

CHAIRMAN'S MESSAGE



DATO' MOHAMMED HUSSEIN

Chairman

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the 2020 Annual Report of Credit Guarantee Corporation Malaysia Berhad (CGC).

In *Keeping Dreams Alive* in 2020, CGC set out to, firstly, support businesses to pull through the global health crisis and, secondly, to keep and to rethink those dreams in the new business terrain.

The severity of the Covid-19 pandemic has made it the worst global economic setback in recent history. Without a precedent, our recovery efforts were hampered by not knowing with any certainty when economic recovery, which is dependent on the wide availability and effectiveness of vaccines, can begin.

Many of us, in the course of our careers, have experienced at least one and maybe even several major crises – from the Pan-El crisis in the mid 1980s, the 1997 Asian Financial Crisis, the Dotcom Bubble of the late 1990s to the 2008 Global Financial Crisis. In terms of widespread impact, many considered the 1997 Asian Financial Crisis as the most damaging from the perspective of the business sector.

This time around, it's different. For the first time ever, we were confronted with an economic lockdown and social distancing rules which do not allow many businesses to operate or operate only under drastic 'new normal' conditions. Knock-on effects on the economic supply chain were both swift and harsh, and across the board, affecting people at every level. Businesses never had to adjust as much as they are adjusting now.



CHAIRMAN'S MESSAGE

Looking ahead in responding to this crisis, it is crucial for CGC to align our actions with our key objectives of supporting MSMEs in Malaysia's financial inclusion agenda. This requires emphasis on rehabilitation, as well as developing new and emerging businesses and industries. CGC must therefore strengthen our own internal capabilities to continue to be a relevant and effective component of the MSME ecosystem.



The response of Malaysian businesses to this pandemic, which has now lasted more than a year, have been mixed. Older and more established companies, with reserves to ease the financial strain, fared better and proved to be more resilient. New and less-experienced business owners had to rely more on government assistance. While this assistance has been speedily made available, governments around the world faced the unenviable task of balancing the need to impose restrictive measures to control the pandemic with protecting livelihoods.

In many cases, the Asian propensity for prudent savings has helped many to weather the storm. Unfortunately, though, many segments of our population were slow to recognise the need for discipline. This resulted, despite our early and envied success of achieving low Covid-19 infection rates, in a second spike in infections in early 2021 that halted a possible earlier economic recovery.

Aligning Objectives

Looking ahead in responding to this crisis, it is crucial for CGC to align our actions with our key objectives of supporting MSMEs in Malaysia's financial inclusion agenda. This requires emphasis on rehabilitation, as well as developing new and emerging businesses and industries. CGC must therefore strengthen our own internal capabilities to continue to be a relevant and effective component of the MSME ecosystem.

Our mission remains unchanged, but our action plans and strategies must evolve. We need to upgrade our skills to cope with new challenges, deepen our understanding of our customers' businesses as well as their financial requirements, and accordingly structure our financial products to properly meet their needs. At the same time, we must further review how we evaluate business proposals.

This alignment of our internal capabilities with our mission of empowering MSMEs is imperative to ensure CGC's continued success.

Addressing Challenges

The events of the first half of 2020 focused on assisting MSMEs to survive, allowing them breathing space to protect their business. Relief from their financial obligations was granted nation-wide and industry-wide via financing/loan moratorium.

We were, like everyone around the world, struggling with countless unknown unknowns, but we adapted, ensuring health and safety measures for staff and responding swiftly to convert our processes in order to reach out promptly to those seeking assistance. Our recent IT systems enhancements were timely.

CHAIRMAN'S MESSAGE

The latter part of 2020 shifted the focus to rehabilitating businesses towards recovery, with the assistance of several government-initiated special schemes. Assessing rehabilitation potential of businesses was a difficult task, and appraising genuine cases is a continuing challenge. Making sure that our staff have the necessary skills to perform this role effectively becomes our internal challenge.

Financially, the 2020 impact was mitigated with counter-cyclical fiscal measures. Our investment portfolio remained relatively intact. This helped supplement losses in our lending, financing and guaranteeing businesses.

Considering the challenging uncertainties, CGC responded and performed reasonably well in both the management of various parts of its businesses, as well as channelling various special schemes to help businesses in distress.

Moving on to 2021, we recognise that for our customers, there is a second phase of recovery after rehabilitation – reinventing their businesses and innovating to tap opportunities in new business growth areas.

To perform our role effectively in this second phase of recovery, as a strategic component in the MSME ecosystem, we must develop different skills to meet the new challenges. We do recognise there are skills gaps we need to close, and we must work with more intensity and at a pace faster than what we have been used to in order to close these skills gaps.

Moving on to 2021, we recognise that for our customers, there is a second phase of recovery after rehabilitation – reinventing their businesses and innovating to tap opportunities in new business growth areas.

Acknowledgements

I would like to thank the Ministry of Finance and Bank Negara Malaysia for their unstinting endorsement of CGC's aims. To our strategic partners in the financial industry and other stakeholders in the MSME ecosystem, our 2020 achievements reflect our consistently close cooperation. We look forward to working together to achieve CGC's mandate, to diligently serve MSMEs.

On behalf of the Board, we express our appreciation to the Management team under the leadership of Datuk Mohd Zamree Mohd Ishak, President/CEO of CGC, for rising to the challenge to steer the Corporation over a very demanding year to achieve our objectives.

On behalf of the Board and Management, I also extend our appreciation to Dato' Agil Natt, who retired as Chairman in June 2020. During his seven-year tenure as Chairman, he motivated, inspired, and led CGC to great success.

Lastly, I extend my utmost appreciation to my fellow Board Members, Management and CGC employees for their continuous dedication.

In *Keeping Dreams Alive* we have to both reassess and reinvent. Our past achievements no longer matter. What matters now is how we reinvent ourselves to meet these new challenges.



Dato' Mohammed Hussein

Chairman