



CREDIT GUARANTEE CORPORATION

Notice of

Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the **Twenty Seventh (27th) Annual General Meeting** of Credit Guarantee Corporation Malaysia Berhad will be held at the **Level 11, Bangunan CGC, Kelana Business Centre, 97, Jalan SS 7/2, 47301 Petaling Jaya, Selangor Darul Ehsan** on **June 13, 2000** at **3.30 p.m.** for the following purposes:-

**AGENDA**

1. To receive and adopt the Audited Accounts for the year ended December 31, 1999 together with the reports of the Directors and Auditors.  
**(Resolution 1)**
2. To re-elect directors who are retiring pursuant to Articles 76A, 76B and 77 of the Corporation's Articles of Association and, being eligible, offer themselves for reelection.  
**(Resolution 2)**
3. To approve payment of Directors' fee.  
**(Resolution 3)**
4. To appoint Auditors and to authorise the Board of Directors to fix the auditors' remuneration.  
**(Resolution 4)**
5. To transact any other business for which the notice shall have been given.

**By Order of the Board.**

**GAYAH HJ MOHD NORDIN**  
*Company Secretary*

Petaling Jaya  
May 26, 2000

Note: A member entitled to attend and vote is entitled to appoint a proxy to attend and vote for him. A proxy or an attorney need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company, at Level 13 - 16, Bangunan CGC, Kelana Business Centre, 97, Jalan SS 7/2, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time for holding the meeting or any adjournment thereof.



*Dato' Dr Zeti Akhtar Aziz*



*Encik John Ting Sik Kang*



*Datuk Amirsham bin A.Aziz*



*Encik Mohamed Azmi  
bin Mahmood*



*Encik Mohd Shah  
bin Dato' Abu Bakar*



*Encik Wong Yew Sen*



***CHAIRMAN OF THE BOARD***

Dato' Dr. Zeti Akhtar Aziz

***DIRECTORS***

Encik John Ting Sik Kang  
Datuk Amirsham bin A. Aziz  
Encik Mohamed Azmi bin Mahmood  
Encik Mohd Shah bin Dato' Abu Bakar  
En. Wong Yew Sen

***SECRETARY***

Cik Gayah bte Hj Mohd Nordin

***SOLICITOR***

Amin-Tan & Co.  
Advocates & Solicitor

***AUDITORS***

Salleh, Leong, Azlan & Co.,  
Certified Public Accountants (Malaysia)

***REGISTERED OFFICE***

Level 13-16, Bangunan CGC,  
Kelana Business Centre,  
97, Jalan SS7/2,  
47301, Petaling Jaya,  
Selangor Darul Ehsan



**Encik Wan Azhar bin Wan Ahmad**

*Chief Executive*

**Encik Johar bin Haji Nor**

*Assistant General Manager, Credit*

**Encik Rusdi bin Haji Ibrahim**

*Assistant General Manager, Corporate Services*

**Encik Khoo Kim Ho**

*Assistant General Manager, Operations*

**Cik Gayah bte Hj Mohd Nordin**

*Manager, Accounts & Secretarial*

**Encik Ismail bin Yunus**

*Manager, Branch Supervision*

**Encik Michael Chin Kon Hon**

*Manager, Information Technology & Database Management*

**Encik Shazwan Mohan bin Abdullah**

*Manager, Claims*

**Encik Mohd Sukeri bin Ismail**

*Manager, Credit Evaluation*



## **CHAIRMAN**

**Encik Wan Azhar bin Wan Ahmad**

*Chief Executive*

*Credit Guarantee Corporation Malaysia Berhad*

## **MEMBERS**

**Encik Johar bin Haji Nor**

*Assistant General Manager, Credit*

*Credit Guarantee Corporation Malaysia Berhad*

**Encik Arshad bin Bani**

*Senior Manager, Banking Supervision II*

*Bank Negara Malaysia*

**Haji Abd Rahim bin Mohd Nor**

*Head, Bumiputera Development Department*

*Malayan Banking Berhad*

**Puan Wong Lee Eng**

*Vice President*

*OCBC Bank (Malaysia) Berhad*

**Encik Suhardi bin Buyong**

*Senior Manager*

*Arab-Malaysian Finance Berhad*

## **SECRETARY**

**Encik Shazwan Mohan bin Abdullah**

*Manager, Claims*

*Credit Guarantee Corporation Malaysia Berhad*



**O**n behalf of the Board of Directors, I wish to present the 27th Annual Report of the Credit Guarantee Corporation for the year ended December 31, 1999.

In 1999, the Corporation continued to see an increasing demand for guarantee with encouraging growth both in terms of number as well as value of loans guaranteed. In the year under review, the Corporation guaranteed a total of 32,586 loans valued at RM2.5 billion compared with 7,960 loans valued at RM594.4 million in the previous year. This achievement represents a three fold increase in volume over that of the previous year.

During the year, the Corporation's operating revenue stood at RM96.5 million, while operating expenses was reduced to RM3.5 million from RM4.9 million in the previous year. With net profit of RM33.2 million earned during the year, together with a rights issue of 217.8 million ordinary shares of RM1.00 each, the Corporation's total shareholders' funds has now increased to RM1,361.5 million.

### **HIGHLIGHTS**

As economic recovery continues to strengthen, the Corporation remains committed in assisting viable businesses to have ready access to institutional financing. This is reflected in the increase of its paid-up capital to RM635.6 million by way of a rights issue of 217.8 million ordinary shares of RM1.00 each. The Corporation will undertake a major restructuring programme as part of its expansion plan to provide improved access to credit for SMIs, better guarantee schemes as well as ensuring the Corporation's ability to meet all guarantee obligations.

The Corporation continued to work closely with the Ministry of Entrepreneur Development to assist the smaller entrepreneur gain access to institutional credit. The Tabung Usahawan Kecil (TUK), implemented through the government allocation of RM540 million, had assisted 22,949 borrowers with loans totalling RM257.8 million. Cumulatively, TUK had benefited 28,265 small entrepreneurs involving loans worth RM336.4 million.

Recognising that the Corporation's guarantee is crucial in addressing the collateral issue especially in promoting the utilisation of several government initiated funds for SMIs, a new guarantee scheme named the Flexi Guarantee Scheme (FGS) was introduced on March 1, 1999. The FGS provides guarantee cover for loans granted under 4 such funds, namely the Fund for



SMI, Rehabilitation Fund for SMI, Fund for Food and the New Entrepreneurs Fund. A total of 1,073 loans valued at RM302.9 million were guaranteed under the FGS during 1999 directly assisting SMIs which lack collateral gain access to these special funds.

### ***OUTLOOK***

The Malaysian economy is expected to further improve with a projected growth rate of about 5.8% in 2000. As small and medium scale businesses constitute the majority of Malaysian businesses, their contribution towards sustained economic recovery is important. With positive signs of economic recovery, the Corporation is poised to assume a greater role in the overall development of SMIs, particularly in the area of access to financing. The expanded role of the Corporation will be supported by a new organisational structure and the introduction of an alternative delivery system that will allow borrowers "direct access" to the guarantee schemes while continuing to enhance the existing access to credit via financial institutions. In line with these measures, the Corporation will also be setting up branches nationwide.

It is expected that in the year 2000, the demand for the Corporation's guarantee in respect of small business loans will continue to be high. As such, the Corporation expects to guarantee total loans worth RM3 billion during the year. Consistent with the increasing demand for its guarantee, the Corporation will undertake yet another capital restructuring exercise to increase its paid-up capital by RM1 billion through a special issue of new ordinary shares to Bank Negara Malaysia. In addition, the Corporation's guarantee fund will be further strengthened by an allocation of RM300 million as announced by the government in the recent budget.

### ***ACKNOWLEDGEMENTS***

The Corporation wishes to acknowledge and thank all participating financial institutions for their cooperation and support of the various guarantee schemes. Several financial institutions have been selected to receive the CGC Top Supporter Award in conjunction with the Corporation's 27th Annual General Meeting. I take this opportunity to extend my congratulations to the recipients and look forward to their continued support.

I wish to express my appreciation to my colleagues on the Board for their invaluable contribution and support throughout the year. On behalf of the Board and the Corporation, I wish to thank Tan Sri Dato' Seri Ali Abul Hassan bin Sulaiman, who resigned as the Chairman on April 28, 2000.



I also wish to convey my heartfelt condolences on the untimely demise of Dato'Abdul Aziz bin Othman who had served the Corporation diligently and had resigned on November 16, 1999. I wish to thank Encik Zakaria bin Ismail who resigned on October 22, 1999 and I welcome to the Board, Encik Wong Yew Sen who was appointed on October 22, 1999.

On behalf of the Board, I wish to also thank the Ministry of Entrepreneur Development, Ministry of Finance, other Government Ministries and agencies, commercial banks and finance companies as well as the various trade associations for their cooperation and support in helping the Corporation through a challenging year. I thank all the staff for their efforts and I am confident that the Board can rely on their loyalty and commitment in the years to come.

**Dato' Dr. Zeti Akhtar Aziz**  
*Chairman*  
*Board of Directors*





**I**n the year under review, the Corporation was able to further consolidate and strengthen its financial capacity to ensure continuous accessibility to its guarantee by Small and Medium Enterprises (SMEs).

Generally, in 1999 the Corporation maintained encouraging growth in the volume of loans guaranteed, both in terms of number as well as value. Consistent with the overall recovery of the economy, the demand for the Corporation's guarantee grew accordingly. In line with this development, the Corporation undertook a major restructuring programme as part of its expansion plans which among others includes its objectives of providing better access, better guarantee products as well as ensuring its ability to meet all guarantee obligations. The Corporation's paid-up capital now stands at RM635.6 million of which RM435.6 million is in the form of ordinary shares and RM200 million in the form of "Ten Years Redeemable 1% Rate Non-Cumulative Preference Shares" fully subscribed by Bank Negara Malaysia.

In 1999, the Corporation continued to manage 8 schemes, broadly categorised as the Main Schemes and the Programmed Lending Schemes. The scheme breakdown are as follows:-

#### **Main Schemes**

1. New Principal Guarantee Scheme (NPGS)
2. Interest-Free Banking Scheme (IFBS)

#### **Programmed Lending Schemes**

1. Flexi Guarantee Scheme (FGS)
2. New Entrepreneurs Fund (NEF) - placed under FGS effective March, 1999
3. Small Entrepreneurs Fund (TUK)
4. Small Entrepreneurs Financing Fund (SEFF) - merged with TUK effective May, 1999
5. Franchise Financing Scheme (FFS)
6. Youth Economic Development Programme (TEB)

Although the revised New Principal Guarantee Scheme (NPGS) remained attractive to the financial institutions, the Corporation, had in March, 1999 introduced a new scheme named the Flexi Guarantee Scheme (FGS). The FGS was in response to the Government's call for greater utilisation of the special loan funds allocated to Small and Medium Industries (SMIs). It caters for loans granted under the Fund for Small and Medium Industries 2 (FSMI2), Rehabilitation Fund for Small and Medium Industries (RFSMI), New Entrepreneurs Fund (NEF) and the Fund for Food (3F). The main features of the FGS is mainly on the following :



- Loan Funds Eligible for Guarantee
  - ▶ Fund for Small and Medium Industries 2 (FSMI2)
  - ▶ Rehabilitation Fund for Small and Medium Industries (RFSMI)
  - ▶ New Entrepreneurs Fund (NEF), and
  - ▶ Fund for Food (3F)
  
- Maximum Loan Limit
  - ▶ RM5.0 million - RFSMI
  - ▶ RM3.0 million - 3F
  - ▶ RM2.0 million - NEF
  - ▶ RM1.0 million - FSMI2
  
- Guarantee Cover  
Ranging from 30% to 80%
  
- Participating Financial Institutions  
According to participating financial institutions for the FSMI2, RFSMI, NEF and 3F respectively.

During the period, the Corporation also continued to provide assistance to smaller entrepreneurs to gain access to institutional credit. The Small Entrepreneurs Fund or Tabung Usahawan Kecil (TUK), established in 1998 continued to receive overwhelming response from small entrepreneurs throughout the country. Following the increase in demand for TUK loans, a review was conducted with the following result :

- i. The Small Entrepreneurs Financing Fund (SEFF) was merged with the TUK;
- ii. The eligibility criteria was revised to better meet the needs of the entrepreneurs. The maximum loan limit was raised from RM20,000 to RM50,000 and participation was extended to more financial institutions;
- iii. The total fund allocation was increased to RM540 million.

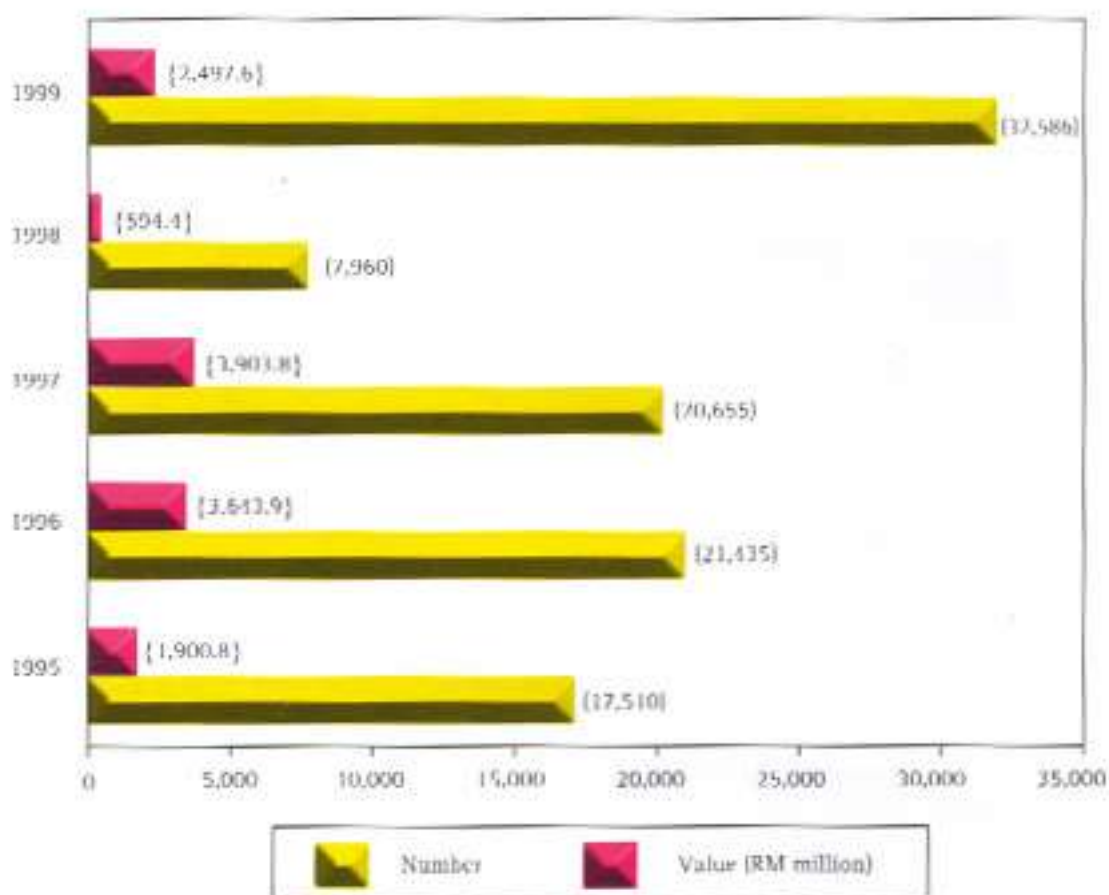
As a result of the active participation by all financial institutions, a total of 22,949 TUK loans valued at RM257.8 million were approved during 1999, bringing the cumulative loans approved to 28,265 valued at RM336.4 million. When the TUK ceased operation on December 31, 1999, a total of about 73,593 applications valued at RM1.1 billion were received from all over the country.



### 1. NEW LOANS GUARANTEED

The total new loans guaranteed by the Corporation under all its guarantee schemes in 1999 were 32,586 loans with a value of RM2.5 billion compared with 7,960 loans with a value of RM594.4 million in 1998.

Loans Guaranteed (By Number & Value) from 1995 - 1999



( ) : Number of Loans Guaranteed  
{ } : Value of Loans Guaranteed (RM million)

The three fold increase in loans guaranteed, is mainly attributed to the general strengthening of the economy and the overall increase in loan approvals by the banking sector. In terms of the number of loans guaranteed, the TUK accounted for 70.0% of the overall total, whereas, the NPGS accounted for 76.2% interms of value of loans guaranteed.



Details of the loans guaranteed under the various schemes are shown below.

LOANS GUARANTEED IN 1999		
Schemes	No.	RM million
<b>Main Schemes</b>	<b>8,277</b>	<b>1,915.6</b>
Comprising :-		
New Principal Guarantee Scheme	8,261	1,903.7
Interest-Free Banking Facilities	16	11.9
<b>Programmed Lending Schemes</b>	<b>24,309</b>	<b>582.0</b>
Comprising:-		
Small Entrepreneurs Fund	22,802	253.6
Small Entrepreneurs Financing Fund	147	4.2
Flexi Guarantee Scheme	1,073	302.9
Franchise Financing Scheme	26	5.1
Youth Economic Development Programme	241	5.8
New Entrepreneurs Fund	20	10.4
<b>TOTAL</b>	<b>32,586</b>	<b>2,497.6</b>

During the year, 14,697 loans valued at RM2,069.1 million were repaid and cancelled (1998 : 14,665 loans; RM1,691.0 million). The number of loan accounts that are still subject to CGC guarantee as at December 31, 1999 totals 77,116 loans valued at RM8.1 billion (1998 : 59,227 loans; RM7.7 billion).

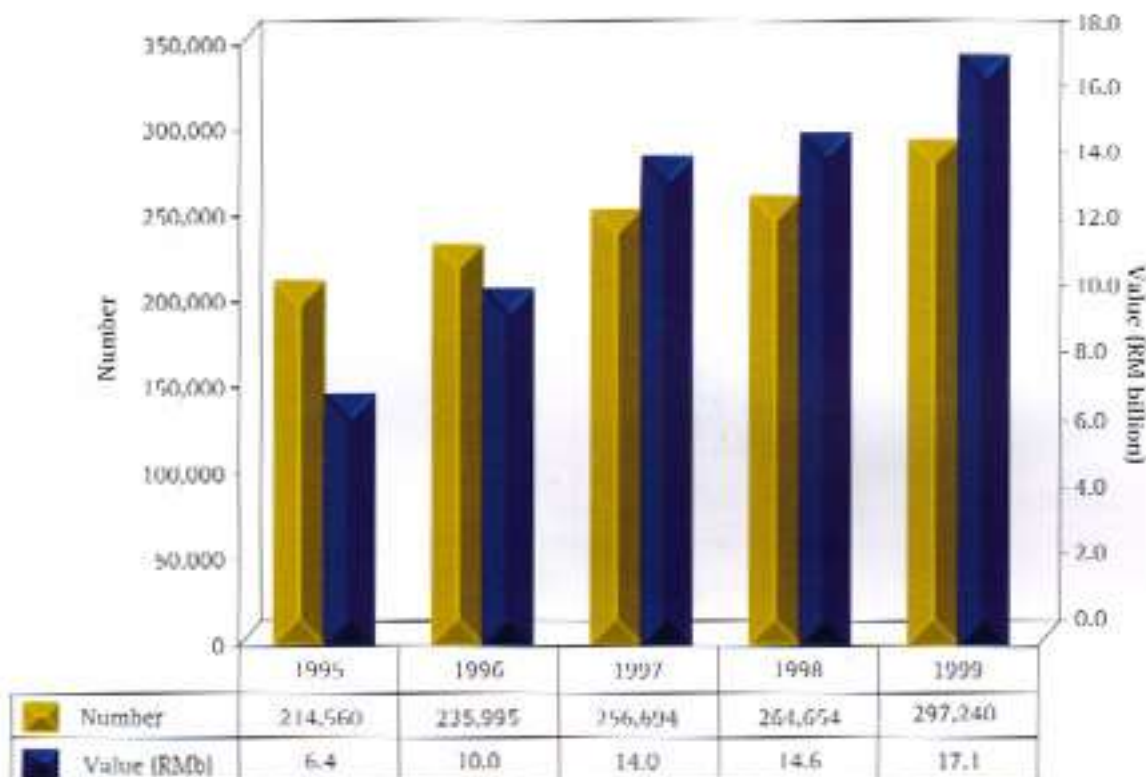
Since its inception, the Corporation has cumulatively guaranteed 297,240 loans valued at RM17.1 billion.

## 2. DIRECTION OF LENDING

Loans guaranteed under the various guarantee schemes in 1999 benefited three broad sectors, namely, general business, manufacturing and agriculture. The general business sector accounted for 31,160 loans (1998 : 7,209 loans) valued at RM1,998.8 million (1998 : RM455.7 million), followed by the manufacturing sector with a total of 1,190 loans (1998 : 432 loans) valued at RM459.7 million (1998 : RM119.0 million) and the agriculture sector with a total of 228 loans (1998 : 316 loans) valued at RM35.2 million (1998 : RM18.7 million).



Cumulative Number And Value Of Loans Guaranteed Under All Schemes



3. DISTRIBUTION BY STATES

As in the previous year, the distribution of loans guaranteed under the main schemes by region indicated a concentration in the Federal Territory of Kuala Lumpur, with more than 18.0% in terms of number and 24.0% in terms of value approved.

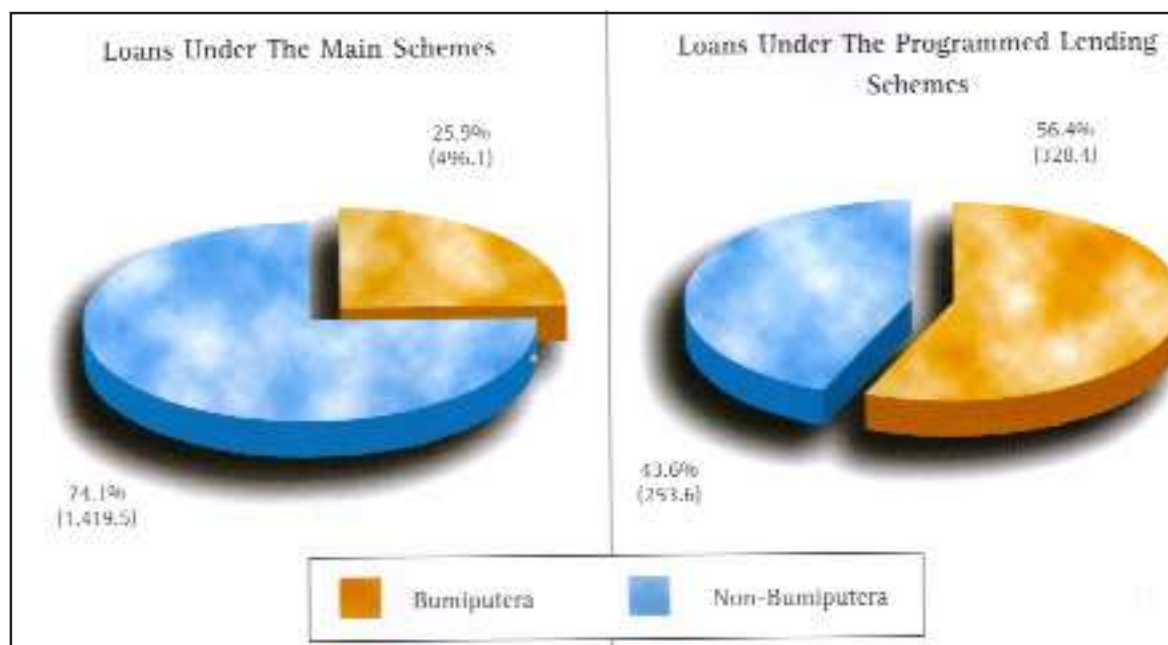
Under the Programmed Lending Schemes, the distribution of loans showed a concentration in Kelantan which accounted for about 18.4% in terms of number, and the Federal Territory of Kuala Lumpur, in terms of value with 28.7%.

4. RACIAL COMPOSITION OF LOANS

There has been no significant change in the racial composition of loans. Bumiputera entrepreneurs continued to enjoy ready access to CGC guaranteed loans under the main schemes in 1999. Loans to Bumiputera borrowers under the main schemes during the year were RM496.1 million. In this regard, Bumiputera borrowers accounted for 29.2% and 25.9% of the overall loans approved in terms of number and value respectively. Loans to Chinese borrowers accounted for 67.4% and 71.3% of the overall loans approved in terms of the number and value respectively with Indian borrowers accounting for 3.1% in terms of number and 2.5% in terms of value.



## Racial Composition Of Loans By Value In 1999



( ) :Value of Loans Guaranteed (RM million)

Under the Programmed Lending Schemes, Bumiputera businesses accounted for 80.6% of the total loans approved in terms of number, and 56.4% in terms of value; whereas the Chinese community accounted for 14.5% and 39.7% respectively both in terms of number and value. The Indian community accounted for 4.0% and 3.4% respectively both in terms of number and value.

## 5. RANGE OF LOAN SIZE

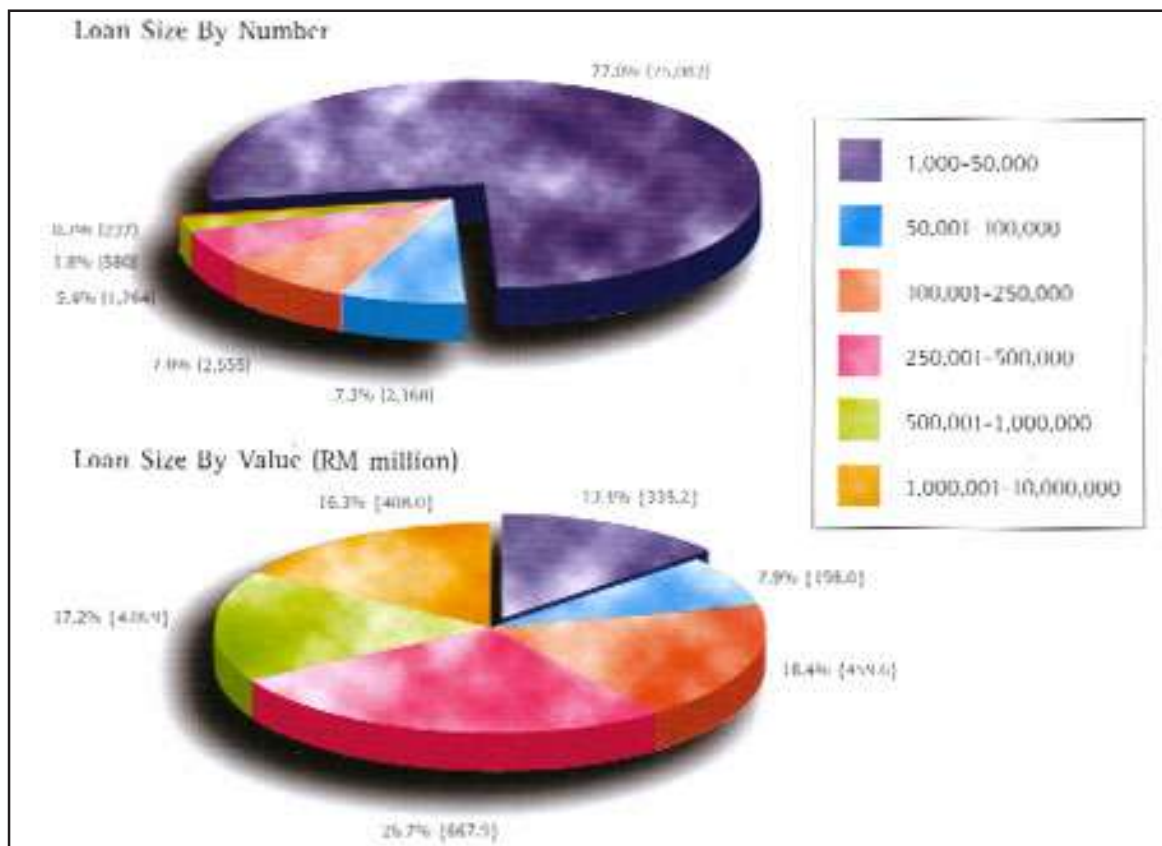
Under the NPGS, 27.0% of the total number of loans guaranteed in 1999 were above RM250,000 compared to 20.6% in 1998. In terms of value, loans in excess of RM250,000 accounted for 66.6% of the total compared to 61.8% in 1998. There is therefore a noticeable shift towards bigger individual loans during the period under review.

Under the Flexi Guarantee Scheme, loans below RM250,000 prevailed in terms of number, namely 69.2%. In terms of value, loans in excess of RM250,000 accounted for 71.2%. The majority of loans under the Small Entrepreneurs Fund was those below RM10,000 (69.0% in terms of number) and in terms of value, loans between RM10,001-RM20,000 registered 48.1%.

Overall, the majority of loans guaranteed by the Corporation in 1999 were those below RM250,000 therefore directly benefiting the smaller enterprises.



Range Of Loan Size Under All Schemes In 1999



( ) : Number of Loans Guaranteed  
 { } : Value of Loans Guaranteed (RM million)

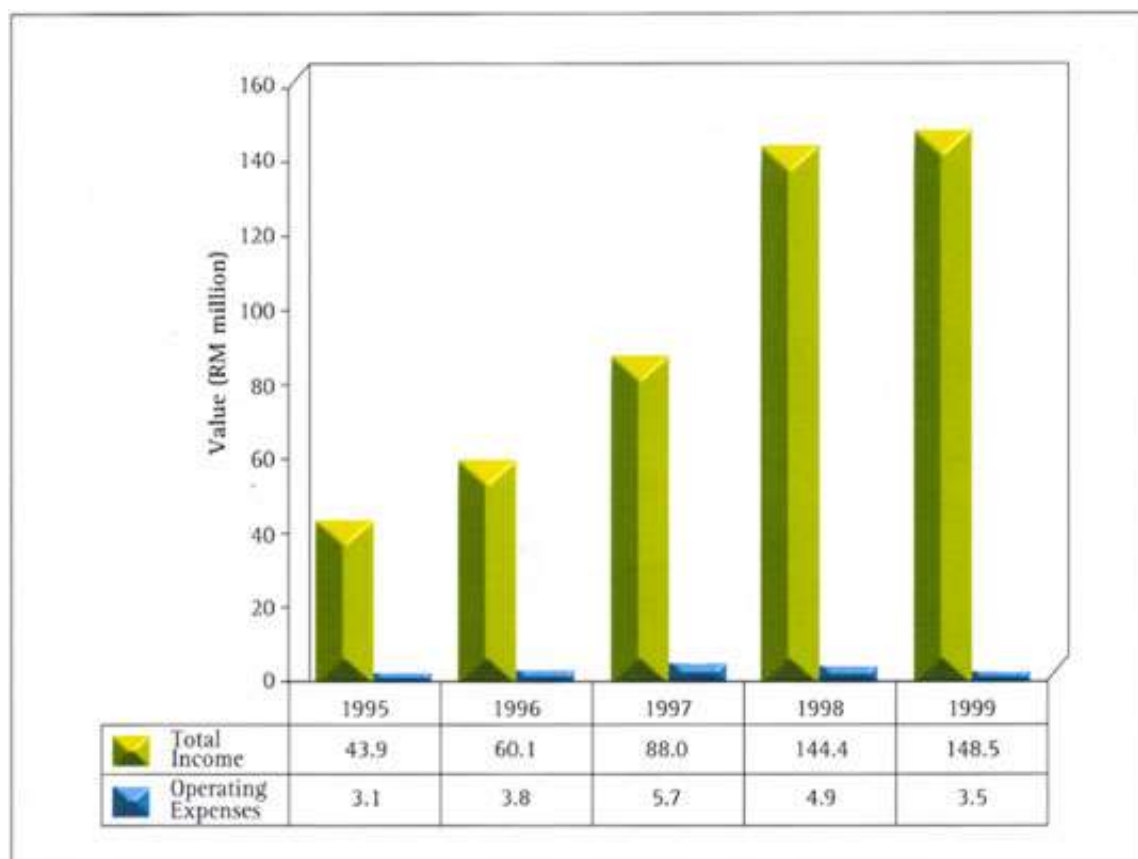
FINANCIAL HIGHLIGHTS

The Corporation's operating revenue, comprising mainly of guarantee fees and interest income, reduced by RM4.4 million or 4.4% from RM100.9 million in 1998 to RM96.5 million in 1999. Income from guarantee fees for the year reduced by RM3.7 million or 9.6% to RM35.0 million compared with RM38.7 million in 1998. The reduction in guarantee fees was due to the decrease in the value of guarantee covers issued following the new fee structure for NPGS. Interest income decreased from RM62.2 million in 1998 to RM61.5 million in 1999, reflecting a reduction in interest rates on the deposits placed with financial institutions. The operating expenses for the year reduced to RM3.5 million compared to RM4.9 million in 1998, mainly due to a write back in the value of Malaysian Government Securities. However, the 1999 profits has been reduced by a provision of RM122.3 million(1998: RM88.7 million), resulting in the operating loss for the year amounted to RM18.7 million compared with RM13.9 million operating profit in 1998. With interest arbitrage amounting to RM52.0 million (1998 : RM43.5 million), total net profit for the year amounted to RM33.2 million compared with RM57.5 million in 1998, representing a decrease of RM24.3 million or 42.3%.





## Total Income And Operating Expenses (1995 - 1999)



Based on a review on all loans reported by banks as non-performing with the view to determining the extent of the Corporation's liability on guaranteed loans, the Corporation has set aside an additional Specific Provision of RM185.2 million (1998 : RM213.8 million). However, there is a write back of RM25.2 million in the General Provision (1998 : RM50.8 million), hence, making the total provision for 1999 of RM160.0 million (1998 : RM163.0 million). The total provision to meet claims on loans guaranteed by the Corporation stood at RM568.3 million (1998 : RM441.9 million) as at end of 1999.

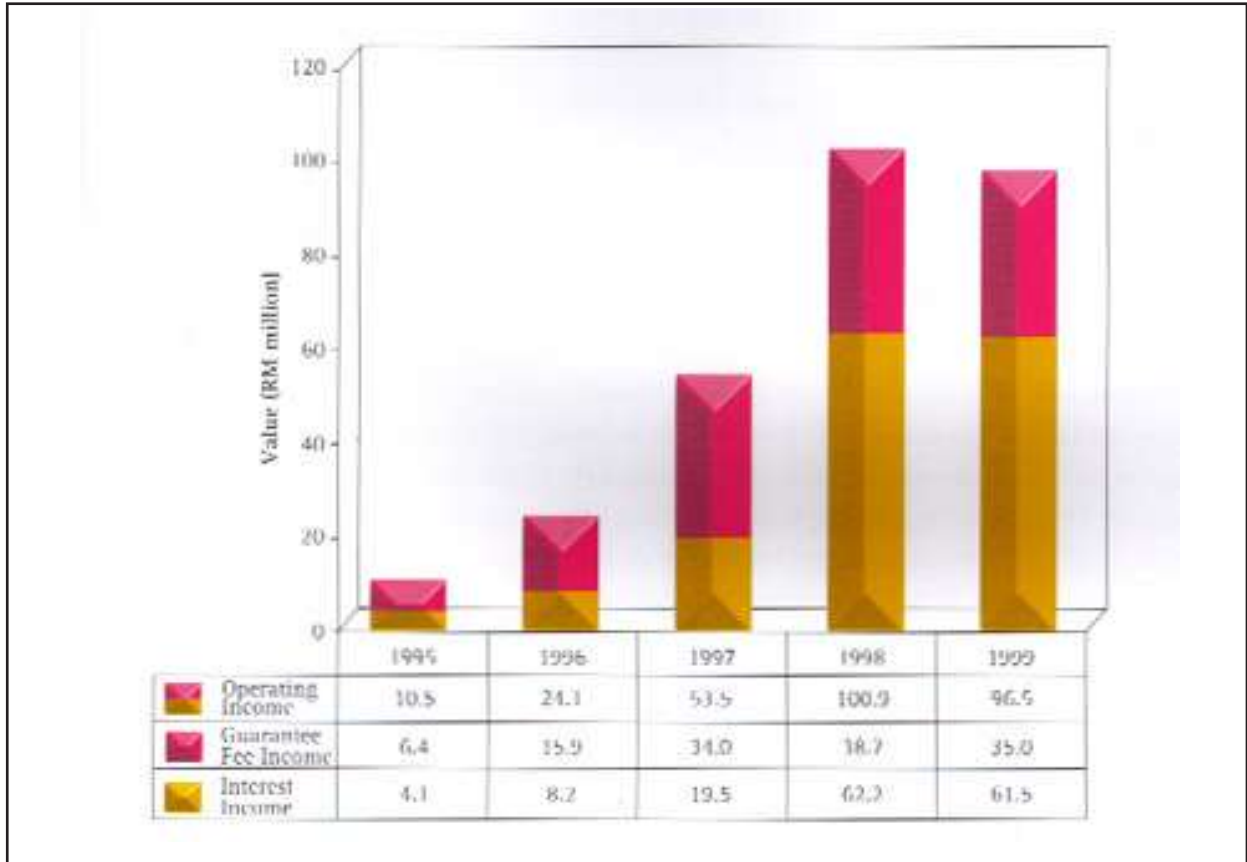
The Corporation continued to discharge its liability on bad loans claimed by member financial institution. During the year, 2,192 claims were lodged amounting to RM705.1 million, of which a total of 1,492 claims amounting to RM591.6 million were processed and a total of 283 claims amounting to RM22.6 million were settled.

With a net profit of RM33.2 million earned during the year, and a rights issue of 217.8 million ordinary shares of RM1.00 each during the year, total shareholders' funds of the Corporation, comprising share capital, reserves and provision for claims increased by 30.4% from RM1,044.2 million in 1998 to RM1,361.5 million in 1999.





Operating Income (1995 - 1999)



SUPPORT ACTIVITIES

As in previous years, the Corporation continued to promote its guarantee schemes through various activities. During the period, a total of 20 briefing sessions were held all over the country involving 2,255 participants.

As a member of the Asian Credit Supplementation Institution Confederation (ACSIC) consisting of credit guarantee institutions in 9 member countries, namely, Japan, Korea, Taiwan, Thailand, Philippines, Indonesia, Nepal, Sri Lanka and Malaysia; the Corporation successfully hosted the 12th ACSIC Conference in Kuala Lumpur from November 14-18, 1999. The theme adopted for the 12th ACSIC Conference was "Challenges For The Guarantee System During Economic Uncertainties And Measures To Address Them" A total of 97 participants attended the conference. In an effort to create a better understanding of the Malaysian experience with the conference delegates, local guest speakers from institutions such as National Economic Action Council, Bank Negara Malaysia and the Association of Banks in Malaysia were invited to present their papers.



In addressing the Y2K issue, the Corporation had successfully implemented all the necessary measures and was able to continue its operation in the year 2000 without any problems.

In recognition of the active participation by certain financial institutions in its implementation of the various guarantee schemes, the Corporation will be presenting the CGC Top Supporter Award to 3 banks and 1 finance company in conjunction with the 27th Annual General Meeting. This will be the fifth year the Corporation is presenting these awards.

## OUTLOOK

The year 2000 promises to be yet another challenging year for the Corporation. With the economy taking a positive shift towards total recovery, the Corporation is poised to assume a greater role in the development of SMEs particularly in the area of access to financing. This expanded role would require the set-up of a new organisational structure and the introduction of an alternative delivery system that would allow borrowers "direct access" to the guarantee schemes while continuing to enhance the existing access to credit via financial institutions. In line with these measures, the Corporation will be setting up branches nationwide.

In line with the Government's effort to assist SMIs which form the base for industrial development, the Corporation is now classified as a Development Financial Institution and will receive additional capital of RM1 billion through a special issue of new ordinary shares to Bank Negara Malaysia. In addition, the Government will place all SMI Funds which are currently managed by Bank Negara Malaysia under the supervision of the Corporation. In the year 2000 Budget, an allocation of RM300 million to further strengthen the Corporation's guarantee fund was also announced. The Corporation aims to guarantee a total of RM3 billion new loans in the year 2000.

The Corporation also anticipates the rate of non-performing loans to decline further consistent with current economic conditions. As part of the Corporation's business plan to better manage its risk and exposure, activities and functions such as rehabilitation, subrogation and recovery will be introduced into the overall guarantee system.

The year 2000 should see the Corporation playing a proactive and prominent role in the development of Malaysian SMIs as it embark into the new millennium. The credit guarantee system is expected to receive continued favourable response from both the SMIs as well as the participating financial institutions. In this respect, the Corporation remains committed to, the task of ensuring the guarantee system continues to evolve to better benefit all its stakeholders.



The directors have pleasure in submitting their annual report and the audited accounts of the Corporation for the year ended 31st December, 1999.

## 1. PRINCIPAL ACTIVITIES

The Corporation provides guarantees in respect of credit facilities extended by member banks and finance companies to borrowers under the following schemes:-

- . New Principal Guarantee Scheme (NPGS);
- . Small Entrepreneurs Financing Fund (SEFF);
- . New Entrepreneurs Fund (NEF);
- . Amanah Ikhtiar Malaysia (AIM);
- . Franchise Financing Scheme (FFS);
- . Tabung Usahawan Kecil (TUK);
- . Youth Economic Development Program (YEDP);
- . Principal Guarantee Scheme, 1989 (wound down with effect from November 1998)
- . Loan Fund for Hawkers and Petty Traders Scheme (ceased operation in June 1998); and
- . Association Special Loan Scheme (ceased operation in June 1998);

During the year, the Corporation introduced the following schemes:

- . Flexi-Guarantee Scheme (FGS)  
These scheme covers four loan funds, namely:-
  - Fund for Small and Medium Industries
  - Rehabilitation Fund for Small and Medium Industries
  - New Entrepreneurs Fund (NEF), and
  - Fund For Food (FFF)

The scheme is managed by the Corporation through the funds provided by Bank Negara Malaysia where the loans are disbursed by participating financial institutions and guaranteed by the Corporation with guarantee covers ranging from 30% - 80%.

There have been no other significant changes in the activities during the year.

## 2. ACCOUNTS

	RM
Operating profit for the year	(18,734,619)
Add: Interest arbitrage earned	51,967,356
Net profit for the year	<u>33,232,737</u>
Retained profits brought forward	97,550,229
Profits available for appropriation	<u>130,782,966</u>
Transfer to reserves	(51,967,356)
Retained profits carried forward	<u><u>78,815,610</u></u>



### 3. SHARE CAPITAL

Pursuant to the resolution passed by the shareholders on 14th May, 1999, the issued ordinary share capital of the Corporation was increased from RM217,800,000 to RM435,600,000 by way of a rights issue of RM217,800,000 on the basis of one new ordinary share of RM1 each for every one existing ordinary share of RM 1 each for cash at par for working capital purposes. The amount unpaid on the rights issue of RM12,800,000 at 31st December, 1999 was subsequently received in January and February 2000. 3,504,000 new ordinary shares of Class B and 2,968,000 new ordinary shares of Class C not subscribed for by certain shareholders were taken up by the Class A shareholder, Bank Negara Malaysia.

The new ordinary shares, on allotment and issue, rank pari passu in all respects with the then existing ordinary shares of the Corporation.

### 4. RESERVES AND PROVISIONS

(a) Reserves

The directors are recommending the transfer of RM51,967,356 from the profit and loss account to the following reserves:-

	RM
Special Reserve	33,241,158
Special Program Reserve	17,832,702
SPTF Reserve	279,316
General Development Reserve	<u>614,180</u>
	<u>51,967,356</u>

(b) Provision

During the year, a provision of RM159,976,431 representing possible claims against the Corporation was made by way of a charge against the Special Reserve, SPTF Reserve, Special Program Reserve and the Profit and Loss Account.

### 5. DIRECTORS

The directors in office since the date of the last Directors' Report are:-

Dato' Dr. Zeti Akhtar Aziz - Chairman (appointed on 16th May, 2000)

Encik John Ting Sik Kang

Datuk Amirsham bin A. Aziz

Encik Mohamed Azmi bin Mahmood

Encik Mohd Shah bin Dato' Abu Bakar

Encik Wong Yew Sen (appointed on 22nd October, 1999)

Tan Sri Dato' Seri Ali Abul Hassan bin Sulaiman (resigned on 28th April, 2000)

Encik Zakaria bin Ismail (resigned on 22nd October, 1999)

Dato' Abdul Aziz bin Haji Othman (resigned on 16th November, 1999)

None of the directors have any interest in the shares of the Corporation during the year covered by the profit and loss account.

Encik Mohd Shah bin Dato' Abu Bakar and Encik John Ting Sik Kang retire by rotation in accordance with Article 76A and 76B of the Corporation's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.



## 5. DIRECTORS (CONTD)

Dato' Dr. Zeti Akhtar Aziz and Encik Wong Yew Sen retire in accordance with Article 77 of the Corporation's Articles of Association at the forthcoming Annual General Meeting and, being eligible offer themselves for re-election.

Since the end of the last financial year, no director of the Corporation has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts, or the fixed salary of a full time director of the Corporation) by reason of a contract made by the Corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Corporation a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Corporation or any other body corporate.

## 6. OTHER STATUTORY INFORMATION

- (a) Before the profit and loss account and balance sheet of the Corporation were made up, the directors took reasonable steps:-
- (i) to ascertain that action has been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate provision has been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise, in the ordinary course of business, their values as stated in the accounting records of the Corporation have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report:-
- (i) the directors are not aware of any circumstances which would render the amount written off as bad debts or the amount provided for as doubtful debts inadequate to any substantial extent;
  - (ii) the directors are not aware of any circumstances that would render the values attributed to the current assets in the accounts of the Corporation misleading;
  - (iii) the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Corporation misleading or inappropriate;
  - (iv) the directors are not aware of any circumstances that would render any amount stated in the accounts misleading;
  - (v) there does not exist any charge on the assets of the Corporation that has arisen since 31st December, 1999 which secures the liabilities of any other person; and
  - (vi) there does not exist any contingent liability that has arisen since 31st December, 1999 other than those that may arise from guarantees given in respect of credit facilities extended by member banks and finance companies in the ordinary course of business.



## 6. OTHER STATUTORY INFORMATION (CONTD)

- (c) No contingent liability or other liability of the Corporation has become enforceable, or is likely to become enforceable within the period of twelve months from 31st December, 1999 which, in the opinion of the directors, will or may affect the ability of the Corporation to meet its obligations as and when they fall due.
- (d) In the opinion of the directors:-
- (i) the results or the operations of the Corporation for the year ended 31st December, 1999 were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) there has not arisen in the interval between 31st December, 1999 and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the result of the operations of the Corporation for the financial year in which this report is made.

## 7. EVENT SUBSEQUENT TO BALANCE SHEET DATE

Pursuant to the resolution passed by the shareholders on 29th March, 2000, the following were approved:-

- (i) the authorised share capital be increased from RM1,000,000,000 to RM3,000,000,000 by the creation of 2,000,000,000 ordinary shares of RM1 each of which 1,400,000,000 shares shall be Class A ordinary shares, 500,000,000 shares shall be Class B ordinary shares and 100,000,000 shares shall be Class C ordinary shares.
- (ii) the Class A issued share capital be increased from RM97,096,000 to RM1,097,096,000 ordinary shares by the issue of 1,000,000,000 ordinary shares of RM1 each to Bank Negara Malaysia.

## 8. AUDITORS

Salleh, Leong, Azlan & Co. have expressed their willingness to accept re-appointment.

On behalf of the Board,

DATUK AMIRULHAM BIN A. AZIZ

WONG YEW SEN

Kuala Lumpur,

Date: May 23, 2000



	Note	1999 RM	1998 RM
<b>FIXED ASSETS</b>	3	<b>40,353,297</b>	42,449,636
<b>CURRENT ASSETS</b>			
Fees receivable		11,843,402	9,920,063
Other debtors		2,214,612	1,835,208
Loans and advances	4	368,934,757	145,168,826
Investment securities	5	318,832,493	97,396,589
Term deposits and interest receivable	6	1,762,816,192	1,221,376,219
Cash and bank balances		43,205,682	1,538,934
		<b>2,507,847,138</b>	1,477,235,839
<b>DEDUCT:CURRENT LIABILITIES</b>			
Claims payable		10,906,869	1,687,269
Other creditors		22,761,967	20,782,844
Government Funds	7	120,000,000	120,000,000
Provision for claims under the Guarantee Scheme	8	568,274,471	441,877,766
		<b>721,943,307</b>	584,347,879
<b>NET CURRENT ASSETS</b>		<b>1,785,903,831</b>	892,887,960
		<b>1,826,257,128</b>	935,337,596
<b>FINANCED BY:</b>			
<b>SHARE CAPITAL</b>	9	<b>622,800,000</b>	417,800,000
<b>RESERVES</b>	10	<b>170,457,128</b>	184,537,596
<b>SHAREHOLDERS' FUND</b>		<b>793,257,128</b>	602,337,596
<b>LONG TERM LIABILITIES</b>			
Government Funds	7	180,000,000	180,000,000
Amount due to Bank Negara Malaysia	11	300,000,000	-
Amanah Ikhtiar Malaysia Fund	12	13,000,000	13,000,000
Small Entrepreneurs Financing Fund	13	50,000,000	50,000,000
Tabung Usahawan Kecil	14	490,000,000	90,000,000
		<b>1,033,000,000</b>	333,000,000
		<b>1,826,257,128</b>	935,337,596

The notes on pages 27 to 38 form part of these accounts



## Profit and Loss Account

as at 31st December, 1999

	Note	1999 RM	1998 RM
<b>OPERATING REVENUE</b>	17	<b>96,504,326</b>	100,895,039
<b>OPERATING (LOSS)/PROFIT FOR THE YEAR</b>	18	<b>(18,734,619)</b>	13,929,781
<b>ADD: INTEREST ARBITRAGE EARNED</b>	19	<b>51,967,356</b>	43,540,567
<b>NET PROFIT FOR THE YEAR</b>		<b>33,232,737</b>	57,470,348
<b>RETAINED PROFITS BROUGHT FORWARD</b>		<b>97,550,229</b>	83,620,448
<b>PROFITS AVAILABLE FOR APPROPRIATION</b>		<b>130,782,966</b>	141,090,796
<b>TRANSFER TO RESERVES</b>			
- Special Reserve	10	<b>(33,241,158)</b>	(26,264,922)
- Special Program Reserve	10	<b>(17,832,702)</b>	(15,960,780)
- SPTF Reserve	10	<b>(279,316)</b>	(551,360)
- General Development Reserve	10	<b>(614,180)</b>	(763,505)
		<b>(51,967,356)</b>	(43,540,567)
<b>RETAINED PROFITS CARRIED FORWARD</b>	10	<b>78,815,610</b>	97,550,229

The notes on pages 27 to 38 form part of these accounts





	1999 RM	1998 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before taxation	33,232,737	57,470,348
Adjustments for:		
Depreciation of fixed assets	2,450,637	2,495,335
Write back of provision for diminution in value of Malaysian Government Securities	(2,016,749)	(766,072)
Interest arbitrage	(51,967,356)	(43,540,567)
Provision for claims	113,856,634	88,711,711
<b>Operating profit before working capital changes</b>	<b>95,555,903</b>	104,370,755
Net interest subsidy	-	(49,492)
Increase in fees receivable	(1,923,339)	(2,258,751)
Decrease/(increase) in interest receivable	28,078,513	(25,361,143)
Increase in other debtors	(379,404)	(216,114)
Increase in loans and advances	(223,765,931)	(22,960,527)
Decrease in claims payable	-	(62,632)
Increase/(decrease) in other creditors	1,979,123	(128,076)
<b>Cash (used in)/generated from operations</b>	<b>(100,455,135)</b>	53,334,020
Payment of claims under the Guarantee Schemes	(24,360,126)	(5,307,933)
Interest income under "SEFF"	103,797	-
Service charges under "LFHPT 1992"	(2,610,223)	(4,741,056)
Administrative expenses under SEFF	-	(42,687)
Administrative expenses under TUK	(693,216)	-
Claims refunded	6,234	33,594,
<b>Net cash (used in)/generated from operating activities</b>	<b>(128,008,669)</b>	43,275,938
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from investment securities matured	8,000,000	-
Purchase of fixed assets	(354,298)	(167,647)
Purchase of investment securities	(225,405,065)	(15,931,299)
Interest arbitrage earned	48,824,605	43,160,782
<b>Net cash (used in)/generated from investing activities</b>	<b>(168,934,758)</b>	27,061,836
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Funds received from Bank Negara Malaysia	300,000,000	-
Funds received under the Franchise Financing Scheme	2,000,000	4,000,000
Funds received under the Tabung Usahawan Kecil	400,000,000	50,000,000
Funds received under the Youth Economic Development Program	-	7,600,000
Proceeds from rights issue	205,000,000	-
Proceeds from issuance of ordinary share capital	-	8,657,500
Proceeds from issuance of preference share	-	200,000,000
<b>Net cash from financing activities</b>	<b>907,000,000</b>	270,257,500

The notes on pages 27 to 38 form part of these accounts



	1999 RM	1998 RM
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>610,056,573</b>	340,595,274
<b>CASH AND CASH EQUIVALENTS AT 1ST JANUARY</b>	<b>1,178,291,585</b>	837,696,311
<b>CASH AND CASH EQUIVALENTS AT 31ST DECEMBER</b>	<b><u>1,788,348,158</u></b>	<u>1,178,291,585</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Term deposits	<b>1,745,142,476</b>	1,176,752,651
Cash and bank balances	<b>43,205,682</b>	1,538,934
	<b><u>1,788,348,158</u></b>	<u>1,178,291,585</u>



## 1. BASIS OF ACCOUNTING

The accounts of the Corporation have been prepared under the historical cost convention and comply with the applicable approved Malaysian accounting standards.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight line method to write off the cost of fixed assets over their estimated useful lives. The principal annual rates used for this purpose are as follows:-

Leasehold building	4%
Motor vehicles	20%
Office equipment	20%
Furniture, fittings and fixtures	20%
Computer equipment	20%

### (b) Investment Securities

Malaysian Government Securities and Cagamas Bonds are stated at the lower of cost and market value on a portfolio basis.

### (c) Revenue Recognition

Guarantee fees are recognised on the accrual basis proportionately over the period of the respective guarantees.

Interest income from term deposits and Malaysian Government Securities and Cagamas Bonds are recognised on the accrual basis.

### (d) Provision For Claims Under The Guarantee Schemes

Specific provision for claims are made to the extent of the exposure of the Corporation's guarantees are made based on notification by banks and finance companies when an account is classified as non performing. The classification of accounts as non-performing by financial institution is based on the requirements stipulated in Bank Negara Malaysia's "Guidelines on the Suspension of Interest on Non-performing Loans and Provision for Bad and Doubtful Debts, BNM/GP3"

In addition, a general provision of 1.5% (1998: 1.5%) of the total credit facilities guaranteed by the Corporation net of specific provision for claims is also maintained.

### (e) Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**3. FIXED ASSETS**

	Motor Vehicles RM	Office Equipment RM	Furniture & Fittings RM	Computer Equipment RM	Leasehold Building RM	Total RM
<b>1999</b>						
Cost:						
At 1st January	426,554	261,408	1,760,799	2,436,102	44,091,574	48,976,437
Additions	-	21,925	26,688	305,685	-	354,298
At 31st December	426,554	283,333	1,787,487	2,741,787	44,091,574	49,330,735
Accumulated depreciation:						
At 1st January	135,264	200,916	907,598	1,755,697	3,527,326	6,526,801
Charge for the year	85,311	27,067	271,784	302,812	1,763,663	2,450,637
At 31st December	220,575	227,983	1,179,382	2,058,509	5,290,989	8,977,438
Net book value at 31st December	205,979	55,350	608,105	683,278	38,800,585	40,353,297
<b>1998</b>						
Cost:						
At 1st January	327,793	259,150	1,752,889	2,377,384	44,091,574	48,808,790
Additions	98,761	2,258	7,910	58,718	-	167,647
At 31st December	426,554	261,408	1,760,799	2,436,102	44,091,574	48,976,437
Accumulated depreciation:						
At 1st January	54,095	175,633	636,839	1,401,236	1,763,663	4,031,466
Charge for the year	81,169	25,283	270,759	354,461	1,763,663	2,495,335
At 31st December	135,264	200,916	907,598	1,755,697	3,527,326	6,526,801
Net book value at 31st December	291,290	60,492	853,201	680,405	40,564,248	42,449,636

The title deed for leasehold land has yet to be received from the Land Office.

**4. LOANS AND ADVANCES**

	1999 RM	1998 RM
At 1st January	145,168,826	122,208,299
Add: Funds disbursed	245,566,000	64,980,890
	<u>390,734,826</u>	<u>187,189,189</u>
Less: Repayments received	(21,800,069)	(42,020,363)
At 31st December	<u>368,934,757</u>	<u>145,168,826</u>

This represents the balance of the total amount drawdown under the CGC Special Loan Schemes referred to in Note 7 to the accounts, the Amanah Ikhtiar Malaysia funding schemes, Small Entrepreneurs Financing Fund (SEFF), Tabung Usahawan Kecil (TUK) and Franchise Financing Scheme (FFS).

**5. INVESTMENT SECURITIES**

	1999 RM	1998 RM
Malaysian Government Securities	264,047,899	105,137,899
Provision for diminution in value	(4,932,399)	(9,608,399)
	<u>259,115,500</u>	<u>95,529,500</u>
Interest receivable	1,222,414	1,867,089
	<u>260,337,914</u>	<u>97,396,589</u>
Cagamas Bonds	57,248,500	-
Interest receivable	1,246,079	-
	<u>58,494,579</u>	<u>-</u>
	<u>318,832,493</u>	<u>97,396,589</u>
Market Value		
- Malaysian Government Securities	259,115,500	95,529,500
- Cagamas Bonds	57,248,500	-
	<u>316,364,000</u>	<u>95,529,500</u>

**6. TERM DEPOSITS AND INTEREST RECEIVABLE**

	1999 RM	1998 RM
Term Deposit		
- with license banks	956,260,493	231,196,385
- with licensed finance companies	748,881,983	905,556,266
- other financial institutions	40,000,000	40,000,000
	<u>1,745,142,476</u>	<u>1,176,752,651</u>
Interest receivable		
- from licensed banks	8,113,079	6,252,036
- from licensed finance companies	6,960,637	33,440,025
- other financial institutions	2,600,000	4,931,507
	<u>17,673,716</u>	<u>44,623,568</u>
	<u>1,762,816,192</u>	<u>1,221,376,219</u>

**7. GOVERNMENT FUNDS**

	1999 RM	1998 RM
At 1st January	300,000,000	340,000,000
Transferred to TUK (Note 14)	-	(40,000,000)
At 31st December	<u>300,000,000</u>	<u>300,000,000</u>
Repayable on demand	120,000,000	120,000,000
Repayable after 12 months	180,000,000	180,000,000
	<u>300,000,000</u>	<u>300,000,000</u>

These comprise various placements from Bank Negara Malaysia. RM200 million of these interest funds, intended to enable the Corporation to build up its reserves, is subject to interest at 1% per annum while RM 100 million, intended for the loanable funds, is interest free.

Included in the Government Funds is RM20 million for the implementation of Association Special Loan Scheme (ASLS) which is repayable on demand, RM100 million for New Investment Fund (NIF) which is repayable on 14th December, 2003 and RM100 million loanable funds which is repayable on demand under LFHPT 1992.

Of the above, RM200 million is secured by way of deposits of Malaysian Government Securities and Fixed Deposits with face values of RM77,000,000 and RM80,000,000 respectively.

Interest arbitrage earned from the above placements has been transferred to Special Reserve, Special Program Reserve and SPTF Reserve (Notes 10 and 19).

**8. PROVISION FOR CLAIMS UNDER THE GUARANTEE SCHEMES**

	1999 RM	1998 RM
Specific provision:		
At 1st January	379,354,144	171,648,206
Provision made during the year		
- charged to Reserves	68,099,435	125,103,891
- charged to profits & loss account	113,856,634	88,711,711
Refund of claims in respect of settled accounts	-	21,139
Claims payable	(33,579,726)	(6,130,803)
At 31st December	<u>527,730,487</u>	<u>379,354,144</u>
General provision:		
At 1st January	62,523,622	113,349,884
Provision made during the year		
- Special Program Reserve	3,246,951	-
Writeback of provision during the year		
- Special Reserve	(25,205,900)	(50,436,071)
- Special Programme Reserve	-	(292,655)
- SPTF Reserve	(20,689)	(97,536)
At 31st December	<u>40,543,984</u>	<u>62,523,622</u>
Total	<u>568,274,471</u>	<u>441,877,766</u>

**9. SHARE CAPITAL**

	1999 RM	1998 RM
<b>AUTHORISED:</b>		
Ordinary shares of RM1 each		
At 1st January	500,000,000	300,000,000
Increased during the year	-	200,000,000
At 31st December	<u>500,000,000</u>	<u>500,000,000</u>
Preferences shares of RM1 each		
At 1st January	500,000,000	-
Created during the year	-	500,000,000
At 31st December	<u>500,000,000</u>	<u>500,000,000</u>
	<u>1,000,000,000</u>	<u>1,000,000,000</u>
The authorised ordinary share capital is made up of:		
<u>Class A</u>		
At 1st January	100,000,000	60,000,000
Increased during the year	-	40,000,000
At 31st December	<u>100,000,000</u>	<u>100,000,000</u>
<u>Class B</u>		
At 1st January	250,000,000	150,000,000
Increased during the year	-	100,000,000
At 31st December	<u>250,000,000</u>	<u>250,000,000</u>
<u>Class C</u>		
At 1st January	150,000,000	90,000,000
Increased during the year	-	60,000,000
At 31st December	<u>150,000,000</u>	<u>150,000,000</u>
Total ordinary share capital	<u>500,000,000</u>	<u>500,000,000</u>

Class A shares comprises all the ordinary shares of RM1.00 each registered to Bank Negara Malaysia. Class B shares comprises all the ordinary shares of RM1.00 each registered to shareholders who are carrying on a banking business. All such other shares not classified as Class A or Class B shares are classified as Class C shares.

**ISSUED AND FULLY PAID:**

	1999 RM	1998 RM
Ordinary shares of RM1 each -		
Issued at 1st January	217,800,000	217,800,000
Issued during the year	217,800,000	-
Issued at 31st December	<u>435,600,000</u>	<u>217,800,000</u>
Less amount unpaid	(12,800,000)	-
Paid up at 31st December	<u>422,800,000</u>	<u>217,800,000</u>
200,000,000 ten years redeemable 1% rate non-cumulative preference share of RM1 each -		
At 1st January	200,000,000	-
Issued during the year	-	200,000,000
At 31st December	<u>200,000,000</u>	<u>200,000,000</u>
	<u>622,800,000</u>	<u>417,800,000</u>

**9. SHARE CAPITAL (CONTD)**

The preference shares issued confer the right to a preference dividend rate of 1% (less tax) on the capital for the time being paid up thereon to be paid within such time and upon such terms as the Directors in their absolute discretion may deem fit to declare, make or pay in relation to any financial year but shall not confer the right to any further participation in profits.

The issued and fully paid ordinary share capital is made up of:

	1999 RM	1998 RM
<u>Class A</u>		
Issued at 1st January	43,560,000	43,560,000
Transferred from Class B	3,504,000	-
Rights issue during the year	43,560,000	-
	- Class A	-
	- Class B	-
	- Class C	-
Issued and paid up at 31st December	<u>97,096,000</u>	<u>43,560,000</u>
<u>Class B</u>		
Issued at 1st January	114,877,000	108,900,000
Reclassified during the year	3,444,000	5,977,000
Transferred to Class A	(3,504,000)	-
Rights issue during the year	114,817,000	-
Issued at 31st December	<u>229,634,000</u>	<u>114,877,000</u>
Less: Amount unpaid	(5,542,500)	-
Paid up at 31st December	<u>224,091,500</u>	<u>114,877,000</u>
<u>Class C</u>		
Issued at 1st January	59,363,000	65,340,000
Reclassified during the year	(3,444,000)	(5,977,000)
Rights issue during the year	52,951,000	-
Issued at 31st December	<u>108,870,000</u>	<u>59,363,000</u>
Less: Amount unpaid	(7,257,500)	-
Paid up at 31st December	<u>101,612,500</u>	<u>59,363,000</u>
Total ordinary share capital	<u>422,800,000</u>	<u>217,800,000</u>

The reclassification from Class C to Class B was due to the merger exercise between certain finance companies and commercial banks.

Pursuant to the resolution passed by the shareholders on 14th May, 1999, the issued ordinary share capital of the Corporation was increased from RM217,800,000 to RM435,600,000 by way of a rights issue of RM217,800,000 on the basis of one new ordinary share of RM1 each for every one new existing ordinary share of RM1 each for cash at par for working capital purposes. The amount unpaid on the rights issue of RM12,800,000 at 31st December, 1999 was subsequently received in January and February 2000. 3,504,000 new ordinary shares of Class B and 2,968,000 new ordinary shares of Class C not subscribed for by certain shareholders were taken up by the Class A shareholder, Bank Negara Malaysia.

The new ordinary shares, on allotment and issue, rank pari passu in all respects with the then existing ordinary shares of the Corporation.



**10. RESERVES**

	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
Special Reserve	-	-
Special Program Reserve	<b>87,301,774</b>	75,567,836
SPTF Reserve	<b>4,339,744</b>	3,568,589
General Development Reserve	-	7,850,942
Retained Profits	<b>78,815,610</b>	97,550,229
	<b><u>170,457,128</u></b>	<b><u>184,537,596</u></b>
Special Reserve:-		
At 1st January	-	45,343,018
Claims refunded under "HPT Scheme"	<b>6,234</b>	12,455
Transfer from profit & loss account	<b>33,241,158</b>	26,264,922
Transfer from General Reserves	-	4,000,000
Transfer from General Development Reserve	<b>8,465,122</b>	-
Provision for claims	<b>(39,102,291)</b>	(70,879,339)
Service charges under "LFHPT 1992 Scheme"	<b>(2,610,223)</b>	(4,741,056)
At 31st December	-	-
	<b><u>-</u></b>	<b><u>-</u></b>
Special Program Reserve:-		
At 1st January	<b>75,567,836</b>	49,403,056
Franchise Financing Scheme Fund received - guarantee fund	<b>2,000,000</b>	2,000,000
- interest subsidy	-	2,000,000
Youth Economic Development Program Fund received - guarantee fund	-	7,600,000
Administrative expenses under "TUK"	<b>(693,216)</b>	-
Administrative expenses under "SEFF"	-	(42,687)
Interest subsidy under "FFS"	-	(57,448)
Interest on "SEFF"	<b>103,797</b>	-
Transfer from profit & loss account	<b>17,832,702</b>	15,960,780
Provision for claims	<b>(7,509,345)</b>	(1,295,865)
At 31st December	<b><u>87,301,774</u></b>	<b><u>75,567,836</u></b>
SPTF Reserve:-		
At 1st January	<b>3,568,589</b>	5,119,654
Transfer from profit & loss account	<b>279,316</b>	551,360
Write back/(provision) for claims	<b>491,839</b>	(2,102,425)
At 31st December	<b><u>4,339,744</u></b>	<b><u>3,568,589</u></b>
General Development Reserve:-		
At 1st January	<b>7,850,942</b>	7,087,437
Transfer from profit and loss account	<b>614,180</b>	763,505
	<b><u>8,465,122</u></b>	<b><u>7,850,942</u></b>
Transfer to Special Reserves	<b>(8,465,122)</b>	-
At 31st December	-	7,850,942
General Reserve:-		
At 1st January	-	4,000,000
Transfer to Special Reserve	-	(4,000,000)
At 31st December	-	-

**10. RESERVES (CONTD)**

The Special Reserve was created to meet claim contingencies arising from loans guaranteed by the Corporation under the various schemes, namely NPGS, NEF and PGS and is not distributable as cash dividends. During the year, the reserve had been fully utilised to provide for claims.

Additional provision for claims of RM122,321,756 (1998: RM88,711,711) required during the year has been charged to the profit and loss account.

The Special Program Reserve was created to meet possible losses arising from the loans granted under the Small Entrepreneurs Financing Fund (SEFF), Amanah Ikhtiar Malaysia Fund, Franchise Financing Scheme Fund and Youth Economic Development Fund and is not distributable as cash dividends. It includes a guarantee fund of RM40,000,000 granted by the Ministry of Entrepreneurs Development (MED) in 1997 in respect of SEFF (Note 13).

The SPTF (Skim Perbankan Tanpa Faedah) Reserve was created to meet claim contingencies under Islamic Guarantee for SPTF facilities and is not distributable as cash dividends.

The amount transferred from the profit and loss account to these reserves comprises interest arbitrage earned from the government funds, AIM Fund and the SEFF (Notes 7,12 and 13).

Pursuant to a Board Meeting held on 28th April, 2000, the sum of RM8,465,122 in the General Development Reserve account was transferred to Special Reserve for the purpose of meeting claim contingencies.

**11. AMOUNT DUE TO BANK NEGARA MALAYSIA**

During the year, RM100,000,000 was allocated by Bank Negara Malaysia to enable the Corporation to build up its guarantee reserve. The amount is interest free and secured by promissory note with 5 years maturity date from the date of drawdown on 8th July, 1999.

A bridging loan of RM200 million was extended to the Corporation by Bank Negara Malaysia to bear the operational costs incurred in the Corporation's rights issue exercise. This amount is subject to interest at 1% per annum and with a maturity date of 31st December, 1999.

Upon maturity of the bridging loan, this amount will be allocated for TUK to meet loan demands and will be used to build up reserve fund to meet potential claims under the TUK.

The amount is secured by a promissory note issued on 4th January, 2000 with a maturity date of 31st December, 2004 and subject to interest at 1% per annum.

**12. AMANAH IKHTIAR MALAYSIA FUND**

	1999 RM	1998 RM
At 31st Decenber	<u>13,000,000</u>	<u>13,000,000</u>

On 31st October 1995, 15 financial institutions had entered into an agreement with Amanah Ikhtiar Malaysia (AIM) and the Corporation to set up a revolving fund for the total amount of RM 13,000,000 in the form of an interest free loan to be managed by the Corporation for the loan scheme known as "Skim Pinjaman Ikhtiar AIM". The earnings from the unutilised portion of the Fund has been transferred to the Special Program Reserve and will be used to absorb possible losses on loans granted under this scheme (Note 10).

**13. SMALL ENTREPRENEURS FINANCING FUND**

	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
At 31st December	<u><b>50,000,000</b></u>	<u><b>50,000,000</b></u>

In 1996, the Corporation entered into an agreement with Permodalan Nasional Berhad (PNB) who shall contribute RM200 million to a fund known as Small Entrepreneurs Financing Fund (SEFF) of which RM50 million has been received in 1996. Repayment shall be made by 5 equal annual instalments commencing on the 5th anniversary of the disbursement of each advance.

In addition, the Ministry of Entrepreneur Development (MED) contributed a guarantee fund of RM40 million which had been received in 1996 and included under the Special Program Reserve, to absorb possible losses on loans granted under the SEFF (Note 10).

The purpose of the Fund is to provide another avenue for small entrepreneurs to obtain financial assistance to improve and upgrade their businesses. The rate of interest charged on loans granted to small entrepreneurs under the SEFF shall not exceed 6% per annum and the amount of loan for each small entrepreneur shall not be more than RM50,000.

With effect from 1st January, 1999, MED has consolidated the SEFF and TUK. The consolidation of these two schemes known as TUK. Guarantee fund of RM40 million included under the Special Program Reserve can be used to defray expenses related to the Small Loans Unit (SLU) which is set up to monitor the new TUK.

The earnings from the unutilised portion of the Fund has been transferred to the Special Program Reserve and will be used to absorb possible losses on loans granted under this scheme (Note 10).

**14. TABUNG USAHAWAN KECIL**

	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
At 1st January	<b>90,000,000</b>	-
Drawdown during the year	<b>400,000,000</b>	50,000,000
Transferred from Government Funds (Note 7)	-	40,000,000
At 31st December	<u><b>490,000,000</b></u>	<u><b>90,000,000</b></u>

On 10th December, 1998, the Corporation entered into an agreement with the Government who contributed RM50 million to a fund known as Tabung Usahawan Kecil (TUK). This loanable fund is to be repaid in one lump sum at the end of 10 years when the scheme is wound down.

An additional RM40 million previously allocated for LFHPT 1992 was transferred from Government Funds to be utilised for TUK. The amount is interest free and secured by a promissory note with 10 years maturity date from the date of drawdown on 18th December, 1997.

The scheme is to assist small entrepreneurs to obtain financing of between RM2,000 to RM20,000 for the purposes of working capital and/or asset acquisition with Financing for working capital not exceeding RM10,000.



#### 14. TABUNG USAHAWAN KECIL (CONTD)

During the year, Bank Negara Malaysia allocated RM400,000,000 to the fund whereby RM300,000,000 is secured by a promissory note with 5 years maturity date from the date of drawdown on 8th July, 1999 and RM100,000,000 secured by a promissory note with 5 years maturity date from the date of drawdown on 3rd September, 1999. Both amounts are subject to interest at 1% per annum.

The Corporation would cease to manage TUK as decided by the Minister of Entrepreneur Development effective from 1st January, 2000.

The earnings from the unutilised portion of the Fund has been transferred to the Special Program Reserve and will be used to absorb possible losses on loans granted under this scheme (Note 10).

#### 15. FRANCHISE FINANCING SCHEME FUND

On 27th October, 1997, a Memorandum of Understanding (MoU) was executed between the Corporation, Ministry of Entrepreneur Development (MED) and three participating banks aimed at promoting growth in franchise business under a fund known as Franchise Financing Scheme (FFS).

The Corporation has received RM4 million from MED in 1998 consisting of RM2 million guarantee fund and another RM2 million subsidy on interest to borrowers. These have been included under the Special Program Reserve (Note 10).

In 1999, the Corporation received RM2 million from MED for its guarantee fund.

This program will enable entrepreneurs operating viable franchise businesses to have access to credit facilities up to a maximum of RM7.5 million each. The bank may charge the borrower interest up to a maximum of BLR + 1.5%. However, MED through the Corporation will subsidise the interest payment and reduce the cost of borrowing to the borrower.

The earnings from the unutilised portion of the Fund will be transferred to the Special Program Reserve and be used to absorb possible losses on loans granted under this scheme (Note 10).

#### 16. YOUTH ECONOMIC DEVELOPMENT PROGRAM (YEDP)

This program is a joint effort between the Ministry of Youth and Sports, BSN Commercial Bank Bhd and the Corporation, aimed at encouraging the youth in the country to venture into business and other productive economic activities.

An MoU had been signed by three parties on 15th July, 1997 whereby the Ministry of Youth and Sports contributed RM7,600,000. This amount has been included in the Special Program Reserve.

This program would enable the youth to obtain small loans ranging from RM5,000 to RM50,000 with interest up to a maximum of BLR + 2%. However, the cost to the borrower is only 2% p.a. The difference between the charges imposed by the bank and the cost to be borne by the borrower shall be subsidised in the form of a Government subsidy.

The earnings from the unutilised portion of the Fund has been transferred to the Special Program Reserve and will be used to absorb possible losses on loans granted under this scheme (Note 10).

**17. OPERATING REVENUE**

	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
Guarantee fees	35,015,514	38,656,392
Interest - term deposits	55,435,440	58,503,505
- Malaysian Government Securities	5,344,877	3,735,142
- Cagamas Bond	708,495	-
	<u>96,504,326</u>	<u>100,895,039</u>

**18. OPERATING (LOSS)/PROFIT FOR THE YEAR**

	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
This is arrived at after charging/(crediting):-		
Provision For Claims (Note 8)	113,856,634	88,711,711
Directors' Fees	35,370	39,133
Quit rent and assessment	123,420	68,273
Depreciation of fixed assets (Note 3)	2,450,637	2,495,335
Auditors' remuneration	15,000	15,000
Write back of diminution in value of investment securities	(2,016,749)	(766,072)
Rental income	(2,148,532)	(3,204,528)
	<u>113,856,634</u>	<u>88,711,711</u>

**19. INTEREST ARBITRAGE EARNED**

	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
Interest earned on term deposits and investment securities	54,270,964	45,160,782
Interest on loans and advances	-	7,956
	<u>54,270,964</u>	<u>45,168,738</u>
Less: Interest payable on Government Funds	5,446,359	2,000,000
Write back of provision for diminution in value of investment securities	(3,142,751)	(371,829)
	<u>2,303,608</u>	<u>1,628,171</u>
	<u>51,967,356</u>	<u>43,540,567</u>

**20. TAXATION**

The Corporation has been granted exemption from income tax up to the year of assessment 2001 under Section 127(3)(b) of the Income Tax Act, 1967

**21. CONTINGENCIES**

The Corporation is contingently liable by virtue of guarantees provided in respect of credit facilities extended by member banks and finance companies to borrowers under the various schemes.

	<b>1999</b>	<b>1998</b>						
	<b>RM</b>	<b>RM</b>						
Total credit facilities guaranteed by the Corporation under the Schemes	<u><b>3,969,084,289</b></u>	<u>5,673,370,034</u>						
Contingencies arising thereon	<b>3,229,563,936</b>	4,547,595,586						
Less: Amount deemed to be bad and doubtful for which provisions have been made Amount set aside in the Reserves to meet future claims	<table border="1"> <tr> <td style="text-align: right;"><b>568,274,471</b></td> <td style="text-align: right;">441,877,766</td> </tr> <tr> <td style="text-align: right;"><b>91,641,518</b></td> <td style="text-align: right;">79,136,425</td> </tr> <tr> <td style="text-align: right;"><b>659,915,989</b></td> <td style="text-align: right;">521,014,191</td> </tr> </table>	<b>568,274,471</b>	441,877,766	<b>91,641,518</b>	79,136,425	<b>659,915,989</b>	521,014,191	
<b>568,274,471</b>	441,877,766							
<b>91,641,518</b>	79,136,425							
<b>659,915,989</b>	521,014,191							
Net contingencies	<u><b>2,569,647,947</b></u>	<u>4,026,581,395</u>						

**22. EVENT SUBSEQUENT TO BALANCE SHEET DATE**

Pursuant to the resolution passed by the shareholders on 29th March, 2000, the following were approved:-

- (i) the authorised share capital be increased from RM1,000,000,000 to RM3,000,000,000 by the creation of 2,000,000,000 ordinary shares of RM1 each of which 1,400,000,000 shares shall be Class A ordinary shares, 500,000,000 shares shall be Class B ordinary shares and 100,000,000 shares shall be Class C ordinary shares.
- (ii) the Class A issued share capital be increased from RM97,096,000 to RM1,097,096,000 ordinary shares by the issue of 1,000,000,000 ordinary shares of RM1 each to Bank Negara Malaysia.



We, **DATUK AMIRSHAM BIN A. AZIZ** and **WONG YEW SEN**, being two of the directors of **CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD**, state that in the opinion of the directors, the accounts set out on pages 23 to 38 are drawn up in accordance with the applicable approved Malaysian accounting standards so as to give a true and fair view of the state of affairs of the Corporation as at 31st December, 1999 and of its results and cash flows position for the year ended on that date.

On behalf of the Board,

DATUK AMIRSHAM BIN A. AZIZ

WONG YEW SEN

Kuala Lumpur,  
Date: May 23, 2000

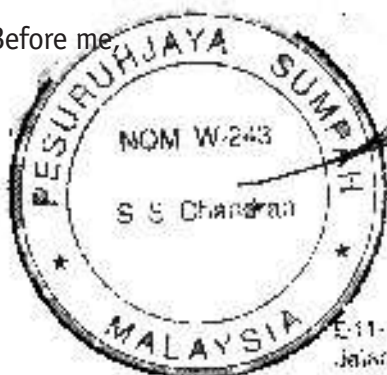
### STATUTORY DECLARATION

I, **WAN AZHAR BIN WAN AHMAD**, the person primarily responsible for the financial management of **CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD**, do solemnly and sincerely declare that the accounts set out on pages 23 to 38 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )  
by the abovenamed **WAN AZHAR** )  
**BIN WAN AHMAD** at Kuala Lumpur )  
in the Federal Territory on )  
May 23, 2000 )

  
WAN AZHAR BIN WAN AHMAD

Before me



E-11-1 Block 2, Plaza Fekelling  
Jalan Tun Razak  
50400 Kuala Lumpur





CREDIT GUARANTEE CORPORATION

# Report of the Auditors To The Members Of Credit Guarantee Corporation Malaysia Berhad

We have audited the accounts set out on pages 23 to 38. These accounts are the responsibility of the directors. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounts are free of material misstatement. Our audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the accounts. Our audit also includes an assessment of the accounting principles used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the accounts. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the accounts have been properly drawn up in accordance with the applicable approved Malaysian accounting standards and the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Corporation as at 31st December, 1999 and of its results and cash flow for the year then ended; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Corporation have been properly kept in accordance with the provisions of the Act.

SALLEH, LEONG, AZLAN & CO.

AF : 0010

Public Accountants

SIVADASAN A/L NARAYAN NAIR

1420/12/01(J)

Partner of the Firm

Kuala Lumpur,

Date: May 23, 2000