





Sabah Economic Development and Investment Authority



A joint initiative of the Federal Government of Malaysia
and the State of Sabah to transform Sabah's economy

A place of Business, Culture and Nature



Sabah Development Corridor promotes sustainable economic growth by unlocking its diversified resources. Discover the secrets of Sabah, a place of Business, Culture and Nature. Contact SEDIA for investment into Sabah Development Corridor, Malaysia at www.sedia.com.my



WHY INVEST IN SABAH ?

- Biodiversity as Eco-Attractions**
 With more than 2000 flora species, Mount Kinabalu, Southeast Asia's tallest peak, and pristine national parks and conservation areas as well as access to the world renowned Coral Triangle with Sipadan Island.
- Agriculture and Natural Resources**
 Fertile agriculture land, marine resources and forests offer great potential in resource-based manufacturing activities such as the timber and wood industry and agro-based as well as biotechnology activities.
- Strategic Location**
 Serves as a connecting point to the BIMP-EAGA region and to capital cities in East Asia
- Cultural Appeal**
 Known to be home to 32 ethnic groups, Sabah's culture is distinct and unique.
- Human Capital**
 Offers green field opportunities in human capital development, especially in environmental, natural resources, and biotech-related industries



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Harnessing Unity in Diversity for Wealth Creation and Social Well-Being

Sabah Economic Development And Investment Authority (SEDIA)
The one stop authority driving the Sabah Development Corridor

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CHAIRMAN'S STATEMENT

I am happy to note that, in line with the expected global economic recovery, Sabah's GDP growth rate had accelerated to 8.2 percent, as the world economy and commodity prices recover. This in turn had spurred the export sectors, especially the petrochemical and oil palm industries. Meanwhile, Malaysia's GDP growth for 2017 was recorded at 5.9 percent, reflecting a strengthening economy with growth becoming more broad-based across sectors.

The implementation of programmes and initiatives under SDC has shown positive results. Investments in SDC have clearly gained traction, contributing significantly to the 8.2 percent state GDP growth recorded in 2017, the fastest in Malaysia, overtaking all the other states in Malaysia and surpassing the national average at 5.9 percent, as reported by the Department of Statistics (DOS). The DOS observed that the rapid economic growth was driven by major government initiatives especially the implementations of SDC projects.

The state's economy is expected to continue benefitting from the services sub-sectors, especially tourism, construction and logistics. In fact, tourism arrivals in 2017 exceeded its target of 3.55 million, with the state recording 3.684 million arrivals. The incidence of poverty in Sabah has been on a downward trend, declining from four percent in 2014 to 2.9 percent in 2016.

The implementation of the Pan Borneo Highway, which serves as a catalyst for economic development in Sabah, will enhance connectivity to SDC economic clusters and complement SDC measures to enhance the integration of Sabah's economy to the global economy, especially the upgrading of Sapangar Bay Container Port into a transshipment hub, and the development of an integrated Air Freight Logistics and Aviation hub.

The Sabah Development Corridor commemorated its 10-year anniversary on January 29, 2018, and SEDIA is to carry out a thorough review of the SDC Blueprint and come up with a revision of the document in the form of the SDC Blueprint v2.0. The SDC Blueprint v2.0 will take note of the changing development challenges, new development parameters and policies of the State and Federal Governments since the launch of SDC almost ten years ago on January 29, 2008, and chart the direction for the remaining journey.

I am pleased that the emphasis under SDC has been very much in line with the agenda of the new Sabah State Government and the Federal Government. The State Government is committed to enhance the State's development agenda, particularly for the development of rural areas where pockets of poverty are still widespread. The economic drivers, vis agriculture, manufacturing, tourism, logistics, and human capital will continue to be emphasised, new emerging sectors in Sabah such as aerospace and automotive industries should be seriously considered, especially with the application of Industry 4.0. The wood-based and rubber-based industries should be revitalised. Higher value added industries in the oil and gas, as well as oil palm sector should be vigorously pursued. On that note, I would like to take this opportunity to express my appreciation to all Members of the Authority and Committee Members as well as the Management and staff of the Authority for the tireless efforts to contribute towards the development of Sabah in particular, and the nation as a whole.

DATUK SERI PANGLIMA HAJI MOHD. SHAFIE BIN HAJI APDAL
Chief Minister of Sabah



CHIEF EXECUTIVE'S ANNUAL REVIEW

The SDC Blueprint is now at the second half of its implementation cycle of 18 years, completing in 2025, with the ten-year SDC anniversary due on January 29, 2018. It is therefore timely for SEDIA to take stock of the milestones it has covered as well as the footprints left to ensure that SDC is on track towards achieving its objective. SEDIA need to assess where are we in this journey, and where are we going. SEDIA also need to take cognisance not only new challenges, but also new policies and plans introduced by all the relevant authorities.

It is therefore timely for SEDIA to undertake a thorough evaluation of SDC performance, targets, roles and priorities. To kick start this review process, SEDIA organised a 10 Years of SDC Carnival commencing from January 29, 2018. The Carnival showcased the various SDC projects involving the government, GLCs and the private sector. Business opportunities and trading platform for investors, as well as SMEs and Start-ups showcasing their products and services were also provided. One of the key components of the Carnival was National Economic Corridors Conference. The Conference provided an avenue to share experiences, assess the economic prospects and chart future direction and strategies for the Economic Corridors. In a nutshell, the Carnival offered excellent opportunities for the public and all stakeholders generally to understand, provide feedback and capitalise on what the State and Federal Government had done for Sabah.

By December 31, 2017, RM2.3 billion had been channelled to SEDIA by the Federal Government for SDC projects under the Ninth, Tenth and Eleventh Malaysia Plans. A total of RM2.1 billion, or 93.2

percent of these allocations had been disbursed by SEDIA. Meanwhile, a sum of RM165 billion in cumulative investments have been recorded since the launch of SDC as at December 2017, of which RM66.09 billion has been realised.

SEDIA also seeks to promote e-commerce access for local entrepreneurs through the launching of the SDC Entrepreneurs Business Portal, or SDCBiz link. The SDCBiz link, will allow SDC investors and entrepreneurs, especially the SMEs and Start-ups under the SDC Incubator Programme, to trade seamlessly online. As at December 31, 2017, there were 203 incubatees under the SDC entrepreneurship development programmes, of which 102 have had their fund applications approved.

I would like to take this opportunity to thank the Members of Authority for their guidance, which has been instrumental in ensuring the proper management of SEDIA. SEDIA had recently been awarded a five star rating by the Auditor General under the Accountability Index for its financial management. Efforts are underway to ensure that the financial management of SEDIA maintains the same level of integrity as in the past eight years. SEDIA will continue to enhance its Management System, which had been certified under the MS ISO 9001:2015 recently.

To conclude, I would like to extend my appreciation to our Chairman, all Members of the Authority, members of the various SEDIA committees, as well as management and staff of SEDIA for the continued successful implementation of SDC programmes.

DATUK DR. MOHD YAAKUB HJ. JOHARI, J.P.
President / Chief Executive SEDIA

CHAPTER 1

SABAH DEVELOPMENT CORRIDOR

1.1 BACKGROUND OF SDC

1.2 THE VISION OF SDC

1.2.1 Capturing High Value Economic Activities

1.2.2 Promoting Balanced Economic Growth and Distribution

1.2.3 Ensuring Sustainable Growth via Environmental Conservation

1.2.4 The Five Attributes in the SDC Vision

1.3 THE MISSION OF SDC

1.4 SDC ALIGNMENT THROUGH THE REGIONAL CITIES AND CORRIDORS PROGRAMME

1.5 STRATEGIC DEVELOPMENT AREAS UNDER SDC



The Tenom Information Centre was among the projects funded through SDC during the Ninth Malaysia Plan

1.1 BACKGROUND OF SDC

The Sabah Development Corridor (SDC) was launched on January 29, 2008 to enhance the quality of life of the people by accelerating the growth of Sabah's economy, promoting regional balance and bridging the rural-urban divide while ensuring sustainable management of the state's resources. It is part of the five economic corridors inspired by the former Prime Minister Tun Datuk Seri Panglima Abdullah Haji Ahmad Badawi. It is in line with the key thrusts and objectives of the *Halatuju Pembangunan dan Kemajuan Negeri Sabah (Halatuju)*, launched in 2004, which outlines the direction of the state's development.

The theme for SDC is "Harnessing Unity in Diversity for Wealth Creation and Social Well-Being". SDC programmes are underpinned by the three key principles that will guide development in Sabah, namely the need to:

- Capture higher value economic activities;
- Promote balanced economic growth with distribution; and
- Ensure sustainable growth via environmental conservation.

The various initiatives under the Eleventh Malaysia Plan to introduce an economic model driven by creativity, innovation and high value is clearly consistent with the principles underpinning the SDC programmes. Under the SDC initiative, sub-regions and growth centres will be planned systematically to ensure optimum resources utilisation, and development efforts are well-coordinated and sustainable.



Mount Kinabalu is arguably Sabah's most well-known natural asset

The initial focus had been on enhancing Sabah's liveability index and making it a business friendly location via targeted infrastructure upgrading, and by lowering the cost of doing business.

By 2025, the SDC initiative aims to triple Sabah's Gross Domestic Product (GDP) per capita and increase its GDP by four times through the implementation of prioritised programmes. In total, more than 900,000 new jobs are expected to be generated during the SDC implementation period.



Sabah's nature attractions include having the most waterfalls of any state in Malaysia



The state's cultural diversity features heavily in its tourism

1.2 THE VISION OF SDC

The 18-year development programme (2008-2025), with a goal of expediting the transformation of Sabah's economy into a dynamic economy, is guided by three key principles: to capture high value economic activities, to promote balanced economic growth with distribution, and to ensure sustainable growth via environment conservation.

1.2.1 CAPTURING HIGH VALUE ECONOMIC ACTIVITIES

While Sabah is resource-rich, it needs to capture the synergy of value-added activities. To do so, the aim through SDC is to capitalise on Sabah's geographical location by transforming it into a gateway for regional trade, especially for transshipment and value-added cargo services.

1.2.2 PROMOTING BALANCED ECONOMIC GROWTH AND DISTRIBUTION

Sabah needs better infrastructure and income distribution, especially in rural areas. To achieve this, various programmes help boost the productivity of food-centric agriculture. Apart from providing the right infrastructure, there has also been the need to develop the necessary human capital, especially in tourism, agriculture, and manufacturing. Through SDC, the target is to increase the number of skilled workers, as well as improve workers' competency level to facilitate the transition from a production-based to knowledge-based economy.

1.2.3 ENSURING SUSTAINABLE GROWTH VIA ENVIRONMENTAL CONSERVATION

Sabah is also abundantly blessed with biodiversity, boasting some of the world's most impressive diving sites and tropical rainforests, home to unique and precious wildlife including the world's largest flower, the rafflesia, and the famous orangutan. While it is important for Sabah to be developed, SDC was designed to ensure that the state's economic development is in tandem with environmental conservation. Various initiatives were taken into account to enable sustainable growth in industries. Attention is focused on systematic planning to guard against future loss of biodiversity in the state, including its forests and mangroves.

1.2.4 THE FIVE ATTRIBUTES IN THE SDC VISION

Further to these guiding principles and having a unique value proposition, the SDC vision is to turn Sabah into a vibrant, economically successful and liveable state by articulating a set of five unique attributes that will shape the future of Sabah:

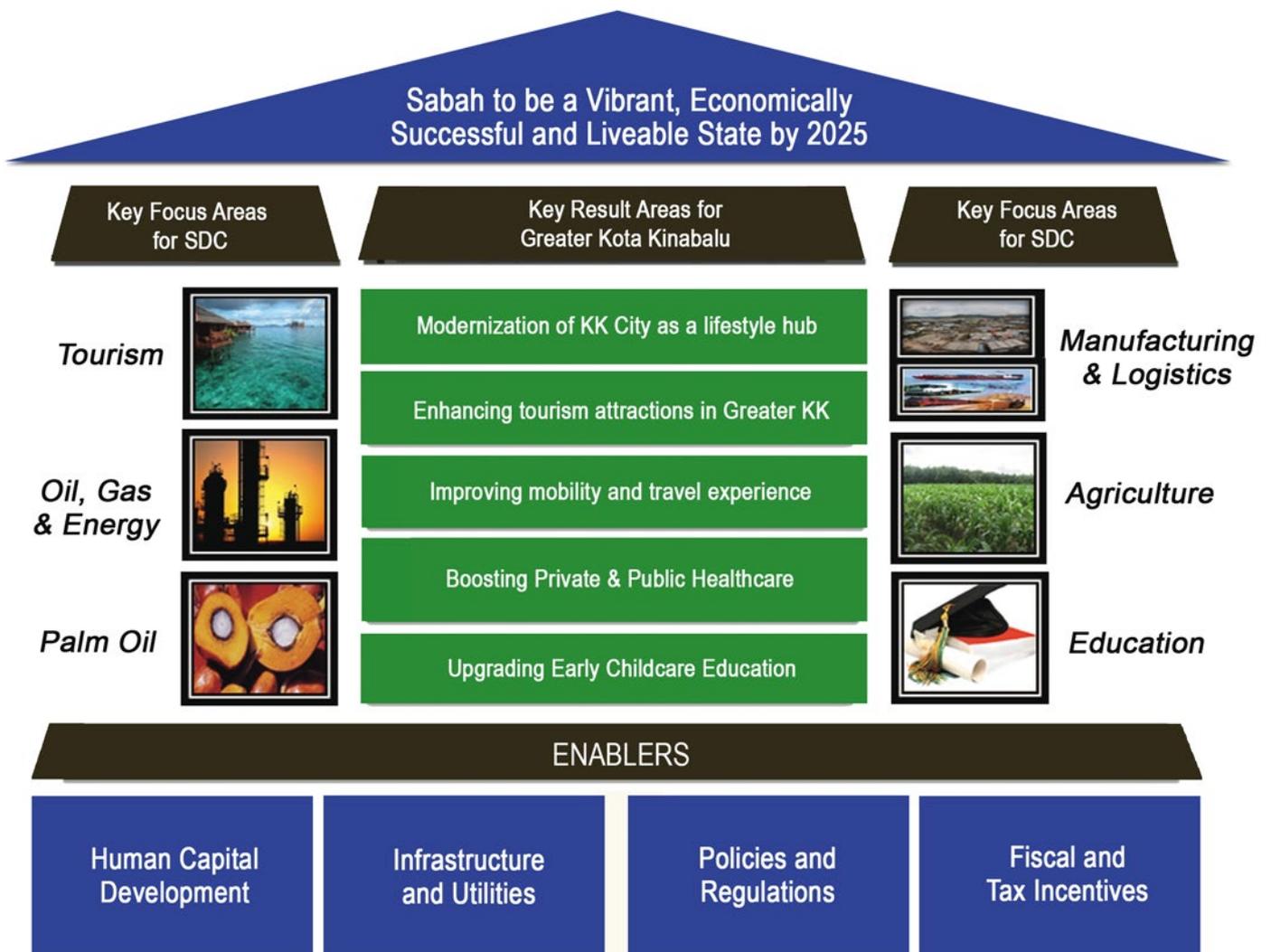
1. A preferred gateway for trade, investment and leisure for leading businesses and talents from around the world in key areas;
2. A happy and cohesive community that lives in harmony and prosperity regardless of race, language or religion;
3. A tech-savvy state that uses and showcases technology in enhancing the quality of daily life;
4. A place of opportunity where residents and foreign talents find rewarding employment opportunities; and
5. Among the most liveable places in Asia with culture, heritage, quality of life and clean environment.

1.3 THE MISSION OF SDC

In line with the state's Halatuju and the National Mission announced by the Prime Minister of Malaysia, the mission for SDC is to support Sabah in achieving this vision by:

- Moving up the economic value chain;
- Raising the capacity for knowledge and innovation, and nurturing 'first class mentality';
- Addressing persistent socio-economic inequalities constructively and positively;
- Improving the standard and sustainability of quality of life; and
- Strengthening the institutional and implementation capacity.

1.4 SDC ALIGNMENT THROUGH THE REGIONAL CITIES AND CORRIDORS PROGRAMME





More than 90 types of machinery and equipment are provided for the downstream processing of agricultural and herbal products at the Sabah Agro-Industrial Precinct, in addition to the over 45 laboratory equipment specific for conducting plant tissue culture, horticulture research, product development, and food analysis

1.5 STRATEGIC DEVELOPMENT AREAS UNDER SDC





- Tourism
- Oil, Gas and Energy
- Agriculture
- Palm Oil
- Education
- Manufacturing and Logistics
- Greater Kota Kinabalu

- Integrated Shrimp Aquaculture**
- Integrated Tiger Grouper / Sea Cucumber Farming**
- Kota Marudu, Kota Belud, Papar & Binsuluk
- Permanent Food Production Area (TKPM)**
- Sg. Lokan & Sg. Koyah, Sandakan
- Mandalipau, Papar
- Early Child Care Education Centres**
- Throughout Sabah's major cities
- Hospitality and Tourism Discipline Cluster ¹**
- Private Skills Training Centres ¹**
- International Marketing ¹**
¹ Sandakan Education Hub & Training Centre - Kimanis
- Agropolitan**
- Agropolitan Beluran
- Agropolitan Kemabong
- Palm Oil Industrial Clusters (POIC)**
- Sawit POIC
- POIC Sabah
- Lahad Datu Power Plant**
- Lahad Datu Regasification Terminal**
- Nature Adventure**
- Maliau Basin
- Imbak Canyon
- Kalabakan Wellness Centre
- Hill Resort
- Danum Valley
- Sandakan Nature & Wildlife
- Kinabalu Park - 2nd Hub
- Semporna Borneo Marine Paradise**
- Semporna Resort
- Sipadan Mangrove Sanctuary Resort
- Mt Coner Tourism Hub
- Alorie Lepa Lepa
- Integrated Marine Fish Culture**
- Swiftlet Commercial Centre**
- Tawau, Lahad Datu, Pitas, Kudat, Kota Marudu & Kota Belud, Papar
- National Seaweed Nucleus**

Valley ● Bio-Triangle ● Agro-Marine Belt

CHAPTER 2

THE GOVERNANCE OF SEDIA

2.1 SEDIA AS THE ONE STOP AUTHORITY

2.1.1 Objectives of SEDIA

2.1.2 Membership of the Authority

2.1.3 Establishment of Committees

2.2 MEMBERS OF SEDIA IN 2017

Activities of the Members of Authority

2.3 SEDIA COMMITTEES

2.3.1 Implementation Co-ordination Committee

Activities of the Implementation Co-ordination Committee

2.3.2 Finance and Investment Committee

Activities of the Finance and Investment Committee

2.3.3 Development Planning Committee

2.3.4 Nomination, Establishment and Remuneration Committee

2.3.5 Audit Committee

2.3.6 Consultative Panel and Focus Group Committee

2.4 THE CHIEF EXECUTIVE

2.5 SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY FUND



The newly completed state administrative building, Pusat Pentadbiran Negeri Sabah (PPNS)

2.1 SEDIA AS THE ONE STOP AUTHORITY

The Sabah Economic Development and Investment Authority (SEDIA) has been entrusted as the One-Stop Authority to drive Sabah Development Corridor (SDC), with the primary responsibility to plan, coordinate, promote and accelerate the development of SDC.

Initial development allocations had been approved for implementation under SDC via the Mid-Term Review of the Ninth Malaysian Plan. The SDC Development Fund would be channelled through the Sabah Economic Development and Investment Authority, or SEDIA.

In order to expedite the implementation of the SDC, the Sabah State Legislative Assembly had approved the instrument for the establishment of SEDIA via the adoption of Sabah Economic Development and Investment Authority Enactment 2009 on January 15, 2009. The Enactment was assented by Tuan Yang Terutama Yang Di-Pertua Negeri Sabah on February 23, and gazetted on February 26, 2009.

2.1.1 OBJECTIVES OF SEDIA

The objectives of SEDIA are:

- To promote and accelerate the development of Sabah Development Corridor into a leading economic region and a choice destination for investment, work and living; and
- To ensure that social development and sustainable development are kept as priorities whilst driving economic growth in the Sabah Development Corridor.

2.1.2 MEMBERSHIP OF THE AUTHORITY

The Sabah Economic Development and Investment Authority 2009 Enactment under Section 8 stipulates that:

1. The Authority shall consist of the following members:
 - a) a Chairman, who shall be the Chief Minister;
 - b) two Deputy Chairmen, who shall be appointed by the Minister;
 - c) State Secretary;
 - d) Secretary General of the Federal Ministry of Finance or his representative;
 - e) Permanent Secretary of the State Ministry of Finance;
 - f) Director General of the Federal Economic Planning Unit or his representative;
 - g) Director of the State Economic Planning Unit; and
 - h) not more than five other members to be appointed by the Minister;
2. The Chief Executive shall be the Secretary to the Authority;
3. The provisions of the First Schedule shall apply to the Authority; and
4. The Authority may, from time to time, by order published in the Gazette, amend the First Schedule.

2.1.3 ESTABLISHMENT OF COMMITTEES

Under Section 9, the Authority may establish committees deemed necessary subject to the following provisions:

1. The Authority may, from time to time, establish such committees on such terms as it considers necessary or expedient to assist the Authority in the performance of its functions and duties under this Enactment;
2. The Authority may elect any of its members to be the chairman of any committee;
3. The Authority may appoint any person to be a member of any committee;
4. Membership of a committee established under subsection (1) may include one or more individuals from the private sector;
5. The provisions of the Second Schedule shall apply to a committee; and
6. The Authority may, from time to time, by order published in the Gazette, amend the Second Schedule relating to a committee.

2.2 MEMBERS OF SEDIA IN 2017

Chairman:	Y.A.B. Tan Sri Datuk Seri Panglima Musa Hj. Aman, Chief Minister cum Minister of Finance, Sabah.
Deputy Chairman 1:	Y.B. Tan Sri Datuk Seri Panglima Joseph Pairin Kitingan Deputy Chief Minister cum Minister of Infrastructure, Sabah.
Deputy Chairman 2:	Y.Bhg. Datuk Peter Pang En Yin.
Members:	Y.Bhg. Tan Sri Datuk Seri Panglima Dr. Ali Hamsa, Chief Secretary to the Government; Y.B. Tan Sri Datuk Seri Panglima Sukarti Wakiman, Sabah State Secretary; Y.Bhg. Tan Sri Datuk Seri Panglima Dr. Wan Abdul Aziz bin Wan Abdullah, Chairman, <i>Bank Pembangunan Malaysia Berhad</i> ; Y.Bhg. Tan Sri Dato' Dr. Mohd Irwan Serigar bin Abdullah, Secretary General to the Treasury, Ministry of Finance Malaysia; Y.Bhg. Dato' Nik Azman bin Nik Abdul Majid, Director General, Economic Planning Unit; Y.Bhg. Dato' Ahmad Husni Hussain, Director General, Unit Kerjasama Awam Swasta (UKAS); Y.Bhg. Datuk Pg. Hassanel B. Datuk Pg. Hj Mohd Tahir, Permanent Secretary, Ministry of Finance, Sabah; Y.Bhg. Datuk Hj. Osman Hj. Jamal, Director, State Economic Planning Unit (UPEN).
Secretary:	Y.Bhg. Datuk Dr. Mohd Yaakub Hj Johari, J.P., Chief Executive of SEDIA.

The Members of Authority had convened for two meetings in 2017, as follows:

- 24th Meeting of the Members of Authority: March 28, 2017
- 25th Meeting of the Members of Authority: December 12, 2017

Activities of the Members of Authority

In addition to the two meetings that the Members of SEDIA had convened during 2017, the Members had also held an SDC Development Coordination Special Meeting on July 11, 2017. In conjunction with the special meeting, Chief Secretary to the Government Tan Sri Datuk Seri Panglima Dr. Ali Hamsa launched the SDC Entrepreneur Business Portal (SDC BizLink). The SDC BizLink is an e-commerce platform meant for promoting and marketing Sabahan entrepreneurs' products at the global level, of which the objectives are to facilitate access of global markets for these entrepreneurs, as well as to promote "Made in Sabah" products. Entrepreneurs under the SDC entrepreneurship development programmes, as well as other SDC investors, will be able to utilise the SDC BizLink to trade seamlessly online with each other, as well as other entrepreneurs and traders in general.

The Chief Secretary also presented letters of approval to several business incubatees under the SEDIA bumiputera SME incubator programme, who had managed to successfully pitch their business plans, as well as presenting cheques for Sabah SME development funds to several business incubatees who had already begun their business activities.

During the 25th meeting of the Members of SEDIA on December 12, 2017, the Chief Minister cum Chairman of SEDIA presented approval letters for funding worth RM1,666,370.28 to 19 SMEs under SDC entrepreneurship development programmes and RM586,544.70 for two Accelerator Fund recipients. Also, 16 business incubatees received RM649,747.56 under the SDC SME Incubation programme, while 20 entrepreneurs from across the state received RM1,791,605.28.



Tan Sri Datuk Seri Panglima Dr. Ali Hamsa (seated, centre) and other Members of SEDIA seen with recipients of approval letters and cheques under SDC bumiputera SME Incubator programmes

2.3 SEDIA COMMITTEES IN 2017

2.3.1 Implementation Co-ordination Committee

- Chairman: Y.B. Tan Sri Datuk Seri Panglima Sukarti Wakiman,
Sabah State Secretary.
- Members: Y.Bhg. Dato' Ahmad Husni Hussain,
Director General, Unit Kerjasama Awam Swasta (UKAS);
- Y.Bhg. Datuk Nor Rizan bin Mohd Thani,
Sabah Federal Secretary;
- Y.Bhg. Datuk Haji Hashim bin Paijan,
Permanent Secretary, Ministry of Industrial Development;
- Mr. Abu Bakar Hj. Abdul Latip,
Permanent Secretary, Ministry of Rural Development;
- Y.Bhg. Datuk Ahmad Awang Hashim,
Permanent Secretary, Ministry of Agriculture and Food Industry;
- Y.Bhg. Datu Rosmadi bin Datu Sulai,
Permanent Secretary, Ministry of Tourism, Culture and Environment;
- Y.Bhg. Datuk Ginun Yangus,
Permanent Secretary; Ministry of Local Government and Housing;
- Y.Bhg. Dato' Hj. Ruji Bin Hj. Ubi,
State Development Officer; Sabah State Development Office;
- Y.Bhg. Datuk Hj. Osman Hj. Jamal,
Director, State Economic Planning Unit (UPEN);
- Mr. Hj. Safar Bin Untong,
Director, Land and Survey Department;
- Mr. Mursidi Haji Sapie,
Director, Department of Urban and Regional Planning Sabah;
- Y.Bhg. Datuk Ir. Hj. Amrullah Kamal,
Director, Public Works Department;
- Y.Bhg. Datuk Yeo Boon Hai,
Mayor, Kota Kinabalu City Hall;
- Y.Bhg. Datuk Mohd Hasnol B. Ayub,
Executive Director, Institute for Development Studies, Sabah (IDS);
- Y.Bhg. Datuk Dr. Mohd Yaakub Hj Johari, J.P.,
Chief Executive of SEDIA.

The Members of Authority had convened for one meeting in 2017, as follows:

- 17th Meeting of the Implementation Co-ordination Committee: March 13, 2017

Activities of the Implementation Co-ordination Committee

During March 20-21, 2017, the committee conducted a working visit to Johor Bahru, visiting the sites of several projects under the Iskandar Malaysia corridor. The visiting group also included participants from the Public-Private Partnership Unit as well as Implementation Co-ordination Unit of the Prime Minister's Office, representatives from all economic corridor authorities, Ministry of Finance, and Economic Planning Unit. The locations visited were Pinewood Studios, Segget river project, Kg. Sungai Melayu, and Forest City.



During 2017, the Implementation Coordination Committee had conducted several site visits to SDC projects, which saw the committee receiving a briefing at the Keningau Integrated Livestock Centre (left image) and a tour of the Sabah Agro-Industrial Precinct (right image)

The committee then followed up with several site visits to projects under SDC, first on September 15, 2017, when the committee visited two projects which are the Sabah Agro-Industrial Precinct (SAIP), and parcel three of the Tanjung Aru to UMS pedestrian walkway and cycleway. This was then followed by a visit during October 19-20, 2017, whereby the delegation revisited the SAIP and walkway and cycleway projects, in addition to the Keningau Integrated Livestock Centre, Sabah Animation and Creative Content Centre, and the Sapangar Bay Dual Carriageway.

2.3.2 Finance and Investment Committee

- Chairman: Y.Bhg. Tan Sri Datuk Seri Panglima Dr. Wan Abdul Aziz bin Wan Abdullah, Chairman, Malaysia Airports Holdings Berhad.
- Members: Y.Bhg. Tan Sri Dato' Dr. Mohd Irwan Serigar bin Abdullah, Secretary General to the Treasury, Ministry of Finance Malaysia;
- Y.Bhg. Dato' Ahmad Husni Hussain, Director General, Unit Kerjasama Awam Swasta (UKAS);
- Y.Bhg. Datuk Nor Rizan bin Mohd Thani, Sabah Federal Secretary;
- Y.Bhg. Datuk Pg. Hassanel B. Datuk Pg. Hj Mohd Tahir, Permanent Secretary, Ministry of Finance, Sabah;
- Y.Bhg. Datuk Ahmad Awang Hashim, Permanent Secretary, Ministry of Agriculture and Food Industry;
- Y.Bhg. Datuk Haji Hashim bin Paijan, Permanent Secretary, Ministry of Industrial Development;
- Y.Bhg. Datu Rosmadi bin Datu Sulai, Permanent Secretary, Ministry of Tourism, Culture and Environment;
- Y.Bhg. Datuk Hj. Osman Hj. Jamal, Director, State Economic Planning Unit (UPEN);
- Mdm. Habibah Enok, Director, Malaysia Investment Development Authority, Sabah;
- Y.Bhg. Datuk Mohd Hasnol B. Ayub, Executive Director, Institute for Development Studies (IDS) Sabah;
- Y.Bhg. Datuk Dr. Mohd Yaakub Hj Johari, J.P., Chief Executive of SEDIA.

The committee had convened for four meetings in 2017, as follows:

- 24th Meeting of the Finance and Investment Committee: February 16, 2017
- 25th Meeting of the Finance and Investment Committee: August 4, 2017
- 26th Meeting of the Finance and Investment Committee: October 5, 2017
- 27th Meeting of the Finance and Investment Committee: December 18, 2017

Activities of the Finance and Investment Committee

In conjunction with their 25th meeting, the SEDIA Finance and Investment Committee had the opportunity to visit several proposed new locations for the expansion of the Kota Kinabalu International Airport. The half-day visit held on August 5, 2017 was led by Committee Chairman Tan Sri Datuk Seri Panglima Dr. Wan Abdul Aziz Wan Abdullah, together with the committee members and the committee secretariat. Four proposed sites were visited, which had been recommended by the appointed consultants of the study, based on pre-discussions held between the committee members and consultants. No final decision has been made yet on the location for the new airport. The study is part of the current Masterplan Study for Aviation Hub and Air Freights Logistics under the 11MP. As part of the goal to enhance the global competitiveness of Sabah, SEDIA is working towards improving air- and sea-linkages and infrastructure, as well as attract investment and increase trade, particularly between Sabah and the ASEAN region.

A site visit was also held on October 6, 2017, to the Matag Coconut Plantation, located at Kg Kimihang Kudat. The visit was held in conjunction with the 26th meeting, to assess the viability of new investment proposals, for recommendation to the Members of SEDIA for approval. One of the new proposals is to increase the supply of Matag coconuts for downstream products.

The Permanent Secretary of the State Ministry of Agriculture and Food Industries invited the committee members to visit the project site at Kg. Kimihang, Kudat to ascertain how best to access funding to increase the supply of coconuts, as market demand has been increasing steadily. Led by Committee Chairman Tan Sri Datuk Seri Panglima Dr. Wan Abdul Aziz Wan Abdullah, the one-day visit saw the delegation visit not only the plantation, but also view the various downstream products that can be produced using coconut, in addition to a short visit to one of the SDC SME incubatees producing virgin coconut oil, whose product is named “Bonco – VCO”.



Tan Sri Datuk Seri Panglima Dr. Wan Abdul Aziz Wan Abdullah led members of the Finance and Investment Committee on a site visit to Matag Coconut Plantation

2.3.3 Development Planning Committee

- Chairman: Y.Bhg. Dato' Ahmad Husni Hussain,
Director General, Unit Kerjasama Awam Swasta (UKAS).
- Members: Y.Bhg. Tan Sri Dato' Dr. Mohd Irwan Serigar bin Abdullah,
Secretary General to the Treasury, Ministry of Finance Malaysia;
- Y.Bhg. Dato' Nik Azman bin Nik Abdul Majid,
Director General, Economic Planning Unit;
- Y.Bhg. Datuk Dyg Saadiah Abg Bohan,
Deputy Director General of Corridor Development, Unit Kerjasama Awam Swasta.
- Mdm. Ainul Radziah Binti Zamhuri,
Director of Corridor Development, Unit Kerjasama Awam Swasta (UKAS);
- Y.Bhg. Datuk Nor Rizan bin Mohd Thani,
Sabah Federal Secretary;
- Y.Bhg. Datuk Ahmad Awang Hashim,
Permanent Secretary, Ministry of Agriculture and Food Industry;
- Y.Bhg. Datuk Haji Hashim bin Pajjan,
Permanent Secretary, Ministry of Industrial Development;
- Y.Bhg. Datuk Ginun Yangus,
Permanent Secretary; Ministry of Local Government and Housing;
- Mr. Abu Bakar Hj. Abdul Latip,
Permanent Secretary; Ministry of Rural Development;
- Y.Bhg. Dato' Hj. Ruji Bin Hj. Ubi,
State Development Officer; Sabah State Development Office;
- Y.Bhg. Datuk Hj. Osman Hj. Jamal,
Director, State Economic Planning Unit (UPEN);
- Y.Bhg. Datuk Mohd Hasnol B. Ayub,
Executive Director, Institute for Development Studies (IDS) Sabah;
- Y.Bhg. Datuk Dr. Mohd Yaakub Hj Johari, J.P.,
Chief Executive of SEDIA;

The committee had convened for three meetings in 2017, as follows:

- 17th Meeting of the Development Planning Committee: March 9, 2017
- 18th Meeting of the Development Planning Committee: June 15, 2017
- 19th Meeting of the Development Planning Committee: November 15, 2017

2.3.4 Nomination, Establishment and Remuneration Committee

- Chairman: Y.B. Tan Sri Datuk Seri Panglima Joseph Pairin Kitingan,
Deputy Chief Minister cum Minister of Infrastructure, Sabah.
- Members: Y.Bhg. Tan Sri Dato' Dr. Mohd Irwan Serigar bin Abdullah,
Secretary General to the Treasury, Ministry of Finance Malaysia;
- Y.Bhg. Datuk Pg. Hassanel B. Datuk Pg. Hj Mohd Tahir,
Permanent Secretary, Ministry of Finance of Sabah;
- Y.Bhg. Datuk Hj. Osman Hj. Jamal,
Director, State Economic Planning Unit (UPEN);
- Y.Bhg. Datuk Mohd Hasnol B. Ayub,
Executive Director, Institute for Development Studies (IDS) Sabah;
- Y.Bhg. Datuk Dr. Mohd Yaakub Hj Johari, J.P.,
Chief Executive of SEDIA.

The committee had convened for one meeting in 2017, as follows:

- 15th Meeting of the Nomination, Establishment and Remuneration Committee: February 10, 2017

2.3.5 Audit Committee

- Chairman: Y.Bhg. Datuk Peter Pang En Yin,
Deputy Chairman 2 of SEDIA.
- Members: Y.Bhg. Tan Sri Dato' Dr. Mohd Irwan Serigar bin Abdullah,
Secretary General to the Treasury, Ministry of Finance Malaysia;
- Y.Bhg. Datuk Pg. Hassanel B. Datuk Pg. Hj Mohd Tahir,
Permanent Secretary, Ministry of Finance of Sabah;
- Y.Bhg. Datuk Haji Ruji Ubi,
State Development Officer, Sabah State Development Office;
- Y.Bhg. Datuk Hj. Osman Hj. Jamal,
Director, State Economic Planning Unit (UPEN);
- Ms. Chui Nget Ngo,
Sabah State Treasurer, State Treasury Department, Ministry of Finance;
- Y.Bhg. Datuk Dr. Mohd Yaakub Hj Johari, J.P.,
Chief Executive of SEDIA.

The committee had convened for three meetings in 2017, as follows:

- 21st Meeting of the Audit Committee: March 10, 2017
- 22nd Meeting of the Audit Committee: June 22, 2017
- 23rd Meeting of the Audit Committee: November 16, 2017



The Sabah Agro-Industrial Precinct offers entrepreneurs various services and facilities, including a tissue culture laboratory (left image) and Post-Harvest Handling facility (right image)

2.3.6 Consultative Panel and Focus Group Committee

Chairman: Y.Bhg Datuk Dr. Mohd Yaakub Hj Johari, J.P.,
Chief Executive of SEDIA.

Members: Y.Bhg. Datuk Mohd Hasnol B. Ayub,
Executive Director, Institute for Development Studies (IDS) Sabah;
Professor Dr. Mohd Harun Abdullah,
Vice Chancellor, Universiti Malaysia Sabah;
Y.Bhg. Datuk Dr. Haji Abdul Kadir Haji Rosline,
Campus Director, Universiti Teknologi MARA (UiTM);
Y.Bhg. Datuk Bonipasius Bianis,
Deputy President; Kadazan Chambers of Commerce and Industry;
Y.Bhg. Datuk Michael Lui Yen Sang,
President, Tionghua Chambers of Commerce and Industry;
Y.Bhg. Datuk Abdul Razak Datuk Hj. Walli,
Secretary-General, Dewan Perniagaan Bumiputera Sabah.

The committee had convened for one meeting in 2017, as follows:

- 14th Meeting of the Consultative Panel and Focus Group Committee: March 10, 2017

2.4 THE CHIEF EXECUTIVE

The Chief Executive is appointed by the Authority, and has been entrusted with the following responsibilities:

- The general conduct, administration and management of the functions, activities and day-to-day affairs of the Authority;
- The performance of such functions and exercise of such duties as delegated by the Authority; and
- The carrying out of the decisions of the Authority.

The Chief Executive shall also perform such other duties as the Authority may, from time to time, direct and shall act under the general direction of the Authority in discharging his duties. The Chief Executive shall have general control of the officers and staff of the Authority.

The Chief Executive reported for duty on 2 March 2009. The appointment of the Chief Executive was ratified during the Inaugural Meeting of the Authority on 14 May 2009. The Inaugural Meeting also approved the 2009 budget for SEDIA, and the organisation structure of the Authority.



SEDIA Chief Executive Datuk Dr. Mohd Yaakub Johari joining Chief Minister cum SEDIA Chairman in presenting local entrepreneurs with their offer letters to participate in the SDC SME Incubation programme

2.5 SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY FUND

The authority to commit any financial obligation or otherwise, solely, partially or directly on the account of the Authority lies wholly with the Authority subject to policies, procedures and guidelines approved by the Authority, the Sabah State and the Federal Government.

Section 14 (1) of the Enactment provides for the establishment of a fund to be known as the “Sabah Economic Development and Investment Authority Fund” to be administered and controlled by the Authority.

Section 15 of the Enactment specifies that the Fund shall be expended for the following purposes:

- Disbursing funds received from the Government or the Federal Government to the relevant implementing Government Entities for Sabah Development Corridor;
- Performing or discharging the functions and duties of the Authority;
- Paying for the remuneration, allowances or other expenses of members, the Chief Executive, officers and servants of the Authority;
- Undertakes approved and lawful investments, and acquisitions of shares or interests in companies or property movable or immovable for the purposes of the Enactment; and
- Paying any other expenses lawfully incurred in the discharge or performances of its functions and duties under this Enactment.



Realising the potential of SME contribution to the state economy, SEDIA had contributed to SME development, including in agro-industries through facilities and services at the Sabah Agro-Industrial Precinct



Components of the Keningau Integrated Livestock Centre, which are currently fully funded by the Federal government, can help Sabah achieve self-sufficiency in dairy production, produce high value commodities for export as well as eradicate poverty in the state

CHAPTER 3

SEDIA CORPORATE PROFILE

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 - 3.6.3 Seminar on "Circular Economy and Sustainable Development Planning for Belt and Road Countries" in Beijing, China
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 - 3.6.6 Trade and Investment Mission to Europe
 - 3.6.7 Launching Ceremony of the Sapangar Bay Dual Carriageway
 - 3.6.8 SEDIA Welcomes European Union Delegation
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SEDIA corporate office

3.1 FUNCTIONS OF SEDIA

The SEDIA Enactment lists the functions of the Sabah Economic Development and Investment Authority (SEDIA) as follows:

- To recommend to the State Government or the Federal Government on all projects of potential economic growth and opportunities to be included in Sabah Development Corridor (SDC);
- To disburse funds received from the State Government or the Federal Government for Sabah Development Corridor to the relevant implementing Government Entities;
- To coordinate the expeditious implementation of all projects in Sabah Development Corridor by performing the functions of a one-stop centre;
- To monitor and report to the State Government and the Federal Government the status of all projects in Sabah Development Corridor;
- To promote and market Sabah Development Corridor as an attractive business and investment location;
- To recommend to the State Government and the Federal Government incentives for Sabah Development Corridor;
- To recommend to the State Government or the Federal Government on policy reforms and other initiatives for Sabah Development Corridor;
- To source funds for Sabah Development Corridor; and
- To do all things as are expedient, advantageous or necessary for, or incidental, supplemental or consequential to, the performance of the functions of the Authority and the better carrying out of the purposes of the Sabah Economic Development and Investment Authority enactment.



Programmes and initiatives under SDC focus on developing local industries while ensuring Sabah's natural resources are maintained for future generations

3.2 CORPORATE VISION, MISSION AND STRATEGIES

VISION

SEDIA's corporate vision is to be a responsive, effective, efficient and accountable one-stop authority to realise the objectives of SDC, in active partnerships with key stakeholders.

MISSION

- To provide strategic direction, roadmap, planning integration, implementation coordination, monitoring and evaluation on the implementation of SDC;
- To promote SDC as a preferred investment destination for business, culture and nature;
- To ensure that SDC initiatives reach the target groups, especially the poor and disadvantaged, alleviate regional imbalance, enhance the quality of life, and promote economic growth and sustainable development;
- To facilitate and serve as a solution provider and partner to realise the objectives of SDC; and
- To enhance stakeholders' value propositions, confidence and acceptance through optimum engagement, information dissemination and accountability.



Through SDC, Sabah is promoted as 'a preferred investment destination for business, culture and nature'.

STRATEGIES

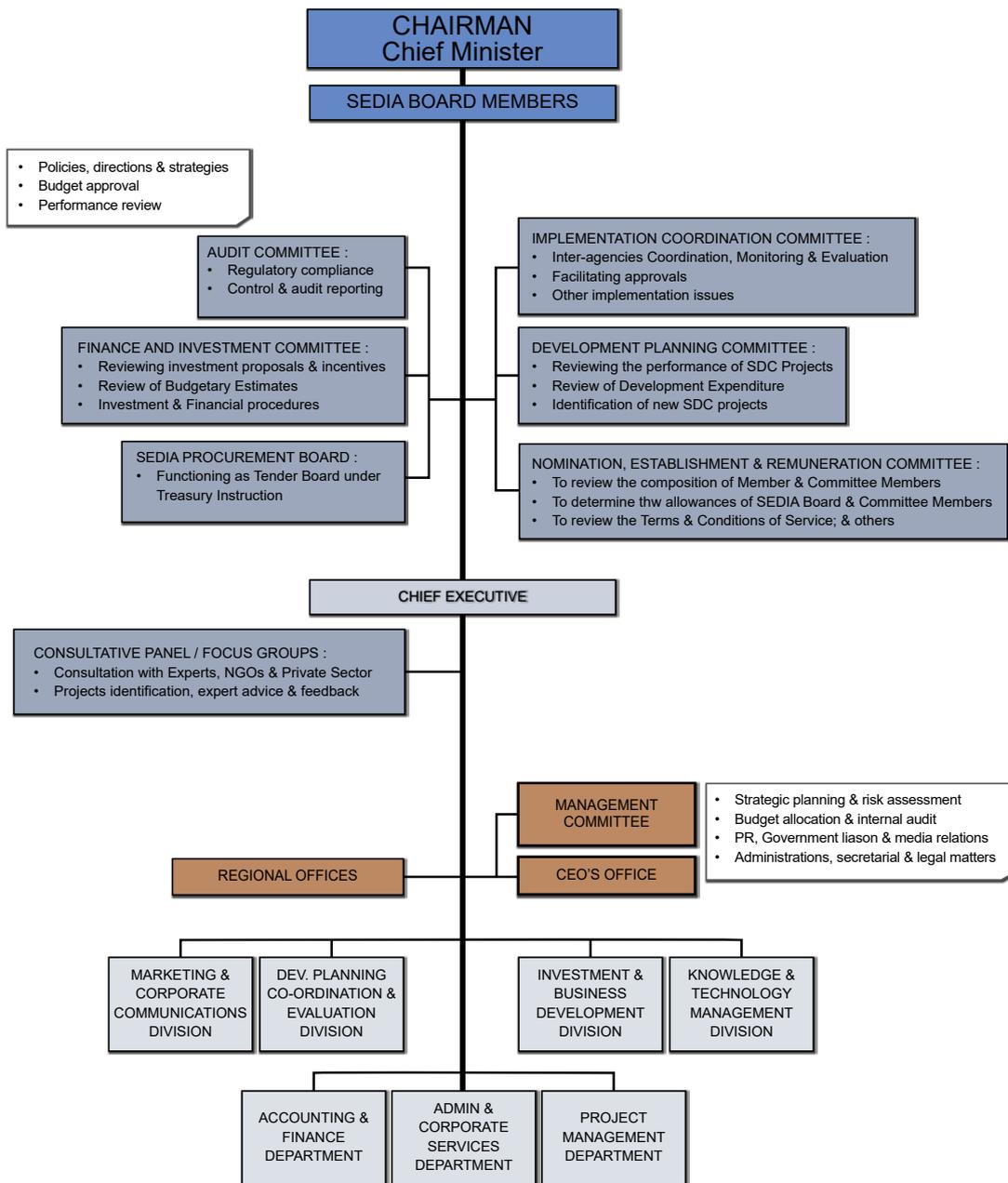
- Attract investments and business initiatives in targeted areas to unlock the SDC's regional value creation potential through road shows and trade fairs, and by offering business support to fast-track approvals and customised incentives;
- Develop innovative business models and pioneering initiatives to drive long-term, sustainable value creation for the SDC, especially in innovative and strategic industries such as in Information Communications Technology (ICT), biotech and nanotechnology;
- Create strategic development areas comprising green field clusters in tourism, agriculture and manufacturing driven by creativity, knowledge convergence and eco-sensitive lifestyle;
- Enhance capacity building for Small and Medium Enterprises (SMEs), the poor and disadvantaged groups to benefit from the SDC initiatives;
- Strengthen growth centres, as well as sub-regional and inter-sectoral linkages to provide optimum cluster synergy, enhancing supply chain competitiveness and transmitting stronger development impulses to the lagging areas;
- Promote active tripartite partnership involving the government, the private sector and the civil society to eradicate poverty, enhance the quality of life, promote economic growth, and ensuring balanced, equitable and sustainable development; and
- Respond rapidly to opportunities and challenges to support the SDC initiatives.

The corporate strategies shall be carried out by SEDIA through the various committees, operating divisions and departments within SEDIA. In view of the fact that the SEDIA committees are primarily decision-making body to assist SEDIA, the main day-to-day operations shall be principally carried out by the various operating divisions and departments under the overall supervision of the Chief Executive.



The development of agro-industries through SDC programmes emphasise on the need for value-added and downstream initiatives

3.3 ORGANISATION CHART



3.4 DIVISIONS AND DEPARTMENTS OF SEDIA

3.4.1 Chief Executive's Office

The function of the Chief Executive's office is generally to assist the Chief Executive in coordinating the execution of the following tasks:

- Strategic planning, and performance and risk assessment;
- Budget allocation and internal audit;
- Government liaising, protocol, and media relations; and
- Administration, secretarial and legal matters involving the Members of Authority and the management committee.

These functions are translated into the responsibilities of coordinating the Chief Executive's engagements, appointments and meetings, monitoring the execution of decisions by the Members of Authority, Chief Executive and management, coordinating internal and external communication of the Chief Executive, and compiling relevant information pertaining to project development, investment performance and financial performance.

The staffs of the Chief Executive's office perform tasks aligned with the objectives of ensuring a seamless decision-making process within SEDIA, helping to build up the SEDIA corporate image and relations, keeping track of SEDIA's overall performance, and advising on legal and procedural compliance.

In furtherance of the objectives and effective performance of the functions of SEDIA, the Chief Executive shall be assisted in executing his responsibilities and duties by officers and servants of the Authority. Towards this end, SEDIA has been organised along four divisions and three departments.



SEDIA Chief Executive Datuk Dr. Mohd Yaakub Johari briefing a representative of University of Salford on the facilities and services available at the Sabah Agro-Industrial Precinct



In 2017, SEDIA Chief Executive Datuk Dr. Mohd Yaakub Johari received a courtesy visit by U.S. Embassy Economic Counsellor Nathaniel Turner

3.4.2 Development Planning, Coordination and Evaluation Division

- To identify and recommend strategic development projects and economic clusters with growth potential;
- To identify strategic soft and hard infrastructure to support the economic clusters identified;
- To coordinate the integration of the various sectoral development plans into a coherent socio-economic and physical development planning framework;
- To assess the socio-economic, environmental, and regional impacts of these projects; and
- To evaluate SDC milestones in terms of key performance indicators.



Through collaboration with the British High Commission office in Malaysia, SEDIA organised the first TVET seminar in Sabah on February 20, 2017

Featured Division Activity: SEDIA Co-organises TVET Seminar with the British High Commission

The British High Commission office in Malaysia and SEDIA had jointly organised the first Technical, Vocational, Education and Training (TVET) seminar in Kota Kinabalu on February 20, 2017. The event underlined Sabah's commitment in developing TVET to revolutionise human capital and boost productivity to support the growing industries in the state.

The Sabah TVET Seminar is part of a series of activities and engagements under the "Education is GREAT" campaign launched in London and Malaysia in 2016. It augurs well with Sabah's aspiration to increase its TVET capability to support development plans. The seminar was attended by over 200 participants and ended with a networking reception.

The Sabah TVET Seminar was jointly opened by Malaysia's Deputy Minister of Higher Education Datuk Dr Mary Yap Kain Ching and British High Commissioner to Malaysia Vicki Treadell. It featured speakers from Sabah and experts from the UK.

The UK, with a strong track record in both academics and TVET, is a global leader in supporting other countries to develop excellence in their respective education and training systems. It is well-placed to support Malaysia by sharing its experience and bringing in the necessary expertise. The UK's Department for International Trade has a dedicated education sector team that works with overseas governments, states and businesses interested to engage with UK partners in education projects.

British High Commissioner Vicki Treadell said, "The UK and Malaysia have an incredibly long standing relationship and education partnership is at the heart of it. Under our ongoing 'Education is GREAT' campaign, we are making UK expertise in education and training accessible to Malaysia at the national level and state level, in areas such as education and training provision; educational technology and resources; English language teaching; qualifications, assessment and quality assurance; as well as professional development and leadership".

The seminar further supported efforts in SEDIA for collaboration with TVET institutions in Sabah, to help produce quality skilled workforce for Sabah, reflecting SEDIA's stance in Sabah's human capital development agenda. As the agency for overseeing SDC, SEDIA contributes in being the facilitator and coordinator in linking relevant stakeholders involved in the human capital development arena in Sabah.

Apart from that, SEDIA believes that smart partnership between industry players and higher learning and training institutions is crucial to ensure an efficient and sustainable human capital development for the state. Potential areas of interest would include Education, Tourism, Oil, Gas and Energy, Manufacturing, Agriculture, Aviation, Creative Content, and Science and Innovation.

3.4.3 Marketing and Corporate Communications Division

- To promote and market SDC as an attractive business and investment location;
- To undertake market intelligence;
- To identify potential investors;
- To compile and disseminate information regarding SDC's programmes and projects as well as SEDIA's activities to stakeholders;
- To obtain information and feedback regarding the response and outcome of SDC programmes and projects; and
- To support CSR activities and engagement with stakeholders



A core function of the Marketing and Corporate Communications Division is to compile and disseminate information regarding SDC programmes and projects as well as SEDIA activities to stakeholders through participation in exposition and exhibitions

Featured Division Activity: Sabah-South Australia Business Meeting and Networking Dinner

In conjunction with the visit of South Australia Minister of Investment and Trade Martin Hamilton-Smith to Malaysia, SEDIA collaborated with the High Commission of Malaysia in South Australia to organise a business meeting and networking dinner between the visiting delegation and their local trade counterparts on July 28, 2017. The event offered various investment opportunities in Sabah to the South Australia delegation, especially in tourism, logistics, education, agriculture, and also resource-based manufacturing. South Australia, too, provided ideal opportunities for Sabah-based businesses, as the state is known for the mining of rare metals, steel product processing, and constructing naval ships, in addition to its various exports of wine, beef and fruit products.

The business networking dinner was hosted by South Australia Minister Martin Hamilton-Smith, with Sabah Deputy Chief Minister Tan Sri Datuk Seri Panglima Joseph Pairin Kitingan as his special guest. Also in attendance was Alexander Kitingan, the Honorary Consul of Malaysia in Adelaide, South Australia. The South Australia delegation also included Sir Angus Houston, the Special Envoy on Trade and Investment of South Australia, as well as representatives of Austrade Malaysia, International Engagement of South Australia, Defence South Australia, and the South Australia Department of State Development.

The event was attended by representatives of various local public and private bodies, including from the Ministry of International Trade and Industry, Malaysia Investment Development Authority, Malaysia External Trade Development Corporation, Federation of Malaysian Manufacturers, Federation of Sabah Industries, Sabah Department of Industrial Research and Development, Kota Kinabalu City Hall, and several chambers of commerce and industries, to name a few.



The Marketing and Corporate Communications Division had arranged a business meeting between a visiting South-Australian delegation and the local trade counterparts, in conjunction with a visit to Malaysia by South Australia Minister of Investment and Trade Martin Hamilton-Smith

3.4.4 Knowledge and Technology Management Division

- To establish and manage the SDC databank;
- To monitor and support knowledge creation activities;
- To disseminate and promote new technology applications and scientific knowledge;
- To facilitate science-industry linkages;
- To promote innovation and commercialisation of R&D; and
- To promote new growth sectors driven by the convergence of technology.

Featured Division Activity: Research, Development and Commercialisation Studies Conducted During 2017

SEDIA supports initiatives at the Sabah Agro-Industrial Precinct (SAIP) to technically empower local entrepreneurs in Sabah, by conducting product and research studies through the Research, Development, Commercialisation and Innovation (RDCI-SAIP) programme. It is for this purpose that several officers from various fields of science have been stationed at SAIP.

During 2017, three studies had been completed by staffs of the SEDIA Knowledge and Technology Management Division, which are:

1. Physical Properties and Total Phenolic Content by Different Drying and Extraction Techniques of Sabah Snake Grass (*Clinacanthus nutans*) Leaves;
2. Quality Evaluation of Drying Methods and Nutritional Analysis of Oyster Mushroom (*Pleurotus sajor caju*) Powder; and
3. Stimulating Effects of Aromatherapy Inhalation of Kaffir Lime (*Citrus Hydtrix*) Leaf Oil.

The three studies were chosen to be conducted as the results were directly applicable to the current activities at SAIP.

The first study, on Sabah Snake Grass, was conducted from February 2017 to December 2017 as part of the initiative to support local entrepreneurs at SAIP, as the herbal tea from the Sabah Snake Grass plant is among the proposed incubatee projects. Results from this study were used as guidelines on the proper processing of Sabah Snake Grass to obtain products with the highest quality in the shortest amount of time. In addition, the research paper from this study was accepted for journal publication and presentation during the ASIA International Multidisciplinary Conference 2017. The study was also awarded the bronze medal for research at PEREKA 2017, a research and innovation competition by Universiti Malaysia Sabah.

The study which evaluated several drying methods on oyster mushroom powder was conducted at the SMART mushroom house, and the research and engineering laboratory at SAIP. The objectives of the research was to compare the effect of using three different drying methods on the physical properties of the powder, and to determine the nutritional value of the powder following the different drying methods. The study utilised oyster mushroom samples that were grown at the SMART mushroom house, of which the physical project was completed through close collaboration between SEDIA and the Ministry of Science, Technology and Innovation (MOSTI).

For the third study, which measured the stimulating effects of aromatherapy inhalation of kaffir lime leaf oil, found that the oil has a positive effect on relaxation, vigour and attentiveness of its users. The results had thus provided evidence for the use of kaffir lime leaf oil in aromatherapy for the relief of depression as well as for uplifting moods. The study had involved 40 respondents, assigned into the *Citrus Hystrix* oil group and the control group (which had been treated with virgin coconut oil).



The Knowledge and Technology Management Division conducted studies on locally-available plants such as Sabah snake grass, oyster mushrooms, and kaffir limes to encourage local entrepreneurs to develop downstream products from these plants

3.4.5 Investment and Business Development Division

- To provide one-stop services to business enterprises and SMEs/SMIs;
- To fast-track priority and strategic industries;
- To provide business-matching assistance;
- To provide investment advisory services;
- To facilitate in obtaining planning approval, customising incentive packages, and securing licenses and permits; and
- To recommend policy reforms, incentives or other initiatives to attract investments.

Featured Division Activity: SAIP SME Incubation and BizLink programmes

A crucial component of SDC SME initiatives is the SDC SME Incubator Programme. The programme is conducted over a two-year period through two types of setups based on location, namely *In-Situ* (on-site) and *Ex-Situ* (off-site) Incubation. *In-Situ* Incubation is hosted at SAIP, supported by the shared basic facilities. The incubatees will get access to technical and business advisory services from business development and technical officers stationed in SAIP. These services are available to participants of the Incubator programme on a *pro-bono* basis during the two-year period, however non-participants can access these services at an attractive fee.

A core component in the incubator initiative is the BizLink programme, meant to assist aspiring entrepreneurs initiate businesses revolving around downstream agri-products, especially those that utilise science- and technology-based advancements. Through the SDC, the BizLink development programme functions by assisting new entrepreneurs and start-ups, unlocking the potential in SMEs to further accelerate their growth, as well as linking businesses to the SDC economic clusters. The programme also provides a HotDesk service, whereby ready staffs are available to provide hands-on assistance to facilitate and mentor entrepreneurs through discussion, entrepreneurial training and brainstorming sessions. Several workshops and seminars were held through BizLink at SAIP during 2017, and were open to both In-Situ and Ex-Situ SDC SME incubatees.



Local entrepreneurs are encouraged to participate in the various training workshops and seminars held at the Sabah Agro-Industrial Precinct

3.4.6 Project Management Department

- To coordinate and monitor the physical implementation of all SDC projects;
- To audit and compile reports on the status of these projects;
- To determine tender and procurement strategy;
- To liaise with project consultants;
- To provide technical advice; and
- To recommend project closure and payment.

3.4.7 Accounting and Finance Department

- To prepare corporate/business plans for SEDIA;
- To plan and prepare annual budgets for SDC;
- To disburse payment and SDC allocations to implementing agencies;
- To maintain proper accounting and procurement record;
- To prepare feasibility studies and financial modelling for SDC projects;
- To explore potential in value creations; and
- To source funding for SDC projects.

3.4.8 Administration and Corporate Services Department

- To provide in-house administrative and secretarial support;
- To assist in record-keeping and documentation;
- To maintain inventories of office supplies and assets;
- To manage human resources, outsourcing activities and risk exposure; and
- To provide general corporate services.



SEDIA Chief Executive Datuk Dr. Mohd Yaakub presenting a memento to a visiting group



The Accounting and Finance Department ensure that claims are processed in a smooth, efficient manner



The Administration and Corporate Services Department provides essential support services to ensure the smooth running of daily operations in SEDIA

3.5 CALENDER OF NOTABLE EVENTS



January



April



August

2017



ust

October

December



January 23, 2017

SEDIA Chief Executive Datuk Dr. Mohd Yaakub Johari led a team from SEDIA on a courtesy visit to Tan Sri Datuk Seri Panglima Joseph Pairin Kitingan, providing him with updates on SDC initiatives

February 06, 2017

Minister of Science, Technology and Innovation Datuk Seri Panglima Wilfred Madius Tangau visited the Sabah Agro-Industrial Precinct, and was briefed on the various entrepreneur initiatives available to promote downstream agriculture activities



February 16, 2017

SEDIA Chief Executive Datuk Dr. Mohd Yaakub Johari presented on SDC programmes and initiatives at the Sabah Ports Forum, providing attendees with upcoming logistics plans under SDC



February 20, 2017

The first TVET seminar held in Sabah was co-organised by SEDIA and the British High Commission, featuring speakers from Sabah as well as experts from the UK



February 22, 2017

Following the TVET seminar co-organised by SEDIA and the British High Commission, SEDIA received a visit at the Sabah Agro-Industrial Precinct by a representative of the University of Salford to discuss possible collaborative ties





March 07, 2017

The first Bumiputera Economic Council Meeting in Sabah was held, which saw several local entrepreneurs received their offer letters into SME development programmes, and mock cheques for their Accelerator funds

March 24 - 26, 2017

SEDIA held the Gerak IKS SDC roadshow in Tawau, promoting SDC SME development programmes to potential entrepreneurs, SMEs and start-ups located on the east coast of Sabah



April 17 - 18, 2017

SEDIA participated in the TERAJU Expo 2017 held at Kuala Lumpur Convention Centre, promoting SDC SME initiatives as well as products developed by current participants of those initiatives

April 21 - 22, 2017

The SDC HotDesk programme was held in Tawau for registrants from the earlier Gerak IKS SDC roadshow, providing these potential entrepreneurs with workshops on how to establish their businesses and products



May 02 - 03, 2017

A business pitching session was held in Tawau, giving new and potential entrepreneurs from the east coast of Sabah the opportunity to participate in the SDC SME Incubation programme



May 6, 2017

SEDIA established a booth during the GREAT 2017 programme in Kota Kinabalu, which was launched by Prime Minister Datuk Seri Panglima Mohd Najib bin Tun Abdul Razak, whereby SEDIA promoted the SDC SME development programmes and initiatives

May 13, 2017

The Tenom Information Centre, a project which received funding through SDC during the Ninth Malaysia Plan, was launched by Chief Minister and SEDIA Chairman Tan Sri Datuk Seri Panglima Musa Hj. Aman



May 16, 2017

A handing over ceremony was held at the Sabah Agro-Industrial Precinct (SAIP), with SEDIA receiving ownership of a SMART mushroom house project from the Agro-Biotechnology Institute Malaysia (ABI) under the National Institute of Biotechnology Malaysia (NIBM), a biotechnology institute under the Ministry of Science, Technology and Innovation (MOSTI)

May 24, 2017

Entrepreneurs participating in SDC SME programmes were invited to have a dialogue session with SEDIA Chief Executive Datuk Dr. Mohd Yaakub Johari



May 25, 2017

SEDIA welcomes a visit by US Embassy Economic Counsellor Nathaniel Turner, who was briefed about SDC programmes and initiatives



July 11, 2017

Chief Secretary to the Government, Tan Sri Datuk Seri Panglima Dr. Ali Hamsa launched the SDC Entrepreneur Business Portal, an e-commerce platform meant for promoting and marketing Sabahan entrepreneurs' products at the global level

July 21, 2017

SEDIA collaborated with the Labuan Financial Services Authority (LFSA) to organise a seminar on 'Financing Opportunities in Labuan International Business and Financial Centre'



July 24, 2017

The second round of SUPERB pitching in Sabah was held once again in Wisma SEDIA, with more local entrepreneurs presenting their entrepreneurial ideas for a chance to receive up to RM500,000 in grants

July 28, 2017

SEDIA collaborated with the High Commission of Malaysia in South Australia to organise a business meeting and networking dinner between a delegation led by South Australia Minister of Investment and Trade Martin Hamilton-Smith, and the local trade and business counterparts



August 11 - 12, 2017

In addition to the opening remarks presented by Chief Executive Datuk Dr. Mohd Yaakub Johari, SEDIA participated in the Sabah-level TVET Career Carnival with an exhibition booth to reach out to TVET students and graduates



August 20, 2017

Tan Sri Datuk Seri Panglima Musa Hj. Aman, the Chief Minister and SEDIA Chairman visited the Keningau Integrated Livestock Centre (KILC), where he was briefed on its current performance as well as toured around the facilities

September 08 - 10, 2017

SEDIA had a booth presence during the Farmers, Breeders and Fishermen Day celebration, during which the SDC Authority received a certificate as one of the state's 'Excellent Operator' (*Pengusaha Cemerlang*) in the management of Keningau Integrated Livestock Centre



October 03, 2017

SEDIA received a courtesy visit by representatives of the U.S. Embassy to Malaysia, and briefed the visiting delegation on possible entries for foreign investment

October 23, 2017

The third and final pitching round for the SUPERB programme in Sabah was held at Wisma SEDIA, with local entrepreneurs pitching their business ideas in hopes of moving to the following round held in Kuala Lumpur



November 14, 2017

Tan Sri Datuk Seri Panglima Joseph Pairin Kitingan represented the Chief Minister in officiating the opening ceremony of the Sapangar Bay Dual Carriageway



November 27, 2017

SEDIA briefed a visiting delegation from the European Union on SDC programmes and initiatives, and discussed several possibilities for economic collaboration

November 28-29, 2017

SEDIA signed a Memorandum of Understanding with Universiti Malaysia Sabah during the International Conference on Economics, to advance development programmes and research on Sabah's economy



December 12, 2017

Several local entrepreneurs received their offer letters for participating in the SDC SME Incubation Programme, as well as mock cheques for Accelerator Funds, from Chief Minister Tan Sri Datuk Seri Panglima Musa Hj. Aman

December 14, 2017

SEDIA Chief Executive Datuk Dr. Mohd Yaakub Johari chaired the first meeting of the organising committee for the '10 Years of SDC' Carnival



December 20, 2017

SEDIA Chief Executive Datuk Dr. Mohd Yaakub Johari delivered the keynote address at the Eighth International Conference of the Asian Academy of Applied Business, organised by Universiti Malaysia Sabah

3.6 HIGHLIGHTS OF SEDIA ACTIVITIES

3.6.1 Minister of Science, Technology and Innovation visits SAIP

On February 6, 2017, SEDIA received a courtesy visit from Datuk Seri Panglima Wilfred Madius Tangau, the Minister of Science, Technology and Innovation (MOSTI) at the Sabah Agro-Industrial Precinct (SAIP), Kimanis. The minister was met by SEDIA Chief Executive Datuk Dr. Mohd Yaakub Hj Johari with other senior officers of SEDIA.

In his welcoming remarks, Datuk Dr. Yaakub informed those present that the SAIP project had received early funding from MOSTI. This support had provided the needed impetus to the development of the project. He expressed his thanks to Datuk Seri Panglima Madius for being the first minister of MOSTI to visit SAIP. The support from MOSTI had allowed for the development of a biotech satellite initiative, a tea tree commercialisation project, as well as an Herbal Medicine Knowledge Base (HMKB). The biotech satellite initiative had supported two research studies, investigating and identifying microbial community succession of dairy and poultry manure, and also analysing the effect of four locally-made composts on the asiaticoside content in cultivated *pegaga*. The tea tree commercialisation project was aimed at developing a complete localisation of the technologies to successfully develop tea tree (*Melaleuca alternifolia*) as a commercial crop in Sabah. The protocol and expertise acquired via this project would help the state venture into new industries in Sabah such as essential oil from the state's rich biodiversity resources. The HMKB project utilises semantic technology, allowing relationships and links between concepts to be formed within the knowledge base, and provides a service of identifying traditional herbal medicine for ideas on new drugs or treatments.

During the visit to SAIP, the minister had presented letters of approval to the recipients of funds under the SEDIA Bumiputera SME Incubator Programme, which is provided for capacity building and business financing of Bumiputera entrepreneurs. The incubation programme is designed to encourage the creation of new entrepreneurs especially in knowledge-intensive sectors; meant to create greater awareness of business opportunities as well as facilitate access to business support and shared services.

Following the presentation of approval letters, the MOSTI minister was given a short briefing on SAIP facilities, initiatives, and incubation programmes. As one of the economic clusters available under the SDC, fiscal incentives offered for activities at SAIP include Investment Tax Allowance of 100 percent for 10 years, which can be offset against statutory income. Located at Kimanis, in the district of Papar with an

estimated area of 215 acres, SAIP is envisaged to become a new centre of excellence in agro-biotechnology that optimises the state's biodiversity and abundant natural resources to produce higher value-added food and specialty products based on botanicals, aquatic plants and animals. SAIP will serve as a test-bed for carrying out biotech-driven research and development (R&D) and to develop biotech-driven businesses. Unlike other existing science and technology parks (STP) in other states in Malaysia, SAIP has a distinct focus on Specialty Natural Products (SNP), agro-biotech and health food products.

The minister also highlighted on the various avenues for collaboration between MOSTI, including the agencies under its helm, and SEDIA, as well as between MOSTI and other government agencies. One of the agencies under the MOSTI umbrella, Yayasan Inovasi Malaysia (YIM) is tasked with exploring further collaborative ties with the state government and its agencies, and had recently seconded Mr. Anthony Kiob from the Institute for Development Studies, Sabah (IDS) as its new CEO, as at February 2017. YIM is also looking into increasing exposure of Malaysians to new technology development, such as its efforts to build standards for cryptocurrency, which is a new form of payment in the digital economy. Another agency, Majlis Rekabentuk Malaysia (MRM) is looking to improve the design thinking of Malaysians, such as in the development of website design as well as branding. MOSTI itself has been pushing for the development of entrepreneurs. It had assisted 15 companies in entering the stock exchange. MOSTI also initiated the Malaysia Commercialisation Year 2016 which succeeded to commercialise around 150 local products last year. The success experienced will see Malaysia Commercialisation year continued into 2017.



During his visit to SAIP, Minister of Science, Technology and Innovation Datuk Seri Panglima Wilfred Madius Tangau met with several participants of the SDC SME Incubation programme

3.6.2 Realisation of SMART Mushroom House Facility through SEDIA and MOSTI

A handing over ceremony for a SMART mushroom house project was held on May 16, 2017, at the Sabah Agro-Industrial Precinct (SAIP), Kimanis, between SEDIA and the Agro-Biotechnology Institute Malaysia (ABI) under the National Institute of Biotechnology Malaysia (NIBM), the latter being one of the three biotechnology institutes under the Ministry of Science, Technology and Innovation (MOSTI). The ceremony was also followed by the second phase of a workshop on oyster mushroom cultivation, utilising the SMART grey mushroom house. The SMART mushroom house had been erected at the SAIP demo plot.



SEDIA received funding from MOSTI through the Agro-Biotechnology Institute for a SMART mushroom house, to encourage oyster mushroom cultivation

The Rural Entrepreneur Development through the Grey Mushroom Cultivation programme is a MOSTI Social Innovation (MSI 16045) project. A key component of this project is the development of a mushroom house with SMART system functionality at SAIP. The installation of sensors to control temperature and humidity parameters through the water flow adjustment, as well as an automatic fan system, ensure the production of high quality mushrooms. The main objective for developing the SMART mushroom house facility is to provide current and potential entrepreneurs with a training centre in grey oyster mushroom cultivation, particularly consistent production using sensor systems. Entrepreneurs were given exposure to these processes during the “Workshop Phase 2: Grey Oyster mushroom cultivation using SMART mushroom house” programme as well as a chance to observe the seed inoculation of the grey mushrooms. The workshop was presented by Dr Chan Pick Kuen of ABI and is a continuation of the first phase of the workshop (“Developing rural entrepreneurs in mushroom cultivation”) which had been held on December 16, 2016.

3.6.3 Seminar on “Circular Economy and Sustainable Development Planning for Belt and Road Countries” in Beijing, China

In July 2017, through the invitation from the Consulate General of The People's Republic of China in Kota Kinabalu, SEDIA participated in the “2017 Seminar on Circular Economy and Sustainable Development Planning for ‘The Belt and Road’ Countries” which was held during July 6-26, 2017, in Beijing, China. It is a fully funded seminar by the China Ministry of Commerce, and was organised by the International Cooperation Centre of National Development and Reform Commission of the People's Republic of China. This seminar is part of the training courses in human resource development and cooperation programme in China's Foreign Aid Framework.

The event is organised in support of the close partnership in bilateral trade ties maintained between Malaysia and China, and on the common values to foster cooperation for the benefits of economic development. Furthermore, the common values that both countries share emphasise on the importance of human capital development. China has been continuously extending its invitation to overseas participants to participate in their training programme conducted in China. In the past decade, there have been more than 500 officials from Malaysia, with at least 20 participants from Sabah who were offered and had participated in the same training programme.



A team from SEDIA participated in a seminar on ‘Circular Economy and Sustainable Development Planning for Belt and Road Countries’ in Beijing, China, which also included several site visits to their local industries

LFSA is a federal agency under the Ministry of Finance and is the regulatory authority for the development and administration of the Labuan IBFC. Its wholly-owned subsidiary, Labuan IBFC Inc Sdn Bhd, promotes and markets Labuan IBFC as the preferred international business and financial centre in Asia Pacific. Established to complement the activities of the domestic financial market in Kuala Lumpur and the development of economic activities in Labuan, the Labuan IBFC was rebranded in 2008 to be Asia Pacific's leading 'midshore' international business and financial centre.



SEDIA collaborated with the LFSA to organise a seminar on 'Financing Opportunities in the Labuan International Business and Financial Centre', serving as an opportunity to promote SDC programmes and initiatives to the Labuan business community

LFSA and Asia Jet are strategic partners of SEDIA in promoting investment within the region. SEDIA had exchanged separate MoUs with LFSA and Asia Jet respectively in December 2016. The MoU with LFSA was meant to mutually benefit both organisations in developing new areas of synergy through continuous business process improvement in the context of investments in the SDC, sharing of expertise, research and development, and other areas that are deemed beneficial for the development of financial services offerings.

Meanwhile, the exchange of MoU between Asia Jet and SEDIA had been timely and in line with SDC's plan to establish an Aviation Hub and Air Freight Logistics in Sabah. The MoU will also benefit the promotion of Kota Kinabalu as a premium aviation hub for global aviation industry players to set up business, training, maintenance and repair support services in the economic cluster, as well as to provide seamless connectivity with direct flights to and from Sabah on demand basis.

Asia Jet was founded in 2008 and has grown to become a leading bespoke aviation service company. They have one of the fastest growing charter friendly fleets based in the region, with long-range aircraft and large cabins available for all type of needs. Asia Jet had established Asia Jet Partners Malaysia Sdn Bhd in 2015 to further develop and serve the demand in ASEAN for chartered flights, build a hub for business communities in Malaysia, and promote the local 9M registry. Having established operational bases in Kuala Lumpur, Shanghai and Tokyo, Asia Jet plans to spread their wings to Kota Kinabalu, providing chartered private jet services.



The seminar held at Bank Negara Malaysia headquarters in Sabah saw papers presented by SEDIA and LFSA, as well as the Association of Labuan Banks and Asia Jet, with participants from the Sabah and Labuan finance communities

3.6.5 China-ASEAN Exposition

A yearly event, the 14th China-ASEAN Expo (CAEXPO) took place in Nanning, the capital city of the Guangxi region in China during September 12-15, 2017. The four-day event is a major trade fair in the People's Republic of China, co-sponsored by the governments of China and several ASEAN countries, with the objective of promoting the China-ASEAN Free Trade Agreement (CAFTA). The theme of the 14th CAEXPO is "Jointly Build the 21st Century Maritime Silk Road; Promote Regional Economic Integration through Tourism".

CAEXPO was selected by the Malaysia External Trade Development Corporation (MATRADE) as one of the international trade fairs to be promoted to Malaysia, due to its effectiveness and importance as a strategic entry point for Malaysian companies into China and ASEAN markets. SEDIA was invited to participate in the Malaysian National Promotion Conference organised by the Malaysia Investment Development Authority (MIDA) on September 14, and talk on business opportunities in the Sabah Development Corridor.



SEDIA was invited to present on SDC business opportunities in the Malaysia National Promotion Conference during the 14th China-ASEAN Exposition

The SEDIA delegation was led by Chief Executive Datuk Dr. Mohd Yaakub Hj Johari, Deputy Vice President Jesi Majungki and Senior Executive Karen Christine Mijin of the Investment and Business Development Division. According to Datuk Dr. Mohd Yaakub, the event is a strategic platform for Malaysia, particularly for Small and Medium Enterprises in Sabah to penetrate into the huge China market.

Sabah offers a good environment for tourism, healthcare, and retirement village businesses. In 2017, Sabah recorded 430,000 Chinese tourists, representing an increase of 15 percent from 2016. There are currently 95 direct flights weekly between Kota Kinabalu and several Chinese cities, with the most recent addition being Xiamen Airlines' direct route between Beijing and Kota Kinabalu.

3.6.6 Trade and Investment Mission to Europe

A trade and investment mission to Europe, led by the Minister of International Trade and Industry Dato' Sri Mustapa Mohamad, saw the participation of various investment promotion agencies and economic corridor authorities from Malaysia. SEDIA was among the economic corridor authorities participated in this mission held during October 17-24, 2017 which covered Hamburg, Amsterdam and Stockholm. By participating in these missions, SEDIA is able to develop business contacts, and network with foreign officials, business leaders and international buyers, via one-to-one engagements with leading companies and potential investors as well as seminars held during these missions. Echoing the minister's statement that "it is important for Malaysia to be visible on the radar screen of European multinationals and SMEs", SEDIA concurred that Sabah should make it a point to aggressively promote and attract foreign direct investment into the state to boost economic development.



In promoting SDC initiatives to encourage foreign investment into Sabah, SEDIA participated in a trade and investment mission which covered Hamburg, Amsterdam and Stockholm during October 17-24, 2017

3.6.7 Launching ceremony of the Sapangar Bay Dual Carriageway

The Sapangar Bay Dual Carriageway, which received funding through SDC during the Ninth Malaysia Plan, was officially launched on November 14, 2017. The launching ceremony was officiated by Deputy Chief Minister Tan Sri Datuk Seri Panglima Joseph Pairin Kitingan, in representing Chief Minister Tan Sri Datuk Seri Panglima Musa Hj. Aman.



The launching ceremony of the Sapangar Bay Dual Carriageway was officiated by Deputy Chief Minister Tan Sri Datuk Seri Panglima Joseph Pairin Kitingan, in representing the Chief Minister

The carriageway, which included the first tunnelled road in Sabah, was constructed by the Sabah Public Works Department and contractor Pembinaan Azam Jaya Sdn. Bhd. The project had begun physical works on October 28, 2010 and had a total cost of RM81.5 million. Upon its completion, the 600-metre dual carriageway now provides a quicker connection between Sapangar Bay Container Port and the Kota Kinabalu Industrial Park as well as other surrounding areas. The project also serves to provide an alternative route to the port, reducing traffic congestion for local motorists as well as logistics costs for freight forwarders heading to and from the port.



The carriageway is the first tunnelled road in Sabah, and provides a quicker connection between Sapangar Bay Container Port and Kota Kinabalu Industrial Park

3.6.8 SEDIA Welcomes European Union Delegation

SEDIA welcomed a visiting delegation from the European Union on November 27, 2017, to promote trade ties with Sabah. Her Excellency Maria Castillo Fernandez, Ambassador and the head of the European Union delegation visiting Malaysia, led a group of 15 EU ambassadors and other delegation members on an official visit to Sabah.

The delegation from the European Union was visiting Sabah to receive first-hand information from government officials and agencies on the current development activities in the state, and had requested for a meeting with SEDIA to know more about SDC programmes and initiatives. The meeting reception started with welcoming remarks by SEDIA Chief Executive Datuk Dr. Mohd Yaakub Hj. Johari as well as an address by H.E. Maria Fernandez. The meeting included a presentation on the SDC, and also an open discussion between SEDIA and the visiting delegation. The delegation was also briefed on future strategies and targets under the SDC.



SEDIA briefed the visiting European Union delegation on SDC programmes and initiatives

The members of the visiting delegation were also made aware of the generous fiscal incentives offered in SDC strategic development areas, to entice more members of the European business communities to arrange visits to Sabah in the near future. During the open discussion, the delegates expressed keen interest in partnering to develop SDC projects. Among the notable projects was the Gondola (cable car) to Inobong substation, under the Greater Kota Kinabalu banner. The Inobong substation is a hill and nature reserve along the highlands of Crocker Range Park, located 18km southeast from the main Kota Kinabalu area. Inobong hill itself is known as a salt trail, where common activities include jungle trekking, conservation studies and sightseeing. The mountain terrain and its scenic qualities make the location a natural choice for tourism development, particularly a cable car system supported by other tourism products such as accommodation, cafes, restaurants, souvenir shops and public amenities.

The delegates had also shown interest on the sustainability initiatives of the state, in particular, the state's environmental conservation. In recent years, the EU has been participating in environmental conservation activities in Sabah, and the delegation were keen to explore further steps in this direction.



SEDIA Chief Executive Datuk Dr. Mohd Yaakub Johari (seated, fourth from left) and Institute for Development Studies, Sabah Chairman Datuk Seri Panglima Clarence Bongkos Malakun (seated, far right) with the visiting European Union delegation

CHAPTER 4

SDC PERFORMANCE REVIEW

- 4.1 SDC PERFORMANCE REVIEW
 - 4.2 ECONOMIC PERFORMANCE
 - 4.2.1 Sabah GDP Growth
 - 4.2.2 Annual Cargo and Container Throughput
 - 4.2.3 Tourism Sector Performance
 - 4.2.4 Employment Trends and Unemployment Rate
 - 4.2.5 Incidence of Poverty
 - 4.3 INVESTMENT PERFORMANCE
 - 4.4 DEVELOPMENT PERFORMANCE OF PHYSICAL PROJECTS
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 - 4.6.1 Quality Management System
 - 4.6.2 Financial Management System
 - 4.7 CONCLUSION
-



"Taman Awam Tanjung Lipat" is one of the components of the pedestrian walkway and cycleway project that enhances the liveability of the area for local residents

4.1 SDC PERFORMANCE REVIEW

By the end of 2017, the Sabah Economic Development and Investment Authority (SEDIA) has driven the Sabah Development Corridor (SDC) through the second year of the Third Phase of SDC (2016-2025), as well as the Eleventh Malaysia Plan (11MP) (2016-2020). The implementation of SDC programmes had clearly gained some traction that by the end of 2017, the economic growth of Sabah had accelerated to 8.2 percent.

4.2 ECONOMIC PERFORMANCE

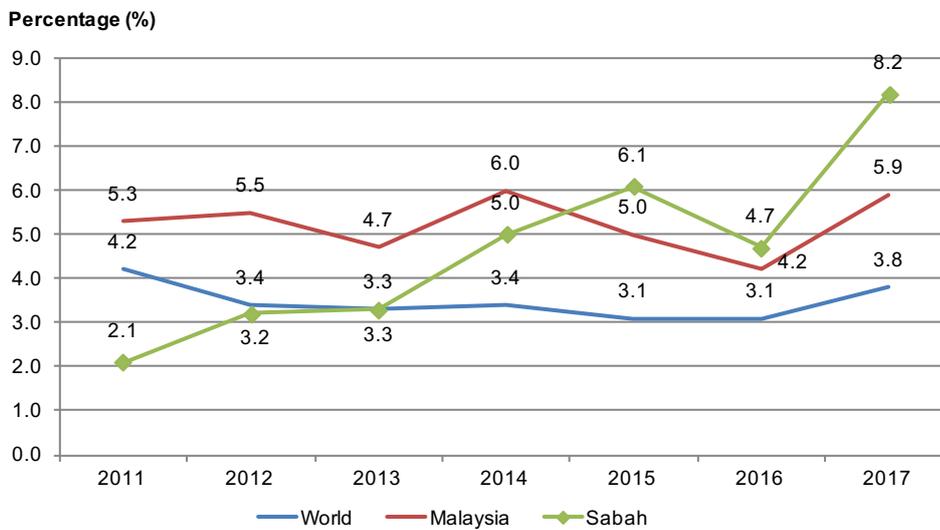
4.2.1 Sabah GDP Growth

During the Second Phase of SDC, Sabah's economy had consistently achieved higher growth in comparison to the national economy. The Department of Statistics, Malaysia and the International Monetary Fund (CHART 4.1) have indicated that Sabah's gross domestic product (GDP) growth during the Second Phase of SDC has been resilient. In 2011, the State's economic growth was recorded at 2.1 percent; by 2015 the state's economic growth increased to 6.1 percent. The state GDP however declined to 4.7 percent in 2016 in the face of persistent weakness in the oil palm, as well as oil and gas prices. The state GDP however rebounded strongly to 8.2 percent in 2017.



SDC initiatives aim to accelerate the growth of Sabah's economy, while ensuring sustainable management of state resources.

CHART 4.1: WORLD, MALAYSIA AND SABAH GDP (2011-2017)

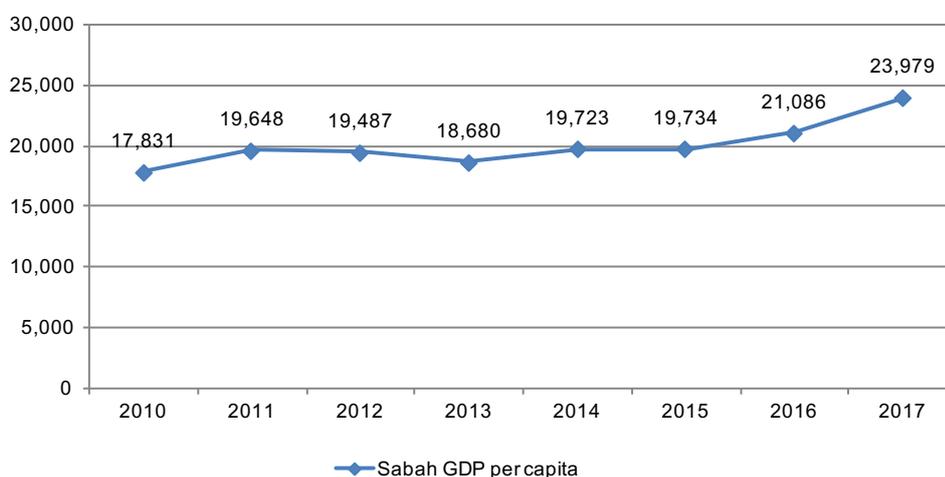


Source:
Department of
Statistics, Malaysia,
and International
Monetary Fund, 2018

Sabah’s GDP per capita is generally below the nation’s average, as there are a high proportion of non-Malaysian citizens who tend to have low wages. The GDP per capita, however, has been on a consistently upward trend, expanding from RM17,831 in 2010 to RM23,979 in 2017, at current prices (see CHART 4.2).

It is pertinent to note that from CHART 4.1, it can be seen that the gap in economic growth in terms of GDP between Sabah and the national average had significantly narrowed during the Second Phase (2011-2015). The state's GDP growth had overtaken the national average from 2015 - 2017. While GDP growth for Sabah in 2011 was recorded at 2.1 percent, and 5.3 percent for Malaysia, the former’s GDP growth at 6.1 percent had overtaken the national average of 5.0 percent in 2015. The GDP growth for Sabah registered at 4.7 percent in 2016, higher than the national average at 4.2 percent in the same year. This development is significant as it illustrated that the implementation of SDC projects had succeeded in accelerating the economic growth of Sabah in a sustainable manner.

CHART 4.2: SABAH GDP PER CAPITA (2010-2017)



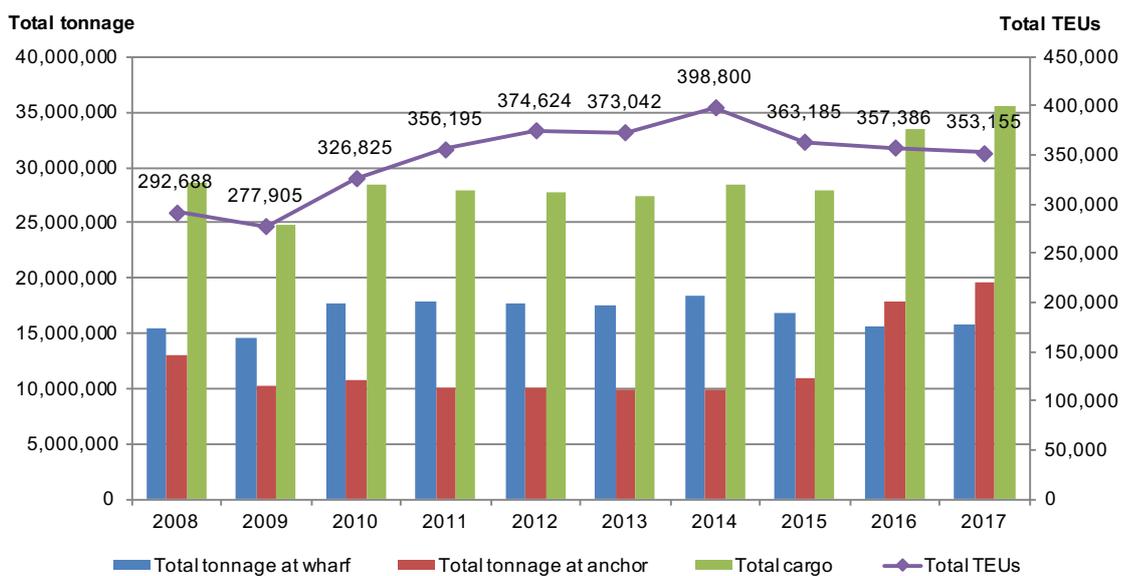
Source:
Department of
Statistics, Malaysia,
2018

It is pertinent to also note that one of the key targets under SDC is to realise GDP of RM63.2 billion, and GDP per capita of RM14,478 for Sabah by the year 2025. This had already been surpassed as at 2015, with the state registering RM66.3 billion GDP, and RM19,734 GDP per capita. By 2017, the state's GDP had reached RM79.9 billion (at constant 2010 prices), while GDP per capita at RM23,979. Although the target setting and outcomes were determined using different base years, this however is only of academic interest and therefore a moot point. This is due to the fact that inflation rates between 2008 and 2016 was only hovering between a high of 2.9 percent in 2011, to the lowest at 0.7 percent in 2016.

4.2.2 Annual Cargo and Container Throughput

Based on the data from Sabah Ports Sdn. Bhd., total container throughput had increased overall since the start of SDC, from 292,688 in 2008 to a peak of 398,800 in 2014. The state did however experience a slight decline in the following three years to 363,185 twenty-foot equivalent units (TEUs) in 2015, 357,386 TEUs in 2016, and then 353,155 in 2017. Despite the drop in container throughput, the volume of cargo handled in all ports in Sabah experienced an increase of 27.5 percent during that period, which was from 27,844,210 tonnes in 2015 to 35,507,450 tonnes in 2017. This was due to the increase in total cargo handled at anchor (see CHART 4.3). The total volume of cargo throughput was at its highest in 2017, indicating that economic activities in Sabah has been vibrant and expanding.

CHART 4.3: SABAH PORTS ANNUAL CARGO AND CONTAINER THROUGHPUT (2008-2017)

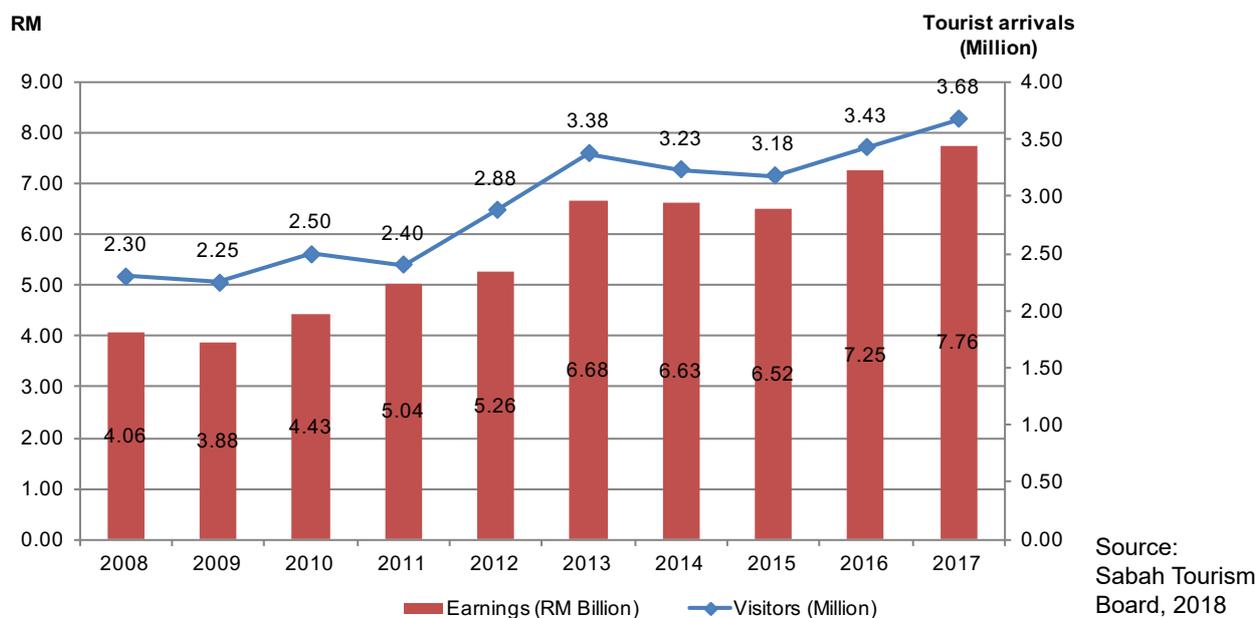


Source: Sabah Ports Sdn. Bhd., 2017

4.2.3 Tourism Sector Performance

The tourism sector is among the major contributors to the nation and specifically Sabah, in regards to revenue and economic development. From CHART 4.4, it can be seen that Sabah had seen an overall increase in tourist arrivals during the 2008 - 2017 period. Although tourism arrivals had declined slightly during the 2014-2015 period, the state saw an increase in tourism arrivals in the following two years, surpassing the previous peak in 2013. Revenue from the sector also increased from RM6.52 billion in 2015 to RM7.76 billion in 2017, reflecting on the good progress in tourism and is gaining momentum going forward.

CHART 4.4: SABAH TOURIST ARRIVALS AND TOURISM RECEIPTS (2008-2017)

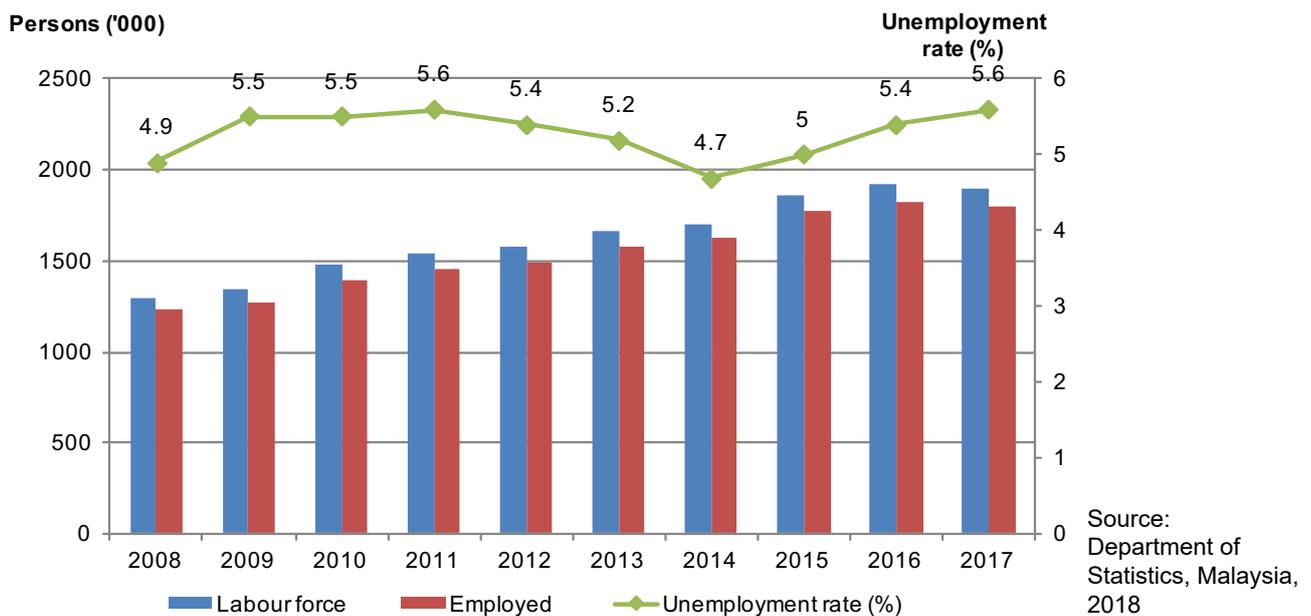


In regards to tourism composition, as at December 31, 2017, domestic arrivals comprise the largest contributor at 66.4 percent, followed by arrivals from other Asian countries with 29.8 percent, while the remainder comprises of arrivals from Europe, Oceania, the United States, and others. Overall, during the period of 2015-2017, the rate of international tourist arrivals had increased by as much as 26.2 percent, with the largest contribution from East Asia, specifically China, which saw an increase of 74.6 percent as compared to 2015.

4.2.4 Employment Trends and Unemployment Rate

Since recording 4.9 percent at the beginning of SDC, unemployment rates declined to a low of 4.7 percent in 2014, as compared to its peak of 5.6 percent in 2011 (see CHART 4.5). The number of employed persons rose to 1.82 million in 2016, from 1.23 million in 2008 (see TABLE 4.1). This means 593,200 jobs had been created over the nine-year period, giving an average increase of 65,911 jobs created per year. The target for SDC is to create 900,000 jobs by 2025, giving an average target per year of 50,000. This means that the SDC annual target had been exceeded. The various projects implemented during the First Phase of SDC (2008-2010) contributed to the direct creation of job opportunities for locals, especially in the construction sector. This was further boosted by the SDC projects implemented during the Second Phase (2011-2015), with focus on encouraging investment in the targeted sectors in Sabah.

CHART 4.5: SABAH EMPLOYMENT TRENDS (2008-2017)



The fact that unemployment has slightly increased to 5.6 percent in 2017, from a low of 4.7 percent in 2014 is not a major cause for concern. What is a matter of serious concern is the number of highly skilled and high paying jobs such as professionals, engineers, accountants, lawyers and doctors. It is therefore crucial for a highly-skilled, knowledgeable, talented and adaptable workforce to be created to support newly created job opportunities in the emerging oil, gas and energy sector, agro-biotechnology, creative industry and others, more so in anticipation of the Industry 4.0 requirements. The unemployed need to be incentivised to acquire the much needed skills. There is also a need to assist in the emplacement of new graduates to reduce mismatch in employment.

TABLE 4.1: EMPLOYMENT INDICATORS FOR SABAH LABOUR FORCE, EMPLOYED AND UNEMPLOYED, AND THE UNEMPLOYMENT RATE (2008-2017)

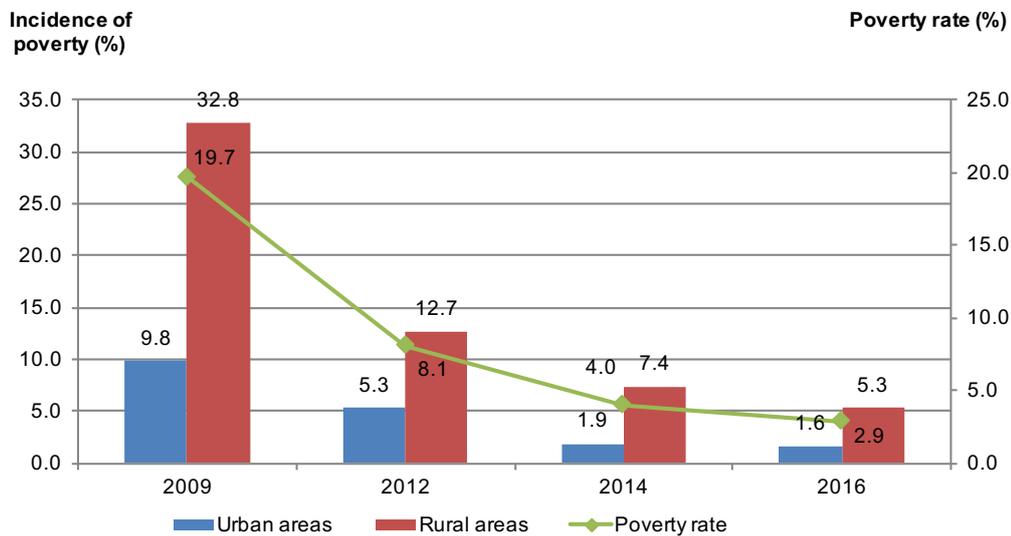
Employment	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Labour force (million)	1.29	1.35	1.48	1.54	1.58	1.67	1.70	1.86	1.93	1.90
Employed (million)	1.23	1.27	1.40	1.45	1.49	1.58	1.62	1.77	1.82	1.80
Unemployed ('000)	63.8	74.6	82.1	86.1	85.3	86	79.5	92.3	103.3	107.5
Unemployment rate (%)	4.9	5.5	5.5	5.6	5.4	5.2	4.7	5.0	5.4	5.6
Labour force participation rate (%)	64.5	65.1	65.9	67	67.4	69.9	70	69.5	70.8	68.4

Source:
Department of
Statistics,
Malaysia, 2018

4.2.5 Incidence of Poverty

The incidence of poverty in Sabah has continued to decline in spite of global economic challenges. According to the Department of Statistics, Malaysia, the incidence of poverty in Sabah was recorded at four percent in 2014, however by the end of 2016, incidence of poverty declined further to 2.9 percent (see CHART 4.6). The improvements of mean monthly household income undoubtedly influenced the direction of poverty incidence. The poverty rate which was registered at 19.7 percent in 2009 had drastically declined to 8.1 percent in 2012. This is the highest reduction in the poverty rate in Sabah. Under the SDC Blueprint, the poverty incidence for Sabah should be less than five percent by 2020, and negligible by 2025. The Gini coefficient has indicated a marked reduction in income inequality at 0.428, in comparison to 0.45 in 2007 (see TABLE 4.2).

CHART 4.6: INCIDENCE OF POVERTY, SABAH (2009-2016)



Source: Department of Statistics, Malaysia, 2017

TABLE 4.2: SABAH MEAN MONTHLY HOUSEHOLD INCOME, INCIDENCE OF HARDCORE POVERTY, AND GINI COEFFICIENT 2007-2016

Year	Mean household income (RM) per month	Poverty rate (%)	Gini coefficient
2007	2,866	19.5	0.450
2009	3,102	19.7	0.453
2012	4,013	8.1	0.428
2014	4,879	4.0	0.387
2016	5,354	2.9	0.402

Source: Department of Statistics, Malaysia, 2017

Among the states, Sabah had recorded the highest poverty rate in 2007, which was at 19.5 percent. Poverty is about not having enough money to fulfil basic needs, including food, clothing and shelter (housing). The World Bank Organization defines poverty as involving hunger and lack of shelter, not being able to see a doctor, not having access to school and not having a job. Poverty can be measured by looking into social indicators such as education, health, access to services, vulnerability and social exclusion. The SDC initiative has clearly achieved the objective of reducing poverty to less than five percent by 2025, ahead of schedule.

During the past six years, it is undeniable that SDC projects in high-impact sectors of Sabah had been having a significant impact on the state's economic growth, realised improvement in social well-being, created more job opportunities, reduced poverty and the unemployment rate, and increased household income. Poverty eradication makes up one of the main objectives of the SDC initiative, and the approach taken is different from most other poverty alleviation initiatives established earlier.

Through SDC, poverty reduction efforts have a greater focus on regional economic development, while integrating elements of investment and entrepreneurship. Guided by the experience obtained from existing efforts, SDC directs its poverty alleviation activities through the development of five Agropolitan sites situated in Tongod, Kemabong, Kota Belud, Pitas, and Beluran. These five Agropolitan projects developed are based on the resource endowments, such as agricultural strengths and capacities, as well as the enabling conditions of the respective districts. This approach can be seen in the Tongod Agropolitan with its focus on agriculture plantation, whereas the Pitas Agropolitan project relies heavily on aquaculture activities.



Agropolitan projects develop the area based on the local resource endowments such as the Pitas Agropolitan's focus on aquaculture

4.3 INVESTMENT PERFORMANCE

In terms of investment, SEDIA has implemented proactive measures during the Second Phase to encourage both domestic and foreign investment, as well as developing Small and Medium Industries (SMIs) in SDC-focused sectors. This has continued during the Third Phase of SDC (2016-2025) which is the expansion phase. Cumulative committed investment in SDC as at December 2017, as shown in TABLE 4.3 and CHART 4.7, amounted to RM165 billion, while realised investment amounted to RM66.09 billion.

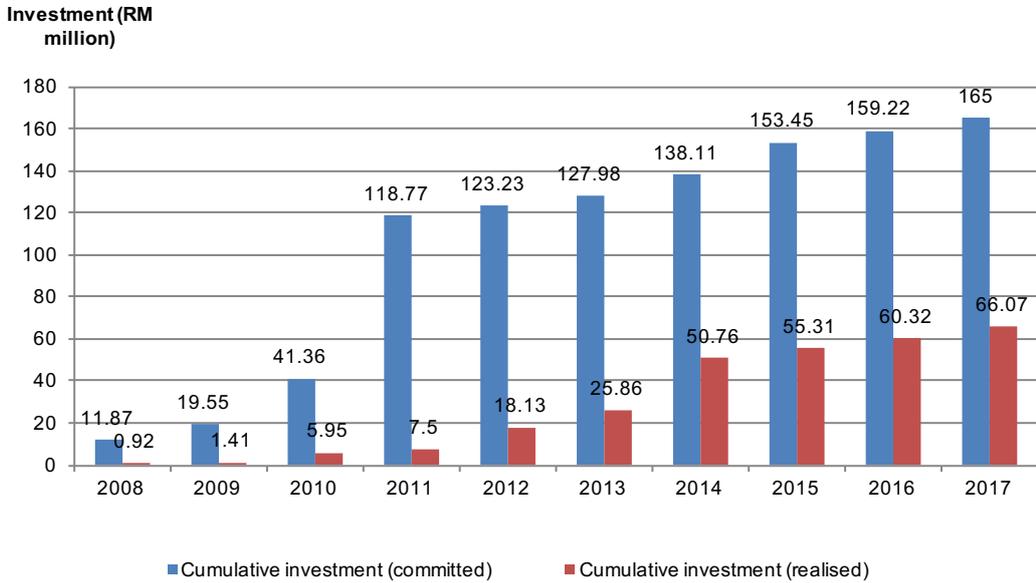
TABLE 4.3: SDC CUMULATIVE COMMITTED AND REALISED INVESTMENT (2008-2017)

Year	Committed		Realised	
	Investment (RM billion)	Cumulative investment (RM billion)	Investment (RM billion)	Cumulative investment (RM billion)
2008	11.87	11.87	0.92	0.92
2009	7.68	19.55	0.49	1.41
2010	21.81	41.36	4.54	5.95
2011	77.41	118.77	1.55	7.5
2012	4.46	123.23	10.63	18.13
2013	4.75	127.98	7.73	25.86
2014	10.13	138.11	24.89	50.76
2015	15.36	153.45	4.56	55.31
2016	5.77	159.22	5.01	60.32
2017	5.78	165.00	5.77	66.09

Source:
SEDIA, 2017

While the cumulative committed investment target has been achieved ahead of schedule, the cumulative realised investment has been on track to achieve the target set at RM77.5 billion by 2020.

CHART 4.7: SDC CUMULATIVE INVESTMENT (2008-2017)



Source: SEDIA, 2017



Total container throughput has been increasing due to vibrant investment and economic activities since the launch of SDC. Total volume of cargo throughput was at its highest in 2017, indicating that economic activities in Sabah have been vibrant and expanding

4.4 DEVELOPMENT PERFORMANCE OF PHYSICAL PROJECTS

Sabah Development Corridor projects comprised of several flagship projects, as well as projects by the private sector under Public-Private Partnerships (PPPs) and Entry Point Projects (EPPs) under the National Key Result Areas (NKEAs).

In terms of development expenditure performance, SEDIA had expended 93.19 percent of the total allocation received cumulatively during the Ninth (9MP), Tenth (10MP) and 11MP, as at December 31, 2017. This expenditure has no doubt added further momentum to the overall economic growth through spillover effects from the implemented projects (refer to TABLE 4.4) (see also TABLE 4.5 for the list of Federal government-funded SDC projects).

TABLE 4.4: SDC PROJECTS FINANCIAL PERFORMANCE UNDER THE MALAYSIA PLANS (MPs) AS AT DECEMBER 31, 2017

MP	Year	Allocations	Expenditure	Remaining	%	
		(RM)				
9MP	2010	919,000,000	919,000,000	0	100%	
	2011	263,950,000	258,190,673	5,759,327	97.82%	
	2012	230,408,500	224,518,060	5,890,440	97.44%	
10MP	2013	186,900,000	172,199,561	14,700,439	92.13%	
	2014	115,500,000	100,500,000	15,000,000	87.01%	
	2015	173,420,992	168,002,589	5,418,403	96.88%	
11MP	2016	159,186,096	137,397,057	21,789,039	86.31%	
	2017	241,100,000	153,772,231	83,327,769	63.78%	
Total		2,289,465,588	2,133,580,171	155,885,417	93.19%	Source: SEDIA, 2017

From TABLE 4.5, it can be seen that most of the feasibility studies, research and training projects had been carried out and completed. In terms of development projects, all of 9MP projects had been completed. Some 10MP projects had been rolled over into 11MP.

New SDC projects under 11MP include “Upgrading Sapangar Bay Container Port”, “Free Economic Zone Masterplan Study”, “Air Freight Logistics and Aviation Hub Masterplan Study”, “Construction of Palm Oil Jetty at POIC Sandakan”, “Construction of Tuaran Sungai Damit Bridge”, and Phase 2 of “Creative Content Incubator Projects”.

TABLE 4.5: FEDERAL GOVERNMENT-FUNDED PROJECTS UNDER SDC AS AT DECEMBER 31, 2017

Sector	Type of project	Name of project	Status
Tourism	Feasibility studies, research and training projects	Impact assessment of palm oil plantations and mills on quality of rivers	(Completed/ In progress)
		<i>Kajian kemungkinan pembinaan Jalan Serusop-Kelawat, Kota Belud</i>	Completed
		<i>Kajian pelan pengurusan lokaliti stesen dan hub-stesen di Taman Banjaran Crocker</i>	Completed
		<i>Kajian pelan induk pelancongan bagi kawasan persisiran pantai dari Tuaran ke Kota Belud</i>	Completed
		<i>Kajian pelan pengurusan Taman Pulau Penyu</i>	Completed
		<i>Kajian alternatif bekalan tenaga elektrik ke Taman Tunku Abdul Rahman</i>	Completed
		<i>Kajian alternatif bekalan air bersih ke Taman Tunku Abdul Rahman</i>	Completed
		<i>Kajian peningkatan air panas di Poring Hot Springs, Ranau</i>	Completed
		<i>Kajian pembentukan “Wildlife Corridor” menghubungkan Taman Kinabalu dan Taman Banjaran Crocker</i>	Completed
		<i>Kajian pelan pengurusan Taman Pulau Tiga</i>	Completed
	Physical projects	<i>Rekreasi hutan dan eko pelancongan – Menaiktaraf/ Penyelenggaraan/ Balikpapan kawasan pelancongan di Hutan Simpan Kebun Cina</i>	Completed
		<i>Projek peningkatan kemudahan pelancongan (Tenom, Tambunan, Nabawan dan Keningau)</i>	Completed
		<i>Pembangunan Pusat hub repository maklumat koleksi budaya dan saintifik Muzium Sabah</i>	Completed

CONTINUED

Sector	Type of project	Name of project	Status
		<i>Penaikan taraf pameran tetap muzium Sabah</i>	Completed
		<i>SDC – Cadangan perumahan rakyat di Kg. Gusi, Kinarut</i>	Completed
		<i>Taman Kekal Pengeluaran Makanan Sg. Koyah, Kinabatangan</i>	In progress
		<i>Taman Kekal Pengeluaran Makanan Mandalipau, Papar</i>	Completed
	Feasibility studies, research and training projects	<i>Taman Kekal Pengeluaran Makanan Sg. Lokan, Kinabatangan</i>	Completed
		<i>Taman Kekal Pengeluaran Makanan Langkawit, Papar</i>	Completed
		Biomass policy	Completed
Agriculture		<i>Projek khas tanam baru dengan getah di kawasan termundur Semenanjung Bengkoka, Pitas</i>	Completed
		<i>Tanam baru getah berkelompok dengan klon lateks balak</i>	Completed
		<i>Pembinaan jalan pertanian di beberapa daerah (21 sub-projek)</i>	Completed
		<i>Projek Agropolitan Pitas</i>	Completed
		<i>Projek Agropolitan Kemabong</i>	Completed
		<i>Keningau Integrated Livestock Centre</i>	Completed
		<i>Projek Agropolitan Beluran</i>	Completed
		<i>Projek Agropolitan Tongod</i>	Completed
		<i>Projek Mini Estet Sejahtera (MESEJ)</i>	Completed
		<i>Sabah Agro-Industrial Precinct (SAIP)</i>	Completed
	Feasibility studies, research and training projects	<i>SDC – Pembesaran pelabuhan kontena Sapangar (1.25 juta TEU/tahun)</i>	In progress
		<i>SDC – Kajian pelan induk untuk hab penerbangan dan logistic fret udara di Sabah</i>	Completed
Manufacturing and logistics		<i>Projek Kelompok Industri Berasaskan Kelapa Sawit (Lahad Datu), Fasa 2</i>	Completed
		<i>Projek Kelompok Industri Berasaskan Kelapa Sawit (Sandakan)</i>	In progress
		<i>Kompleks mini Ko-Nelayan, Kuala Penyu</i>	In progress
		<i>Menaiktaraf kawasan persekitaran Pusat Bandaraya Kota Kinabalu</i>	In progress
		<i>Pengorekan dasar laut – Laluan masuk ke kawasan pelabuhan, jeti minyak dan POIC Sandakan</i>	In progress
		<i>Pembinaan Jalan Tongod-Pinangah</i>	KIV
		<i>Menaiktaraf Jalan Labuk, dari KM15 ke KM26 (11 km), Sandakan</i>	Completed
		<i>Pembinaan jalan dua hala dari UiTM ke Sapangar Bay Container Terminal (3 km), Kota Kinabalu</i>	Completed

CONTINUED

Sector	Type of project	Name of project	Status
		<i>SDC – Pembinaan jeti minyak sawit di POIC Sandakan</i>	Completed
		<i>SDC – Pembesaran Pelabuhan Kontena Teluk Sapangar</i>	In progress
		<i>SDC – Projek pembinaan jambatan pekan Tuaran-Sungai Damit, Jalan Pekan Tuaran, Tamparuli, Tuaran</i>	In progress
	Research and training projects	<i>Hutan Bukan Kayu – Penyelidikan dan pembangunan (R&D)</i>	In progress
		<i>Social development BCIC (Bumiputera Commercial and Industrial Community)</i>	Completed
Others		<i>Perhutanan masyarakat</i>	Completed
		<i>Penyediaan infrastruktur bagi projek Sandakan Education Hub</i>	Completed
	Physical projects	<i>Projek pembiakan Badak Sumatra di negeri Sabah</i>	Completed
		<i>Pusat inkubator pembangunan kandungan kreatif</i>	Completed
		<i>Pusat incubator pembangunan kandungan kreatif (Fasa 2)</i>	Completed

Source: SEDIA, 2017

4.4.1 Agropolitan Pitas

The Agropolitan projects are customised rural development projects with the focus of eradicating hardcore poverty and the betterment of rural life, and principally to bring overall socio-economic improvement and changes to particular rural areas. These projects are done through the extension of services by the public sector, together with cooperation from the private sector to satisfy basic needs and requirements in the designated Agropolitan areas. Thus, the main players of Agropolitan projects are the communities (local residents) in that rural area itself, the implementing government agencies (public sector), and corporate/business entrepreneurs (private sector). The Agropolitan projects' success is dependent upon the cohesive participation and active collaboration of all these players.

In Sabah, the rural areas are mostly agriculture-driven, whereby the hardcore poor and poor are those earning a monthly income of less than RM540 and RM960 respectively. Based on statistics up until 2007, the Pitas district in the north of Sabah was found to be the poorest district in Malaysia, with a total 3,581 population in 2004, and 2,381 population in 2007, living below the poverty line. More than 73 percent of the population within this region obtained income through shifting agricultural practices.

The Agropolitan Pitas project is one of five such projects under SDC planned and scheduled during the Ninth (9MP) and Tenth Malaysia Plans (10MP). Agropolitan Pitas focuses on aquaculture activities, primarily rearing sea cucumber and fishing, and involves around 60 families/participants from the following four villages: Kg. Mapan-Mapan; Kg. Pagasaon; Kg. Mangkubau Laut; and Kg. Malubang. The project cost is RM80 million, and the pilot project at Kg. Mapan-Mapan was completed in October 2013. Physical works for Kg. Mengkubau Laut and Kg. Malubang was completed in November 2016, and seedlings were provided for these two villages on October 18, 2017. Participants from all four villages have also completed their training.

The objective has been to eradicate poverty by implementing the aquaculture projects which provide job opportunities and generate income among the poor and hard core poor residents in the Pitas district. Meanwhile, the targeted outcome has been for the participants to earn an additional average monthly income from around RM750 to RM1,000, derived from fishing and sea cucumber activities. By 2017, the participants from Kg. Mapan-Mapan were earning an additional average monthly income of around RM1,500, while participants from the other villages were earning RM1,050 on average. The next step of the project is the construction of a *balat* hatchery and processing plant, that will create more job opportunities as well as enable profit sharing for participants.

4.4.2 Keningau Integrated Livestock Centre

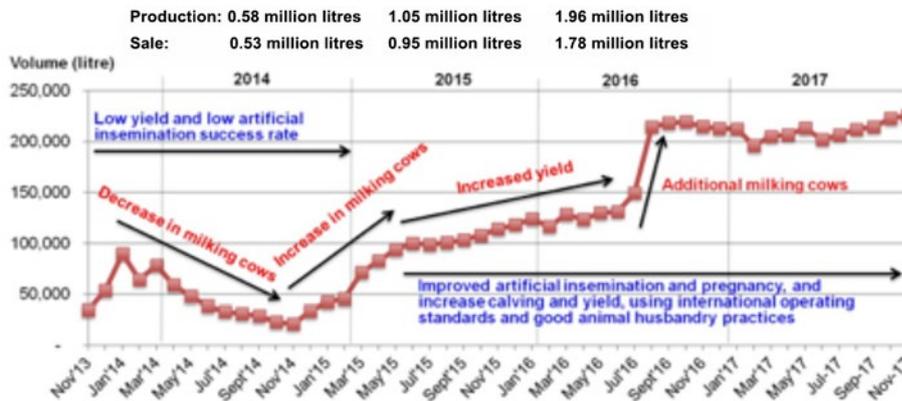
In the hinterland, the Keningau Integrated Livestock Centre (KILC) is a State Government initiative to establish an integrated livestock production area, with the main objective of producing sufficient beef, mutton, fresh milk as well as dairy and meat products to meet domestic demand, with the long-term objective of exporting surplus produce, in the form of frozen meat, milk or processed products.

SEDIA is currently running the operations and management of the KILC, having taken over operations from Sawit Kinabalu in 2014. Since taking over the operations, the dairy milk production has been increasing since January 2015 as shown in CHART 4.8.



The management and operations of the Keningau Integrated Livestock Centre has been run by SEDIA since 2015, which has led to an increase in the dairy milk production

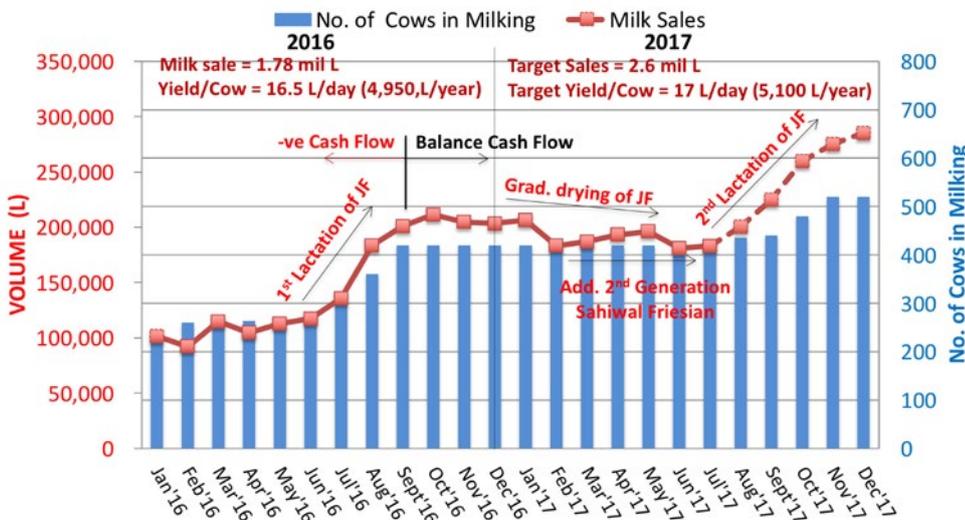
CHART 4.8: KENINGAU INTEGRATED LIVESTOCK CENTRE MILK PRODUCTION



Source: SEDIA, 2017

Milk production further increased with the addition of 200 New Zealand Holstein dairy breeds in January 2016. As at December 31, 2017, the total cattle population reached 1,155 heads, of which 693 are cows, and 67.8 percent of the cow population are producing milk. The average milk production per cow reached over 16.5 litres daily (see CHART 4.9), with KILC producing a daily total of at least 7,500 litres. The project is currently the second largest milk production farm in Sabah, and is only operating at 65 percent of its existing capacity and 33 percent of its total design capacity. SEDIA continues to manage the KILC and ensure all requirements and needs are met in order to achieve the target quality and results.

CHART 4.9: KENINGAU INTEGRATED LIVESTOCK CENTRE MONTHLY MILK SALES (2016-2017)



Source: SEDIA, 2017

4.4.3 Sabah Agro-Industrial Precinct

Located in Kimanis, in the district of Papar, the Sabah Agro-Industrial Precinct (SAIP) is one of the SDC flagship projects that will develop new sources of economic growth within the agriculture sector, especially in the agri-biotech sub-sector. The technology precinct serves as an enabler and platform for the development of the agro-based industry, focusing on food and specialty crops as well as natural products. It also serves as an incubator for the creation of local agri-entrepreneurs, and is one of the key elements in enabling rural communities to move into a high-income economy.

By 2017, all of the physical construction works on phases one and two of the SAIP project development, together with the procurement of various machinery and equipment, have been completed. These two phases of development consist of six facility infrastructure, which houses the Administration and Incubation Centre, Research, Development, Commercialisation and Innovation (RDCI) Laboratory, Post-Harvest Collection and Handling centre, Production Line (food processing), Herb Manufacturing centre, and Controlled-Environment Farming Greenhouses. The machinery and equipment available at SAIP includes over 45 laboratory equipment, specific for conducting plant tissue culture, horticulture research, product development, and food analysis. More than 90 types of machinery and equipment are also provided for agriculture and herb downstream processing.

SEDIA supports SAIP initiatives to technically empower local entrepreneurs in Sabah, by conducting product development and research studies through the Research, Development, Commercialisation and Innovation (RDCI-SAIP) programme. Several officers from various fields of science have been stationed at SAIP for this purpose. The RDCI-SAIP programme, which commenced in 2017, has benefited around 140 local entrepreneurs in Sabah. TABLE 4.6 outlines the types of services and facilities used by the entrepreneurs, while TABLE 4.7 tabulates the various product types submitted for analysis.



By 2017, all physical construction works on phases one and two of SAIP project development have been completed

TABLE 4.6: UTILISATION OF SAIP LABORATORY SERVICES AND COMMON FACILITIES
(AS AT DECEMBER 2017)

Type of services and facilities provided	Usage requests
Quality control	11
Chemical analysis	29
Nutritional labelling	59
Plant tissue culture	8
Equipment and facility booking	18
Technical advice	23
Total	148

Source:
SEDIA, 2017

TABLE 4.7: TYPES OF PRODUCTS SUBMITTED FOR ANALYSIS
(AS AT DECEMBER 2017)

Product types	No. of submissions
Food products	59
Food additives	-
Cosmetics and personal care products	15
Plant materials	21
Others	2
Overall total	97

Source:
SEDIA, 2017



Machinery and equipment at SAIP are meant for the downstream processing of agro-based and herbal products

4.5 HUMAN CAPITAL AND ENTREPRENEURSHIP DEVELOPMENT

4.5.1 Agro-SAIP

The Agro-SAIP training programme is aimed at providing for, and empowering agri-entrepreneurs through practical science and agriculture technology. Between 2012 and 2017 (refer to TABLE 4.8 and TABLE 4.9), SEDIA organised a total of 32 courses with a cumulative total of 1,740 participants. The courses organised covered themes such as virgin coconut oil processing, CEF, fisheries and aquaculture, agri-food, essential oils, honey bee farming, and bird nest farming and processing, as well as business plan development and e-commerce. SEDIA cooperates with several agencies such as MARA, SME Bank, and the Department of Agriculture in initiating these training programmes.

TABLE 4.8: SUMMARY OF COURSES UNDER THE AGRO-SAIP PROGRAMME (2012-2017)

Year	Number of courses	Number of participants	
2012	6	463	
2013	8	346	
2014	5	312	
2015	4	263	
2016	4	144	
2017	5	212	
Total	32	1,740	Source: SEDIA, 2017



Potential agri-entrepreneurs are empowered through the provision of training in practical science and agri-technology courses

TABLE 4.9: LIST OF AGRO-SAIP COURSES AS AT DECEMBER 2017

Date	Course Title	No. of participants
September 3, 2012	Pharmaceutical herbs industry	34
September 4, 2012	Business plan workshop (with SME Bank)	24
October 1-2, 2012	Swiftlet rearing and bird nest processing industry	155
October 3, 2012	Business plan workshop (with SME Bank)	41
December 3-4, 2012	Agro-food industry	102
December 5-6, 2012	Agro-organic industry	107
January 29, 2013	Bioscience and biotechnology industry	33
January 30, 2013	Business plan workshop (with SME Bank)	37
May 21, 2013	Swiftlet rearing and bird nest processing industry (follow-up course)	36
June 25, 2013	Fisheries and aquaculture industries	72
August 27, 2013	Neutraceutical industry: Potential of soursop and watermelon	50
October 22, 2013	Essential oils and aromatic plants industry	51
October 29, 2013	Business plan workshop (with SEDIA IBDD)	38
October 30, 2013	Workshop on preparations for cash management and bookkeeping (with SEDIA IBDD)	29
March 11, 2014	Introduction and industry opportunities for controlled environment farming (CEF)	65
May 20, 2014	Introduction and industry opportunities for plant seed production	68
September 23, 2014	E-commerce business and marketing	49
September 30, 2014	Crop post-harvest handling technology	76
October 29, 2014	Outreach awareness/dialogue programme – Financing for SMEs in SDC (with SEDIA IBDD)	54
June 16, 2015	Commercial honey farming	66
August 26, 2015	Processing technology and applications for VCO	63
December 1, 2015	Packaging and labelling for agriculture and food production	71
December 2, 2015	Introduction and industry opportunities for controlled environment farming (CEF)	63

March 22, 2016	Establishing online shopping	6
November 29, 2016	Introduction and industry opportunities in agro-food	41
November 30, 2016	Introduction and industry opportunities in planting Saba bananas, pineapple and ginger	59
December 1, 2016	Introduction and industry opportunities for controlled environment farming (CEF)	38
October 17, 2017	Hands-on training on marketing through social media	30
October 19, 2017	Hands-on training on mushroom farming	31
October 31, 2017	Introduction and industry opportunities in the coconut industry	57
November 1, 2017	Introduction and industry opportunities in planting Saba bananas, pineapple and ginger	64
November 27, 2017	Entrepreneurial opportunities in livestock downstream industries	30
Total		1740

Source:
SEDIA, 2017

4.5.2 SME Incubation and Accelerator Programmes

In order to further develop entrepreneurs in the state, especially bumiputera entrepreneurs through SDC, SEDIA collaborated with Unit Peneraju Agenda Bumiputera (TERAJU), SME Corp and various other public bodies including Yayasan Sabah (YS), the Sabah Bumiputera Chamber of Commerce, Department of Agriculture and district offices. Through their concerted efforts, SEDIA launched the Gerak IKS SDC roadshow programme in 2016, and followed up on the programme in 2017 with a stop in Tawau. The response has been encouraging; as of the Tawau roadshow, the combined number of participants surpassed 8,000 people. The roadshow programmes comprised of talks covering various industry opportunities and business assistance, business matching opportunities, advisory services by government agencies, as well as mini exhibitions to display the products of entrepreneurs and start-ups, including those developed under the SAIP business incubator programme.

Participants also had the opportunity to register for SEDIA and TERAJU SME Incubation and Accelerator programmes as well as facilitation grants meant for bumiputera entrepreneurs. As at December, 2017, there were 203 people from six regions registered in the SDC Incubation programme, of which 102 participants received approval for funding. For the Accelerator programme, four projects have been approved. CHART 4.10, CHART 4.11, CHART 4.12, CHART 4.13 and CHART 4.14 show the current SDC SME programmes performance.

CHART 4.10: GRANT ALLOCATION (COMMITTED AND DISBURSED) (RM MILLION)

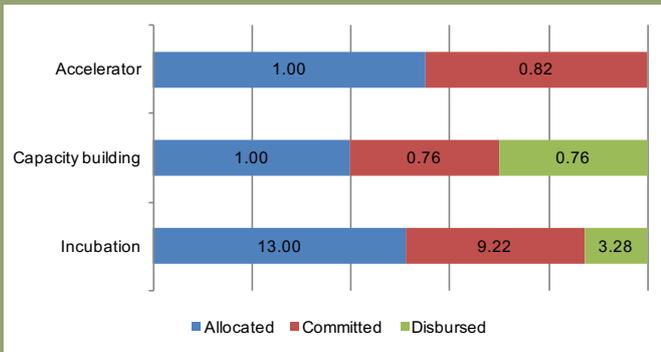


CHART 4.11: INCUBATION BY SECTOR

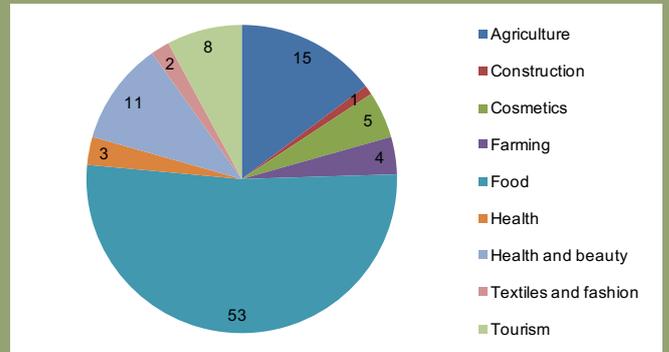


CHART 4.12: INCUBATION PARTICIPATION

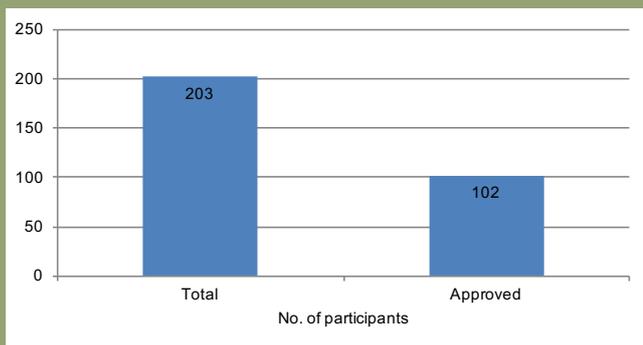


CHART 4.13: INCUBATION APPROVAL AND DISBURSEMENT

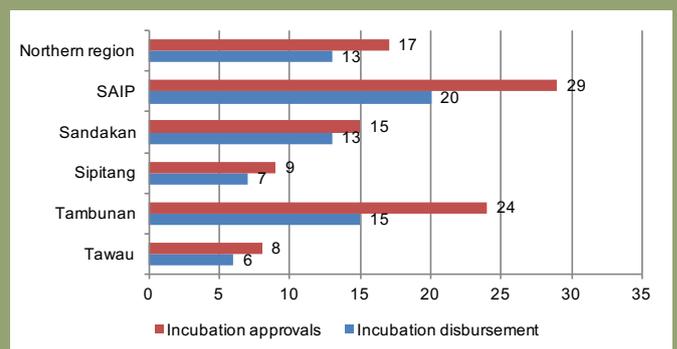
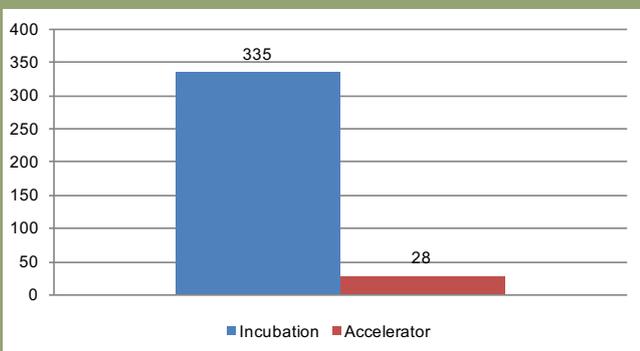


CHART 4.14: JOB CREATION



Source for Chart 4.10, Chart 4.11, Chart 4.12, Chart 4.13, Chart 4.14: SEDIA, 2017

4.5.3 SDC SME Incubation participants

Participants of the SDC SME Incubation programme are divided into groups from Kimanis, Sipitang, Sandakan, Kota Marudu and Tawau, based on the locations of the Gerak IKS SDC roadshow while also ensuring that the various regions of Sabah are represented. Though participating entrepreneurs are teamed with fellow participants from the same region, each regional group has demonstrated a diverse range of entrepreneurial ideas across different industries. From the Tambunan team, among the range of products that are supported through the SDC SME Incubation programme are 3D door-printing, abalone cream, ambarella juice, buffalo burger patties, and fruit jams.



Utilising 3D-printing technology, CDA Ecotech Sdn Bhd is able to offer its customers various customisation options on their door products

Charles Kwong, through CDA Ecotech Sdn Bhd, had pitched the idea of 3D door-printing, whereby the doors are designed using computer software and then fabricated using machines that materialise the shape onto the raw timber materials. The system ensures more accurate implementation and ease of repeating designs, improved quality control, and reduced time to complete their door products. The grant allowed CDA Ecotech to purchase necessary machinery, renovate their premises, and improve their marketing.

Zaharinah Binti Masair is a budding entrepreneur specialising in beauty products and cosmetics, and she had applied to participate in SDC SME development initiatives in order to realise her latest venture, which is an abalone cream. Considered the first of its kind developed in Malaysia, Zaharinah had received funding that allows her to conduct the necessary upgrading of her factory, increase her marketing efforts, enhance her product packaging, and purchase more raw materials.

Nelly Prescilla Galus previously was planting and selling ambarella (known locally as kedondong) fruit which she grows on her family land. She had then planned to produce ambarella juice, and through support from the incubation programme, she received a grant for the purchase of machinery and equipment, setting

up of a factory, and for packaging and labelling. Using the funds received under the SDC SME Incubation programme, she begun setting up her factory and purchasing the necessary machinery. She sells her juice product at the local Tambunan market, under Prescilla Enterprise.



Mohd Fadhil Bin Jumat has participated in several exhibitions with assistance through SEDIA, which allowed him to expand his customer base throughout Sabah

Mohd Fadhil Bin Jumaat has been focused on burger processing and supplying frozen foods with the brand name 'Stesen Burger'. Besides burger processing, he is also running his 'Stesen Burger' franchise which has several franchisees in Sabah. Mohd Fadhil Jumaat was approved a grant for purchase of machineries and equipment, raw materials, building of factory, and packaging and labelling.



With funding from the SDC SME Incubation Programme, Rosalinda Calleja was able to expand her business to include homemade fruit jams

A husband and wife business partnership, Jaslihan and Rosalinda Calleja started their business venture selling traditional biscuits and cakes from their home in Ranau. Under the SDC Incubation programme, they expanded their business to include production of homemade fruit jams using local fruits such as durian, tarap, bambangan, jambu and langsung. A grant was approved for the purchase of machinery and equipment, raw materials, premise building, and for packaging and labeling. They are actively promoting the products with the brand name Calleja at expositions and exhibitions.

4.5.4 TERAJU@SDC Programme

SEDIA also serves as the facilitator and coordinator for TERAJU programmes in SDC, which currently comprise the Facilitation Fund and Program Syarikat Bumiputera Berprestasi Tinggi (TERAS). TERAJU, a unit in the Prime Minister's Department set up to drive economic progress and encourage participation from bumiputera entrepreneurs, introduced specialised programmes to provide bumiputera entrepreneurs with business opportunities and financing, with the TERAS programme as the main initiative.

A satellite office known as TERAJU@SDC is located at Wisma SEDIA, to facilitate reaching out to Sabah bumiputera entrepreneurs. As at December 2017, the Facilitation Fund committee had approved 73 projects throughout the 2012-2017 period with project development costs of up to RM1.522 billion and financing of RM186.12 million, as shown in TABLE 4.10.

TABLE 4.10: APPROVED FACILITATION FUND UNDER TERAJU@SDC (2012-2017)

Year	Project total	Project development cost (RM million)	Eligible project cost (RM million)	Approved (RM million)	Distribution (RM million)
2012	2	70.21	61.86	9.19	-
2013	8	182.08	165.25	18.55	-
2014	18	433.19	374.38	51.94	3.61
2015	9	114.16	95.03	12.72	8.89
2016	18	355.66	331.44	44.68	12.04
2017	15	246.96	215.34	31.52	24.26
Total	70	1,402.26	1,243.30	168.60	49.70

Source: SEDIA, 2017

From the distributed amount, property development is the sector that received the most funds with 19 beneficiaries, followed by the oil and gas, retail and training (17), and the tourism sector, with nine beneficiaries. CHART 4.15 shows the breakdown of the Facilitation Fund distribution based on sectors. In terms of location (refer to CHART 4.16), recipients from Kota Kinabalu recorded the highest participation with 26 recipients, followed by 13 recipients from Tawau, nine recipients from Labuan, four each from Tuaran and Semporna, and three from Penampang. Other localities each recorded one to two recipients.

CHART 4.15: FACILITATION FUNDS DISTRIBUTION BASED ON SECTORS AS AT DECEMBER 2017

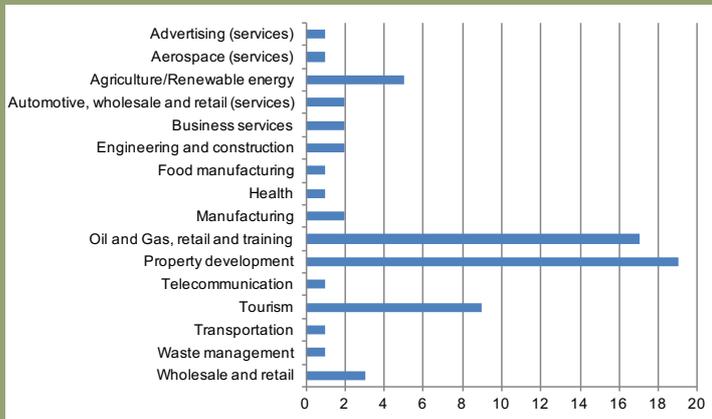
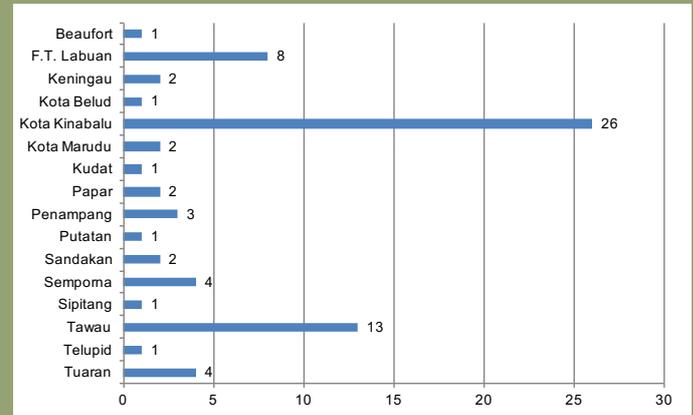
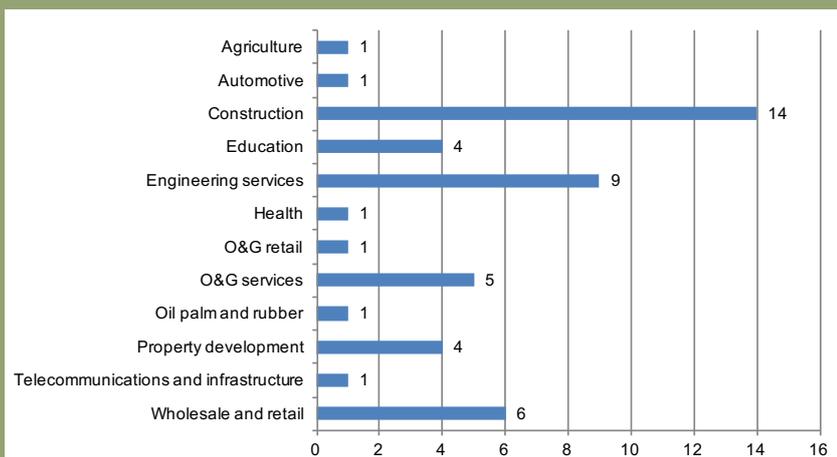


CHART 4.16: FACILITATION FUNDS DISTRIBUTION BASED ON LOCATION AS AT DECEMBER 2017 (RECIPIENTS)



In addition, a total of 48 companies had been approved and given the TERAS Company status under the TERAS programme during the 2012-2017 period. CHART 4.17 shows the breakdown of companies that had succeeded in receiving the TERAS status, based on sectors.

CHART 4.17: BREAKDOWN OF TERAS COMPANIES BASED ON SECTORS (2012-2017)



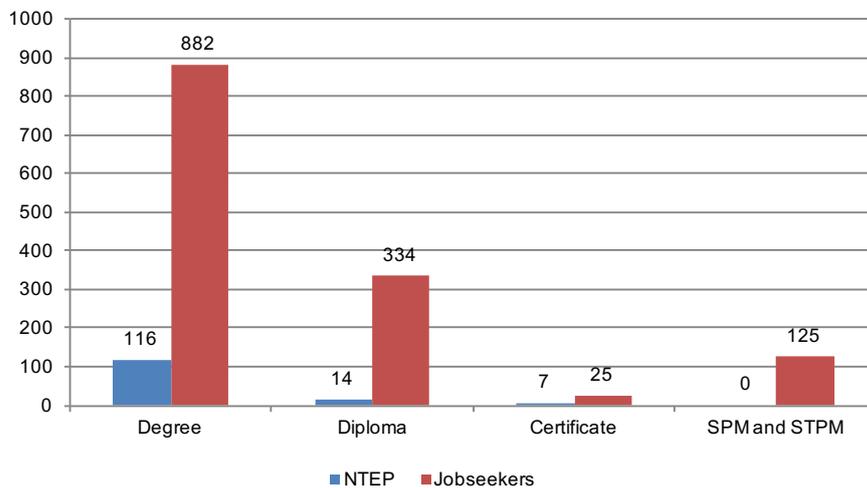
Source for Chart 4.15, Chart 4.16, Chart 4.17: SEDIA, 2017

4.5.5 Graduate Employability Enhancement Scheme

SEDIA works to enhance the quality of human capital available in SDC, through collaboration with the Performance Management and Delivery Unit (PEMANDU) of the Prime Minister’s Department, on the National Talent Enhancement Programme (NTEP). NTEP was a 12-month internship programme with the objective of accelerating the development of graduates and a skilled professional workforce, through partnership and collaboration with the private sector. As at December 2017, as many as 137 graduates and school leavers had enrolled for the NTEP through SEDIA. The aim for the programme was to enhance the ability of graduates to gain employment, through upskilling and reskilling exercises.

SEDIA also successfully registered 1,366 jobseekers on its special purpose platform, the SDC Jobseekers. This initiative was found to have been helpful in coordinating the demand and supply of labour in SDC, given the role of SEDIA as its One-Stop Authority (see CHART 4.18 for the breakdown of NTEP and SDC Jobseekers registration).

CHART 4.18: NATIONAL TALENT ENHANCEMENT PROGRAMME (NTEP) AND SDC JOBSEEKERS



Source:
SEDIA, 2017

4.5.6 SEDIA Student Internship Opportunities

Internship programmes are among SEDIA's ongoing initiatives to provide tertiary education students with opportunities for practical work environment exposure. The internship furnishes students with additional skills and knowledge, as well as increased competitiveness to survive and excel in their later careers. Internship programmes were initiated in 2010, a year after the establishment of SEDIA, and commenced with four interns from the Graduate Employability Management Scheme, later followed by students from universities and other education institutions.

As at December 2017, a total of 92 undergraduates from diverse disciplines and universities, polytechnics and colleges have undergone training at SEDIA. They have been exposed to and experienced various scopes of work, such as development planning, project management, human resources, business development and investment, marketing, entrepreneurship as well as technology related to agro-industries, pharmaceuticals, and even livestock and farming. TABLE 4.11 breaks down the internship figures by year and education institutions.

TABLE 4.11: STUDENT INTERNSHIP AT SEDIA (2010-2018)

Institutions	2010	2011	2012	2013	2014	2015	2016	2017	Total
GEMS	4		3	3					10
POLITEKNIK								1	1
TPM				1					1
UiTM						5	2	1	8
UMT				3					3
UMP						1			1
UMS		1	4		1	2	3	19	30
UNIMAS					2			3	5
UNITAR			1	3	5	1		1	11
UNITEN						1			1
UNIVERSITY OF BATH (UK)			1						1
UTHM			4						4
UPM							1	8	9
UTM				2	2				4
ZSU								3	3
Total	4	1	13	12	10	10	6	36	92

Source:
SEDIA, 2017

The interns are placed at three different offices, which are Wisma SEDIA, the Sabah Agro-Industrial Precinct, and Keningau Integrated Livestock Centre. Their placements are based on their respective education background, related discipline, and the scope of work agreed between SEDIA and the supervisors prior to their registration.

Most of the students enrolled in the internship programmes are from the undergraduate degree level. There are also sizeable numbers from diploma and certificate programmes. The average duration of internship is around three months, but there have been occasions whereby SEDIA accepts six-month internships, depending on requirements.

In certain circumstances, the interns are permitted to extend their training period subject to the approval from SEDIA management. Through the internship initiatives, SEDIA had later recruited several students to be absorbed into the SEDIA workforce, in view of the suitability to their given roles as well as demonstrated excellent performance and commitment.



Through internship opportunities, SEDIA provides tertiary education students with opportunities for practical work environment exposure

4.6 SEDIA MANAGEMENT SYSTEM

4.6.1 Quality Management System

SEDIA constantly ensures that its management systems and procedures are standardised and coordinated. Since 2013, SEDIA had put in place a quality management system of international standard, with the accreditation and implementation of MS ISO 9001:2008. In 2017, the ISO certification was then upgraded to MS ISO 9001:2015. This comprehensive management system had ensured that all procedures and work processes were uniform and standardised, to produce quality output and outcomes. To determine that the practiced quality meets the established standards, monitoring and compliance audits are conducted twice a year by Lloyd's Register Quality Assurance, an international appraisal body. The monitoring and compliance audits have been conducted on seven occasions thus far, and have found that the SEDIA quality management system is in line with ISO 9001: 2008, and later on ISO 9001:2015 certification procedures.

4.6.2 Financial Management System

In regards to financial management and administration, SEDIA had recorded notable performance. SEDIA was awarded by the National Audit Department a maximum four star rating for Financial Management based on Accountability Index for 2013 on June 4, 2014, and then a newly introduced maximum five star rating for 2016 on February 9, 2017. This had shown that the management of SEDIA is committed to consolidating the integrity and credibility of its financial management and administration.



SEDIA has made considerable effort to adhere to the latest MS ISO 9001:2015 management standard

4.7 CONCLUSION

Overall, the development of Sabah through initiatives in SDC had shown positive performance and is on the right track. The regional economic corridors will continue to play an important role in the growth and development of Malaysia, and given the changing domestic and global economic landscapes, the corridor authorities including SEDIA will seek to ensure that the direction, strategies and initiatives are in line with national socio-economic development goals as well as being responsive to global challenges.

During the Third Phase of SDC, SEDIA places greater emphasis on efforts that can enhance global connectivity, business activity and entrepreneurship. Efforts will be directed towards enhancing the efficiency of the logistics sector by improving infrastructure and integrating land, sea and air services, as well as ICT communications.

These efforts target SDC development related to logistics integration and global connectivity, such as the SBCP expansion, Master Plan study for Aviation Hub and Air Freight Logistics, construction of the POIC Sandakan jetty, and the Bus Rapid Transit system in Kota Kinabalu. Sabah is strategically and geographically well positioned at the centre of ASEAN, along major maritime routes. The SBCP will serve as the gateway for goods to be transported to and from international destinations, including China. The Master plan Study for Aviation Hub and Air Freight Logistics will provide a road map to cater for increased air passenger and freight service capabilities for Kota Kinabalu. Sabah's locational advantage will clearly allow Sabah, as well as Malaysia, to leverage China's proposed One Belt One Road, and Maritime Silk Route initiatives. Sabah can therefore serve as the conduit, linking the Asia-Pacific as well as Regional Comprehensive Economic Partnership member economies to the Middle East, Europe and Africa and contribute towards the vision of turning Malaysia into a regional logistics hub.

With the right fundamental infrastructure development, economic development, as well as human capital and entrepreneurship development in place, the SDC initiatives will build upon the state's holistic development to help place Sabah, on track to be a developed state in Malaysia, and achieve the targets as laid out in the SDC Blueprint by 2025.



SEDIA provides entrepreneurs in the SDC SME Incubation programme with specialised equipment for agro-industry

CHAPTER 5

FINANCIAL REPORT

STATEMENT OF CORPORATE GOVERNANCE

THE AUTHORITY

AUTHORITY MEETINGS

SEDIA COMMITTEES

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INTERNAL AND EXTERNAL CONTROLS AND COMPLIANCE

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RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF SABAH
ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION

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STATEMENT OF CHANGES IN EQUITY

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AUDITOR GENERAL'S REPORT



STATEMENT OF CORPORATE GOVERNANCE

The Statement of Corporate Governance sets out the framework and process through which Members of Sabah Economic Development and Investment Authority (“The Authority”) and the Management of Sabah Economic Development and Investment Authority (“SEDIA Management”) ensure that the operational policies and procedures are in accordance with the prevailing laws, rules, regulations and best practices.

Sabah Economic Development and Investment Authority (“SEDIA”) is entrusted as a One-Stop Authority to drive the Sabah Development Corridor (“SDC”), with the primary responsibility to plan, co-ordinate, promote and accelerate the development of SDC.

Section 4, the *Sabah Economic Development and Investment Authority Enactment 2009* (“SEDIA Enactment”) stipulates that the Yang Di-Pertua Negeri may, from time to time, determine by notification in the gazette, the project or projects over which, the Authority shall perform its function under this Enactment and such projects shall be collectively known as the “Sabah Development Corridor”.

THE AUTHORITY

The Authority is the highest decision-making body of SEDIA. It is governed by its Members under the Chairmanship of the Chief Minister of Sabah cum Minister of Finance.

Members of the Authority during the year are:

1. Y.A.B Tan Sri Datuk Seri Panglima Musa Hj. Aman
(*Chief Minister*)
- *Chairman*
2. Y.B. Tan Sri Datuk Seri Panglima Joseph Pairin Kitingan
(*Deputy Chief Minister and Minister of Infrastructure Development, Sabah*)
- *Deputy Chairman I*
3. Y.Bhg. Datuk Peter Pang En Yin
- *Deputy Chairman II*
4. Y.Bhg. Tan Sri Datuk Seri Panglima Dr. Ali bin Hamsa
(*Chief Secretary to the Government of Malaysia, Prime Minister’s Department*)
5. Y.B. Tan Sri Datuk Seri Panglima Haji Sukarti Wakiman
(*State Secretary of Sabah*)
6. Y.Bhg. Tan Sri Dr. Mohd Irwan Serigar bin Abdullah
(*Secretary General of Treasury, Ministry of Finance, Malaysia*)
7. Y.Bhg. Tan Sri Datuk Seri Panglima Dr. Wan Abdul Aziz bin Wan Abdullah
(*Chairman, Malaysia Development Bank*)
8. Y.Bhg. Dato’ Ahmad Husni bin Hussain
(*Director General, Public Private Partnership Unit (UKAS), Prime Minister’s Department*)
9. Y.Bhg. Dato’ Nik Azman bin Nik Abdul Majid
(*Director General, Economic Planning Unit (EPU), Prime Minister’s Department*)
(*replacing Y.Bhg. Datuk Dr. Rahamat Bivi binti Yusoff retired on 7th June 2017*)
10. Y.Bhg. Datuk Pengiran Hassanel bin Datuk Pg. Hj. Mohd Tahir
(*Permanent Secretary, Ministry of Finance, Sabah*)
11. Y.Bhg. Datuk Osman bin Haji Jamal
(*Director, State Economic Planning Unit, Sabah*)

Y.Bhg. Datuk Dr. Mohd Yaakub bin Haji Johari (*JP*) is the Secretary to the Authority cum President and Chief Executive of the Authority.

The Authority is committed to ensure SEDIA practices the highest standards of corporate governance, in keeping with the Malaysian Code of Corporate Governance.

The Authority provides strategic directions, reviews and approves policies and decisions for the development and promotion of the Sabah Development Corridor, ensuring proper financial administration and administrative support as well as oversees the overall management of SEDIA.

AUTHORITY MEETINGS

During the review period, the Authority met a total of two (2) times. The Authority Meetings were held on March 28 and December 12, 2017. The agenda and full set of papers for deliberation were distributed in a timely manner before each meeting. This was to ensure that the Members had sufficient notices and thus, were well prepared for each meeting. The meetings included the consideration of the Authority's long-term strategy, plan, budget, monitoring of SEDIA Management and the Authority's performance review. All issues were deliberated and decisions made were accordingly minuted.

SEDIA COMMITTEES

To assist the Authority in the performance of its functions and duties, under section 9 of SEDIA Enactment, the following SEDIA Committees have been established:

1. Implementation Co-ordination Committee;
2. Nomination, Establishment and Remuneration Committee;
3. Finance and Investment Committee;
4. Audit Committee;
5. Development Planning Committee;
6. Consultative Panel and Focus Group Committee; and
7. Tender and Procurement Board.

ACCOUNTING AND AUDIT

The Authority is committed to ensure that it provides a clear, comprehensive, true and fair view of SEDIA's financial management and performance in the financial year, primarily through the financial statements and annual report. The financial statement was internally prepared and audited by the Private Audit Firm (external auditor), under statutory purview of the National Audit Department within the provisions of Audit Act 1957 [*Act 62*] and in line with provisions under the *Sabah Economic Development and Investment Authority Enactment 2009*.

INTERNAL AND EXTERNAL CONTROLS AND COMPLIANCE

Management

In the day-to-day operations, SEDIA is managed by the Chief Executive. In furtherance of the objectives and effective performance of the functions of SEDIA, the Chief Executive is assisted by the Management Members. The Chief Executive, appointed by the Authority, has management control over all the officers and staff of SEDIA. All official management decisions, operational and financial transactions are deliberated, prepared and verified by the officers and require the Chief Executive's approval prior to being executed and allowed for publications and distributions.

Operational and Financial

For all its administrations and financial procurements and approvals, SEDIA is guided by an internal guideline as laid down under *A Summary of Operating Procedures Governing the Limits of Administrative and Financial Authority for Members, Committees, Chief Executive and Management Members of SEDIA* ("SEDIA LOA"). Also for service and work procurements and approvals of development projects of the Sabah Development Corridor, SEDIA is guided by the provisions of the *Treasury Instructions* and decided by Tender and Procurement Board of SEDIA ("SEDIA TPB").

In addition, SEDIA is also subjected to the Financial Procedure Act 1957 [Act 61] and all other financial procedures as laid down from time to time by the State of Sabah, Federal Ministry of Finance and the Prime Minister's Department.

The internal and external control system is provided to safeguard SEDIA from fraud, loss or failure in its functions and operations.

ANNUAL FINANCIAL REVIEW

Statement of Comprehensive Income

Within the financial year, SEDIA received operating grants from the Federal Government to finance its operations and commitments. Grants received for the year ended December 31, 2017 amounted to RM8,850,000 compared to RM1,900,000 in the year of 2016. Aside from utilising the government grants to finance the operation, the Authority has approved interest income of RM12,147,246 to be recognised in the income statement in the financial year 2017. The total operating budget and capital management approved by the Authority in 2017 was RM12,080,000 (2016: RM14,650,000).

SEDIA also received other income comprises of generated profits from deposits in licensed banks in Malaysia as well as tender fees. During the financial year ended December 31, 2017, SEDIA recorded other income of RM26,884 (2016: RM78,017).

In year 2017, SEDIA recorded a surplus of RM7,117,487 compared to RM5,456,871 for the financial year 2016. This is due to the increase of 79% in the government grants received in comparison to prior year.

Operating Expenses

Operating expenses for the year ended December 31, 2017 are as follows:

- Staff costs have been recorded as RM9,265,570 (2016: RM7,999,413). Included in the staff costs are payment of incentive in the form of staffs' contracts, performance bonus and employment obligation benefit expenses for year 2017.

The other main components of the operating costs are as follows:

- Promotional costs in 2017 was RM490,022 compared to the previous year's RM329,986. The activities consisted of Strategic Media Campaigns, participation in Overseas Trade and Investment Missions, Conferences and Seminars, and Domestic Trade Expos and Exhibitions as well as other promotional and awareness events. During the year, SEDIA focused on attracting foreign investment through foreign publications and participated in the trade and investment missions organised by MIDA.
- SEDIA remains committed to carrying out its functions to monitor the status of all projects under the Sabah Development Corridor. In 2017, administrative and other operating costs amounted to RM4,199,591 (2016: RM3,581,310).

Statement of Financial Position

The main components of the Statement of Financial Position are as follows:

- I. In the year 2017, SEDIA has spent RM269,278 for the procurement of computers, printers and software, a motor vehicle and office equipment.
- II. Other receivables, deposits and prepayments balance as at year end 2017 was RM8,479,236 as compared to RM6,471,239 for the previous year. Increasing number of receivables, deposits and prepayment were attributed to the Keningau Integrated Livestock Centre (KILC) project costs which is fully financed by SEDIA operating grant. As of December 31, 2017, the cumulative net financing of Keningau Integrated Livestock Centre (KILC) was RM6,014,264 (2016: RM4,916,075).
- III. Cash and bank balances for the financial year ended December 31, 2017 amounted to RM237,644,524 (2016: RM222,997,628) and is reserved for its contractual obligations under the Ninth, Tenth and Eleventh Malaysian Plan operating expenses and liabilities.
- IV. SEDIA's fund for development expenditure as at December 31, 2017 amounted to RM206,992,026 (2016: RM190,181,620), mostly devoted to contractual projects obligations under the Ninth, Tenth and Eleventh Malaysian Plan.
- V. Special programme grant's cash balance as at December 31, 2017 amounted to RM14,568,452 (2016: RM22,770,275) for SME Facilitation Fund Programme, National Talent Enhancement Programme (NTEP), and Economic Development Grant between Sabah and North Kalimantan region expenditures and commitment.
- VI. Other payables and accruals as at December 31, 2017 of RM2,343,004 consisted of contractual obligations under the operating grant to be settled after the year end (2016: RM1,371,129).

During the financial year, SEDIA continued to intensify its activities and programmes, pursuant to its objectives to promote the Sabah Development Corridor (SDC) and to further enhance its operational capacity, capability and competency. Strategic fund management and placement of its consolidated funds had been initiated as stipulated under section 5, section 7, section 14 and section 15 of SEDIA Enactment 2009.

STATEMENT BY THE MEMBERS SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY

We, **Datuk Peter Pang En Yin** and **Datuk Pengiran Hassanel bin Datuk Pg. Haji Mohd Tahir** being two of the Members of **SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY** state that, in the opinion of the Members of the Authority, the financial statements which comprise of statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements give a true and fair view of the financial position of **SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY** as at 31 December 2017 and of its operating results and cash flows for the year ended on that date.

On behalf of the members,



.....
Name : **Y.A.B. DATUK SERI PANGLIMA HAJI MOHD SHAFIE BIN HAJI APDAL**
Position : Chairman
Date : 31 December 2018
Place : Kota Kinabalu



.....
Name : **Y.BHG. DATUK PENGIRAN HASSANEL BIN DATUK PG. HAJI MOHD TAHIR**
Position : Board of Director
Date : 26 December 2018
Place : Kota Kinabalu

STATUTORY DECLARATION BY THE OFFICERS PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY

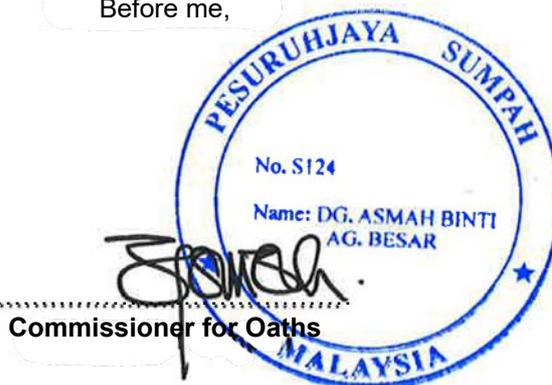
We, **Datuk Dr. Mohd Yaakub bin Haji Johari** and **Yunus Gastom Abdullah**, the officers primarily responsible for the financial management of **SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY**, do solemnly and sincerely declare that the accompanying statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, to the best of our knowledge and belief, are correct and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at **KOTA KINABALU**, Sabah this day 26 April 2018.

.....
Datuk Dr. Mohd Yaakub bin Haji Johari

.....
Yunus Gastom Abdullah

Before me,



.....
Commissioner for Oaths

**BLOK B, TINGKAT 1
 LOT NO. BG 108 (ii)
 WISMA MUIS, 88825 KOTA KINABALU**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 RM	2016 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	281,106	120,489
		281,106	120,489
CURRENT ASSETS			
Other receivables, deposits and prepayments	4	8,479,326	6,471,239
Cash and cash equivalents	5	237,644,524	222,997,628
		246,123,850	229,468,867
TOTAL ASSETS		246,404,956	229,589,356
EQUITY			
Operating fund		21,465,082	14,347,595
		21,465,082	14,347,595
NON-CURRENT LIABILITIES			
SDC development fund	6	206,992,026	190,181,620
Special programme grant	7	14,568,452	22,770,275
Employment benefit obligations	8	1,036,392	646,142
		222,596,870	213,598,037
CURRENT LIABILITIES			
Other payables and accruals	9	1,946,436	1,371,129
Employment benefit obligations	8	396,568	272,595
		2,343,004	1,643,724
TOTAL LIABILITIES		224,939,874	215,241,761
TOTAL EQUITY AND LIABILITIES		246,404,956	229,589,356

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
Revenue			
Operating grants received		8,850,000	1,900,000
Other income	10	12,197,563	15,467,580
		21,047,563	17,367,580
Expenses			
Operating expenses	11	[13,930,076]	[11,910,709]
Surplus for the year		7,117,487	5,456,871

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Operating Funds RM
As at January 1, 2016	8,890,724
Surplus for the year	5,456,871
At 31 December 2016 / 1 January 2017	14,347,595
Surplus for the year	7,117,487
At 31 December 2017	21,465,082

STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2017

	Note	2017 RM	2016 RM
OPERATING ACTIVITIES			
Surplus for the financial year		7,117,487	5,456,871
Adjustment for:			
Depreciation of property, plant and equipment		108,661	92,583
Employment benefit obligations		687,487	405,587
Unrealised gain of foreign exchange		[23,433]	-
Interest income		[12,147,246]	[15,382,564]
[Less]/ over provision of employment benefit for the year		[100,540]	125,201
[Deficit] before working capital changes		[4,357,584]	[9,302,022]
[DECREASE]/ INCREASE IN:			
Other receivables and deposits		[2,008,087]	[2,256,080]
Other payables and accruals		699,280	6,118
Cash used in operating activities		[5,666,391]	[11,551,984]
Employee benefit plan payments		[173,264]	[473,858]
Net cash used in operating activities		[5,839,655]	[12,025,842]
INVESTING ACTIVITIES			
Interest received		12,147,246	15,382,564
Purchase of property, plant and equipment		[269,278]	[35,820]
Net cash from investing activities		11,877,968	15,346,744
FINANCING ACTIVITIES			
Net SDC development fund received/[utilised]		16,810,406	[6,890,954]
Net special project grant [utilised]		[8,201,823]	[12,227,581]
Net cash used in financing activities		8,608,583	[19,118,535]
Net changes in cash and cash equivalents		14,646,896	[15,797,633]
Cash and cash equivalents at the beginning of year		222,997,628	238,795,261
Cash and cash equivalents at the end of year	5	237,644,524	222,997,628

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017

1. GENERAL INFORMATION

SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY (“SEDIA”) was established under the *Sabah Economic Development and Investment Authority Enactment 2009*. The Sabah State Legislative Assembly had approved the instrument for the establishment of SEDIA via the adoption of *Sabah Economic Development and Investment Authority Enactment 2009* on January 15, 2009.

The Enactment was assented by Tuan Yang Terutama Negeri Sabah on February 23, 2009 and gazetted on February 26, 2009, thereafter officially commenced operations on March 2, 2009.

The main activities of SEDIA are to act as the single authority empowered to promote and accelerate the development of the Sabah Development Corridor (“SDC”) into a leading economic region and choice destination for investment, work and living and to ensure that social development and sustainable development are kept as priorities whilst driving economic growth in the Sabah Development Corridor.

The total number of employees as at 31 December 2017 was 108 persons (2016: 100).

The registered office and the principal place at which business is carried out are located at Wisma SEDIA, Lot 1 & 2, Off Jalan Pintas Penampang, 88873 Kota Kinabalu, Sabah.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Malaysian Private Entities Reporting Standard (“MPERS”) issued by the Malaysian Accounting Standard Board (“MASB”) and the requirements of the Companies Act, 2016 (Act 777) in Malaysia.

Application of Amendments to MPERS

In October 2015, MASB issued amendments to MPERS which are effective for the annual periods beginning on or after 1 January 2017. The Authority has early adopted such amendments to the MPERS for the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

2. Summary of significant accounting policies (*continued*)

(a) Basis of accounting

The financial statements of SEDIA are prepared based on the historical cost except as disclosed in the notes to the financial statements and in compliance with the provisions of the Sabah Economic Development and Investment Authority Enactment 2009 and applicable approved accounting standards for private entities in Malaysia.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the statement of comprehensive income.

Depreciation

Property, plant and equipment purchased at a cost of RM2,000 below are expensed as incurred. Depreciation of the property, plant and equipment is provided for on a straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Motor Vehicles	25%
Computers, Printers and Software	33 $\frac{1}{3}$ %
Furniture, Fittings, Office Equipment and Renovation	20%

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment of assets

At each balance sheet date, the Authority reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, the impairment is measured by comparing the recoverable amount with the carrying amount of an asset and when the latter amount is higher, the asset is written down to the recoverable amount. The recoverable amount of an asset is the higher of its net selling price and its value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the comprehensive income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset. Should the impairment loss of an asset exceed its revaluation surplus, the remaining impairment loss is charged to the comprehensive income statement.

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

2. Summary of significant accounting policies (*continued*)

Impairment of assets (continued)

Subsequent increase in the recoverable amount of an asset if carried at cost, is treated as a reversal of the accumulated impairment loss previously recognised in the comprehensive income statement but the reversal is limited to the accumulated impairment loss previously recognized, and if carried at revalued amount, is credited directly to revaluation surplus.

(c) Other receivables, deposits and prepayments

Other receivables, deposits and prepayments are carried at anticipated realisable values. Bad debts are written off in the financial year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the end of the financial year.

(d) Other payables and accruals

Other payables and accruals are stated at the amounts, which the Authority is contracted or obligated to settle plus any incidental legal expenses.

(e) SDC development fund

Development fund is managed on behalf of, and funded by the Federal Government under the Ninth Malaysia Plan (9MP), Tenth Malaysia Plan (10MP) and Eleventh Malaysia Plan (11MP) for various projects, and used for Sabah Development Corridor Programmes in Sabah. The fund will be recognised as a liability in the balance sheet when the rights to receive the funds are approved and the funds have been received.

All receipts will be credited and all expenditures will be debited to this fund. Unutilised fund as of the balance sheet is shown as balance of the fund.

(f) Special programme grant

These represent grants received from TERAJU and PEMANDU for the SME facilitation funds, National Talent Enhancement Programme (NTEP) funds, Bumiputera Entrepreneur Development Program funds and Economic Development Grant between Sabah and North Kalimantan Region. The grant will be recognised as a liability in the balance sheet when the rights to receive the grants are approved and the grants have been received.

All receipts will be credited and all expenditures will be debited to this fund. Unutilised fund as of the balance sheet is shown as balance of the fund.

(g) Interest from development fund and special project grant

Interest income generated from development fund, special project grant and special programme grant is recognised as addition to the fund on time apportion basis.

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

2. Summary of significant accounting policies (continued)

(h) Income

Operating grant

Operating grant is recognised in the comprehensive income statement when the rights to receive the grants are approved and the grants have been received.

Interest income

Interest income generated from operating fund is accrued on a time apportion basis, by reference to the principal outstanding and at the interest rate applicable.

Interest income transferred to operating fund is recognised in the comprehensive income statement when there is approval obtained from Members of Authority.

Other income

Other income mainly represents sale of tender documents that is recognised when transfer of risks and rewards has been completed.

(i) Interest expense

All interest and other costs incurred in connection with borrowings are expensed as incurred.

(j) Foreign currency

The financial statements of SEDIA are presented in Ringgit Malaysia, the currency of the primary economic environment in which SEDIA operates (its functional currency).

Transactions in currencies other than in Ringgit Malaysia are converted to Ringgit Malaysia at the exchange rates prevailing at the transaction dates or, where settlements have not yet been made at the end of the financial year, the assets and liabilities are converted at the approximate exchange rates prevailing at the date. All foreign exchange gains and losses are taken up in the comprehensive income statement.

The principal closing rates used in the translation of foreign currency amount are as follows:

Currencies	2017 RM	2016 RM
1 British Pound	5.4856	5.5108
1 US Dollar	4.0592	4.4860

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

2. Summary of significant accounting policies (*continued*)

(k) Employee benefits

Short-term benefits

Wages, salaries, allowances, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of SEDIA. Short-term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absence occurs.

Defined contribution plan

SEDIA is required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan for all its eligible employees based on certain prescribed rates of the employees' salaries. SEDIA contributions to EPF are disclosed separately. The employee's contributions to EPF are included in salaries and wages.

The said contributions are recognised as an expense when employees have rendered service entitling them to the contributions. SEDIA has no further payment obligations once these contributions have been paid.

Defined benefit plans (Retirement Gratuity Scheme)

SEDIA operates an unfunded defined benefit plan for all its qualifying employees, both permanent and under contract. Under the plans, the employees are entitled to retirement benefits of one (1) month final salary for each year of service upon the completion of contracts or on attainment of the mandatory retirement age of 60 or early retirement on medical grounds or passed away before attaining the retirement age. The employees however must have worked for at least 10 years in SEDIA or have completed the duration specified in their employment contracts.

(l) Taxation

Current tax is the expected amount of income taxes payable in respect of dividend income, pursuant to the tax exemption obtained from the Ministry of Finance mentioned in **Note 13** which states that all income except for dividend income is exempted from tax. It is measured using the tax rates that have been enacted at the statement of financial position date.

(m) Cash flow statement

SEDIA adopts the indirect method in the preparation of the cash flow statement. Cash equivalents are short-term in nature, highly liquid investment that is readily convertible to cash with insignificant risk of changes in value.

(n) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

2. Summary of significant accounting policies (*continued*)

(n) Financial instruments (*continued*)

Initial recognition and measurement

A financial asset or a financial liability (including derivative instruments) is recognised only when the Authority becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset or a financial liability is measured at the transaction price, including transaction costs. For a financial assets or a financial liability that is subsequently measured at fair value through profit or loss, transaction costs are expensed to comprehensive income statement when incurred.

An arrangement constitutes a financing transaction, if payment is deferred beyond normal business terms. Under a financing transaction, a financial asset or a financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition.

Subsequent measurement

Debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, unless the arrangement constitutes, in effect, a financing transaction.

Investments in non-convertible preference shares and non-puttable ordinary or preference shares, that are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort, are measured at fair value with changes in fair value recognised in comprehensive income statement. All other such investments are measured at cost less impairment.

Derivative financial instruments (other than derivatives designated as a hedging instrument) are measured at fair value and changes in fair value recognised in comprehensive income statement.

All financial assets are subject to review for impairment, except for financial assets measured at fair value through profit or loss.

Impairment

At the end of each reporting period, financial assets that are measured at cost or amortised cost are assessed as to whether there is objective evidence of impairment. If there is objective evidence of impairment, an impairment loss is recognised in comprehensive income statement immediately.

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

2. Summary of significant accounting policies *(continued)*

(n) Financial instruments *(continued)*

Impairment (continued)

For a financial asset measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For a financial asset measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

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

Derecognition

A financial asset is derecognised only when (i) the contractual rights to receive the cash flows from the financial asset expire or are settled; or (ii) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, including circumstances when the entity acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised only when it is extinguished, i.e. when the obligation specified in the contract is discharged, is cancelled or expired. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

3. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Computers, Printers and Software	Furniture, Fittings, Office Equipment and Renovation	Total
	RM	RM	RM	RM
COST				
At the beginning of year	917,266	149,422	1,974,810	3,041,498
Additions	156,614	57,983	54,681	269,278
Disposals	-	-	-	-
At the end of year	1,073,880	207,405	2,029,491	3,310,776
ACCUMULATED DEPRECIATION				
At the beginning of year	856,127	117,344	1,947,538	2,921,009
Charge for the year	67,058	23,632	17,971	108,661
Disposals	-	-	-	-
At the end of year	923,185	140,976	1,965,509	3,029,670
NET CARRYING AMOUNT				
At 31 December 2017	150,695	66,429	63,982	281,106
At 31 December 2016	61,139	32,078	27,272	120,489
Depreciation charge for the year ended 31 December 2016	51,861	16,309	24,413	92,583

Included in property, plant and equipment are fully depreciated assets which are still in use, with a total cost of RM 2,705,699 (2016: RM2,710,699). Differences of RM5,000 arise in comparison to prior year due to disposal made on one of the property in 2016.

4. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 RM	2016 RM
Other receivables and prepayments	8,320,723	6,327,826
Deposits	130,402	130,402
Advances	28,201	13,011
Total	8,479,326	6,471,239

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

4. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Included in other receivables and prepayments are prepayments made for Keningau Integrated Livestock Centre (KILC) project amounting to RM6,014,264 (2016: RM4,916,075) which is currently being financed by SEDIA's operating grant.

	2017 RM	2016 RM
Balance as at 1 January	(4,916,075)	(3,234,587)
Income	6,617,820	4,925,506
Capital expenditure	282,279	34,291
Inventory at cost	3,919,230	3,282,740
Operation costs	3,211,765	3,289,963
Others	302,735	-
Balance as at 31 December	(6,014,264)	(4,916,075)

The project will subsequently be awarded to a third party. As of 31 December 2017, the project has not been awarded to any third party.

5. CASH AND CASH EQUIVALENTS

	2017 RM	2016 RM
Cash in banks	237,642,524	222,995,628
Cash at hand	2,000	2,000
Total	237,644,524	222,997,628

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

6. SDC DEVELOPMENT FUND

	2017 RM	2016 RM
At the beginning of year	190,181,620	197,072,574
Add : Development fund received from Federal Government	241,100,000	159,186,096
Add : Adjustment for unutilised fund	-	-
	431,281,620	356,258,670
Add : Interest income	18,148,055	7,242,472
	449,429,675	363,501,142
Less: Utilisation of development fund for the year	[230,290,403]	[157,945,296]
Less: Interest income transferred	[12,147,246]	[15,374,226]
At the end of year	206,992,026	190,181,620

7. SPECIAL PROGRAMME GRANT

	2017 RM	2016 RM
At the beginning of year	22,770,275	34,997,856
Add : Grant received from TERAJU@SDC	20,000,000	-
Add : Grant received from TERAJU@SDC-Mgt Fund	40,000	-
Add : Grant received from Economic Development Grant	300,000	-
Add : Interest income	188,743	364,552
	43,299,018	35,362,408
Less: Utilisation of special programme grant for the year	[28,701,977]	[12,592,133]
Less : Utilisation of interest income	[28,589]	-
At the end of year	14,568,452	22,770,275

Special project grants consist of four types namely National Talent Enhancement Programme (NTEP grant), SME Facilitation grant and Bumiputera Entrepreneur Programme, as well as Economic Development Grant between Sabah and North Kalimantan Region. The grants are channelled through the Performance Management and Delivery Unit (PEMANDU), Unit Peneraju Agenda Bumiputera (TERAJU) and Prime's Minister's Office (PMO).

8. PROVISION FOR EMPLOYMENT BENEFIT OBLIGATIONS

This represents provision for retirement gratuity schemes for employees:

	2017 RM	2016 RM
Provision for:		
Retirement gratuity scheme	<u>1,432,960</u>	<u>918,737</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

8. PROVISION FOR EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The maturity structure of the provisions is as follows:

	2017	2016
	RM	RM
Within one year	396,568	272,595
2 to 5 years	<u>1,036,392</u>	<u>646,142</u>
	<u>1,432,960</u>	<u>918,737</u>

The amount included in the balance sheet arising from the entity's obligation in respect of its retirement gratuity scheme is as follows:

	2017	2016
	RM	RM
Present value of defined benefit obligations	<u>1,432,960</u>	<u>918,737</u>

Amount recognised in the income statement in respect of the retirement gratuity scheme is as follows:

	2017	2016
	RM	RM
Current service costs	<u>703,676</u>	<u>405,587</u>

Movement in the present value of the retirement gratuity scheme in the current year are as follows:

	2017	2016
	RM	RM
At the beginning of year	918,737	987,008
Additions	703,676	405,587
Adjustment	[16,189]	-
Payments	<u>[173,264]</u>	<u>[473,858]</u>
At the end of year	<u>1,432,960</u>	<u>918,737</u>

The most recent actuarial valuation of employee benefit liabilities or contingent was conducted on March 1, 2018 by Actuarial Partners Consulting Sdn. Bhd. The present value of employee benefit obligations and related current service cost is measured using the projected unit credit method. The principal assumptions used for the purposes of the valuation are as follows:

	2017	2016
	%	%
Discount rate: Corporate Bond worth AA	5.40	5.90
Expected rate of salary increases	<u>5.00</u>	<u>5.00</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

8. PROVISION FOR EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The mortality rate is based on the experience of assured lives in Malaysia from 1999 to 2003. The Standard MO9903 announced as used in the insurance industry. The defect rate is 10% of the death rate. Turnover rate corresponding to the average staff turnover rate is about 2% per year for permanent staff, while contract staff considered no withdrawal.

The management uses the best estimate of expected salary workers, the remaining years of service of the appropriate discount rate from January 1, 2017 to determine current service cost. All staff has been included in the estimated cost of the current cost.

SEDIA operate unfunded retirement gratuity scheme and provision is made for benefits that eligible employees have earned in return for their service in the current and prior periods. Under this scheme, eligible employees are entitled to retirement benefits of one month salary each year of services on attainment of the retirement age of 60 or early retirement on medical grounds or passed away before attaining the retirement age given that the said employee has provided service to the Authority of 10 years. The amounts recognised in the balance sheet are determined based on the present value of amount due.

Provision for employment benefits are recognised initially on the financial year ended 31 December 2017 to take into account the amount of SEDIA commitment when services are rendered by employees during the year. Provision is calculated based on the expectation that all staff providing services until the retirement age of 60 years. Rating actual expectations may change each year based on the highest salary achievable for the current position held and discount rates. The discount rate used is 5.40 %, the yield of Government Bonds issued by Bank Negara Malaysia (BNM). During the financial year ended 31 December 2017, the number of employees included in the obligation for employee benefits totalled 108 persons.

9. OTHER PAYABLES AND ACCRUALS

	2017 RM	2016 RM
Other payables	1,081,448	233,360
Accruals	864,988	1,137,769
Total	1,946,436	1,371,129

10. OTHER INCOME

This represents provision for retirement gratuity schemes for employees:

	2017 RM	2016 RM
Interest income from SDC development fund	12,147,246	15,374,226
Interest income from operation fund	3,684	8,338
Other income	46,633	85,016
Total	12,197,563	15,467,580

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

11. OPERATING EXPENSES

The details of operating expenses are as follows:

	2017 RM	2016 RM
Auditors' Remuneration	21,362	21,363
Allowances for Members and Committees of the Authority	412,160	382,290
Salaries, Allowances and Benefits	8,338,519	7,190,185
EPF, SOCSO & Pension Contribution	927,051	809,228
Rental Expenses	306,231	331,948
Utilities Charges	275,260	181,999
Printing and Stationeries	154,572	106,444
Medical and Clinical Charges	271,036	277,765
Insurance	143,658	164,505
Entertainment and Hospitality	4,972	24,083
Training and Human Capital Development	357,371	142,011
Trade Missions and Investment Promotions	120,190	62,891
Exhibitions and Road Shows	43,812	38,719
Conference and Seminars	5,000	53,460
Corporate Branding and Marketing	231,419	92,741
Sponsorships	89,601	82,175
In-House Meeting Expenses	219,814	73,586
Publications, Multimedia and Advertisements	55,585	101,235
Postage and Courier Charges	5,021	5,758
Transportation, Leasing and Vehicle Maintenance	433,125	357,995
Airfares and Outstation Transport Charges	375,948	450,831
Subsistence Allowances	99,587	134,460
Lodging and Accommodations	79,116	143,959
Upkeep Of Office Equipment, Premise and Services	283,684	184,775
Depreciation	108,661	92,583
Subscription Fees, Technical Update and ICT Expenses	222,149	191,998
Legal, Professional, Research and Consultancy Charges	149,866	33,479
License, Registration and Assessment Fees	9,082	4,050
Bank Charges and Commission	2,059	3,129
Miscellaneous Expenses	39,372	54,045
GST expenses	144,793	117,019
TOTAL	13,930,076	11,910,709

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017 (Continued)

12. STAFF COSTS

	2017 RM	2016 RM
<u>Operating Fund:</u>		
Staff Cost	9,265,570	7,999,413
	9,265,570	7,999,413

Included in staff costs is SEDIA's contribution to Employee Provident Fund of RM927,051 (2016: RM751,061) and employment benefit obligations of RM687,487 (2016: RM405,587) .

13. INCOME TAX

SEDIA has obtained tax exemption under Section 127 (3) of the Income Tax Act, 1967. All income, except for dividend income is exempted from tax beginning from year assessments 2010 until 2019

14. OPERATING LEASE COMMITMENT

SEDIA leases certain assets such as premise and office equipment. These leases are non-cancellable and expire on various dates through 2021. Future minimum annual lease payments are as follows:-

	Future Minimum Lease Payments	
	2017 RM	2016 RM
As of December 31:		
2017	-	325,982
2018	182,989	5,609
2019	87,878	4,500
2020	33,883	4,500
2021	3,375	-
Total	308,125	340,591

15. PROJECT DEVELOPMENT COMMITMENT

During the year, total allocation approved and received under the Eleventh Malaysia Plan (11MP) for SDC projects are **RM241,100,000** (2016: RM159,186,096).

APPENDIX

ACCOUNTABILITY INDEX CERTIFICATE



MS ISO CERTIFICATE



CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of:

**Sabah Economic Development and Investment Authority
(SEDIA)
Lot 1, Wisma SEDIA, Off Jalan Pitas, Penampang
88873 Kota Kinabalu, Sabah
Malaysia**

has been approved by Lloyd's Register Quality Assurance
to the following Quality Management System Standards:

**ISO 9001:2015
EN ISO 9001:2015
BS EN ISO 9001:2015
MS ISO 9001:2015**

The Quality Management System is applicable to:

**Management of One Stop Authority for Sabah Development
Corridor.**

This certificate forms part of the approval identified by certificate number KLR 6016314.

Approval
Certificate No: KLR 6016314B

Original Approval: 12 April 2013
Current Certificate: 30 November 2017
Certificate Expiry: 11 April 2019

Issued by: Lloyd's Register of Shipping (M) Bhd
for and on behalf of Lloyd's Register Quality Assurance Ltd.



Lloyd's Register of Shipping (M) Bhd (111008-K), Level 28, Tower A, Naza Tower Platinum Park, No. 10, 50088 Persiaran KLCC, Kuala Lumpur, Malaysia
For and on behalf of Lloyd's Register Quality Assurance Ltd., 1 Trinity Park, Bickenhill Lane, Birmingham, B37 7ES, United Kingdom

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AUDITOR GENERAL'S REPORT



LAPORAN KETUA AUDIT NEGARA MENGENAI PENYATA KEWANGAN PIHAK BERKUASA PEMBANGUNAN EKONOMI DAN PELABURAN SABAH BAGI TAHUN BERAKHIR 31 DISEMBER 2017

Laporan Mengenai Penyata Kewangan

Pendapat

Penyata Kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah (SEDIA) telah diaudit oleh wakil saya yang merangkumi Penyata Kedudukan Kewangan pada 31 Disember 2017 dan Penyata Pendapatan Komprehensif, Penyata Perubahan Ekuiti serta Penyata Aliran Tunai bagi tahun berakhir pada tarikh tersebut, ringkasan polisi perakaunan yang signifikan dan nota kepada penyata kewangan seperti dinyatakan pada muka surat 14 hingga 33.

Pada pendapat saya, penyata kewangan ini memberikan gambaran yang benar dan saksama mengenai kedudukan kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah pada 31 Disember 2017 dan prestasi kewangan serta aliran tunai bagi tahun berakhir pada tarikh tersebut selaras dengan piawaian pelaporan kewangan yang diluluskan di Malaysia dan Enakmen Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah Tahun 2009.

Asas Kepada Pendapat

Saya telah melaksanakan pengauditan berdasarkan Akta Audit 1957 dan *The International Standards of Supreme Audit Institutions*. Tanggungjawab saya dihuraikan selanjutnya di perenggan Tanggungjawab Juruaudit Terhadap Pengauditan Penyata Kewangan dalam laporan ini. Saya percaya bahawa bukti audit yang diperoleh adalah mencukupi dan bersesuaian untuk dijadikan asas kepada pendapat saya.

Kebebasan dan Tanggungjawab Etika Lain

Saya adalah bebas daripada Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah dan telah memenuhi tanggungjawab etika lain berdasarkan *The International Standards of Supreme Audit Institutions*.

Maklumat Lain Selain Daripada Penyata Kewangan dan Laporan Juruaudit Mengenainya

Anggota Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah bertanggungjawab terhadap maklumat lain dalam Laporan Tahunan. Pendapat saya terhadap penyata kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah tidak meliputi maklumat lain selain daripada Penyata Kewangan dan Laporan Juruaudit mengenainya dan saya tidak menyatakan sebarang bentuk kesimpulan jaminan mengenainya.

Tanggungjawab Anggota Pihak Berkuasa Terhadap Penyata Kewangan

Anggota Pihak Berkuasa bertanggungjawab terhadap penyediaan penyata kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah yang memberi gambaran benar dan saksama selaras dengan piawaian pelaporan kewangan yang diluluskan di Malaysia dan Enakmen Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah Tahun 2009. Anggota Pihak Berkuasa juga bertanggungjawab terhadap penetapan kawalan dalaman yang perlu bagi membolehkan penyediaan penyata kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah adalah bebas daripada salah nyata yang ketara sama ada disebabkan fraud atau kesilapan.

Semasa penyediaan penyata kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah, Anggota Pihak Berkuasa bertanggungjawab untuk menilai keupayaan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah untuk beroperasi sebagai satu usaha berterusan, mendedahkannya jika berkaitan serta menggunakannya sebagai asas perakaunan.

Tanggungjawab Juruaudit Terhadap Pengauditan Penyata Kewangan

Objektif saya adalah untuk memperoleh keyakinan yang munasabah sama ada penyata kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah secara keseluruhannya adalah bebas daripada salah nyata yang ketara, sama ada disebabkan fraud atau kesilapan, dan mengeluarkan Laporan Juruaudit yang merangkumi pendapat saya. Jaminan yang munasabah adalah satu tahap jaminan yang tinggi, tetapi bukan satu jaminan bahawa audit yang dijalankan mengikut *The International Standards of Supreme Audit Institutions* akan sentiasa mengesan salah nyata yang ketara apabila ia wujud. Salah nyata boleh wujud daripada fraud atau kesilapan dan dianggap ketara sama ada secara individu atau agregat sekiranya boleh dijangkakan dengan munasabah untuk mempengaruhi keputusan ekonomi yang dibuat oleh pengguna berdasarkan penyata kewangan ini.

Sebagai sebahagian daripada pengauditan mengikut *The International Standards of Supreme Audit Institutions*, saya menggunakan pertimbangan profesional dan mengekalkan keraguan profesional sepanjang pengauditan. Saya juga:

- a. Mengetahui pasti dan menilai risiko salah nyata ketara dalam penyata kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah, sama ada disebabkan fraud atau kesilapan, merangka dan melaksanakan prosedur audit yang responsif terhadap risiko berkenaan serta mendapatkan bukti audit yang mencukupi dan bersesuaian untuk memberikan asas kepada pendapat saya. Risiko untuk tidak mengesan salah nyata ketara akibat daripada fraud adalah lebih tinggi daripada kesilapan, kerana fraud mungkin melibatkan pakatan, pemalsuan, ketinggalan yang disengajakan, representasi yang salah, atau mengatasi kawalan dalaman.
- b. Memahami kawalan dalaman yang relevan untuk merangka prosedur audit yang bersesuaian tetapi bukan untuk menyatakan pendapat mengenai keberkesanan kawalan dalaman Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah.
- c. Menilai kesesuaian dasar perakaunan yang diguna pakai, kemunasabahan anggaran perakaunan dan pendedahan yang berkaitan oleh Anggota Pihak Berkuasa.
- d. Membuat kesimpulan terhadap kesesuaian penggunaan asas perakaunan untuk usaha berterusan oleh Anggota Pihak Berkuasa dan berdasarkan bukti audit yang diperoleh, sama ada wujudnya ketidakpastian ketara yang berkaitan dengan peristiwa atau keadaan yang mungkin menimbulkan keraguan yang signifikan terhadap keupayaan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah sebagai satu usaha berterusan. Jika saya membuat kesimpulan bahawa ketidakpastian ketara wujud, saya perlu melaporkan dalam Laporan Juruaudit terhadap pendedahan yang berkaitan dalam penyata kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah atau, jika pendedahan tersebut tidak mencukupi, pendapat saya akan diubah. Kesimpulan saya dibuat berdasarkan bukti audit yang diperoleh sehingga tarikh Laporan Juruaudit.
- e. Menilai sama ada keseluruhan persembahan termasuk pendedahan penyata kewangan Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah memberi gambaran yang saksama.

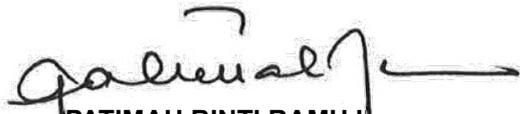
Saya telah berkomunikasi dengan Anggota Pihak Berkuasa, antaranya mengenai skop dan tempoh pengauditan yang dirancang serta penemuan audit yang signifikan termasuk kelemahan kawalan dalaman yang dikenal pasti semasa pengauditan.

Laporan Mengenai Keperluan Perundangan dan Peraturan Lain

Berdasarkan keperluan Enakmen Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah Tahun 2009, saya juga melaporkan bahawa pada pendapat saya, rekod perakaunan dan rekod lain yang dikehendaki Akta untuk disimpan oleh Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah telah disimpan dengan sempurna menurut peruntukan Akta.

Hal-hal Lain

Laporan ini dibuat untuk Anggota Pihak Berkuasa dan bukan untuk tujuan lain. Saya tidak bertanggungjawab terhadap pihak lain bagi kandungan laporan ini.



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