

KEY MESSAGES

**Dear
Shareholders,**

It has been five years since I joined CGC and our 5-Year Strategic Plan 2016-2020 (5SP+) enters the final lap in 2020. Discussions on our next 5-Year Strategic Plan 2021-2025 began in July 2019 and having made significant progress over the last five years, my colleagues and I are geared up to take CGC to the next level.

**DATUK
MOHD ZAMREE
MOHD ISHAK**

President/Chief Executive Officer





IN CONVERSATION WITH PRESIDENT/ CEO

The planning for this annual report began well before the Covid-19 pandemic hit the world like a series of severe thunderstorms. I am certain you will agree that the scope and scale of recent events and their global impact are beyond belief. Most of us have never seen in our lifetime our world swirling in such chaos, threatening both lives and economies in such magnitude.

Despite the challenges and hardships caused by these health and economic crises, like many of you, I have had the opportunity to reflect, reboot and adjust to this new normal. For CGC, these crises have accelerated our Digital Transformational journey, enabling us to continue serving MSMEs during this extremely challenging time. Let us all work together to overcome this situation and I am confident that the day will come when we can be grateful that together we had played our part.

In this conversation, I will talk about CGC's 2019 performance and challenges, the progress of 5SP+ as well as the work on our next 5-Year Strategic Plan 2021-2025.

SATISFACTORY PERFORMANCE

1. How would you describe CGC's performance in 2019? What were some of the year's notable achievements?

CGC performed satisfactorily in all our Headline Targets with achievements ranging from 90% to 116% In spite of 2019 being a demanding year, we managed to make further progress in our Guarantee and Direct Financing schemes, as well as our Beyond Guarantee initiatives.

Headline Targets	Target 2019	Actual 2019	Achievement
Guarantee & Financing Base (RM billion)	12.9	13.8	107%
Guarantee Reserve Ratio (times)	3.0	2.7	90%
Cost-to-Income Ratio (%)	35.5	29.8	116%
Graduation Rate (%)	43.5	41.6	96%
Brand Awareness (%)	75	75	100%

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Achievements

In terms of core products in 2019, CGC's award-winning Portfolio Guarantee (PG) and Wholesale Guarantee (WG) schemes remained the top contributors, with a combined contribution of:

RM3.32 billion

Total guaranteed approvals

77.9% (8,439)

Total outreach

The most significant achievement in our Beyond Guarantee initiative is the imSME – Malaysia's 1st Online Financing/Loan Referral Platform.

As of 31 March 2020, imSME received:

over
1.429 million visitors

an average of
1,800 visitors per day

over
18,420 MSME registrations

IN CONVERSATION WITH PRESIDENT/CEO

	Target	Actual	Achievement
MSME OUTREACH			
Number of Guarantee & Financing Approvals	9,800	10,827	110%
Value of Guarantee & Financing Approvals (RM million)	4,600	3,968	86%
Number of Bumiputera Guarantee & Financing Approvals	3,400	3,298	97%
Value of Bumiputera Guarantee & Financing Approvals (RM million)	1,100	907	82%
EFFICIENCY CHARTER			
Financing/Loans Processing for PG (%)	98% within 2 days	100% within 2 days	102%
Claim Payment (%)	90% within 5 days	100% within 5 days	111%

In terms of core products, CGC's award-winning Portfolio Guarantee (PG) and Wholesale Guarantee (WG) schemes remained the top contributors, with a combined contribution of RM3.32 billion of CGC's total guarantees approved which accounted for 77.9% of CGC's total outreach in 2019.

Given the slowdown of the construction industry, our Tabung Projek Usahawan Bumiputera-i direct financing scheme did not achieve the desired targets. Hence, we focused our attention on assisting the Bumiputera segment via our guarantee schemes resulting in a combined achievement of 97% for outreach numbers and 82% for value of Bumiputera Guarantee & Financing Approvals.

Our BizMula-i and BizWanita-i direct financing schemes grew significantly year-on-year, in line with the first full year of adoption of fast-track application processing. BizMula-i saw an increase in approval value of 80% to RM77.61 million. BizWanita-i, meanwhile, recorded improvement in approval value of 71% to RM17.58 million. Combined, the outreach of these two direct financing schemes increased by 83.6% from 739 in 2018 to 1,357 in 2019.

BEYOND GUARANTEE

The most significant achievement in our Beyond Guarantee initiative is the imSME – Malaysia's 1st Online Financing/Loan Referral Platform. imSME continues to extend and strengthen our outreach year after year. Launched on 9 February 2018, it is CGC's first foray into the Fintech arena. The platform ensures MSMEs get into the formal financial system with just four easy steps, receiving a response within two working days, saving them time and cost, with less hassle.

imSME continues to record robust and impressive growth for MSMEs to source financing/loan products. Currently, 25 Financial Institutions (FIs), Islamic Financial Institutions (IFIs) and Development Financial Institutions (DFIs) offering 48 financing/loan products, 7 Peer-to-peer Financiers/Lenders, 3 Equity Crowd Funders, 1 Grant Provider and 3 Capacity-Building Agencies are onboard imSME. With a sturdy support system, imSME signifies a new accomplishment for CGC's operations.

IN CONVERSATION WITH PRESIDENT/CEO

In our effort to make imSME more efficient, we created a chatbot named iDA (imSME Digital Assistant) which operates 24/7 and is able to answer more than 500 MSME related questions.

As of 31 March 2020, imSME had received over 1.429 million visitors, an average of 1,800 visitors per day, garnering over 18,420 MSME registrations. A total of 2,175 applications have been approved, amounting to RM199.32 million. This is in line with our aspiration to make imSME 'The Marketplace for MSMEs'.

imSME

Nov 2017 -
Mar 2020

Number of visitors	1,428,974
Total registered MSMEs	18,420
Total approved financing (number of cases)	2,175
Total approved financing (RM million)	199.32

I am pleased to share that imSME received two international awards in 2019. In February, imSME won the 'Outstanding SME Development Project Award' at the Association of Development Financing Institutions in Asia & the Pacific (ADFIAP) Annual Awards Dinner in Muscat, Oman. In July, imSME received 'Best Innovation in Financial Services Award' at the Karlsruhe Sustainable Awards Ceremony organised by European Organisation for Sustainable Development (EOSD) in Karlsruhe, Germany.

Another significant achievement is our joint collaboration with Bank Negara Malaysia and Agensi Kaunseling dan Pengurusan Kredit (AKPK) to offer Khidmat Nasihat Pembiayaan (MyKNP). Launched in August 2019, it further strengthens Malaysia's comprehensive ecosystem for MSMEs, aimed at improving MSMEs' awareness of the factors affecting their application and thus raising their eligibility for future financing.

“...transforming CGC into a high-performing organisation which is forward-looking, efficient and effective in driving MSME growth and development.”

CGC DEVELOPMENTAL PROGRAMME™

We also made further progress in our CGC Developmental Programme™ which was launched in 2016. The programme promotes MSMEs' growth and development via:

- (i) **Financial Advisory** – conducts comprehensive reviews of unsuccessful MSME applications upon referrals through our imSME and MyKNP portals, recommends suitable capacity-building programmes as well as business coaching.
- (ii) **Mentoring Workshops and Market Access Initiatives** – provides workshops on relevant topics such as digital marketing, product certification and the importance of branding/trademark as well as assisting MSMEs to expand their distribution channels in both Malaysian and international markets.

As of 31 December 2019, CGC Developmental Programme™ has successfully charted an outreach of over 13,500 MSMEs throughout Malaysia. In going Beyond Guarantee, we help MSMEs to become sustainable businesses and fulfil their ambitions.

IN CONVERSATION WITH PRESIDENT/CEO

2. What are some of the challenges CGC encountered in continuously driving the CGC Developmental Programme™ forward?

In driving the developmental agenda, we must remind ourselves that there are no short cuts. Hence, we must have the tenacity to pursue it and take a long term view. The journey to improve an MSME's financial viability and marketability takes consistent intervention and periodic monitoring. Scaling up our programme is a necessity to remain relevant to evolving demands, such as conducting advisory services via e-learning.

Creating synergies with strategic partners pursuing the same agenda is key in enabling MSMEs to become viable and sustainable. After four years of offering this programme, we better understand MSMEs' challenges and at the same time learn new things every day.

GROWTH DRIVERS

3. What drives the growth of CGC and its businesses in terms of expanding outreach to MSMEs?

Our Portfolio Guarantee (PG) and Wholesale Guarantee (WG) schemes remain top contributors to the outreach and guarantee approval value, due to their operational efficiency and effectiveness, as well as scalability. This is further strengthened, given our strong relationship with our partner FIs, IFIs and DFIs.

We also made significant progress in serving the underserved segment through year-on-year (YoY) growth for our BizMula-i and BizWanita-i direct financing schemes. This is in line with the first full year of adoption of fast-track application processing. BizMula-i saw an increase in approval value of 80%, while BizWanita-i saw an increase in approval value of 71%.

In 2019, CGC established new strategic alliances to further drive outreach by way of intensifying partnerships with banks to provide guarantee to underserved segments such as women entrepreneurs, micro enterprises and startups. Among them:

- i. Standard Chartered Saadiq committed RM10 million specifically to provide working capital to finance women entrepreneurs, a value-based intermediation-aligned financing scheme designed to encourage women to grow their business
- ii. CIMB micro-financing-i saw huge participation in its unique halal corridor proposition
- iii. A second agreement was established with BSN to support micro enterprises, after the first PG in May 2017
- iv. AmBank launched SME Biz Start Up-i to assist, for between one and three years, business startups which lack collateral and access to financing.

As part of CGC's Digitisation initiative, we continue to leverage technology to further drive financial inclusion and outreach agendas. As part of our continuous improvement efforts, Straight-Through Processing (STP) was introduced to enhance MSMEs' banking experience. This entails faster approval centred on our scoring technology vis-à-vis simple, technology-based processes categorised into template-based evaluation/approval and scoring based on applicants' qualitative aspects.

CORE VALUES

4. Why is CGC's purpose a necessary reminder in living up to its core values?

Because it defines who we are, what we do and how we contribute to nation-building. Consistent teamwork is imbued with our core values to deliver to the best of our abilities. In carrying out our mandate, our integral duties consist of hard work and integrity. We continue to nurture both the MSMEs that we serve and also our People via knowledge-sharing. Working in CGC gives us a greater sense of purpose particularly in Fulfilling the Ambitions of MSMEs.

IN CONVERSATION WITH PRESIDENT/CEO

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How We're Organised

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DIGITAL TRANSFORMATION

5. In this age of IR 4.0, can you elaborate on CGC's digital transformation strategy to promote a culture of continuous learning? Please include CGC's digital trust strategy in relation to cybersecurity threats and data privacy concerns.

In preparing for IR 4.0, we started with our digitisation initiative and came up with a common understanding of what digital transformation means in CGC. We kept it simple. Digital transformation is about radically changing our processes so that we can deliver superior service and value to all our stakeholders especially the MSMEs.

With digital transformation comes digital services, offered in a more reliable manner by utilising a robust and secure infrastructure. This is hosted in CGC's new Data Centre commissioned in 2019 (Uptime Institute Tier 3 Compliant), with cloud services providing scalability and flexibility.

The culture of continuous learning is promoted by organising technology-related training and future skill requirements. Among them are Design Thinking for Mobility Solution and Leading Change – Facilitating User Adoption on Digital Transformation. We have already begun work on Robotic Process Automation.

It is also vital for us to carefully manage cybersecurity threats and data privacy concerns. CGC ensures that our cybersecurity standards are at par with best practices. Continuous engagement and networking with cybersecurity subject-matter experts are of paramount importance and our People undergo continuous awareness programmes.

BRAND AWARENESS

6. How would you rate CGC brand awareness among Malaysian MSMEs?

Our brand awareness has increased significantly over the last couple of years. In 2019, online surveys by two reputable media institutions revealed an increase in our brand awareness to 75% from 55% in 2018. This significant brand awareness improvement was mainly due to a more holistic and targeted branding approach, delivered through the various platforms. These include the digital platform, which is more effective and has greater outreach.

With all these brand awareness initiatives, we are confident that CGC will be the Household Name for MSMEs. Think MSMEs, Think CGC!

CENTRE OF EXCELLENCE

7. As a vocal advocate of financial inclusion in Malaysia and abroad, how do you drive this agenda to benefit other nations and their MSMEs?

CGC is proud to be recommended by reputable global institutions such as the Alliance for Financial Inclusion and the World Bank as a centre of excellence for sustainable credit guarantee model to host foreign delegates from both the public and private sectors where we share our experience through their study visits. We will continue to share our knowledge and best practices to benefit the international community and their respective MSMEs as well as learn from their experiences and challenges. In 2019, we hosted numerous study visits and received delegates from Egypt, Papua New Guinea, South Korea and Thailand.

CGC 5-YEAR STRATEGIC PLAN 2016-2020

8. With only one year left, how would you rate the success of the CGC 5-year Strategic Plan 2016-2020?

We are in the final lap this year and we are on track to implement all initiatives. To date, we have completed 20 of the 25 initiatives while the remaining 5 are on track for full completion by Q4 2020.

Strategic Objectives (SO)	Strategic Initiatives		
	Number of Initiatives	Number of Initiatives Implemented	On-going Initiatives
SO #1 Reposition CGC to Become More Proactive and Relevant	9	7	2
SO #2 Ensure Sustainable Growth	6	5	1
SO #3 Enhance Human Capital	1	1	-
SO #4 Enhance Operational Efficiency and Effectiveness	2	2	-
SO #5 Embark on Digitisation	7	5	2
Total	25	20	5

IN CONVERSATION WITH PRESIDENT/CEO

CURRENT CHALLENGES

9. What is your view on the current challenges and how do you plan to address them?

Like all organisations across the globe, our current challenges can be divided into two broad categories: those within and those beyond our control. The Covid-19 pandemic has greatly affected the way we live and work, and the economy as a whole. Our operational readiness in facing this pandemic is going through an unprecedented assessment. Swift action and consistent communication are required to align and manage our stakeholders' needs.

We expedited our People and operational readiness by implementing our Work-From-Home arrangement so that we can continue to serve MSMEs. During this trying time, all stakeholders in the MSME ecosystem must coordinate efficiently and effectively with one another so as to ensure that assistance to affected MSMEs is channelled promptly.

In our effort to soften the impact of this pandemic, we executed our plans to swiftly support MSMEs by providing immediate and targeted cash flow support so that they can sustain their operations. In support of BNM's Special Relief Fund (SRF), we launched our BizJamin and BizJamin-i SRF to guarantee FIs/IFIs/DFIs' financing/lending to MSMEs affected by the Covid-19 pandemic.

During this extremely challenging time, most if not all businesses cannot operate as normal. Thus, requiring them to re-think thoroughly on how to weather through this period so as to ensure sustainability with social distancing and movement control orders becoming a part of our day-to-day life. Some businesses may need to make minor adjustments, some may need to make major adjustments whilst some may find that their businesses are no longer relevant, thus requiring them to explore other sustainable businesses.

We foresee the new normal to evolve around a multi-dimensional shift in our business landscape and operating environment. The depth and length of this pandemic will give an indication of the shape of recovery that will take place. We need to plan for that so that the economic recovery can commence immediately and this requires us to re-imagine what the new normal will look like and what preparations we need to make for our People, Process and Technology.

NEXT 5-YEAR STRATEGIC PLAN 2021-2025

10. Subsequently, how do you see CGC's plans against these perspectives?

We began planning for our next Strategic Plan for 2021-2025 in July 2019 and it is well on track to be finalised by Q4 2020. In this new strategic plan, we will further embrace technology and digitalisation as well as incorporate the new normal so that we are able to continue creating value for MSMEs and support Malaysia's long-term targets for MSMEs.

We remain cognisant of continuous challenges ahead as well as those which are beyond our control. Therefore, we need to be discerning in our nimbleness and agility to face the future unknown of unknowns. In this journey, our key focus shall remain centred around our People, Process and Technology.

ACKNOWLEDGEMENTS

11. Since your arrival at CGC five years ago, what is the most significant transformative change implemented at the Corporation?

That would be the journey of transforming CGC into a high-performing organisation which is forward-looking, efficient and effective in driving MSME growth and development. We started with accelerating the transformation of our People, where we initiated mindset change and inculcated a high-performance culture; followed by enhancing our Processes for more efficient and effective service delivery. Next is embracing Technology which enabled STP and improved turnaround time.

CGC today has stronger fundamentals. Credit for this is due to the firm commitment, dedication and hard work of my Colleagues, the wise guidance of our Board of Directors as well as the unstinting support from all our Stakeholders; and that means our Shareholders, our valued MSMEs, Federal and State Governments, Bank Negara Malaysia and all of our Strategic Partners in Malaysia's MSME ecosystem. Many thanks to all of you for assisting CGC in Fulfilling the Ambitions of MSMEs, and my best wishes for your health and wellbeing as well as your loved ones.

With much gratitude and appreciation,

Datuk Mohd Zamree Mohd Ishak
President/Chief Executive Officer