. Anusuya A.Krishnan	(Cessation as Alternate on 12 June 2018)
(Alternate to Sarojini Ruth Rajahser Aarons)	
Dato' CM Vignaesvaran Jeyandran (Chief Executive)	(Cessation as Chief Executive on 21 June 2018)
Lim Kah Cheng (Acting Chief Executive)	(Appointed as Director and Acting Chief Executive on 21 June 2018)
	(Cessation as Director and Acting Chief Executive on 10 July 2018)
Betty Binti Hasan	(Appointed on 27 June 2018)
	(Cessation as Director on 28 September 2018)
Tan Sri (Dr.) Ketheeswaran M. Kanagaratnam	(Cessation as Director on 8 August 2018)
Datuk Gobalakrishnan Narayanasamy	(Cessation as Alternate on 8 August 2018)
(Alternate to Tan Sri Dr Ketheeswaran M.Kanagaratnam)	
Rizal Faris Mohideen Abdul Kader	(Cessation as Director on 17 August 2018)
Norsyahrin Hamidon	(Cessation as Alternate on 17 August 2018)
(Alternate to Rizal Faris Mohideen Abdul Kader)	
Haji Abdul Wahab Abu Bakar	(Cessation as Director on 5 December 2018)
Christopher Sakayaraj	(Cessation as Alternate on 5 December 2018)
(Alternate to Haji Abdul Wahab Abu Bakar)	
Dr Hii Sui Cheng	(Cessation as Director on 5 December 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
For the year ended 31 December 2018

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 23 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

The details of Directors' remuneration are disclosed in Note 23 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

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

There were no indemnity given to or insurance effected for the auditors of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

OTHER STATUTORY INFORMATION REGARDING THE COMPANY (continued)

(I) AS AT THE END OF THE FINANCIAL YEAR (continued)

(b) In the opinion of the Directors, the results of the operation of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for:

(i) the effects arising from non-allowable GST input tax resulting in an increase in the Company's loss for the financial year by RM15,305,420 as disclosed in Note 20 (b) to the financial statements;

(ii) the effects arising from fair value loss on investment resulting in an increase in the Company's loss for the financial year by RM18,636,997 as disclosed in Note 20 (b) to the financial statements; and

(iii) the effects arising from the change in accounting policy as disclosed in Note 27 to the financial statements.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen 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; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Company misleading.

DIRECTORS' REPORT
For the year ended 31 December 2018

OTHER STATUTORY INFORMATION REGARDING THE COMPANY (continued)

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company for the financial year ended 31 December 2018 are disclosed in Note 20 (a) to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board in accordance with a resolution of the Directors.

DATO' NOOR FARIDA MOHD ARIFFIN
Chairman

ELANJELIAN VENUGOPAL
Director

Kuala Lumpur
25 April 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 90 to 137 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance and cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

DATO' NOOR FARIDA MOHD ARIFFIN
Chairman

ELANJELIAN VENUGOPAL
Director

Kuala Lumpur
25 April 2019

STATUTORY DECLARATION

I, DHAMODARAN MUNUSAMY, being 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 90 to 137 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
25 April 2019)

DHAMODARAN MUNUSAMY

Before me:

INDEPENDENT AUDITORS' REPORT

To the members of Pembangunan Sumber Manusia Berhad
(A Company Limited by Guarantee) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pembangunan Sumber Manusia Berhad, which comprise the statement of financial position as at 31 December 2018 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 90 to 137.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the 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 or 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.

INDEPENDENT AUDITORS' REPORT
To the members of Pembangunan Sumber Manusia Berhad
(A Company Limited by Guarantee) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with MFRSs, IFRSs, 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 ability of the Company 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.

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 ISAs 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 ISAs, 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 internal control of the Company.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT
To the members of Pembangunan Sumber Manusia Berhad
(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 (continued)

(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 ability of the Company 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 of the Company 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

The financial statements of the Company for the financial year ended 31 December 2017 were audited by another firm of Chartered Accountants whose report dated 24 May 2018 expressed an unqualified opinion on those statements.

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.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

LEE WEE HOONG
03316/07/2019 J
Chartered Accountant

25 April 2019
Kuala Lumpur

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31.12.2018 RM	31.12.2017 (Restated) RM	1.1.2017 (Restated) RM
ASSETS				
Property, plant and equipment	5	30,449,169	34,352,175	186,401,096
Investment property	6	142,206,876	143,841,438	-
Staff loans	7	5,198,188	5,606,924	5,530,277
Investments	8	231,874,631	136,704,155	157,750,072
Accrued interest receivables, deposits, prepayments and other receivables	9	28,659,510	33,855,055	32,682,625
Tax recoverable		856	856	13,138
Cash and bank balances	10	1,339,704,228	1,295,555,726	1,249,999,091
TOTAL ASSETS		1,778,093,458	1,649,916,329	1,632,376,299
EQUITY AND LIABILITIES				
LIABILITIES				
Retirement benefits	11	23,937,205	22,642,359	20,039,500
Human Resources Development Fund	**12**	**1,050,080,456**	**972,387,534**	**953,461,709**
Strategic Fund	13	263,181,718	208,951,977	192,441,763
Unutilised Levy	14	44,527,597	35,415,736	38,527,502
General Reserves II	15	2,800,495	2,370,884	1,731,882
Government grants	16	29,502,244	34,920,931	54,053,035
Payables and accruals	17	66,939,759	33,475,117	40,575,419
TOTAL LIABILITIES		1,480,969,474	1,310,164,538	1,300,830,810
Retained earnings		304,491,988	347,413,044	339,206,742
Reserves	18	(7,368,004)	(7,661,253)	(7,661,253)
TOTAL EQUITY		297,123,984	339,751,791	331,545,489
TOTAL EQUITY AND LIABILITIES		1,778,093,458	1,649,916,329	1,632,376,299

The accompanying notes form an integral part of the financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 RM	2017 (Restated) RM
Income			
Operating income	19 (a)	74,962,751	87,955,921
Non-operating Income	19 (b)	-	7,334,918
Development activities income	19 (c)	9,500,134	19,354,398
Strategic Fund Income	19 (d)	154,190,723	176,833,496
Total income		238,653,608	291,478,733
Expenses			
Operating expenses	20 (a)	(63,594,133)	(64,059,161)
Non-operating expenses	20 (b)	(47,201,458)	(12,487,780)
Development activities expenses	20 (c)	(13,558,350)	(29,891,994)
Programmes expenses under Strategic Fund	13	(154,190,723)	(176,833,496)
Total expenses		(278,544,664)	(283,272,431)
(Deficit)/Surplus before taxation		(39,891,056)	8,206,302
Taxation	21	(3,030,000)	-
Net (deficit)/surplus for the financial year		(42,921,056)	8,206,302
Other comprehensive income/(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability	11	(659,899)	-
Items that may be reclassified subsequently to profit or loss:			
Debt investments measured at fair value through other comprehensive income		953,148	-
Other comprehensive loss for the financial year		293,249	-
Total comprehensive (loss)/income for the financial year		(42,627,807)	8,206,302

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Retained earnings RM	Fair value reserves RM	Retirement benefits reserves RM	Total RM
At 1 January 2017, as previously reported	587,380,248	(17,204,241)	(7,661,253)	562,514,754
Change in accounting policy				
- MFRS 15 (Note 27)	(230,969,265)	-	-	(230,969,265)
- MFRS 9 (Note 27)	(17,204,241)	17,204,241	-	-
At 1 January 2017, as restated	339,206,742	-	(7,661,253)	331,545,489
Net surplus for the financial year	8,206,302	-	-	8,206,302
Other comprehensive income	-	-	-	-
Total comprehensive income	8,206,302	-	-	8,206,302
At 31 December 2017, as restated	347,413,044	-	(7,661,253)	339,751,791
At 1 January 2018	347,413,044	-	(7,661,253)	339,751,791
Net deficit for the financial year	(42,921,056)	-	-	(42,921,056)
Other comprehensive income/(loss)	-	953,148	(659,899)	293,249
Total comprehensive income/(loss)	(42,921,056)	953,148	(659,899)	(42,627,807)
At 31 December 2018	304,491,988	953,148	(8,321,152)	297,123,984

The accompanying notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	2018 RM	2017 (Restated) RM
Cash flows from operating activities		
Cash generated from operations:		
Cash receipts from training providers and others	56,928,256	8,010,734
Cash payment to vendors	(73,282,570)	(49,628,339)
Retirement benefits paid	(2,537,067)	(316,264)
Cash flow changes from operating activities	(18,891,381)	(41,933,869)
Cash from Human Resources Development Fund:		
Receipts from registered employers	803,665,520	723,983,601
Payments to registered employers	(495,251,809)	(486,362,788)
Cash flow changes after Human Resources Development Fund	289,522,330	195,686,944
Cash from Trust Funds and Government grants:		
Payment to employers	(24,308,304)	(1,483,606)
Payment to registered training providers	(174,985,787)	(248,157,800)
Payment to trainees	(1,539,911)	(3,482,523)
Payment for Employee Educational Sponsorship	(8,338)	(10,252)
Payment for vendor	(7,032,674)	(14,306,393)
Receipts from government allocation	24,850,200	20,000,000
Receipts from registered employers	6,389,440	12,469,678
Cash flow changes after Trust Funds and government grants	112,886,956	(39,283,952)
Net cash from/(used in) operating activities	112,886,956	(39,283,952)
Cash flows from investing activities		
Acquisition of plant and equipment	(4,442,610)	(1,392,831)
Acquisition of property	-	(81,674)
Dividends received	1,038,945	6,626,572
Net Repayment from employees/ (Net loans to employees)	408,736	(76,647)
(Acquisition)/Proceeds from disposal of investments	(110,004,051)	21,685,511
Proceeds from disposal of plant and equipment	365,150	207,213
Interest received	43,895,376	51,177,119
Withdrawal of deposits with banks	(89,824,465)	22,763,389
Net cash (used in)/from investing activities	(158,562,919)	100,908,652
Net (decrease)/increase in cash and cash equivalents	(45,675,963)	61,624,700
Cash and cash equivalents at the beginning of financial year	265,009,796	203,385,096
Cash and cash equivalents at the end of financial year	219,333,833	265,009,796

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

1. CORPORATE INFORMATION

Pembangunan Sumber Manusia Berhad ("the Company") is a company limited by guarantee, incorporated and domiciled in Malaysia.

The registered office and principal place of the business of the Company is located at Level 7, Wisma HRDF, Jalan Beringin, Damansara Heights, 50490 Kuala Lumpur.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 25 April 2019.

2. 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.

3. BASIS OF PREPARATION

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

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

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.

3. BASIS OF PREPARATION (continued)

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates that the useful lives of these property, plant and equipment to be within five (5) to twenty (20) years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. A five percent (5%) difference in the average useful lives of these assets from the management's estimates would result in approximately four percent (4%) variance in profit for the financial year.

(b) Retirement benefits obligations

The costs, assets and liabilities of the retirement benefits obligations operated by the Company are determined using methods relying on actuarial estimates and assumptions. The details of the key assumptions are set out in Note 11 to the financial statements. The Company takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions would have effects on the statement of financial position and the statement of comprehensive income.

(c) Recoverability of financial instruments

The determination of whether financial instruments are recoverable involves significant management judgement in determining the probability of default investments, appropriate forward looking information and significant increase in credit risk.

3. BASIS OF PREPARATION (continued)

3.1 New MFRSs adopted during the financial year

The Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year:

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Company except for the adoption of MFRS 15 and MFRS 9.

The Company has consistently applied MFRS 15 and MFRS 9 in its opening statements of financial position as at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes.

(a) MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(i) Classification of financial assets and financial liabilities

The Company classify its financial assets into the following measurement categories depending on the business model of the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

3. BASIS OF PREPARATION (continued)

3.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following summarises the key changes:

- The Available-For-Sale ('AFS'), Held-To-Maturity ('HTM') and Loans and Receivables ('L&R') financial asset categories were removed.
- A new financial asset category measured at Amortised Cost ('AC') was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income ('FVTOCI') was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Company.

	Classification	
	Existing under MFRS 139	New under MFRS 9
Financial assets		
Investments - others	AFS	FVTPL
Investment in SUKUK and BOND	AFS	FVTOCI
Other receivables	L&R	AC
Cash and bank balances	L&R	AC
Financial liabilities		
Human Resources Development Fund	OL	AC
Strategic Fund	OL	AC
General Reserves II	OL	AC
Government Grants	OL	AC
Payables and accruals	OL	AC

3. BASIS OF PREPARATION (continued)

3.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 Financial Instruments (continued)

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Company by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Company to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

(b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a comprehensive framework for revenue recognition and measurements. It replaces MFRS 118 *Revenue*, MFRS 111 *Constructions Contracts*, and related Interpretations. Under MFRS 15, revenue is recognized when a customer obtains control of the goods and services. As such, MFRS 15 changes the timing of revenue recognition whereby income is recognised once performance obligations have been satisfied by the Company.

The MFRS 15 adjustments are mainly due to changes to the timing of revenue recognition for Strategic Fund and Unutilised Levy of which the Company has yet to fulfil its performance obligations.

The Unutilised Strategic Fund and Unutilised Levy will be recognised as a Contract Liability and reversed as income once utilised.

3. BASIS OF PREPARATION (continued)

3.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Company:

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Company is in the process of assessing the impact of implementing these standards, since the effects would only be observable for future years.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Company and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The principal depreciation rate is 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

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.12 to the financial statements on impairment of non-financial assets).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Investment property

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

Depreciation is calculated to write off the cost or valuation of the investment property to its residual values on a straight line basis over their estimated useful lives. The principal depreciation period for the investment property is eighty-nine (89) years.

Investment property is 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 property is recognised in profit or loss in the year in which they arise.

4.3 Financial instruments

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

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

(a) Financial assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Fair value through other comprehensive income

Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding. The debt investment is not designated as fair value through profit or loss. Interest income calculated using the effective method and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments

This category comprises investment in equity that is not held for trading, and the Company irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(iii) Fair value through profit and loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different basis. Fair value changes is recognised in profit or loss in the period which it arises.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments (continued)

(b) Financial liabilities

Human Resources Development Fund, Strategic Fund, General Reserve II, Government grants, other payables and accrued expenditure are classified as other financial liabilities.

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. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(c) Equity

The Company subsequently measures all equity investments at fair value. Where the Company's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVOCI are recognised in the statement of comprehensive income as applicable.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.4 Impairment of financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income. The Company measures loss allowances at 12-month expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

4.6 Employee benefits

(a) 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.

(b) 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.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Employee benefits (continued)

(c) Defined benefit plans (continued)

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.

4.7 Human Resources Development Fund

Payments of human resources development levy by employers are credited into the Human Resources Development 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 retained by the Company under its unutilised levy account.

4.8 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 Human Resources Development 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.

4.9 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:

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Government grants (continued)

(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 ("SME") 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) 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.

(iv) 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 specialised skills that would allow them to be self-employed from home.

(v) 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.

(vi) 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 SMEs' Gross Domestic Product ("GDP") to 41% by 2020.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Government grants (continued)

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

1MGRIP scheme was created to provide opportunity to employees to increase their skills by participating in specific fields to be experts 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.

(viii) 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 programme will help the Indian community to improve their socio-economic status as well as support Government's efforts to improve human capital productivity.

(ix) RPEL (Non-HRDF) Fund

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

(x) 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.

(xi) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Government grants (continued)

(xii) 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 are required by the industries, relevant working experience, exploring new route path for their careers and job placement.

(xiii) Enrolment of Students in ILJTM and Other TVET Institution Fund

The objective of this fund is to create awareness among Indian students in secondary schools about ILJTM and setup a support structure in targeted ILJTMs.

4.10 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 on 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 unutilised levy

Income from fees, services, rental of exhibition booths, penalties on late payment of levy, and unutilised levy are recognised when the performance obligations are satisfied.

(iv) Strategic fund income (formerly known as Consolidated Fund)

Receipts from levy for Strategic Fund is recognised in "statement of comprehensive income" when the performance obligations are satisfied.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 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 assets, 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.

4.12 Impairment of non-financial asset

Property, plant and equipment and investment property 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.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2018 RM	2017 RM
Cost:			
Property	(a)	33,880,352	33,880,352
Plant and equipment	(b)	53,914,789	50,040,199
		87,795,141	83,920,551
Accumulated depreciation:			
Property	(a)	18,859,883	17,245,425
Plant and equipment	(b)	38,486,089	32,322,951
		57,345,972	49,568,376
Carrying amounts:			
Property	(a)	15,020,469	16,634,927
Plant and equipment	(b)	15,428,700	17,717,248
		30,449,169	34,352,175

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Property

	Freehold land RM	Building RM	Work in progress RM	Total RM
Cost:				
At 1 January 2017	1,591,200	32,289,152	145,394,326	179,274,678
Additions	-	-	81,674	81,674
Transfer to investment property (Note 6)	-	-	(145,476,000)	(145,476,000)
31 December 2017/1 January 2018	1,591,200	32,289,152	-	33,880,352
Additions	-	-	-	-
At 31 December 2018	1,591,200	32,289,152	-	33,880,352
Accumulated depreciation:				
At 1 January 2017	-	15,630,967	-	15,630,967
Charge for the financial year	-	1,614,458	-	1,614,458
At 31 December 2017/1 January 2018	-	17,245,425	-	17,245,425
Charge for the financial year	-	1,614,458	-	1,614,458
At 31 December 2018	-	18,859,883	-	18,859,883
Carrying amounts:				
At 31 December 2017	1,591,200	15,043,727	-	16,634,927
At 31 December 2018	1,591,200	13,429,269	-	15,020,469

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Plant and equipment

	Motor vehicles	Renovation	Furniture and office fittings	Office equipment	Electric and electronic equipment	ICT System	Total
	RM	RM	RM	RM	RM	RM	RM
Cost:							
At 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/ 1 January 2018	2,259,171	5,526,754	1,825,213	1,045,285	14,918,958	24,464,818	50,040,199
Additions	116,545	2,151,517	-	51,947	107,301	2,015,300	4,442,610
Disposal/Write off	(559,626)	-	-	-	(8,394)	-	(568,020)
At 31 December 2018	1,816,090	7,678,271	1,825,213	1,097,232	15,017,865	26,480,118	53,914,789
Accumulated depreciation:							
At 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/ 1 January 2018	969,497	2,201,477	1,619,628	910,553	13,954,978	12,666,818	32,322,951
Charge for the financial year	402,791	618,052	88,411	46,341	352,898	4,985,089	6,493,582
Disposal/Write off	(322,053)	-	-	-	(8,391)	-	(330,444)
At 31 December 2018	1,050,235	2,819,529	1,708,039	956,894	14,299,485	17,651,907	38,486,089
Carrying amounts:							
At 31 December 2017	1,289,674	3,325,277	205,585	134,732	963,980	11,798,000	17,717,248
At 31 December 2018	765,855	4,858,742	117,174	140,338	718,380	8,828,211	15,428,700

6. INVESTMENT PROPERTY

	2018	2017
	RM	RM
Cost:		
At 1 January	145,476,000	-
Transfer from Property (Note 5)	-	145,476,000
At 31 December	145,476,000	145,476,000
Accumulated depreciation:		
At 1 January	1,634,562	-
Depreciation charge for the financial year	1,634,562	1,634,562
At 31 December	3,269,124	1,634,562
Carrying amount		
At 31 December	142,206,876	143,841,438
Fair value		
At 31 December	145,200,000	145,200,000

Rental income and operating expenses arising from the investment property during the financial year are as follows:

	2018	2017
	RM	RM
Rental income	806,179	-
Operating expenses	1,408,225	-

Fair value of the investment property was estimated by the Directors based on a valuation performed by an independent professional valuer, as well as by reference to the market values of comparable properties.

7. STAFF LOANS

	2018	2017
	RM	RM
Motor vehicle loans	52,727	252,012
Computer loans	68,619	91,618
Housing loans	5,076,842	5,263,294
	5,198,188	5,606,924

Staff loans (only motor vehicle loans and housing loans) are granted to eligible employees of the Company, and bears interest of 4% per annum (2017: 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.

7. STAFF LOANS (continued)

Staff loans are denominated in Ringgit Malaysia.

Information on financial risks of staff loans is disclosed in Note 24 to the financial statements.

8. INVESTMENTS

	2018	2017 (Restated)
	RM	RM
Fair value through profit or loss:		
Quoted unit trust in Malaysia	32,513,071	35,634,736
Quoted securities in Malaysia	63,700,260	101,069,419
	96,213,331	136,704,155
Fair value through other comprehensive income:		
Quoted securities-bond & sukuk in Malaysia	135,661,300	-
	231,874,631	136,704,155

Information on financial risks of investments is disclosed in Note 24 to the financial statements.

9. ACCRUED INTEREST RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	RM	RM
Accrued interest receivables	25,391,935	18,130,991
Deposits	331,233	341,624
Prepayments	31,101	31,101
Other receivables	2,905,241	15,351,339
	28,659,510	33,855,055

Accrued interest receivables, deposits, prepayments and other receivables are denominated in Ringgit Malaysia.

Information on financial risks of accrued interest receivables, deposits, prepayments and other receivables are disclosed in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

10. CASH AND BANK BALANCES

	2018	2017 (Restated)
	RM	RM
Fixed deposits placed with licensed banks	941,026,246	685,907,529
Fixed deposits placed with other financial institutions	267,185,074	477,837,674
	1,208,211,320	1,163,745,203
Cash and bank balances	131,492,908	131,810,523
	1,339,704,228	1,295,555,726
Less: Deposits with maturity of more than three months	(1,120,370,395)	(1,030,545,930)
Cash and cash equivalents	219,333,833	265,009,796

(a) Cash and bank balances are denominated in Ringgit Malaysia.

(b) The range of maturities of the deposits that are readily convertible to cash as at 31 December 2018 is 14 to 90 days (2017: 16 to 89 days).

(c) The range of interest rates of the term deposits as at 31 December 2018 is between 3.36% - 5.30% (2017: 3.28% - 5.00%).

(d) Information on financial risks of cash and bank balances is disclosed in Note 24 to the financial statements.

11. RETIREMENT BENEFITS

	2018	2017
	RM	RM
Present value of unfunded obligations	23,937,205	22,642,359
Recognised liability for defined benefit obligations	23,937,205	22,642,359

Liability for defined benefit obligations

The Company recognised liability for defined benefit obligations based on the actuarial valuation report dated 27 February 2019. 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.

11. RETIREMENT BENEFITS (continued)

Movements in the present value of defined benefit obligations:

	2018 RM	2017 RM
At 1 January	22,642,359	20,039,500
Service costs (Current and Past) and interest	3,172,014	2,919,123
Benefits paid by the plan	(2,537,067)	(316,264)
Remeasurement recognition in Other Comprehensive Income	659,899	-
	23,937,205	22,642,359

Expenses recognised in statement of comprehensive income:

Current service cost	1,833,990	1,743,125
Interest on obligation	1,338,024	1,175,998
Net benefit expenses	3,172,014	2,919,123

Actuarial assumptions:

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

	2018	2017
Discount rate	5.4%	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.

	Defined Benefit Obligation			
	2018		2017	
	Increase RM	Decrease RM	Increase RM	Decrease RM
Discount rate (1% movement)	3,169,429	(3,778,033)	3,617,956	(3,037,334)
Average salary (1% movement)	3,586,904	(3,081,879)	4,341,272	(3,626,369)

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

12. HUMAN RESOURCES DEVELOPMENT FUND ("HRDF")

	2018 RM	2017 RM
At 1 January	972,387,534	953,461,709
Add: Levy collected	805,720,320	726,611,181
SME Training Incentive Grant	-	341,337
Re-registration (Note 15)	62,621	-
	1,778,170,475	1,680,414,227
Less: Training grant disbursed	(495,251,809)	(486,362,788)
Transferred to Strategic Fund (Note 13)	(218,068,623)	(214,826,344)
Transferred to General Reserves II-deregistration (Note 15)	(1,006,565)	(1,278,727)
Unutilised levy (Note 14)	(11,708,222)	(2,589,917)
Overpayment of levy refunded	(2,054,800)	(2,968,917)
At 31 December	1,050,080,456	972,387,534

13. STRATEGIC FUND

	2018 RM	2017 (Restated) RM
At 1 January	208,951,977	192,441,763
Receipts from levy (Note 12)	218,068,623	214,826,344
	427,020,600	407,268,107
Less: Income recognised for the year (Note 19)	(154,190,723)	(176,833,496)
Less: Administrative fees recognised for the year	(9,648,159)	(21,482,634)
At 31 December	263,181,718	208,951,977

The Strategic Fund (formerly known as 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 Strategic 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.

13. STRATEGIC FUND (continued)

Five key strategic initiatives to be carried out under Strategic Fund 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 had spent RM163.84 million (2017: RM198.3 million) on course fees, allowances to employers, training providers, relevant participants for the above initiatives. Included in expenses are administrative and management costs of RM9.6 million (2017: RM21.4 million) allocated to conduct programs under the Strategic Fund.

14. UNUTILISED LEVY

	2018 RM	2017 RM
At 1 January	35,415,736	38,527,502
Add: Transfer from HRDF (Note 12)	11,708,222	2,589,917
Add: Transfer from General Reserve II (Note 15)	514,333	639,725
	47,638,291	41,757,144
Less: Expenses	(3,110,694)	(6,341,408)
At 31 December	44,527,597	35,415,736

This fund relates to employers' levy for employers who have been deregistered due to cessation of business and unutilised levy for a period of five years.

15. GENERAL RESERVES II

	2018 RM	2017 RM
At 1 January	2,370,884	1,731,882
Add: Transfer from HRDF (Note 12)	1,006,565	1,278,727
	3,377,449	3,010,609
Less: Unutilised levy	(514,333)	(639,725)
- failure to re-register within 2 years (Note 14) Re-Registration (Note 12)	(62,621)	-
At 31 December	2,800,495	2,370,884

16. GOVERNMENT GRANTS

	Note	2018 RM	2017 RM
Apprenticeship Fund	(a)	4,703,862	10,644,463
SME Training Incentive Fund	(b)	-	321,596
HR Certification Body Fund	(c)	272,825	280,679
HEARTS Fund	(d)	763,190	1,494,596
SME Skill Upgrading Fund	(e)	484,097	993,770
Minimum Wage Programme Fund	(f)	-	668,859
1MGRIP Fund	(g)	-	4,915,734
Emphatic Fund	(h)	156,260	3,042,831
RPEL (Non-HRDF) Fund	(i)	8,320,139	3,731,976
SME Incentive (Non-HRDF) Fund	(j)	872,535	1,048,664
Outplacement Centre Programme Fund	(k)	3,012,238	3,492,480
GENERATE Fund	(l)	6,417,098	4,285,283
ILJTM and Other TVET	(m)	4,500,000	-
		29,502,244	34,920,931

(a) Apprenticeship Fund

	2018 RM	2017 RM
At 1 January	10,644,463	17,968,772
Less: Expenses	(5,940,601)	(7,324,309)
At 31 December	4,703,862	10,644,463

(b) SME Training Incentive Fund

	2018 RM	2017 RM
At 1 January	321,596	457,759
Less: Expenses	(321,596)	(136,163)
At 31 December	-	321,596

(c) HR Certification Body Fund

	2018 RM	2017 RM
At 1 January	280,679	430,336
Less: Expenses	(7,854)	(149,657)
At 31 December	272,825	280,679

16. GOVERNMENT GRANTS (continued)

(d) HEARTS Fund

	2018 RM	2017 RM
At 1 January	1,494,596	1,689,496
Less: Expenses	(731,406)	(194,900)
At 31 December	763,190	1,494,596

(e) SME Skill Upgrading Fund

	2018 RM	2017 RM
At 1 January	993,770	1,662,395
Less: Expenses	(509,673)	(668,625)
At 31 December	484,097	993,770

(f) Minimum Wage Program Fund

	2018 RM	2017 RM
At 1 January	668,859	2,813,967
Less: Expenses	(668,859)	(2,145,108)
At 31 December	-	668,859

(g) 1MGRIP Fund

	2018 RM	2017 RM
At 1 January	4,915,734	5,081,348
Less: Expenses	(4,915,734)	(165,614)
At 31 December	-	4,915,734

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

16. GOVERNMENT GRANTS (continued)

(h) Empathic Fund

	2018 RM	2017 RM
At 1 January	3,042,831	7,926,084
Less: Expenses	(2,886,571)	(4,883,253)
At 31 December	156,260	3,042,831

(i) RPEL (Non-HRDF) Fund

	2018 RM	2017 RM
At 1 January	3,731,976	3,381,450
Add: Government allocation	7,000,000	5,000,000
	10,731,976	8,381,450
Less: Expenses	(2,411,837)	(4,649,474)
At 31 December	8,320,139	3,731,976

(j) SME Incentive (Non-HRDF) Fund

	2018 RM	2017 RM
At 1 January	1,048,664	4,624,553
Add: Government allocation	5,000,000	5,000,000
	6,048,664	9,624,553
Less: Expenses	(5,176,129)	(8,575,889)
At 31 December	872,535	1,048,664

(k) Outplacement Centre Programme Fund

	2018 RM	2017 RM
At 1 January	3,492,480	3,710,812
Add: Government allocation	350,200	-
	3,842,680	3,710,812
Less: Expenses	(830,442)	(218,332)
At 31 December	3,012,238	3,492,480

16. GOVERNMENT GRANTS (continued)

(l) GENERATE Fund

	2018 RM	2017 RM
At 1 January	4,285,283	4,214,149
Add: Government allocation	7,500,000	10,000,000
	11,785,283	14,214,149
Less: Expenses	(5,368,185)	(9,928,866)
At 31 December	6,417,098	4,285,283

(m) Enrolment of Students in ILJTM and Other TVET Institutions Fund

	2018 RM	2017 RM
At 1 January	-	-
Add: Government allocation	5,000,000	-
	5,000,000	-
Less: Expenses	(500,000)	-
At 31 December	4,500,000	-

17. PAYABLES AND ACCRUALS

Credit terms of payables are 30 to 45 days (2017: 30 to 45 days). All payables are denominated in Ringgit Malaysia.

Information on financial risks of payables is disclosed in Note 24 to the financial statements.

18. RESERVES

	2018 RM	2017 (Restated) RM
Fair value reserves	953,148	-
Retirement benefit reserves	(8,321,152)	(7,661,253)
At 31 December	(7,368,004)	(7,661,253)

The fair value reserve comprise the cumulative net change in the fair value of debt securities designated at fair value through other comprehensive income until the assets are derecognised or impaired.

19. INCOME

	2018 RM	2017 (Restated) RM
(a) Operating income		
Fee income from training providers	6,805,179	6,733,029
Gain on disposal of plant and equipment	127,575	93,882
Interest income from fixed deposits and investment	51,198,560	56,457,811
Interest income from loan to staff	208,024	183,947
Interest income from bank balance	34,818	107,234
Other income	111,026	393,805
Rental Income	806,179	-
Penalty on late payment of levy	3,610,815	912,804
Administrative fees	12,060,575	23,073,409
	74,962,751	87,955,921
(b) Non-operating income		
Fair value changes of investments	-	7,334,918
(c) Development activities income		
Income from unutilised levy	3,110,694	6,341,408
Income received from National Human Resources Development Conference Fund	2,755,221	3,671,481
Participants' fees for Training and Consultancy Fund	3,634,219	8,798,197
Receipt from Tabung Amanah Latihan Khas ("TALK") Accounts	-	513,568
Receipt from SAY 1 Malaysia Fund	-	17,988
Receipt from TUTELAR Fund	-	11,756
	9,500,134	19,354,398
(d) Strategic Fund Income (Note 13)	154,190,723	176,833,496
Total income	238,653,608	291,478,733

19. INCOME (continued)

The Company has disaggregated income into various categories as follows which is intended to depict its nature, amount and timing.

	2018	2017 (Restated)
	RM	RM
Revenue from contracts with customers		
Recognised at point in time:	28,866,009	43,732,232
Recognised over time:	157,301,417	183,174,904
Total revenue from contracts with customers	186,167,426	226,907,136
Other revenue		
Gain on disposal of plant and equipment	127,575	93,882
Interest income from fixed deposits and investment	51,198,560	56,457,811
Interest income from loan to staff	208,024	183,947
Interest income from bank balance	34,818	107,234
Other income	111,026	393,805
Rental Income	806,179	-
Fair value changes of investments	-	7,334,918
	52,486,182	64,571,597
Total income	238,653,608	291,478,733

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

20. EXPENSES

	2018	2017
	RM	RM
(a) Operating expenses		
Advertising and promotion	2,763,281	3,279,027
Auditor's remuneration	108,000	145,350
Auditor's remuneration – under provision in prior year	4,000	-
Staff costs	33,909,204	37,826,166
Consultancy Services	1,267,900	2,442,702
Directors' fees and remuneration	2,922,606	2,036,592
Event management	1,892,241	1,936,203
Legal and professional fees	637,845	280,102
Other expenses	2,450,714	1,227,586
Office supplies	590,268	520,289
Stamps and postage	139,117	61,997
Printing expenses	131,896	282,229
Property management	2,266,706	980,591
Rental expenses	764,313	646,724
Repairs and maintenance	9,371,418	6,905,034
Travelling and accommodation	1,993,550	3,241,707
Utilities	1,959,030	1,997,602
Leasing	422,044	249,260
	63,594,133	64,059,161
(b) Non-operating expenses		
Fair value changes of investments	18,636,997	-
Expected credit loss impaired	344,425	-
Non allowable GST input tax	15,305,420	-
Depreciation for property, plant and equipment	8,108,040	7,934,095
Depreciation for investment property	1,634,562	1,634,562
Provision for retirement benefits	3,172,014	2,919,123
	47,201,458	12,487,780

20. EXPENSES (continued)

	2018 RM	2017 RM
(c) Development activities expenses for:		
Motor Vehicle Loan Subsidy	1,409	-
Educational sponsorship fund	6,929	10,252
Training and Consultancy	3,930,139	9,126,831
National HRD Conference	2,189,652	3,990,851
SPICE Fund	523,696	1,270,051
Outcome-Based Study on effectiveness Of Apprenticeship Scheme under Tenth Malaysia Plan (10th MP) Fund	-	252,000
Outcome-Based Study on effectiveness Of Training Incentive for SMEs under Tenth Malaysia Plan (10th MP) Fund	-	424,528
Corporate Social Responsibility ("CSR") Fund	605,356	765,204
Effectiveness Study on HRDF by World Bank Group ("WBG") Fund	-	3,383,370
PSMB Big Data Analytics (BDA) Pre-Implementation Workshop and Preparation of Request for Proposal Document Fund	-	906,305
Setting up PSMB Transformation Management Office ("TMO") Fund	-	288,000
Amendment and Expansion of the First Schedule of PSMB Act, 2001 Fund	314,984	702,068
National Employment Return ("NER") 2016 Survey Fund	124,434	354,001
Chevron II of Human Capital Transformation Project (HCTP) Fund	79,000	334,220
Pre-Implementation Phase of Core and Finance System (Phase 1A & 1B) Fund	-	691,170
Rebranding of RPEL Fund	523,584	69,797
Renewal of Advisor to ILMIA for Labour Market Study	252,114	240,000
Study on the Needs and Requirements for the Establishment of Training Centre	-	50,000
Special Allocation to MoHR	-	251,938
Accelerate Human Capital Development in Malaysia Fund	1,247,447	440,000
Source System Data Cleansing Activity & Development of High Quality Transactional Report	573,614	-
HRDF Transformation Initiatives Fund	75,298	-
Training and Coordinating Fund	38,623	389,224
SME TNA Consultancy Fund	713,846	519,526
Future Workers Training Fund	1,539,911	3,482,523
World Skills Competition 2015 & 2017 Fund	-	404,692
OTEP Fund	818,314	1,347,443
EASY Fund	-	198,000
	13,558,350	29,891,994

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

21. TAXATION

	2018 RM	2017 RM
Current tax expense based on income for the financial year	3,030,000	-

(a) Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) of the estimated taxable income for the fiscal year.

(b) In prior years, there is no tax charged as the Company was 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.

(c) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Company is as follows:

	2018 RM	2017 RM
Tax at Malaysian statutory tax rate of 24%	(9,573,853)	1,969,512
Tax effect in respect of:		
Non-allowable expenses	49,413,983	-
Income not subject to tax	(37,448,603)	(1,969,512)
Deferred tax assets not recognised	638,473	-
	3,030,000	-

(d) Deferred tax assets have not been recognised for the following amount as at the date of financial position it is not probable that taxable income would be available against which the deductible temporary differences or unabsorbed tax losses can be utilized in the foreseeable future.

	2018 RM	2017 RM
Deductible temporary differences	1,910,370	-
Unabsorbed tax losses	749,935	-
	2,660,305	-

The unabsorbed tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unabsorbed tax losses for the year of assessment 2019 onwards will expire in 7 years.

22. EMPLOYEE BENEFITS

	2018 RM	2017 RM
Wages, salaries and bonuses	26,983,401	29,638,704
Contributions to defined contribution plans	3,213,068	3,977,126
Expenses related to defined benefit plans	3,172,014	2,919,123
Social security contributions	280,186	231,496
Other benefits	3,432,549	3,978,840
	37,081,218	40,745,289

23. DIRECTORS' FEES AND REMUNERATION

	2018 RM	2017 RM
Fees	1,345,529	870,667
Salaries, allowances and bonus	1,363,877	998,638
Defined contribution plan	213,200	167,287
	2,922,606	2,036,592

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2018 RM	2017 RM
Financial assets		
Amortised cost		
Accrued interest receivables, deposits other receivables (excluding GST & prepayment)	28,628,038	18,678,344
Staff loans	5,198,188	5,606,924
Cash and bank balances	1,339,704,228	1,295,555,726
Fair value through other comprehensive income		
Investments-bond & sukuk	135,661,300	-
Fair value through profit or loss		
Investments-others	96,213,331	136,704,155
	1,605,405,085	1,456,545,149

24. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments (continued)

	2018 RM	2017 RM
Financial liabilities		
Amortised cost		
Human Resources Development Fund	1,050,080,456	972,387,534
Strategic Fund	263,181,718	208,951,977
Unutilised Levy	44,527,597	35,415,736
General Reserve II	2,800,495	2,370,884
Government grants	29,502,244	34,920,931
Other payables	63,615,087	26,842,475
Accrued expenditure	3,324,672	6,632,642
	1,457,032,269	1,287,522,179

(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.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Cash and bank balances

The cash and bank balances are held with banks and financial institutions.

These banks and financial institutions have low credit risks. Therefore, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables, staff loans and deposits

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses as it is negligible.

24. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Investment in debt securities

It is Company policy to assess the credit risk of investments before entering into contracts. The Company's review includes external ratings, when available, and in some cases bank references. Investments limits are established and approval from the Management Investment Committee is required.

The Company limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a credit rating of a least AA3 from Rating Agency Malysia ('RAM') and AA- from Malaysian Rating Corporation Berhad ('MARC').

The Company monitors changes in credit risk by tracking published external credit ratings. 12-month and lifetime probabilities of default are based on historical data supplied by Bloomberg for each credit rating.

The movement in the impairment loss for debt securities at FVOCI during the year was as follows:

	12-month ECL	
	2018	2017
	RM	RM
Balance at 1 January under MFRS 139	-	-
New financial assets acquired	344,425	-
Balance at 31 December under MFRS 9	344,425	-

There is no investment in debts securities during the financial year 2017.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation 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 bank balances 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 2018 have contractual maturity of less than 1 year.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

24. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(iii) Equity price risk

Equity price risk arises from the Company's investments in equity securities.

Risk management objectives, policies and process for managing the risk

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 Management Investment Committee of the Company.

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

Equity price risk sensitivity analysis

This analysis assumes that all variables remain constant and the Company's equity instruments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A change of 100 points of the KLCI Index at the end of the reporting period would have increase or decrease in the fair value of the equity investment by the amounts as shown below:

	2018	2017
	RM	RM
Price	**Loss before tax (Increase) /Decrease**	**Profit before tax Increase /(Decrease)**
- Increased by 100 points	1,293,000	1,433,000
- Decreased by 100 points	(1,293,000)	(1,433,000)

24. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(iv) Interest rate risk

The Company's investments in fixed rate debt securities and loans to its staffs are exposed to a risk of change in their fair value due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Effective Interest Rate	Within 1 year	More than 1 year	Total
		RM	RM	RM
2018				
Fixed rate instruments				
Fixed deposits	3.36% - 5.30%	1,208,211,320	-	1,208,211,320
Staff loans	4%	360,154	4,838,034	5,198,188
Investment in debts securities	4.39% - 4.98%	-	135,661,300	135,661,300
		1,208,571,474	140,499,334	1,349,070,808

	Effective Interest Rate	Within 1 year	More than 1 year	Total
		RM	RM	RM
2017				
Fixed rate instruments				
Fixed deposits	3.28% - 5.00%	1,030,545,930	-	1,030,545,930
Staff loans	4%	300,803	5,306,121	5,606,924
		1,030,846,733	5,306,121	1,036,152,854

NOTES TO THE FINANCIAL STATEMENTS 31 December 2018

24. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value except for investment in debts securities which are carried at FVOCI. Therefore, a change of 100 basis points in interest rates for fixed rate investment in debts securities would have increased or decreased its fair value and subsequently the Company's equity by RM1,343,000 (2017: Nil).

Cash flow sensitivity analysis

Sensitivity analysis for fixed deposits and staff loans as at the end of the reporting period was not presented as fixed rate instruments are not affected by changes in interest rates.

(c) Fair value of financial instruments

The carrying amounts of cash and cash in banks, short term deposits and receivables, short term 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 fair values of long-term receivables are estimated by discounting expected future cash flows at market incremental lending rate for similar type of lending, borrowings or leasing arrangements at the end of each reporting period.

Fair value of investments of the Company are categorised as Level 1 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Fair value of long term receivables of the Company are categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(d) 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.

25. COMMITMENTS

(a) Operating lease commitments

(i) The Company as a lessee

The Company had entered into non-cancellable lease agreements for certain premises for terms between one (1) to three (3) years and renewable at the end of the lease period subject to an increase clause.

The Company has aggregate future minimum lease commitments as at the end of each reporting period as follows:

	2018 RM	2017 RM
Not later than one (1) year	404,587	586,140
Later than one (1) year and not later than three (3) years	147,210	551,797
	551,797	1,137,937

(ii) The Company as a lessor

The Company has entered into a non-cancellable lease agreement on a property for three (3) years term and renewable at the end of the lease period subject to an increase clause.

The Company has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	2018 RM	2017 RM
Not later than one (1) year	1,382,022	-
Later than one (1) year and not later than three (3) years	1,612,359	-
	2,994,381	-

(b) Capital commitments

	2018 RM	2017 RM
Capital expenditure in respect of purchase of plant and equipment:		
Contracted but not provided	1,238,112	-

26. 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.

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.

27. CHANGE IN ACCOUNTING POLICY

During the financial year, the Company adopted MFRS 15, Revenue from Contracts with Customers and MFRS 9 Financial Instruments on their financial statements. The change has been applied retrospectively in these consolidated financial statements and the effects of the change in accounting policy are as follows:

	As previously Reported RM	MFRS 9 adjustments RM	MFRS 15 adjustments RM	As restated RM
1 January 2017				
Statement of financial position				
Liabilities				
Strategic Fund	-	-	192,441,763	192,441,763
Unutilised levy	-	-	38,527,502	38,527,502
Retained earnings				
Allocated to specific usage under Trust Funds	77,175,220	-	(38,527,502)	38,647,718
Unallocated	317,763,265	(17,204,241)	-	300,559,024
Strategic Fund	192,441,763	-	(192,441,763)	-
Reserve	(24,865,494)	17,204,241	-	(7,661,253)
Statement of comprehensive income				
Receipts from levy under strategic fund	205,169,157	-	(192,441,763)	12,727,394
Unutilised levy	5,461,466	-	(467,747)	4,993,719
Statement of changes in equity				
Retained earnings as at 1 January 2017	587,380,248	(17,204,241)	(230,969,265)	339,206,742

27. CHANGE IN ACCOUNTING POLICY (continued)

	As previously Reported RM	MFRS 9 adjustments RM	MFRS 15 adjustments RM	As restated RM
31 December 2017				
Statement of financial position				
Liabilities				
Strategic Fund	-	-	208,951,977	208,951,977
Unutilised levy	-	-	35,415,736	35,415,736
Retained earnings				
Allocated to specific usage under Trust Funds	69,109,512	-	(35,415,736)	33,693,776
Unallocated	323,588,591	(9,869,323)	-	313,719,268
Strategic Fund	208,951,977	-	(208,951,977)	-
Reserve	(17,530,576)	9,869,323	-	(7,661,253)
Statement of comprehensive income				
Receipts from levy under strategic fund	214,826,344	-	(37,992,848)	176,833,496
Unutilised levy	3,229,642	-	3,111,766	6,341,408
Statement of changes in equity				
Retained earnings as at 31 December 2017	601,650,080	(9,869,323)	(244,367,713)	347,413,044

BRANCH OFFICES

BRANCH OFFICES

HRDF's footprint extends across the nation. Strong networking across our offices ensures synergy in the implementation of HRDF initiatives in different states and districts.

Each branch office acts as a catalyst to further our agenda to champion the national human capital development 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 the Fund's multiple stakeholders.

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