

# IN CONVERSATION WITH PRESIDENT/CEO



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## Dear Shareholders,

In 2018, CGC progressed well into the 3<sup>rd</sup> year of our 5-Year Strategic Plan (5SP) and we made a significant step-up in our transformational initiatives. This includes the revision of 5SP to become 5SP+ with the inclusion of Digitisation as our 5<sup>th</sup> strategic objective. The introduction of Digitisation enables us to adapt to the ever changing business landscape in the MSME ecosystem.

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**Datuk Mohd Zamree Mohd Ishak**

President/Chief Executive Officer

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My colleagues have worked hard to deliver each of the five strategic objectives aimed towards realising our aspiration “To Be the Household Name for SMEs by 2020”. Though it was a challenging year, I am delighted to say that we managed to drive the financial inclusion agenda further through increasing access to financing as I have shared in my message last year.

### CHANGING LIVES

In Malaysia’s holistic MSME ecosystem, CGC and other stakeholders are the catalysts for MSMEs and we take pride in being a beacon for the underserved entrepreneurs. As access to financing is an important aspect for the development of MSMEs, CGC continues to provide guarantees and financing through our innovative products and services to address their needs at various stages of development.

Over the last few decades, CGC has intensified our roles within the MSME financing ecosystem, strengthening the foundation through the formation of

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strategic partnerships with all stakeholders in the ecosystem. This has broadened MSMEs' access to financing thus enabling them to realise their full potential.

In this report, we have shared a few success stories of our MSMEs to give you a glimpse of their meaningful journey with us. This is also a testament of CGC's commitment and mandate to elevate the lives of MSMEs, through the provision of our products and services.

### 2018 IN REVIEW

In 2018, the Malaysian economy expanded moderately at 4.7% compared to 5.9% in 2017. Net external demand contributed positively to GDP growth, while private consumption, government spending and investment moderated.






Despite the challenging economic environment, CGC registered a healthy financial performance with a total of RM173 million in revenue, derived mainly from guarantee fees of RM152 million. Our guarantee and loan base grew by RM1.3 billion. This growth is a reflection of our intensified outreach efforts in driving forward our core business functions.

In regard to the progress of our IT initiatives, I am pleased to share that we are on track with its implementation where we invested substantially into application transformation



involving our Portfolio Guarantee and Wholesale Guarantee (PG/WG) schemes to further improve turnaround time.

### BUSINESS PERFORMANCE

CGC performed satisfactorily in all areas of business in 2018 exceeding a few targets and made impactful progress in our MSME financial inclusion agenda. The successful implementation of our initiatives have resulted in the following achievements:

Headline Targets	Target 2018	Actual 2018	Achievement
Guarantee & Financing Base (RM billion)	13.7	12.4	 90.5%
Guarantee Reserve Ratio (times)	2.8	2.6	 92.9%
Cost to Income Ratio (%)	27.1	25.9	 104.4%
Graduation Rate (%)	42.5	42.1	 99.1%
Brand Awareness (%)	71	55	 77.5%

### MSME OUTREACH & EFFICIENCY CHARTER

	Target 2018	Actual 2018	Achievement
<b>MSME Outreach</b>			
No. of Guarantee & Financing Approval	9,000	8,999	 99.9%
Value of Guarantee & Financing Approval (RM million)	4,250	3,682	 86.6%
No. of Bumiputera Guarantee & Financing Approval	3,400	2,860	 84.1%
Value of Bumiputera Guarantee & Financing Approval (RM million)	940	867	 92.2%
<b>Efficiency Charter</b>			
Financing/Loans Processing for PG (% within 2 days)	90	98	 108.9%
Claim Payment (% within 5 days)	90	100	 111%



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• **Guarantee and financing worth over**

**RM860** million

to 2,860 Bumiputera MSMEs.

• • **imSME FA Team has assisted over**

**2,400**

unsuccessful applicants by enhancing their capacity and capability with relevant training.

CGC approved close to 9,000 new guarantees and financing valued at RM3.68 billion, registering a growth of 4.2% from 8,640 in 2017. This achievement was due to our continuous focus in reaching out to the underserved and unbanked MSMEs especially the micro and start-ups. Our strategic partnerships with various FIs and DFIs yielded positive results with our award winning Portfolio Guarantee and Wholesale Guarantee (PG/WG) schemes being our main revenue contributors.

In 2018, we availed guarantees and financing worth over RM860 million to 2,860 Bumiputera MSMEs. This includes RM330 million under the Tabung Projek Usahawan Bumiputera-i (TPUB-i) contract financing scheme, an all-time high in terms of approval value. Our Bumiputera business performance of 92% achievement was mainly due to the deferment of several major infrastructure projects

and the delay of a few PG/WG scheme launches.

**imSME MARKS OUR MAIDEN ENTRY INTO FINTECH**

In February 2018, we successfully launched imSME, Malaysia's 1<sup>st</sup> SME financing/loan referral platform. I am pleased to share that since its launch until 31 March 2019, imSME has received more than 423,000 visitors with a total of 6,000 MSMEs registrations and 730 approved applications amounting to almost RM80 million. To date, imSME has a total of 22 FIs and DFIs, 4 peer-to-peer (P2P) partners and 3 capacity building agencies on-board, offering 37 unsecured financing products.

In addition to being a financing/loan referral platform, imSME has a dedicated Financial Advisory (FA) team to support unsuccessful applicants. Our imSME FA team has assisted over 2,400 unsuccessful applicants by enhancing their capacity and capability with relevant training, aimed at improving their chances to secure financing from our partners.

**BEYOND GUARANTEE**

At CGC, we believe in going beyond guarantee. We walk the extra mile by further promoting the growth and development of MSMEs through the CGC Developmental Programme. The CGC Developmental Programme was launched in 2016 to assist MSMEs to

achieve development, long term growth and sustainability. There are three (3) main pillars in this programme namely Mentoring Programme, Market Access Programme, and Cross Border Initiative. Mentoring Programme aims to assist MSMEs to understand and gain knowledge about market access and the latest trends in digital marketing. Market Access Programme targets MSMEs that intend to expand into new markets locally and internationally. In the Cross Border Initiative, CGC leverages on its network and counterparts especially in the ASEAN region, providing joint advisory services for MSMEs. At the end of every Market Access and Cross Border Initiative programmes, business matching sessions with local and international buyers take place.

Over the last three years, CGC has brought our MSMEs to participate in international trade exhibitions and business matching events, which among others, include the China-ASEAN Expo (CAEXPO) and China Import and Export Fair. We have also organised a similar programme with our Indonesian counterpart to enable our MSMEs to trade in ASEAN's largest market. The CGC Developmental Programme helps MSMEs to embrace globalisation so that they can be more successful.

CGC also recognises the importance of Technical and Vocational Education and Training (TVET) graduates in

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supporting Malaysia's journey towards becoming a developed nation. In support of that, we launched the 1<sup>st</sup> cohort of CGC SME Apprentice Scheme (CGC SAS) in May 2017. The programme provides employment opportunities to TVET graduates with participating MSMEs nationwide. Under CGC SAS, we sponsor a significant portion of the TVET graduates' remuneration. Having successfully completed the 1<sup>st</sup> cohort, coupled with positive feedback received from the TVET graduates and participating MSMEs, we look forward to the launch of the 2<sup>nd</sup> cohort of CGC SAS in mid-2019.

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### OUR PEOPLE



At CGC, we are changing the lives of our people by facilitating their career and personal development. Our journey towards becoming a high performance organisation is built on the bedrock of our 5 core values - **Teamwork, Hardwork, Integrity, Nurturing and Knowledge (T.H.I.N.K.)**. I am proud to say that our people believe in Teamwork and Hardwork so as to realise their full potential, which in turn will enable us to serve MSMEs better. In CGC, the value of Integrity is reinforced both in the office and beyond. We are also building a culture that Nurtures continuous learning and promotes the sharing and application of Knowledge.

Being a people-centric organisation, we invest in our employees by providing them with ample learning and development opportunities. Amongst others, this includes an enterprise-wide change management programme that seeks to empower our people to initiate and to own change within themselves.

In promoting the culture of continuous learning, we are increasing the competencies of our people by encouraging them to pursue professional qualifications including IT-related certifications. This is to ensure the readiness of our people to embrace changes in the business landscape through upskilling and reskilling, especially in preparation for Industrial Revolution 4.0.

As the saying goes, “Health is Wealth” and healthy employees are critical for the sustainability of our business. Acknowledging this, we have embarked on our CGC Jom Sihat programme.

Our quarterly townhall sessions as well as other formal and informal gatherings foster interactions and strengthen the bond between us. With meaningful engagements and a conducive environment, we are changing the lives of our people for the better.

### THE WAY FORWARD

In reaffirming our commitment to further drive access to financing for Malaysian MSMEs, CGC will focus on the following four broad strategies:

Having outlined the above broad strategies, here are our targets for 2019:



#### Expanding Outreach

- Driving Business Growth
- Investing in Product Innovation
- Establishing New Strategic Alliances
- Building a More Robust imSME
- Intensify Developmental Role



#### Operational Excellence

- Creating Seamless IT Environment
- Enterprise-wide Data Analytics
- Improvement on imSME Platform
- Develop Solutions with FinTech companies



#### Elevating Brand Awareness

- Leveraging More on Digital Media
- Co-Branding With Strategic Partners
- Brand Endorsement



#### Optimising Human Capital

- Strategic Workforce Planning
- Increase Employee Value Proposition
- Strengthening Organisational Capability
- Enhancing Human Capital Service Delivery

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Headline Targets	Target FY2019
Guarantee & Financing Base (RM billion)	12.9
Guarantee Reserve Ratio (times)	3.0
Cost to Income Ratio (%)	35.5
Graduation Rate (%)	43.5
Brand Awareness (%)	75

Target FY2019	
<b>MSME Outreach</b>	
No. of Guarantee & Financing Approval	9,800
Value of Guarantee & Financing Approval (RM million)	4,600
No. of Bumi Guarantee & Financing Approval	3,400
Value of Bumi Guarantee & Financing Approval (RM million)	1,100
<b>Efficiency Charter</b>	
Financing/Loans Processing for PG (% within 2 days)	98
Claim Payment (% within 5 days)	90

Taking into account the latest development in infrastructure projects, CGC is upbeat on the prospects of availing TPUB-i to more Bumiputera contractors and our other products and services to MSMEs in general. In line with this, we will continue our relationships and increase our collaborations with both FIs and DFIs, GLCs, trade chambers and relevant government agencies to further drive our outreach agenda.

In pursuit of innovation, we are developing a supplementary scoring tool to complement our existing evaluation processes. The objective of this project is to provide micro enterprises with better access to financing opportunities. On the IT front, we will enhance MSMEs experience by leveraging on digital solutions. CGC will continue to adopt prudent and responsible risk management practices to ensure sustainability.

Coming back to the CGC Developmental Programme, we recognise the vast potential for Malaysian MSMEs to grow in the ASEAN region. With a population of over 640 million, ASEAN offers new markets for our business matching programme. CGC will also intensify our Cross Border Initiative in ASEAN.

## AWARDS &amp; APPRECIATION

I am delighted to share that our imSME platform received a Merit Award as the “Outstanding SME Development Project” from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) on 20 February 2019. The award recognises and honours member institutions for projects that have created a development impact in their respective countries. The event in Muscat, Oman was attended by over 150 delegates from ADFIAP’s 91 member institutions located in 36 countries across Asia Pacific.

I am also delighted to share that in conjunction with the International Women’s Day on 8 March 2018, CGC was awarded TalentCorp’s Career Comeback Reignite Award in recognition of our efforts in recruiting women who are returning to work post career break.

On a personal note, I am humbled and honoured to have been conferred the 2018 Outstanding CEO Award from ADFIAP in February during the Annual Meeting held in New Delhi, India. In July 2018, I received the Sustainable Leader of the Year Award from the European Organisation for Sustainable Development (EOSD), ADFIAP and Association of African Development Finance Institutions (AADFI) at The Karlsruhe Sustainable Finance award ceremony held in Karlsruhe, Germany. I would like to express my utmost gratitude to Dato’ Agil Natt and CGC Board of Directors for their kind guidance, my colleagues as well as our stakeholders for their unwavering support and commitment. I dedicate these awards to them.

My appreciation also to both the Federal and State governments, Bank Negara Malaysia, our strategic partners, and chambers of commerce as well as business and trade associations for their strong support to CGC.

Last but not least, I would like to thank all our valued MSMEs for making CGC their preferred choice.

**Datuk Mohd Zamree Mohd Ishak**  
President/Chief Executive Officer