

IN CONVERSATION WITH PRESIDENT/CEO



DATUK MOHD ZAMREE MOHD ISHAK

President/Chief Executive Officer

Dear Shareholders,

To say that 2020 was a challenging year is an understatement. It was a year like no other. The Covid-19 pandemic and the ensuing economic crisis brought about the greatest test to all. For those in leadership positions, the actions they had to take and the decisions they had to make had far-reaching implications.

Personally, I would say that dealing with these crises has been the most monumental test by far and it was the furthest from easy. Like everyone else, I wish this pandemic had not happened but, for my colleagues and I, the lessons that we are still learning are immense. In this context it has been a great time to lead, for we have all been challenged to the limit; at times like this, strong leadership matters.

At CGC, we quickly re-aligned our strategies to support MSMEs. We coordinated our initiatives with all stakeholders in the Malaysian MSME ecosystem to assist them to weather these crises. CGC provided support in every phase of **Malaysia's 6R Strategy**, comprising the six stages: **Resolve, Resilience, Restart, Recovery, Revitalise and Reform**. When the Special Relief Facility (SRF) was launched by Bank Negara Malaysia (BNM) in February 2020, we assisted swiftly by issuing our guarantees to Participating Financial Institutions (PFIs) for the financial assistance provided to MSMEs in accordance with the national recovery plan.

The journey towards economic recovery continued and in Q4 2020, PFIs and CGC participated in other BNM initiatives such as the Targeted Relief and Recovery Facility (TRRF), High Tech Facility – National Investment Aspirations (HTF – NIA) and Micro Enterprise Facility (MEF).



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A YEAR LIKE NO OTHER

Q1
In a year that was a severe test to many, especially leaders in charting the way forward, what were some of your most insightful realisations?

Essentially, it was back to basics and I would begin with the importance of having:

- I. A Crisis Management Plan. Similar to many organisations, we already had a crisis management plan in which the 5W1H (What, When, Where, Who, Why and How) method is applied. Through simulation, we had opportunities to test this plan periodically. So, when the pandemic hit, we knew what to do. With a caveat, though, we kept on improving our crisis management plan as there are still many unknown unknowns which was mentioned by our Chairman in his message.
- II. Clear and timely communication to our staff and all stakeholders. Exchange of information and instructions must be clear, concise, and prompt.
- III. Close monitoring of our counter-cyclical fiscal measures. Upon executing our crisis management plan, we ensured close monitoring of the actions taken by prioritising our people's health and safety and ensuring the continued delivery of our mandate to serve MSMEs. Making certain of both our technological readiness and our people being equipped to carry out our counter-cyclical measures. We closely monitored daily approvals of our guarantee, while closely engaging with MSMEs to re-structure or re-schedule their financing so that they could continue doing business.

Q2
Would you say that the exacting demands that have lasted for more than a year now are the catalyst for the future of operating businesses?

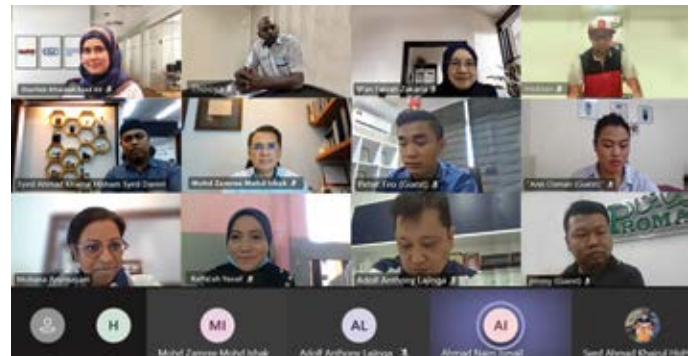
Despite many changes to ways of working and operating in the last year, the challenges, taking on new forms and variants, continue into 2021. The opportunity to deliberate and recalibrate is a catalyst for the future.

Agility and adaptability are a given. Working from home and sometimes working from anywhere, collaborating virtually and a new take on teamwork have ensured that to stand strong is to shift focus from input to output. In facing the pandemic's domino effect on everyone, every contribution to the larger goal is a valued solution, devised to overcome difficult situations.

No doubt, many pitfalls will accompany new and untested methods, constant interruptions, internet congestion, lack of face-to-face interaction and rapidly changing consumer behaviour means that the challenge we envision will be even tougher. Added to these disruptions will be a widening of economic gap and gender disparity, which must be addressed.

Nevertheless, accelerated digitalisation and entrepreneurship have kickstarted the push towards a new equilibrium, narrowing gaps between those who can change and those who must change. At CGC, we have welcomed the growing reach and purpose of imSME (Malaysia's 1st SME financing referral platform).

Most of all, I marvel at our very own MSMEs. You will read their stories in this Annual Report of how each of them has taken the opportunity to pivot. These MSMEs are expanding their spaces, growing their businesses, and diversifying their products. They are striving harder than ever to offer the best service possible. They have also become mindful of the need, not only to better manage their finances, but also to revise their business models and create new sales channels. They will emerge stronger after the pandemic, better equipped than before.



Q3
When navigating this crisis, beset by adverse conditions, how did you inspire your team to meet rising new difficulties and demands?

I began by emphasising the importance of two key elements, the health and safety of our people and CGC's raison d'être. To ensure the health and safety of our people, regulatory SOPs were put in place immediately. We acted swiftly, providing masks and sanitisers, and practising social as well as physical distancing in our workplace. In addition, Work From Home (WFH) measures were quickly implemented so that we can continue to perform our mandate to help MSMEs who, without our guarantees, may not be able to secure financing from banks. The salient determinant of our first core value is Teamwork, never more relevant in this first health and economic crises for all of us. Regardless of our roles or positions in CGC, we worked closely with one another.



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What were some of the steps and measures taken to implement relief and recovery initiatives such as Special Relief Facility (SRF), Moratorium, PRIHATIN and PENJANA?

Q4

In support of **Malaysia's 6R Strategy**, we geared our efforts to **Resolve**, helping MSMEs survive by softening the impact of the pandemic through our participation in the SRF. This initiative was aimed at providing immediate and targeted cash flow support to MSMEs so that they could sustain their businesses and safeguard jobs. Our BizJamin and BizJamin-i SRF schemes guaranteed PFIs' financing/lending to affected MSMEs, thus enabling them to remain **Resilient**.

We also provided a six-month moratorium to MSMEs, allowing them to defer their financing/loan repayments. With the six-month moratorium, they were able to **Restart** their businesses as they could address their short-term cash-flow requirements. In addition, we closely engaged with MSMEs in need of Targeted Repayment Assistance.

Furthermore, our efforts pivoted toward **Recovery** and supported the Short-Term Economic Recovery Plan (PENJANA), focused on three key thrusts – Empower People, Propel Businesses and Stimulate the Economy.

CGC believes the ongoing National Immunisation Programme (NIP) will further spur recovery and set us on our path to further **Revitalising** and **Reforming** of Malaysia's economic rebound.

The journey towards economic recovery continued further and, in Q4 2020, we participated in other BNM initiatives, namely the Targeted Relief and Recovery Facility (TRRF), High Tech Facility – National Investment Aspirations (HTF-NIA) and Micro Enterprises Facility (MEF).

2020 PERFORMANCE

How would you describe CGC's performance in FY2020?

Q5

Despite the crises, CGC performed well. We exceeded all our Headline Targets except for the Graduation Rate which had a 94% achievement as the MSMEs that were supposed to graduate in 2020 still needed our guarantee due to the pandemic. In addition, the numbers of new MSMEs that became our customers grew faster than those who graduated.

FY2020

Headline Targets (5-Year Strategic Plan 2016-2020)	Target 2020	Actual 2020	Achievement
Guarantee & Financing Base (RM billion)	17.2	17.2	100%
Guarantee Reserve Ratio (times)	3.1	3.1	100%
Pretax Profit (RM million)	95.5	110.8	116%
Graduation Rate (%)	40.7	38.4	94%
Cost-to-Income Ratio (%)	36.3	32.7	110%
Brand Awareness Level (%)	80.0	84.0	105%

100%

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I would also like to make a special mention of imSME (Malaysia's 1st Online SME Financing Platform), and I am pleased to share that it was awarded **The Asset Triple A Awards for Best Digital Banking Solution** in August 2020.

In 2020, imSME recorded robust and impressive growth, enabling MSMEs to secure financing products conveniently online, anywhere, anytime. There are currently 26 Participating Financial Institutions (PFIs) offering more than 60 financial products, 10 Peer-to-Peer financing platforms, 3 Equity Crowdfunding platforms, 3 Alternative Funding agencies and 3 Capacity Building agencies on board imSME.

As of 31 March 2021, imSME received 2.07 million visitors since its launch on 9 February 2018, clinching over 37,990 registrations. More than 3,640 applications have been approved amounting to RM369 million.

imSME

As of 31 March 2021



Number of Visitors

2.07 million



Total Registered MSMEs

37,990



Total Approved Financing

3,640 applications



Total Approved Financing

RM369 million

Q6

2020 marked the end of CGC's 5-year Strategic Plan 2016-2020, executed at the beginning of your tenure as President/CEO. What were some of its most significant achievements?

To be the Household Name for SMEs

Vision	To be an effective financial institution dedicated to promoting the growth and development of competitive and dynamic small and medium enterprise				
Mission	To enhance the viability of small and medium enterprise through the provision of products and services at competitive terms and, with the highest degree of professionalism, efficiency and effectiveness				
Core Values	Teamwork; Hardworking; Integrity; Nurturing; Knowledgeable (T.H.I.N.K)				
Strategic Objectives (S.O.)	S.O. #1	S.O. #2	S.O. #3	S.O. #4	S.O. #5
	Reposition CGC to become more proactive and relevant	Ensure sustainable growth	Enhance human capital	Enhance operational efficiency and effectiveness	Embark on digitisation

Six Headline Targets

	Actual	
	2015	2020
Guarantee & Financing Base (RM billion)	8.0	17.2
Graduation Rate (%)	47.1	38.4
Brand Awareness Level (%)	53.0	84.0
Guarantee Reserve Ratio (times)	1.9	3.1
Cost to Income Ratio (%)	28.3	32.7
Profit Before Taxation (RM million)	140.0	110.8

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In meeting its 5 Strategic Objectives, CGC attained a number of its Headline Targets in 2020 while exceeding others, as our 5-year Strategic Plan 2016-2020 came to an end. Among our most significant achievements were that we:

- Doubled our outreach, in terms of MSMEs served from 2015 to 2020. Our outstanding Guarantee and Financing base doubled, both in terms of RM value and number of accounts, totalling 20,000 in 2015 and 42,000 in 2020.
- Increased our Brand Awareness from 53% to 84%, in line with our aspiration To Be the Household Name for SMEs.
- Made significant inroads in our Beyond Guarantee initiatives that consist of CGC Developmental Programme™, imSME and myKNP.

CGC DEVELOPMENTAL PROGRAMME™

Q7

Could you elaborate on the CGC Developmental Programme™?

Going forward with our next 5-Year Strategic Plan, our ambition for the CGC Developmental Programme™ is to journey with our MSMEs as a valued partner. We want to accompany them, spurring them to higher growth across their different business life stages.

During this especially difficult time, the CGC Developmental Programme™, initiated in 2016, went beyond expectations to assist MSMEs with financing and the market access they needed.

One of the programme's components is Financial Advisory (FA) that provides one-to-one personalised financial advisory by the Financial Advisory Team (FA Team) to MSMEs who were unable to obtain financing and referred to the FA Team by either imSME or MyKNP. Since the programme's inception, as of 31 March 2021, 28,000 MSMEs were assisted, with 13,800 cases referred and more than 880 MSMEs approved to receive financing.

Despite being deemed high-risk and unviable, the MSMEs, through the FA Team's diligence, were provided greater understanding of factors affecting their applications, refined their eligibility for financing, improved their Central Credit Reference Information System (CCRIS) conduct and increased their chances to obtain financing in the future. These MSMEs were also recommended alternative financing channels such as other government agencies, Peer-to-Peer (P2P) or Equity Crowdfunding. In some cases, the MSMEs were also referred to attend courses with capacity-building agencies such as Institut Keusahawanan Negara (INSKEN) or Centre for Entrepreneur Development and Research Sdn Bhd (CEDAR), among others.

Market Access Advisory (MAA) is the other component in the CGC Developmental Programme™. It aims to equip MSMEs with appropriate knowledge and skills for local and international market expansion via online and offline channels. This Advisory has a two-pronged approach, through Mentoring Workshops and Market Access Initiatives. 2020 has been an extraordinary year for these two initiatives because, despite daunting barriers, 6,180 MSMEs benefitted from MAA as of 31 March 2021.

Only one physical Mentoring Workshop was held in 2020, while the other 11 were converted to webinars in the interest of health and safety precautions due to Covid-19 pandemic. This enabled our MSMEs

to continue gaining knowledge from the planned programme. These focused on three key areas: IR4.0 awareness, preparing and equipping MSMEs with digital sales and marketing skills and knowledge about penetrating new markets. The CGC Developmental Programme™ also partnered with the government and private sector to feature reputable, credible speakers in all these areas.

In 2020, MAA assisted 55 MSMEs to enter new markets through local and international digital platforms. For local market access, 34 MSMEs were successfully onboarded as merchants such as Sama-Sama Lokal by Maybank, amaxMALL and Shopee.

In responding positively to 2020's restrictions, our international Market Access Initiatives were able to take place as we swiftly pivoted to promote our MSMEs' products abroad. Two alternative approaches were chosen to assist 21 MSMEs to get into cross-border markets, through product placement in a retail market and an e-commerce platform. As you will read here, Mohd Zaki Hj Zakaria's Bertambest pre-mixed coffee is now available at Eccellente Hao Mart at KINEX Mall Singapore, a halal market via AmaxMALL, with top sales and repeat orders. Joe Pramesh Ganesaguru's truelifesciences health supplements are receiving great response in Blibli.com, Indonesia via Global Shoppers Malaysia (GSM).

A key point to note here is that previously it took from six to 12 months to place products in international markets but, with all meetings, discussions and negotiations online, favourable results were achieved within a much shorter learning curve.

CGC Developmental Programme™

Number of MSMEs Assisted

As of 31 March 2021

Financial Advisory

28,000

Market Access Initiatives

6,180

IN CONVERSATION WITH PRESIDENT/CEO



KEEPING DREAMS ALIVE

Q8

How inspirational was it for you to continue striving in *Keeping Dreams Alive* (2020), compared to *Changing Lives* (2018) and *Fulfilling Ambitions* (2019)?

We planned our themes in 2018, in line with our 5-Year Strategic Plan 2016-2020, in a series beginning with *Changing Lives* and including the yet-to-come *Achieving Goals* and *Unlocking Potential*.

The motivation behind *Changing Lives* (2018) was to guide growth and progress for the betterment of MSMEs. We assisted them with growth, created space for ideas which, in return, fuelled aspiration towards *Fulfilling Ambitions* (2019). To realise their dreams, CGC assisted them with our products and services as well as our developmental programmes.

Reflecting on how the crises have affected everyone and how the MSMEs sector has been hit the hardest, we decided that the theme *Keeping Dreams Alive* is most appropriate for our 2020 Annual Report. Earlier, I mentioned about the stories of how our very own MSMEs responded to the crises and how they succeeded. To keep our dreams alive, we must remain confident and act swiftly to bounce back.

Q9

What drove CGC's business growth in 2020 in terms of extending outreach to MSMEs?

Our 2020 business growth was mainly driven by the counter-cyclical measures we undertook via our Portfolio Guarantee Schemes, BizJamin SRF and BizJamin-i SRF, and our BizBina-i Direct Financing Scheme in support of Malaysia's 6R Strategy.

MSME Outreach and Efficiency Charter

	Target	Actual	Achievement
MSME Outreach	2020	2020	
Number of Guarantee & Financing Approvals	12,200	13,472	110%
Value of Guarantee & Financing Approvals (RM million)	5,500	5,922	108%
Number of Bumiputera Guarantee & Financing Approvals	4,000	4,025	101%
Value of Bumiputera Guarantee & Financing Approvals (RM million)	1,000	894	89%

100%

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Efficiency Charter	Target	Actual	Achievement
	2020	2020	
Financing/Loans Processing for PG	95% within 2 days	99% within 2 days	104%
Claim Payment	95% within 5 days	92% within 5 days	97%

100%

How did CGC leverage technology to drive outreach and enhance its brand?

Q10

Recognising the importance of leveraging technology to better perform our mandate, we embarked on our digital transformation journey in 2018. When the crises struck, we accelerated our digital transformation initiatives which allowed us to continue serving the MSMEs despite the numerous challenges faced during various types of Movement Control Order (MCO).

It was in leveraging technology through accelerating our digital transformation that we were able to drive outreach on all our platforms, enhancing our brand.

CGC 5-YEAR STRATEGIC PLAN 2021-2025

Where is CGC in the next level of trust in this digitally delineated landscape, in terms of cybersecurity threats and data privacy concerns?

Q11

We will continue to keep abreast of matters pertaining to cybersecurity and have taken necessary measures based on best practices, benchmarks, and positioning controls. CGC ensures that our cybersecurity measures and data privacy risks are monitored and managed accordingly. We actively use alerts on our website to warn the public of scams.

What will be the key focus of CGC's next 5-year Strategic Plan (2021-2025)?

Q12

CGC has done well in our 5-year Strategic Plan (2016-2020) and we have set more ambitious targets to outdo ourselves in the new 5-Year Strategic Plan (2021-2025). Our aspiration is bold in striving to become a partner, acting as a catalyst for MSMEs' growth across their different business life stages. While we adhere to our vision statement, our mandate remains. We added micro enterprises in line with our entry into offering BizMikro-i into our vision and mission statements. As we sail into 2021, we are supported by the very same core values: Teamwork, Hardworking, Integrity, Nurturing and Knowledgeable. These values have proven to be our strong pillars in achieving our aspiration, vision and mission. Embedded into our corporate identity, these principles, beliefs, and philosophy complement the technical competencies and advancement we target to achieve.

We have aligned three Strategic Objectives as our long-term corporate goals to convert our aspiration into more specific plans and actions. The Strategic Objectives focus on us partnering MSMEs throughout their life stages by providing end-to-end financial offerings, driving MSME excellence through targeted developmental support, and becoming a digitally savvy organisation to propel scale and speed of MSME impact. These objectives are supported by our Digital Vision, which is encapsulated by three letters A.C.E

A Accelerate digitalisation of our core

C Create new digital business models

E Enable with digital capabilities

Supporting this Digital Vision, we have lined up 21 initiatives for the next five years to achieve our Strategic Objectives. These initiatives are categorised into 6 Digital initiatives, 5 Strategic initiatives and 10 IT initiatives. In broader terms, our digital initiatives will focus more on establishing end-to-end digital journeys, covering our guarantee, direct financing and partners, turning iMSME into a super application and creating artificial intelligence for early warning system and transaction-messaging. Our strategic initiatives will enable us to deepen and widen our guarantees and direct financing offering with partners in the ecosystem. It will also provide support for end-to-end digital adoption, establish end-to-end programme for non-tech startups and build an academy for MSMEs. To support these digital and strategic initiatives, vital IT initiatives have been strategised to balance the need to transform our core systems and equally speed up the overall digital transformation process. CGC is on the right track to achieve greater successes in our vision which in turn will support our aspiration to be a significant partner for MSMEs in these five years.

IN CONVERSATION WITH PRESIDENT/CEO

Partner for MSME Growth Across Life Stages

Vision	To be an effective financial institution dedicated to promoting the growth and development of competitive and dynamic Micro, Small and Medium Enterprises				
Mission	To enhance the visibility of Micro, Small and Medium Enterprises through the provision of products and services at competitive terms and, with the highest degree of professionalism, efficiency and effectiveness				
Core Values	Teamwork, Hardworking, Integrity, Nurturing, Knowledgeable (T.H.I.N.K)				
Strategic Objectives (S.O.)	S.O. #1 Partner MSMEs through life stages by providing end-to-end (E2E) financial offerings	S.O. #2 Drive MSME excellence through targeted developmental support	S.O. #3 Become a digitally savvy organisation to propel scale and speed of MSME impact		
Digital Vision	A Accelerate digitalisation of the core	C Create new digital business models	E Enable with digital capabilities		
21 Initiatives	5 Strategic Initiatives	6 Digital Initiatives	10 IT Initiatives		
5 Headline Targets	Guarantee and Financing Base of RM36.5 billion	Assist 80,000 MSMEs	70% customers are digitally active	Guarantee Reserve Ratio of 4.8x	Cost-to-Income Ratio of 32%

ACKNOWLEDGEMENTS

In the previous annual report, I spoke about CGC's 5-Year Strategic Plan 2016-2020 entering its final lap when the Covid-19 pandemic hit the world like a series of severe thunderstorms. Despite the many challenges, we performed well and continued to keep our dreams alive. We have rolled out our 5-Year Strategic Plan 2021-2025 aimed at taking CGC to greater heights in delivering its mandate in serving MSMEs.

In this regard, I would like to record my utmost appreciation to all our stakeholders, namely our valued customers, Federal and State Governments, Bank Negara Malaysia, our strategic partners in

Malaysia's MSME ecosystem, our Board of Directors for their judicious guidance and, last but not least, all my colleagues for their continued commitment and dedication.

CGC remains committed to our mandate and is confident that, with all stakeholders playing their part, an accelerated wave of economic recovery is in sight. It's time for us to bounce back!

With much hope and confidence,

Datuk Mohd Zamree Mohd Ishak

President/Chief Executive Officer