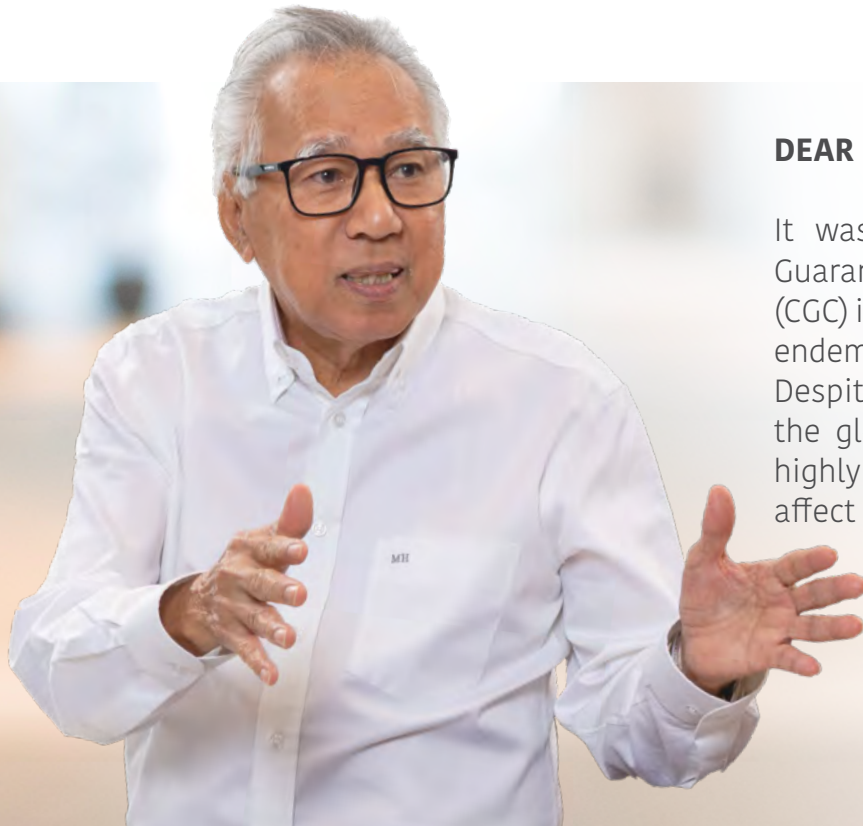


CHAIRMAN'S MESSAGE



CREDIT
GUARANTEE
CORPORATION
MALAYSIA
BERHAD

KEY
MESSAGES



DEAR SHAREHOLDERS,

It was a challenging year for Credit Guarantee Corporation Malaysia Berhad (CGC) in 2022, as Malaysia moved into the endemic phase of the Covid-19 pandemic. Despite the anticipated recovery phase, the global economic climate remained highly unpredictable, and continues to affect economies across the world.

DATO' MOHAMMED HUSSEIN
Chairman

According to the January 2023 International Monetary Fund (IMF) World Economic Outlook report, the 2022 global economic growth rate decreased to an estimated 3.4%, down from 6.2% in 2021. Malaysia's economy experienced a growth of 8.7% due to increased spending in both the private and public sectors, following the full reopening of the economy, undeterred by a slower global growth rate.

The economic slowdown is a result of a combination of factors, posing persistent and steep challenges to countries worldwide. These include rising living costs, labour and energy shortages, currency fluctuations, stricter financial regulations, continuing Covid-19 variants, and the Ukraine-Russia conflict.

As the long-standing foundation of the Malaysian economy, MSMEs account for 97.2% of total business establishments, generating 37.4% of GDP and providing employment for

7.3 million people. After protracted disruption of economic activity, although MSMEs experienced a slight recovery, they battled to sustain their businesses. Rising cost of operations, raw materials and energy, along with continuous supply chain disruptions and surging living costs impeded expected MSME growth and recovery.

REMAINING RESILIENT

In performing our counter-cyclical role in these difficult times for MSMEs, we collaborated closely with our Financial Institution partners to provide MSMEs with access to various Government

schemes. These aided businesses in restarting and rebuilding.

Despite the expected decline in our profits compared to 2021, our financial position remains robust. We have made the necessary provisions, and our capital adequacy ratio remains healthy. In reconfiguring our approach, to assist MSMEs more effectively we reduced the number of our direct financing schemes. Instead, we continued to serve those segments such as micro, women and start-up businesses with guarantees, through forging more partnerships with financial service providers.



We continue to review and enhance our own operational readiness to fulfil MSMEs' rapidly changing needs. In 2022, we focused on further improving our operational readiness and efficiency to continue supporting the recovery of MSMEs. Moreover, we intensified our developmental role through financial and non-financial support, strengthening our guarantee schemes to include alternative financiers and supporting the sustainability agenda.



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SUPPORTING SUSTAINABILITY

To sustain a robust economy, we have to ensure that MSMEs can thrive. We collaborate closely with financial institutions in strengthening this sector's development and growth. In addition to improving digital capabilities, it is crucial for MSMEs to enhance their knowledge and explore innovative collaborations.

The Government has called on MSMEs to adopt sustainable practices that appeal to investors with ESG priorities, in alignment with the 12th Malaysia Plan sustainability goal of transitioning towards a low-carbon economy. To support MSMEs in these efforts, various funds are made available for advancing eco-friendly initiatives that will also help restore MSMEs' capabilities and enhance their competitiveness. Adhering to ESG principles in their operations is crucial for MSMEs to avoid being excluded from markets or losing financing opportunities.

As the sustainability agenda gained momentum post-pandemic, CGC recognised its own role in creating a better future for all in alignment with Financial Sector Blueprint 2022-2026. Therefore, we have established a Sustainability Framework to help us remain resilient in the face of future economic, environmental, social and governance (EESG) opportunities and challenges.

BUILDING COMPETENCY

To better serve the diverse and ever-changing needs of MSMEs, we have implemented initiatives to address capability gaps and improve digital competencies. Through various training programmes, professional courses and talks, we aim to enhance employees' skills and knowledge while creating awareness of current industry trends.

Our CGC Developmental Programme® includes three main programmes that focus on improving MSMEs' financial literacy, digital marketing, business expansion, and practical knowledge of accessing new markets through e-commerce platforms. Additionally, we have established CGC Digital Sdn Bhd, an extension of CGC focussing on digital platforms and solutions to better serve MSMEs throughout their business life stages.



As well as providing access to financing, CGC is committed to other longer-term measures to develop MSMEs' business competencies. The CGC100 Youth Entrepreneurship Programme, developed in collaboration with the Ministry of Education and the PINTAR Foundation, aims to empower young people with soft skills and entrepreneurship training, enabling them to build feasible products and services. The first cohort of 20 participants successfully graduated from the 6-month Fast Track programme on 8 March 2023.



As the gig economy is expected to grow significantly, primarily with younger and aspiring entrepreneurs' participation, the Programme's goal is not only to provide them access to financing but also to instil values that foster resilience and endurance. This programme will also provide opportunities for the B40 community to improve their business competencies.



At CGC's 27th FI/DFI & SME Awards 2021, held on 29 July 2022, the winners of the Merdeka Award 2022 were once again celebrated. This award category, introduced in 2021, recognises companies that promote inclusivity through substantive collaboration and joint ventures between Malaysians of different races, with a focus on building resilience and competencies. Congratulations to the winners of the Merdeka Award 2022.

LOOKING FORWARD

At CGC, we steadfastly strive to provide vital financial assistance to MSMEs that are unserved and underserved. Our objective is to play a critical role in promoting economic growth, development, employment opportunities, and poverty reduction in our nation.

We were established in 1972 with the mandate to be a catalyst for the development of a strong MSME sector, and this year marks CGC's 50th Anniversary. Since its inception, CGC has assisted more than 360,000 MSMEs, and made available over 520,000 guarantees and financing valued at over RM90 billion.

After the lengthy, crippling global pandemic, MSMEs are bracing themselves to overcome post-pandemic impact and on-going external challenges. Aware of the continued difficulties that MSMEs face in the Covid-19 endemic era, the Government in Budget 2023 has allocated various financing facilities, lowered taxes and provided loans, as well as offering green incentives for the sector.

In 2023, BNM expects domestic demand to drive Malaysia's growth, as it expands at a more moderate pace amid a challenging external environment. All economic sectors are expected to show growth this year, so MSMEs are likely to regain their strength and to strive for success.

CGC Sustainability Framework prioritises addressing economic, environmental, social, and governance challenges, with sustainability at the core of our plans and practices. We recognise the growing importance of green financing and ESG compliance, and believe that forging meaningful partnerships is key to achieving our sustainability goals. By collaborating with our strategic partners in the MSME ecosystem, CGC hopes to develop more sustainable Malaysian MSMEs.

Our commitment to supporting MSMEs remains resolute, with a continued focus on providing targeted assistance. In 2023, we will focus on four key areas, supported by proactive initiatives to achieve our objectives. These are strengthening guarantee schemes, enhancing internal capabilities, optimising human capital, and advancing beyond guarantee towards a holistic approach to supporting MSME growth and development.

Digitalisation is imperative for MSMEs to overcome challenges, drive growth, and thrive. Moreover, embracing digital tech creates opportunities, enhances competitiveness, and builds resilience against future adversity. Digital technology adoption even accelerated during the Covid-19 pandemic, which demonstrated its importance in business continuity. Hence, CGC Digital Sdn Bhd was established in 2022 as a hub of digital innovation, prioritising MSME needs with cutting-edge platforms and solutions to enable growth.

ACKNOWLEDGEMENTS

I would like to express my gratitude to the Ministry of Finance and Bank Negara Malaysia for their unwavering support in assisting CGC in fulfilling our mission. Our accomplishments in 2022 are due to the close collaboration with our stakeholders and strategic partners in the MSME ecosystem. On behalf of the Board, I extend my heartfelt appreciation to Datuk Mohd Zamree Mohd Ishak, President & Chief Executive Officer of CGC, and his Management team for their strong and concerted efforts during these challenging times.

I also wish to acknowledge the contribution of Dato' Haji Syed Moheeb Syed Kamarulzaman, who retired from the Board in mid-January 2023. Throughout his 9-year tenure as an Independent Non-Executive Director, his dedicated involvement and valued experience in various Board committees greatly benefited CGC in fulfilling our mandate.

I want to express my sincere appreciation as well to all Board members, Management, and CGC employees for their resolute allegiance. Looking ahead, I am confident that our unwavering commitment to our strategic objectives and to delivering value to our clients and shareholders will continue to guide our efforts and position us for success in the years to come.



DATO' MOHAMMED HUSSEIN
Chairman